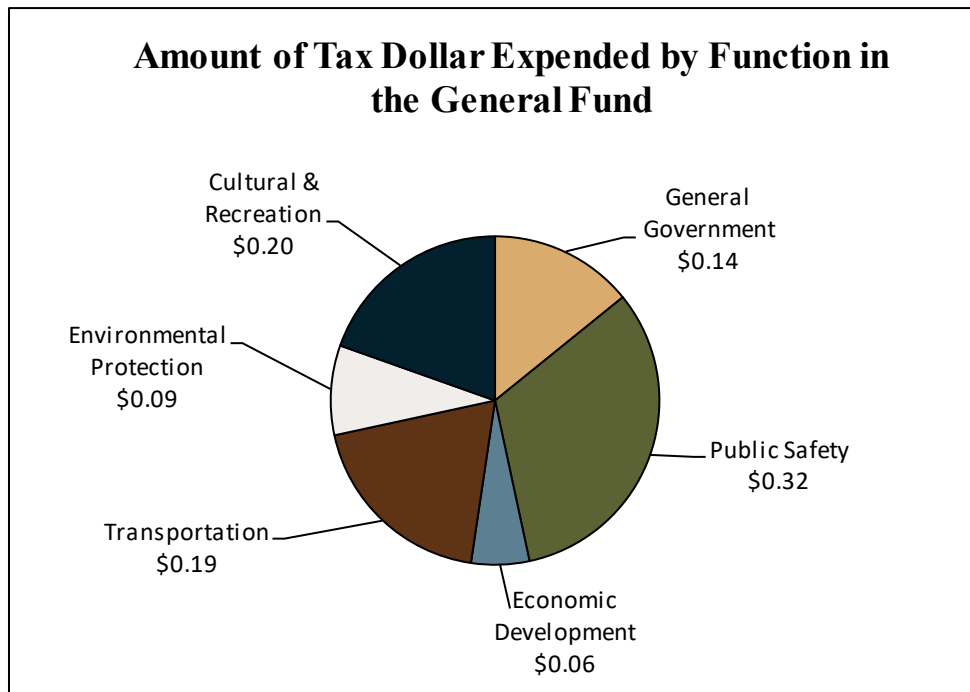




Description

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. The following functional areas are included in the General Fund:

- General Government
- Public Safety
- Transportation
- Environmental Protection
- Economic and Physical Development
- Cultural and Recreation
- Debt Service

