

Village of Pinehurst, North Carolina  
Annual Comprehensive Financial Report



For the Fiscal Year Ended  
June 30, 2023

Prepared by  
Financial Services Department

Dana Van Nostrand, CPA  
Financial Services Director

# Village of Pinehurst, North Carolina

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## **INTRODUCTORY SECTION**

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## LETTER OF TRANSMITTAL

October 20, 2023

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

The Annual Comprehensive 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 for the fiscal year ended June 30, 2023. 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, 2023, and to provide further accountability to residents and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

As an annual comprehensive 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. FORVIS, LLP, Certified Public Accountants, conducted the audit and concluded that there was a reasonable basis for rendering an unmodified ("clean") opinion that the Village's financial statements for the fiscal year ended June 30, 2023 are fairly presented in conformity with GAAP. The independent auditor's report on the basic financial statements is located at the beginning of the Financial Section of this report.

In addition to the independent audit of the financial statements, a compliance audit on state financial assistance is also required by the State Single Audit Implementation Act. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of state awards. These reports are in the Compliance Section of this Annual Comprehensive Financial Report.

In fiscal year 2023, the Village's Coronavirus State and Local Fiscal Recovery Funds qualified for an alternative compliance examination engagement in lieu of a federal Single Audit of these funds. A separate accountant's report on compliance will be issued for this examination.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditor's 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 the basic financial statements and should be read in conjunction with them.

## **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 over 18,000. 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 the Village’s manager and attorney. The Village Manager is responsible for carrying out the policies and ordinances of the Village Council, overseeing the day-to-day operations of the Village, and 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, maintenance of streets and 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 budget ordinance authorizes the Village Manager to make all budget transfers within a department and transfers up to \$25,000 between departments in a single budget amendment within the same fund. This authority is granted 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. Over the past year, the Village saw a steady local housing market. In fiscal year (FY) 2023, 42 new homes were constructed in the Village, which is a decrease from the 97 homes constructed in the previous year.

The tourism industry contributes significantly to the economic well-being of the Village. Moore County ranks tenth out of one-hundred North Carolina counties in tourism, with an estimated \$749 million in annual tourism generated revenues according to *The Economic Impact of Travel on North Carolina Counties* study prepared for Visit North Carolina by Tourism Economics. 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 because of its exceptional quality. Pinehurst Resort is the Village’s largest taxpayer and employs nearly 1,400 people. 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 \$169 million dollars in economic impact on the local and state economy. In 2020, the United States Golf Association (USGA) announced that it will build a second headquarters in Pinehurst as part of a multi-million dollar incentive package. Pinehurst No. 2 was also announced as the first anchor site for future U.S. Open championships with five men’s championship events scheduled over the next 25 years. The USGA’s commitment to sponsoring the men’s championship events at Pinehurst, in addition to various other championship events in Moore County and across the state, will bring significant economic benefits to North Carolina.

The Village also claims 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 3,700 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 annual comprehensive financial report. In addition, when preparing the annual General

Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance of at least 30%. The policy also states that when total fund balance at June 30 is in excess of 40% of actual General Fund expenditures, Council may commit excess fund balance for future capital needs. At June 30, 2023, the General Fund's unassigned fund balance of \$5.4 million represented 22% of General Fund actual expenditures and total fund balance of \$20.4 million was 71% of budgeted expenditures. In FY 2023, Council approved a resolution to commit excess funds for future capital needs totaling \$10.6 million.

In FY 2024, the Village adopted its eleventh 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 financial forecast that incorporates 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 Council maintains nine organizational goals for the FY 2024 Strategic Operating Plan to achieve its mission. These overarching community goals are as follows: (1) safeguard the community, (2) promote high-quality neighborhoods, development, and appearance, (3) promote a thriving business community, (4) promote transportation mobility and connectivity, (5) preserve the environment, (6) promote active living and cultural opportunities, (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 2024 Strategic Operating Plan to address these goals include:

- Update the Pinehurst Development Ordinance
- Implement a Metropolitan Planning Organization (MPO) in Association with Regional Partners
- Develop and Implement a Consolidated Multi-Modal Transportation Plan
- Relocation of the Public Services Complex to allow for redevelopment of Village Place
- Expand and renovate Given Memorial Library and Tufts Archives

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the 30th 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 annual comprehensive financial report. 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 annual comprehensive financial report 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 year ended June 30, 2023. This was our 16th consecutive year receiving this award. We were awarded the Special Performance Measures Recognition in four of those years. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget document was 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 unflinching support for maintaining the highest standards of professionalism in the management of the Village's finances.

Respectfully submitted,



Jeffrey M. Sanborn  
Village Manager



Dana Van Nostrand  
Financial Services Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Village of Pinehurst  
North Carolina**

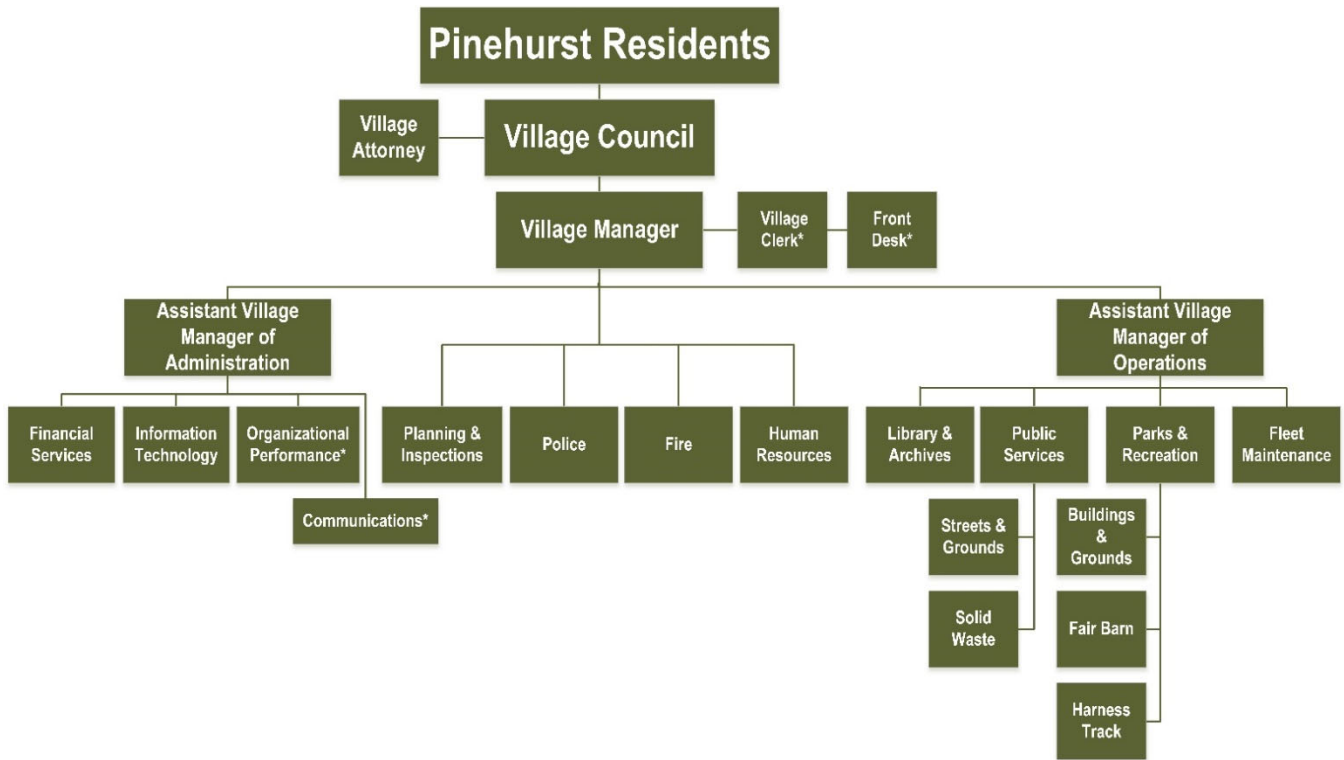
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022



# Village of Pinehurst, North Carolina

## Organizational Chart June 30, 2023



\* This function is included in the Administration Department.

**Village of Pinehurst, North Carolina  
List of Principal Officials  
As of June 30, 2023**

**Elected Officials**

John C. Strickland	Mayor
Patrick Pizzella	Mayor Pro-Tem
Lydia Boesch	Treasurer
Jane Hogeman	Council Member
Jeff Morgan	Council Member

**Appointed Officials**

Jeffrey M. Sanborn	Village Manager
Jeff Batton	Assistant Village Manager
Doug Willardson	Assistant Village Manager
Michael J. Newman	Village Attorney
Kelly Chance	Village Clerk
Dana Van Nostrand	Financial Services Director
Matthew McKirahan	Organizational Performance Director
Angela Kantor	Human Resources Director
Jason Whitaker	Chief Information Officer
Glen Webb	Police Chief
Carlton Cole	Fire Chief
Alex Cameron	Planning & Inspections Director
Mike Apke	Public Services & Engineering Director
Mark Wagner	Parks & Recreation Director
Audrey Moriarty	Library & Archives Director

## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### **Opinion**

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 ("the Village") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise of the Village's basic financial statements listed in the table of contents.

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, 2023, 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.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2023 the Village adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 18, Local Government Employees' Retirement System Schedule of the Proportionate Share of the Net Pension Liability (Asset) on page 52, Local Government Employees' Retirement System Schedule of Contributions on page 53, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll on pages 54 and 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Village. The individual fund statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 prepare 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, the 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.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

# FORVIS

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of the 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 the effectiveness of the Village's 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 the Village's internal control over financial reporting and compliance.

**FORVIS,LLP**

**High Point, North Carolina  
October 20, 2023**

## Management's Discussion and Analysis

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, 2023. 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.

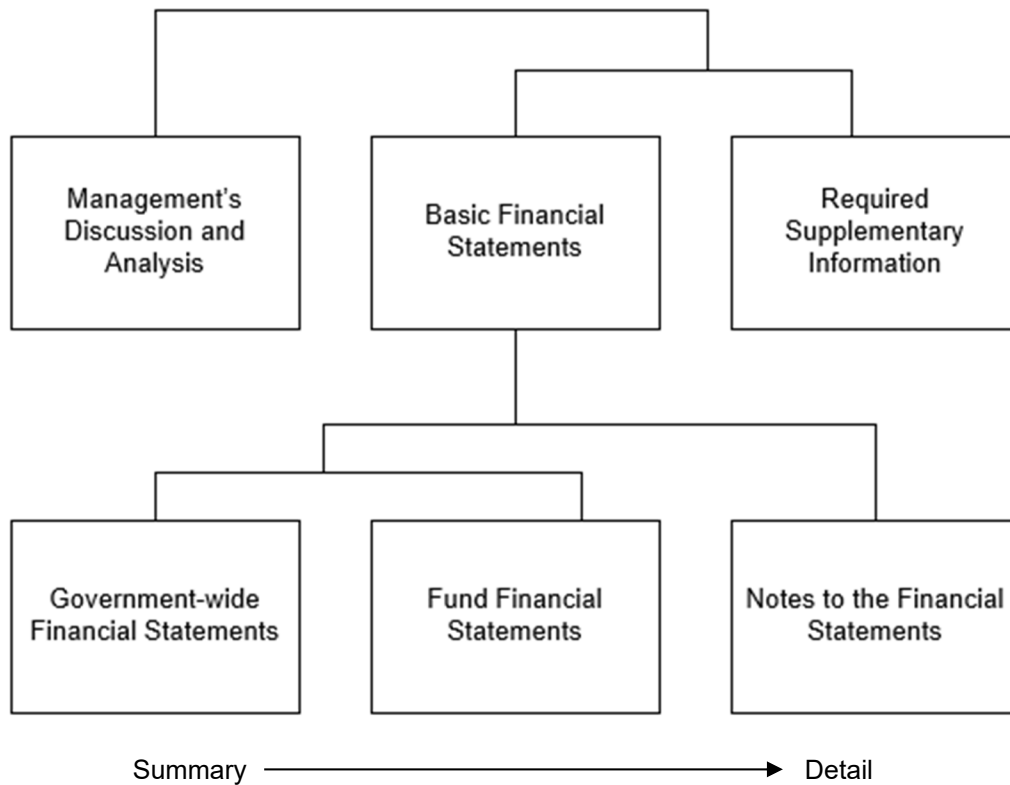
### Financial Highlights

- 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 \$48.2 million (*net position*).
- The Village's total net position increased by \$7.2 million primarily due to \$5.3 million of COVID-19 stimulus grant funding from the American Rescue Plan Act (ARPA) and a \$2.2 million net increase in capital assets, offset by \$349 thousand net increase in liabilities for leases and software subscriptions.
- At the end of the current fiscal year, the Village's governmental funds, consisting of the General Fund and Library Expansion Capital Project Fund, reported combined ending fund balances of \$21.8 million, an increase of \$6.1 million in comparison with the prior year. This increase was driven by the transfer of the \$5.4 million of ARPA grant funds and investment income to the General Fund to cover the grant expenditures.
- The American Rescue Plan Act Special Revenue Fund was established in 2022 to account for the use of federal grant funds received from the ARPA State and Local Fiscal Recovery Funds (SLFRF). These COVID-19 relief and economic recovery grant funds are allowed to be expended over multiple years. The first tranche was received in FY 2022 and the second tranche was received in FY 2023. The ARPA funds were fully expended in FY 2023 to cover salaries and benefits for the provision of government services and the Special Revenue Fund was closed.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$5.4 million, or 22% of total general fund expenditures for the fiscal year. This amount is available for spending at the Village's discretion. Committed fund balance for the General Fund totaled \$11.1 million, which includes \$545 thousand for improvements to the existing Given Memorial Library and Tufts Archives building and other operational improvements and nearly \$10.6 million for future capital needs per the Village's fund balance policy.
- The Village had no installment purchase debt and no general obligation bonded debt as of June 30, 2023. The Village had \$374 thousand of long-term liabilities associated with multi-year lease and software subscription agreements. See notes 1 and 5 for more information.
- Throughout the year, the Village's deposits were insured or collateralized as required by State law. Total investment earnings were approximately \$847 thousand, which is equivalent to an annual return of approximately 3.69% on the average amount of cash and cash equivalents during the year. The investment return increased considerably compared to the prior year return of 0.15% due to higher interest rates and a higher average cash balance, driven by the second tranche of ARPA funding received in fiscal year 2023. At fiscal year's end, 99% of the Village's cash and investments were invested with the North Carolina Capital Management Trust (NCCMT) Government Portfolio.
- The Village has received the Certificate of Achievement for Excellence in Financial Reporting for 30 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2023 fiscal year, the Village received the Distinguished Budget Presentation Award for the 16<sup>th</sup> consecutive year from the Government Finance Officers Association for its annual budget. We have also been awarded the Special Performance Measures Recognition in four of those years.

**Overview of the Financial Statements**

The Village provides both an introductory and financial section in the annual comprehensive financial report (ACFR). As Figure 1 shows below, the financial section has three required components—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. This discussion and analysis is intended to serve as an introduction to the Village’s basic financial statements and provide management’s analytical insights on the information contained in the 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. The basic financial statements present two different views of the Village through the use of government-wide statements and fund financial statements. The government-wide financial statements provide a long-term perspective on the Village’s overall financial status. The fund financial statements focus on the Village’s operations in more detail with a short-term perspective. The notes provide additional explanations and more detailed data and are an integral part to understanding the 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 the Annual Comprehensive 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, illustrating how government services were funded and what remains for future spending. 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 it has 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, sales 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, 2023. The final category is the component unit. The Village does not have any component units as of June 30, 2023.

The government-wide financial statements are in 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 had three funds during fiscal year 2023, the General Fund, the American Rescue Plan Act Special Revenue Fund, and the Library Expansion Capital Project Fund, which are all governmental funds.

**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 moneys 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 governmental fund financial statements and reconciliations to the government-wide financial statements are in Exhibits 3 through 6 of the basic 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 residents 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

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provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether 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 legal budget document. 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. The budgetary comparison statement is presented as Exhibit 7 of the basic financial statements.

A multi-year grant project ordinance was adopted for the American Rescue Plan Act Special Revenue Fund, as the COVID-19 relief and economic recovery grant funds are allowed to be expended over multiple years. The first tranche of funding was received in FY 2022 but not expended. The second tranche was received in FY 2023 and all funds were expended in FY 2023. The American Rescue Plan Act Special Revenue Fund was closed in FY 2023. The budget-to-actual comparison statement for this fund is presented in Schedule 2.

A multi-year project ordinance was adopted for the Library Expansion Capital Project Fund, as the expansion will take more than one fiscal year to design and build. Design work began in FY 2023 and funds were transferred from the General Fund to the Library Expansion Capital Project Fund in FY 2023 to fund future construction costs. The budget-to-actual comparison statement for this fund is presented in Schedule 3.

*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 begin on page 26 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 52 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**

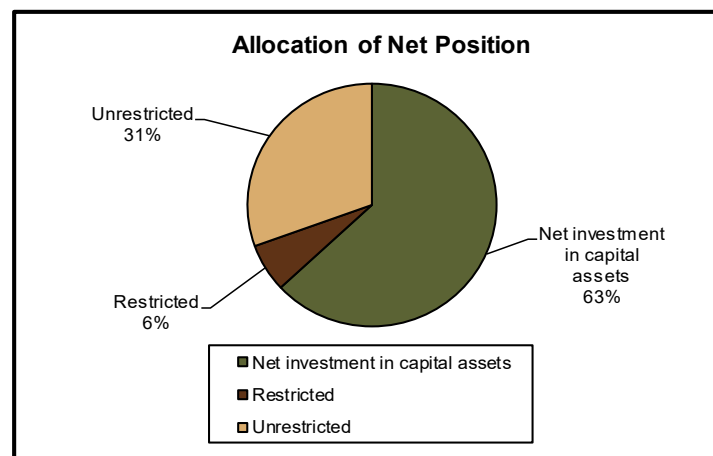
### **Net Position**

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

Village of Pinehurst's Net Position  
Figure 2

	Governmental Activities 2023	Governmental Activities 2022	\$ Change	% Change
Current and other assets	\$ 23,211,581	\$ 20,335,263	\$ 2,876,318	14%
Non-current lease receivable	25,748	-	25,748	N/A
Capital assets, net	31,053,754	28,828,334	2,225,420	8%
Total assets	<u>54,291,083</u>	<u>49,163,597</u>	<u>5,127,486</u>	10%
Deferred outflows of resources	4,467,795	2,998,814	1,468,981	49%
Long-term liabilities outstanding	8,815,491	4,114,408	4,701,083	114%
Unearned revenues	-	2,648,376	(2,648,376)	-100%
Other liabilities	1,428,995	2,022,877	(593,882)	-29%
Total liabilities	<u>10,244,486</u>	<u>8,785,661</u>	<u>1,458,825</u>	17%
Deferred inflows of resources	285,420	2,360,245	(2,074,825)	-88%
Net position:				
Net investment in capital assets	30,435,847	28,803,183	1,632,664	6%
Restricted for:				
Stabilization by state statute	3,067,395	2,893,797	173,598	6%
General government	-	4,216	(4,216)	-100%
Public safety	19,469	36,297	(16,828)	-46%
Unrestricted	14,706,261	9,279,012	5,427,249	58%
Total net position, ending	<u>\$ 48,228,972</u>	<u>\$ 41,016,505</u>	<u>\$ 7,212,467</u>	18%

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 \$48.2 million as of June 30, 2023. The Village's net position increased by \$7.2 million from June 30, 2022. The largest portion of net position, \$30.4 million, or 63%, 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 residents; 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, \$3.1 million, or 6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14.7 million, or 31%, is unrestricted.



**Governmental Activities**

As shown in Figure 3 below, governmental activities increased the Village's net position by \$7.2 million.

