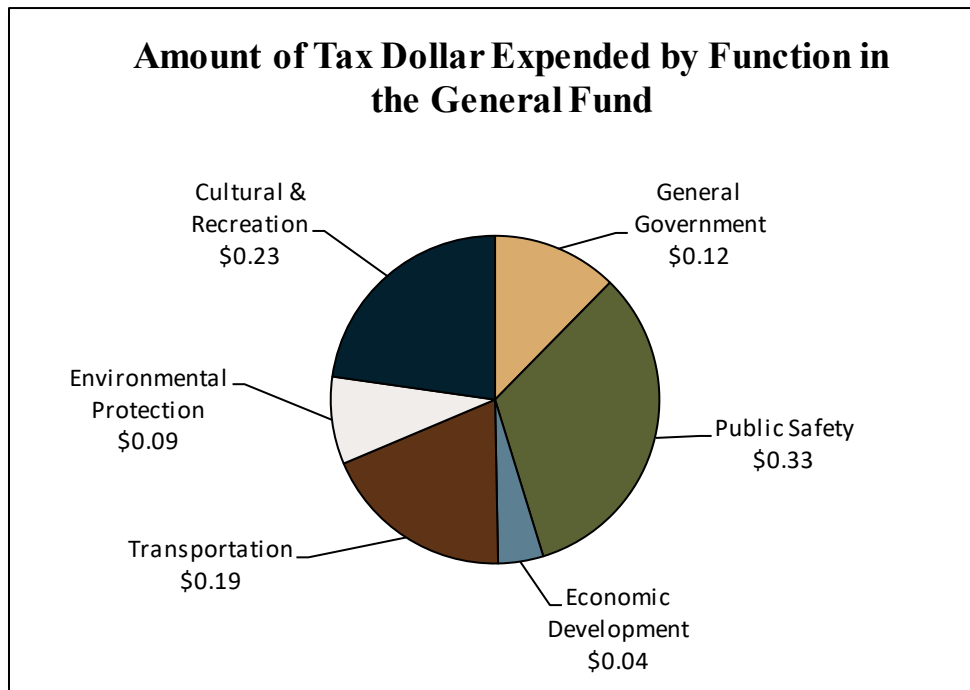




Description

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

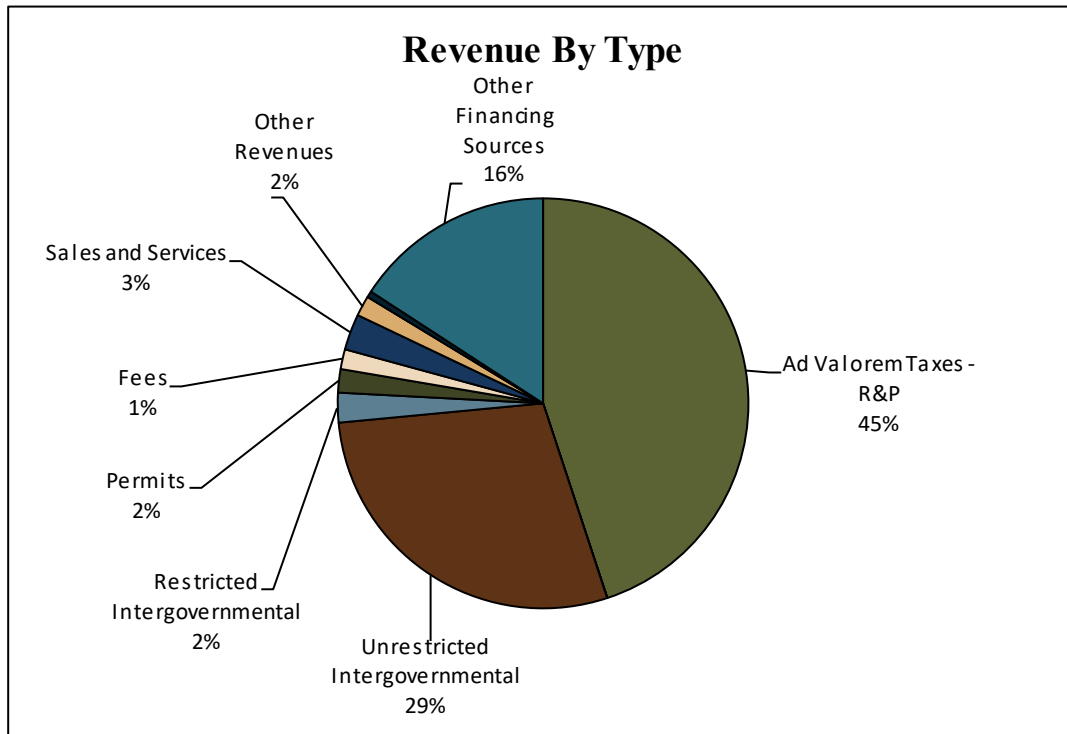




General Fund Summary

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 53% of the Village of Pinehurst's total operating revenues. When other financing sources are included, ad valorem taxes equal 45% of total revenues.

Revenues by Type	FY 2021 Actual	FY 2022 Budget	FY 2022 Estimated	FY 2023 Budgeted	Percent Change
Ad Valorem Taxes	\$ 11,490,262	\$ 12,210,000	\$ 12,241,000	\$ 12,176,000	-0.3%
Other Taxes & Licenses	4,455	3,000	3,500	3,800	26.7%
Unrestricted Intergovernmental Rev.	6,933,901	6,778,700	7,560,700	7,736,100	14.1%
Restricted Intergovernmental Rev.	790,495	484,250	583,200	635,100	31.2%
Permits & Fees	1,029,833	894,000	899,500	924,500	3.4%
Sales & Services	459,900	689,950	683,220	767,900	11.3%
Assessments	5,179	-	-	-	0.0%
Other Revenues	374,243	394,980	395,680	435,980	10.4%
Investment Income	2,827	1,400	8,400	133,000	9400.0%
Operating Revenues	21,091,095	21,456,280	22,375,200	22,812,380	6.3%
Other Financing Sources	244,999	-	-	4,286,720	100.0%
Fund Balance Appropriations	-	4,016,627	-	-	-100.0%
Total Revenues	\$ 21,336,094	\$ 25,472,907	\$ 22,375,200	\$ 27,099,100	6.4%
Per Capita	\$ 1,220	\$ 1,443	\$ 1,268	\$ 1,507	

