

Village of Pinehurst, North Carolina  
Comprehensive Annual Financial Report



For the Fiscal Year Ended  
June 30, 2009

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, 2009**

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September 21, 2009

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, 2009.

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, 2009, 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 11,632. 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 30<sup>th</sup>, 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 15<sup>th</sup>. The Council is required to hold a public hearing 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 of any amount 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 54.

## **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, like other municipalities, is currently feeling the effects of the global recession. The Village is primarily a residential community with a historically steady growth rate in residential development. For the past fifteen years an average of over 200 new homes have been constructed each year within the Village limits and its extraterritorial jurisdiction. However, last year the Village added only 56 new homes, a decrease of 56% from the 128 homes that were constructed the previous year. The Village of Pinehurst has not been immune to the national decline in the housing industry, but has fared better than the national average. There are currently signs that the declining trend is reversing.

The tourism industry contributes significantly to the economic well-being of the Village. Moore County ranks eleventh out of one-hundred North Carolina counties in tourism, with an estimated \$349 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 resort's golf, hotel, and spa amenities draw tourists from all over the world and as a result of its exceptional quality, Pinehurst LLC was selected to host the 1999 and 2005 U.S. Men's Open Golf Championships. Also, in 2014 our area has been selected to host the first ever back to back U.S. Men's Open Golf Championship and U.S. Women's Open Golf Championship.

The Village of Pinehurst can also claim a top-notch regional health facility, First Health of the Carolinas. FirstHealth is a private, not-for-profit health care system based in Pinehurst which serves 15 counties. First Health is one of the County's largest employers, providing 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 consistently named among the Top 100 Hospitals in the country.

**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 2011.

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 IV of the system are completed bringing the total paths completed to 5 miles. The Village is currently updating the Comprehensive Long Range Plan which is expected to be completed within the next year.

In order to proactively anticipate future capital expenditures, the Village adopts a Five-Year Capital Improvements Plan each year. 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 1.5 percent for 2008. The Village also invested in bank CDs and government agency investments during the year, in accordance with the Village's Investment Policy.

**Risk Management.** The Village's risk management committee advises 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. The committee recommends various educational initiatives 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.

In addition, the Village offers its employees supplemental 401-k and a 457 defined contribution plans. Complete information on all of 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, 2008. This was the sixteenth 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, 2008

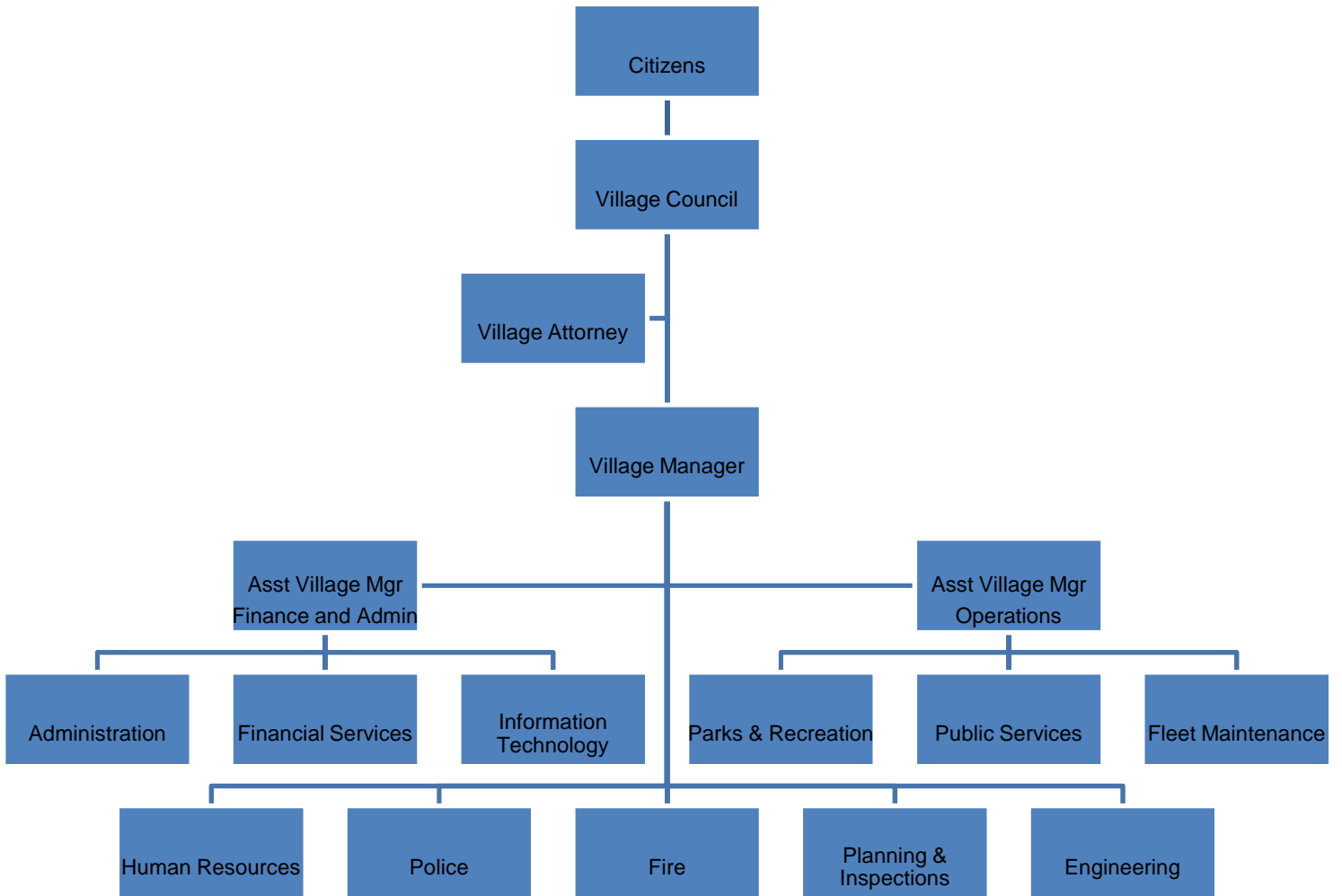
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Village of Pinehurst, North Carolina  
Organizational Chart  
June 30, 2009



**Village of Pinehurst, North Carolina  
List of Principal Officials  
June 30, 2009**

**Elected Officials**

George P. Lane	Mayor
Lorraine A. Tweed	Mayor Pro-Tem
Jeffery P. Dawson	Treasurer
Virginia F. Fallon	Council Member
Joan M. Thurman	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
Angie Kantor	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, 2009 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, 2009 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 21, 2009 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 of internal control over financial reporting and compliance and the results 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 considered in assessing 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 subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on their contents.

*Dixon Hughes PLLC*

September 21, 2009

# Village of Pinehurst Management's Discussion and Analysis June 30, 2009

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, 2009. 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.