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

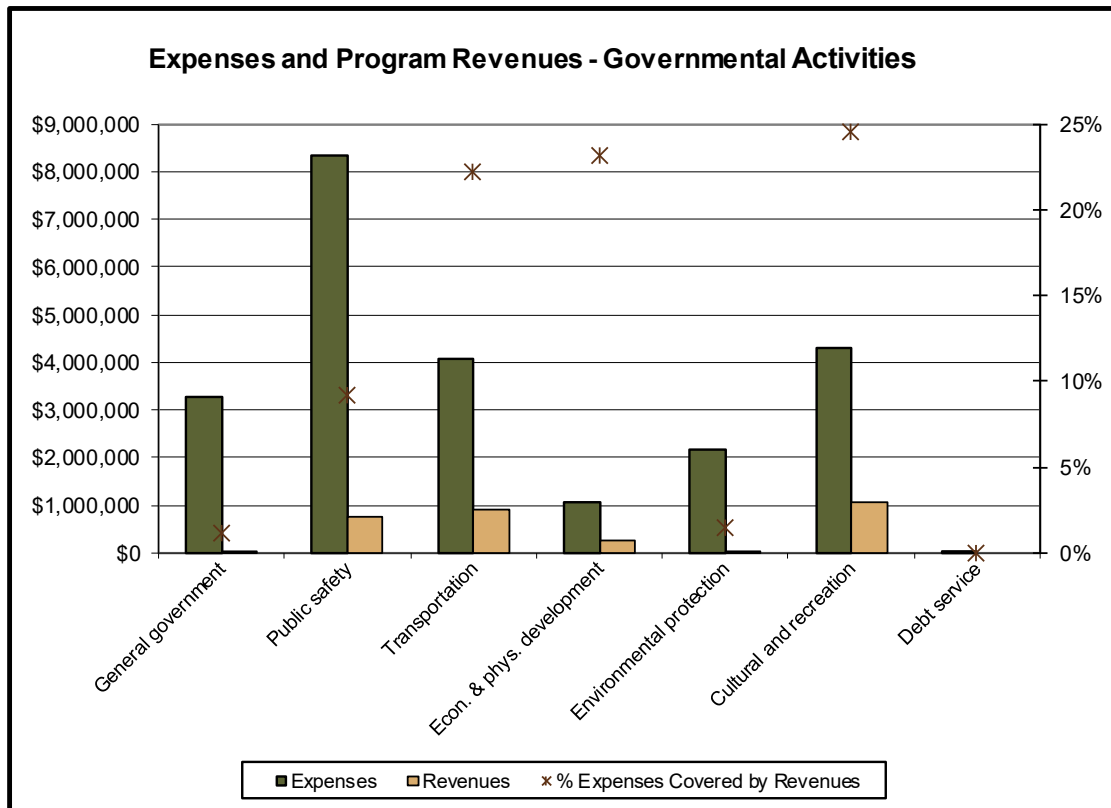
	<u>Governmental Activities</u> <u>2023</u>	<u>Governmental Activities</u> <u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program revenues:				
Charges for services	\$ 1,877,712	\$ 1,701,376	\$ 176,336	10%
Operating grants and contributions	773,792	608,559	165,233	27%
Capital grants and contributions	386,795	940,150	(553,355)	-59%
General revenues:				
Property taxes	12,339,658	12,260,171	79,487	1%
Other taxes	8,478,949	7,955,501	523,448	7%
Grants and contributions not restricted to specific programs	5,296,752	-	5,296,752	N/A
Other	1,266,438	528,652	737,786	140%
Total revenues	<u>30,420,096</u>	<u>23,994,409</u>	<u>6,425,687</u>	27%
Expenses:				
General government	3,274,557	2,795,809	478,748	17%
Public safety	8,337,760	7,152,920	1,184,840	17%
Transportation	4,053,417	3,565,665	487,752	14%
Economic and physical development	1,061,855	963,250	98,605	10%
Environmental protection	2,171,713	2,066,834	104,879	5%
Cultural and recreation	4,300,548	3,632,670	667,878	18%
Interest on long-term debt	7,779	201	7,578	3770%
Total expenses	<u>23,207,629</u>	<u>20,177,349</u>	<u>3,030,280</u>	15%
Increase in net position	7,212,467	3,817,060	3,395,407	89%
Net position, July 1	41,016,505	37,199,445	3,817,060	10%
Net position, June 30	<u>\$ 48,228,972</u>	<u>\$ 41,016,505</u>	<u>\$ 7,212,467</u>	18%

Several aspects of the Village's financial operations influenced the positive change in total governmental net position:

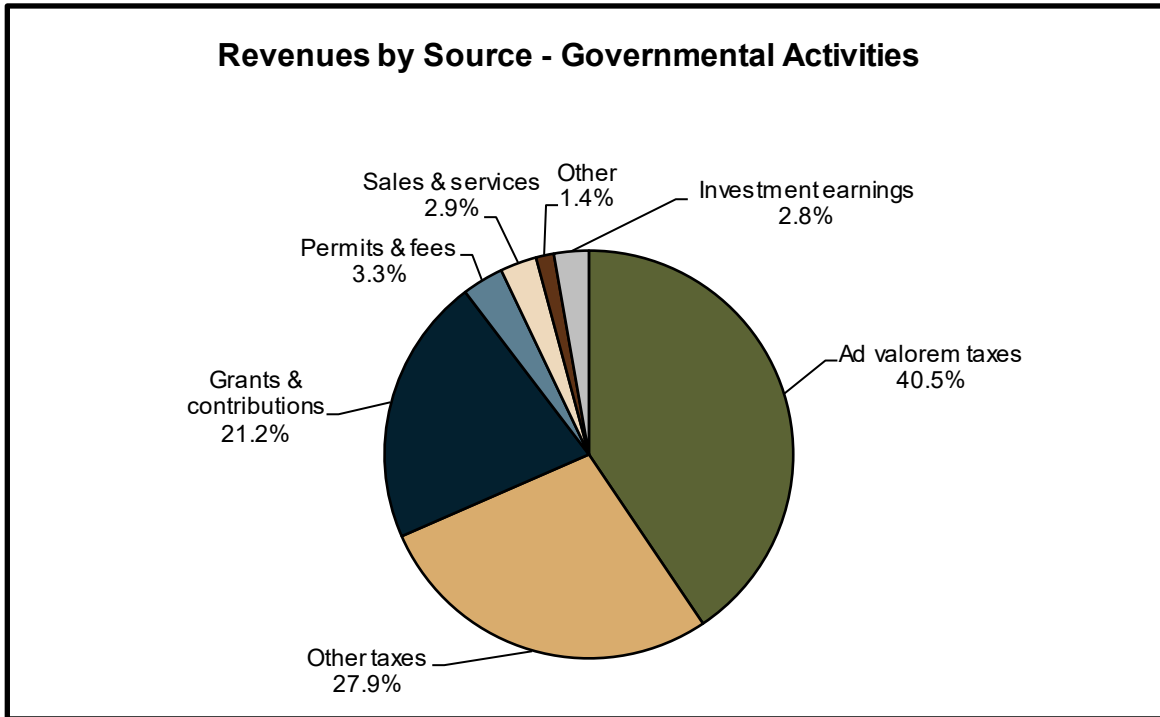
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in the General Fund of 99.93%, which is higher than the statewide average in the Village's population peer group of 99.28%.
- Other taxes, comprised of local option sales taxes, utility taxes, and other sales taxes, increased by \$523 thousand, or 7%, due to increased collections of local option sales taxes.
- The \$5.3 million of ARPA grant funds were recognized as revenue in fiscal year 2023. These funds were not restricted for specific programs, therefore they are reported as general revenues.
- Investment income increased significantly due to higher interest rates. The Village realized \$813 thousand more investment income in fiscal year 2023 than 2022.

- Expenses net of program revenues increased by \$3.2 million, or 19%. This result was influenced by the following factors:
  - Program expenses were \$3.0 million, or 15%, higher than in the previous fiscal year. Salary and benefit expenses (excluding pension expense) increased \$1.1 million, or 9.6%, compared to the previous fiscal year. This is due to cost-of-living and merit salary increases during the year.
  - The Village's net pension expense for the Local Government Employees Retirement System (LGERS) of \$1.8 million was \$1.1 million more than last year. The net pension expense is allocated to each of the functions in the statement of activities.
  - Additionally, non-personnel operating expenses increased \$940 thousand, primarily due to non-capital equipment purchases of equipment for the Police department, higher road resurfacing costs, and a full year of expenses for the Given Memorial Library and Tufts Archives which was acquired by the Village in April 2022.
  - Charges for services increased by \$176 thousand, or 10%, due to recreational programming and Fair Barn event rentals returning to pre-COVID levels.
  - Operating grants and contributions increased \$165 thousand, or 27%, due to endowment income received for the Given Memorial Library from the Given Tufts Foundation and a one-time ARPA State Fiscal Recovery Funds grant of \$40 thousand for library aid.
  - Capital grants and contributions decreased by \$553 thousand, or 59%, due to the transfer of ownership of the Given Memorial Library and Tufts Archives building and land valued at \$940 thousand in the prior fiscal year, compared to \$320 thousand in donated assets this fiscal year plus \$66 thousand in capital grants.

The graph below compares the program revenues and expenses for each function and the percentage of expenses covered by the program revenues:



The percentage of expenses covered by program revenues is less than 25% for each function. This is typical of the Village which relies heavily on general revenues, such as ad valorem (property) taxes and other taxes (sales taxes) as illustrated in the graph below:



**Business-Type Activities**

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

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

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.

On June 30, 2023, the governmental funds of the Village reported a combined fund balance of \$21.8 million, an increase of \$6.1 million, or 39%, over last year. This large increase was driven by the \$5.4 million of ARPA grant revenue and associated investment income.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5.4 million, while total fund balance reached approximately \$20.4 million. 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 at least 30% 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 fund balance policy also states that when total fund balance at June 30 is in excess of 40% of actual General Fund expenditures, Council may commit excess fund balance for future capital needs. However, the amount of fund balance committed for future capital needs shall never cause unassigned General Fund fund balance to fall below the 15% unassigned fund balance minimum. In fiscal year 2023, Council approved a resolution to commit excess funds for future capital needs totaling \$10.6 million. Council also approved a resolution in fiscal year 2021 to commit \$1.0 million for improvements to the existing Given Memorial Library and Tufts Archives building and other operational improvements, of which only \$545 thousand in commitments remain. The Village currently has unassigned fund balance of 22% of actual general fund expenditures, while total fund balance represents 71% of budgeted expenditures. The statewide average for total fund balance in the Village's population peer group is 64%.

Fund balance in the Village's General Fund increased by \$5.1 million during the 2023 fiscal year. Key components of this change are as follows:

- Sales tax revenues of \$8.5 million increased \$523 thousand, or 6.6%, due to strong tourism and price inflation.
- Sales and services revenues totaling \$878 thousand increased \$115 thousand, or 15.1%, from expanding athletic and recreational program fees, higher Fair Barn rental income, and library and archive sales.
- Investment income of \$720 thousand was \$695 thousand more than fiscal year 2022. This increase is due to the increase in interest rates and a higher average balance invested in the North Carolina Capital Management Trust.
- Actual operating expenditures of over \$20.3 million were \$2.0 million higher than last year. This was due to a \$1.1 million increase in salaries and benefits resulting from cost-of-living and merit salary increases coupled with higher pension contribution rates. Additionally, non-personnel operating expenditures increased \$940 thousand, due to non-capital police equipment purchases, higher road resurfacing expenditures, and a full fiscal year of operating expenditures for the Given Memorial Library and Tufts Archives which were acquired by the Village in April 2022.
- Capital expenditures totaling \$4.1 million were \$1.7 million more than prior year. More capital improvements outside of the normal replacement plans were slated in fiscal year 2023 than 2022, most notably the Cannon Park turf field installation.
- \$5.4 million of ARPA grant revenue and associated investment income was transferred from the ARPA Special Revenue Fund to the General Fund to offset the general government services salary and benefit expenditures in the General Fund that were allowed as the grant expenditures.
- Village Council approved the transfer of \$1.0 million from the General Fund to the Library Expansion Capital Project Fund to advance fund future construction costs.

### ***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 residents of the Village while working to responsibly spend and 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; (3) increases in appropriations that become necessary to



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maintain services; and (4) amounts that are carried over from the previous year and reappropriated for the subsequent year's expenditures.

In fiscal year 2023, the Village made the following key budget amendments:

- \$1.4 million for expenditures budgeted but not spent in fiscal year 2022 that were reappropriated for spending in fiscal year 2023. This was offset by increasing the budgeted transfer from the ARPA Special Revenue Fund by \$1.0 million and increasing fund balance appropriated by \$426 thousand.
- Increases to the expenditure appropriations for the Powell Bill (\$173 thousand) and Recreation (\$145 thousand) departments when the bids for road resurfacing and the Cannon Park synthetic turf field exceeded the budget estimates. These were offset by increasing fund balance appropriated.
- Adding \$106 thousand to the Harness Track budget for improvements which were covered by a \$50 thousand grant and \$56 thousand of fund balance appropriation.
- Mid-year budget amendments based on management's projections of revenues and expenditures through the end of the fiscal year. Sales tax revenue, investment income, and several other revenue budgets were increased along with adjustments to expenditures which allowed the fund balance appropriation to be decreased by \$1.0 million.
- Transferring \$1.0 million budgeted for library and archives building improvements to transfer it to the Library Expansion Capital Project Fund since improvements to the existing building were put on hold when the decision was made to build a new library building and expand the archives within the existing building.
- Adjustments to the budget to appropriate funds as debt service rather than operating expenditures for the lease liabilities and appropriate funds for the capital outlays for the subscription assets, and other financing sources and debt service expenditures for the subscription liabilities recognized with the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* as of July 1, 2022.

Comparing budget to actual amounts, the Village exceeded the final budgeted operating revenue estimates by \$737 thousand, or 3.1%. The primary revenues that came in above estimated budget amounts were unrestricted intergovernmental revenues and investment income. Unrestricted intergovernmental revenues were \$212 thousand above budget, due to higher local option sales taxes than anticipated. Investment income was \$287 thousand more than the budget due to higher interest rates than projected during the mid-year budget amendment process.

Total expenditures were \$4.3 million, or 14.9%, less than the final budgeted amounts. Expenditures were less than budgeted amounts for the following significant items:

- Salaries and benefits were \$968 thousand lower due to employee vacancies related to turnover
- Contracted and professional services were underspent by \$261 thousand
- \$446 thousand of operating expenditures had open purchase order commitments but were not received by June 30, 2023. These funds were reappropriated in fiscal year 2024.
- Capital expenditures were over \$1.8 million below budget due to projects that were budgeted but not completed in fiscal year 2023, most notably \$1.1 million for stormwater, streetscape, intersection, and



pedestrian improvement projects and \$234 thousand for a garbage truck that was ordered but not received by June 30, 2023. Of the \$1.8 million total, \$1.5 million was reappropriated in fiscal year 2024.

Additionally, the transfer from the ARPA Special Revenue Fund to the General Fund was \$107 thousand higher than budgeted due to the investment income in the ARPA Special Revenue Fund that exceeded the budget.

As a result of the variances in revenues and expenditures outlined above, fund balance in the General Fund increased by \$5.1 million at June 30, 2023 compared to June 30, 2022. This resulted in the General Fund reporting fund balance of \$20.4 million, a 33.6% increase from the previous year. The two primary reasons for the increase in fund balance were higher local option sales tax and investment income revenues, salary and benefit savings, and unfinished capital and operating items that were reappropriated in FY 2024.

## ***Capital Asset and Debt Administration***

### ***Capital Assets***

The Village's investment in capital assets for its governmental activities as of June 30, 2023 was more than \$31.0 million (net of accumulated depreciation and amortization). These assets include land, right of ways, buildings and improvements (including depreciable land improvements), furniture and equipment, vehicles, infrastructure such as streets and drainage systems, right-to-use lease and subscription assets, and construction in progress.

Major capital asset transactions during the year include the following additions:

- Installation of synthetic turf on Cannon Park ballfield costing \$1.2 million
- Storage building construction totaling \$274 thousand
- Fire department breathing apparatus equipment of \$123 thousand
- Village Hall HVAC replacement costing \$135 thousand
- Street sweeper purchase of \$141 thousand
- Garbage truck replacement costing \$216 thousand
- Routine replacements of six police vehicles totaling \$328 thousand
- Paddock improvements at the Harness Track for \$115 thousand
- Donated right of way, street, and sidewalks totaling \$320 thousand
- Right-to-use subscription assets of \$583 thousand

During fiscal year 2023, the Village also disposed of a fire truck and service truck with a historical cost totaling nearly \$394 thousand. These assets were fully depreciated at the time of disposal.

The table below contains the net capital asset balances as of June 30, 2023 and 2022.

Village of Pinehurst's Capital Assets  
(net of depreciation and amortization)

Figure 4

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2023</b>	<b>2022</b>
Land	\$ 7,152,311	\$ 7,071,836
Right of ways	586,398	491,187
Buildings and improvements	12,300,146	11,378,831
Furniture and equipment	1,182,402	1,003,967
Vehicles	3,471,357	3,305,077
Infrastructure	5,755,395	5,543,553
Right-to-use assets	457,212	25,151
Construction in progress	148,533	8,732
Total	<b>\$ 31,053,754</b>	<b>\$ 28,828,334</b>

Additional information on the Village's capital assets can be found in note 4 and more information on the right-to-use assets can be found in note 5.

**Long-Term Debt**

As of June 30, 2023, the Village had no outstanding debt in direct borrowing installment purchase agreements. The Village had \$374 thousand in outstanding lease and subscription liabilities as of June 30, 2023 which mature in 2-5 years. See note 5 for additional information on the lease and subscription liabilities.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Village is \$318.4 million. See Table 11 in the Statistical Section for the calculation of the Village's legal debt margin.

Additional information regarding the Village's long-term debt can be found in note 10 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:

- *COVID-19 pandemic:* Our local economy continues to outpace nationwide spending since the beginning of the COVID-19 coronavirus pandemic. Despite the pandemic, the Village experienced local option sales tax revenue growth over the past three years and expects continued growth in this revenue source as high inflation has yet to slow consumer spending.
- *American Rescue Plan Act (ARPA) funds:* The Village received approximately \$5.3 million in grant funding from the ARPA to address community recovery needs related to the COVID-19 pandemic. These funds were used in FY 2023 to supplant General Fund dollars typically used for local government salaries and benefits. This one-time infusion to fund balance will allow the Village to fund a new building for the Given Memorial Library and expand the Tufts Archives without debt financing.

- *Inflation:* The consumer price index remained consistently high over the past year-and-a-half, from 7.5% in January 2022 to 6.4% in January 2023, with a peak of 9.1% in June 2022. This persistently high rate of inflation places operating pressures on the Village's budget. Inflation has since slowed to 3.0% in June 2023. Investment income has increased and is expected to remain in the 4.3% - 5.6% range as the Federal Reserve raises interest rates to combat inflation and slow the economy.
- *New home construction:* New single-family home construction slowed in the past year, with the Village adding 42 new homes in FY 2023 compared to 97 and 136 in fiscal years 2022 and 2021, respectively. We project approximately 100 homes to be built in FY 2024 based on housing market activity and planned development. The steady growth experienced over the past three years has added to our tax base and resulted in additional revenue available to provide and expand high quality municipal services. The Village has also seen significant commercial development over the past five years.
- *Growth and development:* With population increasing and development continuing, the Village is focusing more resources to address the regulatory and infrastructure needs of the community, including investing in pedestrian facilities and stormwater maintenance projects. Also, the 2019 Comprehensive Plan recommended strategies to address current and projected growth in the Village. These strategies were integrated into the Village's strategic planning process.
- *United States Golf Association (USGA) presence:* Hosting the U.S. Open Championship over the years has proven to positively impact golf-related tourism. The USGA is expanding its operations into Pinehurst with a \$25 million facility, Golf House Pinehurst, that will bring 50 new jobs. The facility is under construction and scheduled to be completed in December 2023. In addition, the USGA committed to hosting five Men's U.S. Open Championships in Pinehurst by 2047, with the first coming in June 2024. According to independent studies, the total economic impact of the USGA's long-term presence is estimated to exceed \$2 billion in North Carolina. To promote this economic development opportunity, the Village committed to ten years of economic incentive payments to the USGA equaling 90% of property taxes paid to the Village.