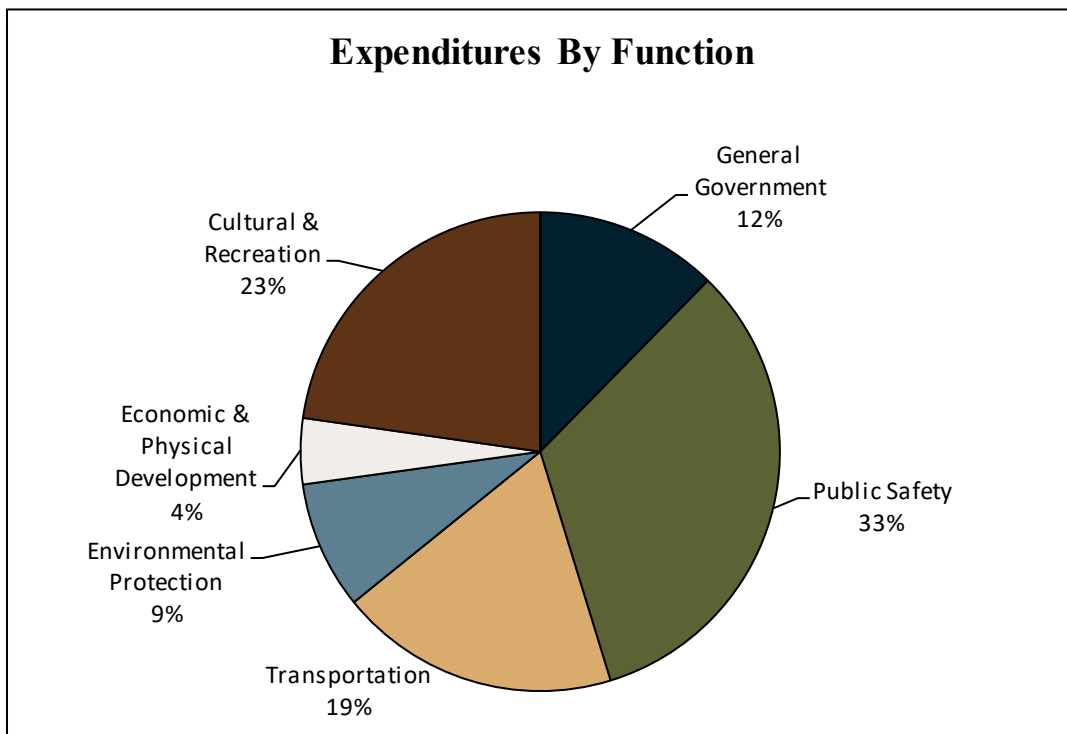




General Fund Summary

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 2021 Actual	FY 2022 Budget	FY 2022 Estimated	FY 2023 Budgeted	Percent Change
General Government	\$ 2,652,064	\$ 3,419,467	\$ 3,081,520	\$ 3,342,388	-2.3%
Public Safety	7,076,720	8,538,757	7,963,193	8,921,681	4.5%
Transportation	3,724,913	4,900,436	4,574,073	5,126,792	4.6%
Environmental Protection	1,860,146	2,169,400	2,077,884	2,339,160	7.8%
Economic & Physical Dev	1,040,019	1,422,723	1,147,841	1,205,850	-15.2%
Cultural & Recreation	2,777,886	4,472,124	3,993,808	6,163,229	37.8%
Debt Service	144,748	-	-	-	0.0%
Expenditures	19,276,496	24,922,907	22,838,319	27,099,100	8.7%
Other Financing Uses	-	550,000	550,000	-	-100.0%
Total Expenditures	\$ 19,276,496	\$ 25,472,907	\$ 23,388,319	\$ 27,099,100	6.4%
Per Capita	\$ 1,103	\$ 1,443	\$ 1,325	\$ 1,507	





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 2023.

Expenditures by Type	FY 2021 Actual	FY 2022 Budget	FY 2022 Estimated	FY 2023 Budgeted	Percent Change
Salaries & Benefits	\$ 10,942,578	\$ 12,854,300	\$ 11,611,234	\$ 13,742,900	6.9%
Operating	6,276,396	8,006,951	7,379,449	8,095,300	1.1%
Capital	1,912,774	4,061,656	3,847,636	5,260,900	29.5%
Debt Service	144,748	-	-	-	0.0%
Other Financing Uses	-	550,000	550,000	-	-100.0%
Total Expenditures	\$ 19,276,496	\$ 25,472,907	\$ 23,388,319	\$ 27,099,100	6.4%

