

Village of Pinehurst, North Carolina  
Comprehensive Annual Financial Report



For the Fiscal Year Ended  
June 30, 2016

Prepared by  
Financial Services Department

John G. Frye  
Director of Financial Services

**Village of Pinehurst, North Carolina**  
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**For the Fiscal Year Ended June 30, 2016**

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HISTORY, CHARM, AND SOUTHERN HOSPITALITY

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September 19, 2016

Dear Mayor, Members of the Village Council, and Citizens:

The Comprehensive Annual Financial Report of the Village of Pinehurst, North Carolina (Village) is submitted for your review and use. This report was prepared by the Village's Financial Services Department, and it is the comprehensive publication of the Village's financial position and results of operations as of and for the fiscal year ended June 30, 2016. The Village, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

As a comprehensive annual financial report this document provides financial detail and historical trends beyond the basic financial statements in the Financial Section. The Supplementary Information provides details on the Village's pension plans. The Statistical Section provides trend information on financial performance, revenue capacity, debt capacity, demographic and economic indicators, and operating information. A Compliance Section includes documentation on federal and state grants and awards compliance.

Village management is responsible for both the accuracy of the data and the completeness and fairness of the report. To ensure reliability of the information, Village management has established a comprehensive framework of internal controls. Internal controls protect the Village's assets from loss, theft and misuse and provide reliable information for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the Village's controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

As noted earlier, the Village is required by state law to have an annual independent financial audit. Dixon Hughes Goodman, LLP, Certified Public Accountants, conducted the audit and concluded in an unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the Village of Pinehurst, North Carolina, as of June 30, 2016. The independent auditors' report on the basic financial statements is located at the beginning of the financial section of this report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditors' report and provides a prescribed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Village**

"The Village of Pinehurst is a charming, vibrant community which reflects our rich history and traditions." This vision statement adopted by the Village Council is reflective of what we aspire to be as a community. Our mission is to "promote, enhance, and sustain the quality of life for residents, businesses, and visitors". The Village was incorporated in 1980, and is located in the Sandhills Region of North Carolina. The Village has a land area of approximately 17 square miles, and an estimated population of 15,763. Pinehurst is the largest of eleven

municipalities in Moore County. The Village is empowered to levy a property tax on both real estate and personal properties located within its boundaries. It also is empowered, by state statute, to extend its corporate limits by annexation on a limited basis.

The Village has operated under the Council-Manager form of government since its incorporation in 1980. Policy making and legislative authority are vested in the Village Council consisting of the mayor and four other members. The Village Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the Village's manager and attorney. The Village Manager is responsible for carrying out the policies and ordinances of the Village Council, for overseeing the day-to-day operations of the Village, and for appointing the heads of the various departments. Four members of the Village Council and the Mayor are elected to four year staggered terms. The Council then selects the Mayor Pro-tem and Treasurer from within the Council membership.

The Village provides a full range of services, including police and fire protection; the maintenance of streets and other infrastructure; planning and building inspections; solid waste services; and recreational activities.

The Pinehurst Village Council is required to adopt a budget by July 1 of each year. The Village's budget ordinance creates a legal limit on spending authorizations and serves as the foundation for Pinehurst's financial planning and control. The budget is prepared by fund and department. The Village Manager is authorized by the budget ordinance to make certain limited transfers within funds to facilitate budget execution consistent with Council intent.

### **Local Economy**

The Village is primarily a residential community with a historically strong growth rate in residential development. At the height of the housing market, from 2000 to 2007, approximately 250 new homes were constructed each year within the Village. During the recession that followed, the number of new homes constructed fell to a historical low of 51 new homes in 2010. In 2016, 106 new homes were constructed in the Village which is comparable with the 107 constructed in the previous year.

The tourism industry contributes significantly to the economic well-being of the Village. Moore County ranks eleventh out of one-hundred North Carolina counties in tourism, with an estimated \$374 million in annual tourism generated revenues. This is due primarily to the world-renowned reputation of Pinehurst Resort, which is owned by the privately held company Pinehurst, LLC. The resort's golf, hotel, and spa amenities draw tourists from all over the world as a result of its exceptional quality. Pinehurst Resort hosted the 1999, 2005, and 2014 U.S. Open Golf Championships. In 2014 the back-to-back U.S. Open and U.S. Women's Open Championships generated over \$140 million dollars in direct spending in the region, with the total economic impact on the state estimated at \$238 million. The resort is the Village's largest taxpayer and employs over 1,300 people.

The Village can also claim a top-notch regional health facility, FirstHealth of the Carolinas. FirstHealth is a private, not-for-profit health care system based in Pinehurst which serves 15 counties. FirstHealth is the County's largest private employer, employing approximately 3,500 health care professionals and staff. Their commitment to quality is evidenced by FirstHealth's flagship hospital, Moore Regional, being consistently named among the Top 100 Hospitals in the country.

### **Long-Term Financial Planning and Major Initiatives**

The Village is committed to maintaining a strong financial condition. The Village Council's adopted fund balance policy requires the Village to maintain a minimum unassigned General Fund balance of 15% of actual expenditures as reported in the Village's CAFR. In addition, when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance in the range of 30%-40% of budgeted expenditures. At June 30, 2016 the General Fund's unassigned fund balance of \$6,689,980 represented 41% of General Fund actual expenditures and total fund balance was 51% of budgeted expenditures.

In Fiscal Year (FY) 2017 the Village adopted its fourth strategic operating plan (SOP). This strategic planning process was adopted as a part of implementing the Malcolm Baldrige performance excellence framework and is designed to provide an integrated approach to organizational performance management. The SOP includes a one-year budget and a five-year capital improvement plan (CIP). The SOP is a strategic, results-driven approach to resource allocation that is closely aligned with the Village Council's strategy and achieving the results articulated in the Village's balanced scorecard.

The Village's mission is "to promote, enhance, and sustain the quality of life for residents, businesses, and visitors." The Village Council adopted nine organizational goals for the 2017 Strategic Plan to achieve that mission. The goals are as follows: (1) safeguard the community, (2) ensure Pinehurst is a premier residential community, (3) ensure a thriving business community, (4) provide multi-modal transportation systems, (5) manage solid waste collections, (6) maintain a healthy community, (7) professionally manage a high performing organization, (8) attract and retain an engaged workforce, and (9) maintain a healthy financial condition.

Major initiatives of the FY 2017 Strategic Plan to address these goals include:

- Traffic enforcement
- Land use analysis
- Streetscape enhancements
- Greenways
- Neighborhood sidewalks
- Recreation facilities

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the 23<sup>rd</sup> consecutive year the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the Village published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Village received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal years ended June 30, 2008 through 2016. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget document had to be judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the dedicated efforts of the entire staff of the Financial Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the Village Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Village's finances.

Respectfully submitted,



Jeffrey M. Sanborn  
Village Manager



John G. Frye  
Director of Financial Services



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Village of Pinehurst  
North Carolina**

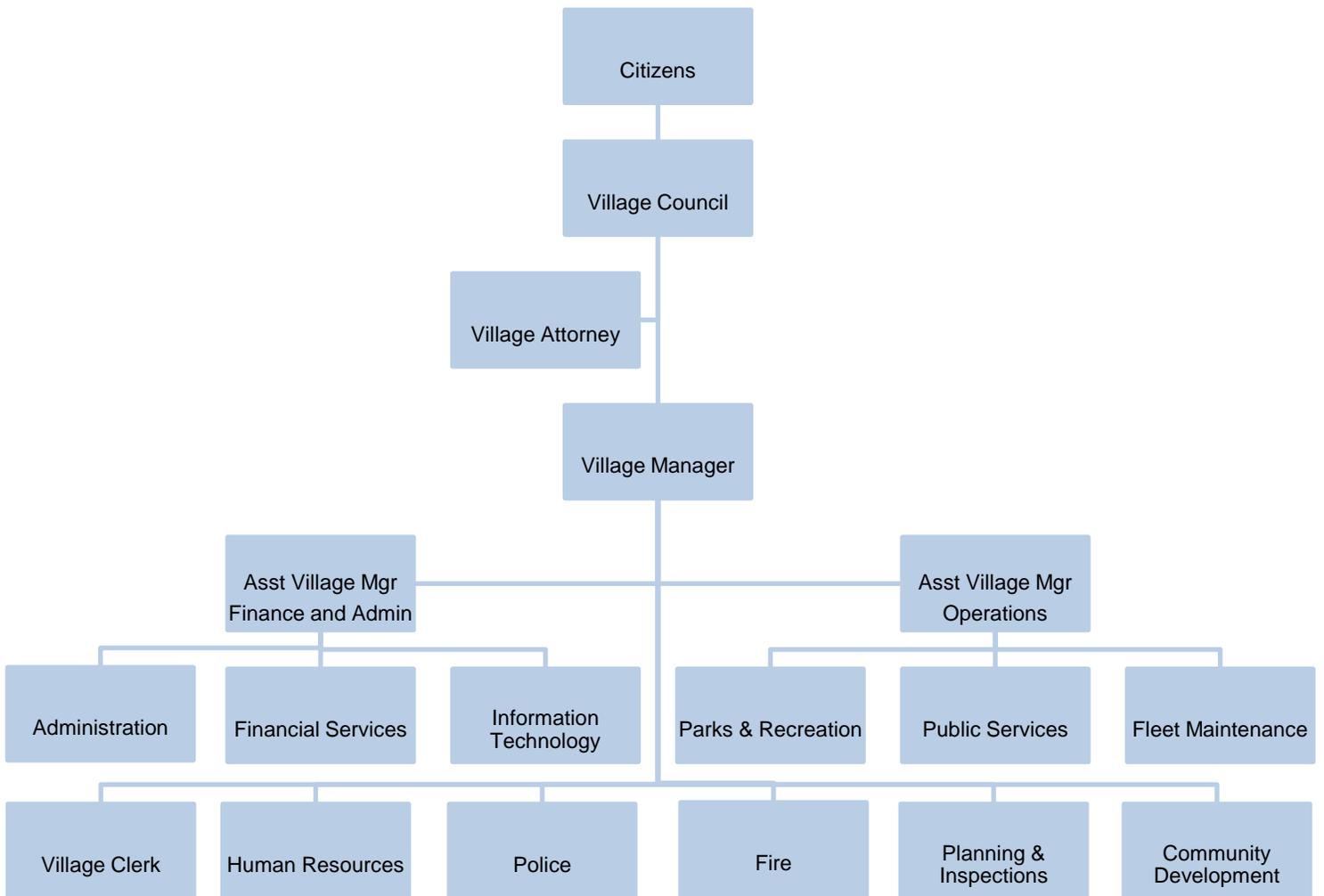
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# Village of Pinehurst, North Carolina

## Organizational Chart June 30, 2016



**Village of Pinehurst, North Carolina  
List of Principal Officials  
June 30, 2016**

**Elected Officials**

Nancy Roy Fiorillo	Mayor
John R. Cashion	Mayor Pro-Tem
John Bouldry	Treasurer
Claire Berggren	Council Member
Clark Campbell	Council Member

**Appointed Officials**

Jeffrey M. Sanborn	Village Manager
Natalie E. Dean	Assistant Village Manager
Jeff Batton	Assistant Village Manager
Michael J. Newman	Village Attorney
Lauren Craig	Village Clerk
John G. Frye	Financial Services Director
Angela M. Kantor	Human Resources Director
Jason Whitaker	Chief Information Officer
Earl Phipps	Police Chief
Carlton Cole	Fire Chief
Kevin Reed	Planning & Inspections Director
Walt Morgan	Public Services Director
Randy Kuhn	Fleet Maintenance Director
Mark Wagner	Parks and Recreation Director

***INDEPENDENT AUDITORS' REPORT***

The Honorable Mayor and Members of  
the Village Council  
Village of Pinehurst  
Pinehurst, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinehurst, North Carolina ("Village") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise of the Village's basic financial statements listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, Local Government Employees' Retirement System Schedule of the Proportionate Share of the Net Pension Liability (Asset) on page 44, Local Government Employees' Retirement System Schedule of Contributions on page 45, and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress on page 46 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village. The combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016 on our consideration of Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

September 19, 2016  
High Point, North Carolina

# Village of Pinehurst Management's Discussion and Analysis June 30, 2016

As management of the Village of Pinehurst (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Village's financial statements, which follow this narrative.

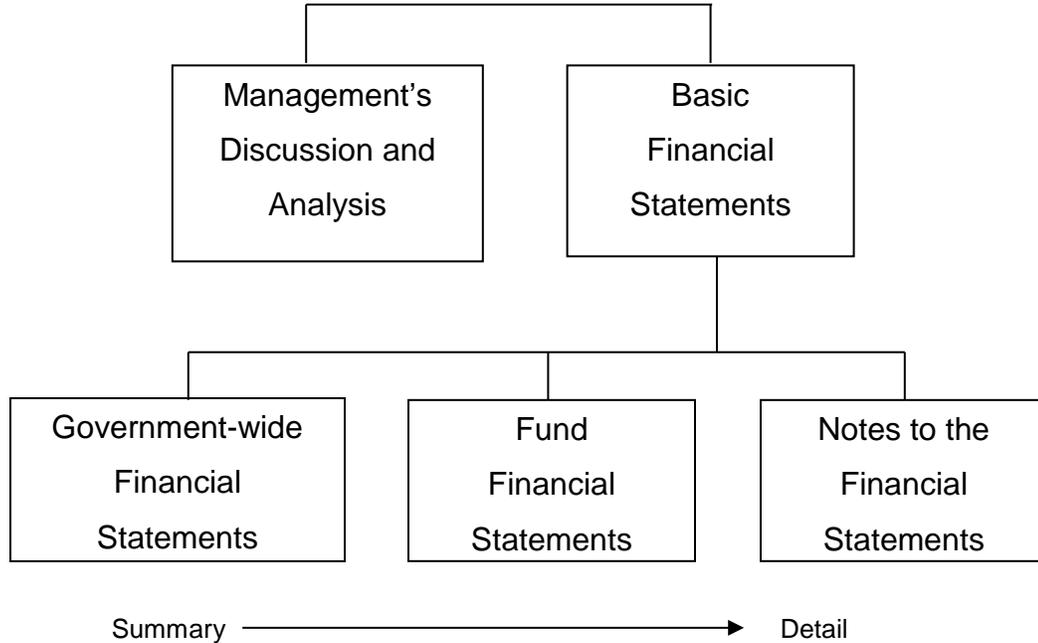
## Financial Highlights

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$28,720,745 (*net position*).
- The Village's total net position increased by \$2,089,130 primarily due to lower than expected operating expenditures, an increase in capital assets, and the reduction in long term debt due to scheduled principal payments.
- At the end of the current fiscal year, the Village's only governmental fund, the General Fund, reported ending fund balance of \$9,325,344, an increase of \$1,100,242 in comparison with the prior year. Approximately 72% of this amount, or \$6,689,980, is available for spending at the Village's discretion (*unassigned fund balance*) and is equal to 41% of total general fund expenditures for the fiscal year.
- The Village's total debt decreased by \$406,502 (22%) during the current fiscal year. The decrease was due to scheduled principal payments on existing debt obligations. Total debt outstanding was \$1,435,323 at the 2016 fiscal year end.
- The Village had no general obligation bonded debt as of June 30, 2016.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$25,872, which is equivalent to a return of approximately 0.17% on the average amount of cash and cash equivalents during the year. At fiscal year's end, 40% of the Village's cash and investments were held in insured or collateralized depository accounts and 60% were invested in the North Carolina Capital Management Trust, a SEC-registered (2a7) money market mutual fund.
- The Village has received the Certificate of Achievement for Excellence in Financial Reporting for 23 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2016 fiscal year, the Village received the Distinguished Budget Presentation Award for the 9<sup>th</sup> consecutive year from the Government Finance Officer's Association for its annual budget.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Village through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Village.

**Required Components of Annual Financial Report**  
**Figure 1**



### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Village's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Village's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Village's financial status as a whole.

The two government-wide statements report the Village's net position and how they have changed. Net position is the difference between the Village's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include all of the Village's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Village charges customers to provide. The Village does not engage in any business-type activities as of June 30, 2016. The final category is the component unit. The Village does not have any component units as of June 30, 2016.

The government-wide financial statements are on Exhibits 1 and 2 of the basic financial statements.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the Village's budget ordinance. The Village currently only has one fund, the General Fund, which is a governmental fund.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Village's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Village's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the Village Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balances. The statement shows four columns: 1) the original budget as adopted by the Village Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23-43 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 44 of this report.