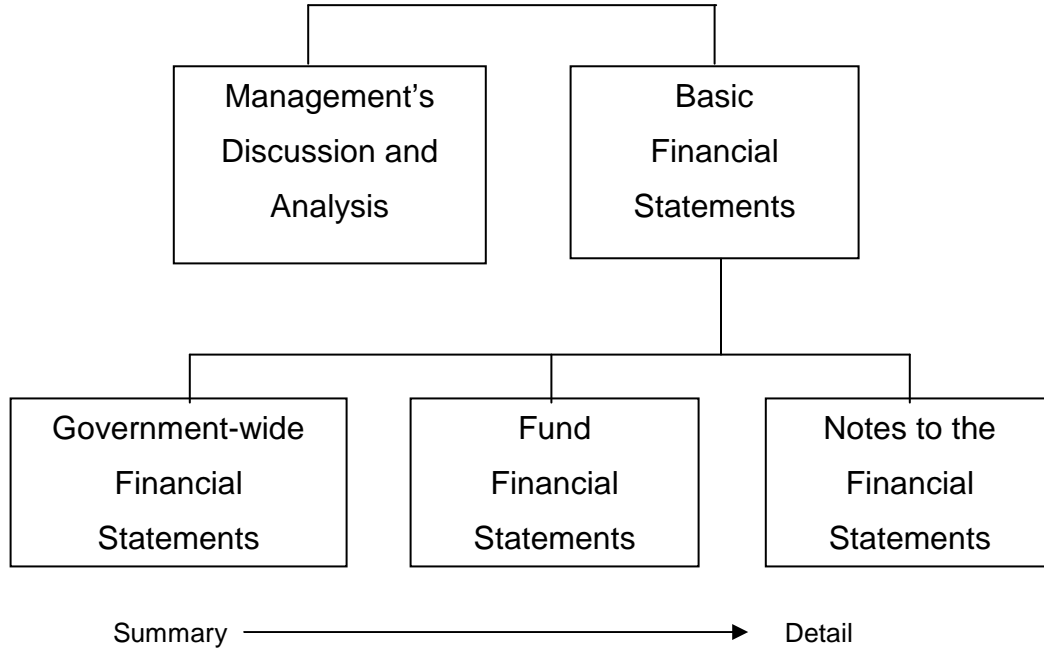
## Financial Highlights

- The assets of the Village of Pinehurst exceeded its liabilities at the close of the fiscal year by \$20,624,401 (*net assets*).
- The Village's total net assets increased by \$979,042 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 \$5,879,140 an increase of \$29,182 in comparison with the prior year. Approximately 86% of this total amount, or \$5,028,196, 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 \$4,734,552, or 36% of total general fund expenditures for the fiscal year.
- The Village of Pinehurst's total debt decreased by \$808,993 (15.3%) during the current fiscal year. The key factor in this decrease was the payment of principal balances on existing debt obligations, which totaled \$4,487,481 at the 2009 fiscal year end. The Village did not enter into any new debt obligations during the 2008-2009 fiscal year.
- The Village of Pinehurst maintained its credit rating from the North Carolina Municipal Council of 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, 2009.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$127,863, which is equivalent to a return of approximately 1.9% on the average amount of cash and cash equivalents during the year. At fiscal year end, 12.4% of the Village's cash and investments were held in insured or collateralized depository accounts and 87.6% were invested in the North Carolina Capital Management Trust, a SEC-registered (2a7) money market mutual fund.
- The Village has received the Certificate of Achievement for Excellence in Financial Reporting for 16 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2008-09 fiscal year, the Village received the Distinguished Budget Presentation Award for the second consecutive year from the Government Finance Officer's Association for its annual budget. In order to receive the budget award the Village had to adhere to nationally recognized guidelines for effective budget presentation.

## 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, 2009. The final category is the component unit. The Village does not have any component units as of June 30, 2009.

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 23-42 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 43 of this report.

**Government-Wide Financial Analysis**

This is the sixth 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.

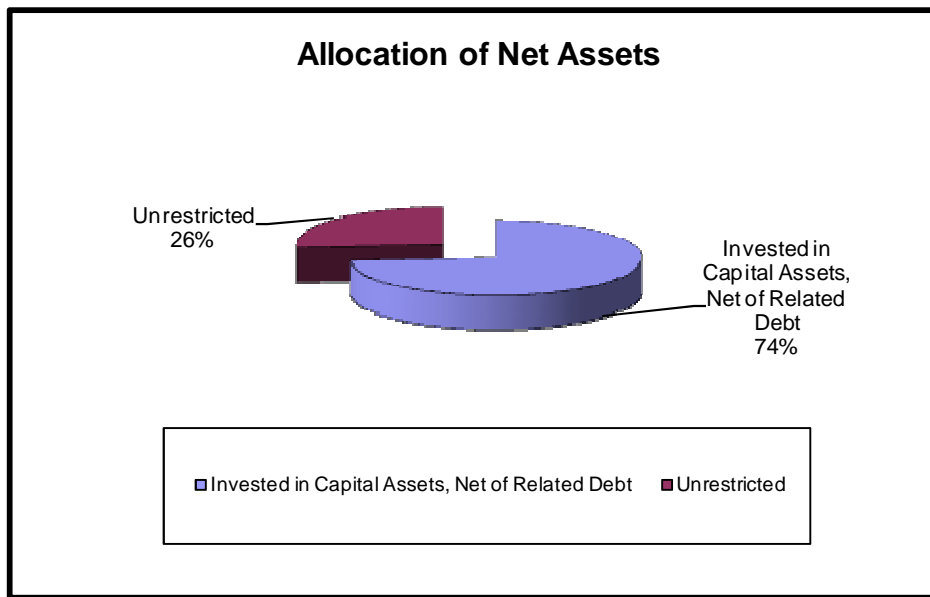
**Net Assets**

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

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

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
Current and other assets	\$ 6,879,939	\$ 6,709,555
Capital assets	19,703,535	19,491,382
Total assets	<u>26,583,474</u>	<u>26,200,937</u>
Long-term liabilities outstanding	5,140,121	5,907,808
Other liabilities	818,952	647,770
Total Liabilities	<u>5,959,073</u>	<u>6,555,578</u>
Net assets:		
Invested in capital assets, net of related debt	15,216,054	14,194,908
Unrestricted	5,408,347	5,450,451
Total Net Assets	<u>\$ 20,624,401</u>	<u>\$ 19,645,359</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 \$20,624,401 as of June 30, 2009. The Village's net assets increased by \$979,042 for the fiscal year ended June 30, 2009. However, the largest portion, \$15,216,054, 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. The Village of Pinehurst's remaining net assets of \$5,408,347 are unrestricted.



### Governmental Activities

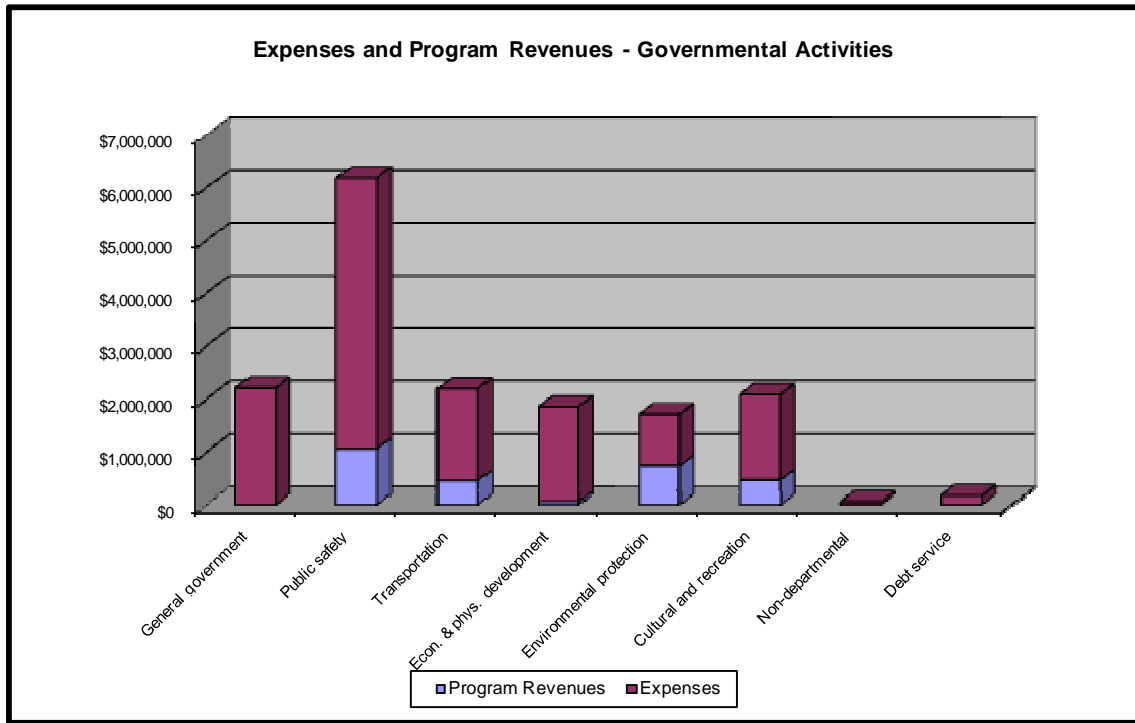
Governmental activities increased the Village's net assets by \$979,042, thereby accounting for 100% of the total growth in the net assets of the Village of Pinehurst.

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

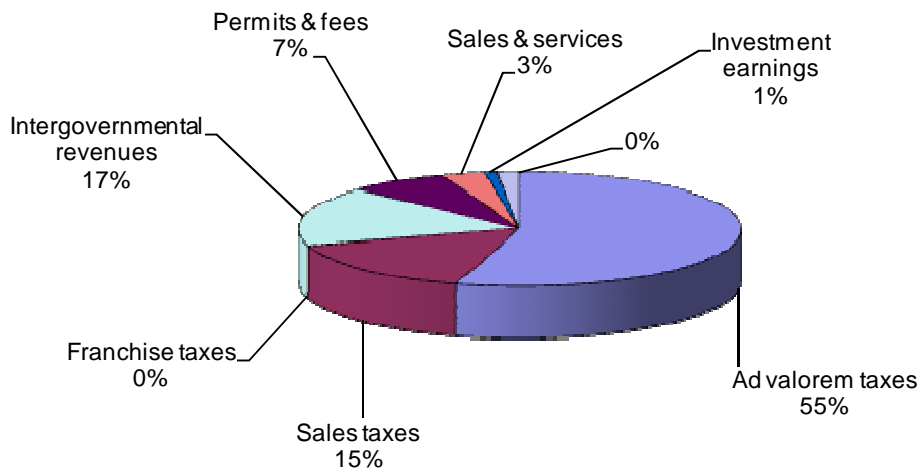
- Property tax revenue increased approximately \$125,000 over the prior year due to modest growth in new home construction in the Village.
- Investment earnings decreased approximately \$156,000 compared to the prior year due to lower interest rates and general market conditions.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.84%, which is comparable to the statewide average of 97.64%.
- Operating grants and contributions increased \$611,000 or 91% primarily due to grants received for environmental protection.
- Expenses net of program revenues decreased by \$102,000, or 1%, as management cut back in response to declining revenue growth.
- Principal payments of \$809,000 reduced long term obligations.