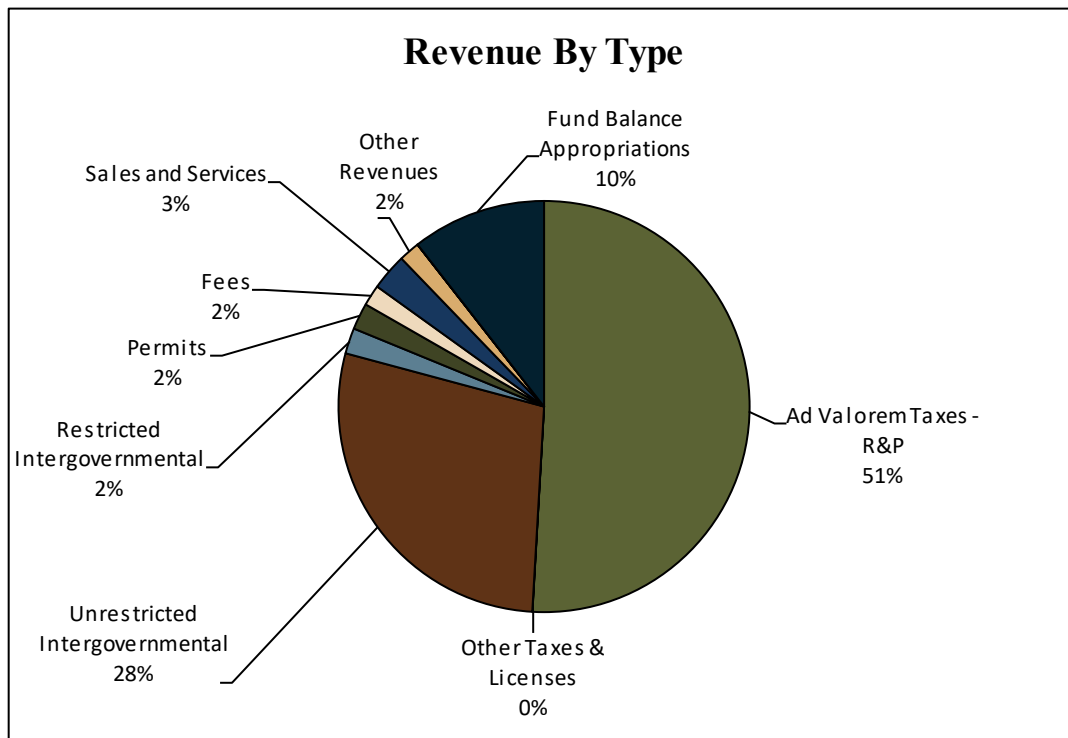




General Fund Summary

The major revenues as well as other financing sources budgeted by the Village of Pinehurst are summarized in the table and chart below. Ad valorem taxes account for approximately 57% of the Village of Pinehurst's total operating revenues. When fund balance appropriated is included, ad valorem taxes equal 51% of total revenues.

| Revenues by Type | FY2020 Actual | FY2021 Budget | FY2021 Estimated | FY2022 Budgeted | Percent Change |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Ad Valorem Taxes | \$ 11,261,143 | \$ 11,403,000 | \$ 11,455,000 | \$ 12,210,000 | 7.1% |
| Other Taxes & Licenses | 3,215 | 2,000 | 3,000 | 3,000 | 50.0% |
| Unrestricted Intergovernmental Rev. | 6,151,373 | 6,087,500 | 6,442,500 | 6,778,700 | 11.4% |
| Restricted Intergovernmental Rev. | 577,505 | 765,600 | 746,188 | 484,250 | -36.7% |
| Permits & Fees | 938,780 | 626,600 | 855,250 | 894,000 | 42.7% |
| Sales & Services | 543,264 | 725,400 | 387,400 | 689,950 | -4.9% |
| Assessments | 26,103 | 5,170 | 5,170 | - | -100.0% |
| Other Revenues | 1,286,602 | 269,780 | 250,833 | 394,980 | 46.4% |
| Investment Income | 159,539 | 25,400 | 2,800 | 1,400 | -94.5% |
| Operating Revenues | 20,947,524 | 19,910,450 | 20,148,141 | 21,456,280 | 7.8% |
| Other Financing Sources | - | - | 200,000 | - | 0.0% |
| Fund Balance Appropriations | - | 2,809,690 | - | 2,530,950 | -9.9% |
| Total Revenues | \$ 20,947,524 | \$ 22,720,140 | \$ 20,348,141 | \$ 23,987,230 | 5.6% |
| Per Capita | \$ 1,225 | \$ 1,299 | \$ 1,164 | \$ 1,356 | |