**Interdependence with Other Entities** - The Village depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

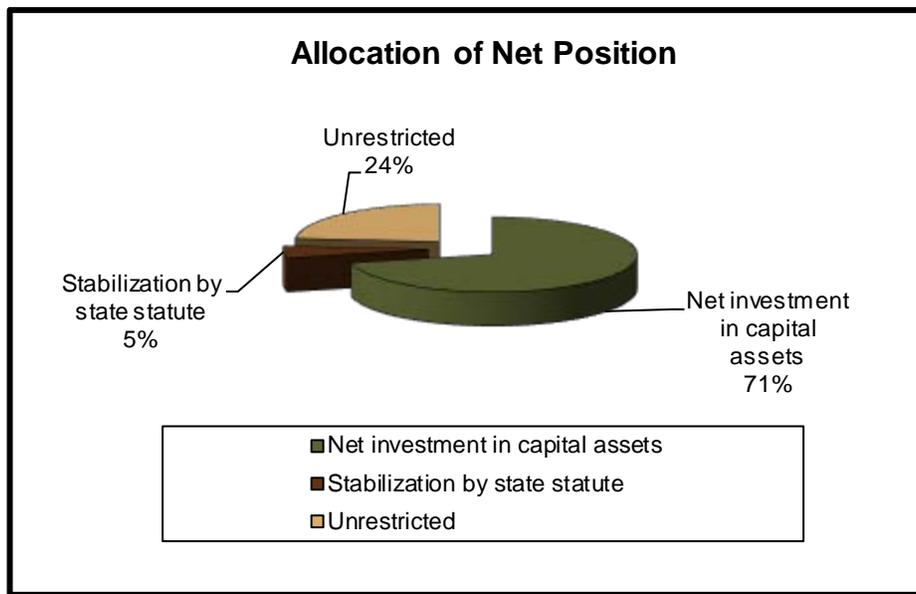
### Net Position

The following (Figure 2) reflects condensed information on the Village's net position:

**Village of Pinehurst's Net Position**  
**Figure 2**

	<u>Governmental</u> <u>Activities</u> <u>2016</u>	<u>Governmental</u> <u>Activities</u> <u>2015</u>
Current and other assets	\$ 10,342,528	\$ 9,199,345
Net pension asset	-	638,460
Capital assets	<u>21,903,313</u>	<u>21,490,625</u>
Total assets	<u>32,245,841</u>	<u>31,328,430</u>
Deferred outflows of resources	<u>437,872</u>	<u>454,473</u>
Long-term liabilities outstanding	2,074,631	2,697,718
Net pension liability	759,805	-
Other liabilities	<u>873,342</u>	<u>897,488</u>
Total liabilities	<u>3,707,778</u>	<u>3,595,206</u>
Deferred inflows of resources	<u>255,190</u>	<u>1,556,082</u>
Net position:		
Net investment in capital assets	20,467,990	19,648,800
Restricted for:		
Stabilization by state statute	1,474,901	1,601,410
Unrestricted	<u>6,777,854</u>	<u>5,381,405</u>
Total net position	<u>\$ 28,720,745</u>	<u>\$ 26,631,615</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Village exceeded liabilities and deferred inflows by \$28,720,745 as of June 30, 2016. The Village's net position increased by \$2,089,130 for the fiscal year ended June 30, 2016. However, the largest portion, \$20,467,990 or 71%, reflects the Village's net investment in capital assets (e.g. land, right of ways, buildings, machinery, and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village's net position, \$1,474,901, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,777,854 is unrestricted.



### Governmental Activities

Governmental activities increased the Village’s net position by \$2,089,130. Several aspects of the Village’s financial operations influenced the positive change in total governmental net position:

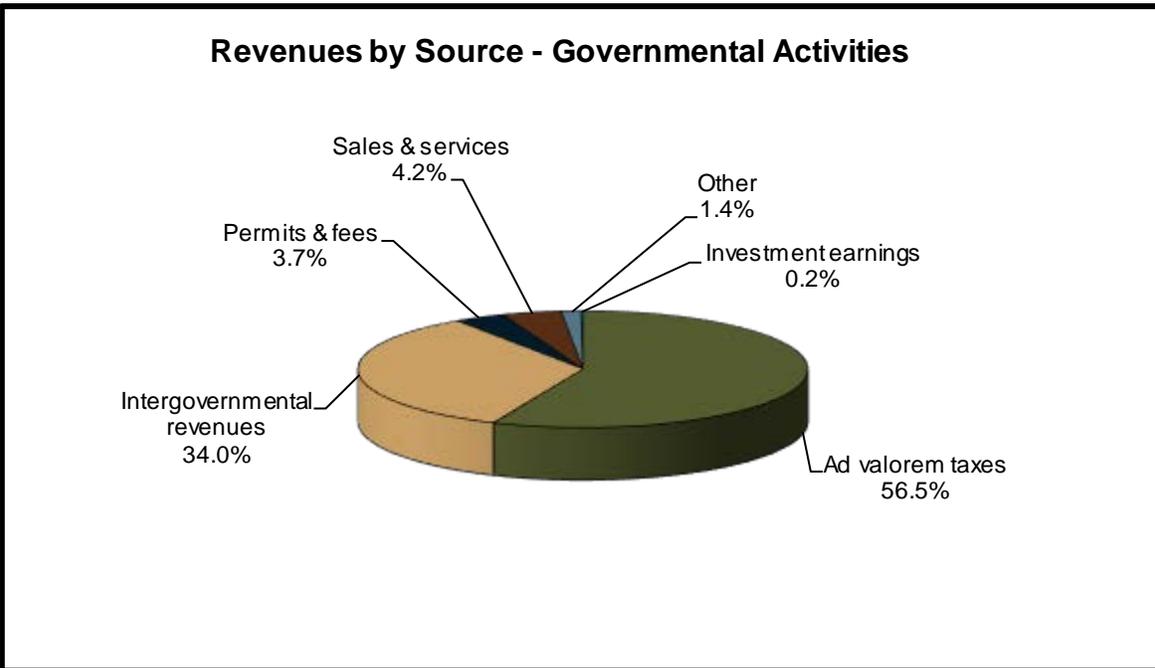
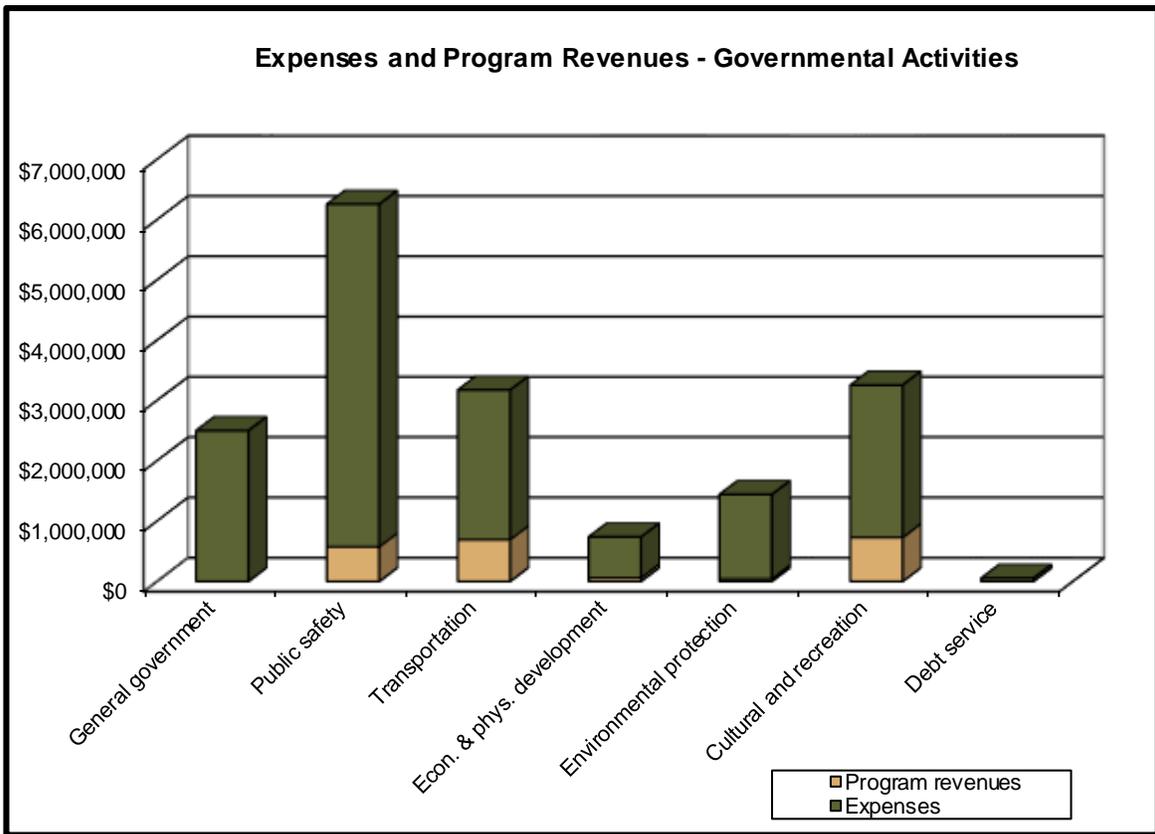
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in the General Fund of 99.94%, which is comparable to the statewide average of 96.47%.
- Unrestricted intergovernmental revenues increased by \$349,000 or 7% due to increased collections of local option sales taxes and electricity sales taxes.
- Expenses net of program revenues increased by \$190,000, or 1.4%. This result was influenced by the following factors:
  - Program expenses were \$685,000, or 4.3%, lower than in the previous fiscal year. This was primarily due to operating expenses decreasing by \$784,000, or 10%, compared to the previous fiscal year.
  - Charges for services increased by approximately \$110,000, or 9%, due to increased revenues for facility rentals and recreation programs.
  - Operating grants and contributions decreased \$517,000 or 50% due to environmental protection grants received for the Jackson-Hamlet CDBG sewer project in the prior fiscal year.
  - Capital grants and contributions decreased by \$89,000 due to the receipt of donated streets and right-of-ways in the previous fiscal year exceeding those received in the current year.
  - The Village’s net pension asset in the prior year became a liability of \$490,982 in the current year, resulting in a pension expense of \$269,508.

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**Village of Pinehurst's Change in Net Position**  
**Figure 3**

	<u>Governmental Activities</u> <u>2016</u>	<u>Governmental Activities</u> <u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,359,573	\$ 1,249,211
Operating grants and contributions	509,304	1,025,870
Capital grants and contributions	230,788	320,235
General revenues:		
Property taxes	9,699,296	9,785,054
Golf cart licenses	8,745	2,010
Grants and contributions not restricted to specific programs	5,328,610	4,979,172
Other	279,128	207,395
Total revenues	<u>17,415,444</u>	<u>17,568,947</u>
Expenses:		
General government	2,501,748	2,220,764
Public safety	5,684,375	5,653,753
Transportation	2,481,039	2,325,248
Economic & physical development	677,747	1,567,788
Environmental protection	1,399,842	1,526,924
Culture and recreation	2,527,443	2,647,805
Interest on long-term debt	54,120	69,243
Total expenses	<u>15,326,314</u>	<u>16,011,525</u>
Increase in net position	2,089,130	1,557,422
Net position, July 1	26,631,615	25,074,193
Net position, June 30	<u>\$ 28,720,745</u>	<u>\$ 26,631,615</u>

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## **Business-type Activities**

The Village does not currently engage in Business-type activities.

## **Financial Analysis of the Village's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Village's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2016, the General Fund, the only governmental fund of the Village reported fund balance of \$9,325,344, an increase of \$1,100,242 or 13% over last year. The unassigned portion of the fund balance in the General Fund was \$6,689,980. The Village Council has established by policy that the Village should maintain a minimum unassigned fund balance of 15% of actual general fund expenditures at year end and total fund balance of 30%-40% of budgeted general fund expenditures when adopting the annual budget. Fund balance at these levels is maintained to meet the cash flow needs of the Village and to be prepared for unforeseen emergencies and opportunities. The Village currently has unassigned fund balance of 41% of actual general fund expenditures, while total fund balance represents 51% of budgeted expenditures.

As noted above, fund balance in the Village's General Fund increased by \$1,100,242 during the 2016 fiscal year. Key components of this change are as follows:

- Property tax revenue decreased approximately \$137,000 from the prior year due to a decrease in property values in the 2015 revaluation and adopting a less than revenue-neutral property tax rate in FY 2016.
- Single-family home construction continued a modest recovery with building permits and inspection fees increasing \$40,000, or 14%, over the previous year.
- Sales tax revenues increased \$195,000 or 7% due to an increase in tourism and the continued modest economic recovery.
- Electricity sales taxes increased 14%, or \$138,000, due to an adjustment in the distribution formula and other seasonal factors.
- Actual operating and capital expenditures were lower than the prior year, which also contributed to the addition to fund balance.

### **Proprietary Funds**

The Village does not have any proprietary funds.

## **General Fund Budgetary Highlights**

The Village employs conservative budgetary practices. Revenue estimates are based on conservative assumptions and projections. Village departments are encouraged to provide a high level of service to the citizens of the Village while working to conserve financial resources.

During the fiscal year, the Village revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Comparing budget to actual amounts, the Village exceeded the originally budgeted operating revenue estimates by \$704,000, or 4.2%. The primary revenues that came in above estimated budget amounts were unrestricted intergovernmental revenues and sales and services revenues. Unrestricted intergovernmental revenues were \$542,000 above budget, primarily due to increased local option sales taxes and electricity sales taxes mentioned above. Sales and services revenues were \$151,000 above budget due to better than expected facility rental income at the Village's Fair Barn, Harness Track, and Arboretum facilities and increased recreation fees.

Total expenditures were \$1,765,000, or 9.9%, less than originally budgeted amounts. Expenditures were less than budgeted amounts for the following significant items: (1) contracted and professional services of \$185,000 were lower than expected, (2) salaries and benefits were \$493,000 lower due to employee vacancies related to turnover and a significant number of retirements of employees; and (3) capital expenditures were \$615,000 below budget due primarily to not completing the Public Services facility renovation and greenway trail expansions. Also, an intersection improvement appropriated in the budget was smaller in scope than originally planned. Other smaller projects and capital items were also delayed for various reasons. These items have all been reappropriated in Fiscal Year 2017.

As a result of the variances in revenues and expenditures outlined above, fund balance in the General Fund increased by \$1,100,242 at Jun 30, 2016. This resulted in the General Fund reporting fund balance of \$9,325,344, a 13% increase above the previous year. This increase can be attributed to lower operating costs and unfinished capital items that were reappropriated in FY 2017. The amount reappropriated to complete these items was \$445,000.

## **Capital Asset and Debt Administration**

### **Capital assets**

The Village's investment in capital assets for its governmental activities as of June 30, 2016 totals \$21,903,313 (net of accumulated depreciation). These assets include land, right of ways, buildings and improvements, furniture and equipment, vehicles, infrastructure such as streets and drainage systems, and construction in progress.

Major capital asset transactions during the year include the following additions. There were no significant demolitions or disposals:

- Splash pad recreation facility added to Wicker Park costing \$280,000
- Public Services complex renovation expenditures of \$183,000 (partially completed)
- Automated solid waste vehicle replacements (2) costing \$320,000
- Cotswold drainage project totaling \$166,000 (partially completed in prior fiscal year)
- Mobile stage for outdoor events costing \$76,000
- Donated streets and right-of-ways of \$121,000

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**Village of Pinehurst's Capital Assets  
(net of depreciation)  
Figure 4**

	<u>Governmental Activities</u> <u>2016</u>	<u>Governmental Activities</u> <u>2015</u>
Land	\$ 5,783,713	\$ 5,783,713
Right of Ways	168,340	140,098
Buildings and Improvements	7,657,676	7,912,146
Furniture and Equipment	894,892	897,906
Vehicles	2,514,587	2,339,067
Infrastructure	4,682,129	4,278,647
Construction in Progress	<u>201,976</u>	<u>139,048</u>
<b>Total</b>	<b><u>\$ 21,903,313</u></b>	<b><u>\$ 21,490,625</u></b>

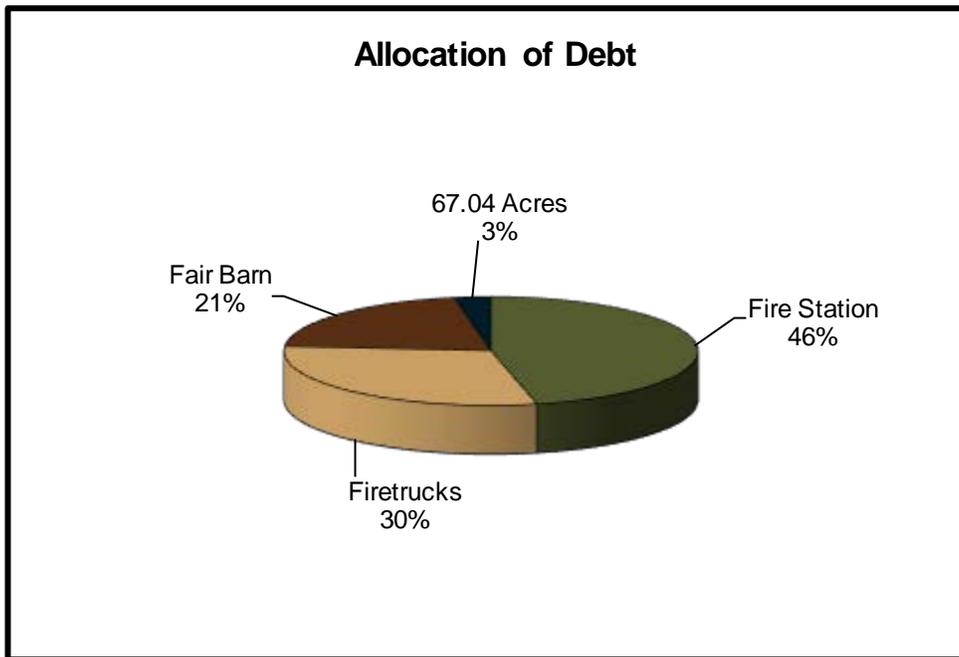
Additional information on the Village's capital assets can be found in Note 4 of the Basic Financial Statements.