## ***Budget Highlights for the Fiscal Year Ending June 30, 2024***

### ***Governmental Activities***

Revenues of the Village are expected to decrease by 8.0% overall for FY 2024. This is primarily due to the decrease of \$5.3 million from the one-time ARPA grant funding budgeted in FY 2023. Operating revenues are budgeted to increase 9.9%, driven by increases in ad valorem taxes, permits and fees, and investment income. Property tax revenues are expected to increase \$1.4 million, or 11.2%. The property revaluation by the Moore County Tax Department effective for the FY 2024 tax revenues resulted in a 49.5% increase in the Village's tax base. For FY 2024, the Village Council adopted an ad valorem tax rate of \$0.23 per \$100 valuation, which is a half-cent less than the "inflation-adjusted revenue neutral tax rate" of \$0.235 per \$100 of property valuation, \$0.08 less than the previous year's tax rate of \$0.31, and two cents more than the revenue-neutral tax rate of \$0.21. Budgeted revenues also include \$350 thousand for the U.S. Open Championship licensing fee from the USGA and an increase of \$207 thousand in investment income.

Budgeted expenditures in the General Fund are estimated to be \$26.9 million, a decrease of 8.0%. This decrease is driven by a reduction in capital expenditures in FY 2024 after some significant capital projects, such as the synthetic turf installation at Cannon Park for \$1.2 million, in FY 2023. The decrease in capital expenditures is partially offset by an 11.0% increase in salaries and benefits as a result of an 8.0% cost-of-living increase and the addition of 4.3 full-time equivalent positions.

In fiscal year 2024, the Village adopted its eleventh 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 financial forecast that is inclusive of a five-year capital improvement plan (CIP). The SOP is

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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 Council maintains nine organizational goals for the FY 2024 Strategic Operating Plan to achieve its mission. These overarching community goals are as follows: (1) safeguard the community, (2) promote high-quality neighborhoods, development, and appearance, (3) promote a thriving business community, (4) promote transportation mobility and connectivity, (5) preserve the environment, (6) promote active living and cultural opportunities, (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 2024 Strategic Operating Plan to address these goals include:

- Update the Pinehurst Development Ordinance
- Implement a Metropolitan Planning Organization (MPO) in Association with Regional Partners
- Develop and Implement a Consolidated Multi-Modal Transportation Plan
- Relocation of the Public Services Complex to allow for redevelopment of Village Place
- Expand and renovate Given Memorial Library and Tufts Archives

Total capital outlays of \$2.8 million are down 56.3% compared to the previous fiscal year due to significant non-recurring capital projects in FY 2023. The significant capital items included for FY 2024 are as follows:

- Construction of pedestrian facilities (\$460 thousand)
- Stormwater drainage projects (\$430 thousand)
- Garbage truck replacement (\$255 thousand)
- Four police vehicles (\$244 thousand)
- Various Harness Track improvements (\$206 thousand)
- Streetscape improvements (\$200 thousand)
- Police dispatch radio replacement (\$160 thousand)
- Village-wide document imaging system (\$110 thousand)

### ***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 Dana Van Nostrand, Financial Services Director at 910-295-8646, or Village of Pinehurst, 395 Magnolia Road, Pinehurst, North Carolina 28374.

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# **BASIC FINANCIAL STATEMENTS**

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**Village of Pinehurst, North Carolina**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit 1**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (note 2)	\$ 20,531,499
Taxes receivable, net	14,967
Lease receivable due in one year (note 5)	6,771
Accrued interest receivable	122
Other receivables, net (note 3)	25,846
Due from other governments	2,481,260
Inventories	52,537
Prepaid items	98,579
Total unrestricted current assets	<u>23,211,581</u>
Non-current assets:	
Lease receivable due in more than one year (note 5)	25,748
Capital assets, net (note 4):	
Land and non-depreciable improvements	7,152,311
Construction in progress	148,533
Right of ways	586,398
Buildings and improvements	12,300,146
Furniture and equipment	1,182,402
Vehicles	3,471,357
Infrastructure	5,755,395
Right-to-use assets (note 5)	457,212
Total capital assets	<u>31,053,754</u>
Total non-current assets	<u>31,079,502</u>
Total assets	<u>54,291,083</u>
<b>Deferred Outflows of Resources (note 7)</b>	
Pension deferrals (note 6)	4,467,795
Total deferred outflows of resources	<u>4,467,795</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	1,421,873
Accrued interest payable	7,122
Long-term liabilities due within one year (note 10)	701,802
Total current liabilities	<u>2,130,797</u>
Long-term liabilities:	
Long-term liabilities due in more than one year (note 10)	8,113,689
Total liabilities	<u>10,244,486</u>
<b>Deferred Inflows of Resources (note 7)</b>	
Leases (note 7)	30,919
Pension deferrals (note 6)	254,501
Total deferred inflows of resources	<u>285,420</u>
<b>Net Position</b>	
Net investment in capital assets (note 12)	30,435,847
Restricted for:	
Stabilization by state statute	3,067,395
Public safety	19,469
Unrestricted	14,706,261
Total net position	<u>\$ 48,228,972</u>

The notes to the financial statements are an integral part of this statement.

Village of Pinehurst, North Carolina  
Statement of Activities  
Fiscal Year Ended June 30, 2023

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	\$ 3,274,557	\$ 37,939	\$ -	\$ -	\$ (3,236,618)
Public safety	8,337,760	752,005	13,636	-	(7,572,119)
Transportation	4,053,417	-	579,914	320,171	(3,153,332)
Economic and physical development	1,061,855	245,588	-	-	(816,267)
Environmental protection	2,171,713	-	15,383	16,624	(2,139,706)
Cultural and recreation	4,300,548	842,180	164,859	50,000	(3,243,509)
Interest on long-term debt	7,779	-	-	-	(7,779)
	<u>23,207,629</u>	<u>1,877,712</u>	<u>773,792</u>	<u>386,795</u>	<u>(20,169,330)</u>
Total governmental activities					
General revenues:					
					12,339,658
Ad valorem taxes					8,478,949
Other taxes					5,296,752
Grants and contributions not restricted to specific programs					837,517
Investment earnings					428,921
Miscellaneous					<u>27,381,797</u>
Total general revenues					<u>27,381,797</u>
Change in net position					7,212,467
Net position, beginning					<u>41,016,505</u>
Net position, ending					<u>\$ 48,228,972</u>

Village of Pinehurst, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2023

Exhibit 3

	Major Funds		
	General Fund	Library Expansion Capital Project Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 19,129,944	\$ 1,401,555	\$ 20,531,499
Receivables, net:			
Taxes	14,967	-	14,967
Leases	32,519	-	32,519
Interest	122	-	122
Other	25,846	-	25,846
Due from other governments	2,481,260	-	2,481,260
Inventories	52,537	-	52,537
Prepaid items	98,579	-	98,579
Total assets	<u>\$ 21,835,774</u>	<u>\$ 1,401,555</u>	<u>\$ 23,237,329</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 618,248	\$ -	\$ 618,248
Withholdings and accrued expenditures	560,542	-	560,542
Deposits	243,083	-	243,083
Total liabilities	<u>1,421,873</u>	<u>-</u>	<u>1,421,873</u>
Deferred inflows of resources:			
Lease revenue	30,919	-	30,919
Unavailable revenues	20,918	-	20,918
Total deferred inflows of resources	<u>51,837</u>	<u>-</u>	<u>51,837</u>
Fund balances:			
Nonspendable:			
Inventory	52,537	-	52,537
Prepaid items	98,579	-	98,579
Leases	1,722	-	1,722
Restricted:			
Stabilization by state statute	3,067,395	-	3,067,395
Public safety	19,469	-	19,469
Committed:			
Library and archives	544,777	1,401,555	1,946,332
Future capital	10,572,049	-	10,572,049
Assigned:			
Subsequent year's expenditures	600,100	-	600,100
Unassigned	5,405,436	-	5,405,436
Total fund balances	<u>20,362,064</u>	<u>1,401,555</u>	<u>21,763,619</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,835,774</u>	<u>\$ 1,401,555</u>	<u>\$ 23,237,329</u>

The notes to the financial statements are an integral part of this statement.



**Village of Pinehurst, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2023**

**Exhibit 4**

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

Total fund balance, governmental funds		\$ 21,763,619
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 59,609,560	
Accumulated depreciation	<u>(29,013,018)</u>	30,596,542
Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Right-to-use assets at historical cost	616,592	
Accumulated amortization	<u>(159,380)</u>	457,212
Deferred outflows of resources related to pensions are not reported in the funds		4,467,795
Liabilities for earned revenues considered deferred inflows of resources in the fund statements:		
Taxes receivable	14,967	
Other receivables	<u>5,951</u>	20,918
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	(7,122)	
Compensated absences payable	(870,526)	
Lease liabilities	(12,897)	
Subscription liabilities	(361,158)	
Net pension liability	(6,130,540)	
Total pension liability	<u>(1,440,370)</u>	(8,822,613)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(254,501)</u>
Net position of governmental activities		<u>\$ 48,228,972</u>

Village of Pinehurst, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Fiscal Year Ended June 30, 2023

Exhibit 5

	Major Funds			Total Governmental Funds
	General Fund	American Rescue Plan Act Special Revenue Fund	Library Expansion Capital Project Fund	
<b>Revenues</b>				
Ad valorem taxes	\$ 12,342,069	\$ -	\$ -	\$ 12,342,069
Golf cart licenses	5,430	-	-	5,430
Unrestricted intergovernmental	8,478,949	-	-	8,478,949
Restricted intergovernmental	715,133	5,296,752	-	6,011,885
Permits and fees	989,779	-	-	989,779
Sales and services	878,263	-	-	878,263
Investment earnings	719,748	104,070	23,011	846,829
Lease interest income	1,588	-	-	1,588
Miscellaneous	530,054	-	-	530,054
Total revenues	<u>24,661,013</u>	<u>5,400,822</u>	<u>23,011</u>	<u>30,084,846</u>
<b>Expenditures</b>				
Current:				
General government	3,112,374	-	-	3,112,374
Public safety	8,450,153	-	-	8,450,153
Transportation	4,159,947	-	-	4,159,947
Economic and physical development	1,258,455	-	-	1,258,455
Environmental protection	2,208,240	-	-	2,208,240
Cultural and recreation	5,124,760	-	21,775	5,146,535
Debt service:				
Principal	160,393	-	-	160,393
Interest and other charges	716	-	-	716
Total expenditures	<u>24,475,038</u>	<u>-</u>	<u>21,775</u>	<u>24,496,813</u>
Excess of revenues over expenditures	<u>185,975</u>	<u>5,400,822</u>	<u>1,236</u>	<u>5,588,033</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(1,000,000)	(5,405,038)	-	(6,405,038)
Transfers from other funds	5,405,038	-	1,000,000	6,405,038
Subscription liabilities issued	517,842	-	-	517,842
Sales of capital assets	13,250	-	-	13,250
Total other financing sources (uses)	<u>4,936,130</u>	<u>(5,405,038)</u>	<u>1,000,000</u>	<u>531,092</u>
Net change in fund balance	5,122,105	(4,216)	1,001,236	6,119,125
Fund balances, beginning	<u>15,239,959</u>	<u>4,216</u>	<u>400,319</u>	<u>15,644,494</u>
Fund balances, ending	<u>\$ 20,362,064</u>	<u>\$ -</u>	<u>\$ 1,401,555</u>	<u>\$ 21,763,619</u>

The notes to the financial statements are an integral part of this statement.

**Village of Pinehurst, North Carolina**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the Statement of Activities**  
**Fiscal Year Ended June 30, 2023**

**Exhibit 6**

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

Net changes in fund balances - total governmental funds		\$ 6,119,125
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	\$ 3,557,451	
Depreciation expense	<u>(2,084,263)</u>	1,473,188
Right-to-use asset capital outlay expenditures which were capitalized	583,135	
Amortization expense for intangible assets	<u>(151,074)</u>	432,061
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,063,812
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities		146,169
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) in the current period:		
Donated assets received	320,171	
Gain on disposal of assets	13,250	
Proceeds from disposal of assets	<u>(13,250)</u>	320,171
Revenues in the Statement of Activities that are not reported as revenues in the fund statements:		
Change in deferred tax inflows	(2,411)	
Change in other deferred inflows	<u>4,240</u>	1,829
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:		
New long-term debt issued	(509,526)	
Principal payments	160,393	
Increase in accrued interest payable	<u>(7,063)</u>	(356,196)
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:		
Compensated absences	(24,105)	
Pension expense	<u>(1,963,587)</u>	<u>(1,987,692)</u>
Total changes in net position of governmental activities		<u>\$ 7,212,467</u>

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Annual Budget and Actual

Fiscal Year Ended June 30, 2023

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 12,176,000	\$ 12,262,000	\$ 12,342,069	\$ 80,069
Golf cart licenses	3,800	3,800	5,430	1,630
Unrestricted intergovernmental	7,736,100	8,267,100	8,478,949	211,849
Restricted intergovernmental	635,100	714,919	715,133	214
Permits and fees	924,500	924,500	989,779	65,279
Sales and services	767,900	792,900	878,263	85,363
Investment earnings	133,000	433,000	719,748	286,748
Lease interest income	-	-	1,588	1,588
Miscellaneous	415,980	526,277	530,054	3,777
<b>Total revenues</b>	<b>22,792,380</b>	<b>23,924,496</b>	<b>24,661,013</b>	<b>736,517</b>
<b>Expenditures</b>				
Current:				
General government	3,342,388	3,458,765	3,112,374	346,391
Public safety	8,921,681	9,421,606	8,450,153	971,453
Transportation	5,126,792	5,706,302	4,159,947	1,546,355
Economic and physical development	1,205,850	1,850,560	1,258,455	592,105
Environmental protection	2,339,160	2,607,422	2,208,240	399,182
Cultural and recreation	6,163,229	5,569,652	5,124,760	444,892
Debt service:				
Principal retirement	-	160,600	160,393	207
Interest and fees	-	800	716	84
<b>Total expenditures</b>	<b>27,099,100</b>	<b>28,775,707</b>	<b>24,475,038</b>	<b>4,300,669</b>
Excess (deficiency) of revenues over (under) expenditures	(4,306,720)	(4,851,211)	185,975	5,037,186
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	(1,000,000)	(1,000,000)	-
Transfers from other funds	4,286,720	5,297,720	5,405,038	107,318
Subscription liabilities issued	-	518,120	517,842	(278)
Sales of capital assets	20,000	20,000	13,250	(6,750)
<b>Total other financing sources</b>	<b>4,306,720</b>	<b>4,835,840</b>	<b>4,936,130</b>	<b>100,290</b>
Fund balance appropriated	-	15,371	-	(15,371)
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,122,105</b>	<b>\$ 5,122,105</b>
Fund balances, beginning			15,239,959	
Fund balances, ending			<b>\$ 20,362,064</b>	

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Village of Pinehurst is a municipal corporation that 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, 2023, 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 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. The Village has no fiduciary funds to report. 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.

The Village reports the following major governmental funds:

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, cultural and recreation, and general government services.

The **American Rescue Plan Act Special Revenue Fund** is used to account for federal grant funds received as part of the American Rescue Plan Act for COVID-19 relief and economic recovery. This fund was closed in fiscal year 2023.

The **Library Expansion Capital Project Fund** is used to account for the design and construction of a new building for the Given Memorial Library and a renovation of the Tufts Archives in the existing building. To enhance consistency and for ease of readability, we have elected to report this fund as a major fund, as it will be classified as a major fund in the future.

### **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 financing of certain lease and subscription agreements 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.

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 receipts 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.

#### ***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. A project ordinance is adopted for the Library Expansion Capital Project Fund, and a grant project ordinance was adopted for the American Rescue Plan Act Special Revenue Fund which was closed in fiscal year 2023. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the department level for the General Fund, the object level for the special revenue fund, and the object level for the capital project fund. 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 \$25,000 between departments within the same fund in a single budget amendment. In the event a State of Emergency is declared by the Mayor or designee, unlimited budget amendment authority within the same fund is granted to the Village manager for expenditures directly related to the emergency. Transfers between funds require council approval. During the year, several amendments to the original budget became necessary. 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 Council-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. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

##### **2. Cash and Cash Equivalents**

The Village pools money 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.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2023**

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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 on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The fiscal year 2023 taxes are based on the assessed values as of January 1, 2022.

4. Lease Receivables

The Village is the lessor of a lease agreement for a building. The Village's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the lease payments increase by the consumer price index (CPI) each year. An estimate of the future CPI increases is included in the initial measurement of the lease receivable. In future years, any difference between the actual CPI increase and the estimated CPI increase in the lease receivable will be recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is initially measured at the same amount as the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. 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 and specific identification of receivables that are unlikely to be collected.

6. 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 the government-wide and fund financial statements and expensed as the items are used or services are provided.

7. Capital Assets

Capital assets are defined by the government as tangible or intangible assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 on or 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</u>
Right of ways	40 years
Infrastructure	20 to 40 years
Buildings and improvements	20 years
Furniture and equipment	3 to 10 years
Vehicles	4 to 20 years



#### 8. Right-to-Use Assets

The Village records intangible right-to-use lease assets in accordance with Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term and ancillary charges necessary to place the lease into service, less lease incentives.

The Village records intangible right-to-use subscription assets in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any subscription payments made prior to the subscription term and capitalizable implementation costs, less incentives.

The Village has adopted a capitalization threshold of \$5,000 for right-to-use lease and subscription assets. The right-to-use assets are reported as capital assets and are amortized on a straight-line basis over the life of the related lease or subscription.

#### 9. 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 assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The Village has one item that meets this criterion: pension deferrals for the 2023 fiscal year.

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 assets that applies to future periods and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category – prepaid taxes, taxes receivable, leases, other receivables, and pension deferrals.

#### 10. 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.

#### 11. 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.

#### 12. Reimbursements for Pandemic-Related Expenditures

In fiscal year 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Village was allocated \$5,296,752 of fiscal recovery funds to be paid in two equal installments. The first installment of \$2,648,376 was received in August 2021. The second installment was received in August 2022. The Village expended the full allocation in fiscal year 2023 on the provision of government services using the standard allowance for revenue loss. The salaries and benefits expended for the provision of government services were expenditures of the General Fund. The ARPA funds, including investment income earned, were transferred to the General Fund to reimburse these expenditures.

#### 13. Net Position/Fund Balances

##### Net Position

Net position in government-wide financial statements is classified as 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 a future fiscal year.

*Leases* - The portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable plus accrued interest in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

*Restricted Fund Balance.* This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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*Restricted for Stabilization by State Statute* - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

*Restricted for Public Safety* - The portion of fund balance that is restricted through an equitable sharing agreement entered into between the Federal government, the Village's police department, and the governing body.

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

*Committed for library and archives* - The portion of fund balance that can only be used for the design and construction of a new Given Memorial Library building, improvements to the existing Given Memorial Library and Tufts Archives building, or other operational improvements to the library and archives.

*Committed for future capital* - The portion of fund balance that can only be used for future capital needs.

*Assigned Fund Balance.* The portion of fund balance that the Village's governing body has budgeted and intends to use for specific purposes. Any changes or removal of specific purpose requires majority action by 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 \$25,000.

*Unassigned Fund Balance.* The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. In the general fund, this amount may be negative or positive. However, the general fund is the only governmental fund that reports a positive unassigned fund balance amount.

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 15% of actual expenditures and total fund balance is at least 30% 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. The policy also states that when total fund balance at June 30 is in excess of 40% of actual General Fund expenditures, Council may commit excess fund balance for future capital needs.

#### 14. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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.

#### **F. Adoption of New Accounting Standards**

For the fiscal year ended June 30, 2023, the following GASB pronouncements and implementation guides became effective for the Village:

- GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers. The Village does not issue conduit debt, therefore this standard is not applicable to the Village.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, addresses financial reporting issues related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA). The Village does not currently engage in a PPP or APA, therefore this standard is not applicable to the Village at this time.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The statement establishes that a SBITA results in an intangible right-to-use asset and corresponding subscription liability. The Village adopted this standard as of July 1, 2022. See notes 5 and 10 for information on the impact of this adoption.
- GASB Statement No. 99, *Omnibus*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative guidance by addressing various practice issues, including clarification of certain provisions in GASB Statement No. 87, *Leases*, and GASB Statement No. 96 which the Village adopted in fiscal year 2023.
- Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, provides questions and answers to clarify, explain, or elaborate on various GASB Statements, including guidance on GASB Statement No. 87 which the Village adopted in fiscal year 2023.