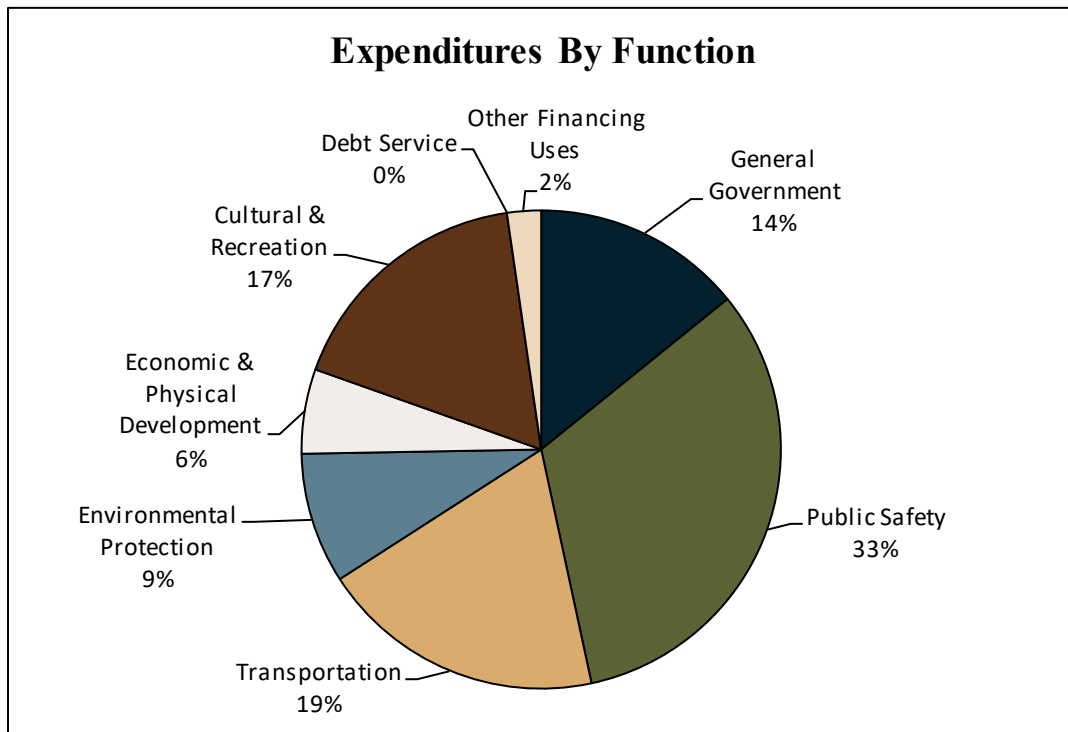




General Fund Summary

While the Village of Pinehurst’s budget contains multiple departments and divisions, each conducts Village government activities as part of a functional area. For example, the Fire Department and the Police Department are part of the functional area known as Public Safety, as both share the common theme of protecting citizens. Grouping activities by these themes (functions), allows the decision-making process to be managed at a broader, more comprehensive level. The following table and chart present the trends for all of the Village of Pinehurst’s different functions.

| Expenditures by Function | FY 2020 Actual | FY 2021 Budget | FY 2021 Estimated | FY 2022 Budgeted | Percent Change |
|---------------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| General Government | \$ 2,511,205 | \$ 3,003,796 | \$ 2,827,230 | \$ 3,399,032 | 13.2% |
| Public Safety | 6,386,218 | 8,225,455 | 7,671,533 | 7,786,118 | -5.3% |
| Transportation | 3,129,937 | 4,400,037 | 4,281,302 | 4,619,001 | 5.0% |
| Environmental Protection | 1,828,660 | 1,996,070 | 1,929,535 | 2,118,230 | 6.1% |
| Economic & Physical Dev | 813,014 | 1,261,670 | 1,173,598 | 1,371,490 | 8.7% |
| Cultural & Recreation | 2,610,360 | 3,684,945 | 3,337,636 | 4,143,359 | 12.4% |
| Debt Service | 310,833 | 148,167 | 144,729 | - | -100.0% |
| Expenditures | 17,590,227 | 22,720,140 | 21,365,563 | 23,437,230 | 3.2% |
| Other Financing Uses | - | - | - | 550,000 | 100.0% |
| Total Expenditures | \$ 17,590,227 | \$ 22,720,140 | \$ 21,365,563 | \$ 23,987,230 | 5.6% |
| Per Capita | \$ 1,029 | \$ 1,299 | \$ 1,222 | \$ 1,356 | |





General Fund Summary

The Village also summarizes expenditures by type and department to facilitate further analysis of expenditure trends. The following tables provide a summary of expenditures by expenditure type and department for Fiscal Year 2022.