Expenditures by Department Totalled by Function	FY 2021 Actual	FY 2022 Budget	FY 2022 Estimated	FY 2023 Budgeted	Percent Change	FY 2023 % Total
General Government						
Governing Body	\$ 112,471	\$ 150,900	\$ 125,278	\$ 150,300	-0.4%	0.6%
Administration	1,379,584	1,849,182	1,690,533	1,716,918	-7.2%	6.3%
Finance	674,295	840,465	804,420	857,120	2.0%	3.2%
HR	485,714	578,920	461,289	618,050	6.8%	2.3%
Total General Government	2,652,064	3,419,467	3,081,520	3,342,388	-2.3%	12.3%
Public Safety						
Police	3,242,432	3,784,676	3,540,876	4,858,351	28.4%	17.9%
Fire	3,506,915	4,369,901	4,045,060	3,657,600	-16.3%	13.5%
Inspections	327,373	384,180	377,257	405,730	5.6%	1.5%
Total Public Safety	7,076,720	8,538,757	7,963,193	8,921,681	4.5%	32.9%
Transportation						
Public Services Admin.	569,703	842,251	804,838	988,232	17.3%	3.6%
Streets & Grounds	1,898,589	2,858,085	2,569,135	2,838,460	-0.7%	10.5%
Powell Bill	1,256,621	1,200,100	1,200,100	1,300,100	8.3%	4.8%
Total Transportation	3,724,913	4,900,436	4,574,073	5,126,792	4.6%	18.9%
Environmental Protection						
Solid Waste	1,860,146	2,169,400	2,077,884	2,339,160	7.8%	8.6%
Total Environmental Protection	1,860,146	2,169,400	2,077,884	2,339,160	7.8%	8.6%
Economic & Physical Dev.						
Planning	909,731	1,282,223	1,023,666	1,054,330	-17.8%	3.9%
Community Development	130,288	140,500	124,175	151,520	7.8%	0.6%
Total Economic & Physical Dev.	1,040,019	1,422,723	1,147,841	1,205,850	-15.2%	4.4%
Cultural & Recreation						
Recreation	1,834,544	2,482,894	2,287,658	3,470,748	39.8%	12.8%
Library	163,763	841,583	627,191	1,608,545	91.1%	5.9%
Harness Track	457,777	779,042	733,775	654,516	-16.0%	2.4%
Fair Barn	321,802	368,605	345,184	429,420	16.5%	1.6%
Total Cultural & Recreation	2,777,886	4,472,124	3,993,808	6,163,229	37.8%	22.7%
Debt Service	144,748	-	-	-	0.0%	0.0%
Total Expenditures	19,276,496	24,922,907	22,838,319	27,099,100	8.7%	
Other Financing Uses (OFU)	-	550,000	550,000	-	-100.0%	0.0%
Total Expenditures & OFU	\$ 19,276,496	\$ 25,472,907	\$ 23,388,319	\$ 27,099,100	6.4%	100.0%



General Fund Summary

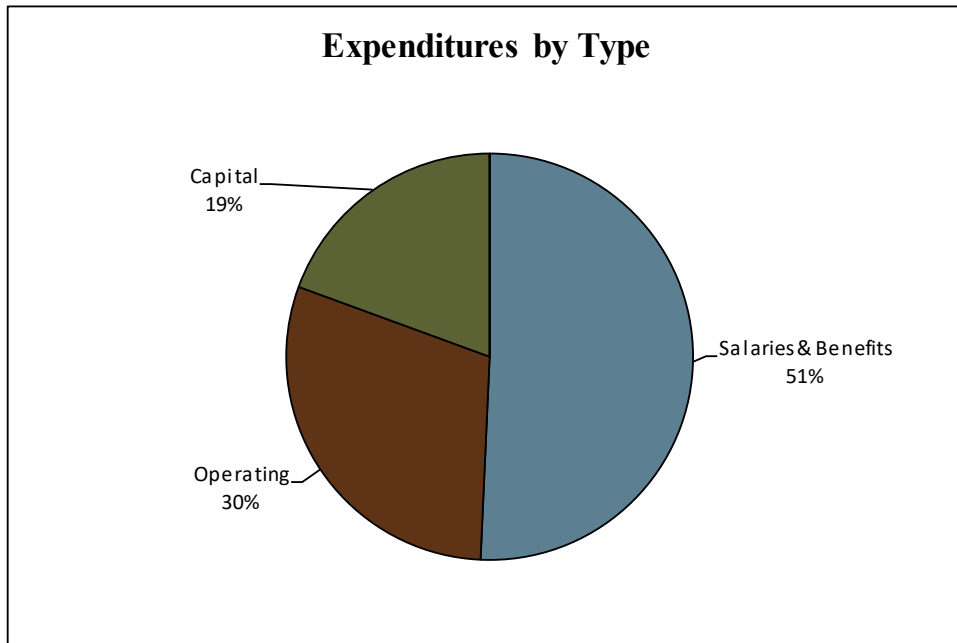
The General Fund reflects the overall economy as we continue to recover from the COVID-19 pandemic. Fortunately, our largest statewide intergovernmental revenue, local option sales tax, has experienced growth and is expected to continue growing. The Village, along with other local governments, received financial assistance in response to the pandemic from the American Rescue Plan Act. This will free up \$5.3 million of General Fund dollars to use in strategic ways in the coming years.

