

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2007

Prepared by
Financial Services Department

John G. Frye
Director of Financial Services

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report – Table of Contents
For the Fiscal Year Ended June 30, 2007

	<u>Exhibit No.</u> <u>Schedule No.</u>	<u>Page No.</u>
INTRODUCTORY SECTION		
Letter of Transmittal	-	i-iv
Certificate of Achievement	-	v
Organizational Chart.....	-	vi
List of Principal Officials	-	vii
FINANCIAL SECTION		
Independent Auditors' Report.....	-	1-2
Management's Discussion and Analysis	-	3-14
Basic Financial Statements:		
Government Wide Financial Statements		
Statement of Net Assets	1	15
Statement of Activities	2	16
Fund Financial Statements		
Balance Sheet – Governmental Funds.....		
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund And Annually Budgeted Major Special Revenue Fund	5	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	6	20-21
Statement of Fiduciary Net Assets – Fiduciary Funds.....	7	22
Notes to the Financial Statements	-	23-43
Required Supplementary Information:		
Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress....	A-1	44
Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Employer Contributions	A-2	45
General Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund.....	B-1	46-49
Municipal Service District Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Municipal Service District	C-1	50
Non-Major Governmental Funds:		
Combining Balance Sheet – Non-Major Governmental Funds.....	D-1	51-52
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances – Non-Major Governmental Funds.....	D-2	53-54
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual –Land Dedication	D-3	55
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Residential Assurance Interest	D-4	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual –Taylorhurst Assessments.....	D-5	57

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report – Table of Contents
For the Fiscal Year Ended June 30, 2007

	<u>Exhibit No.</u>	<u>Page No.</u>
	<u>Schedule No.</u>	
Non-Major Governmental Funds (Continued):		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual –Capital Reserve	D-6	58
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Rassie Wicker Park	D-7	59
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Fire Station	D-8	60
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Municipal Service District	D-9	61
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Public Services Facility	D-10	62
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Recreation Center	D-11	63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Jackson Hamlet CDBG	D-12	64
Fiduciary Funds:		
Statement of Changes in Assets and Liabilities	E-1	65
Capital Assets Used in the Operation of Governmental Funds:		
Schedule by Source	F-1	66
Schedule by Function and Activity	F-2	67
Schedule of Changes by Function and Activity	F-3	68
ADDITIONAL FINANCIAL DATA		
Schedule of Ad Valorem Taxes Receivable	G-1	69
Analysis of Current Tax Levy – Village Wide Levy	G-2	70
Schedule of Transfers	G-3	71
STATISTICAL SECTION		
Government-wide information:		
Net Assets by Component	1	72
Changes in Net Assets	2	73
Fund information:		
Fund Balances – Governmental Funds by Year	3	74
Changes in Fund Balances – Governmental Funds by Year	4	75
Assessed Value and Estimated Actual Value of Taxable Property	5	76
Direct and all Overlapping Property Tax Rates	6	77
Principal Property Tax Payers	7	78
Property Tax Levies and Collections	8	78
Ratios of Outstanding Debt by Type	9	80
Direct and Overlapping Governmental Activities Debt	10	81
Legal Debt Margin Information	11	82
Demographic and Economic Statistics	12	83
Principal Employers	13	84
Full-Time Equivalent Employees by Function	14	85
Operating Indicators by Function	15	86
Capital Asset Statistics by Function	16	87

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report – Table of Contents
For the Fiscal Year Ended June 30, 2007

	<u>Exhibit No.</u>	<u>Page No.</u>
	<u>Schedule No.</u>	
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Governmental Auditing Standards</u>	-	88
Schedule of Expenditures of Federal and State Awards	-	89



October 23, 2007

To the Village Council
Village of Pinehurst, North Carolina

State law requires that the Village publish a complete set of financial statements 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. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Village of Pinehurst for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the Village of Pinehurst. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Village of Pinehurst has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village of Pinehurst's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Village of Pinehurst's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Village's financial statements have been audited by the independent certified public accounting firm of Dixon Hughes PLLC, and that firm's unqualified opinion is included in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the Village's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Village's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Village was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. 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 federal awards. These reports are located in the Single Audit Section of this Comprehensive Annual Financial Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Village's MD&A can be found immediately following the report of the independent auditors on Page 3.

Profile of the Government

The Village of Pinehurst was incorporated in 1980, and is located in the Sandhills Region of North Carolina. The Village has a land area of approximately 14.2 square miles, and a population of 11,026. Pinehurst is the second 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, which occurs periodically when deemed appropriate by the governing council.

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

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

The annual budget serves as the foundation for the Village's financial planning and control. All departments of the Village are required to submit requests for appropriation to the Village Manager on or before April 30th, in accordance with State statutes. The Village Manager uses these requests as the starting point for developing a proposed budget. The Village Manager then presents this proposed budget to the Council for review prior to May 15th. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the Village's fiscal year. The Village Manager is authorized to transfer appropriations within departments and is also authorized to transfer appropriations up to \$10,000 between departments. All other transfers of appropriations require the approval of the Village Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 20 as part of the basic financial statements for the governmental funds. For non-major governmental funds this comparison is presented in the non-major governmental funds subsection of this report, starting on page 55.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Village of Pinehurst operates.

Local Economy. The Village of Pinehurst currently enjoys a favorable economic environment and local indicators point to continued stability. The Village is primarily a residential community with a steady growth rate in residential development. Over 200 new homes are constructed each year within the Village limits and its extraterritorial jurisdiction.

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 \$326 million in annual tourism generated revenues. This is due primarily to the world-renowned reputation of The Resort, which is owned by the privately held company Pinehurst, LLC. The golf, hotel, and spa amenities draw tourists from all over the world and as a result of its exceptional quality, Pinehurst LLC hosted the 2005 US Men's Open Golf Championship and is slated to host the 2014 US Men's Open Golf Championship.

The Village of Pinehurst can also claim a top-notch regional health facility, First Health of the Carolinas, which serves 15 counties. First Health, one of the County's largest employers, provides an employment base of over 2,500 health care professionals and staff. Their commitment to quality is evidenced by First Health's flagship hospital, Moore Regional, being granted several Top 100 Hospital awards over the years.

Long Term Financial Planning. The Village Council has several ongoing initiatives to meet the needs of citizens and improve the overall quality of life. The first is the New Core Master Plan which was adopted by the Village Council in May of 2007. This plan identifies acceptable development in an area approximately 30 acres in size which is adjacent to the Old Town Village Core. New zoning has been applied to this area to ensure that it is developed in the same village-like character as the current downtown area.

In conjunction with this project, the Village plans to relocate its Public Services facilities from the New Core area to recently purchased property on Juniper Lake road. The Village is currently in the design stage of this project and expects to occupy the new facility in 2009.

The Village Council also approved the preliminary design of a recreation center for Cannon Park. This would be the Village's first and only recreation center and would serve as the central location for all recreational programming.

In April 2003, the Village Council adopted the Comprehensive Long Range Plan which included several significant initiatives. One of those was the re-write of the Pinehurst Development Ordinance which was completed in fiscal year 2004-2005. Another initiative is the construction of a greenway system that provides pedestrian connectivity throughout town. Phases I through III of the system are complete. Phase IV is currently underway bringing the total paths completed to 4.0 miles. Phases IV and V are expected to be completed in the next two fiscal years.

In order to proactively anticipate future capital expenditures, the Village adopted a Five-Year Capital Improvements Plan in February of 2007. This document outlines the major capital purchases and capital project expenditures for the next five fiscal years while matching a conservative revenue source for payment. This document also describes the impact of the capital expenditures on the General Fund, Capital Reserve Fund and the Village finances as a whole.

Cash Management Policies and Practices. Cash temporarily idle during the year was invested in the State investment pool. This pool is a money market mutual fund with the average yield on investments being four percent for 2007. The Village also invested in Commercial Paper and government agency investments during the year, in accordance with the Village's Investment Policy.

Risk Management. During 2004, the Village initiated a risk management committee to advise the Village's Risk Manager in the overall administration of the Village's risk management program. This program encompasses the Village's property & liability, workers' compensation, and health insurance programs. Various educational initiatives were undertaken to help minimize accident-related losses and keep overall program costs to a minimum. These initiatives continue with our employee wellness and safety programs. Additional information on the Village's risk management activity can be found in Note 4 of the notes to the financial statements.

Pension and Other Postemployment Benefits. The Village of Pinehurst sponsors a single-employer defined benefit pension plan for its public safety employees. Each year, an independent actuary engaged by the pension plan calculates the actual amount of the annual contribution that the Village must make to the pension plan to ensure the plan will be able to fully meet its obligations to retired employees on a timely basis. The Village of Pinehurst has historically not funded the annual required contribution to the pension plan as determined by the actuary, but is currently making payments to two retirees on a pay-as-you-go basis.

The Village of Pinehurst also provides pension benefits for its non-public-safety employees. These benefits are provided through a state-wide plan managed by the Retirement Division of the State Treasurer's Office. The Village of Pinehurst has no obligation in connection with local government employees benefits offered through this plan beyond its monthly contribution to the Local Government Employees Retirement System. Additional information on the Village of Pinehurst's pension arrangements and post employment benefits can be found in Note 4 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Pinehurst for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the fourteenth consecutive year that the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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 of Pinehurst's finances.

Respectfully submitted,



Andrew M. Wilkison
Village Manager



John G. Frye
Director of Financial Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Pinehurst
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

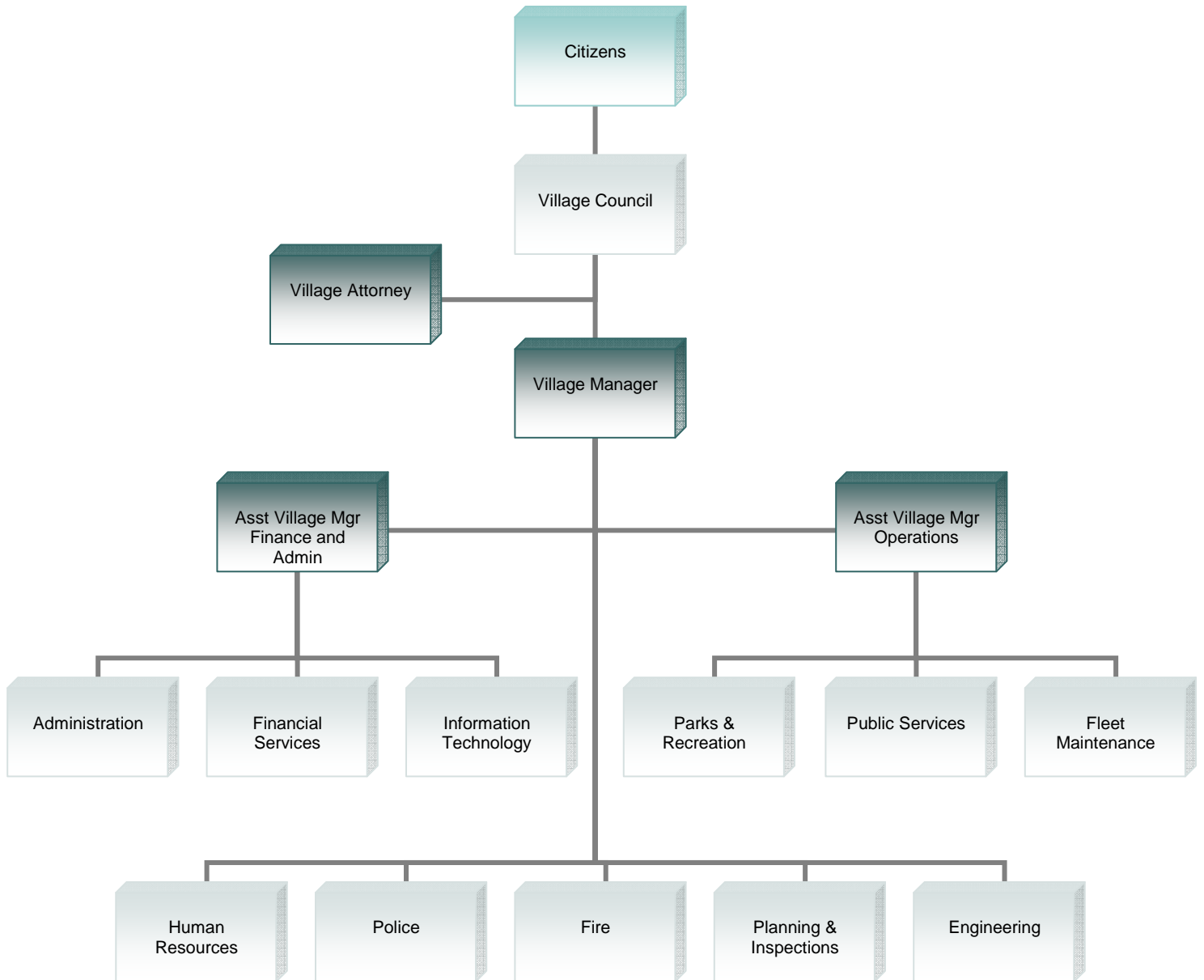
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Village of Pinehurst, North Carolina
Organizational Chart
June 30, 2007



**Village of Pinehurst, North Carolina
List of Principal Officials
June 30, 2007**

Elected Officials

Steven J. Smith	Mayor
George E. Hillier	Mayor Pro-Tem
Douglas A. Lapins	Treasurer
Virginia F. Fallon	Council Member
Lorraine A. Tweed	Council Member

Appointed Officials

Andrew M. Wilkison	Village Manager
Natalie E. Dean	Assistant Village Manager
Jeff Batton	Assistant Village Manager
Michael J. Newman	Village Attorney
Linda Brown	Village Clerk
John G. Frye	Director of Financial Services
Karen Habenstein	Director of Human Resources
Jason Whitaker	Director of Information Technology
Ronnie Davis	Chief of Police
Jimmy McCaskill	Fire Chief
Andrea Correll	Director of Planning
H. Jay Gibson	Director of Engineering
Walt Morgan	Director of Public Services
Randy Kuhn	Director of Fleet Maintenance
Mark Wagner	Director of Parks and Recreation



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

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

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 as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Pinehurst's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, 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 of Pinehurst, North Carolina as of June 30, 2007 and the respective changes in financial position and the respective budgetary comparison for the general fund and the Municipal Service District special revenue fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2007 on our consideration of Village of Pinehurst's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing over internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Village of Pinehurst, North Carolina, taken as a whole. The individual and combining fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and the statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections of the Comprehensive Annual Financial Report (CAFR) have not been audited by us and, accordingly, we express no opinion on their contents.

Dixon Hughes PLLC

September 25, 2007

Village of Pinehurst Management's Discussion and Analysis June 30, 2007

As management of the Village of Pinehurst, we offer readers of the Village of Pinehurst's financial statements this narrative overview and analysis of the financial activities of the Village of Pinehurst for the fiscal year ended June 30, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative.