**Long-term debt**

As of June 30, 2016, the Village had total outstanding debt of \$1,435,323 in installment purchase agreements collateralized by the assets that are financed. During fiscal year 2016 the Village's total debt decreased by \$406,502 (22%) due to principal payments as detailed in Note 9.

**Village of Pinehurst's Outstanding Debt  
Figure 5**

	<u>Governmental Activities</u> <u>2016</u>	<u>Governmental Activities</u> <u>2015</u>
Installment Purchase Agreements		
Fire Station	\$ 666,666	\$ 833,333
Fair Barn	300,000	350,000
Firetrucks	427,989	558,492
67.04 Acres	<u>40,668</u>	<u>100,000</u>
<b>Total</b>	<b><u>\$ 1,435,323</u></b>	<b><u>\$ 1,841,825</u></b>



North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Village is \$265,994,552.

Additional information regarding the Village's long-term debt can be found in Note 9 beginning on page 40 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following economic indicators and conditions reflect the current operating environment of the Village:

- Unemployment: The Village's unemployment rate decreased to 5.1% as compared to 6.1% the previous fiscal year. The current rate is just above the state rate of 4.9% and is slightly above historical levels. Both the state and local unemployment rates have improved over the past year.
- New home construction: The Village added 106 new homes last year compared to 107 in the previous fiscal year. The total value of the homes constructed, however, was 3.2% lower than the previous fiscal year. Single-family home construction has settled in at approximately 100 homes per year. This modest level of construction suppresses the Village's tax base growth to some degree.
- Sales tax revenues have increased over the past two fiscal years with growth rates near their historical averages.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

#### **Governmental Activities**

Revenues of the Village are expected to increase by 4% overall for FY 2017. This is primarily due to increases in property taxes, sales taxes, and electricity sales taxes. Property tax revenues are expected to increase by 3.7% due to a one-half cent property tax rate increase and tax base growth. At the property revaluation in FY 2016, the Village did not adopt the estimated revenue neutral tax rate of \$0.30. The FY 2017 tax rate increase was also needed to support the reorganization of the Police department and the addition of two traffic enforcement officers. For FY 2017, the Village adopted an ad valorem tax rate of \$0.295 per \$100 valuation compared to \$0.290 the previous year.

Budgeted expenditures in the General Fund are estimated to be \$18,249,985, a decrease of 0.6%. This small decrease is primarily a result of the lower level of capital expenditures compared to the previous fiscal year. Debt service expenditures also continue to decrease as the Village pays down its remaining debt obligations.

In Fiscal Year 2017 the Village adopted its fourth strategic operating plan (SOP). This strategic planning process was adopted as a part of implementing the Malcolm Baldrige performance excellence framework and is designed to provide an integrated approach to organizational performance management. The SOP includes a one-year budget and a five-year capital improvement plan (CIP). The SOP is a strategic, results-driven approach to resource allocation that is closely aligned with the Village Council's strategy and achieving the results articulated in the Village's balanced scorecard.

The Village's mission is "to promote, enhance, and sustain the quality of life for residents, businesses, and visitors." The Village Council adopted nine organizational goals for the 2017 Strategic Plan to achieve that mission. The goals are as follows: (1) safeguard the community, (2) ensure Pinehurst is a premier residential community, (3) ensure a thriving business community, (4) provide multi-modal transportation systems, (5) manage solid waste collections, (6) maintain a healthy community, (7) professionally manage a high performing organization, (8) attract and retain an engaged workforce, and (9) maintain a healthy financial condition.

Major initiatives of the FY 2017 Strategic Plan to address these goals include:

- Traffic enforcement
- Land use analysis
- Streetscape enhancements
- Greenways
- Neighborhood sidewalks
- Recreation facilities

Total capital outlays of \$2,136,700 are down 9% compared to the previous fiscal year. The significant capital items included for FY 2017 are as follows:

- Replacement of a 1998 fire engine (\$600,000)
- Neighborhood sidewalks in Village Acres (\$375,200)
- Streetscape improvements on McCaskill Road (\$140,000)
- Storm drainage projects (\$110,000)
- Completing the Public Services complex redevelopment (\$48,000)

### **Business – type Activities**

The Village does not engage in any Business-type activities.

### **Requests for Information**

This report is designed to provide an overview of the Village's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to John Frye, Financial Services Director at 910-295-8646, or Village of Pinehurst, 395 Magnolia Road, Pinehurst, NC 28374.

Village of Pinehurst, North Carolina  
Statement of Net Position  
June 30, 2016

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 8,578,105
Taxes receivables (net)	24,582
Special assessments receivable	131,362
Interest receivable	9,041
Other receivables	14,946
Due from other governments	1,425,714
Inventories	39,799
Prepaid items	118,979
Total unrestricted current assets	<u>10,342,528</u>
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	5,783,713
Construction in progress	201,976
Right of ways	168,340
Buildings and improvements	7,657,676
Furniture and equipment	894,892
Vehicles	2,514,587
Infrastructure	4,682,129
Total capital assets	<u>21,903,313</u>
Total assets	<u>32,245,841</u>
<b>Deferred Outflows of Resources</b>	
Pensions-Contributions to pension plan in the current fiscal year	424,359
Pensions-Change in proportion and differences in employer contributions and proportionate share of contributions	13,513
Total deferred outflows of resources	<u>437,872</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	859,138
Accrued interest payable	14,204
Long-term liabilities due within one year	788,337
Total current liabilities	<u>1,661,679</u>
Long-term liabilities:	
Net pension liability	759,805
Long-term liabilities due in more than one year	1,286,294
Total liabilities	<u>3,707,778</u>
<b>Deferred Inflows of Resources</b>	
Pensions-Difference between actual and expected experience	115,409
Pensions-Net difference between actual and expected earnings on plan investments	139,781
Total deferred inflows of resources	<u>255,190</u>
<b>Net Position</b>	
Net investment in capital assets	20,467,990
Restricted for:	
Stabilization by state statute	1,474,901
Unrestricted	6,777,854
<b>Total net position</b>	<u>\$ 28,720,745</u>

Village of Pinehurst, North Carolina  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
General government	\$ 2,501,748	\$ 91	\$ -	\$ -	\$ (2,501,657)
Public safety	5,684,375	569,814	3,945	-	(5,110,616)
Transportation	2,481,039	-	495,143	198,043	(1,787,853)
Economic and physical development	677,747	59,368	-	-	(618,379)
Environmental protection	1,399,842	-	10,216	32,745	(1,356,881)
Cultural and recreation	2,527,443	730,300	-	-	(1,797,143)
Interest on long-term debt	54,120	-	-	-	(54,120)
Total governmental activities	<u>\$15,326,314</u>	<u>\$ 1,359,573</u>	<u>\$ 509,304</u>	<u>\$ 230,788</u>	<u>(13,226,649)</u>
General revenues:					
Ad valorem taxes					9,699,296
Golf cart licenses					8,745
Unrestricted intergovernmental					5,328,610
Investment earnings					25,872
Miscellaneous					253,256
Total general revenues					<u>15,315,779</u>
Change in net position					2,089,130
Net position, beginning					<u>26,631,615</u>
Net position-ending					<u>\$28,720,745</u>

**Village of Pinehurst, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

**Exhibit 3**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,578,105
Receivables, net:	
Taxes	24,582
Special assessments	131,362
Interest	9,041
Other	14,946
Due from other governments	1,425,714
Inventories	39,799
Prepaid items	118,979
	<u>118,979</u>
Total assets	<u>\$ 10,342,528</u>
 <b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 182,549
Withholdings and accrued expenditures	589,690
Deposits	86,899
Total liabilities	<u>859,138</u>
 Deferred inflows of resources:	
Unavailable revenues	158,046
Total deferred inflows of resources	<u>158,046</u>
 Fund balances:	
Nonspendable:	
Inventory	39,799
Prepaid items	118,979
Restricted:	
Stabilization by state statute	1,474,901
Assigned:	
Subsequent year's expenditures	1,001,685
Unassigned	6,689,980
Total fund balances	<u>9,325,344</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 10,342,528</u>

**Village of Pinehurst, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2016**

**Exhibit 4**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balance, governmental funds		\$ 9,325,344
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	\$ 40,551,230	
Accumulated depreciation	<u>(18,647,917)</u>	21,903,313
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		424,359
Liabilities for earned revenues considered deferred inflows of resources in the fund statements		
Taxes receivable	24,582	
Other receivables	2,102	
Assessments receivable	<u>131,362</u>	158,046
Some liabilities, including notes payable and accrued interest are not due and payable in the current period and therefore are not reported in the funds		
Accrued interest payable	(14,204)	
Compensated absences payable	(639,308)	
Net pension obligation	(759,805)	
Installment purchases payable	<u>(1,435,323)</u>	(2,848,640)
Pension related deferrals		<u>(241,677)</u>
Net position of governmental activities		<u>\$ 28,720,745</u>

**Village of Pinehurst, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit 5**

	<u>Major Funds</u>	Total
	General Fund	Governmental Funds
<b>Revenues</b>		
Ad valorem taxes	\$ 9,697,697	\$ 9,697,697
Golf cart licenses	8,745	8,745
Unrestricted intergovernmental	5,328,610	5,328,610
Restricted intergovernmental	509,245	509,245
Permits and fees	632,033	632,033
Sales and services	729,626	729,626
Investment earnings	25,932	25,932
Assessment income	45,741	45,741
Miscellaneous	195,642	195,642
Total revenues	<u>17,173,271</u>	<u>17,173,271</u>
<b>Expenditures</b>		
Current:		
General government	2,142,750	2,142,750
Public safety	5,443,314	5,443,314
Transportation	2,774,071	2,774,071
Economic and physical development	874,566	874,566
Environmental protection	1,576,998	1,576,998
Cultural and recreation	2,854,719	2,854,719
Debt service:		
Principal	406,502	406,502
Interest and other charges	57,721	57,721
Total expenditures	<u>16,130,641</u>	<u>16,130,641</u>
Excess of revenues over expenditures	<u>1,042,630</u>	<u>1,042,630</u>
<b>Other Financing Sources</b>		
Sales of capital assets	57,612	57,612
Total other financing sources	<u>57,612</u>	<u>57,612</u>
Net change in fund balance	1,100,242	1,100,242
Fund balances, beginning	<u>8,225,102</u>	<u>8,225,102</u>
Fund balances, ending	<u>\$ 9,325,344</u>	<u>\$ 9,325,344</u>

**Village of Pinehurst, North Carolina**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the Statement of Activities**  
**June 30, 2016**

**Exhibit 6**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds		\$ 1,100,242
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital outlay expenditures which were capitalized	\$ 1,997,954	
Depreciation expense	<u>(1,668,278)</u>	329,676
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		424,359
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) in the current period		
Donated assets received	121,076	
Gain on disposal of assets	47,781	
Proceeds from disposal of assets	(47,781)	
Loss on disposal of assets	<u>(38,064)</u>	83,012
Revenues in the Statement of Activities that are not reported as revenues in the fund statements		
Special assessment payments	(45,741)	
Special assessments levied in the current fiscal year	109,712	
Change in other deferred inflows	(2,086)	
Change in deferred tax inflows	<u>1,599</u>	63,484
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.		
Principal payments		406,502
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest payable	3,601	
Compensated absences	(18,429)	
Pension expense	(269,508)	
Pension obligation	<u>(33,809)</u>	<u>(318,145)</u>
Total changes in net position of governmental activities		<u>\$ 2,089,130</u>

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Annual Budget and Actual  
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 9,573,000	\$ 9,573,000	\$ 9,697,697	\$ 124,697
Golf cart licenses	-	-	8,745	8,745
Unrestricted intergovernmental	4,785,900	5,249,400	5,328,610	79,210
Restricted intergovernmental	505,450	505,450	509,245	3,795
Permits and fees	544,300	556,300	632,033	75,733
Sales and services	579,000	652,000	729,626	77,626
Investment earnings	10,200	10,200	25,932	15,732
Assessments	29,075	29,075	45,741	16,666
Miscellaneous	442,680	169,680	195,642	25,962
Total revenues	<u>16,469,605</u>	<u>16,745,105</u>	<u>17,173,271</u>	<u>428,166</u>
<b>Expenditures:</b>				
Current:				
General government	2,357,545	2,373,497	2,142,750	230,747
Public safety	5,960,605	6,042,682	5,443,314	599,368
Transportation	3,183,975	3,260,913	2,774,071	486,842
Economic & physical development	995,855	1,070,455	874,566	195,889
Environmental protection	1,641,980	1,712,680	1,576,998	135,682
Cultural and recreation	3,240,980	3,338,364	2,854,719	483,645
Contingency	50,000	43,000	-	43,000
Debt service:				
Principal retirement	406,103	406,188	406,502	(314)
Interest and fees	58,201	58,116	57,721	395
Total expenditures	<u>17,895,244</u>	<u>18,305,895</u>	<u>16,130,641</u>	<u>2,175,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,425,639)</u>	<u>(1,560,790)</u>	<u>1,042,630</u>	<u>2,603,420</u>
<b>Other Financing Sources:</b>				
Sales of capital assets	50,000	50,000	57,612	7,612
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>57,612</u>	<u>7,612</u>
Fund balance appropriated	<u>1,375,639</u>	<u>1,510,790</u>	<u>-</u>	<u>(1,510,790)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,100,242</u>	<u>\$ 1,100,242</u>
Fund balances, beginning			<u>8,225,102</u>	
Fund balances, ending			<u>\$ 9,325,344</u>	

**Note 1. Summary of Significant Accounting Policies**

The accounting policies of the Village conform to generally accepted accounting principles (GAAP) as applicable to government units. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Village of Pinehurst is a municipal corporation, which is governed by a five-member council. The mayor is directly elected along with the other four council members. For financial reporting purposes, in accordance with generally accepted accounting principles, the Village includes any separate entity for which the Village is financially accountable. For the year ended June 30, 2016, no other entity is included in the Village financial statements.

**B. Basis of Presentation**

**Government-wide Statements.** The statement of net position and the statement of activities display information about the nonfiduciary activities of the primary government. These statements include the financial activities of the overall government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations of these charges are performed to avoid distortion of the direct costs and program revenues reported for the various functions concerned. These statements report the *governmental activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the Village's funds. Separate statements for each fund category are presented, even though the latter is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the Village only has only one fund, the General Fund.

The Village reports the following major governmental fund:

The **General Fund** is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are ad valorem taxes and intergovernmental revenues. The primary expenditures are for public safety, transportation, and general government services.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all governmental funds of the Village are accounted for during the year on the modified accrual basis of accounting.

**Government-wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Village considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities sales tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village because the tax is levied by Moore County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. As it is the Village's policy to use restricted revenue sources before unrestricted, we first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Data**

The Village's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the object level for the General Fund (e.g. operating expenditures and capital outlay), at the departmental level for the special revenue funds, and at the object level for the capital projects funds. A function is a group of related activities aimed at accomplishing a major service, such as public safety; a department is a component of a function, such as police. The Village manager may authorize all budget transfers within a department and transfers that do not exceed \$10,000 between departments. Transfers between funds require council approval. During the year, several amendments to the original budget became necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

As required by North Carolina General Statutes, Chapter 159, Section 26(d) [hereinafter references to the North Carolina General Statutes will be cited as G.S.], the Village maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

**1. Deposits and Investments**

All deposits of the Village are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Village may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Village may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Village to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Village's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

**2. Cash and Cash Equivalents**

The Village pools moneys from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**3. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year, and these taxes are due on September 1 (lien date); however, no interest or penalties are assessed until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

**4. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**5. Inventory and Prepaid Items**

Inventory is valued at cost, which approximates market, using the first-in, first-out method. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

**6. Capital Assets**

Capital assets are defined by the government as tangible or intangible assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization cost for all assets is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (years)</u>
Right of ways	40
Infrastructure	20 - 40
Buildings and improvements	20
Furniture and equipment	3 - 10
Vehicles	4 - 20

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has two items that meet this criteria, contributions made to the pension plan in the 2016 fiscal year and other pension related deferrals.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category - taxes receivable, special assessments receivable, other receivables, and deferrals of pension expense that result from the implementation of GASB Statement 68.