The GASB has issued pronouncements prior to June 30, 2023 which will become effective in future fiscal years. Management has not currently determined the impact the adoption of the below statements will have on the financial statements of the Village, if any.

- GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, effective for fiscal years beginning after June 15, 2023 (Village fiscal year 2024).
- GASB Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 (Village fiscal year 2025) with earlier application encouraged.

For original pronouncements and implementation guides, please visit the GASB's website, [www.gasb.org](http://www.gasb.org).

## 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 collateralizes public deposits under the Pooling Method. The Village has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Village's deposits had a carrying amount of \$285,060. The cash balance in the bank at June 30, 2023 totaled \$360,396. Of the bank balance, \$250,000 was covered by federal depository insurance and \$110,396 was covered by collateral held under the Pooling Method. At June 30, 2023, the Village's petty cash fund totaled \$950.

### B. Investments

At June 30, 2023, the Village's investment balances were as follows:

	<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2023</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust	Government Portfolio	Fair Value Level 1	<u>\$ 20,245,489</u>	N/A	AAAm
Total			<u>\$ 20,245,489</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

*Level of Fair Value Hierarchy.* Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*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.

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*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 Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

**3. Receivables**

The receivables amounts presented in the Statement of Net Position and Balance Sheet for the year ended June 30, 2023 are net of the following allowances for doubtful accounts:

	<b>General Fund</b>		
	<b>Receivable</b>	<b>Allowance</b>	<b>Net Balance</b>
Other receivables:			
Planning and Inspections fines	\$ 28,951	\$ 22,440	\$ 6,511
Harness Track stall rent	12,669	560	12,109
Other accounts receivable	<u>7,226</u>	<u>-</u>	<u>7,226</u>
Total	<u>\$ 48,846</u>	<u>\$ 23,000</u>	<u>\$ 25,846</u>

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,071,836	\$ 80,475	\$ -	\$ 7,152,311
Construction in progress	<u>8,732</u>	<u>146,551</u>	<u>(6,750)</u>	<u>148,533</u>
Total capital assets not being depreciated	<u>7,080,568</u>	<u>227,026</u>	<u>(6,750)</u>	<u>7,300,844</u>
Capital assets being depreciated/amortized:				
Right of ways	562,255	110,651	-	672,906
Buildings and improvements	28,944,957	1,915,915	-	30,860,872
Furniture and equipment	4,385,970	514,808	(5,620)	4,895,158
Vehicles	7,800,772	715,606	(393,721)	8,122,657
Infrastructure	7,356,757	400,366	-	7,757,123
Right-to-use assets	<u>36,123</u>	<u>583,135</u>	<u>(2,666)</u>	<u>616,592</u>
Total capital assets being depreciated/amortized	<u>49,086,834</u>	<u>4,240,481</u>	<u>(402,007)</u>	<u>52,925,308</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation/amortization for:				
Right of ways	\$ 71,068	\$ 15,440	\$ -	\$ 86,508
Buildings and improvements	17,566,126	994,600	-	18,560,726
Furniture and equipment	3,382,003	336,373	(5,620)	3,712,756
Vehicles	4,495,695	549,326	(393,721)	4,651,300
Infrastructure	1,813,204	188,524	-	2,001,728
Right-to-use assets	<u>10,972</u>	<u>151,074</u>	<u>(2,666)</u>	<u>159,380</u>
Total accumulated depreciation/amortization	<u>27,339,068</u>	<u>2,235,337</u>	<u>(402,007)</u>	<u>29,172,398</u>
Total capital assets being depreciated/amortized, net	<u>21,747,766</u>	<u>2,005,144</u>	<u>-</u>	<u>23,752,910</u>
Governmental activity capital assets, net	<u>\$ 28,828,334</u>	<u>\$ 2,232,170</u>	<u>\$ (6,750)</u>	<u>\$ 31,053,754</u>

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

General government	\$ 276,059
Public safety	550,672
Transportation	478,896
Environmental protection	159,850
Cultural and recreation	722,278
Economic and physical development	<u>47,582</u>
Total depreciation and amortization expense	<u>\$ 2,235,337</u>

*Construction and Other Capital-Related Commitments.* The Village has active construction projects and other capital related commitments as of June 30, 2023. The projects include the purchase of a replacement garbage truck, police vehicle upfit, Village Hall exterior staircase enclosure, the design of the four-way stop at Magnolia Road and Chinquapin Road, various downtown amenities such as planters and trash receptacles, the design of downtown stormwater improvements, and an infrastructure survey and engineering services for future improvements. At June 30, 2023, the Village's commitments with contractors and vendors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Solid waste garbage truck	\$ -	\$ 234,204
Police vehicle upfit	42,443	16,471
Fire SCBA air packs	117,247	6,199
Village Hall exterior staircase enclosure	-	24,890
Magnolia & Chinquapin four-way stop design	9,518	8,882
Downtown amenities	12,909	71,845
Downtown stormwater improvements design	7,128	7,472
Infrastructure survey and engineering	<u>40,681</u>	<u>4,082</u>
Total	<u>\$ 229,926</u>	<u>\$ 374,045</u>

*Historical Artifacts and Collections.* On April 18, 2022, ownership and operations of the Given Memorial Library and Tufts Archives was transferred to the Village of Pinehurst. As part of that transaction, the Village acquired various works of art, historical artifacts, and documents related to Pinehurst history, including the Donald Ross golf course design collection. According to GASB 34, paragraph 27, institutions are not required to capitalize a collection and all additions to that collection if they meet the following conditions:



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1. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain
2. Protected, kept unencumbered, cared for, and preserved
3. Subject to organizational policy that requires the proceeds from all sales of collection items to be used to acquire other items for collections

The Village considers these collections to be inexhaustible and all the required criteria above have been met, thus the collections are not capitalized in the financial statements.

## **5. Leases and Subscription-Based Information Technology Arrangements**

The Village has entered into agreements to lease certain office equipment from vendors, including five copier/multi-function machines and a postage machine, that qualify as other than short-term leases under GASB 87 and have been recorded as a right-to-use asset and corresponding lease liability at the present value of the future minimum lease payments as of the date of their inception. The assets represent the Village's right to use the leased equipment.

The Village is committed to make future payments under various subscription-based information technology arrangements (SBITAs). As of June 30, 2023, the Village has thirteen qualifying SBITAs under GASB 96. These SBITAs have been recorded as a right-to-use asset and corresponding subscription liability at the present value of the future minimum subscription payments as of July 1, 2022, the effective date of the Village's adoption of GASB 96. Of the thirteen SBITAs, four were paid in full at the beginning of the SBITA term, therefore there is no liability associated with the right-to-use subscription asset for these SBITAs. The assets represent the Village's right to use the software.

The right-to-use assets are amortized on a straight-line basis over the terms of the related leases or subscriptions.

Right-to-use asset activity for the Village for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Right-to-use assets:				
Leased equipment	\$ 36,123	\$ -	\$ (2,666)	\$ 33,457
Software subscriptions	<u>-</u>	<u>583,135</u>	<u>-</u>	<u>583,135</u>
Total right-to-use assets	<u>36,123</u>	<u>583,135</u>	<u>(2,666)</u>	<u>616,592</u>
Less accumulated amortization for:				
Leased equipment	10,972	12,051	(2,666)	20,357
Software subscriptions	<u>-</u>	<u>139,023</u>	<u>-</u>	<u>139,023</u>
Total accumulated amortization	<u>10,972</u>	<u>151,074</u>	<u>(2,666)</u>	<u>159,380</u>
Right-to-use assets, net	<u>\$ 25,151</u>	<u>\$ 432,061</u>	<u>\$ -</u>	<u>\$ 457,212</u>



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On July 1, 2022, the Village entered into a five-year lease agreement as the lessor for the use of a building for the Track Restaurant. The lease qualifies as other than short-term under GASB 87 and has been recorded at the present value of the future lease payments as of the commencement date of the agreement. The lease agreement requires the monthly rental payments to increase by the Consumer Price Index (CPI) each year, an estimate of which have been included in the initial measurement of the lease receivable. See note 7 for information on the deferred inflow of resources associated with this lease agreement.

Lease and subscription balances for the Village for the year ended June 30, 2023 were as follows:

	<u>Receivable (Liability)</u>	<u>Lease Terms in Years</u>	<u>Interest Rate</u>
<b>Governmental Activities:</b>			
<b>Lessee:</b>			
Leased equipment	\$ (12,897)	2-4	0.51%-2.62%
Software subscriptions	<u>(361,158)</u>	2-5	2.02%-3.24%
Total lessee	<u><u>(374,055)</u></u>		
<b>Lessor:</b>			
Building	<u>32,519</u>	5	4.50%
Total lessor	<u><u>32,519</u></u>		

See note 10 for the schedule of changes in long-term liabilities.

The Village made total lease payments of \$12,288 in fiscal year 2023. The schedule of future minimum payments for the lease liabilities is as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 9,715	\$ 131	\$ 9,846
2025	<u>3,182</u>	<u>28</u>	<u>3,210</u>
	<u><u>\$ 12,897</u></u>	<u><u>\$ 159</u></u>	<u><u>\$ 13,056</u></u>

The Village made total subscription payments of \$148,821 in fiscal year 2023. The schedule of future minimum payments for the subscription liabilities is as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 138,159	\$ 8,702	\$ 146,861
2025	88,145	5,755	93,900
2026	76,964	3,355	80,319
2027	<u>57,890</u>	<u>1,377</u>	<u>59,267</u>
	<u><u>\$ 361,158</u></u>	<u><u>\$ 19,189</u></u>	<u><u>\$ 380,347</u></u>

The Village received total lease payments of \$7,596, of which \$6,130 was applied to principal, reducing the lease receivable, and \$1,466 was applied to interest. The schedule of future minimum payments to be received for the lease receivable is as follows:

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<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 6,771	\$ 1,325	\$ 8,096
2025	7,626	1,003	8,629
2026	8,556	640	9,196
2027	<u>9,566</u>	<u>235</u>	<u>9,801</u>
	<u>\$ 32,519</u>	<u>\$ 3,203</u>	<u>\$ 35,722</u>

## 6. Pension Plan and Postemployment Obligations

### A. Local Governmental 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 Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report 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) 707-0500, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement, disability 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. General employee 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. General employee 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

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 or upon completing 25 years of creditable service with 15 years 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,

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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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

**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 required contribution rate is set periodically and affirmed annually by the LGERS Board of Trustees. The Board establishes a funding policy from which the accrued liability rates and the normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for LEOs. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate. Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. The Village's contractually required contribution rate for the year ended June 30, 2023 was 13.04% of compensation for law enforcement officers and 12.14% for general employees and firefighters. These amounts, combined with employee contributions and investment income, are expected to fund the benefits earned by employees during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. Contributions to the pension plan from the Village were \$1,063,812 for the year ended June 30, 2023.

**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 include 4% interest regardless of the number of years of retirement service credit or of the reason for separation from service. 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 any other retirement or survivor benefit provided by LGERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2023, the Village reported a liability of \$6,130,540 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension liability was based on the present value of the actuary's projection of the Village's future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers. The present value of future salary is based on the plan's actuarial assumptions and reflects the current demographics of each employer, along with the employer's expected long-term contribution effort to the plan. At June 30, 2022, the Village's proportion was 0.109%, an increase of 0.004% from its proportion measured as of June 30, 2021 of 0.105%.

For the year ended June 30, 2023, the Village recognized pension expense of \$1,762,352. At June 30, 2023, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 264,159	\$ 25,899
Changes of assumptions	611,690	-
Net difference between projected and actual investment earnings on plan investments	2,026,208	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	36,899	8,962
Village contributions subsequent to the measurement date	<u>1,063,812</u>	<u>-</u>
Total	<u>\$ 4,002,768</u>	<u>\$ 34,861</u>

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The \$1,063,812 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 ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2024	\$	922,396
2025		781,420
2026		234,956
2027		<u>965,323</u>
Total	\$	<u>2,904,095</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.25%, including a 3.25% inflation and productivity factor
Investment rate of return	6.50%, including inflation and net of pension plan investment expense

LGERS benefit recipients received a one-time benefit supplement payment equal to 2% of the member’s annually benefit amount for the fiscal year ending June 30, 2023, paid in October 2022. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years. Future and ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general and 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019. This actuarial experience study, along with certain change of assumptions subsequent to the experience review, is reflected as changes of assumptions in the deferred outflows.

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, 2022 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation protection	6.0%	2.7%
Total	100.0%	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022 and is part of the asset liability and investment policy of 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually 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 Liability to Changes in the Discount Rate.** The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Village's proportionate share of the net pension liability (asset)	\$ 11,064,835	\$ 6,130,540	\$ 2,064,394

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the state of North Carolina.

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

**Plan Description.** The Village of Pinehurst administers a public employee retirement system, the Law Enforcement Officers Special Separation Allowance (the Separation Allowance, or LEOSSA), a single-employer defined benefit pension plan that provides retirement benefits to the Village's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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

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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.

All full-time Village law enforcement officers are covered by the Separation Allowance.

At the December 31, 2021 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>24</u>
Total	<u><u>33</u></u>

*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 recorded on the modified accrual basis of accounting. Benefits 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 criteria which are outlined in GASB Statement 73.

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75%, including inflation at 2.50%
Discount rate	4.31%, including inflation at 2.50%

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2021.

Mortality rates are based on the Pub-2010 amount-weighted mortality tables with adjustments for generational improvement based on Scale MP-2019.

*Change in Actuarial Assumptions.* On the prior measurement date (December 31, 2021), the Municipal Bond Index Rate, on which the discount rate is based, was 2.25%. Since the prior measurement date, the Municipal Bond Index Rate has increased to 4.31% as of the measurement date (December 31, 2022). These changes resulted in a \$234,351 decrease in the total pension liability.

*Contributions.* The Village is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Village's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Village paid \$145,741 as benefits came due for the reporting period.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2023, the Village reported a total pension liability of \$1,440,370. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to December 31, 2022 utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Village recognized pension expense of \$201,235.



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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 223,510	\$ 233
Changes of assumptions and other inputs	168,646	219,407
Benefit payments and administrative expenses paid subsequent to the measurement date	<u>72,871</u>	<u>-</u>
Total	<u>\$ 465,027</u>	<u>\$ 219,640</u>

The \$72,871 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2024	\$ 96,687
2025	90,205
2026	20,009
2027	(27,244)
2028	<u>(7,141)</u>
Total	<u>\$ 172,516</u>

*Sensitivity of the Village's Total Pension Liability to Changes in the Discount Rate.* The following presents the Village's total pension liability calculated using the discount rate of 4.31%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.31%) or 1 percentage point higher (5.31%) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	\$ 1,548,636	\$ 1,440,370	\$ 1,341,782

The schedule of changes in the total pension liability for the LEOSA for the fiscal year ended June 30, 2023 was as follows:

	<u>2023</u>
Beginning balance	\$ 1,635,856
Service cost	59,484
Interest on the total pension liability	35,167
Differences between expected and actual experience in the measurement of the total pension liability	89,955
Changes of assumptions and other inputs	(234,351)
Benefit payments	<u>(145,741)</u>
Ending balance of the total pension liability	<u>\$ 1,440,370</u>

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The plan currently uses mortality tables that vary by age, 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, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

**Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions**

The following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 1,762,352	\$ 201,235	\$ 1,963,587
Pension liability	6,130,540	1,440,370	7,570,910
Proportionate share of the net pension liability	0.109%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	264,159	223,510	487,669
Changes of assumptions	611,690	168,646	780,336
Net difference between projected and actual earnings on plan investments	2,026,208	-	2,026,208
Changes in proportion and differences between contributions and proportionate share of contributions	36,899	-	36,899
Benefit payments and administrative costs paid subsequent to the measurement date	1,063,812	72,871	1,136,683
Deferred inflows of resources:			
Differences between expected and actual experience	25,899	233	26,132
Changes of assumptions	-	219,407	219,407
Changes in proportion and differences between contributions and proportionate share of contributions	8,962	-	8,962

**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 Annual Comprehensive Financial Report for the state of North Carolina. The State's Annual Comprehensive Financial Report 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) 707-0500.

*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, 2023 were \$128,490, which consisted of \$73,975 from the Village and \$54,515 from the law enforcement officers. Since the funds vest immediately, no amounts were forfeited.



***D. Deferred Compensation Plan***

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). 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, 2023 were \$799,806, which consisted of \$430,152 from the Village and \$369,654 in voluntary contributions from employees. Since the funds vest immediately, no amounts were forfeited.

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 or be less than \$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.

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 employee's taxable earnings for the year.

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

Deferred outflows of resources reported on the Statement of Net Position at year end is comprised of the following:

Contributions to LGERS pension plan in the current fiscal year	\$ 1,063,812
Benefit payments to LEOSSA recipients in the current fiscal year	72,871
Difference between actual and expected experience	487,669
Changes of assumptions	780,336
Net difference between projected and actual earnings on pension plan investments	2,026,208
Changes in proportion and differences between Village contributions and proportionate share of contributions	<u>36,899</u>
Total deferred outflows of resources	<u>\$ 4,467,795</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties	\$ -	\$ 14,967
Lease receivable	30,919	30,919
Other receivables	-	5,951
Differences between expected and actual experience	26,132	-
Changes of assumptions	219,407	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	<u>8,962</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 285,420</u>	<u>\$ 51,837</u>

**8. 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 a self-funded risk-financing pool administered by the North Carolina League of Municipalities to obtain general liability and auto liability coverage of \$5 million per occurrence and property coverage up to the total insured values of the property policy. 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. 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 North Carolina League of Municipalities. The pool is audited annually by certified public accountants, and the audited financial statements are available to the Village upon request.

The Village carries workers compensation coverage up to statutory limits and 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, it has elected not to carry additional flood insurance coverage.

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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 individually bonded for \$1,000,000 and \$10,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$500,000.

**9. Claims, Judgments and Contingent Liabilities**

At June 30, 2023, 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.

**10. Long-Term Obligations**

**A. Installment Purchase Debt**

The Village has no installment purchase debt obligations at June 30, 2023.

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

At June 30, 2023, the Village had a legal debt margin of \$318,390,868.

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Lease liabilities	\$ 24,922	\$ -	\$ (12,025)	\$ 12,897	\$ 9,715
Subscription liabilities	-	509,526	(148,368)	361,158	138,159
Compensated absences	846,421	562,693	(538,588)	870,526	553,928
Net pension liability (LGERS)	1,607,209	4,523,331	-	6,130,540	-
Total pension liability (LEOSSA)	<u>1,635,856</u>	<u>-</u>	<u>(195,486)</u>	<u>1,440,370</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 4,114,408</u>	<u>\$ 5,595,550</u>	<u>\$ (894,467)</u>	<u>\$ 8,815,491</u>	<u>\$ 701,802</u>

Compensated absences and pension liabilities typically have been liquidated from the general fund.

## 11. Interfund Activity

Transfers to/from other funds for the fiscal year ended June 30, 2023 consist of the following:

	<u>Transfers in:</u>		
	<u>General Fund</u>	<u>Library Expansion Capital Project Fund</u>	<u>Total</u>
<b>Transfers out:</b>			
General Fund	\$ -	\$ 1,000,000	\$ 1,000,000
ARPA Special Revenue Fund	<u>5,405,038</u>	<u>-</u>	<u>5,405,038</u>
Total	<u>\$ 5,405,038</u>	<u>\$ 1,000,000</u>	<u>\$ 6,405,038</u>

Transfers are used to (1) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs, and (2) transfer revenues from the fund required by state statute or budget to collect the revenue to the fund required by state statute or budget to expend them.

During the 2023 fiscal year, the Village transferred the American Rescue Plan Act (ARPA) grant proceeds of \$5,296,752 plus \$108,286 of investment income earned on the grant proceeds from the ARPA Special Revenue Fund to the General Fund where the eligible salary and benefit expenditures for the provision of general government services were expended.

The Village also made a transfer of \$1,000,000 from the General Fund to the Library Expansion Capital Project Fund for the design and construction of a new building for the Given Memorial Library and renovation of the Tufts Archives in the existing building.