The proposed General Fund budget for FY 2023 is \$27,099,100, 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>
6/30/2018 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 Actual	21,091,095	19,276,496	1,814,599
6/30/2022 Estimated	22,375,200	22,838,319	(463,119)
6/30/2023 Budgeted	22,812,380	27,099,100	(4,286,720)

After adding Other Financing Sources of \$4,286,720 to revenues, the Village’s FY 2023 recommended budget is balanced in accordance with North Carolina General Statutes.





Revenue Highlights

The approved budget for FY 2023 represents a 6.4% increase from the FY 2022 amended budget. Operating revenues are estimated to increase by approximately 6.3% over FY 2022. The recommended budget as presented results in a per capita expenditure of \$1,507 based on a projected population of 17,980.

The projected ad valorem tax revenues, which represent roughly 53% of total operating revenues, are expected to decrease by 0.3% over the prior year. The proposed budget calls for the current property tax rate to decrease from 31.5 cents to 31.0 cents per \$100 of property valuation. This rate is expected to generate \$12,176,000 in ad valorem revenues. This year's one-half cent property tax rate reduction is offset in part by growth from the increase in single-family home construction and commercial construction.

Unrestricted intergovernmental revenues, which are distributed by the North Carolina Department of Revenue, are overall expected to increase by 14.1% over FY 2022. Local option sales taxes, which provide approximately 22% of the Village's operating revenues, are expected to increase by 18% over the previous year's original budget. FY 2022 has experienced significant increases in local option sales tax revenue. As North Carolina's economy continues to recover from the COVID-19 pandemic, projected growth remains strong for local option sales tax into FY 2023. Utility sales taxes are expected to change over the prior year at varying rates. While electricity sales taxes are expected to moderately grow, telecommunications and video programming taxes are likely to decline as consumers are selecting alternative telephone and television services.