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

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,511,606	\$ 1,468,302
Operating grants and contributions	1,281,966	670,345
Capital grants and contributions	15,987	44,592
General revenues:		
Property taxes	7,907,961	7,782,933
Sales taxes	2,241,517	2,557,685
Franchise taxes	38,073	33,628
Grants and contributions not restricted to specific programs	1,126,002	904,898
Other	575,696	458,395
Total revenues	<u>14,698,808</u>	<u>13,920,778</u>
Expenses:		
General government	2,210,111	2,410,048
Public safety	5,135,875	5,059,957
Transportation	1,741,237	1,954,325
Economic & physical development	1,794,712	1,119,970
Environmental protection	972,257	945,601
Culture and recreation	1,620,439	1,443,256
Non-departmental	62,907	48,615
Interest on long-term debt	182,228	212,761
Total expenses	<u>13,719,766</u>	<u>13,194,533</u>
Increase in net assets	979,042	726,245
Net assets, July 1	19,645,359	18,886,207
Prior period adjustment	<u>-</u>	<u>32,907</u>
Net assets, June 30	<u>\$ 20,624,401</u>	<u>\$ 19,645,359</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.

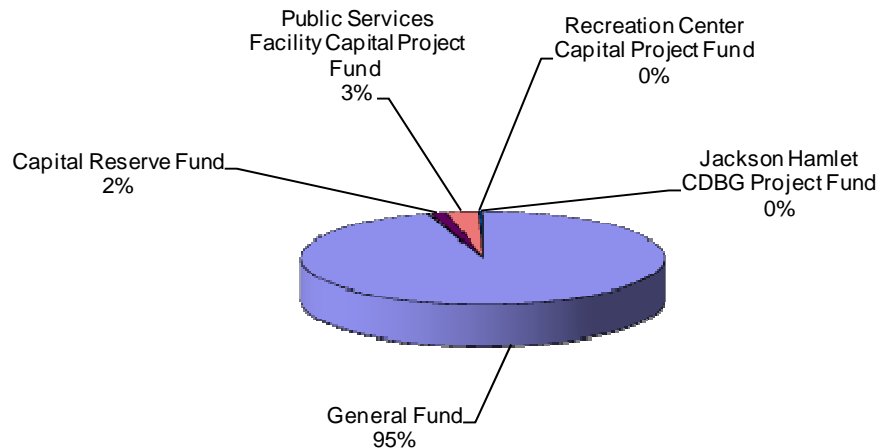
### Governmental Funds

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 \$4,734,552, while total fund balance reached \$5,585,496. 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 35.5% of total General Fund expenditures, while total fund balance represents 41.9% of that same amount.

At June 30, 2009, the governmental funds of the Village of Pinehurst reported a combined fund balance of \$5,879,140, less than a 0.05% increase over last year. This increase can be attributed to the increase in fund balance in the General Fund discussed below.

### 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 fell below the originally budgeted operating revenue estimates by 2.4%. The primary revenues that fell below estimated budget amounts were property tax revenues, sales tax revenues, and permits and fees revenues. The decrease in property tax revenues was due to lower than expected property tax base growth caused by the slowdown new home construction. Sales tax revenues were lower than expected due to the general economic downturn statewide. Also starting in October 2008 the N.C. Department of Revenue replaced one-half of the Article 44 quarter cent sales tax with a hold harmless reimbursement as a component of Medicaid relief for counties. This tradeoff effectively decreased sales taxes revenues and increased unrestricted intergovernmental revenues for the Village. Permits and fees revenues were also lower than expected due to the sharp decline in new home construction and development throughout the Village.

Total expenditures were 12.4% 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 of \$359,000 and, (2) salaries and benefits due to employee turnover and unfilled budgeted positions totaling \$340,000. Capital expenditures in the General Fund were \$592,000 lower than originally budgeted primarily due to a fire truck that was ordered but not received during the fiscal year. Some items have been re-appropriated in fiscal year 2009-10 while other items just came in below budget.

As a result of the variances in revenues and expenditures outlined above, the General Fund at June 30, 2009 added \$256,536 to fund balance as a result of operations. At June 30, 2009, the General Fund reported fund balance of \$5,585,496, a 4.8% increase over last year.

## **Capital Asset and Debt Administration**

### **Capital assets**

The Village of Pinehurst's investment in capital assets for its governmental activities as of June 30, 2009 totals \$19,703,535 (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 an automated solid waste collection truck for \$104,000
- Purchase of a dump truck for Streets and Grounds for \$69,000
- Upgrade of Police Dispatch system of \$50,000
- Storm drainage projects totaling \$159,000
- Park improvements in the amount of \$208,000
- Greenway trail construction in the amount of \$52,000
- Purchase of four patrol cars for the Police Department in the amount of \$131,000
- Fair Barn and Harness Track roadway improvements totaling \$140,000

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

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
Land	\$ 4,830,391	\$ 4,798,381
Buildings and Improvements	9,930,740	10,235,406
Furniture and Equipment	325,885	323,923
Vehicles	1,789,177	1,781,064
Infrastructure	1,852,189	1,678,823
Construction in Progress	975,153	673,785
<b>Total</b>	<b>\$ 19,703,535</b>	<b>\$ 19,491,382</b>

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

**Long-term Debt**

As of June 30, 2009, the Village of Pinehurst had installment purchase agreement debt outstanding of \$4,487,481. All long term debt of the Village is installment purchase agreements that are collateralized by the assets that are financed.

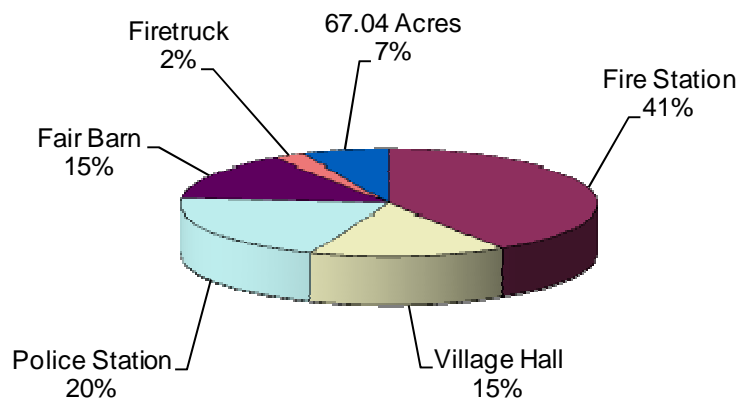
**Village of Pinehurst's Outstanding Debt  
Figure 5**

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
Village Hall	\$ 681,235	\$ 937,296
Police Station	911,567	1,151,188
Fire Station	1,833,334	2,000,000
Fair Barn	650,000	700,000
Taylorhurst	-	22,418
Firetruck	111,346	152,239
67.04 Acres	299,999	333,333
<b>Total</b>	<b>\$ 4,487,481</b>	<b>\$ 5,296,474</b>

The Village of Pinehurst's total debt decreased by \$808,993 (15.3%) during fiscal year 2009, due to the payment of principal balances on existing debt obligations. The Village did not issue any new debt in 2009.

The Village plans to issue an additional \$500,000 in long term debt in the 2009-2010 fiscal year to purchase a replacement fire truck.

## 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 \$221,697,647. The Village has no bonds authorized or issued at June 30, 2009.

Additional information regarding the Village of Pinehurst's long-term debt can be found in Note 4 beginning on page 39 of this report.

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

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

- Higher unemployment. The Village of Pinehurst's unemployment rate of 10.2% at June 30, 2009 is well above historical levels but below the State rate of 11%.
- Slowing growth in new construction and in the number of new residents. The Village added approximately 56 new homes last year within the Village limits and its extraterritorial jurisdiction. This is a decrease of 56% compared to the previous fiscal year and is following national trends.
- Scheduled to host back to back Men's US Open and Women's U.S. Open golf championships in 2014 – for the first time in history.
- Continued development and expansion of the local regional medical facility.

## Budget Highlights for the Fiscal Year Ending June 30, 2010

### Governmental Activities

Revenues of the Village are expected to decline by 2.5% for FY 2010. This is due to recessionary pressures at the national, state, and local levels. Property tax revenues are expected to grow at less than 1% due to the continued decline in new home construction and development in the Village. Sales tax revenues are expected to decline slightly as we enter into the final phase of the current recession. For the 2009-10 fiscal year the Village maintained the current ad valorem tax rate of \$0.28 per \$100 valuation.

Budgeted operating expenditures in the General Fund are expected to decline 1.6% to \$15,007,067. The reductions are spread evenly across all sectors of the budget. Major initiatives of the recommended budget include, guiding and managing residential and business development, conserving and protecting our natural resources, focusing on storm water issues, expanding the automated trash collection system, and improving the Village's transportation system.



The Village adopted an ordinance to annex the Pinewild Country Club of Pinehurst effective June 30, 2008. Pinewild is a 1,683 acre gated community that contains approximately 800 homes. Lawsuits in both federal and state courts opposing the annexation have been filed delaying the effective date of the annexation until the appeal process is exhausted, which is expected to be around December 31, 2009. Although, the FY 2010 budget does not include any revenues related to the annexation, expenditure appropriations were made to ensure the Village is ready to provide services to this area as soon as legally allowable.