## 12. Net Investment in Capital Assets

The table below presents the calculation of the Village's net investment in capital assets as reported in the statement of net position:

	<u>Governmental Activities</u>
Capital assets, net of accumulated depreciation	\$ 30,596,542
Right-to-use lease assets, net of accumulated amortization	13,100
Right-to-use subscription assets, net of accumulated amortization	444,112
Less:	
Long-term debt	-
Capital-related accounts payable	(243,852)
Lease liabilities	(12,897)
Subscription liabilities	<u>(361,158)</u>
Net investment in capital assets	<u>\$ 30,435,847</u>

**13. Fund Balance**

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

Total fund balance - General Fund	\$ 20,362,064
Less:	
Inventories	52,537
Prepaid items	98,579
Leases	1,722
Stabilization by state statute	3,067,395
Public safety - equitable sharing	19,469
Committed for library and archives	544,777
Committed for future capital	10,572,049
Appropriated fund balance in 2024 Budget	600,100
Fund balance policy minimum	<u>3,671,256</u>
Remaining fund balance	<u>\$ 1,734,180</u>

The Village’s fund balance policy requires the Village to maintain a minimum unassigned General Fund fund balance of 15% of actual expenditures as reported in the Village’s annual comprehensive financial report. In addition, when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance of at least 30% of budgeted expenditures. At June 30, 2023, the General Fund’s unassigned fund balance of \$5,405,436 represents 22% of General Fund actual expenditures which complies with the policy minimum. Total fund balance was 71% of budgeted expenditures.

The fund balance policy also states that when total fund balance at June 30 is in excess of 40% of actual General Fund expenditures, Council may commit excess fund balance for future capital needs. However, the amount of fund balance committed for future capital needs shall never cause unassigned General Fund fund balance to fall below the 15% unassigned fund balance minimum. In fiscal year 2023, Council approved a resolution to commit excess funds for future capital needs totaling \$10,572,049. 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.

Encumbrances:	
General Fund	\$ 583,987
Library Expansion Capital Project Fund	<u>118,230</u>
Total	<u>\$ 702,217</u>

**14. 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 moneys.

## **15. 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 (FRF). The State Commissioner of Insurance appoints one additional member to the local board of trustees. The FRF is funded by a portion of the gross premium tax on insurance policies containing fire and lightning protection, as well as certain automotive policies, that insurers remit to the State. Of the total gross premium tax collected, 20% is dedicated to the FRF. The fund is distributed by the Commissioner of Insurance to local FRF boards annually. These distributions are used to assist fire fighters in various ways. The local board of the FRF did not receive a distribution from the State Insurance Commissioner's office for the fiscal year ended June 30, 2023. The Village obtains an ongoing financial benefit from the FRF 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, 2023. The FRF 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.

The Village is a member of the Central Pines Regional Council (formerly the Triangle J Council of Governments), which serves a seven-county region and forty-two local governments. The participating member governments established the council to coordinate various regional interests and intergovernmental funding. Each member government appoints one elected official as its delegate to the council's governing board. The Village paid dues of \$6,884 to the council in the fiscal year ended June 30, 2023. The member governments do not have any equity interest in the jointly governed organization, so no equity has been reflected in the financial statements as of June 30, 2023.

## **16. Subsequent Events**

The Village evaluated events subsequent to June 30, 2023 and through October 20, 2023, the date of the issuance of the financial statements. Management determined there are no subsequent events that would require adjustment or disclosure in the financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

Required Supplementary Information (“RSI”) is not a required part of the basic financial statements but is information required by the Governmental Accounting Standards Board.

- Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees’ Retirement System
- Schedule of Contributions - Local Government Employees’ Retirement System
- Schedule of Changes in Total Pension Liability - Law Enforcement Officers’ Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers’ Special Separation Allowance

Management’s Discussion and Analysis is also RSI. It is presented immediately before the basic financial statements.

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

RSI-1

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pinehurst's proportion of the net pension liability (asset) (%)	0.1087%	0.1048%	0.1046%	0.1009%	0.1046%	0.1062%	0.1073%	0.1094%	0.1083%	0.1077%
Pinehurst's proportion of the net pension liability (asset) (\$)	\$ 6,130,540	\$ 1,607,209	\$ 3,736,374	\$ 2,756,320	\$ 2,480,521	\$ 1,621,831	\$ 2,278,539	\$ 490,982	\$ (638,460)	\$ 1,298,199
Pinehurst's covered payroll	\$ 7,920,294	\$ 7,496,867	\$ 7,275,196	\$ 6,857,080	\$ 6,610,895	\$ 6,548,274	\$ 6,380,220	\$ 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 payroll	77.40%	21.44%	51.36%	40.20%	37.52%	24.77%	35.71%	7.82%	(10.6%)	22.65%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\*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.

**Notes:**

1. There were no significant changes in benefit terms or the size or composition of the covered population that affect the actuarial valuations except for cost-of-living increases of 0.11% in 2016 and 0.63% in 2015. Additionally, benefit recipients received a one-time benefit supplement payment equal to 2.00% of the member's annual benefit amount for 2023. The one-time payments do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

2. There were no significant changes in actuarial assumptions or other inputs to the valuation except for the changes as follows:

- In January 2021, the actuarial assumptions were updated to more closely reflect actual experience.
- In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined the plan's experience during the period between January 1, 2015 and December 31, 2019. Based on the findings, the Board of Trustees of the Local Government Employees' Retirement System (LGERS) adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.
- The discount rate for LGERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.



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

RSI-2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,063,812	\$ 906,031	\$ 777,919	\$ 671,779	\$ 549,872	\$ 514,302	\$ 489,064	\$ 424,359	\$ 445,138	\$ 434,315
Contributions in relation to the contractually required contribution	<u>1,063,812</u>	<u>906,031</u>	<u>777,919</u>	<u>671,779</u>	<u>549,872</u>	<u>514,302</u>	<u>489,064</u>	<u>424,359</u>	<u>445,138</u>	<u>434,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pinehurst's covered payroll	\$ 8,748,239	\$ 7,920,294	\$ 7,496,867	\$ 7,275,196	\$ 6,857,080	\$ 6,610,895	\$ 6,548,274	\$ 6,380,220	\$ 6,280,547	\$ 6,025,207
Contributions as a percentage of covered payroll	12.16%	11.44%	10.38%	9.23%	8.02%	7.78%	7.47%	6.65%	7.09%	7.21%

**Notes:**

See notes included on the Schedule of the Proportionate Share of the Net Pension Liability (Asset) (RSI-1).

## Schedule of Changes in Total Pension Liability

## Law Enforcement Officers' Special Separation Allowance - Last Seven Fiscal Years\*

## Required Supplementary Information

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 1,635,856	\$ 1,687,722	\$ 1,243,898	\$ 1,025,925	\$ 1,034,234	\$ 943,908	\$ 951,629
Service cost	59,484	57,850	38,550	38,255	38,687	30,672	33,042
Interest on the total pension liability	35,167	31,186	38,546	35,781	31,998	35,521	33,003
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the total pension liability	89,955	41,968	142,638	196,930	(1,618)	19,179	-
Changes of assumptions or other inputs	(234,351)	(39,156)	347,111	32,858	(34,095)	52,287	(19,441)
Benefit payments	(145,741)	(143,714)	(123,021)	(85,851)	(43,281)	(47,333)	(54,325)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,440,370</u>	<u>\$ 1,635,856</u>	<u>\$ 1,687,722</u>	<u>\$ 1,243,898</u>	<u>\$ 1,025,925</u>	<u>\$ 1,034,234</u>	<u>\$ 943,908</u>

\* The amounts presented for each fiscal year were determined as of the prior year ending December 31

**Notes:**

1. This schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.
2. The Village of Pinehurst has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits
3. There were no significant changes in benefit terms or the size or composition of the covered population that affect the actuarial valuations
4. There were no significant changes in actuarial assumptions or other inputs to the valuation except for the annual changes as follows:

December 31, 2022 Measurement Date (2023)

- The Municipal Bond Index Rate increased from 2.25% to 4.31%

December 31, 2021 Measurement Date (2022)

- The Municipal Bond Index Rate increased from 1.93% to 2.25%

December 31, 2020 Measurement Date (2021)

- The Municipal Bond Index Rate decreased from 3.26% to 1.93%

- Based on the results of an experience study completed by the actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019, the following were updated: mortality rates, salary increases, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service

December 31, 2019 Measurement Date (2020)

- The Municipal Bond Index Rate decreased from 3.64% to 3.26%

December 31, 2018 Measurement Date (2019)

- The Municipal Bond Index Rate increased from 3.16% to 3.64%

December 31, 2017 Measurement Date (2018)

- The Municipal Bond Index Rate decreased from 3.86% to 3.16%

- The assumed inflation rate was reduced from 3.00% to 2.50% and assumed wage inflation was increased from 0.50% to 1.00%

December 31, 2016 Measurement Date (2017)

- The Municipal Bond Index Rate increased from 3.57% to 3.86%

**Village of Pinehurst, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance - Last Seven Fiscal Years**  
**Required Supplementary Information**

**RSI-4**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,440,370	\$ 1,635,856	\$ 1,687,722	\$ 1,243,898	\$ 1,025,925	\$ 1,034,234	\$ 943,908
Covered payroll	1,370,378	1,282,248	1,291,680	1,384,357	1,336,348	1,269,779	1,313,290
Total pension liability as a percentage of covered payroll	105.11%	127.58%	130.66%	89.85%	76.77%	81.45%	71.87%

**Notes:**

See notes included on the Schedule of Changes in Total Pension Liability (RSI-3).

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## **GENERAL FUND**

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.

- Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
-

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual

Fiscal Year Ended June 30, 2023 with Comparative Actual Amounts  
for Fiscal Year Ended June 30, 2022

	2023		Variance Positive (Negative)	2022
	Final Budget	Actual		
<b>Revenues</b>				
Ad valorem taxes:				
Taxes	\$ 12,257,000	\$ 12,330,789	\$ 73,789	\$ 12,247,751
Penalties and interest	5,000	11,280	6,280	10,002
Total	<u>12,262,000</u>	<u>12,342,069</u>	<u>80,069</u>	<u>12,257,753</u>
Other licenses:				
Golf cart licenses	3,800	5,430	1,630	4,755
Unrestricted intergovernmental:				
Local option sales tax	5,520,000	5,600,796	80,796	5,261,285
Telecommunications sales tax	46,000	48,511	2,511	50,360
Utilities sales tax	1,037,000	1,119,070	82,070	1,044,075
Video programming	258,000	261,768	3,768	271,201
Hold harmless reimbursements	1,331,000	1,366,887	35,887	1,258,527
Wine and beer tax	75,100	81,917	6,817	70,053
Total	<u>8,267,100</u>	<u>8,478,949</u>	<u>211,849</u>	<u>7,955,501</u>
Restricted intergovernmental:				
Powell Bill allocation	572,245	572,245	-	568,939
Controlled substance tax	500	2,206	1,706	4,920
State aid library grant	7,500	7,702	202	1,243
Other grants	120,974	118,770	(2,204)	15,694
Solid waste disposal tax	13,700	14,210	510	13,308
Total	<u>714,919</u>	<u>715,133</u>	<u>214</u>	<u>604,104</u>
Permits and fees:				
Building permits and inspection fees	250,000	307,427	57,427	278,999
Planning and zoning fees	250,000	241,275	(8,725)	260,666
Fire district	412,000	430,260	18,260	387,817
Fire permits	10,000	8,442	(1,558)	14,430
Other permits and fees	2,500	2,375	(125)	2,990
Total	<u>924,500</u>	<u>989,779</u>	<u>65,279</u>	<u>944,902</u>
Sales and services:				
Rents, concessions and fees	591,900	640,739	48,839	578,555
Recreation fees	201,000	237,524	36,524	184,333
Total	<u>792,900</u>	<u>878,263</u>	<u>85,363</u>	<u>762,888</u>
Investment earnings:				
Investment income	433,000	719,748	286,748	24,570

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual

Fiscal Year Ended June 30, 2023 with Comparative Actual Amounts  
for Fiscal Year Ended June 30, 2022

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	
Miscellaneous:				
ABC revenue	\$ 301,700	\$ 294,884	\$ (6,816)	\$ 298,625
Donations	142,702	147,214	4,512	34,900
Lease interest income	-	1,588	1,588	-
Other revenues	81,875	87,956	6,081	136,023
Total	<u>526,277</u>	<u>531,642</u>	<u>5,365</u>	<u>469,548</u>
<b>Total revenues</b>	<u>23,924,496</u>	<u>24,661,013</u>	<u>736,517</u>	<u>23,024,021</u>
<b>Expenditures</b>				
General government:				
Governing body:				
Operating expenditures		160,670		138,585
Total	<u>200,300</u>	<u>160,670</u>	<u>39,630</u>	<u>138,585</u>
Administration:				
Operating expenditures		1,431,644		1,333,891
Capital outlay		204,730		303,412
Total	<u>1,808,525</u>	<u>1,636,374</u>	<u>172,151</u>	<u>1,637,303</u>
Financial services:				
Operating expenditures		796,362		787,262
Capital outlay		28,439		4,709
Total	<u>874,180</u>	<u>824,801</u>	<u>49,379</u>	<u>791,971</u>
Human resources:				
Operating expenditures		460,192		437,849
Capital outlay		30,337		-
Total	<u>575,760</u>	<u>490,529</u>	<u>85,231</u>	<u>437,849</u>
Total general government	<u>3,458,765</u>	<u>3,112,374</u>	<u>346,391</u>	<u>3,005,708</u>
Public safety:				
Police:				
Operating expenditures		3,867,131		3,214,349
Capital outlay		539,359		230,094
Total	<u>4,937,654</u>	<u>4,406,490</u>	<u>531,164</u>	<u>3,444,443</u>
Fire:				
Operating expenditures		3,192,161		3,117,709
Capital outlay		436,502		652,547
Total	<u>4,050,722</u>	<u>3,628,663</u>	<u>422,059</u>	<u>3,770,256</u>
Inspections:				
Operating expenditures		357,935		338,086
Capital outlay		57,065		-
Total	<u>433,230</u>	<u>415,000</u>	<u>18,230</u>	<u>338,086</u>
Total public safety	<u>9,421,606</u>	<u>8,450,153</u>	<u>971,453</u>	<u>7,552,785</u>

Village of Pinehurst, North Carolina  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**Fiscal Year Ended June 30, 2023 with Comparative Actual Amounts**  
**for Fiscal Year Ended June 30, 2022**

**Schedule 1**  
**(4 pages)**

	2023		Variance Positive (Negative)	2022
	Final Budget	Actual		
Transportation:				
Public services administration:				
Operating expenditures		\$ 679,381		\$ 560,203
Capital outlay		82,866		690
Total	\$ 815,699	762,247	\$ 53,452	560,893
Streets and grounds:				
Operating expenditures		1,385,871		1,433,021
Capital outlay		581,538		670,088
Total	3,417,628	1,967,409	1,450,219	2,103,109
Powell Bill:				
Operating expenditures		1,430,291		1,130,492
Total	1,472,975	1,430,291	42,684	1,130,492
Total transportation	5,706,302	4,159,947	1,546,355	3,794,494
Economic and physical development:				
Planning:				
Operating expenditures		852,715		839,100
Capital outlay		279,056		767
Total	1,481,590	1,131,771	349,819	839,867
Community development:				
Operating expenditures		124,451		127,759
Capital outlay		2,233		-
Total	368,970	126,684	242,286	127,759
Total economic and physical development	1,850,560	1,258,455	592,105	967,626
Environmental protection:				
Solid waste:				
Operating expenditures		1,967,731		1,901,761
Capital outlay		240,509		-
Total	2,607,422	2,208,240	399,182	1,901,761
Total environmental protection	2,607,422	2,208,240	399,182	1,901,761
Cultural and recreation:				
Recreation:				
Operating expenditures		2,034,857		1,790,072
Capital outlay		1,364,413		412,197
Total	3,653,639	3,399,270	254,369	2,202,269

Village of Pinehurst, North Carolina  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**Fiscal Year Ended June 30, 2023 with Comparative Actual Amounts**  
**for Fiscal Year Ended June 30, 2022**

**Schedule 1**  
**(4 pages)**

	<b>2023</b>		<b>Variance Positive (Negative)</b>	<b>2022</b>
	<b>Final Budget</b>	<b>Actual</b>		
Library:				
Operating expenditures		\$ 526,152		\$ 294,382
Capital outlay		10,195		58,020
Total	<u>\$ 619,077</u>	<u>536,347</u>	<u>\$ 82,730</u>	<u>352,402</u>
Harness track:				
Operating expenditures		581,174		554,972
Capital outlay		230,670		102,345
Total	<u>865,016</u>	<u>811,844</u>	<u>53,172</u>	<u>657,317</u>
Fair barn:				
Operating expenditures		346,400		297,801
Capital outlay		30,899		-
Total	<u>431,920</u>	<u>377,299</u>	<u>54,621</u>	<u>297,801</u>
Total cultural and recreation	<u>5,569,652</u>	<u>5,124,760</u>	<u>444,892</u>	<u>3,509,789</u>
Debt service:				
Principal retirement		160,393		11,201
Interest and fees		716		142
Total	<u>161,400</u>	<u>161,109</u>	<u>291</u>	<u>11,343</u>
<b>Total expenditures</b>	<u>28,775,707</u>	<u>24,475,038</u>	<u>4,300,669</u>	<u>20,743,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,851,211)</u>	<u>185,975</u>	<u>5,037,186</u>	<u>2,280,515</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds:				
Special Revenue Fund	5,297,720	5,405,038	107,318	-
Transfers to other funds:				
Capital Project Fund	(1,000,000)	(1,000,000)	-	(400,000)
Lease liabilities issued	-	-	-	36,123
Subscription liabilities issued	518,120	517,842	(278)	-
Sale of capital assets	20,000	13,250	(6,750)	34,453
<b>Total other financing         sources (uses)</b>	<u>4,835,840</u>	<u>4,936,130</u>	<u>100,290</u>	<u>(329,424)</u>
Fund balance appropriated	<u>15,371</u>	<u>-</u>	<u>(15,371)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>5,122,105</u>	<u>\$ 5,122,105</u>	<u>1,951,091</u>
Fund balance, beginning		<u>15,239,959</u>		<u>13,288,868</u>
Fund balance, ending		<u>\$ 20,362,064</u>		<u>\$ 15,239,959</u>



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# **AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND**

The American Rescue Plan Act Special Revenue Fund is used to account for federal grant funds received as part of the American Rescue Plan Act for COVID-19 relief and economic recovery.

- Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - American Rescue Plan Act Special Revenue Fund

Village of Pinehurst, North Carolina  
Special Revenue Fund - American Rescue Plan Act  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2023

Schedule 2

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Grant revenue	\$ 5,296,752	\$ -	\$ 5,296,752	\$ 5,296,752	\$ -
Investment earnings	108,286	4,216	104,070	108,286	-
Total revenues	<u>5,405,038</u>	<u>4,216</u>	<u>5,400,822</u>	<u>5,405,038</u>	<u>-</u>
<b>Other financing uses:</b>					
Transfers to other funds:					
General Fund	<u>(5,405,038)</u>	<u>-</u>	<u>(5,405,038)</u>	<u>(5,405,038)</u>	<u>-</u>
Total other financing uses	<u>(5,405,038)</u>	<u>-</u>	<u>(5,405,038)</u>	<u>(5,405,038)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,216</u>	<u>(4,216)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>4,216</u>		
Fund balance, ending			<u>\$ -</u>		

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## **LIBRARY EXPANSION CAPITAL PROJECT FUND**

The Library Expansion Capital Project Fund is used to account for costs incurred in the design and construction of an addition to the Given Memorial Library and Tufts Archives building.

- Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Library Expansion Capital Project Fund
-

Village of Pinehurst, North Carolina  
 Capital Project Fund - Library Expansion  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 From Inception and for the Fiscal Year Ended June 30, 2023

Schedule 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Investment earnings	\$ 20,000	\$ 319	\$ 23,011	\$ 23,330	\$ 3,330
Total revenues	20,000	319	23,011	23,330	3,330
<b>Expenditures:</b>					
Cultural and recreation:					
Design	400,500	-	21,775	21,775	378,725
Construction	1,019,500	-	-	-	1,019,500
Total expenditures	1,420,000	-	21,775	21,775	1,398,225
Revenues over (under) expenditures	(1,400,000)	319	1,236	1,555	1,401,555
<b>Other financing sources:</b>					
Transfers from other funds:					
General Fund	1,400,000	400,000	1,000,000	1,400,000	-
Total other financing sources	1,400,000	400,000	1,000,000	1,400,000	-
Net change in fund balance	\$ -	\$ 400,319	1,001,236	\$ 1,401,555	\$ 1,401,555
Fund balance, beginning			400,319		
Fund balance, ending			\$ 1,401,555		

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# **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

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.