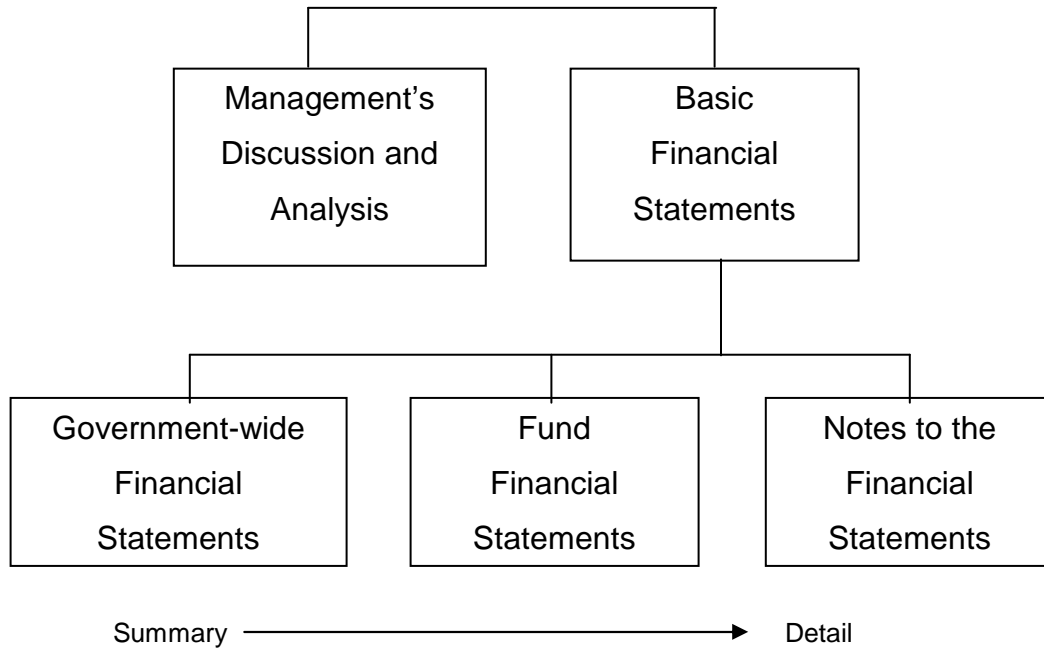
Financial Highlights

- The assets of the Village of Pinehurst exceeded its liabilities at the close of the fiscal year by \$18,886,207 (*net assets*).
- The Village's total net assets increased by \$1,272,516 primarily due to increased investment in capital assets during the fiscal year and the reduction in long term debt due to scheduled principal payments.
- As of the close of the current fiscal year, the Village of Pinehurst's governmental funds reported combined ending fund balances of \$5,570,467 a decrease of \$289,729 in comparison with the prior year. Approximately 86% of this total amount, or \$4,780,484, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,172,551, or 34% of total general fund expenditures for the fiscal year.
- The Village of Pinehurst's total debt decreased by \$776,602 (11.3%) during the current fiscal year. The key factor in this decrease was the payment of principal balances on existing debt obligations, which totaled \$6,093,236 at the 2007 fiscal year end. The Village did not enter into any new debt obligations during the 2006-2007 fiscal year.
- The North Carolina Municipal Council increased its credit rating for the Village of Pinehurst from 83 to 85, which is comparable to a rating of Aa3/AA- by the national rating agencies. The Village had no general obligation bonded debt as of June 30, 2007.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$321,606, which is equivalent to a return of approximately 4.7% on the average amount of cash and cash equivalents during the year. At fiscal year end, 3.4% of the Village's cash and investments were held in insured or collateralized depository accounts, while 78.1% were invested in the North Carolina Capital Management Trust, a SEC-registered (2a7) money market mutual fund and, 18.2% were invested in U. S. Agency securities.
- The Village has received the Certificate of Achievement for Excellence in Financial Reporting for 14 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) fiduciary fund 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 assets and how they have changed. Net assets are the difference between the Village's total assets and total liabilities. Measuring net assets is one way to gauge the Village's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include all of the Village's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Village charges customers to provide. The Village does not engage in any business-type activities as of June 30, 2007. The final category is the component unit. The Village does not have any component units as of June 30, 2007.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 of Pinehurst, 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. All of the funds of the Village of Pinehurst are 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 monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Village's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village of Pinehurst adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the Village Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balances. The statement shows four columns: 1) the original budget as adopted by the 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 Village of Pinehurst also adopts an annual budget for the Municipal Service District Fund, the other major governmental fund of the Village. The Municipal Service District Fund was created to account for the yearly operating costs of operating the dams in this subdivision. It is also used to account for the annual tax assessments for operations and the special assessment for the reconstruction of the earthen dam around Pond #1. Since this fund's revenues, expenditures/expenses, assets or liabilities are greater than 10% of corresponding totals for all governmental funds and more than 5% of the aggregate amount for all governmental and enterprise funds for the same item, this fund is a major governmental fund. As such, there is a budgetary statement provided for the Municipal Service District Fund.

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

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

Government-Wide Financial Analysis

This is the fourth year the Village of Pinehurst has reported the government-wide financial statements under GASB 34. Prior to implementing GASB 34, the Village of Pinehurst maintained their governmental fund groups as separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the Village of Pinehurst. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the Village of Pinehurst’s financial reports as well as those of many other units of government. As of the fiscal year ended June 30, 2004, all units of government were required to implement Statement 34.

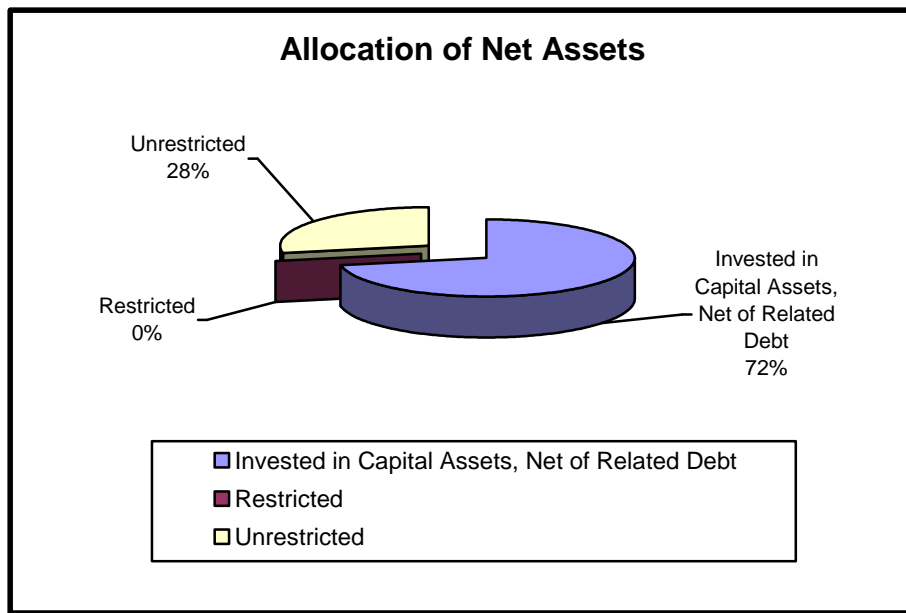
Net Assets

The following (Figure 2) reflects condensed information on the Village’s net assets.

Village of Pinehurst's Net Assets
Figure 2

	Governmental Activities 2007	Governmental Activities 2006
Current and other assets	\$ 6,400,343	\$ 6,478,379
Restricted assets	844	808
Capital assets	19,705,228	19,088,757
Total assets	<u>26,106,415</u>	<u>25,567,944</u>
Long-term liabilities outstanding	6,655,321	7,386,568
Other liabilities	564,887	567,685
Total Liabilities	<u>7,220,208</u>	<u>7,954,253</u>
Net assets:		
Invested in capital assets, net of related debt	13,611,992	12,218,918
Restricted	844	808
Unrestricted	5,273,371	5,393,965
Total Net Assets	<u>\$ 18,886,207</u>	<u>\$ 17,613,691</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Village of Pinehurst exceeded liabilities by \$18,886,207 as of June 30, 2007. The Village's net assets increased by \$1,272,516 for the fiscal year ended June 30, 2007. However, the largest portion, \$13,611,992, reflects the Village's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its 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 of Pinehurst's net assets (\$844) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,273,371 is unrestricted.



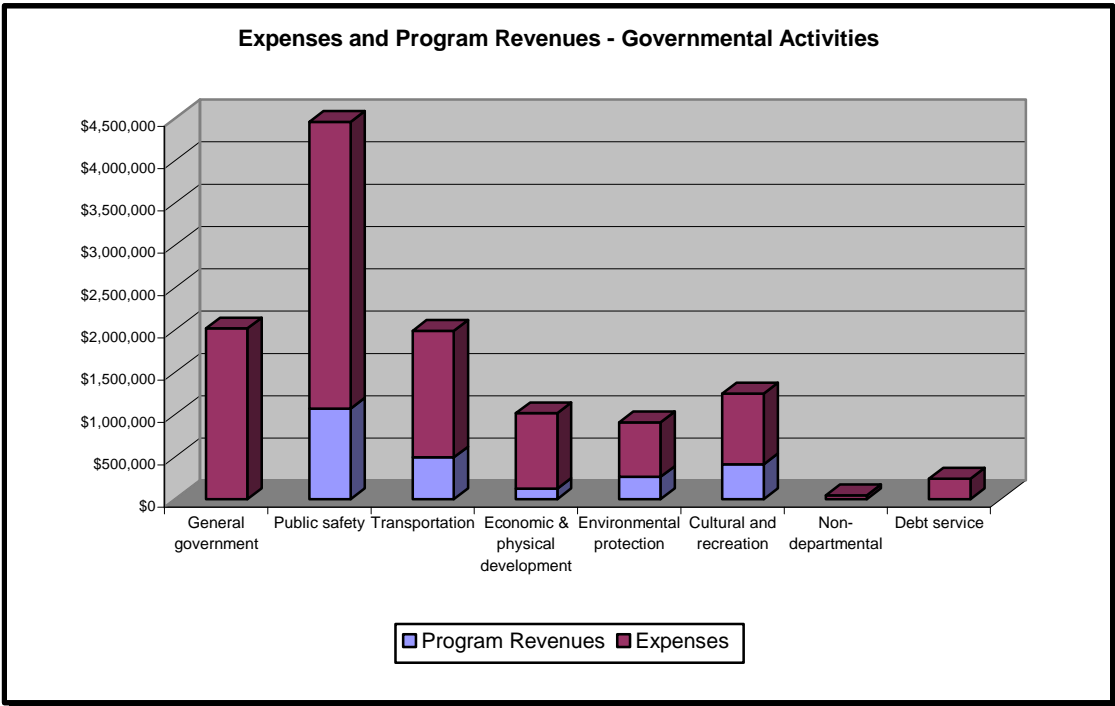
Governmental Activities. Governmental activities increased the Village's net assets by \$1,272,516, thereby accounting for 100% of the total growth in the net assets of the Village of Pinehurst.

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

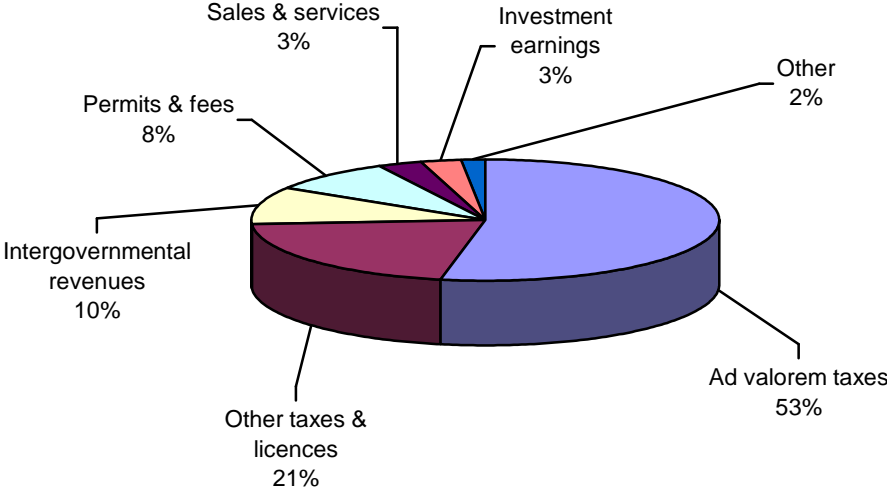
- Property tax revenue increased approximately \$247,000 over the prior year due to continued growth in new home construction in the Village.
- Investment income increased approximately \$83,000 over the prior year due to rising interest rates and the adherence to the Village's investment policy.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.81%, which is comparable to the statewide average of 97.51%.
- Increased sales tax revenues of approximately \$101,000 due to local economic growth.
- Principal payments of \$776,000 reducing long term obligations.

Village of Pinehurst's Change in Net Assets
Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Governmental</u> <u>Activities</u> <u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,492,296	\$ 1,556,599
Operating grants and contributions	610,570	486,762
Capital grants and contributions	262,397	17,518
General revenues:		
Property taxes	6,763,897	6,516,978
Other taxes	2,634,796	2,533,980
Grants and contributions not restricted to specific programs	697,670	557,751
Other	735,640	506,098
Total revenues	<u>13,197,266</u>	<u>12,175,686</u>
Expenses:		
General government	2,018,433	1,734,126
Public safety	4,458,221	3,931,368
Transportation	1,988,590	1,787,727
Economic & physical development	1,016,135	938,484
Environmental protection	907,233	746,798
Culture and recreation	1,248,525	1,140,561
Non-departmental	45,416	55,822
Interest on long-term debt	242,197	290,181
Total expenses	<u>11,924,750</u>	<u>10,625,067</u>
Increase in net assets	1,272,516	1,550,619
Net assets, July 1	17,613,691	15,962,175
Prior period adjustment	-	100,897
Net assets, June 30	<u>\$ 18,886,207</u>	<u>\$ 17,613,691</u>



Revenues by Source - Governmental Activities



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

Financial Analysis of the Village's Funds

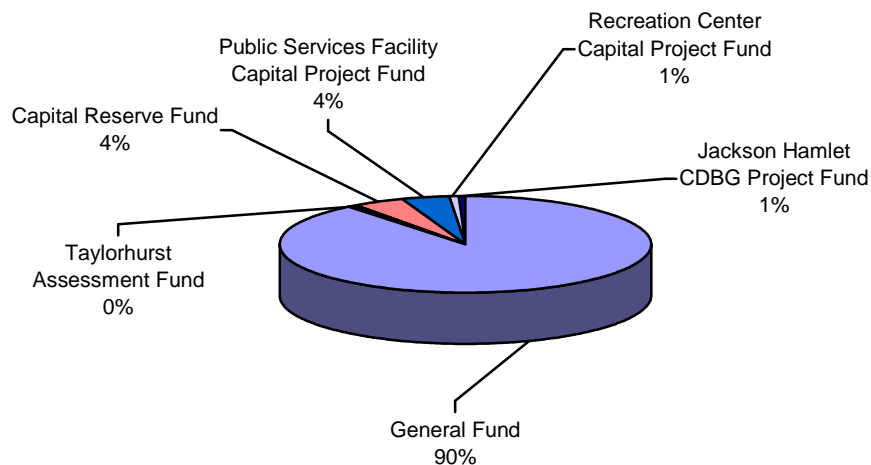
As noted earlier, the Village of Pinehurst uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village of Pinehurst'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 of Pinehurst's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Village of Pinehurst. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,172,551, while total fund balance reached \$4,962,534. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33.7% of total General Fund expenditures, while total fund balance represents 40.0% of that same amount.

At June 30, 2007, the governmental funds of the Village of Pinehurst reported a combined fund balance of \$5,570,467, a 4.9% decrease over last year. The decrease of \$289,729 can be attributed to the Village's purchase of forty-one acres of land on Juniper Lake road for \$570,000. This property was purchased to relocate the Village's Public Services facilities in conjunction with the New Core Master Plan.

Allocation of Fund Balance - Governmental Funds



Proprietary Funds. The Village of Pinehurst does not have any proprietary funds.

General Fund Budgetary Highlights

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

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

Comparing budget to actual amounts, the Village exceeded the originally budgeted operating revenue estimates by 1.1%. The primary revenues that exceeded estimated budget amounts were property tax revenues, sales tax revenues and investment earnings. The increase in property tax revenues was due to higher than expected property tax values. Sales tax revenues were higher than expected due to an unexpected increase in local economic growth and revenues derived from the U. S. Women's Open golf tournament that was held in a neighboring community in June of 2007. Investment earnings were higher than budget amounts due to rising interest rates and adherence to the Village's investment policy.

Total expenditures were 7.7% less than originally budgeted amounts, with no department exceeding final budget amounts. Operating expenditures were less than budgeted amounts for the following significant items: (1) contracted and professional services related to the Western Connector feasibility study, Tyler Way drainage project, Stormwater Master Plan, and roundabout of \$280,000 and, (2) salaries and benefits due to employee turnover and unfilled budgeted positions totaling \$183,000. Capital expenditures in the General Fund were \$233,000 lower than originally budgeted. Some items have been re-appropriated in fiscal year 2007-08 while other items just came in below budget.

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Capital Asset and Debt Administration

Capital assets. The Village of Pinehurst's investment in capital assets for its governmental activities as of June 30, 2007 totals \$19,705,228 (net of accumulated depreciation). These assets include land, buildings and improvements, furniture and equipment, vehicles, infrastructure such as drainage systems, and construction in progress.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Purchase of a new automated solid waste collection truck for \$180,000
- Purchase of a brush truck for the Fire Department in the amount of \$90,000
- Donations and purchases of land for drainage purposes of \$264,920 and \$35,571, respectively.
- Purchase of land for the Public Services Facility in the amount of \$585,000
- Transfer of the fire station, Rassie Wicker Park and MSD Pond #1 from construction in progress to their functional areas upon completion.

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

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Land	\$ 4,766,621	\$ 4,474,050
Buildings and Improvements	10,996,358	7,910,653
Furniture and Equipment	403,568	496,922
Vehicles	1,495,659	1,265,763
Infrastructure	1,452,735	828,018
Construction in Progress	<u>590,287</u>	<u>4,113,351</u>
Total	<u>\$ 19,705,228</u>	<u>\$ 19,088,757</u>

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

Long-term Debt. As of June 30, 2007, the Village of Pinehurst had installment purchase agreement debt outstanding of \$6,093,236. All long term debt of the Village is installment purchase agreements that are collateralized by the assets that are financed.