**8. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Compensated Absences**

The vacation policy of the Village provides for the accumulation without any applicable maximum until December 31 of each year. At December 31, employees may carryover two times the employee's annual accrual rate for the current year. This rate varies according to years of employment and position. Any excess hours removed from vacation shall be added to the employee's sick leave balance. The Village has assumed a first-in, first-out method of using accumulated compensated time. Compensated vacation absences are reported in the government-wide financial statements as an expense and a liability as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Village's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Village has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**10. Net Position/Fund Balances**

**Net Position**

Net Position in government-wide financial statements is classified net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance may be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable fund balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – The portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid items – The portion of fund balance that is not an available resource because it represents expenditures that were paid in the current fiscal year, but are attributed to the next fiscal year.

**Restricted fund balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – The portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

**Committed fund balance** – The portion of fund balance that can only be used for specific purposes imposed by a formally adopted resolution approved by a majority vote of a quorum of the Village's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Assigned fund balance** – The portion of fund balance that the Village intends to use for specific purposes imposed by majority vote by quorum of the Village Council.

Subsequent year's expenditures – The portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Village Council approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$10,000.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**10. Net Position/Fund Balances (Continued)**

**Fund Balances (Continued)**

**Unassigned fund balance** – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

For the purpose of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The Village has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Village in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures and total fund balance is 30% - 40% of budgeted expenditures. Any portion of the general fund balance in excess of 30% of budgeted expenditures may be appropriated for expenditure by the Village Council.

**11. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Village's employer contributions are recognized when due and the Village has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**Note 2. Deposits and Investments**

**A. Deposits**

All of the Village's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Village's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

Since the State Treasurer is acting in a fiduciary capacity for the Village, these deposits are considered to be held by the Village's agent in the Village's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Village under the Pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralized public deposits under the Pooling Method. The Village has no formal policy regarding custodial credit risk for deposits.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 2. Deposits and Investments (Continued)**

**A. Deposits (Continued)**

At June 30, 2016, the Village's deposits had a carrying amount of \$3,398,201. The cash balance in the bank at June 30, 2016 totaled \$3,602,625. Of the bank balance, \$750,000 was covered by federal depository insurance and \$2,852,625 was covered by collateral held under the Pooling Method. At June 30, 2016, the Village's petty cash fund totaled \$1,200.

**B. Investments**

At June 30, 2016, the Village's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Capital Management Trust–Cash Portfolio	Amortized Cost	\$5,178,704	N/A	AAAm

**Interest rate risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village's investment policy will structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations. Also, the Village's investment policy requires the investment of operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

**Credit risk** – Credit risk is the risk of loss due to the failure of the security issuer or backer. The Village will minimize this risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized. The Village's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016.

**Note 3. Receivables**

Receivables as of year-end for the government's individual major funds and the non-major funds in the aggregate, including any applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>
Receivables:	
Taxes	\$ 24,582
Special assessments	131,362
Interest	9,041
Other	17,171
Intergovernmental	<u>1,425,714</u>
Gross receivables	1,607,870
Less: Allowance for uncollectible accounts	<u>2,225</u>
Net total receivables	<u>\$ 1,605,645</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**Note 4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,783,713	\$ -	\$ -	\$ 5,783,713
Construction in progress	139,048	201,976	(139,048)	201,976
Total capital assets not being depreciated	<u>5,922,761</u>	<u>201,976</u>	<u>(139,048)</u>	<u>5,985,689</u>
Capital assets being depreciated:				
Right of ways	150,120	32,400	-	182,520
Buildings and improvements	19,143,835	625,690	-	19,769,525
Furniture and equipment	2,740,683	260,406	(89,009)	2,912,080
Vehicles	5,846,557	602,770	(285,465)	6,163,862
Infrastructure	5,002,718	534,836	-	5,537,554
Total	<u>32,883,913</u>	<u>2,056,102</u>	<u>(374,474)</u>	<u>34,565,541</u>
Less accumulated depreciation for:				
Right of ways	10,022	4,158	-	14,180
Buildings and improvements	11,231,689	880,160	-	12,111,849
Furniture and equipment	1,842,777	263,420	(89,009)	2,017,188
Vehicles	3,507,490	389,186	(247,401)	3,649,275
Infrastructure	724,071	131,354	-	855,425
Total	<u>17,316,049</u>	<u>1,668,278</u>	<u>(336,410)</u>	<u>18,647,917</u>
Total capital assets being depreciated, net	<u>15,567,864</u>	<u>387,824</u>	<u>(38,064)</u>	<u>15,917,624</u>
Governmental activity capital assets, net	<u>\$ 21,490,625</u>	<u>\$ 589,800</u>	<u>\$ (177,112)</u>	<u>\$ 21,903,313</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 378,564
Public safety	481,845
Transportation	298,699
Economic & physical development	-
Environmental protection	147,928
Cultural and recreation	361,242
Total depreciation expense	<u>\$ 1,668,278</u>

**Construction and other capital related commitments** – The Village has active construction projects and other capital related commitments as of June 30, 2016. The projects include the fabrication of a fire brush truck, storm drainage improvements and the purchase of public services vehicles. At June 30, 2016, the Village's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Gateway sign fabrication	\$ 13,027	\$ 14,378
Wicker Park shade structure fabrication	-	12,924
Total	<u>\$ 13,027</u>	<u>\$ 27,302</u>

## Note 5. Pension Plan and Postemployment Obligations

### A. Local Government Employees' Retirement System

**Plan description** – The Village is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits provided** – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions** – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Village employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.76% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Village were \$424,359 for the year ended June 30, 2016.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**A. Local Government Employees' Retirement System (Continued)**

**Refunds of contributions** – Village employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** – At June 30, 2016, the Village reported a liability of \$490,982 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Village's proportion was 0.109%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Village recognized pension expense of \$269,508. At June 30, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 115,409
Net difference between projected and actual earnings on pension plan investments	-	139,781
Changes in proportion and differences between Village contributions and proportionate share of contributions	13,513	-
Village contributions subsequent to the measurement date	424,359	-
Total	<u>\$ 437,872</u>	<u>\$ 255,190</u>

The \$424,359 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (158,823)
2018	(158,823)
2019	(158,670)
2020	234,640
2021	-
Thereafter	-

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**A. Local Government Employees' Retirement System (Continued)**

**Actuarial assumptions** – The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**A. Local Government Employees' Retirement System (Continued)**

**Discount rate** – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Village’s proportionate share of the net pension asset to changes in the discount rate**

– The following presents the Village’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Village’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Village’s proportionate share of the net Pension liability (asset)	\$3,423,679	\$ 490,982	\$ (1,979,752)

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report for the State of North Carolina.

**B. Law Enforcement Officers Special Separation Allowance**

**1. Plan Description**

The Village administers a public employee retirement system (the “Separation Allowance”), a single-employer retirement defined benefit pension plan that provides retirement benefits to the Village’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan does not maintain separate financial statements since the Plan will be funded when expenditures become due.

All full-time law enforcement officers of the Village are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>24</u>
Total	<u><u>27</u></u>

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**B. Law Enforcement Officers Special Separation Allowance (Continued)**

**2. Summary of Significant Accounting Policies**

**Basis of accounting** – The Village has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

**Method used to value investments** – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**3. Contributions**

The Village is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Village’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50 – 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015 was 15 years.

The Village’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 85,577
Interest on net pension obligation	11,751
Adjustment to annual required contribution	<u>(20,652)</u>
Annual pension cost	76,676
Contributions made	<u>42,867</u>
Increase (decrease) in net pension obligation	33,809
Net pension obligation beginning of year	<u>235,014</u>
 Net pension obligation end of year	 <u>\$ 268,823</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**B. Law Enforcement Officers Special Separation Allowance (Continued)**

**3. Contributions (Continued)**

Three Year Trend Information

<u>For Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2014	\$ 62,520	62.54%	\$ 196,824
2015	76,516	50.09%	235,014
2016	76,676	55.91%	268,823

**4. Funded Status and Funding Progress**

As of December 31 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$951,629. The covered payroll (annual payroll of active employees covered by the plan) was \$1,313,290, and the ratio of the UAAL to the covered payroll was 72.46 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**C. Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan description** – The Village contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Village. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding policy** – Article 12E of G.S. Chapter 143 requires the Village to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$77,386, which consisted of \$57,962 from the Village and \$19,424 from the law enforcement officers.

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**D. Deferred Compensation Plan**

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401K. The plan, available to all Village employees, permits them to defer a portion of their salary until future years. The Village established the plan and may amend it at its discretion. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Village currently contributes five percent for all regular employees to the plan. Contributions for the year ended June 30, 2016 were \$519,140, which consisted of \$253,742 from the Village and \$265,398 in voluntary contributions from employees.

The Village also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Village does not make contributions to the 457 plan.

**E. Other Employment Benefits**

The Village has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 with a minimum of \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Village, the Village does not determine the number of eligible participants. The Village has no liability beyond the payment of monthly contributions. The contributions to Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Village considers these contributions to be immaterial.

For the fiscal year ended June 30, 2016, the Village made contributions to the State for death benefits of \$4,567. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.00% of covered payroll, respectively.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**E. Other Employment Benefits (Continued)**

The Village also provides group life insurance to all full-time and regular part-time employees who have been employed for a minimum of 30 days. Tier 1 employees, which includes managers, department heads, and assistant department heads, are provided \$50,000 of coverage. All other eligible employees in Tier 2 are covered at \$25,000. The coverage amounts provided under the group term life insurance may change annually.

Each year, the total amount of life insurance coverage provided under the Death Benefit Plan and the group life insurance plan are evaluated. The amount of life insurance coverage in excess of \$50,000 is considered a taxable fringe benefit and an imputed premium value for the excess life insurance benefit is added to each employees taxable earnings for the year.

**Note 6. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources at year-end is comprised of the following:

Contributions to pension plan in the current fiscal year	\$	424,359
Other pension deferrals		13,513
Total		<u>\$ 437,872</u>

Deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Other</u>
Taxes receivable	\$ 25,582	\$ -
Other receivables	2,102	-
Special assessments receivable	131,362	-
Pension deferrals	-	255,190
Total	<u>\$ 158,046</u>	<u>\$ 255,190</u>

**Note 7. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village upon request.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 7. Risk Management (Continued)**

The Village carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

As the Village has no facilities within a FEMA recognized flood zone, we have elected not carry additional flood insurance coverage.

In accordance with G.S. 159-29, the Village's employees that have access to \$100 or more at any given time of the Village's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$490,000 and \$10,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$500,000.

**Note 8. Claims, Judgments and Contingent Liabilities**

At June 30, 2016, the Village was a defendant to various lawsuits. In the opinion of Village management and the Village attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the Village's financial position.

**Note 9. Long-Term Obligations**

**A. Installment Purchase**

Long-term debt obligations of the Village consisted of the following at June 30, 2016:

\$500,000 land installment purchase dated 4/7/03 due in 30 semi-annual payments consisting of fixed principal of \$16,667 plus interest at 3.98% through April 2018; issued by BB&T and collateralized by land	\$ 66,667
\$2,500,000 building installment purchase dated 3/14/05 due in 30 semi-annual installments consisting of fixed principal of \$83,334 plus interest at 3.44% through March 2020; issued by PNC and collateralized by fire station building	666,666
\$1,000,000 building installment purchase dated 3/11/02 due in 40 semi-annual payments consisting of fixed principal of \$25,000 plus interest at 4.60% through March 2022; issued by Bank of America and collateralized by Fair Barn building	300,000
\$500,000 vehicle installment purchase dated 11/10/09 due in 14 semi-annual payments of \$42,037 through December 2016; interest at 4.43% with a 35% Build America Bond interest rebate on each payment for a net effective interest rate of approximately 2.88%; issued by PNC and collateralized by fire truck	40,668
\$550,000 vehicle installment purchase dated 7/31/13 due in 14 semi-annual payments of \$41,917 through August 2020; interest at 1.75%; issued by First Bank and collateralized by fire truck	<u>361,322</u>
	<u>\$ 1,435,323</u>

Village of Pinehurst, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 9. Long-Term Obligations (Continued)**

**A. Installment Purchase (Continued)**

Annual debt service requirements to maturity for debt are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 368,505	\$ 44,375
2018	329,224	32,299
2019	297,281	21,877
2020	298,698	12,428
2021	91,615	4,388
2022	<u>50,000</u>	<u>1,725</u>
	<u>\$ 1,435,323</u>	<u>\$ 117,092</u>

**B. Changes in Long-Term Liabilities**

At June 30, 2016, the Village had a legal debt margin of \$265,994,552.

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$ 1,841,825	\$ -	\$ (406,502)	\$ 1,435,323	\$ 368,505
Compensated absences	620,879	426,159	(407,730)	639,308	419,832
Net pension liability (LGRS)	-	490,982	-	490,982	-
Net pension obligation (LEO)	<u>235,014</u>	<u>33,809</u>	<u>-</u>	<u>268,823</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 2,697,718</u>	<u>\$ 950,950</u>	<u>\$ (814,232)</u>	<u>\$ 2,834,436</u>	<u>\$ 788,337</u>

Compensated absences typically have been liquidated in the general fund.

The LGRS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year.

**Note 10. Net Investment in Capital Assets**

Capital assets	\$ 21,903,313
Less: Long-term debt	<u>(1,435,323)</u>
Net investment in capital assets	<u>\$ 20,467,990</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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**Note 11. Fund Balance**

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

<b>Total fund balance-General Fund</b>	<b>\$ 9,325,344</b>
<b>Less:</b>	
<b>Inventories</b>	39,799
<b>Prepaid items</b>	118,979
<b>Stabilization by state statute</b>	1,474,901
<b>Appropriated fund balance in 2017 Budget</b>	1,001,685
<b>Fund balance policy minimum</b>	2,419,596
<b>Remaining fund balance</b>	<b>4,270,384</b>

The Village's fund balance policy requires the Village to maintain a minimum unassigned General Fund balance of 15% of actual expenditures as reported in the Village's CAFR. In addition, the when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance in the range of 30%-40% of budgeted expenditures. At June 30, 2016 the General Fund's unassigned fund balance of \$6,689,980 represents 41% of General Fund actual expenditures which is well above the policy minimum. Total fund balance was 51% of budgeted expenditures. The amount by which the fund balance exceeds policy-established minimums may be included as a revenue source when the budget is prepared for the next fiscal year.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<b>Encumbrances</b>	<b>General Fund</b>
	\$27,302

**Note 12. Summary Disclosure of Significant Contingencies**

**A. Employment Security Benefits**

The Village has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee.

**B. Federal and State Assisted Programs**

The Village has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Note 13. Significant Effects of Subsequent Events**

None.

**Note 14. Joint Ventures**

The Village and the members of the Village's fire department each appoint two members to the five-member local board of trustees for the Firefighters' Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighters' Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighters' Relief Fund. These distributions are used to assist fire fighters in various ways. The local board of the Firefighters' Relief Fund received a distribution of \$22,935 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2016. The Village obtains an ongoing financial benefit from the Fund for the benefits provided to members of the Village's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2016. The Firefighters' Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

## **Required Supplementary Information**

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This section contains additional information required by generally accepted accounting principles.