The budget recommends the addition of two new Police Officers at mid-year to service the Pinewild area. Also, the Village eliminated a Building Inspector position due to reduced construction activity and added a Buildings & Grounds Maintenance Technician position.

Capital outlays of \$1,201,800 are included in the recommended budget. Some of the more notable items include, Police patrol vehicle replacements, replacement of a 1988 fire engine, stormwater projects, a small automated solid waste vehicle, and expansion of office space in the Village Hall.

The Village is continuing to develop its results-based management process. Management continues to work with departments to develop meaningful performance measures that are strongly linked to their departmental goals and objectives as well as the overall goals of the Village.

### **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, 2009

Exhibit 1

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,811,400
Taxes receivables (net)	30,156
Special assessments receivable	187,439
Interest receivable	4,101
Other receivables	29,555
Due from other governments	775,266
Inventories	36,722
Prepaid items	5,300
Total unrestricted current assets	<u>6,879,939</u>
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	4,830,391
Construction in progress	975,153
Buildings and improvements	9,930,740
Furniture and equipment	325,885
Vehicles	1,789,177
Infrastructure	1,852,189
Total capital assets	<u>19,703,535</u>
Total assets	<u>26,583,474</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	751,316
Unearned revenue	18,522
Accrued interest payable	49,114
Long-term liabilities due within one year	<u>1,166,519</u>
Total current liabilities	1,985,471
Non-current liabilities:	
Long-term liabilities due in more than one year	<u>3,973,602</u>
Total liabilities	<u>5,959,073</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	15,216,054
Unrestricted	<u>5,408,347</u>
<b>Total net assets</b>	<u><u>\$ 20,624,401</u></u>

Village of Pinehurst, North Carolina  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

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	\$ 2,210,111	\$ -	\$ 832	\$ -	\$ (2,209,279)
Public safety	5,135,875	979,498	80,248	-	(4,076,129)
Transportation	1,741,237	9,123	444,080	-	(1,288,034)
Economic and physical	1,794,712	68,951	2,306	-	(1,723,455)
Environmental protection	972,257	-	754,437	-	(217,820)
Cultural and recreation	1,620,439	454,034	63	15,987	(1,150,355)
Non-departmental	62,907	-	-	-	(62,907)
Interest on long-term debt	182,228	-	-	-	(182,228)
Total governmental activities	<u>\$ 13,719,766</u>	<u>\$ 1,511,606</u>	<u>\$ 1,281,966</u>	<u>\$ 15,987</u>	<u>(10,910,207)</u>
General revenues:					
Ad valorem taxes					\$ 7,907,961
Sales taxes					2,241,517
Franchise taxes					38,073
Unrestricted intergovernmental					1,126,002
Investment earnings					127,863
Miscellaneous					447,833
Total general revenues					<u>11,889,249</u>
Change in net assets					979,042
Net assets-beginning					<u>19,645,359</u>
Net assets-ending					<u>\$ 20,624,401</u>

**Village of Pinehurst, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

**Exhibit 3**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Municipal Service District		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,517,756	\$ 12,116	\$ 281,528	\$ 5,811,400
Receivables, net:				
Taxes	30,154	2	-	30,156
Assessments	-	187,439	-	187,439
Interest	4,101	-	-	4,101
Other receivables	29,555	-	-	29,555
Due from other governments	775,266	-	-	775,266
Inventories	36,722	-	-	36,722
Prepaid items	5,300	-	-	5,300
Total assets	<u>\$ 6,398,854</u>	<u>\$ 199,557</u>	<u>\$ 281,528</u>	<u>\$ 6,879,939</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 331,526	\$ -	\$ -	\$ 331,526
Withholdings and accrued expenditures	330,940	-	-	330,940
Deposits	88,850	-	-	88,850
Deferred revenues	62,042	187,441	-	249,483
Total liabilities	<u>813,358</u>	<u>187,441</u>	<u>-</u>	<u>1,000,799</u>
Fund Balances:				
Reserved for:				
State statute	814,222	-	-	814,222
Inventory	36,722	-	-	36,722
Unreserved, General Fund				
Designated for subsequent year's expenditures	1,086,707	-	-	1,086,707
Undesignated	3,647,845	-	-	3,647,845
Unreserved, reported in:				
Special Revenue funds	-	12,116	94,465	106,581
Capital Projects funds	-	-	187,063	187,063
Total fund balances	<u>5,585,496</u>	<u>12,116</u>	<u>281,528</u>	<u>5,879,140</u>
Total liabilities and fund balances	<u>\$ 6,398,854</u>	<u>\$ 199,557</u>	<u>\$ 281,528</u>	

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	19,703,535
Liabilities for earned but deferred revenues in the fund statements	230,961
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>(5,189,235)</u>
Net assets of governmental activities	<u>\$ 20,624,401</u>

Village of Pinehurst, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009

Exhibit 4

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Municipal Service District		
<b>REVENUES</b>				
Ad valorem taxes	\$ 7,905,067	\$ 4,150	\$ -	\$ 7,909,217
Sales taxes	2,241,517	-	-	2,241,517
Franchise taxes	38,073	-	-	38,073
Unrestricted intergovernmental	1,126,002	-	-	1,126,002
Restricted intergovernmental	521,745	-	750,605	1,272,350
Permits and fees	1,059,147	-	-	1,059,147
Sales and services	453,201	-	-	453,201
Investment earnings	125,472	331	11,676	137,479
Assessment income	-	15,620	23,079	38,699
Miscellaneous	183,443	-	15,987	199,430
Total revenues	<u>13,653,667</u>	<u>20,101</u>	<u>801,347</u>	<u>14,475,115</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,827,508	-	-	1,827,508
Public safety	4,829,228	-	-	4,829,228
Transportation	1,727,241	-	-	1,727,241
Economic and physical development	1,111,691	-	779,591	1,891,282
Environmental protection	969,692	5,075	-	974,767
Cultural and recreation	1,802,697	-	-	1,802,697
Non-departmental	62,907	-	-	62,907
Debt service:				
Principal	808,993	-	-	808,993
Interest and other charges	191,418	-	-	191,418
Capital outlay	-	-	329,892	329,892
Total expenditures	<u>13,331,375</u>	<u>5,075</u>	<u>1,109,483</u>	<u>14,445,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>322,292</u>	<u>15,026</u>	<u>(308,136)</u>	<u>29,182</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(430,900)	(15,620)	(628,024)	(1,074,544)
Transfers from other funds	365,144	-	709,400	1,074,544
Total other financing sources (uses)	<u>(65,756)</u>	<u>(15,620)</u>	<u>81,376</u>	<u>-</u>
Net change in fund balance	256,536	(594)	(226,760)	29,182
Fund balances, beginning	<u>5,328,960</u>	<u>12,710</u>	<u>508,288</u>	<u>5,849,958</u>
Fund balances, ending	<u>\$ 5,585,496</u>	<u>\$ 12,116</u>	<u>\$ 281,528</u>	<u>\$ 5,879,140</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, 2009**

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**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 29,182
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	80,540
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	131,613
Revenues in the statement of activities that are not reported as revenues in the fund statements.	(39,170)
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.	808,993
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>(32,116)</u>
Total changes in net assets of governmental activities	<u>\$ 979,042</u>

**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, 2009**

**Exhibit 6**  
**Page 2 of 2**

	Municipal Service District			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,083	\$ 4,083	\$ 4,150	\$ 67
Assessment income	16,372	16,372	15,620	(752)
Investment earnings	250	250	331	81
Total revenues	<u>20,705</u>	<u>20,705</u>	<u>20,101</u>	<u>(604)</u>
<b>Expenditures:</b>				
Operating expenditures	<u>4,333</u>	<u>6,833</u>	<u>5,075</u>	<u>1,758</u>
Excess of revenues over (under) expenditures	<u>16,372</u>	<u>13,872</u>	<u>15,026</u>	<u>1,154</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	<u>(16,372)</u>	<u>(16,372)</u>	<u>(15,620)</u>	<u>752</u>
Fund balance appropriated	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(594)</u>	<u>\$ (594)</u>
Fund balances, beginning			<u>12,710</u>	
Fund balances, ending			<u>\$ 12,116</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, 2009