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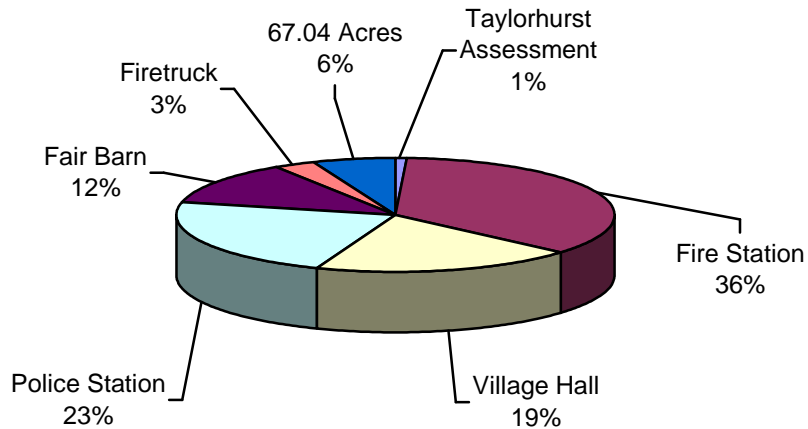
**Village of Pinehurst's Outstanding Debt
Figure 5**

	Governmental Activities 2007	Governmental Activities 2006
Village Hall	\$ 1,184,455	\$ 1,423,021
Police Station	1,382,160	1,604,796
Fire Station	2,166,666	2,333,333
Fair Barn	750,000	800,000
Taylorhurst	52,093	80,381
Firetruck	191,195	228,307
67.04 Acres	366,667	400,000
Total	\$ 6,093,236	\$ 6,869,838

The Village of Pinehurst's total debt decreased by \$776,602 (11.3%) during fiscal year 2007, due to the payment of principal balances on existing debt obligations. The Village did not issue any new debt in 2007.

The Village does not plan to issue any additional long term debt in the 2007-2008 fiscal year.

Allocation of Debt



North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Village of Pinehurst is \$168,694,928. The Village has no bonds authorized or issued at June 30, 2007.

Additional information regarding the Village of Pinehurst's long-term debt can be found in Note 4 beginning on page 40 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Village:

- Low unemployment. The Village of Pinehurst's relatively low unemployment rate of 5.1% is only slightly above the State average of 4.8%.
- Steady and consistent increase in the number of residents. The Village added approximately 190 new homes last year within the Village limits and another 30 in its extraterritorial jurisdiction.
- Scheduled to host the 2014 Men's US Open golf championship.
- Continued development and expansion of the local regional medical facility.

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: Property tax and sales tax revenues (benefiting from the economic growth) are expected to lead to the projected increase in budgeted revenue of 5.7%. Increased property tax revenues are expected from steady growth in the tax base from new home construction. All property in the county was revalued by the Moore County Tax Department as of January 1, 2007. The tax values of real estate within the Village increased approximately 17% since the last revaluation four years ago. For the 2007-08 fiscal year the Village adopted a revenue neutral tax rate of \$0.28.

Budgeted expenditures in the General Fund are expected to rise 3.1% to \$15,168,425. The largest increments are in operating expenditures and salaries and benefits, including wage, insurance and retirement expenditures. The increase in operating expenditures is due primarily to increased investment in information technology, and solid waste equipment and supplies to continue the phase in of the new automated solid waste collection system. There are several reasons for the anticipated increase in salaries and benefits in 2007-2008. First is the addition of 2.5 new full-time equivalents (FTEs). Positions included were an IT Systems Analyst, a Human Resources Generalist, as well as Police and Solid Waste staff to service the Pinewild Country Club Area upon its annexation, effective June 30, 2008. Finally, the Village is projecting a 15% increase in group insurance premiums effective January 1, 2008.

The Pinewild area to be annexed is comprised of a 1,683 acre gated community containing approximately 700 homes. Operational and capital expenditures in the amount of \$400,000 were appropriated in the 2007-08 budget in order for the Village to be prepared to serve this area upon annexation. The Pinewild Limited Partnership and a group of residents from the Pinewild area have filed a lawsuit against the Village claiming the annexation should be declared null.

The Village is continuing to implement a results-based management process. Departments are required to submit goals, objectives and performance measures to monitor their progress. In the FY 2007-08 Budget departments began reporting departmental performance measures that are linked to their performance objectives for the first time. Also to support these results-based initiatives the Village segregated its financial accounts to capture performance data for youth athletics and recycling.

Our focus on productivity will continue with the planned expansion of the automated trash collection system. This system utilizes solid waste vehicles with a robotic arm to empty household waste containers into the vehicle. The second phase of this implementation will occur in FY 2008.

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 the Director of Financial Services, Village of Pinehurst, 395 Magnolia Road, Pinehurst, NC 28374.

Village of Pinehurst, North Carolina
Statement of Net Assets
June 30, 2007

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,278,286
Investments	998,750
Taxes receivables (net)	34,238
Special assessments receivable	284,250
Accounts receivable (net)	40,948
Interest receivable	22,312
Due from other governments	675,282
Inventories	34,352
Prepaid items	31,925
Total unrestricted current assets	<u>6,400,343</u>
Temporarily restricted assets:	
Cash and cash equivalents	<u>844</u>
Total current assets	<u>6,401,187</u>
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	4,766,621
Construction in progress	590,287
Buildings and improvements	10,996,358
Furniture and equipment	403,568
Vehicles	1,495,659
Infrastructure	1,452,735
Total capital assets	<u>19,705,228</u>
Total assets	<u>26,106,415</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	475,396
Unearned revenue	22,000
Accrued interest payable	67,491
Long-term liabilities due within one year	<u>1,116,409</u>
Total current liabilities	1,681,296
Non-current liabilities:	
Long-term liabilities due in more than one year	<u>5,538,912</u>
Total liabilities	<u>7,220,208</u>
NET ASSETS	
Invested in capital assets, net of related debt	13,611,992
Restricted for:	
Public Safety	844
Unrestricted	<u>5,273,371</u>
Total net assets	<u>\$ 18,886,207</u>

Village of Pinehurst, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2007

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 Assets
Governmental Activities:					
General government	\$ 2,018,433	\$ -	\$ -	\$ -	\$ (2,018,433)
Public safety	4,459,307	910,283	160,412	-	(3,388,612)
Transportation	1,988,590	56,000	438,531	-	(1,494,059)
Economic and physical	1,016,135	117,916	6,191	-	(892,028)
Environmental protection	907,233	-	3,768	260,403	(643,062)
Cultural and recreation	1,248,525	408,097	2,754	1,994	(835,680)
Non-departmental	45,416	-	-	-	(45,416)
Interest on long-term debt	242,197	-	-	-	(242,197)
Total governmental activities	<u>\$ 11,925,836</u>	<u>\$ 1,492,296</u>	<u>\$ 611,656</u>	<u>\$ 262,397</u>	<u>(9,559,487)</u>
General revenues:					
Ad valorem taxes					\$ 6,763,897
Other taxes					2,634,796
Unrestricted intergovernmental					697,670
Investment earnings					321,606
Miscellaneous					414,034
Total general revenues					<u>10,832,003</u>
Change in net assets					1,272,516
Net assets-beginning					17,613,691
Net assets-ending					<u>\$ 18,886,207</u>

Village of Pinehurst, North Carolina
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit 3

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Municipal Service District		
ASSETS				
Cash and cash equivalents	\$ 3,670,353	\$ 9,546	\$ 598,387	\$ 4,278,286
Investments	998,750	-	-	998,750
Restricted cash	844	-	-	844
Receivables, net:				
Taxes	34,238	-	-	34,238
Assessments	-	229,204	55,046	284,250
Interest	22,312	-	-	22,312
Other receivables	40,948	-	-	40,948
Due from other governments	675,282	-	-	675,282
Inventories	34,352	-	-	34,352
Prepaid items	31,925	-	-	31,925
Total assets	\$ 5,509,004	\$ 238,750	\$ 653,433	\$ 6,401,187
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 107,897	\$ -	\$ -	\$ 107,897
Withholdings and accrued expenditures	256,669	-	-	256,669
Deposits	110,830	-	-	110,830
Deferred revenues	71,074	229,204	55,046	355,324
Total liabilities	546,470	229,204	55,046	830,720
Fund Balances:				
Reserved for:				
State statute	754,787	-	-	754,787
Equitable sharing	844	-	-	844
Inventory	34,352	-	-	34,352
Unreserved, General Fund				
Designated for subsequent year's expenditures	1,362,144	-	-	1,362,144
Undesignated	2,810,407	-	-	2,810,407
Unreserved, reported in:				
Special Revenue funds	-	9,546	294,099	303,645
Capital Projects funds	-	-	304,288	304,288
Total fund balances	4,962,534	9,546	598,387	5,570,467
Total liabilities and fund balances	\$ 5,509,004	\$ 238,750	\$ 653,433	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	19,705,228
Liabilities for earned but deferred revenues in the fund statements	333,324
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	<u>(6,722,812)</u>
Net assets of governmental activities	<u>\$ 18,886,207</u>

Village of Pinehurst, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

Exhibit 4

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Municipal Service District		
REVENUES				
Ad valorem taxes	\$ 6,760,991	\$ 5,309	\$ -	\$ 6,766,300
Other taxes	2,634,796	-	-	2,634,796
Unrestricted intergovernmental	697,670	-	-	697,670
Restricted intergovernmental	588,027	-	3,256	591,283
Permits and fees	1,079,571	-	-	1,079,571
Sales and services	407,677	-	-	407,677
Investment earnings	306,197	512	37,264	343,973
Assessment income	-	31,200	27,327	58,527
Miscellaneous	122,677	-	33,614	156,291
Total revenues	<u>12,597,606</u>	<u>37,021</u>	<u>101,461</u>	<u>12,736,088</u>
EXPENDITURES				
Current:				
General government	1,784,308	-	-	1,784,308
Public safety	4,335,510	-	-	4,335,510
Transportation	1,895,464	-	-	1,895,464
Economic and physical development	1,070,307	-	3,256	1,073,563
Environmental protection	1,085,441	2,597	-	1,088,038
Cultural and recreation	1,147,154	-	-	1,147,154
Non-departmental	45,420	-	-	45,420
Debt service:				
Principal	776,602	-	-	776,602
Interest and other charges	251,461	-	-	251,461
Capital outlay	-	-	628,297	628,297
Total expenditures	<u>12,391,667</u>	<u>2,597</u>	<u>631,553</u>	<u>13,025,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>205,939</u>	<u>34,424</u>	<u>(530,092)</u>	<u>(289,729)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(1,321,100)	(31,200)	(1,393,461)	(2,745,761)
Transfers from other funds	538,407	-	2,207,354	2,745,761
Total other financing sources (uses)	<u>(782,693)</u>	<u>(31,200)</u>	<u>813,893</u>	<u>-</u>
Net change in fund balance	(576,754)	3,224	283,801	(289,729)
Fund balances, beginning	<u>5,539,288</u>	<u>6,322</u>	<u>314,586</u>	<u>5,860,196</u>
Fund balances, ending	<u>\$ 4,962,534</u>	<u>\$ 9,546</u>	<u>\$ 598,387</u>	<u>\$ 5,570,467</u>

Village of Pinehurst, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (289,729)
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	359,471
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	257,000
Revenues in the statement of activities that are not reported as revenues in the fund statements.	205,264
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 assets. This amount is the principal payment of long-term debt.	776,602
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.	<u>(36,092)</u>
Total changes in net assets of governmental activities	<u>\$ 1,272,516</u>

Village of Pinehurst, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Annual Budget and Actual
For the Fiscal Year Ended June 30, 2007

Exhibit 6
Page 1 of 2

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,689,700	\$ 6,689,700	\$ 6,760,991	\$ 71,291
Other taxes	2,536,900	2,636,900	2,634,796	(2,104)
Unrestricted intergovernmental	545,000	589,000	697,670	108,670
Restricted intergovernmental	437,000	609,328	588,027	(21,301)
Permits and fees	1,161,840	1,086,840	1,079,571	(7,269)
Sales and services	404,400	404,400	407,677	3,277
Investment earnings	286,000	311,000	306,197	(4,803)
Miscellaneous	87,600	132,832	122,677	(10,155)
Total revenues	12,148,440	12,460,000	12,597,606	137,606
Expenditures:				
Current:				
General government	1,827,490	1,890,240	1,784,308	105,932
Public safety	3,953,680	4,358,539	4,335,510	23,029
Transportation	2,337,250	2,178,035	1,895,464	282,571
Economic & physical development	1,175,260	1,339,924	1,070,307	269,617
Environmental protection	1,051,040	1,138,979	1,085,441	53,538
Cultural and recreation	1,361,960	1,403,819	1,147,154	256,665
Contingency	94,000	53	-	53
Non-departmental	51,000	51,000	45,420	5,580
Debt service:				
Principal retirement	776,620	776,620	776,602	18
Interest and fees	251,550	251,550	251,461	89
Total expenditures	12,879,850	13,388,759	12,391,667	997,092
Excess (deficiency) of revenues over (under) expenditures	(731,410)	(928,759)	205,939	1,134,698
Other Financing Sources (Uses):				
Transfers to other funds	(629,300)	(1,321,100)	(1,321,100)	-
Transfers from other funds	574,305	538,449	538,407	(42)
Total other financing sources (uses)	(54,995)	(782,651)	(782,693)	(42)
Fund balance appropriated	786,405	1,711,410	-	(1,711,410)
Net change in fund balances	\$ -	\$ -	(576,754)	\$ (576,754)
Fund balances, beginning			5,539,288	
Fund balances, ending			\$ 4,962,534	

Village of Pinehurst, North Carolina
 General Fund and Annually Budgeted Major Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Annual Budget and Actual
 For the Fiscal Year Ended June 30, 2007

Exhibit 6
 Page 2 of 2

	Municipal Service District			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 5,500	\$ 5,500	\$ 5,309	\$ (191)
Assessment income	17,070	31,200	31,200	-
Investment earnings	240	240	512	272
Total revenues	<u>22,810</u>	<u>36,940</u>	<u>37,021</u>	<u>81</u>
Expenditures:				
Operating expenditures	<u>5,740</u>	<u>5,740</u>	<u>2,597</u>	<u>3,143</u>
Excess of revenues over (under) expenditures	<u>17,070</u>	<u>31,200</u>	<u>34,424</u>	<u>3,224</u>
Other Financing Sources (Uses):				
Transfers to other funds	<u>(17,070)</u>	<u>(31,200)</u>	<u>(31,200)</u>	<u>-</u>
Total other financing sources (uses)	<u>(17,070)</u>	<u>(31,200)</u>	<u>(31,200)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,224</u>	<u>\$ 3,224</u>
Fund balances, beginning			<u>6,322</u>	
Fund balances, ending			<u>\$ 9,546</u>	

Village of Pinehurst, North Carolina
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

Exhibit 7

	<u>Residential Assurance Fund</u>
ASSETS	
Cash and cash equivalents	\$ 115,000
LIABILITIES	
Builder deposits	<u>115,000</u>
NET ASSETS	<u><u>\$ -</u></u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Village of Pinehurst is a municipal corporation, which is governed by a five-member council. The mayor is directly elected along with the other four council members. For financial reporting purposes, in accordance with generally accepted accounting principles, the Village of Pinehurst includes any separate entity for which the Village is financially accountable. For the year ended June 30, 2007, no other entity is included in the Village of Pinehurst financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the nonfiduciary activities of the primary government. These statements include the financial activities of the overall government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations of these charges are performed to avoid distortion of the direct costs and program revenues reported for the various functions concerned. These statements distinguish between the *governmental* and *business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. For the year ended June 30, 2007, the Village did not engage in any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and 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 – *governmental and fiduciary* – are presented, even though the latter is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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, other taxes and licenses, and intergovernmental revenues. The primary expenditures are for public safety, transportation, and general government services.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The *Municipal Service District Fund* is set up to account for the yearly costs of operating the dams in this subdivision. It is also used to account for the annual tax assessments for operations and the special assessment for the reconstruction of the earthen dam around Pond #1.

The Village reports the following non-major governmental funds:

The *Land Dedication Fund* is set up to record the dedication of land or payment of fees in lieu of the dedication of land from developers.

The *Residential Assurance – Interest Fund* is set up to record the interest accumulated on investment of the deposits from contractors in the Residential Assurance Fund.

The *Taylorhurst Assessments Fund* is set up to record the assessments of residents for street improvements.