| Expenditures by Type | FY 2020 Actual | FY 2021 Budget | FY 2021 Estimated | FY 2022 Budgeted | Percent Change |
|---------------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Salaries & Benefits | \$ 10,515,890 | \$ 11,766,750 | \$ 11,034,675 | \$ 12,929,300 | 9.9% |
| Operating | 5,820,571 | 7,656,965 | 7,075,216 | 7,713,530 | 0.7% |
| Capital | 942,933 | 3,148,258 | 3,110,943 | 2,794,400 | -11.2% |
| Debt Service | 310,833 | 148,167 | 144,729 | - | -100.0% |
| Other Financing Uses | - | - | - | 550,000 | 100.0% |
| Total Expenditures | \$ 17,590,227 | \$ 22,720,140 | \$ 21,365,563 | \$ 23,987,230 | 5.6% |

| Expenditures by Department Totalled by Function | FY 2020 Actual | FY 2021 Budget | FY 2021 Estimated | FY 2022 Budgeted | Percent Change | FY 2022 % Total |
|--|----------------------|----------------------|----------------------|----------------------|-------------------|--------------------|
| General Government | | | | | | |
| Governing Body | \$ 119,681 | \$ 146,400 | \$ 125,767 | \$ 147,400 | 0.7% | 0.6% |
| Administration | 1,312,295 | 1,514,981 | 1,464,561 | 1,837,092 | 21.3% | 7.7% |
| Finance | 662,870 | 722,070 | 705,430 | 840,960 | 16.5% | 3.5% |
| HR | 416,359 | 620,345 | 531,472 | 573,580 | -7.5% | 2.4% |
| Total General Government | 2,511,205 | 3,003,796 | 2,827,230 | 3,399,032 | 13.2% | 14.2% |
| Public Safety | | | | | | |
| Police | 3,263,837 | 3,642,455 | 3,272,013 | 3,739,661 | 2.7% | 15.6% |
| Fire | 2,820,958 | 4,240,340 | 4,065,744 | 3,661,947 | -13.6% | 15.3% |
| Inspections | 301,423 | 342,660 | 333,776 | 384,510 | 12.2% | 1.6% |
| Total Public Safety | 6,386,218 | 8,225,455 | 7,671,533 | 7,786,118 | -5.3% | 32.5% |
| Transportation | | | | | | |
| Public Services Admin. | 569,785 | 649,938 | 607,233 | 835,611 | 28.6% | 3.5% |
| Streets & Grounds | 1,551,769 | 2,486,357 | 2,410,327 | 2,583,290 | 3.9% | 10.8% |
| Powell Bill | 1,008,383 | 1,263,742 | 1,263,742 | 1,200,100 | -5.0% | 5.0% |
| Total Transportation | 3,129,937 | 4,400,037 | 4,281,302 | 4,619,001 | 5.0% | 19.3% |
| Environmental Protection | | | | | | |
| Solid Waste | 1,828,660 | 1,996,070 | 1,929,535 | 2,118,230 | 6.1% | 8.8% |
| Total Environmental Protection | 1,828,660 | 1,996,070 | 1,929,535 | 2,118,230 | 6.1% | 8.8% |
| Economic & Physical Dev. | | | | | | |
| Planning | 686,624 | 1,081,390 | 1,016,952 | 1,236,990 | 14.4% | 5.2% |
| Community Development | 126,390 | 180,280 | 156,646 | 134,500 | -25.4% | 0.6% |
| Total Economic & Physical Dev. | 813,014 | 1,261,670 | 1,173,598 | 1,371,490 | 8.7% | 5.7% |
| Cultural & Recreation | | | | | | |
| Recreation | 1,583,171 | 2,385,278 | 2,136,572 | 2,237,309 | -6.2% | 9.3% |
| Library | 179,290 | 163,764 | 163,764 | 865,243 | 428.3% | 3.6% |
| Harness Track | 519,882 | 696,988 | 659,901 | 671,872 | -3.6% | 2.8% |
| Fair Barn | 328,017 | 438,915 | 377,399 | 368,935 | -15.9% | 1.5% |
| Total Cultural & Recreation | 2,610,360 | 3,684,945 | 3,337,636 | 4,143,359 | 12.4% | 17.3% |
| Debt Service | 310,833 | 148,167 | 144,729 | - | -100.0% | 0.0% |
| Total Expenditures | 17,590,227 | 22,720,140 | 21,365,563 | 23,437,230 | 3.2% | |
| Other Financing Uses (OFU) | - | - | - | 550,000 | 0.0% | 2.3% |
| Total Expenditures & OFU | \$ 17,590,227 | \$ 22,720,140 | \$ 21,365,563 | \$ 23,987,230 | 5.6% | 100.0% |