Exhibit 6  
Page 1 of 2

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 8,014,300	\$ 7,916,300	\$ 7,905,067	\$ (11,233)
Sales taxes	2,610,000	2,570,000	2,241,517	(328,483)
Franchise taxes	35,000	35,000	38,073	3,073
Unrestricted intergovernmental	882,600	912,600	1,126,002	213,402
Restricted intergovernmental	508,000	505,737	521,745	16,008
Permits and fees	1,252,220	1,002,220	1,059,147	56,927
Sales and services	382,300	382,300	453,201	70,901
Investment earnings	176,900	110,900	110,900	14,572
Miscellaneous	130,824	152,698	183,443	30,745
Total revenues	<u>13,992,144</u>	<u>13,587,755</u>	<u>13,653,667</u>	<u>65,912</u>
<b>Expenditures:</b>				
Current:				
General government	2,053,900	1,966,410	1,827,508	138,902
Public safety	5,792,190	5,604,268	4,829,228	775,040
Transportation	2,106,810	2,033,475	1,727,241	306,234
Economic & physical development	989,350	1,414,382	1,111,691	302,691
Environmental protection	1,472,295	1,004,927	969,692	35,235
Cultural and recreation	1,692,765	1,898,268	1,802,697	95,571
Contingency	50,000	15,225	-	15,225
Non-departmental	60,000	70,000	62,907	7,093
Debt service:				
Principal retirement	808,990	808,990	808,993	(3)
Interest and fees	194,364	194,364	191,418	2,946
Total expenditures	<u>15,220,664</u>	<u>15,010,309</u>	<u>13,331,375</u>	<u>1,678,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,228,520)</u>	<u>(1,422,554)</u>	<u>322,292</u>	<u>1,744,846</u>
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	500,000	500,000	-	(500,000)
Transfers to other funds	(350,000)	(430,900)	(430,900)	-
Transfers from other funds	325,848	371,554	365,144	(6,410)
Total other financing sources (uses)	<u>475,848</u>	<u>440,654</u>	<u>(65,756)</u>	<u>(506,410)</u>
Fund balance appropriated	<u>752,672</u>	<u>981,900</u>	<u>-</u>	<u>(981,900)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>256,536</u>	<u>\$ 256,536</u>
Fund balances, beginning			<u>5,328,960</u>	
Fund balances, ending			<u>\$ 5,585,496</u>	



Village of Pinehurst, North Carolina  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2009

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Exhibit 7

	Residential Assurance Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 50,000
<b>LIABILITIES</b>	
Builder deposits	<u>50,000</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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, 2009, 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, 2009, 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, 2009**

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**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 *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, 2009.

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, 2009**

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**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.

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

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

The Village considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and offset by deferred revenues.

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.

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

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Budgetary Data (Continued)

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 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).

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.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

1. Deposits and Investments (Continued)

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. 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, 2008.

4. Allowances for Doubtful Accounts

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

5. Inventory and Prepaid Items

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

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

6. Capital Assets

Capital assets are defined by the government as 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

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

7. 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.

8. Compensated Absences

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

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

9. Net Assets/Fund Balances

Net Assets

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.

Fund Balances

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:

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

9. Net Assets/Fund Balances (Continued)

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.

Unreserved

*Designated for subsequent year's expenditures* - portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

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

**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 \$19,703,535 difference are as follows:

Capital assets	\$ 30,392,566
Accumulated depreciation	<u>(10,689,031)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 19,703,535</u>

Another element of the reconciliation states that “Liabilities for earned but deferred revenues in fund statements.” The details of this \$230,961 difference are as follows:

Taxes receivable	\$ 30,156
Others receivable	13,366
Assessments receivable	<u>187,439</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 230,961</u>



**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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 \$5,189,235 difference are as follows:

Accrued interest payable	\$ (49,114)
Compensated absences payable	(508,818)
Net pension obligation	(143,822)
Installment purchases payable	<u>(4,487,481)</u>
 Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	 <u>\$ (5,189,235)</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 \$80,540 difference are as follows:

Capital outlay	\$ 1,408,704
Depreciation expense	<u>(1,328,164)</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>\$ 80,540</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 \$131,613 difference are as follows:

Donations of capital assets (received)	\$ 272,752
Donations of capital assets (given)	(131,250)
Proceeds from sale of assets	(28,699)
Gain on disposal of assets	28,683
Loss on disposal of assets	<u>(9,873)</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>\$ 131,613</u>

Village of Pinehurst, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009

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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 statement of activities that are not reported as revenues in the fund statements." The details of this \$39,170 difference are as follows:

Special assessment payments	\$ (40,576)
Change in deferred other revenue	2,662
Change in deferred tax revenue	<u>(1,256)</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>(39,170)</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 \$808,993 difference are as follows:

Principal payments	\$ <u>808,993</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>808,993</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 \$32,116 difference are as follows:

Compensated absences	\$ (49,924)
Accrued interest payable	9,190
Pension obligation	<u>8,618</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>(32,116)</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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, 2009 the Village's deposits had a carrying amount of \$727,193. The cash balance in the bank at June 30, 2009 totaled \$836,439. Of the bank balance, \$500,000 was covered by federal depository insurance and \$336,439 was covered by collateral held under the Pooling Method. At June 30, 2009, the Village's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2009, the Village's investment balances were as follows:

INVESTMENT TYPE	FAIR VALUE	MATURITY	RATING
NC Capital Management Trust – Cash Portfolio	\$5,133,207	N/A	AAAm
Total:	\$5,133,207		

*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, 2009.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**4. DETAIL NOTES ON ALL FUNDS (Continued)**

**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	\$ 30,154	\$ 2	\$ -	\$ 30,156
Accounts	29,555	-	-	29,555
Special assessments	-	187,439	-	187,439
Interest	4,101	-	-	4,101
Intergovernmental	<u>775,266</u>	<u>-</u>	<u>-</u>	<u>775,266</u>
Gross receivables	839,076	187,441	-	1,026,517
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 839,076</u>	<u>\$ 187,441</u>	<u>\$ -</u>	<u>\$ 1,026,517</u>

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2009, 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	\$ 4,798,381	\$ 163,260	\$ (131,250)	\$ 4,830,391
Construction in progress	<u>673,785</u>	<u>329,892</u>	<u>(28,524)</u>	<u>975,153</u>
Total capital assets not being depreciated	<u>5,472,166</u>	<u>493,152</u>	<u>(159,774)</u>	<u>5,805,544</u>
Capital assets being depreciated:				
Buildings and improvements	15,756,949	498,877	(4,991)	16,250,835
Furniture and equipment	1,959,406	121,525	(6,345)	2,074,586
Vehicles	4,238,557	370,607	(360,932)	4,248,232
Infrastructure	<u>1,792,431</u>	<u>220,938</u>	<u>-</u>	<u>2,013,369</u>
Total	<u>23,747,343</u>	<u>1,211,947</u>	<u>(372,268)</u>	<u>24,587,022</u>
Less accumulated depreciation for:				
Buildings and improvements	5,521,543	798,553	-	6,320,095
Furniture and equipment	1,635,483	119,564	(6,345)	1,748,701
Vehicles	2,457,493	362,475	(360,915)	2,459,055
Infrastructure	<u>113,608</u>	<u>47,572</u>	<u>-</u>	<u>161,180</u>
Total	<u>9,728,127</u>	<u>1,328,164</u>	<u>(367,260)</u>	<u>10,689,031</u>
Total capital assets being depreciated, net	<u>14,019,216</u>	<u>(116,217)</u>	<u>(5,008)</u>	<u>13,897,991</u>
Governmental activity capital assets, net	<u>\$ 19,491,382</u>	<u>\$ (376,935)</u>	<u>\$ (164,782)</u>	<u>\$ 19,703,535</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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	\$ 268,597
Public safety	526,751
Transportation	104,192
Economic & physical development	58,168
Environmental protection	98,267
Cultural and recreation	<u>272,189</u>
 Total depreciation expense	 <u>\$1,328,164</u>
Construction commitments	

The Village has active construction projects as of June 30, 2009. At year-end, the Village's commitments with contractors are as follows:

<u>Project</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Traffic study	\$ -	\$ 7,100
Comprehensive Plan	61,801	92,215
Hydrogeology Report	-	80,300

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, 2009**

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**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 4.9% and 4.86%, 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, 2009, 2008, and 2007 were \$271,640, \$263,502, and \$242,537, 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, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>26</u>
Total	<u>28</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.

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, 2008 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

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**4. DETAIL NOTES ON ALL FUNDS (Continued)**

b. Law Enforcement Officers Special Separation Allowance (Continued)

Contributions(continued)

(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, 2008 was 22 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	\$ 33,386
Interest on net pension obligation	11,052
Adjustment to annual required contribution	<u>(9,320)</u>
Annual pension cost	35,118
Contributions made	<u>43,736</u>
Increase (decrease) in net pension obligation	(8,618)
Net pension obligation beginning of year	<u>152,440</u>
 Net pension obligation end of year	 <u>\$ 143,822</u>

Three Year Trend Information

<u>For Year Ended</u> <u>June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2007	\$ 30,761	58.70%	\$ 134,448
2008	32,235	44.18%	152,440
2009	35,118	124.54%	143,822

Funded Status and Funding Progress - As of December 31 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$372,335. The covered payroll (annual payroll of active employees covered by the plan) was \$1,125,699, and the ratio of the UAAL to the covered payroll was 33.08 percent.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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, 2009 were \$72,142, which consisted of \$56,744 from the Village and \$15,398 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, 2009 were \$349,021, which consisted of \$222,591 from the Village and \$126,430 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 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, 2009**

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**4. DETAIL NOTES ON ALL FUNDS (Continued)**

f. Other 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 \$50,000 with a minimum of \$25,000. 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, 2009, the Village made contributions to the State for death benefits of \$6,005. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% 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)	\$ -	\$ 18,522
Taxes receivable (General Fund)	30,156	-
Others receivable (General Fund)	13,366	-
Special assessments receivable: (Municipal Service District Fund)	187,439	-
Total	<u>\$ 230,961</u>	<u>\$ 18,522</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 (\$17,187,485), 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, 2009**

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**4. DETAIL NOTES ON ALL FUNDS (Continued)**

3. Risk Management (continued)

The Village of Pinehurst participates in the Inter-local Risk Financing Fund of North Carolina managed by the North Carolina League of Municipalities. As the Village has no facilities within a FEMA recognized flood zone, we have elected not carry additional flood insurance coverage.