The *Capital Reserve Fund* is used to accumulate funds that are set aside for future capital projects.

The *Rassie Wicker Park Capital Project Fund* is accumulating the expenditures associated with the design and construction of Rassie Wicker Park.

The *Fire Station Capital Project Fund* is set up to account for the expenditures related to the construction of a new fire station.

The *Municipal Service District Capital Project Fund* is set up to record the resources and expenditures associated with the reconstruction of the earthen dam around Pond #1.

The *Public Services Facility Capital Project Fund* was established to account for costs incurred for the land acquisition and design of a public services facility on Juniper Lake Road.

The *Recreation Center Capital Project Fund* was established to account for costs incurred in the design of a recreation center at Cannon Park.

The *Jackson Hamlet Community Development Block Grant (CDBG) Project Fund* was established to account for the costs incurred in the design and construction of sewer facilities for the Jackson Hamlet Community adjacent to Pinehurst.

The Village did not have any enterprise funds during the fiscal year ended June 30, 2007.

Additionally, the government reports the following fiduciary fund:

The *Residential Assurance Fund* is used to account for the contributions from builders to ensure proper cleanup, site drainage and landscaping, and to enforce all codes and ordinances regarding site cleanliness. The accumulated interest on these contributions is recorded in a separate Special Revenue Fund.

C. Measurement Focus and Basis of Accounting

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

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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

The Village considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Moore County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the county, including the Village of Pinehurst. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and offset by deferred revenues. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals varied from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2007 because they are intended to finance the Village's operations during the 2007 fiscal year.

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

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

The Village's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, Taylorhurst Assessments Fund, Municipal Service District Fund, Residential Assurance – Interest Fund, Land Dedication Fund, and Capital Reserve Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Rassie Wicker Park, Fire Station, Municipal Service District, Public Services Facility, Recreation Center, and Jackson Hamlet CDBG Capital Project Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

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

As required by North Carolina General Statutes, Chapter 159, Section 26(d) [hereinafter references to the North Carolina General Statutes will be cited as G.S.], the Village maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. The encumbrances outstanding at year-end are allowed to lapse. They are re-budgeted in the subsequent year from fund balance.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Deposits and Investments (Continued)

The Village's investments with maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

In accordance with State law, the Village has invested in securities which are callable. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The \$844 in restricted assets is comprised of unexpended Equitable Sharing proceeds to be used for police expenditures. These assets are separated because their use is completely restricted to the purpose for which the funds were originally granted.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year, and these taxes are due on September 1 (lien date); however, no interest or penalties are assessed until the following January 6. These taxes are based on the assessed values as of January 1, 2006.

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.

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 government-wide and fund financial statements and expensed as the items are used.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost for all assets is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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:

Asset Class	Estimated Useful Lives (years)
Infrastructure	20 - 40
Buildings and improvements	20
Furniture and equipment	3 - 10
Vehicles	4 - 20

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related debt.

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

9. Compensated Absences

The vacation policy of the Village provides for the accumulation without any applicable maximum until December 31 of each year. At December 31, employees may carryover two times the employee's annual accrual rate for the current year. This rate varies according to years of employment and position. One half of 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.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Compensated Absences (Continued)

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.

10. Net Assets/Fund Balances

Net assets in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable available resources.

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for equitable sharing – portion of fund balance available for appropriation, but legally segregated for law enforcement expenditures.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2007-2008 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

On Behalf of Payments

Expenditures of on-behalf payments are not considered to be violations of state statute budget requirements (See Note 4-D).

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of this \$19,705,228 difference are as follows:

Capital assets	\$ 28,164,080
Accumulated depreciation	<u>(8,458,852)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 19,705,228</u>

Another element of the reconciliation states that “Liabilities for earned but deferred revenues in fund statements.” The details of this \$333,324 difference are as follows:

Taxes receivable	\$ 34,238
Others receivable	14,836
Assessments receivable	<u>284,250</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 333,324</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (Continued)

Another element of the reconciliation states that "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." The details of the \$6,722,812 difference are as follows:

Accrued interest payable	\$ (67,491)
Compensated absences payable	(427,637)
Net pension obligation	(134,448)
Installment purchases payable	<u>(6,093,236)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ (6,722,812)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of the \$359,471 difference are as follows:

Capital outlay	\$ 1,414,808
Depreciation expense	<u>(1,055,337)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 359,471</u></u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this \$257,000 difference are as follows:

Donations of capital assets	\$ 264,920
Proceeds from sale of assets	(837)
Loss on disposal of assets	<u>(7,083)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of activities</i>	<u><u>\$ 257,000</u></u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation states that "Revenues in the fund statements that are not reported as revenues in the statement of activities." The details of this \$205,264 difference are as follows:

Special assessment payments	\$ (58,526)
New assessments	260,403
Change in deferred other revenue	5,790
Change in deferred tax revenue	<u>(2,403)</u>
 Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u>205,264</u>

Another element of that reconciliation state that "The issuance of long-term debt (e.g. bonds, leases, installment financing) 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, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$776,602 difference are as follows:

Principal payments	\$ <u>776,602</u>
 Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u>776,602</u>

Another element of that reconciliation states that "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." The details of this \$36,092 difference are as follows:

Compensated absences	\$ (32,652)
Accrued interest payable	9,264
Pension obligation	<u>(12,704)</u>
 Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u>(36,092)</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS

A. Assets

1. 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralized public deposits under the Pooling Method. The Village has no policy regarding custodial credit risk for deposits.

At June 30, 2007 the Village's deposits had a carrying amount of \$181,817. The cash balance in the bank at June 30, 2007 totaled \$439,957. Of the bank balance, \$100,000 was covered by federal depository insurance and \$339,957 was covered by collateral held under the Pooling Method. At June 30, 2007, the Village's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2007, the Village's investment balances were as follows:

INVESTMENT TYPE	FAIR VALUE	MATURITY	RATING
Federal National Mortgage Association	\$ 998,750	January 8, 2009 a	AAA, Aaa
NC Capital Management Trust – Cash Portfolio	4,211,313	N/A	AAAm
Total:	\$5,210,063		

a - January 8, 2008 is the bond's call date.

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

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. The Village will minimize this risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized. The Village's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2007. The investment in the Federal National Mortgage Association is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

2. Investments (Continued)

Concentration of Credit Risk: The Village's investment policy encourages diversification but places no specific limit on the amount that the Village may invest in any one issuer. More than 5 percent of the Village's investments are in Federal National Mortgage Association securities. This investment is 19 percent of the Village's total investments.

3. Receivables

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

	<u>General</u>	<u>Municipal Service District Fund</u>	<u>Non-Major and Other Fund</u>	<u>Total</u>
Receivables:				
Taxes	\$ 34,238	\$ -	\$ -	\$ 34,238
Accounts	40,948	-	-	40,948
Special assessments	-	229,204	55,046	284,250
Interest	22,312	-	-	22,312
Intergovernmental	<u>675,282</u>	<u>-</u>	<u>-</u>	<u>675,282</u>
Gross receivables	772,780	229,204	55,046	1,057,030
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 772,780</u>	<u>\$ 229,204</u>	<u>\$ 55,046</u>	<u>\$ 1,057,030</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,474,050	\$ 300,491	\$ (7,920)	\$ 4,766,621
Construction in progress	4,113,351	586,787	(4,109,851)	590,287
Total capital assets not being depreciated	<u>8,587,401</u>	<u>887,278</u>	<u>(4,117,771)</u>	<u>5,356,908</u>
Capital assets being depreciated:				
Buildings and improvements	11,970,339	3,678,095	-	15,648,434
Furniture and equipment	1,827,019	82,300	-	1,909,319
Vehicles	3,254,483	493,851	(17,350)	3,730,984
Infrastructure	<u>870,380</u>	<u>648,055</u>	<u>-</u>	<u>1,518,435</u>
Total	<u>17,922,221</u>	<u>4,902,301</u>	<u>(17,350)</u>	<u>22,807,172</u>
Less accumulated depreciation for:				
Buildings and improvements	4,059,686	592,390	-	4,652,076
Furniture and equipment	1,330,097	175,654	-	1,505,751
Vehicles	1,988,720	263,955	(17,350)	2,235,325
Infrastructure	<u>42,362</u>	<u>23,338</u>	<u>-</u>	<u>65,700</u>
Total	<u>7,420,865</u>	<u>1,055,337</u>	<u>(17,350)</u>	<u>8,458,852</u>
Total capital assets being depreciated, net	<u>10,501,356</u>	<u>3,846,964</u>	<u>-</u>	<u>14,348,320</u>
Governmental activity capital assets, net	<u>\$ 19,088,757</u>	<u>\$ 4,734,242</u>	<u>\$ (4,117,771)</u>	<u>\$ 19,705,228</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

4. Capital Assets (Continued)

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

General government	\$ 314,719
Public safety	347,467
Transportation	98,804
Economic & physical development	41,257
Environmental protection	55,203
Cultural and recreation	<u>197,887</u>
Total depreciation expense	<u>\$1,055,337</u>
Construction commitments	

The Village has active construction projects as of June 30, 2007. At year-end, the Village's commitments with contractors are as follows:

<u>Project</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Storm water master plan design	\$ 3,900	\$ 11,100
Western Connector feasibility study	56,647	55,820
Greenway Trails Phase IV	16,194	46,691
Roundabout & intersection improvements	-	75,120
Road signs marking Historic District	-	10,700
Tyler Way storm water drainage project	-	89,402

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description - The Village of Pinehurst contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

a. Local Government Employees' Retirement System (Continued)

Funding Policy - Plan members are required to contribute six percent of their covered salary. The Village is required to contribute at an actuarially determined rate. For the Village, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.07% and 4.94%, respectively, of annual covered payroll. The contribution requirements of members of the Village of Pinehurst are established and may be amended by the North Carolina General Assembly. The Village's contributions to LGERS for years ended June 30, 2007, 2006, and 2005 were \$242,537, \$227,442, and \$198,444, respectively. The contributions made by the Village equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

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

All full-time law enforcement officers of the Village are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>25</u>
Total	<u>26</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 maintained on the modified accrual basis of accounting.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5 – 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was 24 years.

Annual Pension Cost and Net Pension Obligation - The Village's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 29,104
Interest on net pension obligation	8,826
Adjustment to annual required contribution	<u>(7,169)</u>
Annual pension cost	30,761
Contributions made	<u>18,057</u>
Increase (decrease) in net pension obligation	12,704
Net pension obligation beginning of year	<u>121,744</u>
	<u>\$ 134,448</u>

Three Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 29,510	40.95%	\$ 113,838
2006	33,399	76.33%	121,744
2007	30,761	58.70%	134,448

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.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

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, 2007 were \$59,225, which consisted of \$47,580 from the Village and \$11,645 from the law enforcement officers.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the Village of Pinehurst, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Village does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by North Carolina General Assembly.

e. Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401K. The plan, available to all Village employees, permits them to defer a portion of their salary until future years. The village established the plan and may amend it at its discretion. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Village currently contributes five percent for all full-time employees to the plan. Contribution for the year ended June 30, 2007 were \$297,608, which consisted of \$192,831 from the Village and \$104,777 in voluntary contributions from employees.

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

f. Other Post-employment Benefits

At retirement, all employees have the option to convert basic medical insurance to a private plan. The entire cost of this insurance is borne by the employees.

Village of Pinehurst
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

f. Other Post-employment Benefits (Continued)

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 \$20,000. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The Village has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Village, the Village does not determine the number of eligible participants. For the fiscal year ended June 30, 2007, the Village made contributions to the State for death benefits of \$5,575. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

2. Deferred/Unearned Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes (General Fund)	\$ -	\$ 22,000
Taxes receivable (General Fund)	34,238	-
Others receivable (General Fund)	14,836	-
Special assessments receivable: (Municipal Service District Fund)	229,204	-
(Taylorhurst Assessment Fund)	55,046	-
Total	<u>\$ 333,324</u>	<u>\$ 22,000</u>

3. 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 is a participant in two insurance pools administered by the North Carolina League of Municipalities. These pools are self-sustaining through member premiums and provide the following types of major coverage for the amounts of retained risk noted: general liability (\$3,000,000 per occurrence), law enforcement liability (\$3,000,000 per occurrence), auto liability (\$3,000,000 per occurrence), public officials liability (\$3,000,000 per claim), real and personal property (\$15,531,979), and workers' compensation (\$1,000,000 per occurrence). For each of these types of coverage, the pools have reinsured through commercial companies for claims in excess of the amounts given. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

4. Claims, Judgments and Contingent Liabilities

At June 30, 2007, 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.

5. Long-Term Obligations

a. Installment Purchases

Long-term debt consists of the following at June 30, 2007:

\$500,000 land installment purchase due in 30 semi-annual payments consisting of fixed principal of \$16,667 plus interest at 3.98% through April 2018; collateralized by land	\$ 366,667
\$2,500,000 building installment purchase due in 30 semi-annual installments consisting of fixed principal of \$83,334 plus interest at 3.44% through March 2020; collateralized by building	2,166,666
\$250,000 special assessment debt with governmental commitment payable in 10 annual payments of \$32,235 through November 2008; interest at 4.91%; collateralized by real property	52,093
\$4,000,000 building installment purchase refinanced in 16 semi-annual installments of \$143,629 through September 2011; interest at 3.57%; collateralized by building	1,184,455
\$3,800,000 building installment purchase refinanced in 18 semi-annual installments of \$140,064 through September 2012; interest at 3.71%; collateralized by building	1,382,160
\$374,731 vehicle installment purchase due in 20 semi-annual installments of \$23,936 through August 2011; interest at 4.91%; collateralized by fire truck	191,195
\$1,000,000 building installment purchase due in 40 semi-annual payments consisting of fixed principal of \$25,000 plus interest at 4.60% through March 2022; collateralized by building	<u>750,000</u>
	<u>\$ 6,093,236</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

a. Installment Purchases (Continued)

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 796,763	\$ 222,015
2009	808,990	191,710
2010	806,801	161,021
2011	827,800	130,664
2012	682,031	99,509
2013-2017	1,387,507	281,384
2018-2022	<u>783,344</u>	<u>62,720</u>
	<u>\$ 6,093,236</u>	<u>\$ 1,149,023</u>

At June 30, 2007, the Village of Pinehurst had no bonds authorized, but unissued, and had a legal debt margin of \$168,694,928.

b. Changes in Long-Term Liabilities

	<u>Balance July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$ 6,869,838	\$ -	\$ (776,602)	\$ 6,093,236	\$ 796,763
Compensated absences	394,984	327,892	(295,239)	427,637	319,646
Net pension obligation	<u>121,745</u>	<u>12,703</u>	<u>-</u>	<u>134,448</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 7,386,567</u>	<u>\$ 340,595</u>	<u>\$ (1,071,841)</u>	<u>\$ 6,655,321</u>	<u>\$ 1,116,409</u>

Compensated absences typically have been liquidated in the general fund.

C. Interfund Balances and Activity

Balances Due to/from Other Funds

The Village has no balances due to/from other funds at June 30, 2007.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (continued)

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2007, consist of the following:

From the General Fund to the Capital Reserve Fund for future capital expenditures	\$ 1,276,100
From the Municipal Service District Capital Project Fund to the General Fund for Capital expenditures.	21,058
From the Taylorhurst Assessment Fund to the General Fund for installment purchase agreement payment	32,235
From the Capital Reserve Fund to the Public Services Facility Fund for capital expenditures	800,000
From the Land Dedication Fund to the General Fund for capital expenditures	35,000
From the Capital Reserve Fund to the Municipal Service District Capital Project Fund for capital expenditures	11,000
From the Rassie Wicker Park Fund to the Capital Reserve Fund upon closure of the Fund	24,118
From the Fire Station Capital Project Fund to the Capital Reserve Fund upon closure of the Fund	19,859
From the Municipal Service District Capital Project Fund to the Capital Reserve Fund upon the closure of the Fund	1,277
From the General Fund to the Recreation Center Fund for design expenditures	45,000
From the Municipal Service District Fund to the General Fund for reimbursement of capital expenditures	31,200
From the Capital Reserve Fund to the General Fund for capital expenditures	418,914
From the Capital Reserve Fund to the Jackson Hamlet CDBG Capital Project Fund for capital expenditures	<u>30,000</u>
Total transfers	<u>\$ 2,745,761</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

4. DETAIL NOTES ON ALL FUNDS (Continued)

D. On Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2007, the Village of Pinehurst has recognized on behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$702 for the 3 volunteer and employed firefighters and rescue workers who perform duties for the Village's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation.