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**Schedule of Proportionate Share of Net Pension  
Liability (Asset)  
Local Government Employees' Retirement System**

**Schedule of Contributions  
Local Government Employees' Retirement System**

**Schedule of Funding Progress  
Law Enforcement Officers' Special Separation  
Allowance**

**Village of Pinehurst, North Carolina****Exhibit A-1****Schedule of the Proportionate Share of the Net Pension Liability (Asset)****Local Government Employees' Retirement System - Last Three Fiscal Years\*****Required Supplementary Information**

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pinehurst's proportion of the net pension liability (asset)	0.1094%	0.1083%	0.1077%
Pinehurst's proportion of the net pension liability (asset)	\$ 490,982	\$ (638,460)	\$ 1,298,199
Pinehurst's covered-employee payroll	\$ 6,280,547	\$ 6,025,207	\$ 5,731,782
Pinehurst's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.82%	-10.60%	22.65%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	44.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**Village of Pinehurst, North Carolina**  
**Schedule of Contributions**  
**Local Government Employees' Retirement System - Last Three Fiscal Years**  
**Required Supplementary Information**

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**Exhibit A-2**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 424,359	\$ 445,138	\$ 434,315
Contributions in relation to the contractually required contribution	<u>424,359</u>	<u>445,138</u>	<u>434,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pinehurst's covered-employee payroll	\$ 6,380,220	\$ 6,280,547	\$ 6,025,207
Contributions as a percentage of covered-employee payroll	6.65%	7.09%	7.21%

**Village of Pinehurst, North Carolina**  
**Schedule of Funding Progress**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

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**Exhibit A-3**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/06	-	\$ 267,367	\$ 267,367	0.00%	\$ 923,508	28.95%
12/31/07	-	274,898	274,898	0.00%	1,105,732	24.86%
12/31/08	-	372,335	372,335	0.00%	1,125,699	33.08%
12/31/09	-	489,896	489,896	0.00%	1,139,799	42.98%
12/31/10	-	463,380	463,380	0.00%	1,177,170	39.36%
12/31/11	-	493,802	493,802	0.00%	1,138,078	43.39%
12/31/12	-	607,213	607,213	0.00%	1,172,606	51.78%
12/31/13	-	626,720	626,720	0.00%	1,206,717	51.94%
12/31/14	-	623,995	623,995	0.00%	1,204,132	51.82%
12/31/15	-	951,629	951,629	0.00%	1,313,290	72.46%

## **General Fund**

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The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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Village of Pinehurst, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2015

Exhibit B-1  
Page 1 of 4

	2016			2015
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 9,568,000	\$ 9,687,263	\$ 119,263	\$ 9,778,247
Penalties and interest	5,000	10,434	5,434	14,118
Total	9,573,000	9,697,697	124,697	9,792,365
Other taxes:				
Golf cart licenses	-	8,745	8,745	2,010
Total	-	8,745	8,745	2,010
Unrestricted intergovernmental:				
Local option sales tax	2,978,500	3,045,953	67,453	2,850,563
Telecommunications sales tax	129,000	94,353	(34,647)	122,095
Utilities sales tax	1,088,000	1,105,975	17,975	967,524
Video programming	295,000	297,131	2,131	296,634
Hold harmless reimbursements	690,000	715,857	25,857	668,311
Wine & beer tax	68,900	69,341	441	74,045
Total	5,249,400	5,328,610	79,210	4,979,172
Restricted intergovernmental:				
Powell Bill allocation	492,000	495,083	3,083	492,706
BAB interest rebates	1,450	1,367	(83)	2,559
Controlled substance tax	1,100	1,217	117	1,646
Other grants	1,000	1,361	361	47,370
Solid waste disposal tax	9,900	10,217	317	10,018
Total	505,450	509,245	3,795	554,299
Permits and fees:				
Building permits and inspection fees	280,000	329,589	49,589	289,270
Planning and zoning fees	45,000	53,000	8,000	44,390
Fire district	200,000	215,192	15,192	202,694
Rescue services	26,000	25,000	(1,000)	14,000
Other permits and fees	5,300	9,252	3,952	28,200
Total	556,300	632,033	75,733	578,554
Sales and services:				
Rents, concessions and fees	539,500	603,212	63,712	514,978
Recreation fees	112,500	126,414	13,914	114,921
Total	652,000	729,626	77,626	629,899
Investment earnings:				
Investment income	10,200	25,932	15,732	9,833
Assessments	29,075	45,741	16,666	20,116

Village of Pinehurst, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2015

	2016			2015
	Final Budget	Actual	Variance Positive (Negative)	
Miscellaneous:				
ABC revenue	\$ 111,700	\$ 120,944	\$ 9,244	\$ 101,715
Recycling revenue	-	526	526	249
Donations	27,480	35,240	7,760	41,239
Other revenues	30,500	38,932	8,432	39,107
Total	169,680	195,642	25,962	182,310
<b>Total revenues</b>	<b>16,745,105</b>	<b>17,173,271</b>	<b>428,166</b>	<b>16,748,558</b>
<b>Expenditures:</b>				
General government:				
Governing body:				
Operating expenditures	233,248	166,703	66,545	180,596
Total	233,248	166,703	66,545	180,596
Administration:				
Operating expenditures	1,094,434	1,033,153	61,281	988,330
Capital outlay	66,945	23,584	43,361	90,952
Total	1,161,379	1,056,737	104,642	1,079,282
Financial services:				
Operating expenditures	621,130	610,051	11,079	550,221
Capital outlay	900	-	900	2,187
Total	622,030	610,051	11,979	552,408
Human resources:				
Operating expenditures	356,390	309,259	47,131	320,363
Capital outlay	450	-	450	1,094
Total	356,840	309,259	47,581	321,457
<b>Total general government</b>	<b>2,373,497</b>	<b>2,142,750</b>	<b>230,747</b>	<b>2,133,743</b>
Public safety:				
Police:				
Operating expenditures	2,782,714	2,564,223	218,491	2,596,544
Capital outlay	139,385	88,982	50,403	129,863
Total	2,922,099	2,653,205	268,894	2,726,407
Fire:				
Operating expenditures	2,749,328	2,484,032	265,296	2,492,200
Capital outlay	114,215	98,021	16,194	98,677
Total	2,863,543	2,582,053	281,490	2,590,877

Village of Pinehurst, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2015

Exhibit B-1  
Page 3 of 4

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		
Inspections:				
Operating expenditures	\$ 231,685	\$ 185,192	\$ 46,493	\$ 225,028
Capital outlay	25,355	22,864	2,491	1,172
Total	257,040	208,056	48,984	226,200
Total public safety	6,042,682	5,443,314	599,368	5,543,484
Transportation:				
Public services administration:				
Operating expenditures	406,560	357,173	49,387	357,859
Capital outlay	486,285	285,093	201,192	978
Total	892,845	642,266	250,579	358,837
Streets and grounds:				
Operating expenditures	1,258,840	1,163,805	95,035	1,205,896
Capital outlay	309,228	272,213	37,015	396,368
Total	1,568,068	1,436,018	132,050	1,602,264
Powell Bill:				
Operating expenditures	659,000	646,835	12,165	806,847
Capital outlay	141,000	48,952	92,048	21,115
Total	800,000	695,787	104,213	827,962
Total transportation	3,260,913	2,774,071	486,842	2,789,063
Economic & physical development:				
Planning:				
Operating expenditures	645,070	527,678	117,392	562,471
Capital outlay	26,145	-	26,145	2,889
Total	671,215	527,678	143,537	565,360
Community Development				
Operating expenditures	228,540	187,654	40,886	232,423
Capital outlay	170,700	159,234	11,466	311,736
Total	399,240	346,888	52,352	544,159
Total economic & physical development	1,070,455	874,566	195,889	1,109,519
Environmental protection:				
Solid waste:				
Operating expenditures	1,386,900	1,257,365	129,535	1,404,495
Capital outlay	325,780	319,633	6,147	182,305
Total	1,712,680	1,576,998	135,682	1,586,800
Total environmental protection	1,712,680	1,576,998	135,682	1,586,800
Cultural and Recreation:				
Recreation:				
Operating expenditures	1,363,859	1,240,069	123,790	1,195,405
Capital outlay	657,520	466,593	190,927	100,957
Total	2,021,379	1,706,662	314,717	1,296,362

Village of Pinehurst, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2015

Exhibit B-1  
Page 4 of 4

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		
Library:				
Operating expenditures	\$ 225,000	\$ 225,000	\$ -	\$ 405,000
Harness Track:				
Operating expenditures	516,910	448,173	68,737	467,593
Capital outlay	190,790	162,403	28,387	144,450
Total	707,700	610,576	97,124	612,043
Fair Barn:				
Operating expenditures	311,420	262,099	49,321	246,702
Capital outlay	72,865	50,382	22,483	73,277
Total	384,285	312,481	71,804	319,979
Total cultural and recreation	3,338,364	2,854,719	483,645	2,633,384
Contingency:				
Operating expenditures	43,000	-	43,000	-
Debt service:				
Principal retirement	406,188	406,502	(314)	420,917
Interest and fees	58,116	57,721	395	73,615
Total	464,304	464,223	81	494,532
<b>Total expenditures</b>	<b>18,305,895</b>	<b>16,130,641</b>	<b>2,175,254</b>	<b>16,290,525</b>
Excess (deficiency) of revenues over (under) expenditures	(1,560,790)	1,042,630	2,603,420	458,033
<b>Other Financing Sources:</b>				
Sales of capital assets	50,000	57,612	7,612	15,328
Transfers from other funds:				
Special Revenue Funds	-	-	-	2,897
<b>Total other financing sources</b>	<b>50,000</b>	<b>57,612</b>	<b>7,612</b>	<b>18,225</b>
Fund balance appropriated	1,510,790	-	(1,510,790)	-
Net change in fund balances	\$ -	1,100,242	\$ 1,100,242	476,258
Fund balances, beginning		8,225,102		7,748,844
Fund balances, ending		\$ 9,325,344		\$ 8,225,102

## **Capital Assets Used in the Operation of Governmental Funds**

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Capital assets are all tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

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Village of Pinehurst, North Carolina  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**June 30, 2016**

Exhibit C-1

	<u>2016</u>	<u>2015</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 5,783,713	\$ 5,783,713
Right of ways	182,520	150,120
Buildings and improvements	19,769,525	19,143,835
Furniture, equipment, and vehicles	9,075,942	8,587,240
Infrastructure	5,537,554	5,002,718
Construction in progress	<u>201,976</u>	<u>139,048</u>
Total governmental funds capital assets	<u>\$ 40,551,230</u>	<u>\$ 38,806,674</u>
<b>Investment in governmental funds capital assets by source:</b>		
General Fund	\$ 37,723,415	\$ 36,099,935
Donations	<u>2,827,815</u>	<u>2,706,739</u>
Total governmental funds capital assets	<u>\$ 40,551,230</u>	<u>\$ 38,806,674</u>

**Village of Pinehurst, North Carolina**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2016**

**Exhibit C-2**

FUNCTION AND ACTIVITY	Land	Right of Ways	Buildings	Improvements Other Than Buildings	Furniture, Equipment & Vehicles	Infrastructure	Construction In Progress	Total
General Government								
Governing Body	\$ 3,348,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,348,346
Administration	-	-	4,253,611	-	219,371	-	-	4,472,982
Financial Services	-	-	-	-	135,259	-	-	135,259
Human Resources	-	-	-	-	21,300	-	-	21,300
Information Technology	-	-	-	28,388	272,625	-	-	301,013
Buildings & Grounds	-	-	436,666	704,711	265,007	29,476	-	1,435,860
Fleet Maintenance	25,170	-	95,119	-	187,199	-	-	307,488
	<u>3,373,516</u>	<u>-</u>	<u>4,785,396</u>	<u>733,099</u>	<u>1,100,761</u>	<u>29,476</u>	<u>-</u>	<u>10,022,248</u>
Public Safety								
Police	-	-	2,696,435	-	1,196,439	-	-	3,892,874
Fire	161,074	-	3,295,398	-	2,381,903	-	-	5,838,375
Inspections	-	-	-	-	56,665	-	-	56,665
	<u>161,074</u>	<u>-</u>	<u>5,991,833</u>	<u>-</u>	<u>3,635,007</u>	<u>-</u>	<u>-</u>	<u>9,787,914</u>
Transportation								
Public Services	32,500	-	526,154	-	102,494	-	-	661,148
Streets and Grounds	-	182,520	5,118	1,031,122	1,252,022	4,372,712	-	6,843,494
Powell Bill	-	-	-	45,713	258,236	44,212	-	348,161
	<u>32,500</u>	<u>182,520</u>	<u>531,272</u>	<u>1,076,835</u>	<u>1,612,752</u>	<u>4,416,924</u>	<u>-</u>	<u>7,852,803</u>
Environmental Protection								
Solid Waste	-	-	-	-	1,812,092	-	-	1,812,092
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,812,092</u>	<u>-</u>	<u>-</u>	<u>1,812,092</u>
Cultural and Recreation								
Recreation	760,373	-	237,664	2,482,730	288,497	822,268	-	4,591,532
Harness Track	1,456,250	-	1,233,140	297,682	499,862	268,886	-	3,755,820
Fair Barn	-	-	2,280,488	119,386	74,534	-	-	2,474,408
	<u>2,216,623</u>	<u>-</u>	<u>3,751,292</u>	<u>2,899,798</u>	<u>862,893</u>	<u>1,091,154</u>	<u>-</u>	<u>10,821,760</u>
Economic & Physical Development								
Planning	-	-	-	-	52,437	-	-	52,437
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,437</u>	<u>-</u>	<u>-</u>	<u>52,437</u>
Construction in progress	-	-	-	-	-	-	201,976	201,976
	<u>\$ 5,783,713</u>	<u>\$ 182,520</u>	<u>\$ 15,059,793</u>	<u>\$ 4,709,732</u>	<u>\$ 9,075,942</u>	<u>\$ 5,537,554</u>	<u>\$ 201,976</u>	<u>\$ 40,551,230</u>

**Village of Pinehurst, North Carolina**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**For the Fiscal Year Ended June 30, 2016**

**Exhibit C-3**

FUNCTION AND ACTIVITY	Capital Assets July 1, 2015	Additions	Deletions	Adjustments	Capital Assets June 30, 2016
General Government					
Governing Body	\$ 3,348,346	\$ -	\$ -	\$ -	\$ 3,348,346
Administration	4,449,399	23,583	-	-	4,472,982
Financial Services	135,259	-	-	-	135,259
Human Resources	21,300	-	-	-	21,300
Information Technology	301,013	-	-	-	301,013
Buildings & Grounds Mtnc.	1,405,210	-	-	30,650	1,435,860
Fleet Maintenance	312,958	-	(5,470)	-	307,488
	<u>9,973,485</u>	<u>23,583</u>	<u>(5,470)</u>	<u>30,650</u>	<u>10,022,248</u>
Public Safety					
Police	3,803,892	88,982	-	-	3,892,874
Fire	5,706,680	98,022	33,673	-	5,838,375
Inspections	33,801	22,864	-	-	56,665
	<u>9,544,373</u>	<u>209,868</u>	<u>33,673</u>	<u>-</u>	<u>9,787,914</u>
Transportation					
Public Services	629,496	72,547	(40,895)	-	661,148
Streets and Grounds	6,179,245	622,882	41,367	-	6,843,494
Powell Bill	419,661	-	(71,500)	-	348,161
	<u>7,228,402</u>	<u>695,429</u>	<u>(71,028)</u>	<u>-</u>	<u>7,852,803</u>
Environmental Protection					
Solid Waste	1,682,781	319,633	(190,322)	-	1,812,092
	<u>1,682,781</u>	<u>319,633</u>	<u>(190,322)</u>	<u>-</u>	<u>1,812,092</u>
Cultural and Recreation					
Recreation	4,115,544	475,988	-	-	4,591,532
Harness Track	3,626,345	162,404	(2,279)	(30,650)	3,755,820
Fair Barn	2,444,259	30,149	-	-	2,474,408
	<u>10,186,148</u>	<u>668,541</u>	<u>(2,279)</u>	<u>(30,650)</u>	<u>10,821,760</u>
Economic & Physical Development					
Planning	52,437	-	-	-	52,437
	<u>52,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,437</u>
Construction in progress	139,048	201,976	(139,048)	-	201,976
	<u>\$ 38,806,674</u>	<u>\$ 2,119,030</u>	<u>\$ (374,474)</u>	<u>\$ -</u>	<u>\$ 40,551,230</u>

## **Additional Financial Data**

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This section contains additional information on property taxes and interfund transfers.