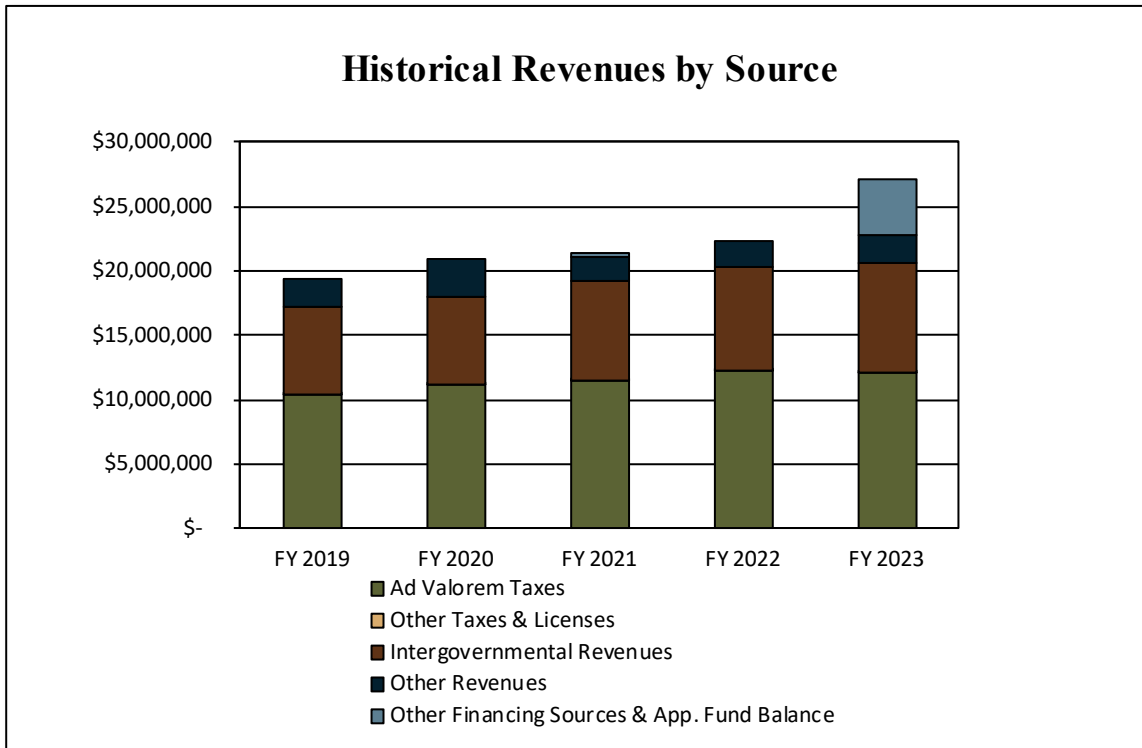
Permits and fees are expected to increase by 3.4% in FY 2023 over the prior year budgeted levels. This increase is primarily due to expected increases in fire district revenues. Fire district revenues are expected to increase by 5.9% over the previous year's budget.

Sales and services revenues, which are primarily derived from various Parks and Recreation fees, are expected to increase overall by 11.3% over prior year levels. The largest increases include Recreation fees, Harness Track stall rentals, and rental of Fair Barn amenities, which are 31.4%, 20% and 20.6%, respectively higher than the prior year budget. These increases are primarily due to increased programming and increased rentals of the facilities resulting from lifted state-mandated COVID-19 facility restrictions. With the acquisition of the library and archives, library fees and archives revenue account for approximately 2.5% of sales and services revenue in the FY 2023 budget.

Other revenues are planned to increase by 10.4% compared to the prior year. ABC revenues are expected to increase by 43.2% over the previous year's budget. ABC revenues provide approximately 53% of the Village's other revenues.

Investment income is estimated to increase by \$131,600 over the prior's year budget. The Federal Reserve is committed to raising interest rates in the foreseeable future and began this process at their meeting in March 2022. The average rate of return expected in FY 2023 is 0.76%. This is an increase from the expected average rate of return in FY 2022 of 0.07%.

Other financing sources, which include transfers from the American Rescue Plan Act Special Revenue Fund, are estimated to be \$4,286,720.