General Fund Summary

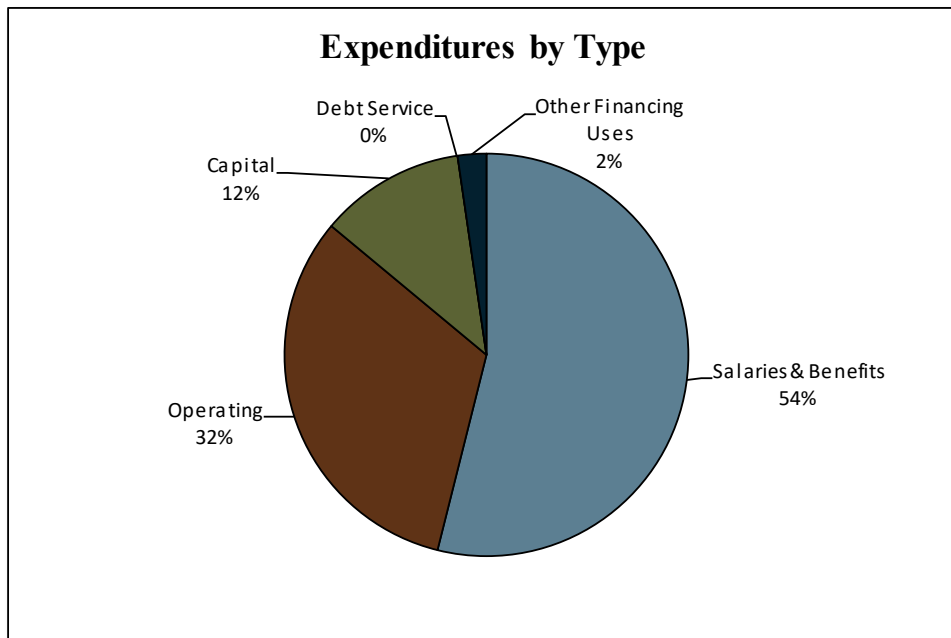
The General Fund reflects the overall economy as we recover from the COVID-19 pandemic. Some locally generated revenues, primarily recreation-related, have declined due to the state-mandated mass gathering restrictions. Fortunately, our largest statewide intergovernmental revenue, local option sales tax, has experienced growth and is expected to continue growing. The Village’s state-collected utility taxes have leveled off and started to decline slightly as consumers move away from traditional landline telephone and cable television services.

The proposed General Fund budget for FY 2022 is \$23,987,230, an increase of approximately 6% from the previous year’s amended budget.

The following table indicates the Village’s results from operations before any other financing sources or uses for the past five years:

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Revenues Over (Under) Expenditures</u> |
|---------------------|-----------------|---------------------|---|
| 6/30/2017 Actual | \$17,979,981 | \$16,672,223 | \$ 1,307,758 |
| 6/30/2018 Actual | 18,215,425 | 17,862,691 | 352,734 |
| 6/30/2019 Actual | 19,326,193 | 17,526,893 | 1,799,300 |
| 6/30/2020 Actual | 20,947,524 | 17,590,227 | 3,357,297 |
| 6/30/2021 Estimated | 20,148,141 | 21,365,563 | (1,217,422) |
| 6/30/2022 Budgeted | 21,456,280 | 23,437,230 | (1,980,950) |

After accounting for Other Financing Uses of \$550,000 and adding Appropriated Fund Balance of \$2,530,950 to revenues, the Village’s FY 2022 recommended budget is balanced in accordance with North Carolina General Statutes.





Revenue Highlights

The approved budget for FY 2022 represents a 6% increase from the FY 2021 amended budget. Operating revenues are estimated to increase by approximately 7.8% over FY 2021. The recommended budget as presented results in a per capita expenditure of \$1,356 based on a projected population of 17,689.

The projected ad valorem tax revenues, which represent roughly 57% of total operating revenues, are expected to grow by 7.1% over the prior year. Part of this growth is due to the increase in single-family home construction and commercial construction. The proposed budget calls for the current property tax rate to increase to 31.5 cents per \$100 of property valuation. This rate is expected to generate \$12,210,000 in ad valorem revenues.