Also, the Village has recognized as a revenue and an expenditure on behalf of payments for fringe benefits and salaries of \$16,954 for the salary supplement and stipend benefits paid to eligible firefighters and rescue workers by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2007. Under State law, the local board of trustees for the fund receives an amount each year, which the board may use at its own discretion for eligible firefighters and rescue workers or their departments.

5. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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.

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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

6. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent to the fiscal year end, the Village was sued by Pinewild Project Limited Partnership and a group of residents from the Pinewild Community. The Village approved an Annexation Ordinance on June 15, 2007 to annex the Pinewild County Club area. The effective date of the annexation is June 30, 2008. The suit challenges the annexation on several grounds and seeks to nullify it. If the suit is successful, this would affect future operations, revenues and expenditures of the Village.

Required Supplementary Information

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

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

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

Exhibit A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/00	\$ -	\$ 147,375	\$ 147,375	0.00%	\$ 634,563	23.22%
12/31/01	-	171,212	171,212	0.00%	708,284	24.17%
12/31/02	-	198,679	198,679	0.00%	700,273	28.37%
12/31/03	-	251,187	251,187	0.00%	796,913	31.52%
12/31/04	-	282,287	282,287	0.00%	886,065	31.86%
12/31/05	-	250,906	250,906	0.00%	913,796	27.46%
12/31/06	-	267,367	267,367	0.00%	923,508	28.95%

Village of Pinehurst, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2001	\$ 15,645	0.00%
2002	18,230	33.14%
2003	20,564	58.76%
2004	21,973	54.99%
2005	27,928	43.26%
2006	31,684	80.46%
2007	29,104	62.04%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5 - 12.3%
Cost-of living adjustments	None
 *Includes inflation at	 3.75%

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.

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

Exhibit B-1
Page 1 of 4

	2007		Variance Positive (Negative)	2006
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 6,684,700	\$ 6,752,773	\$ 68,073	\$ 6,501,737
Penalties and interest	5,000	8,218	3,218	7,904
Total	6,689,700	6,760,991	71,291	6,509,641
Other taxes:				
Local option sales tax	2,400,000	2,501,361	101,361	2,316,972
Franchise fees-Cablevision	236,900	133,435	(103,465)	217,008
Total	2,636,900	2,634,796	(2,104)	2,533,980
Unrestricted intergovernmental:				
Telecommunications sales tax	150,000	139,277	(10,723)	104,897
Utilities franchise tax	390,000	413,656	23,656	405,619
Video programming	-	94,913	94,913	-
Wine & beer tax	49,000	49,824	824	47,235
Total	589,000	697,670	108,670	557,751
Restricted intergovernmental:				
Powell Bill allocation	437,000	425,933	(11,067)	427,440
Controlled substance tax	-	-	-	111
Fireman's relief fund	-	16,954	16,954	14,754
Highway safety grant	170,605	142,715	(27,890)	25,891
Other grants	1,723	1,723	-	6,930
On-behalf of payments - Fire and Rescue	-	702	702	653
Total	609,328	588,027	(21,301)	475,779
Permits and fees:				
Building permits and inspection fees	425,000	389,730	(35,270)	507,596
Planning and zoning fees	78,000	88,244	10,244	99,121
Fire district	500,000	511,958	11,958	481,704
Other permits and fees	83,840	89,639	5,799	45,847
Total	1,086,840	1,079,571	(7,269)	1,134,268
Sales and services:				
Rents, concessions and fees	369,400	393,242	23,842	381,872
Recreation fees	35,000	14,435	(20,565)	40,459
Total	404,400	407,677	3,277	422,331
Investment earnings:				
Investment income	311,000	306,197	(4,803)	231,898
Miscellaneous:				
Insurance claims	-	-	-	893
ABC revenue	85,500	97,761	12,261	73,493
Donations	22,101	3,377	(18,724)	41,306
Other revenues	25,231	21,539	(3,692)	21,385
Total	132,832	122,677	(10,155)	137,077
Total revenues	12,460,000	12,597,606	137,606	12,002,725

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Budget	Actual		
Expenditures:				
General government:				
Governing body:				
Operating expenditures	\$ 263,600	\$ 255,044	\$ 8,556	\$ 208,722
Capital outlay	35,600	35,571	29	35,902
Total	<u>299,200</u>	<u>290,615</u>	<u>8,585</u>	<u>244,624</u>
Administration:				
Operating expenditures	765,380	743,047	22,333	523,136
Capital outlay	78,000	55,325	22,675	-
Total	<u>843,380</u>	<u>798,372</u>	<u>45,008</u>	<u>523,136</u>
Financial services:				
Operating expenditures	<u>513,700</u>	<u>488,298</u>	<u>25,402</u>	<u>544,052</u>
Human Resources:				
Operating expenditures	<u>233,960</u>	<u>207,023</u>	<u>26,937</u>	<u>168,704</u>
Total general government	<u>1,890,240</u>	<u>1,784,308</u>	<u>105,932</u>	<u>1,480,516</u>
Public safety:				
Police:				
Operating expenditures	1,925,998	1,916,203	9,795	1,680,847
Capital outlay	184,650	172,522	12,128	122,460
Total	<u>2,110,648</u>	<u>2,088,725</u>	<u>21,923</u>	<u>1,803,307</u>
Fire:				
Operating expenditures	1,898,381	1,883,646	14,735	1,654,248
Capital outlay	90,250	90,196	54	55,927
Total	<u>1,988,631</u>	<u>1,973,842</u>	<u>14,789</u>	<u>1,710,175</u>
Fire and rescue on behalf of payments	<u>-</u>	<u>17,656</u>	<u>(17,656)</u>	<u>15,407</u>
Inspections:				
Operating expenditures	<u>259,260</u>	<u>255,287</u>	<u>3,973</u>	<u>238,905</u>
Total public safety	<u>4,358,539</u>	<u>4,335,510</u>	<u>23,029</u>	<u>3,767,794</u>

**Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006**

**Exhibit B-1
Page 3 of 4**

	2007		Variance Positive (Negative)	2006
	Budget	Actual		
Transportation:				
Public services administration:				
Operating expenditures	\$ 266,951	\$ 246,092	\$ 20,859	\$ 230,362
Streets and grounds:				
Operating expenditures	774,784	724,141	50,643	735,314
Capital outlay	64,000	39,397	24,603	101,307
Total	838,784	763,538	75,246	836,621
Powell Bill:				
Operating expenditures	1,072,300	885,834	186,466	718,814
Total transportation	2,178,035	1,895,464	282,571	1,785,797
Economic & physical development:				
Planning:				
Operating expenditures	582,400	566,651	15,749	527,598
Engineering:				
Operating expenditures	577,524	407,873	169,651	377,425
Capital outlay	180,000	95,783	84,217	117,118
Total	757,524	503,656	253,868	494,543
Total economic & physical development	1,339,924	1,070,307	269,617	1,022,141
Environmental protection:				
Solid waste:				
Operating expenditures	930,479	884,704	45,775	693,569
Capital outlay	208,500	200,737	7,763	-
Total	1,138,979	1,085,441	53,538	693,569
Total environmental protection	1,138,979	1,085,441	53,538	693,569
Cultural and Recreation:				
Recreation:				
Operating expenditures	494,739	453,012	41,727	346,538
Capital outlay	115,000	49,445	65,555	91,414
Total	609,739	502,457	107,282	437,952
Harness Track:				
Operating expenditures	431,980	407,442	24,538	414,439
Capital outlay	97,000	15,156	81,844	93,160
Total	528,980	422,598	106,382	507,599
Fair Barn:				
Operating expenditures	225,100	192,271	32,829	176,825
Capital outlay	40,000	29,828	10,172	-
Total	265,100	222,099	43,001	176,825
Total cultural and recreation	1,403,819	1,147,154	256,665	1,122,376

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007		Variance Positive (Negative)	2006
	Budget	Actual		
Contingency:				
Operating expenditures	\$ 53	\$ -	\$ 53	\$ -
Non-departmental:				
Operating expenditures	51,000	45,420	5,580	55,822
Debt service:				
Principal retirement	776,620	776,602	18	757,191
Interest and fees	251,550	251,461	89	280,308
Total	1,028,170	1,028,063	107	1,037,499
Total expenditures	13,388,759	12,391,667	997,092	10,965,514
Excess (deficiency) of revenues over (under) expenditures	(928,759)	205,939	1,134,698	1,037,211
Other Financing Sources (Uses):				
Transfers to other funds:				
Capital Project Funds	(45,000)	(45,000)	-	(187,000)
Special Revenue Funds	(1,276,100)	(1,276,100)	-	(1,045,000)
Transfers from other funds:				
Capital Project Funds	21,100	21,058	(42)	53,961
Special Revenue Funds	517,349	517,349	-	612,735
Total other financing sources (uses)	(782,651)	(782,693)	(42)	(565,304)
Fund balance appropriated	1,711,410	-	(1,711,410)	-
Net change in fund balances	\$ -	(576,754)	\$ (576,754)	471,907
Fund balances, beginning		5,539,288		5,067,381
Fund balances, ending		\$ 4,962,534		\$ 5,539,288

Municipal Service District Fund

This fund is used to account for the yearly costs of operating the dams in this subdivision. It is also used to account for the annual tax assessments for operations and the special assessment for the reconstruction of the earthen dam around Pond #1.

Village of Pinehurst, North Carolina
Municipal Service District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

Exhibit C-1

	2007			2006
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Ad valorem taxes	\$ 5,500	\$ 5,309	\$ (191)	\$ 7,068
Assessment income	31,200	31,200	-	-
Investment earnings	240	512	272	256
Total revenues	36,940	37,021	81	7,324
Expenditures				
Operating expenditures	5,740	2,597	(3,143)	4,823
Excess of revenues over (under) expenditures	31,200	34,424	3,224	2,501
Other Financing Sources (Uses)				
Transfer to General Fund	(31,200)	(31,200)	-	-
Net change in fund balances	\$ -	3,224	\$ 3,224	2,501
Fund balances-beginning		6,322		3,821
Fund balances-ending		\$ 9,546		\$ 6,322

Non-Major Governmental Funds

Non-major governmental funds are those funds whose revenues, expenditures/expenses, assets or liabilities are less than 10% of corresponding totals for all governmental or enterprise funds or less than 5% of the aggregate amount for all governmental and enterprise funds for the same item.

Land Dedication Fund – This fund is used to account for the dedication of land or the payment of fees in lieu of the dedication of land from developers.

Residential Assurance Interest Fund – This fund is used to accumulate interest earnings from the Residential Assurance Fund and to appropriate funds approved for aesthetic improvements in public areas.

Taylorhurst Assessments Fund – This fund is used to account for the revenues and expenditures relating to the special assessments, resulting from the Taylorhurst road resurfacing project.

Capital Reserve Fund – This fund is used to accumulate monies for capital expenditures.

Rassie Wicker Park Capital Project – This fund is used to account for the costs incurred in the design and construction of Rassie Wicker Park.

Fire Station Capital Project – This fund is used to account for the revenues and expenditures relating to the design and construction of a new fire station.

Municipal Service District Capital Project – This fund is used to account for the costs incurred in the design and construction of the rehabilitation of the earthen dam surrounding Pond #1.

The Public Services Facility Capital Project – This fund is used to account for costs incurred for the land acquisition and design of a public services facility on Juniper Lake Road.

The Recreation Center Capital Project – This fund is used to account for costs incurred in the design of a recreation center at Cannon Park.

The Jackson Hamlet Community Development Block Grant (CDBG) Project – This fund is used to account for the costs incurred in the design and construction of sewer facilities for the Jackson Hamlet Community adjacent to Pinehurst.

Village of Pinehurst, North Carolina
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2007

	Special Revenue Funds				Total
	Land Dedication Fund	Residential Assurance - Interest	Taylorhurst Assessment Fund	Capital Reserve	
Assets					
Cash and cash equivalents	\$ 5,692	\$ 17,868	\$ 21,648	\$ 248,891	\$ 294,099
Assessments receivable	-	-	55,046	-	55,046
Total assets	<u>\$ 5,692</u>	<u>\$ 17,868</u>	<u>\$ 76,694</u>	<u>\$ 248,891</u>	<u>\$ 349,145</u>
Liabilities and fund balances					
Liabilities:					
Deferred revenue	\$ -	\$ -	\$ 55,046	\$ -	\$ 55,046
Total liabilities	<u>-</u>	<u>-</u>	<u>55,046</u>	<u>-</u>	<u>55,046</u>
Fund balances					
Unreserved:					
Designated for capital projects	-	-	-	248,891	248,891
Undesignated	5,692	17,868	21,648	-	45,208
Total fund balances	<u>5,692</u>	<u>17,868</u>	<u>21,648</u>	<u>248,891</u>	<u>294,099</u>
Total liabilities and fund balances	<u>\$ 5,692</u>	<u>\$ 17,868</u>	<u>\$ 76,694</u>	<u>\$ 248,891</u>	<u>\$ 349,145</u>

Village of Pinehurst, North Carolina
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2007

Exhibit D-1
 Page 2 of 2

	Capital Project Funds			Total	Total Non-Major Governmental Funds
	Public Services Facility	Recreation Center District	Jackson Hamlet CDBG		2007
Assets					
Cash and cash equivalents	\$ 229,513	\$ 44,775	\$ 30,000	\$ 304,288	\$ 598,387
Assessments receivable	-	-	-	-	55,046
Total assets	<u>\$ 229,513</u>	<u>\$ 44,775</u>	<u>\$ 30,000</u>	<u>\$ 304,288</u>	<u>\$ 653,433</u>
Liabilities and fund balances					
Liabilities:					
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ 55,046
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,046</u>
Fund balances					
Unreserved:					
Designated for capital projects	229,513	44,775	30,000	304,288	553,179
Undesignated	-	-	-	-	45,208
Total fund balances	<u>229,513</u>	<u>44,775</u>	<u>30,000</u>	<u>304,288</u>	<u>598,387</u>
Total liabilities and fund balances	<u>\$ 229,513</u>	<u>\$ 44,775</u>	<u>\$ 30,000</u>	<u>\$ 304,288</u>	<u>\$ 653,433</u>

Village of Pinehurst, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2007

Exhibit D-2
Page 1 of 2

	Special Revenue Funds				Total
	Land Dedication Fund	Residential Assurance - Interest	Taylorhurst Assessment Fund	Capital Reserve	
Revenues					
Assessment income	\$ -	\$ -	\$ 27,327	\$ -	\$ 27,327
Investment earnings	1,031	6,191	1,083	26,964	35,269
Restricted intergovernmental	-	-	-	-	-
Other revenues	33,614	-	-	-	33,614
Total revenues	<u>34,645</u>	<u>6,191</u>	<u>28,410</u>	<u>26,964</u>	<u>96,210</u>
Expenditures					
Operating	-	-	-	-	-
Capital	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,645</u>	<u>6,191</u>	<u>28,410</u>	<u>26,964</u>	<u>96,210</u>
Other Financing Sources (Uses)					
Transfers to other funds	(35,000)	-	(32,235)	(1,259,914)	(1,327,149)
Transfers from other funds	-	-	-	1,321,354	1,321,354
Total other financing sources (uses)	<u>(35,000)</u>	<u>-</u>	<u>(32,235)</u>	<u>61,440</u>	<u>(5,795)</u>
Net change in fund balances	(355)	6,191	(3,825)	88,404	90,415
Fund balances-beginning	<u>6,047</u>	<u>11,677</u>	<u>25,473</u>	<u>160,487</u>	<u>203,684</u>
Fund balances-ending	<u>\$ 5,692</u>	<u>\$ 17,868</u>	<u>\$ 21,648</u>	<u>\$ 248,891</u>	<u>\$ 294,099</u>

Village of Pinehurst, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2007

Exhibit D-2
Page 2 of 2

	Capital Projects Funds						Total	Total Nonmajor Governmental Funds
	Rassie Wicker Project	Fire Station Project	MSD Dam Project	Public Services Facility	Recreation Center	Jackson Hamlet CDBG		
Revenues								
Assessment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,327
Investment earnings	1,995	-	-	-	-	-	1,995	37,264
Restricted intergovernmental	-	-	-	-	-	3,256	3,256	3,256
Other revenues	-	-	-	-	-	-	-	33,614
Total revenues	1,995	-	-	-	-	3,256	5,251	101,461
Expenditures								
Operating	-	-	-	-	-	3,256	3,256	3,256
Capital	29,009	28,576	-	570,487	225	-	628,297	628,297
Total expenditures	29,009	28,576	-	570,487	225	3,256	631,553	631,553
Excess (deficiency) of revenues over (under) expenditures	(27,014)	(28,576)	-	(570,487)	(225)	-	(626,302)	(530,092)
Other Financing Sources (Uses)								
Transfers to other funds	(24,118)	(19,859)	(22,335)	-	-	-	(66,312)	(1,393,461)
Transfers from other funds	-	-	11,000	800,000	45,000	30,000	886,000	2,207,354
Total other financing sources (uses)	(24,118)	(19,859)	(11,335)	800,000	45,000	30,000	819,688	813,893
Net change in fund balances	(51,132)	(48,435)	(11,335)	229,513	44,775	30,000	193,386	283,801
Fund balances-beginning	51,132	48,435	11,335	-	-	-	110,902	314,586
Fund balances-ending	\$ -	\$ -	\$ -	\$ 229,513	\$ 44,775	\$ 30,000	\$ 304,288	\$ 598,387