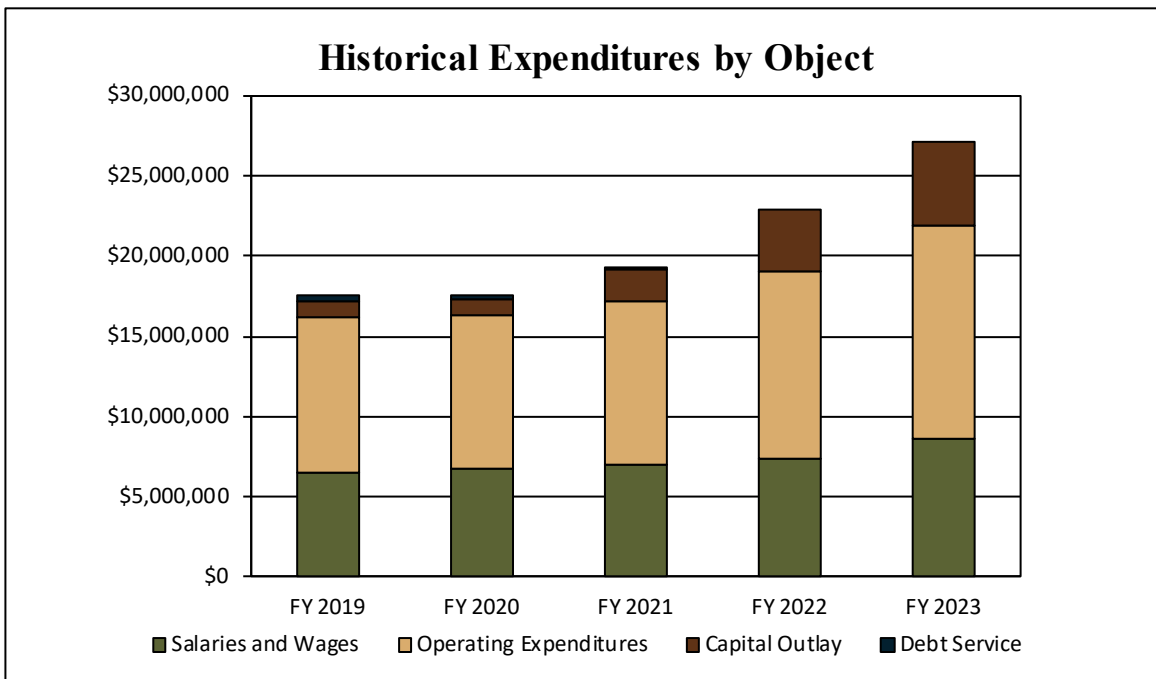


Expenditure Highlights

Salaries and benefits are expected to increase by 6.9% in FY 2023. This is affected by a cost of living adjustment of 4.7%, an average merit increase of 2%, and a projected 10% increase in group insurance. In FY 2023, there are 2 new employee full-time equivalents (FTE) added to the budget for the following positions: two Police Officers.

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.

Capital spending in the General Fund increased by 29.5% compared to the previous year. Capital spending for FY 2023 includes \$1,237,000 to install synthetic turf at Cannon Park, \$1,000,000 for unspecified initial building improvements at the newly acquired library, \$400,000 to construct pedestrian facilities, \$355,000 for storm drainage projects, \$350,000 for potential land acquisition for relocation of public services complex, and \$200,000 for streetscape projects. Other significant items in the current plan include a solid waste vehicle replacement, four police vehicle replacements, two new police vehicles, a vacuum sweeper replacement, and police radios and dash cameras.





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’s policy includes 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 Annual Comprehensive 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 2023 budget and three prior fiscal years. The large increase in FY 2020 includes \$1 million returned to the Village from the Given Memorial Library capital campaign trust account. The large increase in FY 2021 includes increased collections during the year from local option sales tax revenues and permits and fees from large commercial projects.

Fund Balance	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimated*	FY 2023 Budgeted*
Beginning	\$ 7,871,973	\$ 11,229,270	\$ 13,288,868	\$ 13,116,149
Ending	11,229,270	13,288,868	13,116,149	14,872,947
Increase/(Decrease)	3,357,297	2,059,598	(172,719)	1,756,798
% Change	42.6%	18.3%	-1.3%	13.4%
% of Expenditures	58.3%	68.9%	51.5%	54.9%

* 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 2023, no fund balance has been appropriated as a revenue source. Due to funds received from the American Rescue Plan Act in response to the pandemic, other financing sources of \$4,286,720 have been used as a revenue source in place of appropriated fund balance in FY 2023. These funds will be transferred to the General Fund from the American Rescue Plan Act Special Revenue Fund.

Fund balance is estimated to be \$13,116,149 at June 30, 2022. This is 51.5% of the budgeted FY 2022 expenditures of \$25,472,907. The Village’s fund balance policy is to maintain a minimum of 30% of expenditures in fund balance. Fund balance at June 30, 2023 is estimated to be \$14,872,947 or 54.9% 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.