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### **Schedule of Ad Valorem Taxes Receivable**

### **Analysis of Current Tax Levy**

Village of Pinehurst, North Carolina  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2016

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 9,692,375	\$ 9,686,105	\$ 6,270
2014-2015	2,536	-	2,268	268
2013-2014	2,584	-	968	1,616
2012-2013	3,353	-	702	2,651
2011-2012	1,401	-	171	1,230
2010-2011	1,628	-	279	1,349
2009-2010	2,648	-	23	2,625
2008-2009	1,112	-	58	1,054
2007-2008	1,974	-	7	1,967
2006-2007	2,213	-	169	2,044
2005-2006	3,534	-	26	3,508
	<u>\$ 22,983</u>	<u>\$ 9,692,375</u>	<u>\$ 9,690,776</u>	<u>\$ 24,582</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 9,697,697
Reconciling items:	
Interest collected and refunds	(10,434)
Refunds/reliefs	3,513
	<u>(6,921)</u>
Total collections and credits	<u>\$ 9,690,776</u>

Village of Pinehurst, North Carolina  
 Analysis of Current Tax Levy  
 For the Fiscal Year Ended June 30, 2016

Exhibit D-2

	General Fund		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,343,100,099	\$ 0.29	\$ 9,689,803	\$ 9,125,697	\$ 564,106
Penalties	-		2,830	2,830	-
Total	<u>3,343,100,099</u>		<u>9,692,633</u>	<u>9,128,527</u>	<u>564,106</u>
Discoveries:					
Current year taxes	1,104,713	\$ 0.29	3,150	3,150	-
Penalties	-		453	453	-
Total	<u>1,104,713</u>		<u>3,603</u>	<u>3,603</u>	<u>-</u>
Abatements	<u>(1,331,379)</u>		<u>(3,861)</u>	<u>(3,861)</u>	<u>-</u>
Total property valuation	<u>\$ 3,342,873,433</u>				
Net levy			9,692,375	9,128,269	564,106
Uncollected taxes at June 30, 2015			<u>(6,270)</u>	<u>(6,270)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 9,686,105</u>	<u>\$ 9,121,999</u>	<u>\$ 564,106</u>
Current levy collection percentage			99.94%	99.93%	100.00%

## Statistical Section

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This part of the Village's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

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### Categories of Statistical Information Included

**Financial Trends** – These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

**Revenue Capacity** – These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

**Debt Capacity** – These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

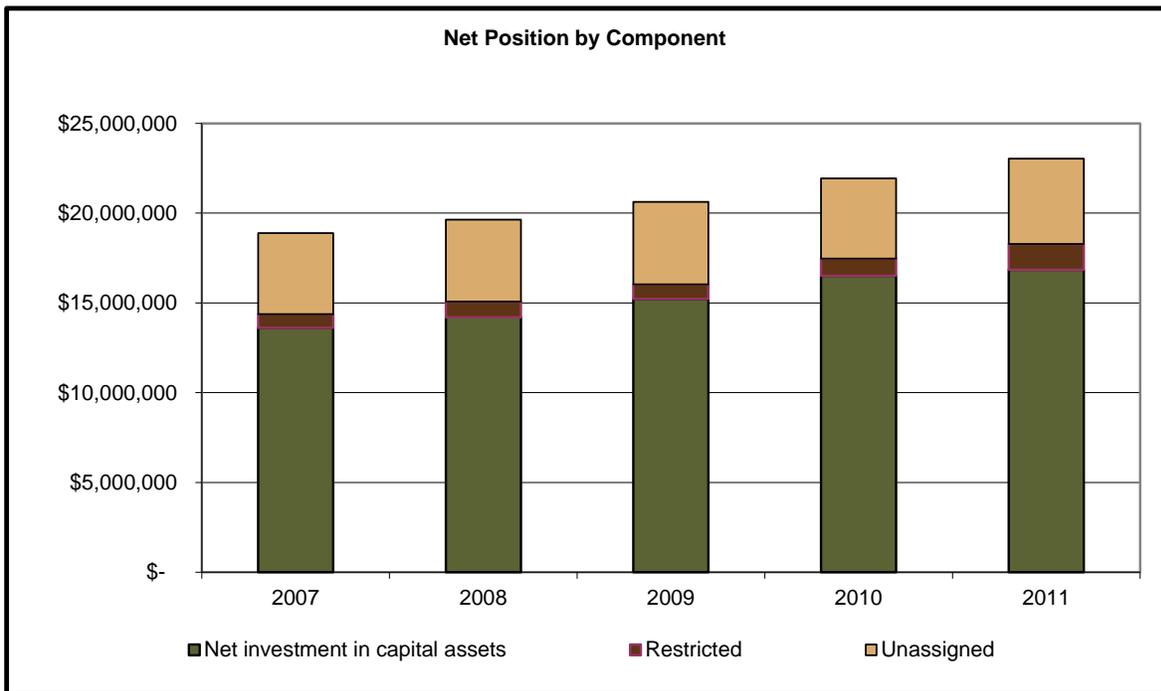
**Demographic and Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

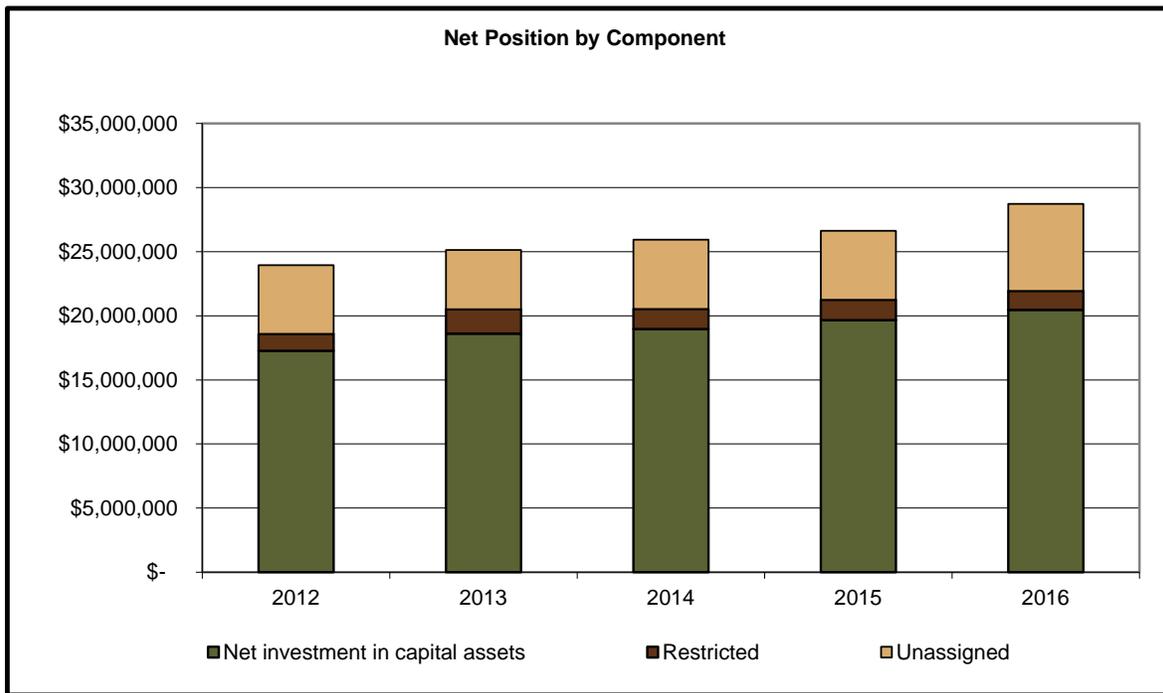
Village of Pinehurst, North Carolina  
 Net Position by Component  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Governmental activities</b>					
Net investment in capital assets	\$ 13,611,992	\$ 14,194,908	\$ 15,216,054	\$ 16,520,624	\$ 16,842,082
Restricted for:					
Stabilization by state statute	754,787	866,501	814,222	940,483	1,422,691
Equitable sharing	844	-	-	-	-
Municipal Service District	9,546	12,710	12,116	13,070	14,084
Unrestricted	4,509,038	4,571,240	4,582,009	4,457,047	4,756,832
<b>Total governmental activities net position</b>	<b>\$ 18,886,207</b>	<b>\$ 19,645,359</b>	<b>\$ 20,624,401</b>	<b>\$ 21,931,224</b>	<b>\$ 23,035,689</b>



Village of Pinehurst, North Carolina  
 Net Position by Component  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Governmental activities</b>					
Net investment in capital assets	\$ 17,271,349	\$ 18,615,943	\$ 18,953,996	\$ 19,648,800	\$ 20,467,990
Restricted for:					
Stabilization by state statute	1,291,963	1,882,835	1,568,981	1,601,410	1,474,901
Equitable sharing	-	-	-	-	-
Municipal Service District	14,354	-	-	-	-
Unrestricted	<u>5,372,934</u>	<u>4,631,746</u>	<u>5,417,136</u>	<u>5,381,405</u>	<u>6,777,854</u>
<b>Total governmental activities net position</b>	<u><u>\$ 23,950,600</u></u>	<u><u>\$ 25,130,524</u></u>	<u><u>\$ 25,940,113</u></u>	<u><u>\$ 26,631,615</u></u>	<u><u>\$ 28,720,745</u></u>



Village of Pinehurst, North Carolina  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

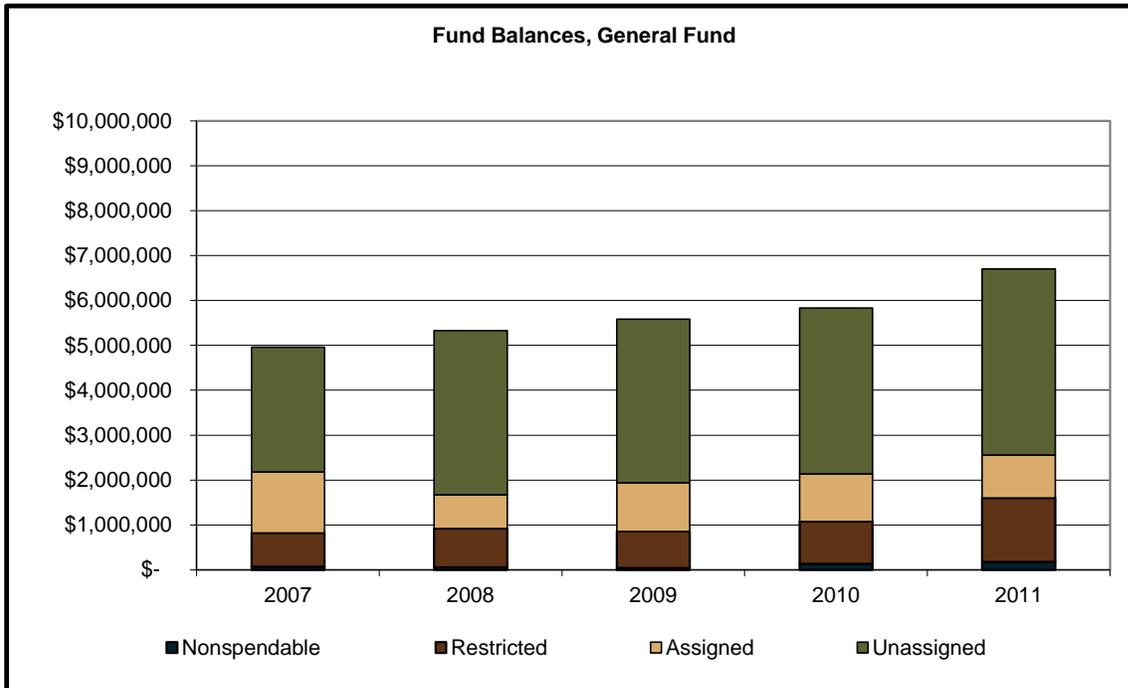
	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Expenses</b>					
Governmental Activities:					
General government	\$ 1,734,126	\$ 2,018,433	\$ 2,410,048	\$ 2,103,062	\$ 2,001,438
Public safety	3,931,368	4,458,221	5,059,957	5,284,615	5,415,839
Transportation	1,787,727	1,988,590	1,954,325	1,672,394	2,460,277
Economic and physical development	938,484	1,016,135	1,119,970	1,209,264	1,422,329
Environmental protection	746,798	907,233	945,601	1,050,620	1,352,912
Cultural and recreation	1,140,561	1,248,525	1,443,256	1,854,910	1,795,985
Non-departmental	55,822	45,416	48,615	-	-
Interest on long-term debt	290,181	242,197	212,761	166,794	141,320
Total governmental activities expenses	<u>\$ 10,625,067</u>	<u>\$ 11,924,750</u>	<u>\$ 13,194,533</u>	<u>\$ 13,341,659</u>	<u>\$ 14,590,100</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	965,086	910,283	905,229	842,700	398,609
Transportation	49,500	56,000	20,000	9,000	10,000
Economic and physical development	119,682	117,916	143,074	66,201	25,615
Cultural and recreation	422,331	408,097	399,999	468,469	497,313
Operating grants and contributions	486,762	610,570	670,345	513,020	957,837
Capital grants and contributions	17,518	262,397	44,592	1,099,183	-
Total governmental activities program revenue	<u>\$ 2,060,879</u>	<u>\$ 2,365,263</u>	<u>\$ 2,183,239</u>	<u>\$ 2,998,573</u>	<u>\$ 1,889,374</u>
<b>Total governmental activities net expense</b>	<u>\$ (8,564,188)</u>	<u>\$ (9,559,487)</u>	<u>\$ (11,011,294)</u>	<u>\$ (10,343,086)</u>	<u>\$ (12,700,726)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 6,516,978	\$ 6,763,897	\$ 7,782,933	\$ 8,070,832	\$ 9,615,930
Franchise taxes	217,008	133,435	33,628	43,191	44,913
Golf cart licenses	-	-	-	-	-
Unrestricted intergovernmental	2,874,723	3,199,031	3,462,583	3,233,572	3,892,476
Investment earnings	238,730	321,606	284,129	35,001	23,665
Miscellaneous	267,368	414,034	174,266	267,313	228,207
Total governmental activities general revenue	<u>\$ 10,114,807</u>	<u>\$ 10,832,003</u>	<u>\$ 11,737,539</u>	<u>\$ 11,649,909</u>	<u>\$ 13,805,191</u>
<b>Change in Governmental Activities Net Position</b>	<u>\$ 1,550,619</u>	<u>\$ 1,272,516</u>	<u>\$ 726,245</u>	<u>\$ 1,306,823</u>	<u>\$ 1,104,465</u>

**Village of Pinehurst, North Carolina**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Expenses</b>					
Governmental Activities:					
General government	\$ 2,144,319	\$ 1,611,659	\$ 2,168,794	\$ 2,220,764	\$ 2,501,748
Public safety	5,454,487	5,582,355	5,803,531	5,653,753	5,684,375
Transportation	2,511,804	2,475,382	2,369,495	2,325,248	2,481,039
Economic and physical development	1,250,263	1,542,829	1,566,159	1,567,788	677,747
Environmental protection	1,337,891	1,275,525	1,402,623	1,526,924	1,399,842
Cultural and recreation	1,919,013	2,100,673	2,746,748	2,647,805	2,527,443
Non-departmental	-	-	-	-	-
Interest on long-term debt	108,919	88,541	82,192	69,243	54,120
Total governmental activities expenses	<u>\$ 14,726,696</u>	<u>\$ 14,676,964</u>	<u>\$ 16,139,542</u>	<u>\$ 16,011,525</u>	<u>\$ 15,326,314</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ 35	\$ 91
Public safety	422,878	469,345	490,364	507,962	569,814
Transportation	10,000	10,500	19,000	17,000	-
Economic and physical development	49,827	57,745	39,567	51,363	59,368
Cultural and recreation	510,856	509,113	1,268,417	672,851	730,300
Operating grants and contributions	827,939	533,380	546,089	1,025,870	509,304
Capital grants and contributions	-	207,252	42,563	320,235	230,788
Total governmental activities program revenue	<u>\$ 1,821,500</u>	<u>\$ 1,787,335</u>	<u>\$ 2,406,000</u>	<u>\$ 2,595,316</u>	<u>\$ 2,099,665</u>
<b>Total governmental activities net expense</b>	<u>\$ (12,905,196)</u>	<u>\$ (12,889,629)</u>	<u>\$ (13,733,542)</u>	<u>\$ (13,416,209)</u>	<u>\$ (13,226,649)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 9,483,953	\$ 9,567,944	\$ 9,763,042	\$ 9,785,054	\$ 9,699,296
Franchise taxes	-	-	-	-	-
Golf cart licenses	1,740	1,775	2,230	2,010	8,745
Unrestricted intergovernmental	4,071,702	4,162,616	4,271,703	4,979,172	5,328,610
Investment earnings	27,125	12,947	10,424	9,796	25,872
Miscellaneous	235,587	324,271	495,732	197,599	253,256
Total governmental activities general revenue	<u>\$ 13,820,107</u>	<u>\$ 14,069,553</u>	<u>\$ 14,543,131</u>	<u>\$ 14,973,631</u>	<u>\$ 15,315,779</u>
<b>Change in Governmental Activities Net Position</b>	<u>\$ 914,911</u>	<u>\$ 1,179,924</u>	<u>\$ 809,589</u>	<u>\$ 1,557,422</u>	<u>\$ 2,089,130</u>