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

4. Claims, Judgments and Contingent Liabilities

At June 30, 2009, 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, 2009:

\$500,000 land installment purchase dated 4/7/03 due in 30 semi-annual payments consisting of fixed principal of \$16,667 plus interest at 3.98% through April 2018; collateralized by land	\$ 299,999
\$2,500,000 building installment purchase dated 3/14/05 due in 30 semi-annual installments consisting of fixed principal of \$83,334 plus interest at 3.44% through March 2020; collateralized by building	1,833,334
\$4,000,000 building installment purchase originally dated 9/17/96 refinanced in 16 semi-annual installments of \$143,629 through September 2011; interest at 3.57%; collateralized by building	681,235
\$3,800,000 building installment purchase originally dated 5/20/97 refinanced in 18 semi-annual installments of \$140,064 through September 2012; interest at 3.71%; collateralized by building	911,567
\$374,731 vehicle installment purchase dated 8/16/01 due in 20 semi-annual installments of \$23,936 through August 2011; interest at 4.91%; collateralized by fire truck	111,346
\$1,000,000 building installment purchase dated 3/11/02 due in 40 semi-annual payments consisting of fixed principal of \$25,000 plus interest at 4.60% through March 2022; collateralized by building	<u>650,000</u>
	<u>\$ 4,487,481</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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>
2010	\$ 806,801	\$ 161,021
2011	827,800	130,664
2012	682,031	99,509
2013	387,512	77,037
2014	249,998	65,127
2015-2019	1,216,666	185,565
2020-2024	<u>316,673</u>	<u>16,375</u>
	<u>\$ 4,487,481</u>	<u>\$ 735,298</u>

At June 30, 2009, the Village of Pinehurst had authorized, but unissued bonds of \$16,000,000, and had a legal debt margin of \$221,697,647.

b. Changes in Long-Term Liabilities

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$ 5,296,474	\$ -	\$ (808,993)	\$ 4,487,481	\$ 806,801
Compensated absences	458,894	374,347	(324,423)	508,818	359,718
Net pension obligation	<u>152,440</u>	<u>-</u>	<u>(8,618)</u>	<u>143,822</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 5,907,808</u>	<u>\$ 325,935</u>	<u>\$ (1,093,622)</u>	<u>\$ 5,140,121</u>	<u>\$ 1,166,519</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, 2009.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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, 2009, consist of the following:

From the General Fund to the Capital Reserve Fund for future capital expenditures	\$ 430,900
From the Municipal Service District Fund to the General Fund for capital expenditures	15,620
From the Land Dedication Fund to the General Fund for capital expenditures	21,900
From the Taylorhurst Assessment Fund to the General Fund for installment purchase agreement payment	44,104
From the Capital Reserve Fund to the Public Services Facility Fund for capital expenditures	270,000
From the Capital Reserve Fund to the Jackson Hamlet CDBG Fund for operating expenditures	8,500
From the Capital Reserve Fund to the General Fund for capital expenditures	<u>283,520</u>
Total transfers	<u>\$ 1,074,544</u>

Transfers are used to move unrestricted revenues to finance various programs that the Village must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During the 2009 fiscal year, \$350,000 was transferred from the General Fund to the Capital Reserve Fund in accordance with the Village's policy of funding the Capital Reserve Fund annually with 75% of the Article 44 Local Option Sales Tax. Also \$80,900 in excess fund balance was transferred from the General Fund to the Capital Reserve Fund in accordance with the Village's Fund Balance Policy. Subsequently \$283,520 was transferred from the Capital Reserve Fund to the General Fund for capital expenditures. An additional \$270,000 was transferred from the Capital Reserve Fund to the Public Services Facility Fund for design services. The Village also made a one-time transfer from the Land Dedication Fund to the General Fund of \$21,900 for park improvements and transferred \$44,104 to the General Fund upon the closing of the Taylorhurst Assessment Fund.

D. On Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2009, the Village of Pinehurst has recognized on behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$816 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.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**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. JOINT VENTURES**

The Village and the members of the Village's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. These distributions are used to assist fire fighters in various ways. The local board of the Firemen's Relief Fund received a distribution of \$20,133 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2009. The Village obtains an ongoing financial benefit from the Fund for the benefits provided to members of the Village's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2009. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

## **Required Supplementary Information**

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This section contains additional information required by generally accepted accounting 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%
12/31/07	-	274,898	274,898	0.00%	1,105,732	24.86%
12/31/08	-	372,335	372,335	0.00%	1,125,699	33.08%

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

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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%
2008	30,750	46.32%
2009	33,386	131.00%

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**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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 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**

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

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, 2009**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008**

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 7,913,800	\$ 7,893,813	\$ (19,987)	\$ 7,770,081
Penalties and interest	2,500	11,254	8,754	10,402
Total	<u>7,916,300</u>	<u>7,905,067</u>	<u>(11,233)</u>	<u>7,780,483</u>
Other taxes:				
Local option sales tax	2,570,000	2,241,517	(328,483)	2,557,685
Franchise fees-Cablevision	35,000	38,073	3,073	33,628
Total	<u>2,605,000</u>	<u>2,279,590</u>	<u>(325,410)</u>	<u>2,591,313</u>
Unrestricted intergovernmental:				
Telecommunications sales tax	132,000	154,094	22,094	132,722
Utilities franchise tax	483,000	508,711	25,711	475,929
Video programming	248,000	267,941	19,941	244,121
Hold harmless reimbursements	-	143,017	143,017	-
Wine & beer tax	49,600	52,239	2,639	52,126
Total	<u>912,600</u>	<u>1,126,002</u>	<u>213,402</u>	<u>904,898</u>
Restricted intergovernmental:				
Powell Bill allocation	437,200	437,164	(36)	481,688
Controlled substance tax	637	929	292	155
Highway safety grant	67,900	75,124	7,224	89,311
Other grants	-	4,211	4,211	52,337
Solid waste disposal tax	-	3,501	3,501	-
On-behalf of payments - Fire and Rescue	-	816	816	770
Total	<u>505,737</u>	<u>521,745</u>	<u>16,008</u>	<u>624,261</u>
Permits and fees:				
Building permits and inspection fees	310,000	375,043	65,043	320,128
Planning and zoning fees	45,000	43,081	(1,919)	58,613
Fire district	610,000	603,484	(6,516)	581,500
Other permits and fees	37,220	37,539	319	110,910
Total	<u>1,002,220</u>	<u>1,059,147</u>	<u>56,927</u>	<u>1,071,151</u>
Sales and services:				
Rents, concessions and fees	341,300	380,869	39,569	364,376
Recreation fees	41,000	72,332	31,332	36,043
Total	<u>382,300</u>	<u>453,201</u>	<u>70,901</u>	<u>400,419</u>
Investment earnings:				
Investment income	<u>110,900</u>	<u>125,472</u>	<u>14,572</u>	<u>288,229</u>
Miscellaneous:				
ABC revenue	101,600	85,252	(16,348)	96,847
Donations	5,399	11,018	5,619	9,209
Other revenues	45,699	87,173	41,474	44,518
Total	<u>152,698</u>	<u>183,443</u>	<u>30,745</u>	<u>150,574</u>
<b>Total revenues</b>	<u>13,587,755</u>	<u>13,653,667</u>	<u>65,912</u>	<u>13,811,328</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, 2009**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008**

	2009		Variance Positive (Negative)	2008
	Budget	Actual		
<b>Expenditures:</b>				
General government:				
Governing body:				
Operating expenditures	\$ 298,373	\$ 273,861	\$ 24,512	\$ 544,113
Capital outlay	8,010	8,010	-	-
Total	<u>306,383</u>	<u>281,871</u>	<u>24,512</u>	<u>544,113</u>
Administration:				
Operating expenditures	859,193	826,785	32,408	802,111
Capital outlay	8,500	6,690	1,810	14,194
Total	<u>867,693</u>	<u>833,475</u>	<u>34,218</u>	<u>816,305</u>
Financial services:				
Operating expenditures	<u>518,392</u>	<u>496,490</u>	<u>21,902</u>	<u>563,740</u>
Human Resources:				
Operating expenditures	<u>273,942</u>	<u>215,672</u>	<u>58,270</u>	<u>241,518</u>
Total general government	<u>1,966,410</u>	<u>1,827,508</u>	<u>138,902</u>	<u>2,165,676</u>
Public safety:				
Police:				
Operating expenditures	2,477,451	2,315,786	161,665	2,306,157
Capital outlay	202,390	202,242	148	176,760
Total	<u>2,679,841</u>	<u>2,518,028</u>	<u>161,813</u>	<u>2,482,917</u>
Fire:				
Operating expenditures	2,073,171	2,001,600	71,571	1,923,471
Capital outlay	531,800	29,469	502,331	138,182
Total	<u>2,604,971</u>	<u>2,031,069</u>	<u>573,902</u>	<u>2,061,653</u>
Fire and rescue on behalf of payments	<u>-</u>	<u>816</u>	<u>(816)</u>	<u>770</u>
Inspections:				
Operating expenditures	<u>319,456</u>	<u>279,315</u>	<u>40,141</u>	<u>274,335</u>
Total public safety	<u>5,604,268</u>	<u>4,829,228</u>	<u>775,040</u>	<u>4,819,675</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, 2009  
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008**