- Schedule by Source
- Schedule by Function and Activity
- Schedule of Changes by Function and Activity

Village of Pinehurst, North Carolina  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source**  
**June 30, 2023 and 2022**

**Schedule 4**

	<u>2023</u>	<u>2022</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 7,152,311	\$ 7,071,836
Right of ways	672,906	562,255
Buildings and improvements	30,860,872	28,944,957
Furniture, equipment, and vehicles	13,017,815	12,186,742
Infrastructure	7,757,123	7,356,757
Right-to-use intangible assets	616,592	36,123
Construction in progress	148,533	8,732
	<u>60,226,152</u>	<u>56,167,402</u>
Total governmental funds capital assets	<u>\$ 60,226,152</u>	<u>\$ 56,167,402</u>
<b>Investment in governmental funds capital assets</b>		
<b>by source:</b>		
General Fund	\$ 54,550,567	\$ 50,833,763
Capital Project Funds	21,775	-
Donations	5,653,810	5,333,639
	<u>60,226,152</u>	<u>56,167,402</u>
Total governmental funds capital assets	<u>\$ 60,226,152</u>	<u>\$ 56,167,402</u>

Village of Pinehurst, North Carolina  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2023**

**Schedule 5**

<b>Function and Activity</b>	<b>Land</b>	<b>Right of Ways</b>	<b>Buildings</b>	<b>Improvements Other than Buildings</b>	<b>Furniture, Equipment and Vehicles</b>	<b>Infrastructure</b>	<b>Right-to- Use Intangible</b>	<b>Construction In Progress</b>	<b>Total</b>
General government:									
Governing body	\$ 3,890,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,890,321
Administration	-	-	4,504,753	-	489,189	-	38,764	-	5,032,706
Financial services	-	-	-	-	135,259	-	26,449	-	161,708
Human resources	-	-	-	-	21,300	-	21,404	-	42,704
Information technology	-	-	-	28,388	486,874	-	200,221	-	715,483
Buildings and grounds	-	-	436,666	704,711	374,496	29,476	-	-	1,545,349
Fleet maintenance	25,170	-	81,456	-	265,782	-	-	-	372,408
	<u>3,915,491</u>	<u>-</u>	<u>5,022,875</u>	<u>733,099</u>	<u>1,772,900</u>	<u>29,476</u>	<u>286,838</u>	<u>-</u>	<u>11,760,679</u>
Public safety:									
Police	-	-	2,850,374	-	1,701,014	-	67,801	-	4,619,189
Fire	332,206	-	3,616,314	-	3,534,433	-	-	-	7,482,953
Inspections	-	-	-	-	75,463	-	-	-	75,463
	<u>332,206</u>	<u>-</u>	<u>6,466,688</u>	<u>-</u>	<u>5,310,910</u>	<u>-</u>	<u>67,801</u>	<u>-</u>	<u>12,177,605</u>
Transportation:									
Public services	133,572	-	1,204,792	-	158,790	-	-	-	1,497,154
Streets and grounds	-	672,906	5,118	2,025,714	2,459,393	6,409,003	-	-	11,572,134
Powell Bill	-	-	-	45,713	140,354	21,115	-	-	207,182
	<u>133,572</u>	<u>672,906</u>	<u>1,209,910</u>	<u>2,071,427</u>	<u>2,758,537</u>	<u>6,430,118</u>	<u>-</u>	<u>-</u>	<u>13,276,470</u>
Environmental protection:									
Solid waste	-	-	-	-	2,060,999	-	-	-	2,060,999
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,060,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,060,999</u>
Cultural and recreation:									
Recreation	940,809	-	5,052,662	4,974,238	384,438	1,028,643	-	-	12,380,790
Library	360,870	-	579,281	-	50,934	-	7,086	-	998,171
Harness track	1,469,363	-	1,589,446	475,128	526,595	268,886	-	-	4,329,418
Fair barn	-	-	2,417,184	268,934	111,419	-	-	-	2,797,537
	<u>2,771,042</u>	<u>-</u>	<u>9,638,573</u>	<u>5,718,300</u>	<u>1,073,386</u>	<u>1,297,529</u>	<u>7,086</u>	<u>-</u>	<u>20,505,916</u>
Economic and physical development:									
Planning	-	-	-	-	41,083	-	254,867	-	295,950
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,083</u>	<u>-</u>	<u>254,867</u>	<u>-</u>	<u>295,950</u>
Construction in progress	-	-	-	-	-	-	-	148,533	148,533
	<u>\$ 7,152,311</u>	<u>\$ 672,906</u>	<u>\$ 22,338,046</u>	<u>\$ 8,522,826</u>	<u>\$ 13,017,815</u>	<u>\$ 7,757,123</u>	<u>\$ 616,592</u>	<u>\$ 148,533</u>	<u>\$ 60,226,152</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, 2023**

Schedule 6

<u>Function and Activity</u>	<u>Capital Assets June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Capital Assets June 30, 2023</u>
General government:					
Governing body	\$ 3,890,321	\$ -	\$ -	\$ -	\$ 3,890,321
Administration	4,868,075	164,631	-	-	5,032,706
Financial services	139,968	21,740	-	-	161,708
Human resources	21,300	21,404	-	-	42,704
Information technology	484,524	223,321	-	7,638	715,483
Buildings and grounds maintenance	1,507,274	38,075	-	-	1,545,349
Fleet maintenance	352,719	-	-	19,689	372,408
	<u>11,264,181</u>	<u>469,171</u>	<u>-</u>	<u>27,327</u>	<u>11,760,679</u>
Public safety:					
Police	4,145,425	481,402	-	(7,638)	4,619,189
Fire	7,469,102	389,441	(382,340)	6,750	7,482,953
Inspections	59,554	52,599	(17,001)	(19,689)	75,463
	<u>11,674,081</u>	<u>923,442</u>	<u>(399,341)</u>	<u>(20,577)</u>	<u>12,177,605</u>
Transportation:					
Public services	1,429,792	67,362	-	-	1,497,154
Streets and grounds	10,804,205	767,929	-	-	11,572,134
Powell Bill	207,182	-	-	-	207,182
	<u>12,441,179</u>	<u>835,291</u>	<u>-</u>	<u>-</u>	<u>13,276,470</u>
Environmental protection:					
Solid waste	1,825,141	235,858	-	-	2,060,999
	<u>1,825,141</u>	<u>235,858</u>	<u>-</u>	<u>-</u>	<u>2,060,999</u>
Cultural and recreation:					
Recreation	11,054,522	1,344,072	(2,666)	(15,138)	12,380,790
Library	998,171	-	-	-	998,171
Harness track	4,107,567	221,851	-	-	4,329,418
Fair barn	2,776,439	21,098	-	-	2,797,537
	<u>18,936,699</u>	<u>1,587,021</u>	<u>(2,666)</u>	<u>(15,138)</u>	<u>20,505,916</u>
Economic and physical development:					
Planning	17,389	263,423	-	15,138	295,950
	<u>17,389</u>	<u>263,423</u>	<u>-</u>	<u>15,138</u>	<u>295,950</u>
Construction in progress	8,732	146,551	-	(6,750)	148,533
	<u>\$ 56,167,402</u>	<u>\$ 4,460,757</u>	<u>\$ (402,007)</u>	<u>\$ -</u>	<u>\$ 60,226,152</u>



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## **ADDITIONAL FINANCIAL DATA**

This section contains additional information on property taxes.

- [Schedule of Ad Valorem Taxes Receivable](#)
  - [Analysis of Current Tax Levy](#)
-

Village of Pinehurst, North Carolina  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2023

Schedule 7

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2023	\$ -	\$ 12,342,976	\$ 12,334,369	\$ 8,607
2022	9,030	-	6,372	2,658
2021	3,587	-	1,571	2,016
2020	2,221	-	1,735	486
2019	1,515	-	1,340	175
2018	178	-	-	178
2017	49	-	-	49
2016	60	-	-	60
2015	160	-	-	160
2014	578	-	-	578
	<u>\$ 17,378</u>	<u>\$ 12,342,976</u>	<u>\$ 12,345,387</u>	<u>\$ 14,967</u>

**Reconciliation with Revenues**

Ad valorem taxes - General Fund	<u>\$ 12,342,069</u>
Reconciling items:	
Interest collected and refunds	(11,280)
Refunds/reliefs	<u>14,598</u>
	<u>3,318</u>
Total collections and credits	<u>\$ 12,345,387</u>

Village of Pinehurst, North Carolina  
 Analysis of Current Tax Levy  
 June 30, 2023

Schedule 8

	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	\$ 3,980,844,932	\$ 0.310	\$ 12,343,859	\$ 11,413,224	\$ 930,635
Penalties	-		1,905	1,905	-
Total	<u>3,980,844,932</u>		<u>12,345,764</u>	<u>11,415,129</u>	<u>930,635</u>
Discoveries:					
Current year taxes	1,085,752	Various	3,513	3,513	-
Penalties	-		38	38	-
Total	<u>1,085,752</u>		<u>3,551</u>	<u>3,551</u>	<u>-</u>
Abatements	<u>(2,044,839)</u>		<u>(6,339)</u>	<u>(6,339)</u>	<u>-</u>
Total property valuation	<u>\$ 3,979,885,845</u>				
Net levy			12,342,976	11,412,341	930,635
Uncollected taxes at June 30			<u>(8,607)</u>	<u>(8,607)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 12,334,369</u>	<u>\$ 11,403,734</u>	<u>\$ 930,635</u>
Current levy collection percentage			99.93%	99.92%	100.00%

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## STATISTICAL SECTION

This part of the Village's annual comprehensive 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.

- **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.

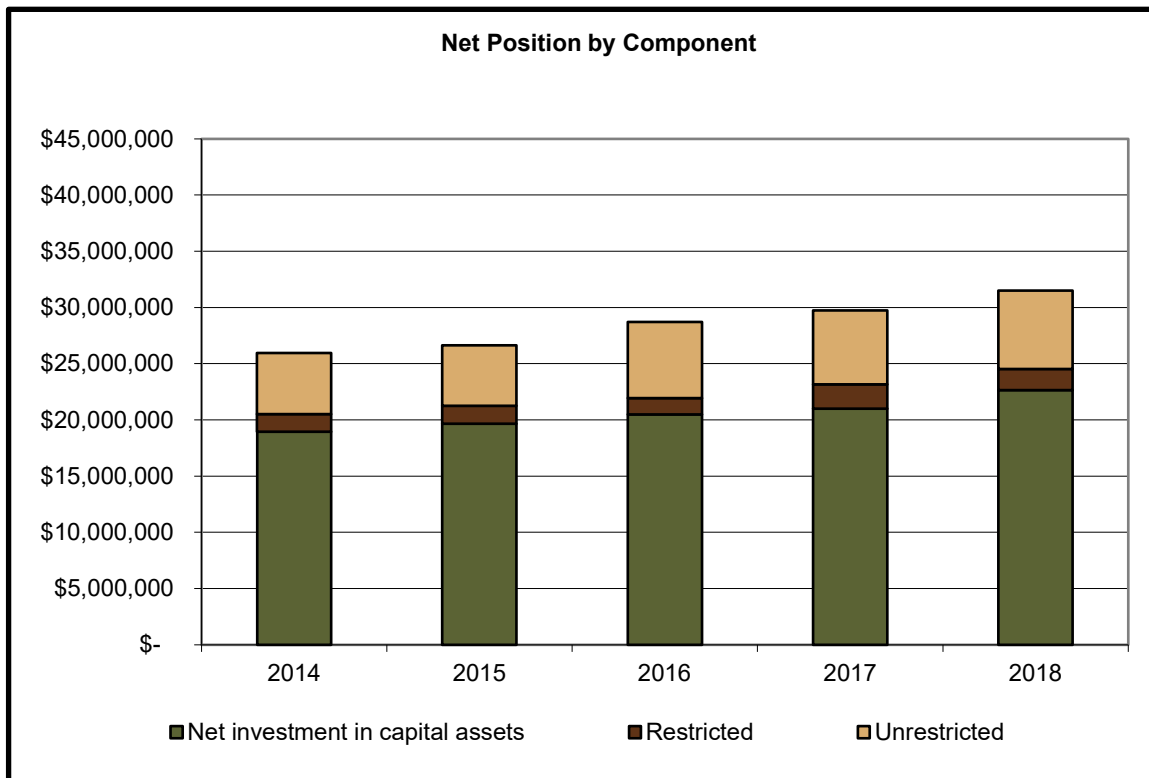
**Sources:** Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

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

**Table 1**  
**(2 pages)**

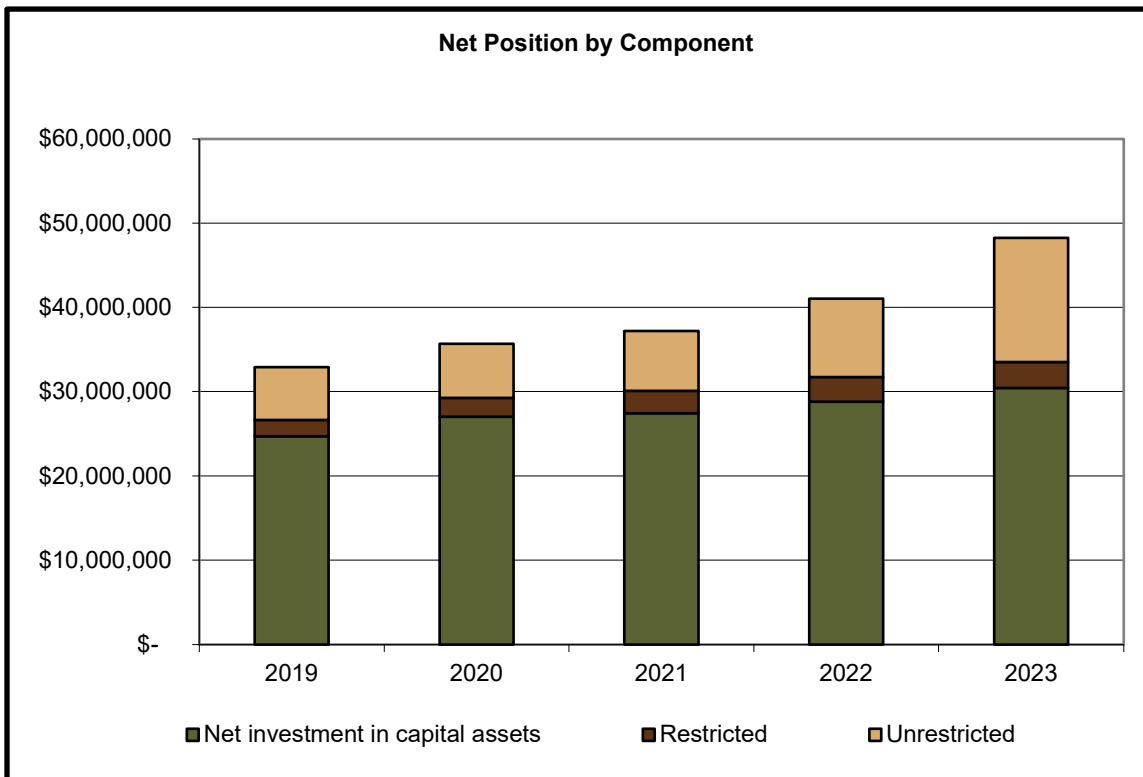
	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Governmental activities</b>					
Net investment in capital assets	\$ 18,953,996	\$ 19,648,800	\$ 20,467,990	\$ 20,980,863	\$ 22,631,590
Restricted for:					
Stabilization by state statute	1,568,981	1,601,410	1,474,901	2,165,724	1,881,641
General government	-	-	-	-	-
Public safety	-	-	-	-	2,672
Unrestricted	<u>5,417,136</u>	<u>5,381,405</u>	<u>6,777,854</u>	<u>6,594,835</u>	<u>6,980,336</u>
 Total net position, previously reported	 25,940,113	 26,631,615	 28,720,745	 29,741,422	 31,496,239
Restatement	<u>-</u>	<u>-</u>	<u>(628,284)</u>	<u>-</u>	<u>-</u>
 <b>Total governmental activities net position</b>	 <u><u>\$ 25,940,113</u></u>	 <u><u>\$ 26,631,615</u></u>	 <u><u>\$ 28,092,461</u></u>	 <u><u>\$ 29,741,422</u></u>	 <u><u>\$ 31,496,239</u></u>



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

**Table 1  
 (2 pages)**

	Fiscal Year				
	2019	2020	2021	2022	2023
<b>Governmental activities</b>					
Net investment in capital assets	\$ 24,692,614	\$ 27,012,618	\$ 27,420,053	\$ 28,803,183	\$ 30,435,847
Restricted for:					
Stabilization by state statute	1,923,503	2,233,881	2,624,890	2,893,797	3,067,395
General government	-	-	-	4,216	-
Public safety	10,943	-	39,674	36,297	19,469
Unrestricted	<u>6,276,224</u>	<u>6,425,942</u>	<u>7,114,828</u>	<u>9,279,012</u>	<u>14,706,261</u>
 Total net position, previously reported	 32,903,284	 35,672,441	 37,199,445	 41,016,505	 48,228,972
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Total governmental activities net position</b>	 <b><u>\$ 32,903,284</u></b>	 <b><u>\$ 35,672,441</u></b>	 <b><u>\$ 37,199,445</u></b>	 <b><u>\$ 41,016,505</u></b>	 <b><u>\$ 48,228,972</u></b>



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

**Table 2  
(2 pages)**

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,168,794	\$ 2,220,764	\$ 2,501,748	\$ 2,495,248	\$ 2,507,278
Public safety	5,803,531	5,653,753	5,684,375	6,070,685	6,207,724
Transportation	2,369,495	2,325,248	2,481,039	2,755,861	3,185,140
Economic and physical development	1,566,159	1,567,788	677,747	765,422	700,647
Environmental protection	1,402,623	1,526,924	1,399,842	1,453,148	1,470,406
Cultural and recreation	2,746,748	2,647,805	2,527,443	2,700,389	2,875,926
Interest on long-term debt	82,192	69,243	54,120	40,296	28,933
Total governmental activities expenses	<u>\$ 16,139,542</u>	<u>\$ 16,011,525</u>	<u>\$ 15,326,314</u>	<u>\$ 16,281,049</u>	<u>\$ 16,976,054</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 2,230	\$ 2,045	\$ 8,836	\$ 3,943	\$ 10,140
Public safety	490,364	507,962	569,814	722,337	677,954
Transportation	19,000	17,000	-	-	-
Economic and physical development	39,567	51,363	59,368	83,562	85,317
Cultural and recreation	1,268,417	672,851	730,300	716,909	701,082
Operating grants and contributions	546,089	1,025,870	509,304	603,714	518,202
Capital grants and contributions	42,563	320,235	230,788	-	559,349
Total governmental activities program revenue	<u>\$ 2,408,230</u>	<u>\$ 2,597,326</u>	<u>\$ 2,108,410</u>	<u>\$ 2,130,465</u>	<u>\$ 2,552,044</u>
<b>Total governmental activities net expense</b>	<u><b>\$ (13,731,312)</b></u>	<u><b>\$ (13,414,199)</b></u>	<u><b>\$ (13,217,904)</b></u>	<u><b>\$ (14,150,584)</b></u>	<u><b>\$ (14,424,010)</b></u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 9,763,042	\$ 9,785,054	\$ 9,699,296	\$ 9,998,398	\$ 10,143,940
Other taxes	4,271,703	4,979,172	5,328,610	5,478,926	5,641,380
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	10,424	9,796	25,872	62,911	146,038
Miscellaneous	495,732	197,599	253,256	259,310	247,469
Total governmental activities general revenue	<u>\$ 14,540,901</u>	<u>\$ 14,971,621</u>	<u>\$ 15,307,034</u>	<u>\$ 15,799,545</u>	<u>\$ 16,178,827</u>
<b>Change in Governmental Activities Net Position</b>	<u><b>\$ 809,589</b></u>	<u><b>\$ 1,557,422</b></u>	<u><b>\$ 2,089,130</b></u>	<u><b>\$ 1,648,961</b></u>	<u><b>\$ 1,754,817</b></u>