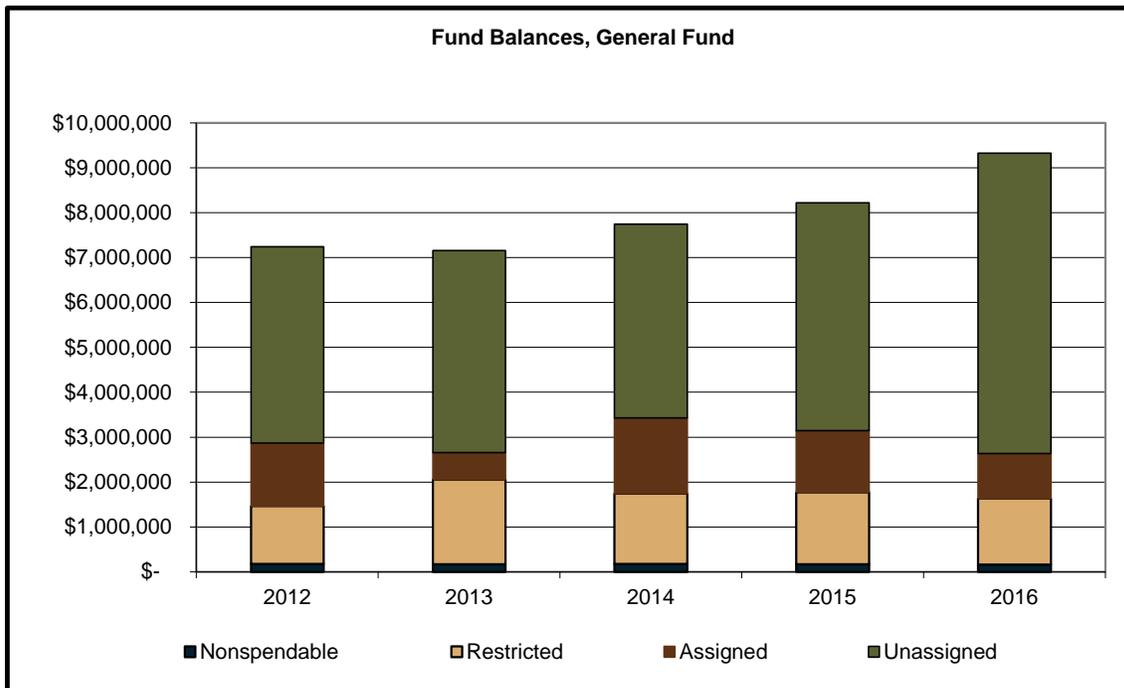
**Village of Pinehurst, North Carolina  
Fund Balances - Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>General Fund</b>					
Nonspendable:					
Inventory	\$ 34,352	\$ 43,860	\$ 36,722	\$ 36,180	\$ 46,747
Prepaid items	31,925	10,483	5,300	97,922	128,567
Restricted:					
Stabilization by state statute	754,787	866,501	814,222	940,483	1,422,691
Equitable sharing	844	-	-	-	-
Assigned:					
Subsequent year's expenditures	1,362,144	752,672	1,086,707	1,066,859	959,020
Unassigned	2,778,482	3,655,444	3,642,545	3,691,852	4,145,184
<b>Total general fund</b>	<b><u>\$ 4,962,534</u></b>	<b><u>\$ 5,328,960</u></b>	<b><u>\$ 5,585,496</u></b>	<b><u>\$ 5,833,296</u></b>	<b><u>\$ 6,702,209</u></b>
<b>All Other Governmental Funds</b>					
Restricted:					
Municipal Service District	\$ 9,546	\$ 12,710	\$ 12,116	\$ 13,070	\$ 14,084
Committed:					
Capital Project fund expenditures	304,288	267,441	187,063	49,632	34,549
Special Revenue fund expenditures	294,099	240,847	94,465	10,140	10,218
<b>Total all other governmental funds</b>	<b><u>\$ 607,933</u></b>	<b><u>\$ 520,998</u></b>	<b><u>\$ 293,644</u></b>	<b><u>\$ 72,842</u></b>	<b><u>\$ 58,851</u></b>



**Village of Pinehurst, North Carolina  
Fund Balances - Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>General Fund</b>					
Nonspendable:					
Inventory	\$ 48,745	\$ 43,640	\$ 44,071	\$ 44,494	\$ 39,799
Prepaid items	124,714	127,308	130,586	124,296	118,979
Restricted:					
Stabilization by state statute	1,291,963	1,882,835	1,568,980	1,601,410	1,474,901
Equitable sharing	-	-	-	-	-
Assigned:					
Subsequent year's expenditures	1,405,864	601,175	1,687,710	1,375,639	1,001,685
Unassigned	4,373,169	4,506,790	4,317,497	5,079,263	6,689,980
<b>Total general fund</b>	<b><u>\$ 7,244,455</u></b>	<b><u>\$ 7,161,748</u></b>	<b><u>\$ 7,748,844</u></b>	<b><u>\$ 8,225,102</u></b>	<b><u>\$ 9,325,344</u></b>
<b>All Other Governmental Funds</b>					
Restricted:					
Municipal Service District	\$ 14,354	\$ -	\$ -	\$ -	\$ -
Committed:					
Capital Project fund expenditures	24,982	-	-	-	-
Special Revenue fund expenditures	10,642	10,755	2,894	-	-
<b>Total all other governmental funds</b>	<b><u>\$ 49,978</u></b>	<b><u>\$ 10,755</u></b>	<b><u>\$ 2,894</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>



**Village of Pinehurst, North Carolina**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

**Schedule 4**  
**Page 1 of 2**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Revenues</b>					
Ad valorem taxes	\$ 6,766,300	\$ 7,785,759	\$ 7,909,217	\$ 8,070,137	\$ 9,609,611
Other taxes and licenses	133,435	33,628	38,073	43,191	42,976
Unrestricted intergovernmental	3,199,031	3,462,583	3,367,519	3,233,572	3,894,413
Restricted intergovernmental	591,283	691,900	1,272,350	510,604	957,549
Permits and fees	1,079,571	1,071,151	1,059,147	914,383	446,838
Sales and services	407,677	400,419	453,201	468,903	497,714
Investment earnings	343,972	307,166	137,479	37,416	23,951
Assessments	58,527	56,236	38,699	15,619	34,648
Miscellaneous	154,389	131,172	165,488	170,051	167,838
Total revenues	<u>12,734,185</u>	<u>13,940,014</u>	<u>14,441,173</u>	<u>13,463,876</u>	<u>15,675,538</u>
<b>Expenditures</b>					
General government	1,784,308	2,165,676	1,827,508	1,863,768	1,840,989
Public safety	4,335,510	4,819,675	4,829,228	5,365,546	5,049,620
Transportation	1,895,464	1,930,191	1,727,241	1,580,763	2,382,430
Economic and physical development	1,073,563	1,216,009	1,891,282	1,271,268	1,472,447
Environmental protection	1,088,038	1,166,982	974,767	1,041,943	1,268,744
Cultural and recreation	1,147,154	1,360,286	1,802,697	1,706,863	1,781,382
Non-departmental	45,420	48,615	62,907	-	-
Debt service:					
Principal	776,602	796,762	808,993	836,473	891,764
Interest and other charges	251,461	221,947	191,418	173,226	150,635
Capital outlay	628,297	84,417	329,892	130,215	15,083
Total expenditures	<u>13,025,817</u>	<u>13,810,560</u>	<u>14,445,933</u>	<u>13,970,065</u>	<u>14,853,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(291,632)</u>	<u>129,454</u>	<u>(4,760)</u>	<u>(506,189)</u>	<u>822,444</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(2,745,761)	(807,910)	(1,074,544)	(1,760,662)	(34,648)
Transfers from other funds	2,745,761	807,910	1,074,544	1,760,662	34,648
Sales of capital assets	1,903	19,402	33,942	33,187	32,478
Issuance of debt	-	-	-	500,000	-
Total other financing sources (uses)	<u>1,903</u>	<u>19,402</u>	<u>33,942</u>	<u>533,187</u>	<u>32,478</u>
Net change in fund balances	(289,729)	148,856	29,182	26,998	854,922
Fund balances, beginning	5,860,196	5,570,467	5,849,958	5,879,140	5,906,138
Prior period adjustment	-	130,635	-	-	-
Fund balances, beginning as restated	<u>5,860,196</u>	<u>5,701,102</u>	<u>5,849,958</u>	<u>5,879,140</u>	<u>5,906,138</u>
Fund balances, ending	<u>\$ 5,570,467</u>	<u>\$ 5,849,958</u>	<u>\$ 5,879,140</u>	<u>\$ 5,906,138</u>	<u>\$ 6,761,060</u>
Debt service as a percentage of noncapital expenditures	8.9%	8.0%	7.7%	7.9%	7.4%

**Notes:**

The capital outlay used to calculate debt service as a percentage of noncapital expenditures can be found in Exhibit 6

Village of Pinehurst, North Carolina  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Revenues</b>					
Ad valorem taxes	\$ 9,486,491	\$ 9,561,126	\$ 9,771,682	\$ 9,792,365	\$ 9,697,697
Other taxes and licenses	1,740	1,775	2,230	2,010	8,745
Unrestricted intergovernmental	4,071,702	4,162,616	4,271,703	4,979,172	5,328,610
Restricted intergovernmental	826,718	532,860	548,073	1,069,055	509,245
Permits and fees	480,999	535,247	1,252,453	578,554	632,033
Sales and services	501,690	517,744	564,975	629,899	729,626
Investment earnings	28,345	13,468	10,714	9,836	25,932
Assessments	25,460	12,412	11,791	20,116	45,741
Miscellaneous	221,513	265,399	266,641	182,310	195,642
Total revenues	<u>15,644,658</u>	<u>15,602,647</u>	<u>16,700,262</u>	<u>17,263,317</u>	<u>17,173,271</u>
<b>Expenditures</b>					
General government	1,933,779	2,106,278	2,196,930	2,133,743	2,142,750
Public safety	5,053,316	5,197,380	5,856,007	5,543,484	5,443,314
Transportation	2,558,524	2,178,585	2,792,152	2,789,063	2,774,071
Economic and physical development	1,455,559	2,160,239	1,454,418	1,624,275	874,566
Environmental protection	1,468,031	1,350,737	1,456,374	1,586,800	1,576,998
Cultural and recreation	1,809,654	2,280,905	2,694,676	2,633,384	2,854,719
Non-departmental	-	-	-	-	-
Debt service:					
Principal	748,878	478,298	378,829	420,917	406,502
Interest and other charges	116,592	91,151	83,098	73,615	57,721
Capital outlay	910	-	-	-	-
Total expenditures	<u>15,145,243</u>	<u>15,843,573</u>	<u>16,912,484</u>	<u>16,805,281</u>	<u>16,130,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>499,415</u>	<u>(240,926)</u>	<u>(212,222)</u>	<u>458,036</u>	<u>1,042,630</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(34,117)	(52,380)	(7,933)	(2,897)	-
Transfers from other funds	34,117	52,380	7,933	2,897	-
Sales of capital assets	33,958	59,493	241,457	15,328	57,612
Issuance of debt	-	59,503	550,000	-	-
Total other financing sources (uses)	<u>33,958</u>	<u>118,996</u>	<u>791,457</u>	<u>15,328</u>	<u>57,612</u>
Net change in fund balances	533,373	(121,930)	579,235	473,364	1,100,242
Fund balances, beginning	6,761,060	7,294,433	7,172,503	7,751,738	8,225,102
Prior period adjustment	-	-	-	-	-
Fund balances, beginning as restated	<u>6,761,060</u>	<u>7,294,433</u>	<u>7,172,503</u>	<u>7,751,738</u>	<u>8,225,102</u>
Fund balances, ending	<u>\$ 7,294,433</u>	<u>\$ 7,172,503</u>	<u>\$ 7,751,738</u>	<u>\$ 8,225,102</u>	<u>\$ 9,325,344</u>
Debt service as a percentage of noncapital expenditures	6.2%	4.3%	3.1%	3.2%	3.3%

**Notes:**

The capital outlay used to calculate debt service as a percentage of noncapital expenditures can be found in Exhibit 6

**Village of Pinehurst, North Carolina**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

**Schedule 5**

Fiscal Year	Tax year	Residential Property	Commercial Property	Industrial Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2007	2006	\$ 1,870,045,393	\$ 469,947,953	\$ 16,350,433	\$ 171,491,723	\$ 2,184,852,056	0.31	\$ 2,482,786,427
2008	2007	2,719,108,835	310,265,291	16,387,599	268,117,125	2,777,644,600	0.28	2,777,644,600
2009	2008	2,761,647,092	318,070,765	17,315,268	269,719,030	2,827,314,095	0.28	2,763,747,893
2010	2009	2,807,721,340	332,150,630	17,024,619	271,564,035	2,885,332,554	0.28	2,873,837,205
2011	2010	3,312,056,948	339,862,923	16,599,447	309,316,950	3,359,202,368	0.28	3,325,942,939
2012	2011	3,333,807,236	348,341,880	17,750,788	309,216,950	3,390,682,954	0.28	3,377,174,257
2013	2012	3,368,430,240	346,142,700	17,669,146	312,873,330	3,419,368,756	0.28	3,398,974,907
2014	2013	3,433,539,072	346,239,540	17,443,205	314,499,090	3,482,722,727	0.28	3,474,384,205
2015	2014	3,433,872,218	357,593,290	16,969,593	316,220,133	3,492,214,968	0.28	3,481,769,659
2016	2015	3,352,781,389	375,083,970	19,365,934	404,357,860	3,342,873,433	0.29	3,342,873,433

**Sources:**

Moore County Tax Department

**Notes:**

Assessed valuations are established by the Moore County Board of Commissioners at 100% of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. Property was last revalued in FY 2016.

Estimated actual taxable value is calculated using information provided in Moore County's Comprehensive Annual Financial Report (CAFR).

**Village of Pinehurst, North Carolina**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
**(Rates are Per \$100 of Assessed Value)**

**Schedule 6**

Fiscal Year	Tax Year	Direct Rates	Overlapping Rates	
		Total Direct Rate	Village of Pinehurst Municipal Service District	Moore County (1)
2007	2006	0.31	0.09	0.495
2008	2007	0.28	0.08	0.475
2009	2008	0.28	0.06	0.504
2010	2009	0.28	0.06	0.485
2011	2010	0.28	0.05	0.485
2012	2011	0.28	0.05	0.485
2013	2012	0.28	0.05	0.485
2014	2013	0.28	-	0.485
2015	2014	0.28	-	0.485
2016	2015	0.29	-	0.495

**Sources:**

(1) Moore County Tax Department

**Notes:**

Overlapping rates are those of local and county governments that apply to property owners within the Village of Pinehurst. Not all overlapping rates apply to all property owners; for example, although the county property tax rates apply to all Village of Pinehurst property owners, the Municipal Service District rates apply only to 25 property owners whose property is located within that district's geographic boundaries.

In fiscal year 2013 the Municipal Service District fund was closed and all operations were absorbed into the General Fund. Starting in fiscal year 2014, the cost of operations is funded by the Direct Tax.

**Village of Pinehurst, North Carolina  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

**Schedule 7**

<b>Taxpayer</b>	<b>2016</b>		<b>2007</b>	
	<b>Taxable Assessed Value</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total Taxable Assessed Value</b>
Pinehurst LLC	\$ 166,587,331	4.98%	\$ 122,539,053	5.61%
Pinehurst Surgical Clinic	25,473,350	0.76%	-	-
Pinehurst Medical	24,510,010	0.73%	12,866,622	0.59%
Country Club of North Carolina	17,324,070	0.52%	19,753,635	0.90%
Duke Energy Progress, Inc.	12,548,486	0.38%	11,272,640	0.52%
Pinewild Project Limited PTNS	10,234,391	0.31%	-	-
Quail Haven Properties of Pinehurst, LLC	10,020,530	0.30%	-	-
MTMM Associates (Carolina Eye Assoc.)	8,677,480	0.26%	8,524,575	0.39%
Pinehurst Nursing Center	5,649,311	0.17%	-	-
SCOP (Surgery Center of Pinehurst)	5,622,480	0.17%	-	-
Branch Banking and Trust Co.	4,914,230	0.15%	4,356,157	0.20%
Pleasant Living Health Care (Quail Haven)	-	-	8,265,503	0.38%
FirstHealth of the Carolinas	-	-	7,037,500	0.32%
Francis Maser	-	-	5,876,600	0.27%
Carolina Telephone and Telegraph	-	-	4,790,254	0.22%
<b>Total</b>	<b>\$ 291,561,669</b>	<b>8.72%</b>	<b>\$ 205,282,539</b>	<b>9.40%</b>

**Sources:**

Moore County Tax Department

**Notes:**

FY2016 and FY2007 data are for tax years 2015 and 2006 respectively.

Pinehurst, LLC includes: Resorts of Pinehurst Inc., Pinehurst, Inc., Pinehurst LLC and Resorts of Pinehurst, Inc.