Village of Pinehurst, North Carolina
Land Dedication Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

Exhibit D-3

	2007				2006
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
Revenues					
Other revenues	\$ -	\$ 33,600	\$ 33,614	\$ 14	\$ 280
Investment earnings	250	1,650	1,031	(619)	215
Total revenues	250	35,250	34,645	(605)	495
Expenditures					
Operating	250	250	-	250	-
Excess (deficiency) of revenues over (under) expenditures	-	35,000	34,645	(355)	495
Other Financing Sources					
Transfer to General Fund	-	(35,000)	(35,000)	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(355)	<u>\$ (355)</u>	495
Fund balances-beginning			6,047		5,552
Fund balances-ending			<u>\$ 5,692</u>		<u>\$ 6,047</u>

Village of Pinehurst, North Carolina
 Residential Assurance Interest Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2007
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

Exhibit D-4

	2007				Variance with Final Budget- Positive (Negative)	2006
	Budgeted Amounts		Actual Amounts			
	Original	Final				
Revenues						
Investment earnings	\$ 380	\$ 380	\$ 6,191	\$ 5,811	\$ 199	
Expenditures						
Operating	380	380	-	380	-	
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	6,191	<u>\$ 5,431</u>	199	
Fund balances-beginning			<u>11,677</u>		<u>11,478</u>	
Fund balances-ending			<u>\$ 17,868</u>		<u>\$ 11,677</u>	

Village of Pinehurst, North Carolina
Taylorhurst Assessment Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

Exhibit D-5

	2007			Variance with Final Budget- Positive (Negative)	2006
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues					
Assessment income	\$ 30,415	\$ 30,415	\$ 27,327	\$ (3,088)	\$ 26,427
Investment earnings	1,820	1,820	1,083	(737)	1,233
Total revenues	<u>32,235</u>	<u>32,235</u>	<u>28,410</u>	<u>(3,825)</u>	<u>27,660</u>
Other Financing Sources					
Transfer to General Fund	<u>(32,235)</u>	<u>(32,235)</u>	<u>(32,235)</u>	<u>-</u>	<u>(32,235)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(3,825)</u>	<u>\$ (3,825)</u>	<u>(4,575)</u>
Fund balances-beginning			<u>25,473</u>		<u>30,048</u>
Fund balances-ending			<u>\$ 21,648</u>		<u>\$ 25,473</u>

Village of Pinehurst, North Carolina
 Capital Reserve Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2007
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

Exhibit D-6

	2007				2006
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
Revenues					
Investment earnings	\$ 20,000	\$ 20,000	\$ 26,964	\$ 6,964	\$ 15,912
Expenditures					
Operating	349,300	456,100	-	456,100	-
Excess (deficiency) of revenues over (under) expenditures	(329,300)	(436,100)	26,964	463,064	15,912
Other Financing Sources (Uses)					
Transfer to General Fund	(300,000)	(418,914)	(418,914)	-	(580,500)
Transfer to Capital Project Funds	-	(841,000)	(841,000)	-	(812,000)
Transfer from General Fund	629,300	1,276,100	1,276,100	-	1,045,000
Transfer from Capital Projects Funds	-	45,255	45,254	(1)	-
Total other financing sources (uses)	329,300	61,441	61,440	(1)	(347,500)
Fund balance appropriated	-	374,659	-	(374,659)	-
Net change in fund balances	\$ -	\$ -	88,404	\$ 88,404	(331,588)
Fund balances-beginning			160,487		492,075
Fund balances-ending			\$ 248,891		\$ 160,487

Village of Pinehurst, North Carolina
 Capital Projects Fund - Rassie Wicker Park
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2007

Exhibit D-7

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Restricted intergovernmental	\$ 224,000	\$ 224,737	\$ -	\$ 224,737	\$ 737
Restricted donations	57,000	60,576	-	60,576	3,576
Investment earnings	5,000	20,605	1,995	22,600	17,600
Total revenues	<u>286,000</u>	<u>305,918</u>	<u>1,995</u>	<u>307,913</u>	<u>21,913</u>
Expenditures					
Engineering costs	50,000	49,163	-	49,163	837
Construction costs	951,000	920,623	29,009	949,632	1,368
Total expenditures	<u>1,001,000</u>	<u>969,786</u>	<u>29,009</u>	<u>998,795</u>	<u>2,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(715,000)</u>	<u>(663,868)</u>	<u>(27,014)</u>	<u>(690,882)</u>	<u>24,118</u>
Other Financing Sources (Uses)					
Transfer to Capital Reserve Fund	(24,118)	-	(24,118)	(24,118)	-
Transfer from General Fund	187,000	187,000	-	187,000	-
Transfer from Capital Reserve Fund	528,000	528,000	-	528,000	-
Total other financing sources (uses)	<u>690,882</u>	<u>715,000</u>	<u>(24,118)</u>	<u>690,882</u>	<u>-</u>
Fund balance appropriated	<u>24,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,118)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 51,132</u>	<u>(51,132)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances-beginning			51,132		
Fund balances-ending			<u>\$ -</u>		

Village of Pinehurst, North Carolina
Capital Project Fund - Fire Station
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

Exhibit D-8

	Project Authorization	Prior Year(s)	Actual Current Year	Total	Variance Positive (Negative)
Revenues					
Investment earnings	\$ 15,000	\$ 8,968	\$ -	\$ 8,968	\$ (6,032)
Expenditures:					
Capital expenditures	2,514,000	2,459,533	28,576	2,488,109	25,891
Excess of revenues over (under) expenditures	(2,499,000)	(2,450,565)	(28,576)	(2,479,141)	19,859
Other Financing Sources (Uses)					
Loan proceeds	2,500,000	2,500,000	-	2,500,000	-
Transfer to Capital Reserve Fund	(19,859)	-	(19,859)	(19,859)	-
Transfer to General Fund	(136,000)	(136,000)	-	(136,000)	-
Transfer from Capital Reserve	135,000	135,000	-	135,000	-
Total other financing sources (uses)	<u>2,479,141</u>	<u>2,499,000</u>	<u>(19,859)</u>	<u>2,479,141</u>	<u>-</u>
Fund balance appropriated	19,859	-	-	-	(19,859)
Net change in fund balances	<u>\$ -</u>	<u>\$ 48,435</u>	<u>(48,435)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances-beginning			48,435		
Fund balances-ending			<u>\$ -</u>		

Village of Pinehurst, North Carolina
Capital Projects Fund - Municipal Service District
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

Exhibit D-9

	Project Author- ization	Actual		Total to Date	Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year		
Expenditures					
Engineering costs	\$ 20	\$ 9	\$ -	\$ 9	\$ 11
Construction costs	445,350	444,145	-	444,145	1,205
Professional services	2,550	2,550	-	2,550	-
Total expenditures	<u>447,920</u>	<u>446,704</u>	<u>-</u>	<u>446,704</u>	<u>1,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(447,920)</u>	<u>(446,704)</u>	<u>-</u>	<u>(446,704)</u>	<u>1,216</u>
Other Financing Sources (Uses)					
Transfer to General Fund	(75,080)	(53,961)	(21,058)	(75,019)	61
Transfer to Capital Reserve Fund	(1,278)	-	(1,277)	(1,277)	1
Transfer from Capital Reserve Fund	523,000	512,000	11,000	523,000	-
Total other financing sources (uses)	<u>446,642</u>	<u>458,039</u>	<u>(11,335)</u>	<u>446,704</u>	<u>62</u>
Fund balance appropriated	<u>1,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,278)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 11,335</u>	<u>(11,335)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances-beginning			<u>11,335</u>		
Fund balances-ending			<u>\$ -</u>		

Village of Pinehurst, North Carolina
Capital Projects Fund - Public Services Facility
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

Exhibit D-10

	Project Author- ization	Actual			Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures					
Engineering costs	\$ 226,000	\$ -	\$ 3,450	\$ 3,450	\$ 222,550
Construction costs	2,500	-	134	134	2,366
Land acquisition	571,500	-	566,903	566,903	4,597
Total expenditures	<u>800,000</u>	<u>-</u>	<u>570,487</u>	<u>570,487</u>	<u>229,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(800,000)</u>	<u>-</u>	<u>(570,487)</u>	<u>(570,487)</u>	<u>229,513</u>
Other Financing Sources (Uses)					
Transfer from Capital Reserve Fund	<u>800,000</u>	<u>-</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Total other financing sources (uses)	<u>800,000</u>	<u>-</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>229,513</u>	<u>\$ 229,513</u>	<u>\$ 229,513</u>
Fund balances-beginning			<u>-</u>		
Fund balances-ending			<u>\$ 229,513</u>		

Village of Pinehurst, North Carolina
 Capital Projects Fund - Recreation Center
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2007

Exhibit D-11

	Project Author- ization	Actual		Total to Date	Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year		
Expenditures					
Engineering costs	\$ 45,000	\$ -	\$ 225	\$ 225	\$ 44,775
Total expenditures	45,000	-	225	225	44,775
Excess (deficiency) of revenues over (under) expenditures	(45,000)	-	(225)	(225)	44,775
Other Financing Sources (Uses)					
Transfer from General Fund	45,000	-	45,000	45,000	-
Total other financing sources (uses)	45,000	-	45,000	45,000	-
Net change in fund balances	\$ -	\$ -	44,775	\$ 44,775	\$ 44,775
Fund balances-beginning			-		
Fund balances-ending			\$ 44,775		

Village of Pinehurst, North Carolina
Capital Projects Fund - Jackson Hamlet CDBG
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

Exhibit D-12

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance with Final Budget- Positive (Negative)
Revenues					
Moore County CDBG match	\$ 70,000	\$ -	\$ -	\$ -	\$ (70,000)
Community Development Block Grant	750,000	-	3,256	3,256	(746,744)
	<u>820,000</u>	<u>-</u>	<u>3,256</u>	<u>3,256</u>	<u>(816,744)</u>
Expenditures					
Professional services	75,000	-	3,000	3,000	72,000
Grants for community projects	775,000	-	256	256	774,744
Total expenditures	<u>850,000</u>	<u>-</u>	<u>3,256</u>	<u>3,256</u>	<u>846,744</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Other Financing Sources (Uses)					
Transfer from Capital Reserve Fund	30,000	-	30,000	30,000	-
Total other financing sources (uses)	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	30,000	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Fund balances-beginning			<u>-</u>		
Fund balances-ending			<u>\$ 30,000</u>		

Fiduciary Funds

Fiduciary funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Residential Assurance Fund – This agency fund is used to account for the contributions from builders to ensure proper cleanup, site drainage and landscaping, and to enforce all codes and ordinances regarding site cleanliness. The accumulated interest on these contributions is recorded in a separate Special Revenue Fund.

Village of Pinehurst, North Carolina
Residential Assurance Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2007

Exhibit E-1

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Assets				
Cash and cash equivalents	<u>\$ 115,776</u>	<u>\$ 70,000</u>	<u>\$ (70,776)</u>	<u>\$ 115,000</u>
Liabilities				
Builder deposits	<u>\$ 115,776</u>	<u>\$ 70,000</u>	<u>\$ (70,776)</u>	<u>\$ 115,000</u>

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.

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2007

Exhibit F-1

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 4,766,621	\$ 4,474,050
Buildings and improvements	15,648,434	11,970,339
Furniture, equipment, and vehicles	5,640,303	5,081,502
Infrastructure	1,518,435	870,380
Construction in progress	<u>590,287</u>	<u>4,113,351</u>
Total governmental funds capital assets	<u>\$ 28,164,080</u>	<u>\$ 26,509,622</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 27,328,448	\$ 22,335,211
Capital Projects Funds	570,712	4,109,851
Donations	<u>264,920</u>	<u>64,560</u>
Total governmental funds capital assets	<u>\$ 28,164,080</u>	<u>\$ 26,509,622</u>

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2007

Exhibit F-2

FUNCTION AND ACTIVITY	Land	Buildings	Improvements Other Than Buildings	Furniture, Equipment & Vehicles	Infrastructure	Construction in Progress	Total
General Government							
Governing Body	\$ 2,190,004	\$ -	\$ -	\$ 34,036	\$ -	\$ -	\$ 2,224,040
Administration	-	4,215,973	-	275,047	-	-	4,491,020
Financial Services	-	-	-	213,157	-	-	213,157
Information Technology	-	-	-	23,166	-	-	23,166
Buildings & Grounds	-	113,748	-	89,088	-	-	202,836
Fleet Maintenance	25,170	95,119	-	259,149	-	-	379,438
	<u>2,215,174</u>	<u>4,424,840</u>	<u>-</u>	<u>893,643</u>	<u>-</u>	<u>-</u>	<u>7,533,657</u>
Public Safety							
Police	-	2,675,111	-	908,366	-	-	3,583,477
Fire	171,074	3,181,964	-	1,468,793	-	-	4,821,831
Inspections	-	-	-	57,398	-	-	57,398
	<u>171,074</u>	<u>5,857,075</u>	<u>-</u>	<u>2,434,557</u>	<u>-</u>	<u>-</u>	<u>8,462,706</u>
Transportation							
Public Services	32,500	526,154	-	49,238	-	-	607,892
Streets and Grounds	-	5,118	132,620	345,570	-	-	483,308
Powell Bill	-	-	45,713	426,265	23,097	-	495,075
	<u>32,500</u>	<u>531,272</u>	<u>178,333</u>	<u>821,073</u>	<u>23,097</u>	<u>-</u>	<u>1,586,275</u>
Environmental Protection							
Solid Waste	-	-	-	814,718	-	-	814,718
	<u>-</u>	<u>-</u>	<u>-</u>	<u>814,718</u>	<u>-</u>	<u>-</u>	<u>814,718</u>
Cultural and Recreation							
Recreation	760,373	132,191	1,044,473	154,728	321,042	-	2,412,807
Harness Track	1,587,500	1,075,421	-	382,333	16,602	-	3,061,856
Fair Barn	-	2,113,732	44,768	29,761	-	-	2,188,261
	<u>2,347,873</u>	<u>3,321,344</u>	<u>1,089,241</u>	<u>566,822</u>	<u>337,644</u>	<u>-</u>	<u>7,662,924</u>
Economic & Physical Development							
Planning	-	-	-	50,910	-	-	50,910
Engineering	-	-	246,329	58,580	1,157,694	-	1,462,603
	<u>-</u>	<u>-</u>	<u>246,329</u>	<u>109,490</u>	<u>1,157,694</u>	<u>-</u>	<u>1,513,513</u>
Construction in progress	-	-	-	-	-	590,287	590,287
	<u>\$ 4,766,621</u>	<u>\$ 14,134,531</u>	<u>\$ 1,513,903</u>	<u>\$ 5,640,303</u>	<u>\$ 1,518,435</u>	<u>\$ 590,287</u>	<u>\$ 28,164,080</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, 2007