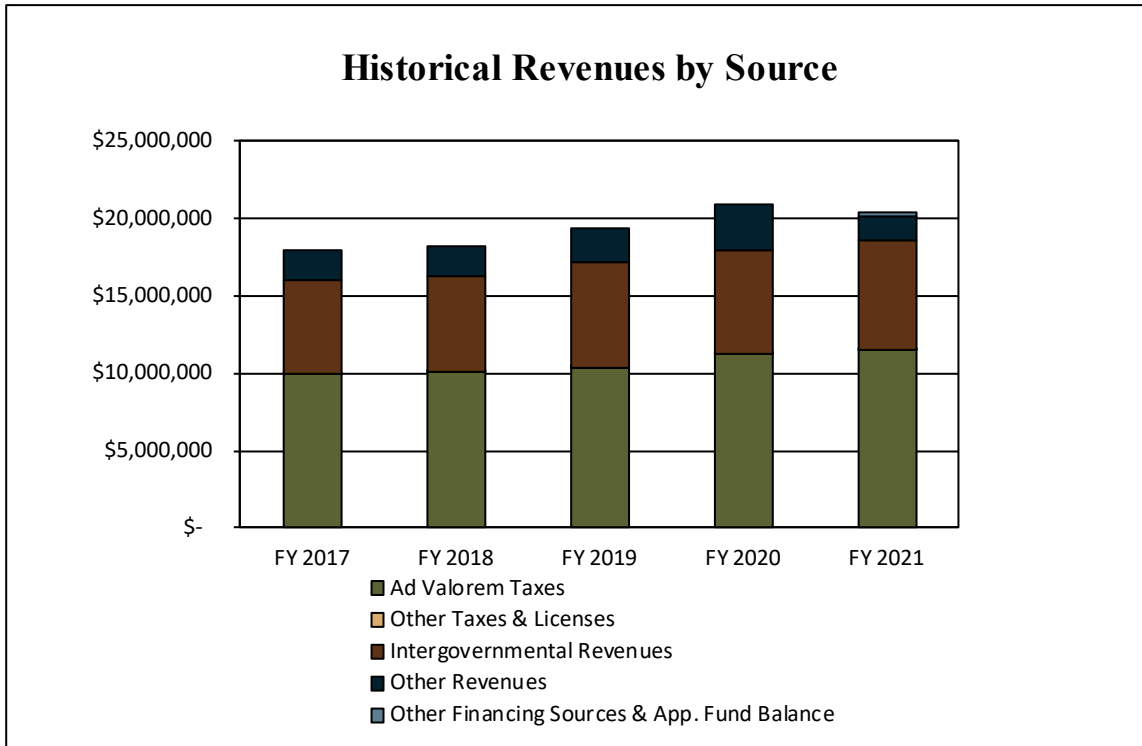
Unrestricted intergovernmental revenues, which are distributed by the North Carolina Department of Revenue, are overall expected to increase by 11.4% over FY 2021. Local option sales taxes, which provide approximately 20% of the Village's operating revenues, are expected to increase by 16.3% over the previous year's original budget. At this time last year, there was significant uncertainty surrounding local option sales tax revenue projections as the COVID-19 pandemic reached North Carolina. The Village budgeted this revenue conservatively, as we were unsure how this source would be affected. Fortunately, local option sales tax revenue collections declined for only three months as a result of COVID-19, quickly rebounded, and have remained strong throughout FY 2021. This steady growth is expected to continue into FY 2022. Utility sales taxes are expected to decline over the prior year at varying rates as consumers are selecting alternative telephone and television services.

Permits and fees are expected to increase by 42.7% in FY 2022 over the prior year budgeted levels. This increase is primarily due to increased new home permits and large commercial projects planned within Village limits. We project approximately 150 homes will be constructed in FY 2021 and FY 2022.