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

**Table 2  
(2 pages)**

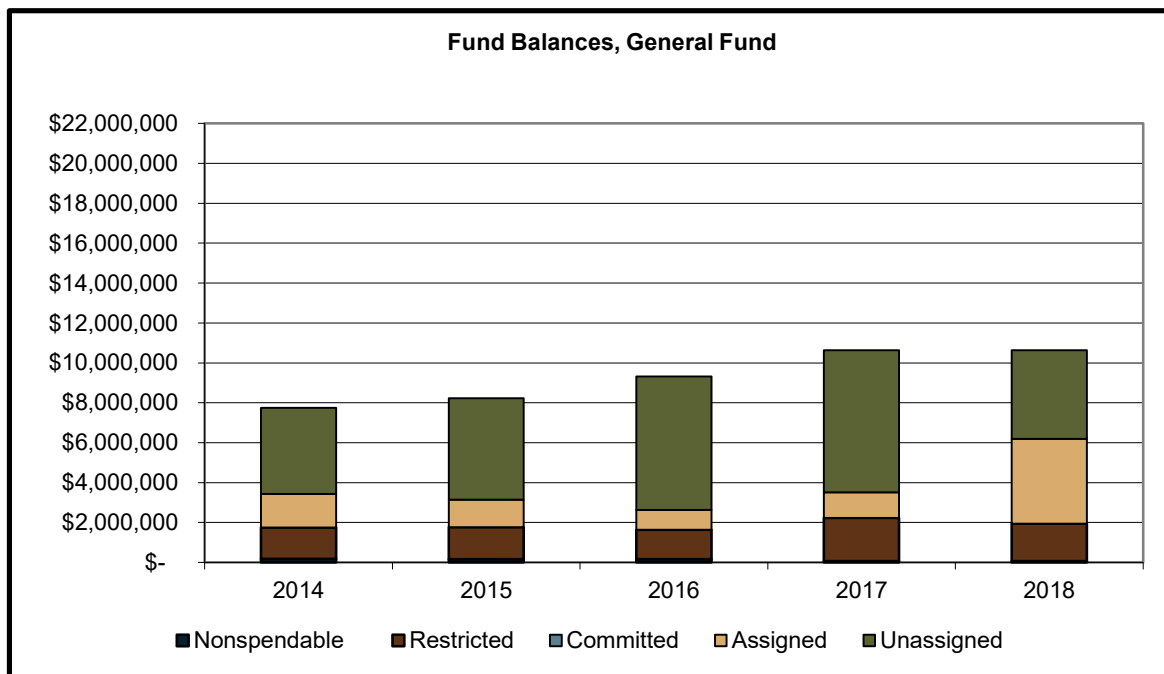
	Fiscal Year				
	2019	2020	2021	2022	2023
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,726,379	\$ 2,967,823	\$ 2,849,519	\$ 2,795,809	\$ 3,274,557
Public safety	6,528,824	6,832,478	7,035,668	7,152,920	8,337,760
Transportation	3,576,506	3,249,759	3,720,950	3,565,665	4,053,417
Economic and physical development	1,017,081	844,251	1,075,931	963,250	1,061,855
Environmental protection	1,661,991	1,808,078	1,860,471	2,066,834	2,171,713
Cultural and recreation	2,754,791	2,964,665	3,123,431	3,632,670	4,300,548
Interest on long-term debt	18,838	9,203	1,467	201	7,779
Total governmental activities expenses	<u>\$ 18,284,410</u>	<u>\$ 18,676,257</u>	<u>\$ 19,667,437</u>	<u>\$ 20,177,349</u>	<u>\$ 23,207,629</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 24,541	\$ 22,036	\$ 32,579	\$ 37,442	\$ 37,939
Public safety	718,467	683,710	730,483	686,579	752,005
Transportation	-	-	-	-	-
Economic and physical development	77,246	261,564	308,891	253,421	245,588
Cultural and recreation	660,859	519,952	433,297	723,934	842,180
Operating grants and contributions	859,123	581,759	790,509	608,559	773,792
Capital grants and contributions	397,249	516,976	95,100	940,150	386,795
Total governmental activities program revenue	<u>\$ 2,737,485</u>	<u>\$ 2,585,997</u>	<u>\$ 2,390,859</u>	<u>\$ 3,250,085</u>	<u>\$ 3,038,299</u>
<b>Total governmental activities net expense</b>	<u><b>\$ (15,546,925)</b></u>	<u><b>\$ (16,090,260)</b></u>	<u><b>\$ (17,276,578)</b></u>	<u><b>\$ (16,927,264)</b></u>	<u><b>\$ (20,169,330)</b></u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 10,346,079	\$ 11,249,478	\$ 11,492,559	\$ 12,260,171	\$ 12,339,658
Other taxes	6,013,374	6,151,373	6,933,901	7,955,501	8,478,949
Grants and contributions not restricted to specific programs	-	-	-	-	5,296,752
Investment earnings	261,291	171,964	2,879	24,651	837,517
Miscellaneous	333,226	1,286,602	374,243	504,001	428,921
Total governmental activities general revenue	<u>\$ 16,953,970</u>	<u>\$ 18,859,417</u>	<u>\$ 18,803,582</u>	<u>\$ 20,744,324</u>	<u>\$ 27,381,797</u>
<b>Change in Governmental Activities Net Position</b>	<u><b>\$ 1,407,045</b></u>	<u><b>\$ 2,769,157</b></u>	<u><b>\$ 1,527,004</b></u>	<u><b>\$ 3,817,060</b></u>	<u><b>\$ 7,212,467</b></u>



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

**Table 3**  
**(2 pages)**

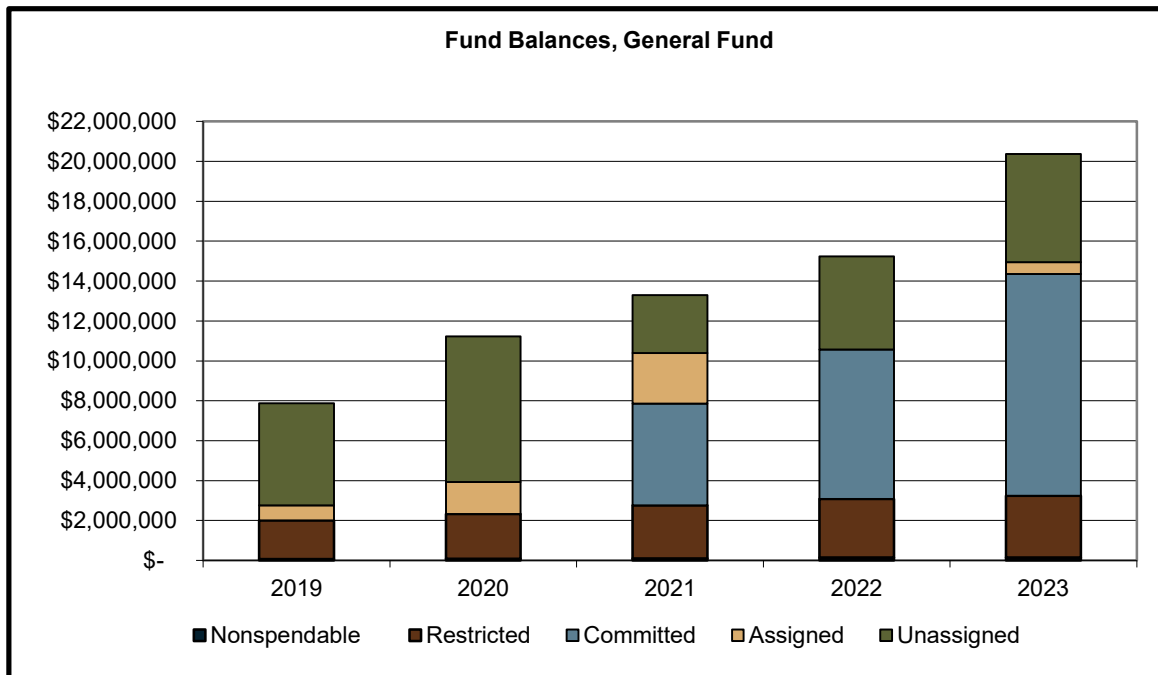
	Fiscal Year				
	2014	2015	2016	2017	2018
<b>General Fund</b>					
Nonspendable:					
Inventory	\$ 44,071	\$ 44,494	\$ 39,799	\$ 36,653	\$ 39,993
Prepaid items	130,586	124,296	118,979	35,236	19,878
Leases	-	-	-	-	-
Restricted:					
Stabilization by state statute	1,568,980	1,601,410	1,474,901	2,165,724	1,881,641
Public safety	-	-	-	-	2,672
Committed:					
Library and archives	-	-	-	-	-
Future capital	-	-	-	-	-
Assigned:					
Subsequent year's expenditures	1,687,710	1,375,639	1,001,685	1,284,513	4,249,380
Unassigned	4,317,497	5,079,263	6,689,980	7,110,976	4,448,274
<b>Total general fund</b>	<b><u>\$ 7,748,844</u></b>	<b><u>\$ 8,225,102</u></b>	<b><u>\$ 9,325,344</u></b>	<b><u>\$ 10,633,102</u></b>	<b><u>\$ 10,641,838</u></b>
<b>All Other Governmental Funds</b>					
Restricted:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Committed:					
Cultural and recreation	-	-	-	-	186,877
Library and archives	-	-	-	-	-
Special revenue fund expenditures	2,894	-	-	-	-
<b>Total all other governmental funds</b>	<b><u>\$ 2,894</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 186,877</u></b>



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

**Table 3**  
**(2 pages)**

	Fiscal Year				
	2019	2020	2021	2022	2023
<b>General Fund</b>					
Nonspendable:					
Inventory	\$ 48,427	\$ 44,098	\$ 60,814	\$ 74,697	\$ 52,537
Prepaid items	20,135	42,602	38,374	71,056	98,579
Leases	-	-	-	-	1,722
Restricted:					
Stabilization by state statute	1,923,503	2,233,881	2,624,890	2,893,797	3,067,395
Public safety	10,943	-	39,674	36,297	19,469
Committed:					
Library and archives	-	-	1,000,000	544,777	544,777
Future capital	-	-	4,102,691	6,942,557	10,572,049
Assigned:					
Subsequent year's expenditures	755,967	1,603,467	2,530,950	-	600,100
Unassigned	5,112,998	7,305,222	2,891,475	4,676,778	5,405,436
<b>Total general fund</b>	<b>\$ 7,871,973</b>	<b>\$ 11,229,270</b>	<b>\$ 13,288,868</b>	<b>\$ 15,239,959</b>	<b>\$ 20,362,064</b>
<b>All Other Governmental Funds</b>					
Restricted:					
General government	\$ -	\$ -	\$ -	\$ 4,216	\$ -
Committed:					
Cultural and recreation	2,520,458	249,374	-	400,319	-
Library and archives	-	-	-	-	1,401,555
Special revenue fund expenditures	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 2,520,458</b>	<b>\$ 249,374</b>	<b>\$ -</b>	<b>\$ 404,535</b>	<b>\$ 1,401,555</b>



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

**Table 4**  
**(2 pages)**

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Revenues</b>					
Ad valorem taxes	\$ 9,771,682	\$ 9,792,365	\$ 9,697,697	\$ 9,996,412	\$ 10,142,650
Other taxes and licenses	2,230	2,010	8,745	2,180	2,475
Unrestricted intergovernmental	4,271,703	4,979,172	5,328,610	5,478,926	5,641,380
Restricted intergovernmental	548,073	1,069,055	509,245	603,437	517,964
Permits and fees	1,252,453	578,554	632,033	801,574	761,918
Sales and services	564,975	629,899	729,626	719,515	709,419
Investment earnings	10,714	9,836	25,932	63,189	146,276
Lease interest income	-	-	-	-	-
Assessments	11,791	20,116	45,741	39,102	31,607
Miscellaneous	266,641	182,310	195,642	197,420	214,839
Total revenues	<u>16,700,262</u>	<u>17,263,317</u>	<u>17,173,271</u>	<u>17,901,755</u>	<u>18,168,528</u>
<b>Expenditures</b>					
General government	2,196,930	2,133,743	2,142,750	2,164,459	2,288,440
Public safety	5,856,007	5,543,484	5,443,314	5,564,978	6,404,850
Transportation	2,792,152	2,789,063	2,774,071	3,276,715	3,590,267
Economic and physical development	1,454,418	1,624,275	874,566	764,595	700,149
Environmental protection	1,456,374	1,586,800	1,576,998	1,312,900	1,639,564
Cultural and recreation	2,694,676	2,633,384	2,854,719	3,176,328	3,035,778
Debt service:					
Principal	378,829	420,917	406,502	368,531	329,223
Interest and other charges	83,098	73,615	57,721	43,717	32,160
Total expenditures	<u>16,912,484</u>	<u>16,805,281</u>	<u>16,130,641</u>	<u>16,672,223</u>	<u>18,020,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(212,222)</u>	<u>458,036</u>	<u>1,042,630</u>	<u>1,229,532</u>	<u>148,097</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(7,933)	(2,897)	-	-	(344,000)
Transfers from other funds	7,933	2,897	-	-	344,000
Lease liabilities issued	-	-	-	-	-
Subscription liabilities issued	-	-	-	-	-
Sales of capital assets	241,457	15,328	57,612	78,226	47,516
Issuance of debt	550,000	-	-	-	-
Total other financing sources (uses)	<u>791,457</u>	<u>15,328</u>	<u>57,612</u>	<u>78,226</u>	<u>47,516</u>
Net change in fund balances	579,235	473,364	1,100,242	1,307,758	195,613
Fund balances, beginning	<u>7,172,503</u>	<u>7,751,738</u>	<u>8,225,102</u>	<u>9,325,344</u>	<u>10,633,102</u>
Fund balances, ending	<u>\$ 7,751,738</u>	<u>\$ 8,225,102</u>	<u>\$ 9,325,344</u>	<u>\$ 10,633,102</u>	<u>\$ 10,828,715</u>
Debt service as a percentage of noncapital expenditures	3.1%	3.2%	3.3%	2.8%	2.3%

**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**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

**Table 4**  
**(2 pages)**

	Fiscal Year				
	2019	2020	2021	2022	2023
<b>Revenues</b>					
Ad valorem taxes	\$ 10,349,609	\$ 11,261,143	\$ 11,490,262	\$ 12,257,753	\$ 12,342,069
Other taxes and licenses	2,850	3,215	4,455	4,755	5,430
Unrestricted intergovernmental	6,013,374	6,151,373	6,933,901	7,955,501	8,478,949
Restricted intergovernmental	858,129	577,505	790,495	604,104	6,011,885
Permits and fees	794,770	938,780	1,029,833	944,902	989,779
Sales and services	689,943	543,264	459,900	762,888	878,263
Investment earnings	262,285	179,218	2,893	29,105	846,829
Lease interest income	-	-	-	-	1,588
Assessments	29,371	26,103	5,179	-	-
Miscellaneous	282,745	1,267,184	347,109	469,548	530,054
Total revenues	<u>19,283,076</u>	<u>20,947,785</u>	<u>21,064,027</u>	<u>23,028,556</u>	<u>30,084,846</u>
<b>Expenditures</b>					
General government	2,331,905	2,511,205	2,652,064	3,005,708	3,112,374
Public safety	6,052,992	6,386,218	7,076,720	7,552,785	8,450,153
Transportation	3,625,359	3,129,937	3,724,913	3,794,494	4,159,947
Economic and physical development	1,010,775	813,014	1,040,019	967,626	1,258,455
Environmental protection	1,510,935	1,828,660	1,860,146	1,901,761	2,208,240
Cultural and recreation	4,918,823	4,901,123	2,782,327	3,509,789	5,146,535
Debt service:					
Principal	297,282	298,687	141,600	11,201	160,393
Interest and other charges	21,770	12,146	3,148	142	716
Total expenditures	<u>19,769,841</u>	<u>19,880,990</u>	<u>19,280,937</u>	<u>20,743,506</u>	<u>24,496,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(486,765)</u>	<u>1,066,795</u>	<u>1,783,090</u>	<u>2,285,050</u>	<u>5,588,033</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(4,569,165)	-	(244,999)	(400,000)	(6,405,038)
Transfers from other funds	4,569,165	-	244,999	400,000	6,405,038
Lease liabilities issued	-	-	-	36,123	-
Subscription liabilities issued	-	-	-	-	517,842
Sales of capital assets	50,481	19,418	27,134	34,453	13,250
Issuance of debt	-	-	-	-	-
Total other financing sources (uses)	<u>50,481</u>	<u>19,418</u>	<u>27,134</u>	<u>70,576</u>	<u>531,092</u>
Net change in fund balances	<u>(436,284)</u>	<u>1,086,213</u>	<u>1,810,224</u>	<u>2,355,626</u>	<u>6,119,125</u>
Fund balances, beginning	<u>10,828,715</u>	<u>10,392,431</u>	<u>11,478,644</u>	<u>13,288,868</u>	<u>15,644,494</u>
Fund balances, ending	<u>\$ 10,392,431</u>	<u>\$ 11,478,644</u>	<u>\$ 13,288,868</u>	<u>\$ 15,644,494</u>	<u>\$ 21,763,619</u>
Debt service as a percentage of noncapital expenditures	1.9%	1.9%	0.8%	0.1%	0.8%

**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**

**Table 5**

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
2014	2013	\$ 3,433,539,072	\$ 346,239,540	\$ 17,443,205	\$ 314,499,090	\$ 3,482,722,727	0.280	\$ 3,474,384,205
2015	2014	3,433,872,218	357,593,290	16,969,593	316,220,133	3,492,214,968	0.280	3,481,769,659
2016	2015	3,352,781,389	375,083,970	19,365,934	404,357,860	3,342,873,433	0.290	3,354,614,584
2017	2016	3,398,349,498	375,641,253	19,308,922	405,681,620	3,387,618,053	0.295	3,379,844,411
2018	2017	3,438,503,505	382,281,151	20,624,370	405,969,480	3,435,439,546	0.295	3,357,544,513
2019	2018	3,495,942,470	391,820,521	20,871,399	405,458,520	3,503,175,870	0.295	3,432,467,049
2020	2019	3,737,721,744	427,481,221	23,759,023	437,571,040	3,751,390,948	0.300	3,738,306,874
2021	2020	3,809,790,478	427,774,584	26,068,173	434,758,410	3,828,874,825	0.300	3,783,099,323
2022	2021	3,910,901,972	418,615,954	26,343,641	463,961,170	3,891,900,397	0.315	3,844,611,673
2023	2022	4,010,654,518	418,999,504	26,827,043	476,595,220	3,979,885,845	0.310	3,872,991,286

**Source:**  
 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 as of January 1, 2019 in FY 2020.

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

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

Table 6

Fiscal Year	Tax Year	Direct Rates	Overlapping Rates
		Total Direct Rate	Moore County (1)
2014	2013	0.280	0.485
2015	2014	0.280	0.485
2016	2015	0.290	0.495
2017	2016	0.295	0.495
2018	2017	0.295	0.495
2019	2018	0.295	0.505
2020	2019	0.300	0.550
2021	2020	0.300	0.550
2022	2021	0.315	0.550
2023	2022	0.310	0.525

**Source:**

(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.