	2009		Variance Positive (Negative)	2008
	Budget	Actual		
Transportation:				
Public services administration:				
Operating expenditures	\$ 325,377	\$ 288,613	\$ 36,764	\$ 259,691
Streets and grounds:				
Operating expenditures	867,798	746,267	121,531	744,829
Capital outlay	101,000	97,026	3,974	71,650
Total	968,798	843,293	125,505	816,479
Powell Bill:				
Operating expenditures	739,300	595,335	143,965	854,021
Total transportation	2,033,475	1,727,241	306,234	1,930,191
Economic & physical development:				
Planning:				
Operating expenditures	721,182	654,205	66,977	560,654
Capital outlay	-	-	-	17,389
Total	721,182	654,205	66,977	578,043
Engineering:				
Operating expenditures	457,897	281,438	176,459	429,790
Capital outlay	235,303	176,048	59,255	138,239
Total	693,200	457,486	235,714	568,029
Total economic & physical development	1,414,382	1,111,691	302,691	1,146,072
Environmental protection:				
Solid waste:				
Operating expenditures	901,246	866,012	35,234	857,379
Capital outlay	103,681	103,680	1	306,976
Total	1,004,927	969,692	35,235	1,164,355
Total environmental protection	1,004,927	969,692	35,235	1,164,355
Cultural and Recreation:				
Recreation:				
Operating expenditures	704,586	698,967	5,619	496,286
Capital outlay	280,950	270,199	10,751	178,023
Total	985,536	969,166	16,370	674,309
Harness Track:				
Operating expenditures	487,397	429,358	58,039	420,755
Capital outlay	131,257	117,308	13,949	32,277
Total	618,654	546,666	71,988	453,032
Fair Barn:				
Operating expenditures	235,813	228,600	7,213	242,813
Capital outlay	58,265	58,265	-	-
Total	294,078	286,865	7,213	242,813
Total cultural and recreation	1,898,268	1,802,697	95,571	1,370,154

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, 2009**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008**

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		
Contingency:				
Operating expenditures	\$ 15,225	\$ -	\$ 15,225	\$ -
Non-departmental:				
Operating expenditures	70,000	62,907	7,093	48,615
Debt service:				
Principal retirement	808,990	808,993	(3)	796,762
Interest and fees	194,364	191,418	2,946	221,947
Total	1,003,354	1,000,411	2,943	1,018,709
<b>Total expenditures</b>	<b>15,010,309</b>	<b>13,331,375</b>	<b>1,678,934</b>	<b>13,663,447</b>
Excess (deficiency) of revenues over (under) expenditures	(1,422,554)	322,292	1,744,846	147,881
<b>Other Financing Sources (Uses):</b>				
Loan Proceeds	500,000	-	(500,000)	-
Transfers to other funds:				
Special Revenue Funds	(430,900)	(430,900)	-	(340,000)
Transfers from other funds:				
Special Revenue Funds	371,554	365,144	(6,410)	427,910
<b>Total other financing sources (uses)</b>	<b>440,654</b>	<b>(65,756)</b>	<b>(506,410)</b>	<b>87,910</b>
Fund balance appropriated	981,900	-	(981,900)	-
Net change in fund balances	\$ -	256,536	\$ 256,536	235,791
Fund balances, beginning		5,328,960		4,962,534
Prior period adjustment		-		130,635
Fund balances, beginning as restated		5,328,960		5,093,169
Fund balances, ending		\$ 5,585,496		\$ 5,328,960

## **Municipal Service District Fund**

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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, 2009**  
**With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008**

**Exhibit C-1**

	2009			2008
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Ad valorem taxes	\$ 4,083	\$ 4,150	\$ 67	\$ 5,276
Assessment income	16,372	15,620	(752)	26,145
Investment earnings	250	331	81	515
Total revenues	20,705	20,101	(604)	31,936
<b>Expenditures</b>				
Operating expenditures	6,833	5,075	1,758	2,627
Excess of revenues over expenditures	13,872	15,026	1,154	29,309
<b>Other Financing Sources (Uses)</b>				
Transfer to General Fund	(16,372)	(15,620)	752	(26,145)
Fund balance appropriated	2,500	-	(2,500)	-
Net change in fund balances	\$ -	(594)	\$ (594)	3,164
Fund balances-beginning		12,710		9,546
Fund balances-ending		\$ 12,116		\$ 12,710

## Non-Major Governmental Funds

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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.

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**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.

**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.



	Special Revenue Funds				Total
	Land Dedication Fund	Residential Assurance - Interest	Taylorhurst Assessment Fund	Capital Reserve	
<b>Assets</b>					
Cash and cash equivalents	\$ 84	\$ 6,908	\$ -	\$ 87,473	\$ 94,465
Total assets	<u>\$ 84</u>	<u>\$ 6,908</u>	<u>\$ -</u>	<u>\$ 87,473</u>	<u>\$ 94,465</u>
<b>Fund balances</b>					
Unreserved:					
Designated for capital projects	\$ -	\$ -	\$ -	\$ 87,473	\$ 87,473
Undesignated	84	6,908	-	-	6,992
Total fund balances	<u>84</u>	<u>6,908</u>	<u>-</u>	<u>87,473</u>	<u>94,465</u>
Total liabilities and fund balances	<u>\$ 84</u>	<u>\$ 6,908</u>	<u>\$ -</u>	<u>\$ 87,473</u>	<u>\$ 94,465</u>

Village of Pinehurst, North Carolina  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 June 30, 2009

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		
<b>Assets</b>					
Cash and cash equivalents	\$ 163,770	\$ 16,077	\$ 7,216	\$ 187,063	\$ 281,528
Total assets	<u>\$ 163,770</u>	<u>\$ 16,077</u>	<u>\$ 7,216</u>	<u>\$ 187,063</u>	<u>\$ 281,528</u>
<b>Fund balances</b>					
Unreserved:					
Designated for capital projects	\$ 163,770	\$ 16,077	\$ 7,216	\$ 187,063	\$ 274,536
Undesignated	-	-	-	-	6,992
Total fund balances	<u>163,770</u>	<u>16,077</u>	<u>7,216</u>	<u>187,063</u>	<u>281,528</u>
Total liabilities and fund balances	<u>\$ 163,770</u>	<u>\$ 16,077</u>	<u>\$ 7,216</u>	<u>\$ 187,063</u>	<u>\$ 281,528</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, 2009**

**Exhibit D-2**  
**Page 1 of 2**

	Special Revenue Funds				Total
	Land Dedication Fund	Residential Assurance - Interest	Taylorhurst Assessment Fund	Capital Reserve	
<b>Revenues</b>					
Assessment income	\$ -	\$ -	\$ 23,079	\$ -	\$ 23,079
Investment earnings	63	2,306	134	9,173	11,676
Restricted intergovernmental	-	-	-	-	-
Other revenues	15,987	-	-	-	15,987
Total revenues	<u>16,050</u>	<u>2,306</u>	<u>23,213</u>	<u>9,173</u>	<u>50,742</u>
<b>Expenditures</b>					
Operating	-	-	-	-	-
Capital	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,050</u>	<u>2,306</u>	<u>23,213</u>	<u>9,173</u>	<u>50,742</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(21,900)	-	(44,104)	(562,020)	(628,024)
Transfers from other funds	-	-	-	430,900	430,900
Total other financing sources (uses)	<u>(21,900)</u>	<u>-</u>	<u>(44,104)</u>	<u>(131,120)</u>	<u>(197,124)</u>
Net change in fund balances	(5,850)	2,306	(20,891)	(121,947)	(146,382)
Fund balances-beginning	<u>5,934</u>	<u>4,602</u>	<u>20,891</u>	<u>209,420</u>	<u>240,847</u>
Fund balances-ending	<u>\$ 84</u>	<u>\$ 6,908</u>	<u>\$ -</u>	<u>\$ 87,473</u>	<u>\$ 94,465</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, 2009**