Exhibit F-3

FUNCTION AND ACTIVITY	General Fixed Assets July 1, 2006	Additions	Deletions	Adjustments	General Fixed Assets June 30, 2007
General Government					
Governing Body	\$ 1,897,433	\$ 334,527	\$ (7,920)	\$ -	\$ 2,224,040
Administration	4,474,737	16,283	-	-	4,491,020
Financial Services	213,157	-	-	-	213,157
Information Technology	18,160	5,006	-	-	23,166
Buildings & Grounds Mtnc.	189,436	-	-	13,400	202,836
Fleet Maintenance	266,644	-	-	112,794	379,438
	<u>7,059,567</u>	<u>355,816</u>	<u>(7,920)</u>	<u>126,194</u>	<u>7,533,657</u>
Public Safety					
Police	3,410,856	172,621	-	-	3,583,477
Fire	2,225,708	118,775	(17,350)	2,494,698	4,821,831
Inspections	57,398	-	-	-	57,398
	<u>5,693,962</u>	<u>291,396</u>	<u>(17,350)</u>	<u>2,494,698</u>	<u>8,462,706</u>
Transportation					
Public Services	607,892	-	-	-	607,892
Streets and Grounds	474,308	9,000	-	-	483,308
Powell Bill	495,075	-	-	-	495,075
	<u>1,577,275</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>1,586,275</u>
Environmental Protection					
Solid Waste	583,684	231,034	-	-	814,718
	<u>583,684</u>	<u>231,034</u>	<u>-</u>	<u>-</u>	<u>814,718</u>
Cultural and Recreation					
Recreation	1,364,566	78,454	-	969,787	2,412,807
Harness Track	3,061,856	-	-	-	3,061,856
Fair Barn	2,158,433	29,828	-	-	2,188,261
	<u>6,584,855</u>	<u>108,282</u>	<u>-</u>	<u>969,787</u>	<u>7,662,924</u>
Economic & Physical Development					
Planning	39,410	-	-	11,500	50,910
Engineering	857,518	97,413	-	507,672	1,462,603
	<u>896,928</u>	<u>97,413</u>	<u>-</u>	<u>519,172</u>	<u>1,513,513</u>
Construction in progress	<u>4,113,351</u>	<u>586,787</u>	<u>-</u>	<u>(4,109,851)</u>	<u>590,287</u>
	<u>\$ 26,509,622</u>	<u>\$ 1,679,728</u>	<u>\$ (25,270)</u>	<u>\$ -</u>	<u>\$ 28,164,080</u>

Additional Financial Data

This section contains additional information on property taxes and interfund transfers as of June 30, 2007.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedule of Transfers

Village of Pinehurst, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2007

Exhibit G-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2006</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2007</u>
2006-2007	\$ -	\$ 6,761,283	\$ 6,748,375	\$ 12,908
2005-2006	17,081		14,112	2,969
2004-2005	2,759		737	2,022
2003-2004	1,631		(297)	1,928
2002-2003	2,776		156	2,620
2001-2002	2,759		169	2,590
2000-2001	3,853		188	3,665
1999-2000	2,265		32	2,233
1998-1999	1,870		129	1,741
1997-1998	1,576		14	1,562
1996-1997	71		71	-
	<u>\$ 36,641</u>	<u>\$ 6,761,283</u>	<u>\$ 6,763,686</u>	<u>\$ 34,238</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 6,760,991
Ad valorem taxes - Special Revenue Fund	5,309
	<u>6,766,300</u>
Reconciling items:	
Interest collected and refunds	(8,218)
Write-offs	71
Refunds/reliefs	5,533
	<u>(2,614)</u>
Total collections and credits	<u>\$ 6,763,686</u>

Village of Pinehurst, North Carolina
Analysis of Current Tax Levy
Village - Wide Levy
For the Fiscal Year Ended June 30, 2007

Exhibit G-2

	Village - Wide			Total Levy	
	Property Valuation	Rate	Total Levy*	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,174,922,680	\$ 0.31	\$ 6,741,979	\$ 6,331,686	\$ 410,293
Registered motor vehicles taxed at prior year's rate	11,495,969	\$ 0.31	35,639	-	35,639
Municipal service district	5,983,545	\$ 0.09	5,385	5,385	-
Penalties	-		1,440	1,440	-
Total	2,192,402,194		6,784,443	6,338,511	445,932
Discoveries:					
Current year taxes	2,020,565	\$ 0.31	6,268	6,268	-
Penalties	-		241	241	-
Total	2,020,565		6,509	6,509	-
Abatements	(9,570,703)		(29,669)	(12,479)	(17,190)
Total property valuation	\$ 2,184,852,056				
Net levy			6,761,283	6,332,541	428,742
Uncollected taxes at June 30, 2007			(12,908)	(2,174)	(10,734)
Current year's taxes collected			\$ 6,748,375	\$ 6,330,367	\$ 418,008
Current levy collection percentage			99.81%	99.97%	97.50%

* Billings are prorated according to the number of months in the billing cycle. Property is at full value but the levy may vary.

Village of Pinehurst, North Carolina
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2007

Exhibit G-3

	Transfers	
	From	To
Operating Transfers From/To Other Funds		
General Fund		
Capital Reserve Fund	\$ 418,914	\$ 1,276,100
Taylorhurst Assessments Fund	32,235	-
Municipal Service District Fund	31,200	-
Recreation Center Capital Project Fund	-	45,000
Land Dedication Fund	35,000	-
Municipal Service District Capital Project Fund	21,058	-
Municipal Service District Fund		
General Fund	-	31,200
Taylorhurst Assessments Fund		
General Fund	-	32,235
Land Dedication		
General Fund	-	35,000
Public Services Facility Capital Project Fund		
Capital Reserve	800,000	-
Rassie Wicker Park Capital Project Fund		
Capital Reserve Fund	-	24,118
Fire Station Capital Project Fund		
Capital Reserve Fund	-	19,859
Municipal Service District Capital Project Fund		
General Fund	-	21,058
Capital Reserve Fund	11,000	1,277
Recreation Center Capital Project Fund		
General Fund	45,000	-
Jackson Hamlet CDBG Capital Project Fund		
Capital Reserve	30,000	-
Capital Reserve Fund		
General Fund	1,276,100	418,914
Rassie Wicker Fund	24,118	-
Municipal Service District Capital Project Fund	1,277	11,000
Fire Station Capital Reserve Fund	19,859	-
Public Services Facility Capital Reserve Fund	-	800,000
Jackson Hamlet CDBG Capital Project Fund	-	30,000
	<u>\$ 2,745,761</u>	<u>\$ 2,745,761</u>
Total operating transfers - other funds	\$ 2,745,761	\$ 2,745,761

Statistical Section

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

Categories of Statistical Information Included

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

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

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

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

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

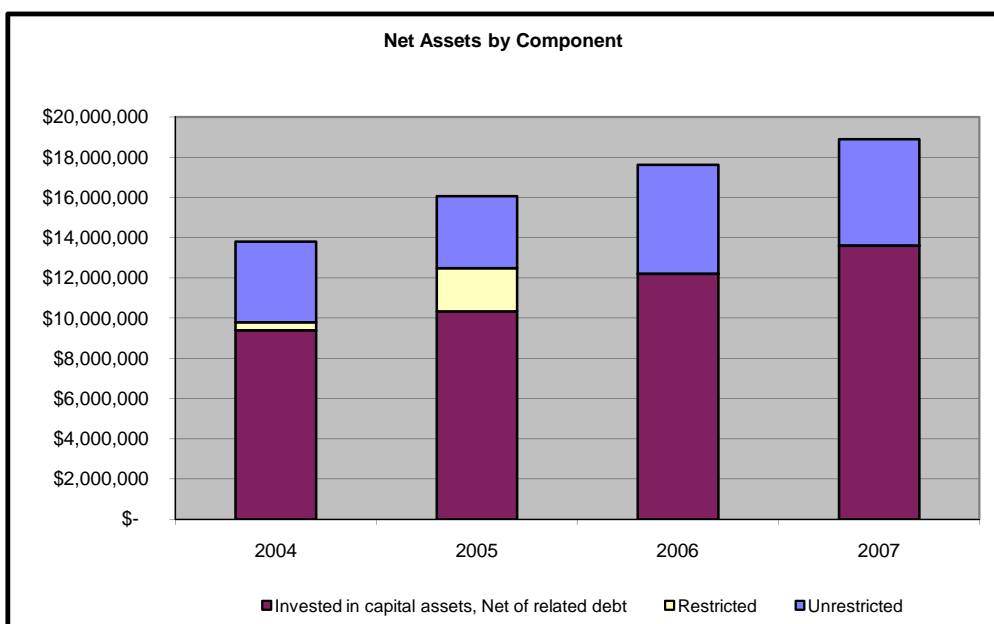
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

Schedule 1

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related debt	\$ 9,393,026	\$ 10,330,275	\$ 12,218,918	\$ 13,611,992
Restricted	405,973	2,145,256	808	844
Unrestricted	4,006,246	3,587,541	5,393,965	5,273,371
Total governmental activities net assets	\$ 13,805,245	\$ 16,063,072	\$ 17,613,691	\$ 18,886,207

Note: The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.



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

Schedule 2

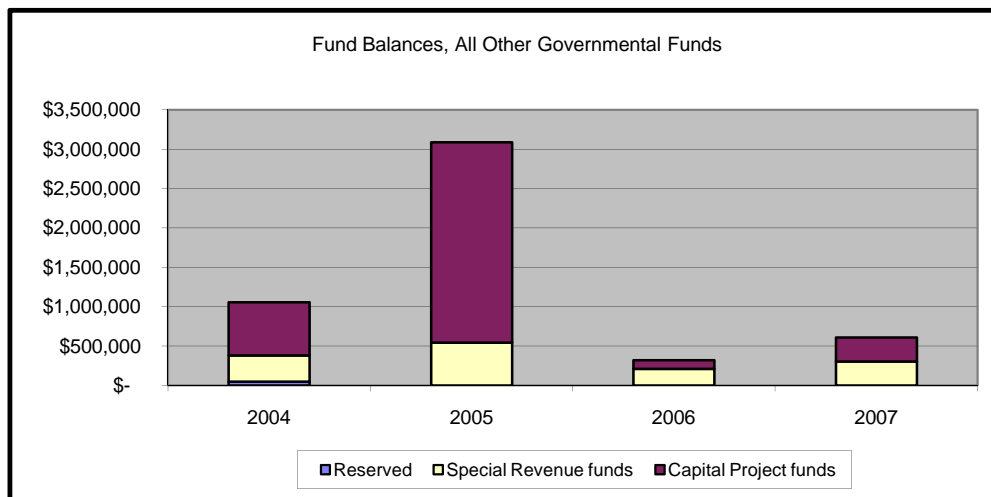
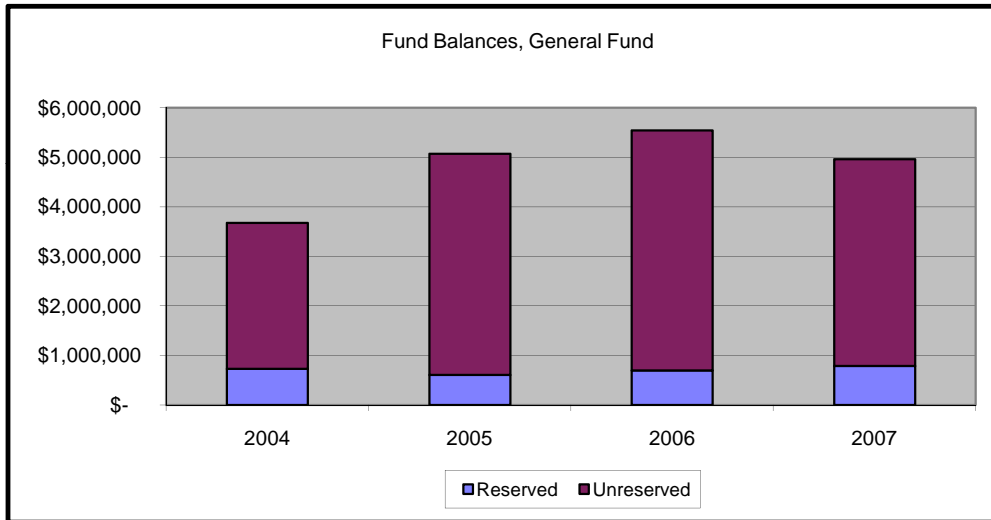
	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental Activities:				
General government	\$ 1,630,401	\$ 1,781,099	\$ 1,734,126	\$ 2,018,433
Public safety	3,625,258	3,849,890	3,931,368	4,458,221
Transportation	1,600,610	1,517,237	1,787,727	1,988,590
Economic and physical development	623,011	782,362	938,484	1,016,135
Environmental protection	795,166	819,886	746,798	907,233
Cultural and recreation	1,159,550	1,054,259	1,140,561	1,248,525
Non-departmental	74,560	47,016	55,822	45,416
Interest on long-term debt	-	-	290,181	242,197
Total governmental activities expenses	\$ 9,508,556	\$ 9,851,749	\$ 10,625,067	\$ 11,924,750
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$ -	\$ 105	\$ -	\$ -
Public safety	910,384	1,181,662	965,086	910,283
Transportation	84,000	52,472	49,500	56,000
Economic and physical development	117,833	147,602	119,682	117,916
Cultural and recreation	511,911	710,545	422,331	408,097
Operating grants and contributions	573,224	472,094	486,762	610,570
Capital grants and contributions	264,473	10,794	17,518	262,397
Total governmental activities program revenue	\$ 2,461,825	\$ 2,575,274	\$ 2,060,879	\$ 2,365,263
Total governmental activities net expense	\$ (7,046,731)	\$ (7,276,475)	\$ (8,564,188)	\$ (9,559,487)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Ad valorem taxes	\$ 5,740,515	\$ 6,291,348	\$ 6,516,978	\$ 6,763,897
Other taxes	1,962,078	2,324,970	2,533,980	2,634,796
Unrestricted intergovernmental	496,028	528,288	557,751	697,670
Investment earnings	41,982	108,704	238,730	321,606
Miscellaneous	292,359	180,095	267,368	414,034
Total governmental activities general revenue	\$ 8,532,962	\$ 9,433,405	\$ 10,114,807	\$ 10,832,003
Change in Governmental Activities Net Assets	\$ 1,486,231	\$ 2,156,930	\$ 1,550,619	\$ 1,272,516

Note: The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved	\$ 729,412	\$ 608,665	\$ 699,828	\$ 789,983
Unreserved	2,945,217	4,458,716	4,839,460	4,172,551
Total general fund	<u>\$ 3,674,629</u>	<u>\$ 5,067,381</u>	<u>\$ 5,539,288</u>	<u>\$ 4,962,534</u>
All Other Governmental Funds				
Reserved	\$ 48,034	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special Revenue funds	331,937	542,974	210,006	303,645
Capital Project funds	677,735	2,548,047	110,902	304,288
Total all other governmental funds	<u>\$ 1,057,706</u>	<u>\$ 3,091,021</u>	<u>\$ 320,908</u>	<u>\$ 607,933</u>

Note: The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.



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

Schedule 4

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Ad valorem taxes	\$ 5,745,314	\$ 6,290,091	\$ 6,516,709	\$ 6,766,300
Other taxes	1,962,078	2,324,970	2,533,980	2,634,796
Unrestricted intergovernmental	496,028	528,288	557,751	697,670
Restricted intergovernmental	795,715	465,120	475,779	591,283
Permits and fees	1,112,217	1,387,337	1,134,268	1,079,571
Sales and services	511,911	705,049	422,331	407,677
Investment earnings	41,982	126,472	267,231	343,972
Assessments	37,960	32,565	26,427	58,527
Miscellaneous	227,022	97,386	195,933	156,292
Total revenues	<u>10,930,227</u>	<u>11,957,278</u>	<u>12,130,409</u>	<u>12,736,088</u>
Expenditures				
General government	1,367,137	1,638,071	1,480,516	1,784,308
Public safety	3,379,022	3,628,528	3,767,794	4,335,510
Transportation	1,708,641	1,598,334	1,785,797	1,895,464
Economic and physical development	620,122	971,816	1,022,141	1,073,563
Environmental protection	869,351	817,130	700,942	1,088,038
Cultural and recreation	1,147,768	1,051,090	1,118,877	1,147,154
Non-departmental	74,560	47,016	55,822	45,420
Debt service:				
Principal	682,280	648,862	757,191	776,602
Interest and other charges	295,797	221,971	280,308	251,461
Capital outlay	342,185	408,393	3,459,227	628,297
Total expenditures	<u>10,486,863</u>	<u>11,031,211</u>	<u>14,428,615</u>	<u>13,025,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>443,364</u>	<u>926,067</u>	<u>(2,298,206)</u>	<u>(289,729)</u>
Other Financing Sources (Uses)				
Transfers to other funds	(1,979,034)	(1,166,324)	(2,710,696)	(2,745,761)
Transfers from other funds	1,979,034	1,166,324	2,710,696	2,745,761
Issuance of debt	-	2,500,000	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	443,364	3,426,067	(2,298,206)	(289,729)
Fund balances, beginning	<u>4,288,971</u>	<u>4,732,335</u>	<u>8,158,402</u>	<u>5,860,196</u>
Fund balances, ending	<u>\$ 4,732,335</u>	<u>\$ 8,158,402</u>	<u>\$ 5,860,196</u>	<u>\$ 5,570,467</u>
Debt service as a percentage of noncapital expenditures	10.7%	8.9%	10.4%	9.0%

Note: The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

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

Schedule 5

Fiscal Year	Tax year	Residential Property	Commercial Property	Industrial Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
1998	1997	\$ -	\$ -	\$ -	\$ -	\$ 1,112,161,571	0.35	\$ 1,185,673,317
1999	1998	-	-	-	-	1,172,401,297	0.33	1,415,943,595
2000	1999	-	-	-	-	1,220,558,983	0.31	1,499,458,210
2001	2000	-	-	-	-	1,310,664,772	0.30	1,626,134,953
2002	2001	-	-	-	-	1,331,280,295	0.30	1,655,821,262
2003	2002	-	-	-	-	1,397,586,043	0.35	1,773,586,349
2004	2003	-	-	-	-	1,971,821,264	0.29	1,971,821,264
2005	2004	-	-	-	-	2,035,393,463	0.31	2,172,244,891
2006	2005	1,859,700,153	419,269,280	361,490	173,368,490	2,105,962,433	0.31	2,339,958,259
2007	2006	1,870,045,393	469,947,953	16,350,433	171,491,723	2,184,852,056	0.31	2,482,786,427

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 in FY 2004.