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

**Table 7**

<b>Taxpayer</b>	<b>2023</b>		<b>2014</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	\$ 190,785,064	4.79%	\$ 159,291,425	4.57%
Pinehurst Surgical Clinic	28,766,340	0.72%	23,614,600	0.68%
Pinehurst Medical Group Inc	27,523,930	0.69%	20,244,470	0.58%
Duke Energy Progress, Inc.	21,174,918	0.53%	12,502,793	0.36%
Country Club of North Carolina	19,107,080	0.48%	22,019,470	0.63%
The Greens at Arboretum LLC	12,449,190	0.31%	-	-
Quail Haven Properties of Pinehurst, LLC	10,218,540	0.26%	-	-
Drain the Swamp, LLC	10,024,710	0.25%	-	-
MTMM Associates (Carolina Eye Assoc.)	9,302,210	0.23%	5,644,060	0.16%
Pinewild Project Limited PTNS	8,806,406	0.22%	14,042,077	0.40%
East Lake Development, LLC	-	-	6,847,520	0.20%
SCOP (Surgery Center of Pinehurst)	-	-	5,148,450	0.15%
Infinity B&C LLC	-	-	4,127,550	0.12%
Pinehurst Nursing	-	-	4,286,825	0.12%
Carolina Telephone and Telegraph	-	-	4,002,740	0.11%
<b>Total</b>	<b>\$ 338,158,388</b>	<b>8.48%</b>	<b>\$ 281,771,980</b>	<b>8.08%</b>

**Source:**

Moore County Tax Department

**Notes:**

FY 2023 and FY 2014 data are for tax years 2022 and 2013 respectively.

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

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

Table 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)
2014	2013	\$ 9,756,980	\$ 9,748,024	99.91%	8,912	\$ 9,756,936	100.00%
2015	2014	9,774,886	9,772,350	99.97%	2,376	9,774,726	100.00%
2016	2015	9,692,375	9,686,105	99.94%	6,210	9,692,315	100.00%
2017	2016	9,992,459	9,983,263	99.91%	9,147	9,992,410	100.00%
2018	2017	10,136,740	10,129,986	99.93%	6,576	10,136,562	100.00%
2019	2018	10,334,013	10,323,160	99.89%	10,678	10,333,838	100.00%
2020	2019	11,256,701	11,247,972	99.92%	8,243	11,256,215	100.00%
2021	2020	11,486,218	11,478,077	99.93%	6,125	11,484,202	99.98%
2022	2021	12,252,759	12,243,729	99.93%	6,372	12,250,101	99.98%
2023	2022	12,342,976	12,334,369	99.93%	-	12,334,369	99.93%

**Source:**

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

Table 9

Fiscal Year	Calendar Year	Governmental Activities			Percentage of Personal Income (2)	Per Capita (2)
		Installment Financing (1)	Lease Liabilities	Subscription Liabilities		
2014	2013	\$ 2,262,742	\$ -	\$ -	0.35%	\$ 149
2015	2014	1,841,825	-	-	0.26%	119
2016	2015	1,435,323	-	-	0.18%	91
2017	2016	1,066,792	-	-	0.13%	66
2018	2017	737,569	-	-	0.10%	45
2019	2018	440,287	-	-	0.06%	26
2020	2019	141,600	-	-	0.02%	8
2021	2020	-	-	-	0.00%	-
2022	2021	-	24,922	-	0.00%	-
2023	2022	-	12,897	361,158	0.04%	21

**Notes:**

(1) Details regarding outstanding debt can be found in Note 10 of the notes to the financial statements.

(2) See Table 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  
 June 30, 2023

Table 10

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
<b>Moore County (1)</b>			
Debt repaid with property taxes:			
Moore County general obligation debt	\$ 126,740,000	26.59%	\$ 33,702,893
Other debt:			
Moore County limited obligation bonds	49,634,000	26.59%	13,198,749
Lease liabilities	94,828	26.59%	25,217
Moore County installment loans	36,045,400	26.59%	9,585,248
Subtotal, overlapping debt			56,512,107
<b>Village of Pinehurst direct debt</b>			374,055
Total direct and overlapping debt			\$ 56,886,162

**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 Annual Comprehensive Financial Report

(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, 2022 were used to determine the overlapping debt percentage.

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

Table 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>
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%
2017	271,009,444	1,066,792	269,942,652	99.61%
2018	274,835,164	737,569	274,097,595	99.73%
2019	280,254,070	440,287	279,813,783	99.84%
2020	300,111,276	141,600	299,969,676	99.95%
2021	306,309,986	-	306,309,986	100.00%
2022	311,352,032	-	311,352,032	100.00%
2023	318,390,868	-	318,390,868	100.00%

**Legal Debt Margin Calculation for Fiscal Year 2023**

Assessed valuation	\$ 3,979,885,845	
	X	<u>0.08</u>
Debt limit - 8.0% of assessed value		\$ 318,390,868
Gross debt:		
Authorized and unissued bonds	-	
Installment purchase agreements	-	
Total gross debt	-	
Less: statutory deductions	-	
Total amount of debt applicable to debt limit (net debt)		<u>-</u>
<b>Legal debt margin</b>		<u><u>\$ 318,390,868</u></u>

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

**Table 12**

<b>Fiscal Year</b>	<b>Calendar Year</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Income (2)</b>	<b>Median Age (2)</b>	<b>Unemployment Rate (3)</b>
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%
2017	2016	16,123	798,136,869	49,503	61.4	4.1%
2018	2017	16,452	729,679,104	44,352	60.1	4.2%
2019	2018	16,754	771,907,042	46,073	59.3	4.5%
2020	2019	17,100	824,117,400	48,194	61.2	7.3%
2021	2020	17,484	870,143,712	49,768	59.4	4.8%
2022	2021	17,651	922,211,797	52,247	60.3	4.1%
2023	2022	18,074	1,043,195,132	57,718	58.7	3.7%

**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 Pinehurst-Southern Pines area.*

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

Table 13

Employer	2023		2014	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
First Health of the Carolinas (1)	3,740	50.90%	3,401	71.05%
Pinehurst, LLC (2)	1,386	18.86%	1,260	26.32%
Total		69.76%		97.37%

**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:**

2023 employment is based on calendar year 2022.

GASB 44 requires comparative data for the current calendar year and nine years prior. 2020 adjusted Census Data was used for 2014 and 2023 to estimate the percentage of total employment.

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

**Table 14**

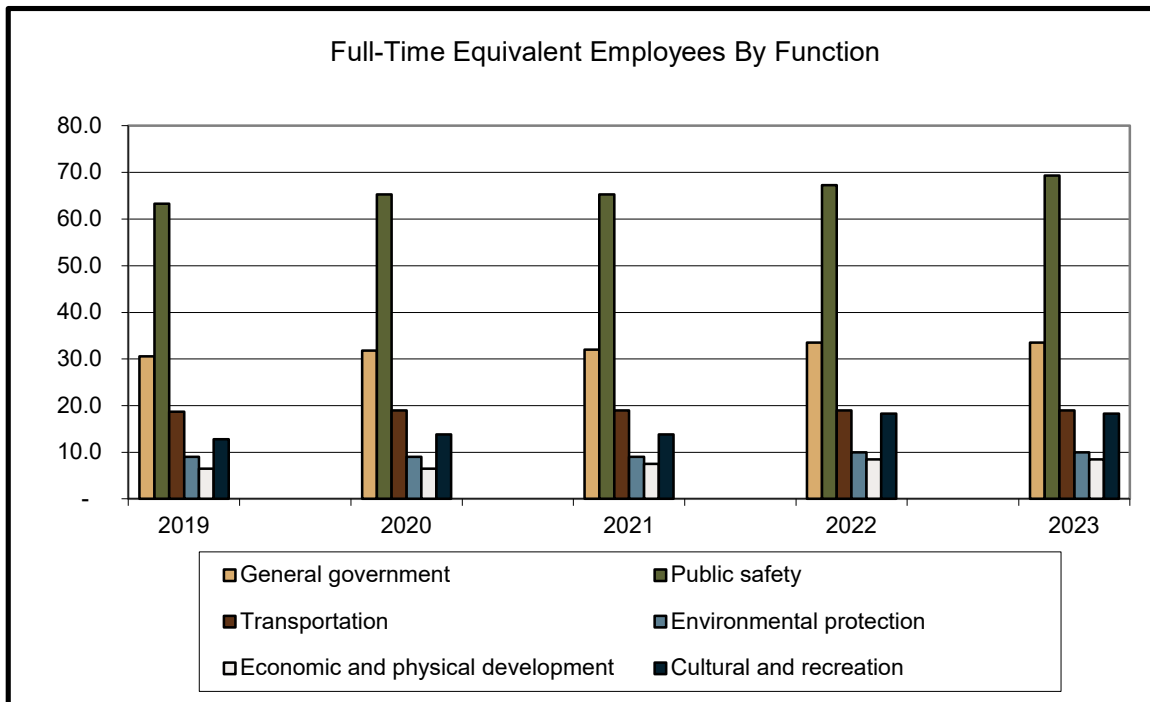
Function	Full-Time Equivalent Employees as of June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	26.8	26.8	26.8	26.8	28.6	30.6	31.8	32.0	33.5	33.5
Public safety	60.0	60.0	60.0	63.3	63.3	63.3	65.3	65.3	67.3	69.3
Transportation	18.0	18.0	18.0	18.0	18.7	18.7	19.0	19.0	19.0	19.0
Environmental protection	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.0
Economic and physical development	6.0	6.0	6.0	6.5	6.5	6.5	6.5	7.5	8.5	8.5
Cultural and recreation	11.8	12.1	12.8	12.8	12.8	12.8	13.8	13.8	18.3	18.3
<b>Total</b>	<b>131.6</b>	<b>131.9</b>	<b>132.6</b>	<b>136.4</b>	<b>138.9</b>	<b>140.9</b>	<b>145.4</b>	<b>146.6</b>	<b>156.6</b>	<b>158.6</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**

**Table 15  
(2 pages)**

Function	Fiscal Year				
	2014	2015	2016	2017	2018
<b>General Government</b>					
Financial services:					
Purchase orders issued	338	297	323	384	401
Vendor checks issued	1,641	1,509	1,490	1,377	1,415
Vendor EFTs issued	998	1,009	1,070	1,071	972
Human resources:					
Workers' compensation lost time (days)	144	39	8	8	5
Employee turnover rate	7.9%	14.3%	12.6%	13.1%	8.3%
Fleet maintenance:					
Vehicles maintained	99	97	98	103	100
Equipment maintained	69	61	62	62	67
Preventative maintenance completed	218	240	228	234	236
<b>Public Safety</b>					
Fire protection:					
Public fire & life safety classes	307	342	438	563	617
Incident calls	993	1,052	1,245	1,754	1,670
Structure fires	28	14	4	10	7
Inspections (1)	1,898	756	184	186	257
Child passenger seat inspections	170	170	183	136	104
Police protection:					
Physical arrests	239	575	651	739	296
Citations issued	2,082	1,757	2,603	2,750	3,368
Response to calls/officer initiated activity	13,041	11,742	14,923	16,613	16,809
Traffic accidents	422	433	635	654	658
Inspections:					
Building inspections conducted (1)	7,540	5,469	5,656	6,633	7,614
Certificates of occupancy issued	79	116	91	130	216
<b>Transportation</b>					
Street resurfacing (miles)	5.0	4.5	2.1	3.1	5.7
<b>Environmental Protection</b>					
Refuse collected (tons annually)	3,988	3,973	4,106	4,062	3,962
Homes receiving service	7,955	8,107	8,196	8,326	8,467
Recyclables collected (tons annually)	2,025	2,115	1,935	2,060	2,066
<b>Economic and Physical Development</b>					
Building permits issued	313	289	315	347	348
Code compliance investigations	522	639	774	1,251	1,156
<b>Cultural and Recreation</b>					
Recreation:					
Program participants	1,807	1,986	2,634	2,950	3,061
Athletics participants	1,442	1,736	1,699	1,922	1,847
Library and archives:					
Books checked out	37,040	36,264	35,542	41,224	45,341
E-books checked out	8,373	8,168	8,545	10,095	12,334
Harness track:					
Standardbred stalls leased	240	236	256	252	215
Facilities reserved (days)	125	38	52	40	39
Fair barn:					
Events	122	133	112	121	124
Rental days	199	205	177	159	150

**Sources:**

*Various Village departments*

**Notes:**

- (1) Fiscal Year 2014 includes inspections conducted for the USGA at the US Open Championship venue
- (2) Information is not available

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

To Table of Contents

**Table 15**  
**(2 pages)**

Function	Fiscal Year				
	2019	2020	2021	2022	2023
<b>General Government</b>					
Financial services:					
Purchase orders issued	378	432	415	449	487
Vendor checks issued	1,289	1,554	1,354	1,434	1,487
Vendor EFTs issued	1,046	974	878	960	1,035
Human resources:					
Workers' compensation lost time (days)	1	80	215	15	23
Employee turnover rate	12.2%	15.7%	13.1%	14.4%	15.0%
Fleet maintenance:					
Vehicles maintained	101	102	102	100	100
Equipment maintained	59	77	88	126	174
Preventative maintenance completed	248	231	228	251	290
<b>Public Safety</b>					
Fire protection:					
Public fire & life safety classes	606	381	89	104	123
Incident calls	1,891	1,686	1,904	2,335	2,214
Structure fires	5	1	13	14	Note (2)
Inspections	204	169	698	482	128
Child passenger seat inspections	104	60	31	62	83
Police protection:					
Physical arrests	392	330	426	370	282
Citations issued	3,770	2,990	2,387	1,985	1,702
Response to calls/officer initiated activity	18,103	17,547	24,933	23,926	28,322
Traffic accidents	652	578	600	668	726
Inspections:					
Building inspections conducted	7,008	8,223	8,723	8,323	8,445
Certificates of occupancy issued	240	260	221	235	246
<b>Transportation</b>					
Street resurfacing (miles)	3.9	4.5	4.5	4.0	4.2
<b>Environmental Protection</b>					
Refuse collected (tons annually)	4,522	5,018	5,670	5,112	5,240
Homes receiving service	8,531	8,562	8,726	8,885	8,980
Recyclables collected (tons annually)	1,702	1,208	1,009	1,479	1,210
<b>Economic and Physical Development</b>					
Building permits issued	337	360	296	254	187
Code compliance investigations	1,045	1,372	1,215	1,306	1,409
<b>Cultural and Recreation</b>					
Recreation:					
Program participants	2,678	1,600	1,812	2,841	1,951
Athletics participants	1,665	1,792	2,273	6,063	3,599
Library and archives:					
Books checked out	45,764	32,490	20,466	30,127	32,786
E-books checked out	16,041	17,200	21,139	21,316	22,248
Harness track:					
Standardbred stalls leased	193	172	126	141	182
Facilities reserved (days)	38	62	248	248	184
Fair barn:					
Events	104	83	76	135	125
Rental days	107	102	17	101	110

**Sources:**

Various Village departments

**Notes:**

- (1) Fiscal Year 2014 includes inspections conducted for the USGA at the US Open Championship venue
- (2) Information is not available



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

**Table 16  
(2 pages)**

Function	Fiscal Year				
	2014	2015	2016	2017	2018
Public safety:					
Fire protection:					
Stations	2	2	2	2	2
Fire trucks	7	6	6	6	6
Police protection:					
Stations	1	1	1	1	1
Police vehicles	24	26	29	26	29
Transportation:					
Miles of streets	105.66	106.08	106.35	106.35	106.75
Maintenance vehicles	25	25	23	25	24
Sidewalks, greenways and bike paths (lf)	68,313	68,653	71,663	79,272	82,757
Environmental protection:					
Refuse collection trucks	15	16	17	13	14
Economic and physical development:					
Storm water drainage areas	57	66	80	84	92
Cultural and recreation:					
Number of parks	5	5	5	5	5
Park acreage	294	294	294	294	294
Greenway trails (miles)	6.8	6.8	7.1	7.6	7.6
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**

**Table 16  
(2 pages)**

Function	Fiscal Year				
	2019	2020	2021	2022	2023
Public safety:					
Fire protection:					
Stations	2	2	2	2	2
Fire trucks	6	6	7	8	7
Police protection:					
Stations	1	1	1	1	1
Police vehicles	27	29	27	27	33
Transportation:					
Miles of streets	106.98	107.40	107.40	107.60	107.69
Maintenance vehicles	22	22	23	23	25
Sidewalks, greenways and bike paths (lf)	83,179	85,344	85,344	88,121	88,913
Environmental protection:					
Refuse collection trucks	12	12	14	14	16
Economic and physical development:					
Storm water drainage areas	106	116	134	148	158
Cultural and recreation:					
Number of parks	5	5	5	6	6
Park acreage	294	294	294	303	303
Greenway trails (miles)	7.6	7.6	7.6	7.8	10.0
Playgrounds	3	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	2	2	2	1	1

**Sources:**

*Various Village departments*

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## COMPLIANCE SECTION

This section contains the reports and schedules listed below:

- **Independent Auditors' 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 on Compliance for the Major State Program and on Internal Control over Compliance Required by the Uniform Guidance and State Single Audit Implementation Act**
  - Schedule of Findings and Questioned Costs
  - Schedule of Expenditures of Federal and State Awards
-

## **Independent Auditor’s 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***

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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2023, and the related notes to the financial statements, which collectively comprise the Village of Pinehurst, North Carolina’s basic financial statements, and have issued our report thereon dated October 20, 2023.

### **Report on 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) as a basis for designing 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 a 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

# FORVIS

## Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS, LLP**

High Point, North Carolina  
October 20, 2023

## Independent Auditor's Report on Compliance for the Major State Program and on Internal Control over Compliance Required by the OMB Uniform Guidance and the State Single Audit Implementation Act

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

### Report on Compliance for the Major State Program

#### ***Opinion on the Major State Program***

We have audited the Village of Pinehurst, North Carolina's (the "Village") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Village's major state program for the year ended June 30, 2023. The Village's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Village complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2023.

#### ***Basis for Opinion on the Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable sections of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance and the State Single Audit Implementation Act are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Village's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Village's state program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

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

# FORVIS

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the applicable sections of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

**FORVIS,LLP**

**High Point, North Carolina  
October 20, 2023**



## Schedule of Findings and Questioned Costs

### Section I: Summary of Auditors' Results

#### *Financial statements*

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?

\_\_\_\_\_ Yes  X  No

Are any significant deficiencies identified?

\_\_\_\_\_ Yes  X  None reported

Is any noncompliance material to financial statements noted?

\_\_\_\_\_ Yes  X  No

#### *State awards*

Internal control over major state programs:

Are any material weaknesses identified?

\_\_\_\_\_ Yes  X  No

Are any significant deficiencies identified?

\_\_\_\_\_ Yes  X  None reported

Noncompliance material to State awards?

\_\_\_\_\_ Yes  X  No

Type of auditors' report issued on compliance for major state programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

\_\_\_\_\_ Yes  X  No

Identification of major state programs:

#### **Name of State Program**

Powell Bill - DOT 4

**Section II: Financial Statement Findings**

There were no findings related to the financial statements for the fiscal year ended June 30, 2023.

**Section III: State Awards Findings and Questioned Costs**

There were no findings related to state awards for the fiscal year ended June 30, 2023.

Village of Pinehurst, North Carolina  
 Schedule of Expenditures of Federal and State Awards  
 Fiscal Year Ended June 30, 2023

Schedule 10

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
<b>Federal awards:</b>					
<u>U.S. Department of Justice</u>					
Passed through N.C. Department of Public Safety:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PROJ014939	\$ 10,417	\$ -	\$ -
<u>U.S. Department of the Treasury</u>					
Equitable Sharing Program - Federal Forfeiture	21.016	Direct	17,842	-	-
Coronavirus State and Local Fiscal Recovery Funds	21.027	Direct	5,296,752	-	-
Passed through N.C. Department of Natural and Cultural Resources:					
State Fiscal Recovery Funds	21.027	2000057929	40,557	-	-
Total Coronavirus State and Local Fiscal Recovery Funds			5,337,309	-	-
Total U.S. Department of the Treasury			5,355,151	-	-
Total federal awards			5,365,568	-	-
<b>State awards:</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4	-	579,914	-
<u>N.C. Office of State Budget and Management</u>					
State Capital and Infrastructure Fund		12171	-	50,000	-
<u>N.C. Department of Environmental Quality</u>					
2022 Glass Equipment and Infrastructure Grant		CW28122	-	13,796	3,559
<u>N.C. Department of Natural and Cultural Resources</u>					
State Aid to Public Libraries		FY2022-23	-	7,702	-
Total state awards			-	651,412	3,559
Total federal and state awards			\$ 5,365,568	\$ 651,412	\$ 3,559

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

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the Federal and State grant activity of the Village of Pinehurst under the programs of the federal government and the state of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position or changes in net position of the Village.

**2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.