**Village of Pinehurst, North Carolina  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

**Schedule 8**

Fiscal Year	Tax year	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2007	2006	\$ 6,772,146	\$ 6,748,375	99.65%	10,863	\$ 6,759,238	99.81%
2008	2007	7,793,641	7,769,586	99.69%	11,044	7,780,630	99.83%
2009	2008	7,913,992	7,889,733	99.69%	11,603	7,901,336	99.84%
2010	2009	8,077,535	8,050,348	99.66%	12,228	8,062,576	99.81%
2011	2010	9,606,203	9,588,105	99.81%	12,870	9,600,975	99.95%
2012	2011	9,477,624	9,463,405	99.85%	12,989	9,476,394	99.99%
2013	2012	9,558,275	9,538,561	99.79%	17,063	9,555,624	99.97%
2014	2013	9,756,980	9,748,024	99.91%	7,340	9,755,364	99.98%
2015	2014	9,774,886	9,772,350	99.97%	2,268	9,774,618	100.00%
2016	2015	9,692,375	9,686,105	99.94%	-	9,686,105	99.94%

**Sources:**

Moore County Tax Department

**Notes:**

(1) Taxes Levied for the Fiscal Year have been adjusted for Collections in Subsequent Years.

**Village of Pinehurst, North Carolina  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years**

**Schedule 9**

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Governmental Activities Installment Financing (1)</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
2007	2006	\$ 6,093,236	1.12%	553
2008	2007	5,296,474	0.93%	468
2009	2008	4,487,481	0.73%	386
2010	2009	4,151,008	0.60%	313
2011	2010	3,259,244	0.75%	240
2012	2011	2,510,366	0.48%	170
2013	2012	2,091,572	0.34%	140
2014	2013	2,262,742	0.35%	149
2015	2014	1,841,825	0.26%	119
2016	2015	1,435,323	0.18%	91

**Notes:**

(1) Details regarding outstanding debt can be found in Note 9 of the notes to the financial statements.

(2) See Schedule 12 for personal income and population data. These ratios are calculated using personal income and population for the calendar year.

**Village of Pinehurst, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2016**

**Schedule 10**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Moore County (1)</b>			
Debt repaid with property taxes:			
Moore County general obligation debt	\$ 51,260,000	28.24%	\$ 14,475,704
Other debt:			
Moore County LOB	19,955,000	28.24%	5,635,245
Capital lease	449,012	28.24%	126,800
Moore County installment loans	484,796	28.24%	<u>136,905</u>
Subtotal, overlapping debt			20,374,654
<b>Village of Pinehurst direct debt</b>			<u>1,435,323</u>
Total direct and overlapping debt			<u>\$ 21,809,977</u>

**Notes:**

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Village. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Village. This process recognizes that, when considering the Village's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--therefore responsible for repaying the debt--of each overlapping governments.

(1) Source: Moore County's Comprehensive Annual Financial Report (CAFR)

(2) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the Village of Pinehurst's boundaries and dividing it by each unit's total taxable assessed value. Taxable assessed property values as of June 30, 2015 were used to determine the overlapping debt percentage.

**Village of Pinehurst, North Carolina  
 Legal Debt Margin Information  
 Last Ten Fiscal Years**

**Schedule 11**

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin as a Percent of Debt Limit</u>
2007	\$ 174,788,164	\$ 6,093,236	\$ 168,694,928	96.51%
2008	222,211,568	5,296,474	216,915,094	97.62%
2009	226,185,128	4,487,481	221,697,647	98.02%
2010	230,826,604	4,151,008	226,675,596	98.20%
2011	268,736,189	3,259,244	265,476,945	98.79%
2012	271,245,476	2,510,366	268,744,270	99.08%
2013	273,549,500	2,091,572	271,457,928	99.24%
2014	278,617,818	2,262,742	276,355,076	99.19%
2015	279,377,197	1,841,825	277,535,372	99.34%
2016	267,429,875	1,435,323	265,994,552	99.46%

**Legal debt margin calculation for Fiscal Year 2016**

Assessed valuation	\$ 3,342,873,433	
	x 0.08	
Debt limit - 8.0% of assessed value		\$ 267,429,875
Gross debt:		
Installment purchase agreements	1,435,323	
Total gross debt	1,435,323	
Total amount of debt applicable to debt limit (net debt)		1,435,323
<b>Legal debt margin</b>		<b>\$ 265,994,552</b>

**Village of Pinehurst, North Carolina  
Demographic and Economic Statistics  
Last Ten Calendar Years**

**Schedule 12**

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
2007	2006	11,026	\$ 542,145,667	\$ 49,170	60.4	4.8%
2008	2007	11,316	572,262,434	50,571	60.4	4.5%
2009	2008	11,632	610,890,250	52,518	60.4	6.2%
2010	2009	13,277	694,911,723	52,340	60.4	10.3%
2011	2010	13,601	434,198,324	31,924	58.4	9.5%
2012	2011	14,783	526,777,422	35,634	58.4	8.9%
2013	2012	14,979	608,671,665	40,635	60.6	8.6%
2014	2013	15,150	650,586,450	42,943	60.9	6.3%
2015	2014	15,525	708,033,150	45,606	60.8	5.4%
2016	2015	15,763	778,093,206	49,362	61.1	5.1%

**Sources:**

- (1) Office of State Budget and Management.
- (2) U.S. Census Bureau.
- (3) North Carolina Employment Security Commission.

**Notes:**

Per Capita Income is adjusted annually after the Decennial Census calendar year by the annual average inflation rate.

Unemployment rate information is a calendar year adjusted annual average in Southern Pines-Pinehurst area.

A change in municipal boundary effective March 31, 2010 increased the certified population in fiscal year 2010 by 1,482.

**Village of Pinehurst, North Carolina  
Principal Employers  
Current Year and Nine Years Ago**

**Schedule 13**

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
First Health of the Carolinas (1)	3,502	62.97%	2,567	53.22%
Pinehurst, LLC (2)	1,306	23.48%	1,178	24.42%
Total		<u>86.46%</u>		<u>77.65%</u>

**Sources:**

- (1) Human Resources Department at First Health of the Carolinas.
- (2) Human Resources Department at Pinehurst, LLC f/n/a Resorts of Pinehurst Inc.

**Notes:**

2016 employment is based on calendar year 2015.

GASB 44 requires comparative data for the current calendar year and nine years prior. 2010 adjusted Census Data was used for 2007 and 2016 to estimate the percentage of total employment.

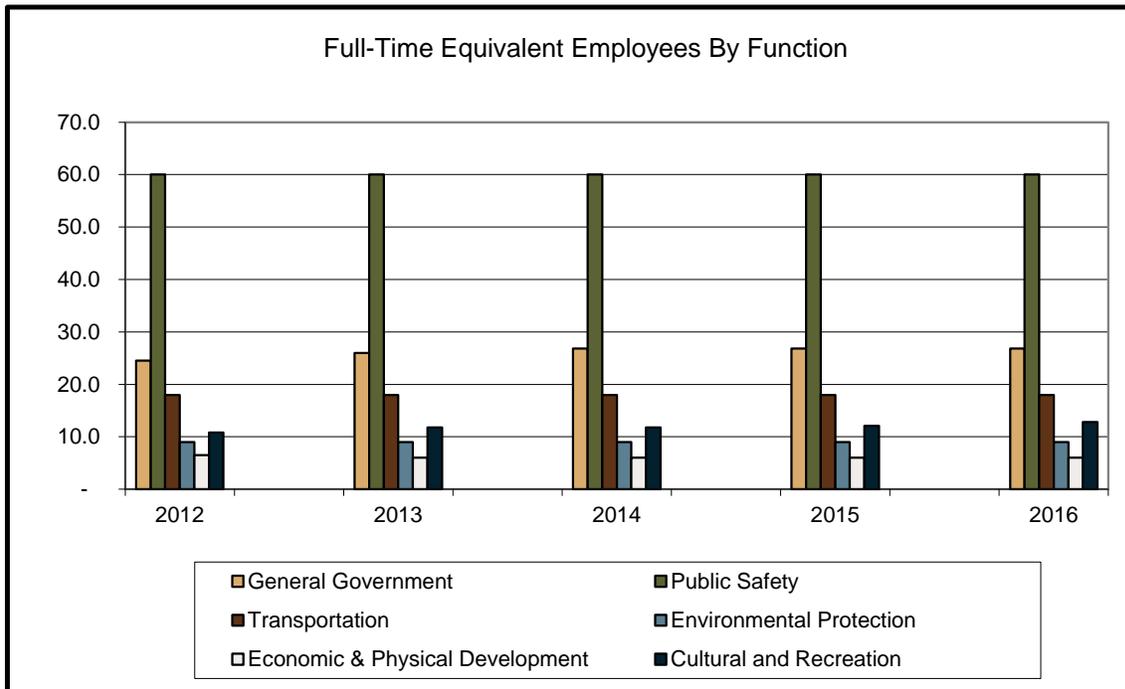
**Village of Pinehurst, North Carolina**  
**Full-time Equivalent Employees by Function**  
**Last Ten Fiscal Years**

**Schedule 14**

Function	Full-time Equivalent Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	22.2	23.5	25.0	24.5	24.5	24.5	26.0	26.8	26.8	26.8
Public Safety	62.2	63.2	63.2	61.0	60.0	60.0	60.0	60.0	60.0	60.0
Transportation	17.0	16.0	18.0	16.0	17.0	18.0	18.0	18.0	18.0	18.0
Environmental Protection	9.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Economic & Physical Development	9.0	9.0	9.0	8.5	7.5	6.5	6.0	6.0	6.0	6.0
Cultural and Recreation	10.2	10.2	11.2	12.0	11.1	10.8	11.8	11.8	12.1	12.8
<b>Total</b>	<b>129.6</b>	<b>129.9</b>	<b>135.4</b>	<b>131.0</b>	<b>129.1</b>	<b>128.8</b>	<b>130.8</b>	<b>131.6</b>	<b>131.9</b>	<b>132.6</b>

**Source:**  
 Village of Pinehurst Human Resources Department

**Notes:**  
 A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.



**Village of Pinehurst, North Carolina  
Operating Indicators by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General Government					
Financial Services					
Purchase orders issued	207	225	260	280	295
Vendor checks issued	2,427	2,448	2,333	2,471	2,444
Vendor EFTs issued	-	-	-	-	-
Human Resources					
Workers' compensation lost time (days)	60	12	446	32	425
Employee turnover rate	9.4%	7.8%	7.9%	9.2%	8.5%
Fleet Maintenance					
Tires changed	235	311	216	116	188
10-point service performed	291	233	208	194	288
Public Safety					
Fire Protection					
Public fire & life safety classes	204	167	159	170	176
Incident calls	827	843	855	884	1,031
Structure fires	56	63	44	55	58
Inspections	787	732	620	423	784
Child passenger seat inspections	583	396	173	222	228
Police Protection					
Physical arrests	262	585	444	445	233
Citations issued	3,806	3,891	3,993	2,970	3,053
Response to calls/officer initiated activity	11,866	13,513	13,640	14,495	14,362
Traffic accidents	483	500	474	418	476
Inspections					
Building inspections conducted	9,194	7,683	5,409	4,281	4,370
Certificates of occupancy issued	227	169	181	156	197
Transportation					
Street resurfacing (miles)	6.3	5.6	4.8	3.2	6.4
Environmental Protection					
Refuse collected (tons annually)	4,392	4,094	3,948	3,849	4,124
Homes receiving service	6,651	6,782	6,862	7,686	7,736
Recyclables collected (tons annually)	568	943	966	1,473	1,734
Economic & Physical Development					
Building permits issued	424	359	278	259	239
Code compliance investigations	477	690	624	475	501
Cultural & Recreation					
Recreation					
Program participants	679	830	939	1,065	1,739
Athletics participants	1,556	1,982	2,323	2,287	2,296
Harness Track					
Standardbred stalls leased	249	220	281	251	276
Facilities reserved (days)	32	30	20	30	32
Fair Barn					
Events	89	84	80	88	113
Rental days	117	95	98	96	120

**Sources:**

Various Village departments

**Notes:**

NA indicates "not available"

**Village of Pinehurst, North Carolina  
Operating Indicators by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Government					
Financial Services					
Purchase orders issued	269	299	338	297	323
Vendor checks issued	2,365	1,840	1,641	1,509	1,490
Vendor EFTs issued	401	620	998	1,009	1,070
Human Resources					
Workers' compensation lost time (days)	33	74	144	39.0	8.0
Employee turnover rate	10.7%	11.4%	7.9%	14.3%	12.6%
Fleet Maintenance					
Tires changed	200	205	204	186	184
10-point service performed	228	220	200	112	110
Public Safety					
Fire Protection					
Public fire & life safety classes	191	254	307	342	438
Incident calls	865	982	993	1,052	1,245
Structure fires	35	43	28	14	4
Inspections (1)	1,174	950	1,898	756	184
Child passenger seat inspections	120	182	170	170	183
Police Protection					
Physical arrests	165	184	239	575	651
Citations issued	1,908	1,208	2,082	1,757	2,603
Response to calls/officer initiated activity	13,364	10,901	13,041	11,742	14,923
Traffic accidents	414	447	422	433	635
Inspections					
Building inspections conducted (1)	3,832	4,608	7,540	5,469	5,656
Certificates of occupancy issued	48	68	79	116	91
Transportation					
Street resurfacing (miles)	4.5	3.6	5.0	4.5	2.1
Environmental Protection					
Refuse collected (tons annually)	3,808	3,856	3,988	3,973	4,106
Homes receiving service	7,812	7,877	7,955	8,107	8,196
Recyclables collected (tons annually)	1,807	1,913	2,025	2,115	1,935
Economic & Physical Development					
Building permits issued	287	275	313	289	315
Code compliance investigations	577	596	522	639	774
Cultural & Recreation					
Recreation					
Program participants	1,748	1,591	1,807	1,986	2,634
Athletics participants	1,934	1,838	1,442	1,736	1,699
Harness Track					
Standardbred stalls leased	259	223	240	236	256
Facilities reserved (days)	32	103	125	38	52
Fair Barn					
Events	113	102	122	133	112
Rental days	113	112	199	205	177

**Sources:**

Various Village departments

**Notes:**

(1) Fiscal Years 2005 and 2014 include inspections conducted for the USGA at the US Open Championship venue

**Village of Pinehurst, North Carolina  
Capital Asset Statistics by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	7	7	5	6	6
Police Protection					
Stations	1	1	1	1	1
Police vehicles	17	20	20	20	21
Transportation					
Miles of streets	104.65	104.65	104.65	105.57	105.57
Maintenance vehicles	18	20	22	22	23
Sidewalks, greenways & bike paths (lf)	13,578	24,138	34,698	45,258	45,258
Environmental Protection					
Refuse collection trucks	19	21	20	17	17
Economic & Physical Development					
Storm water drainage areas	6	7	10	16	29
Cultural & Recreation					
Number of parks	4	4	4	4	4
Park acreage	294	294	294	294	294
Greenway trails (miles)	4.0	5.0	5.8	5.8	6.3
Playgrounds	3	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	2	2	2	2	2

**Sources:**

Various Village departments

Village of Pinehurst, North Carolina  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	6	6	7	6	6
Police Protection					
Stations	1	1	1	1	1
Police vehicles	22	23	24	26	29
Transportation					
Miles of streets	105.57	105.90	105.66	106.08	106.35
Maintenance vehicles	25	24	25	25	23
Sidewalks, greenways & bike paths (lf)	47,898	49,482	68,313	68,653	71,663
Environmental Protection					
Refuse collection trucks	15	15	15	16	17
Economic & Physical Development					
Storm water drainage areas	38	48	57	66	80
Cultural & Recreation					
Number of parks	4	4	5	5	5
Park acreage	294	294	294	294	294
Greenway trails (miles)	6.3	6.8	6.8	6.8	7.1
Playgrounds	3	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	2	2	2	2	2

**Sources:**

Various Village departments

**COMPLIANCE SECTION**

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Independent Auditors' Report**

To the Honorable Mayor and Members of  
The Village Council  
Village of Pinehurst, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Pinehurst, North Carolina ("Village"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Village's basic financial statements, and have issued our report thereon dated September 19, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

September 19, 2016  
High Point, North Carolina

**Village of Pinehurst, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2016**

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Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards</b>					
<u>U.S. Department of Justice</u>					
Bullet Proof Vest Partnership Program	16.607	Direct	\$ 1,361	\$ -	\$ 1,361
Total Federal Awards			<u>1,361</u>	<u>-</u>	<u>1,361</u>
<b>State Awards</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill			-	495,083	-
Total State Awards			<u>-</u>	<u>495,083</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 1,361</u>	<u>\$ 495,083</u>	<u>\$ 1,361</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

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Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Village of Pinehurst and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.