Sales and services revenues, which are primarily derived from various Parks and Recreation fees, are expected to decrease overall by 4.9% over prior year levels. The largest decreases include Harness Track stall rentals and rental of Fair Barn amenities, which are 28.2% and 22.3%, respectively lower than the prior year budget. These decreases are primarily due to lower occupancy and fewer rentals of the facilities resulting from state-mandated COVID-19 facility restrictions. With the planned acquisition of the library and archives in FY 2022, library fees and events revenue account for approximately 11.5% of sales and services revenue in the FY 2022 Budget.

Other revenues are planned to increase by 46.4% compared to the prior year. The primary factor contributing to the increase is the additional revenue generated by the library and archives, which accounts for approximately 38% of other revenues in FY 2022.

Investment income is estimated to decrease by 94.5% as interest rates have continued to be very low in FY 2021 due to the COVID-19 coronavirus outbreak. The Federal Reserve has committed itself to keeping interest rates near zero for the foreseeable future. This means the Federal Reserve will not raise interest rates even if inflation begins to pick up. As the economy is very volatile, the average rate of return expected in FY 2022 is 0.01%. This is a slight decrease from the expected average rate of return in FY 2021 of 0.02%.



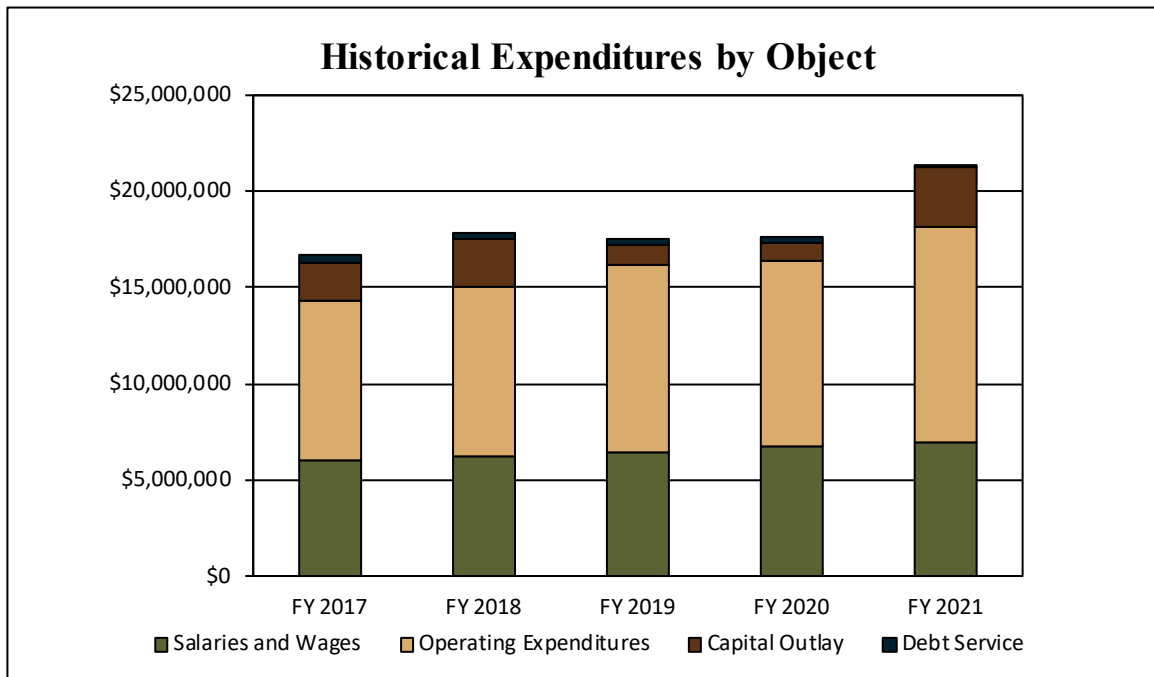


Expenditure Highlights

Salaries and benefits are expected to increase by 9.9% in FY 2022. This is affected by a cost of living adjustment of 1.2%, an average merit increase of 2%, and a projected 10% increase in group insurance. In FY 2022, there are 10 new employee full-time equivalents (FTE) added to the budget for the following positions: a new Financial Services Supervisor for the Financial Services Department (1 FTE), two new Firefighters in the Fire Department (2 FTEs), a new Planning & Zoning Specialist (1 FTE) and a part-time Code Technician (0.5 FTE) in the Planning Department, a new Solid Waste Equipment Operator in the Solid Waste Division (1 FTE), and a Library Director and supporting staff for the newly acquired library and archives (4.5 FTEs).