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

Prior to FY2006, a breakdown between residential, commercial, industrial and tax-exempt property is unavailable.

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

Schedule 6

Fiscal Year	Tax Year	Direct Rates	Overlapping Rates	
		Total Direct Rate	Village of Pinehurst Municipal Service District	Moore County (1)
1998	1997	0.35	0.14	0.450
1999	1998	0.33	0.06	0.490
2000	1999	0.31	0.06	0.490
2001	2000	0.30	0.08	0.530
2002	2001	0.30	0.10	0.545
2003	2002	0.35	0.28	0.545
2004	2003	0.29	0.12	0.475
2005	2004	0.31	0.12	0.475
2006	2005	0.31	0.09	0.455
2007	2006	0.31	0.09	0.455

Source: (1) Moore County Tax Department

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

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

Schedule 7

Taxpayer	2007		1998	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pinehurst, LLC	\$ 122,539,053	5.61%	\$ 55,809,406	5.02%
Country Club of North Carolina	19,753,635	0.90%	14,162,995	1.27%
Pinehurst Medical	12,866,622	0.59%	4,486,387	0.40%
Carolina Power and Light	11,272,640	0.52%	8,246,342	0.74%
MTMM Associates	8,524,575	0.39%	4,487,040	0.40%
Pleasant Living Health Care (Quail Haven)	8,265,503	0.38%	5,540,380	0.50%
FirstHealth of the Carolinas	7,037,500	0.32%	6,749,389	0.61%
Francis Maser	5,876,600	0.27%	-	0.00%
Carolina Telephone and Telegraph	4,790,254	0.22%	4,094,294	0.37%
Branch Banking and Trust Co.	4,356,157	0.20%	-	0.00%
Pinehurst Nursing	-	0.00%	2,946,835	0.26%
Total	\$ 205,282,539	9.40%	\$ 106,523,068	9.58%

Source: Moore County Tax Department

Note: 2007 and 1998 data are for tax years 2006 and 1997 respectively.

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

Schedule 8

Fiscal Year	Tax year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1998	1997	\$ 3,886,654	\$ 3,871,566	99.61%	\$ 35,163	\$ 3,906,729	100.52%
1999	1998	3,866,034	3,853,587	99.68%	13,250	3,866,837	100.02%
2000	1999	3,783,096	3,765,239	99.53%	9,822	3,775,061	99.79%
2001	2000	3,903,235	3,887,446	99.60%	14,033	3,901,479	99.96%
2002	2001	3,987,088	3,974,166	99.68%	13,908	3,988,074	100.02%
2003	2002	4,863,211	4,843,250	99.59%	12,785	4,856,035	99.85%
2004	2003	5,735,830	5,721,684	99.75%	19,613	5,741,297	100.10%
2005	2004	6,289,511	6,274,550	99.76%	26,645	6,301,195	100.19%
2006	2005	6,517,524	6,500,443	99.74%	14,112	6,514,555	99.95%
2007	2006	6,761,283	6,748,375	99.81%	-	6,748,375	99.81%

Source: Moore County Tax Department

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

Schedule 9

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Governmental Activities Installment Financing</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
1998	1997	\$ 8,948,430	NA	\$ 1,110
1999	1998	6,941,931	NA	835
2000	1999	6,323,266	NA	717
2001	2000	5,762,027	NA	591
2002	2001	6,581,599	NA	668
2003	2002	6,458,172	NA	649
2004	2003	5,775,892	NA	565
2005	2004	7,627,030 (1)	NA	727
2006	2005	6,869,839	1.01%	642
2007	2006	6,093,236	1.12%	553

(1) The Village of Pinehurst secured an installment loan of \$2,500,000 for construction of a new fire station.

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

Notes:

Details regarding outstanding debt can be found in the notes to the financial statements.
 NA indicates "not available".

Village of Pinehurst, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

Schedule 10

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Moore County (1)			
Debt repaid with property taxes:			
Moore County General Obligation Debt	\$ 27,300,000	25.72%	\$ 7,021,613
Other debt:			
Moore County Certificates of Participation	1,215,000	25.72%	312,500
Moore County Installment Loans	9,221,227	25.72%	<u>2,371,717</u>
Subtotal, overlapping debt			9,705,831
Village of Pinehurst direct debt			<u>6,093,236</u>
Total direct and overlapping debt			<u><u>\$ 15,799,067</u></u>

Notes:

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

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

(2) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the Village of Pinehurst's boundaries and dividing it by each unit's total taxable assessed value. Taxable assessed property values as of June 30, 2006 were used to determine the overlapping debt percentage.

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

Schedule 11

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin as a Percent of Debt Limit</u>
1998	\$ 88,972,926	\$ 9,158,660	\$ 79,814,266	89.71%
1999	93,792,104	7,147,029	86,645,075	92.38%
2000	97,644,719	6,323,266	91,321,453	93.52%
2001	104,853,182	5,762,027	99,091,155	94.50%
2002	106,502,424	6,581,599	99,920,825	93.82%
2003	111,806,883	6,458,171	105,348,712	94.22%
2004	157,745,701	5,775,892	151,969,809	96.34%
2005	162,831,477	7,627,030	155,204,447	95.32%
2006	168,476,995	6,869,839	161,607,156	95.92%
2007	174,788,164	6,093,236	168,694,928	96.51%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed valuation	\$ 2,184,852,056	
	x 8.00%	
Debt limit - 8.0% of assessed value		\$ 174,788,164
Gross debt:		
Total bonded debt	-	
Authorized and unissued bonds	-	
Lease financing agreements	6,093,236	
Total gross debt	6,093,236	
Less: statutory deductions	-	
Total amount of debt applicable to debt limit (net debt)		6,093,236
LEGAL DEBT MARGIN		\$ 168,694,928

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

Schedule 12

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
1998	1997	8,059	\$ 312,512,255	\$ 38,778	63.8	3.8%
1999	1998	8,316	327,955,062	39,437	63.8	4.1%
2000	1999	8,815	357,648,090	40,573	63.8	3.5%
2001	2000	9,755	409,631,960	41,992	60.4	3.6%
2002	2001	9,855	425,542,582	43,180	60.4	4.9%
2003	2002	9,948	436,388,334	43,867	60.4	6.3%
2004	2003	10,218	458,407,284	44,863	60.4	6.4%
2005	2004	10,498	483,590,811	46,065	60.4	5.4%
2006	2005	10,694	509,319,363	47,627	60.4	4.9%
2007	2006	11,026	542,145,667	49,170	60.4	5.1%

Sources:

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

Notes:

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

Unemployment rate information is a calendar year adjusted annual average.

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

Schedule 13

Employer	2007		1998	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
First Health of the Carolinas (1)	2,567	53.22%	2,087	59.42%
Pinehurst, LLC (2)	1,178	24.42%	1,180	33.60%
Total		77.65%		93.02%

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:

2007 employment is based on calendar year 2006.
1998 employment is estimated.

GASB 44 requires comparative data for the current calendar year and nine years prior. 1990 Census Data was used for 1998 and 2007 to estimate the percentage of total employment.

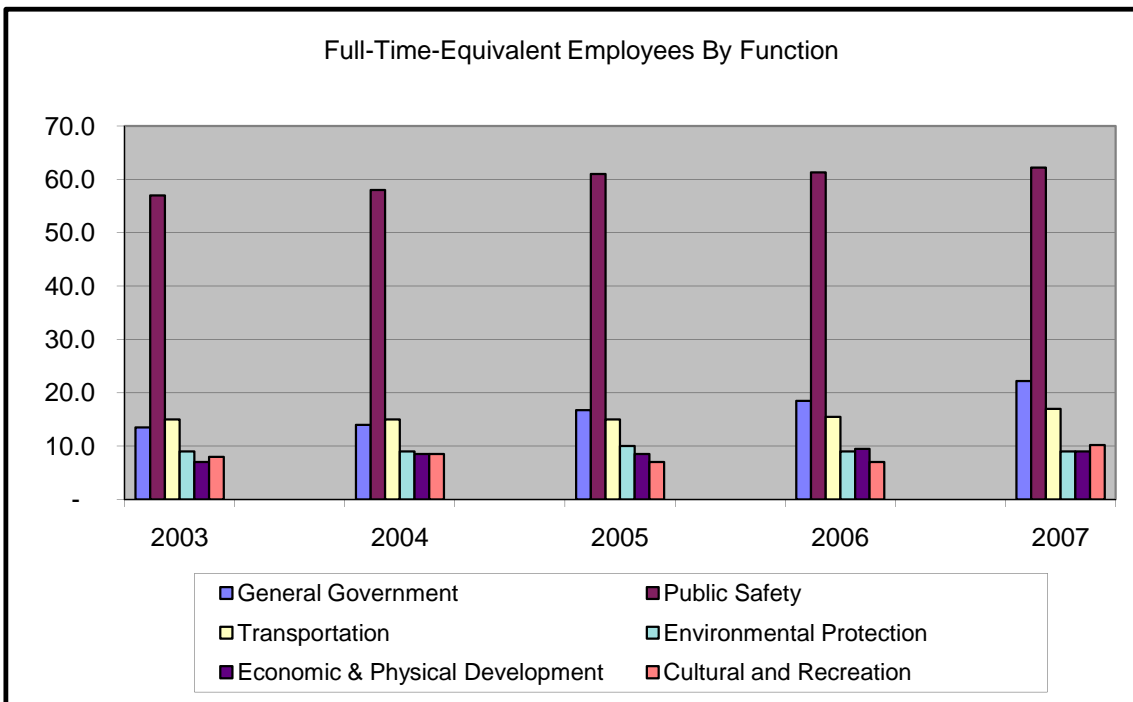
Village of Pinehurst, North Carolina
 Full-time-Equivalent Employees by Function
 Last Ten Fiscal Years

Schedule 14

Function	Full-time-Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(2)	(2)	(2)							
General Government	54.7	50.0	53.0	12.0	13.0	13.5	14.0	16.75	18.5	22.2
Public Safety	(1) 54.0	46.0	54.0	54.0	54.0	57.0	58.0	61.0	61.3	62.2
Transportation	-	-	-	16.0	15.0	15.0	15.0	15.0	15.5	17.0
Environmental Protection	-	-	-	10.0	10.0	9.0	9.0	10.0	9.0	9.0
Economic & Physical Development	(1) -	-	-	10.0	10.5	7.0	8.5	8.5	9.5	9.0
Cultural and Recreation	-	-	-	8.0	8.0	8.0	8.5	7.0	7.0	10.2
Total	108.7	96.0	107.0	110.0	110.5	109.5	113.0	118.3	120.80	129.6

- (1) Prior to 2003, the Inspections department was accounted for in the Planning department.
- (2) Prior to 2001, a further breakdown of full-time equivalent employees by function is unavailable.

Note: 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 Eight Fiscal Years

Schedule 15

Function	Fiscal Year							
	2000	2001	2002	2003	2004	2005	2006	2007
General Government								
Financial Services								
Purchase orders issued	605	680	354	509	440	323	262	207
Vendor checks issued	3,270	3,332	2,966	2,919	3,595	2,673	2,529	2,427
Human Resources								
Workers' compensation lost time (days)	NA	NA	NA	NA	NA	322	44	4
Employee turnover rate	NA	NA	NA	NA	NA	9.0%	9.0%	9.4%
Fleet Maintenance								
Tires changed/repared	101	130	171	200	250	300	372	235
Oil changes	361	462	480	500	300	350	200	291
Public Safety								
Fire Protection								
Public fire & life safety classes	175	447	556	341	95	95	219	204
Incident calls	NA	712	673	715	743	842	922	827
Structure fires	24	18	24	18	24	21	26	56
Inspections	388	479	560	467	877	766	824	787
Child passenger seat inspections	NA	NA	NA	NA	389	833	579	583
Police Protection								
Physical arrests	224	211	207	178	172	206	202	262
Citations issued	969	943	902	971	1,479	1,560	1,285	3,806
Response to calls/officer initiated activity	11,543	11,116	11,482	11,588	11,782	11,500	9,801	11,866
Traffic accidents	438	410	421	446	467	447	432	483
Inspections								
Building inspections conducted	NA	NA	7,253	7,661	11,064	11,286	10,588	9,194
Certificates of occupancy issued	255	235	234	231	214	254	271	227
Transportation								
Street resurfacing (miles)	6.9	7.5	4.9	3.3	4.9	5.0	5.0	6.3
Environmental Protection								
Refuse collected (tons annually)	5,106	6,492	5,597	4,677	5,673	4,578	4,287	4,392
Homes receiving service	5,556	5,706	5,940	6,040	NA	6,345	6,485	6,651
Recyclables collected (tons annually)	NA	NA	NA	NA	330	305	369	568
Economic & Physical Development								
Building permits issued	453	391	353	321	374	318	378	424
Zoning compliance investigations	NA	446	694	473	538	475	480	477
Cultural & Recreation								
Recreation								
Number of parks	3	3	3	4	4	4	4	4
Program participants	286	339	329	354	361	398	468	679
Athletics participants	1,418	1,560	1,351	1,437	1,456	1,507	1,503	1,556
Harness Track								
Standardbred stalls leased	NA	NA	NA	222	270	280	285	249
Facilities reserved (days)	86	106	87	95	67	62	45	32
Fair Barn								
Events	NA	NA	NA	31	61	67	87	89
Rental days	NA	NA	NA	39	85	125	131	117

Source: Various Village departments

Note: NA indicates "not available"

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

Schedule 16

Function	Fiscal Year							
	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety								
Fire Protection								
Stations	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	7
Police Protection								
Stations	1	1	1	1	1	1	1	1
Patrol units	15	15	15	15	15	15	16	17
Transportation								
Miles of streets	100.57	100.57	101.35	101.35	101.35	104.65	104.65	104.65
Maintenance vehicles	18	18	18	18	18	18	18	18
Brick sidewalks (linear feet)	-	-	-	1,542	1,994	4,187	4,918	4,918
Environmental Protection								
Refuse collection trucks	14	14	15	15	15	15	17	19
Economic & Physical Development								
Storm water drainage areas	-	-	-	-	2	3	4	6
Cultural & Recreation								
Park acreage	230	230	230	297	297	297	297	297
Greenway trails (miles)	-	-	-	-	1.5	3.0	3.5	4.0
Playgrounds	1	1	1	2	2	2	3	3
Baseball/softball diamonds	2	2	2	2	2	2	2	2
Soccer fields	1	1	1	1	1	1	2	2

Sources: Various Village departments



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

**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**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinehurst, North Carolina, as of and for the year ended June 30, 2007, which collectively comprises the Village of Pinehurst's basic financial statements, and have issued our report thereon dated September 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Pinehurst's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, management and federal and State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes PLLC

September 25, 2007

Village of Pinehurst, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2007

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
Federal Awards					
<u>U.S. Department of Housing & Urban Development</u>					
Passed through N.C. Department of Commerce					
Jackson Hamlet Sewer CDBG	14.228	06-C-1597	\$ 3,256	\$ -	\$ -
<u>U.S. Department of Transportation</u>					
Passed through N.C. Department of Transportation					
Governor's Highway Safety Program	20.609	K4-07-05-29	142,715	-	23,902
Total Federal Awards			145,971	-	23,902
State Awards					
<u>N.C. Department of Environment and Natural Resources</u>					
Greenway Plant Identification Grant		F06038	-	473	-
<u>N.C. Department of Transportation</u>					
Powell Bill			-	437,448	-
Total State Awards			-	437,921	-
Total Federal and State Awards			\$ 145,971	\$ 437,921	\$ 23,902

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

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Village of Pinehurst and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State Single Audit Act and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the accompanying financial statements. However, due to the Village's involvement in determining eligibility, they are considered federal awards to the Village and are included on this schedule.