Village department heads are focused on achieving the strategic objectives and performance targets established by the Council that are reflected on the Balanced Scorecard (BSC). Current year operating expenditures include funding for strategic initiatives supporting the Council’s goals and objectives as listed in the *Strategic Priorities* section of this document. The most significant initiatives include assuming operations of the Given Memorial Library and Tufts Archives, updating the Pinehurst Development Ordinance, and developing a comprehensive stormwater master plan.

Capital spending in the General Fund decreased by 11.2% compared to the previous year. This decrease is primarily due to the inclusion of \$625,000 in the prior year budget for the replacement of a fire engine. Capital spending for FY 2022 includes \$400,000 to construct pedestrian facilities, \$290,000 to construct a storage building behind Fire Station 91, \$271,000 for office expansion and furnishings at Village Hall, and \$275,000 for accessibility improvements at the newly acquired library. Other significant items in the current plan include new field lighting at Wicker Park, streetscape improvements, storm drainage projects, and a solid waste vehicle replacement.





Fund Balance

Fund balance refers to the difference between current financial assets and liabilities reported in a fund. It is also referred to as surplus funds. The North Carolina Local Government Commission recommends that units of government retain an amount of unreserved fund balance in the General Fund of at least equal to 8% of appropriations of the fund. The Village Council has a financial policy recommending that the amount of appropriated fund balance in the General Fund should result in an anticipated ending total fund balance at a minimum of 30% of budgeted expenditures to avoid cash flow interruptions, generate investment income, eliminate the need for short-term borrowing, and have a reserve available for emergencies or opportunities.

Council amended its policy in FY 2021 to include a provision to commit fund balance for future capital needs. Each year, Council may commit fund balance in excess of 40% of actual General Fund expenditures as reported in the Village’s Comprehensive Annual Financial Report by approving a separate resolution.

The following schedules outline the percentage increase or decrease for the Village’s General Fund fund balance for the FY 2022 budget and three prior fiscal years. The large decrease in FY 2019 is due to the transfer of funds to the Community Center Capital Project Fund for facility construction. The large increase in FY 2020 includes \$1 million returned to the Village from the Given Memorial Library capital campaign trust account.

| Fund Balance | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimated* | FY 2022 Budgeted* |
|---------------------|---------------------------|---------------------------|-------------------------------|------------------------------|
| Beginning | \$ 10,641,838 | \$ 7,871,973 | \$ 11,229,270 | \$ 10,993,664 |
| Ending | 7,871,973 | 11,229,270 | 10,993,664 | 10,122,275 |
| Increase/(Decrease) | (2,769,865) | 3,357,297 | (235,606) | (871,389) |
| % Change | -26.0% | 42.6% | -2.1% | -7.9% |
| % of Expenditures | 44.8% | 63.8% | 48.4% | 42.2% |

* Assumes an estimated budget-to-actual variance for revenues and expenditures

N. C. General Statutes require that municipal budgets be balanced. They also require that expenditure budgets not be overspent, even by a small amount. A common way that municipalities deal with these requirements is to over-budget expenditures slightly and appropriate some of their savings (fund balance) as an off-setting revenue source. Revenues are conservatively estimated as well. For FY 2022, we have appropriated \$2,530,950 of the Village’s fund balance as a revenue source.

Fund balance is estimated to be \$10,993,664 at June 30, 2021. This is 48.4% of the budgeted FY 2021 expenditures of \$22,720,140. The Village’s fund balance policy is to maintain a minimum of 30% of expenditures in fund balance. Fund balance at June 30, 2022 is estimated to be \$10,122,275 or 42.2% of budgeted expenditures, which complies with Council’s adopted policy. This positions the Village well to address significant future projects that are expected to arise in the five-year planning period and to maintain service levels during a time of economic uncertainty.