**Exhibit D-2**  
**Page 2 of 2**

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Public Services Facility	Recreation Center	Jackson Hamlet CDBG	Total	
<b>Revenues</b>					
Assessment income	\$ -	\$ -	\$ -	\$ -	\$ 23,079
Investment earnings	-	-	-	-	11,676
Restricted intergovernmental	-	-	750,605	750,605	750,605
Other revenues	-	-	-	-	15,987
Total revenues	<u>-</u>	<u>-</u>	<u>750,605</u>	<u>750,605</u>	<u>801,347</u>
<b>Expenditures</b>					
Operating	-	-	779,591	779,591	779,591
Capital	329,892	-	-	329,892	329,892
Total expenditures	<u>329,892</u>	<u>-</u>	<u>779,591</u>	<u>1,109,483</u>	<u>1,109,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(329,892)</u>	<u>-</u>	<u>(28,986)</u>	<u>(358,878)</u>	<u>(308,136)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	-	-	-	-	(628,024)
Transfers from other funds	270,000	-	8,500	278,500	709,400
Total other financing sources (uses)	<u>270,000</u>	<u>-</u>	<u>8,500</u>	<u>278,500</u>	<u>81,376</u>
Net change in fund balances	(59,892)	-	(20,486)	(80,378)	(226,760)
Fund balances-beginning	<u>223,662</u>	<u>16,077</u>	<u>27,702</u>	<u>267,441</u>	<u>508,288</u>
Fund balances-ending	<u>\$ 163,770</u>	<u>\$ 16,077</u>	<u>\$ 7,216</u>	<u>\$ 187,063</u>	<u>\$ 281,528</u>

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, 2009  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008

Exhibit D-3

	2009				2008
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
Other revenues	\$ -	\$ 15,900	\$ 15,987	\$ 87	\$ -
Investment earnings	150	150	63	(87)	242
Total revenues	150	16,050	16,050	-	242
<b>Expenditures</b>					
Operating	150	150	-	150	-
Excess of revenues over expenditures	-	15,900	16,050	150	242
<b>Other Financing Sources (Uses)</b>					
Transfer to General Fund	-	(21,900)	(21,900)	-	-
Fund balance appropriated	-	6,000	-	(6,000)	
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(5,850)	<u>\$ (5,850)</u>	242
Fund balances-beginning			5,934		5,692
Fund balances-ending			<u>\$ 84</u>		<u>\$ 5,934</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, 2009  
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008

Exhibit D-4

	2009				2008
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
Investment earnings	\$ 3,000	\$ 3,000	\$ 2,306	\$ (694)	\$ 6,734
<b>Expenditures</b>					
Operating	3,000	3,000	-	3,000	-
Excess of revenues over expenditures	-	-	2,306	2,306	6,734
<b>Other Financing Sources (Uses)</b>					
Transfer to General Fund	-	-	-	-	(20,000)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	2,306	<u>\$ 2,306</u>	(13,266)
Fund balances-beginning			4,602		17,868
Fund balances-ending			<u>\$ 6,908</u>		<u>\$ 4,602</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, 2009  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008

Exhibit D-5

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		
	Original	Final			
<b>Revenues</b>					
Assessment income	\$ 24,956	\$ 24,956	\$ 23,079	\$ (1,877)	\$ 30,091
Investment earnings	1,000	1,000	134	(866)	917
Total revenues	25,956	25,956	23,213	(2,743)	31,008
<b>Other Financing Sources (Uses)</b>					
Transfer to General Fund	(25,956)	(49,762)	(44,104)	5,658	(31,765)
Fund balance appropriated	-	23,806	-	(23,806)	-
Net change in fund balances	\$ -	\$ -	(20,891)	\$ (20,891)	(757)
Fund balances-beginning			20,891		21,648
Fund balances-ending			\$ -		\$ 20,891

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, 2009  
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2008

Exhibit D-6

	2009			Variance with Final Budget- Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		
	Original	Final			
<b>Revenues</b>					
Investment earnings	\$ 5,000	\$ 5,000	\$ 9,173	\$ 4,173	\$ 10,529
<b>Expenditures</b>					
Operating	71,480	123,880	-	123,880	-
Excess (deficiency) of revenues over (under) expenditures	(66,480)	(118,880)	9,173	128,053	10,529
<b>Other Financing Sources (Uses)</b>					
Transfer to General Fund	(283,520)	(283,520)	(283,520)	-	(350,000)
Transfer to Capital Project Funds	-	(278,500)	(278,500)	-	(40,000)
Transfer from General Fund	350,000	430,900	430,900	-	340,000
Total other financing sources (uses)	66,480	(131,120)	(131,120)	-	(50,000)
Fund balance appropriated	-	250,000	-	(250,000)	-
Net change in fund balances	\$ -	\$ -	(121,947)	\$ (121,947)	(39,471)
Fund balances-beginning			209,420		248,891
Fund balances-ending			\$ 87,473		\$ 209,420



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, 2009**

Exhibit D-7

	Project Author- ization	Actual		Total to Date	Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year		
<b>Expenditures</b>					
Engineering costs	\$ 337,000	\$ 47,079	\$ 128,937	\$ 176,016	\$ 160,984
Construction costs	2,500	134	-	134	2,366
Land acquisition	770,500	569,125	200,955	770,080	420
Total expenditures	<u>1,110,000</u>	<u>616,338</u>	<u>329,892</u>	<u>946,230</u>	<u>163,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,110,000)</u>	<u>(616,338)</u>	<u>(329,892)</u>	<u>(946,230)</u>	<u>163,770</u>
<b>Other Financing Sources (Uses)</b>					
Transfer from Capital Reserve Fund	<u>1,110,000</u>	<u>840,000</u>	<u>270,000</u>	<u>1,110,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 223,662</u>	<u>(59,892)</u>	<u>\$ 163,770</u>	<u>\$ 163,770</u>
Fund balances-beginning			<u>223,662</u>		
Fund balances-ending			<u>\$ 163,770</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, 2009

Exhibit D-8

	Project Author- ization	Actual		Total to Date	Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year		
<b>Expenditures</b>					
Engineering costs	\$ 45,000	\$ 28,923	\$ -	\$ 28,923	\$ 16,077
<b>Other Financing Sources (Uses)</b>					
Transfer from General Fund	45,000	45,000	-	45,000	-
Net change in fund balances	<u>\$ -</u>	<u>\$ 16,077</u>	-	<u>\$ 16,077</u>	<u>\$ 16,077</u>
Fund balances-beginning			<u>16,077</u>		
Fund balances-ending			<u>\$ 16,077</u>		

**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, 2009**

**Exhibit D-9**

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance with Final Budget- Positive (Negative)
<b>Revenues</b>					
Moore County CDBG match	\$ 71,500	\$ -	\$ 71,500	\$ 71,500	\$ -
Community Development Block Grant	750,000	70,895	679,105	750,000	-
Total revenues	<u>821,500</u>	<u>70,895</u>	<u>750,605</u>	<u>821,500</u>	<u>-</u>
<b>Expenditures</b>					
Professional services	81,000	24,567	55,527	80,094	906
Grants for community projects	779,000	48,626	724,064	772,690	6,310
Total expenditures	<u>860,000</u>	<u>73,193</u>	<u>779,591</u>	<u>852,784</u>	<u>7,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,500)</u>	<u>(2,298)</u>	<u>(28,986)</u>	<u>(31,284)</u>	<u>7,216</u>
<b>Other Financing Sources (Uses)</b>					
Transfer from Capital Reserve Fund	<u>38,500</u>	<u>30,000</u>	<u>8,500</u>	<u>38,500</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 27,702</u>	<u>(20,486)</u>	<u>\$ 7,216</u>	<u>\$ 7,216</u>
Fund balances-beginning			<u>27,702</u>		
Fund balances-ending			<u>\$ 7,216</u>		

## **Fiduciary Funds**

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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.

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**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, 2009

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Exhibit E-1

	<u>Balance 06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/09</u>
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 110,000</u>	<u>\$ 15,000</u>	<u>\$ (75,000)</u>	<u>\$ 50,000</u>
<b>Liabilities</b>				
Builder deposits	<u>\$ 110,000</u>	<u>\$ 15,000</u>	<u>\$ (75,000)</u>	<u>\$ 50,000</u>

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

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

Village of Pinehurst, North Carolina  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**June 30, 2009**

Exhibit F-1

	<u>2009</u>	<u>2008</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 4,830,391	\$ 4,798,381
Buildings and improvements	16,250,835	15,756,949
Furniture, equipment, and vehicles	6,322,818	6,197,963
Infrastructure	2,013,369	1,792,431
Construction in progress	<u>975,153</u>	<u>673,785</u>
Total governmental funds capital assets	<u>\$ 30,392,566</u>	<u>\$ 29,219,509</u>
<b>Investment in governmental funds capital assets by source:</b>		
General Fund	\$ 28,488,180	\$ 27,917,767
Capital Project Funds	975,153	645,261
Donations	<u>929,233</u>	<u>656,481</u>
Total governmental funds capital assets	<u>\$ 30,392,566</u>	<u>\$ 29,219,509</u>

**Village of Pinehurst, North Carolina**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2009**

**Exhibit F-2**

FUNCTION AND ACTIVITY	Land	Buildings	Improvements Other Than Buildings	Furniture, Equipment & Vehicles	Infrastructure	Construction in Progress	Total
General Government							
Governing Body	\$ 2,385,024	\$ -	\$ -	\$ 34,036	\$ -	\$ -	\$ 2,419,060
Administration	-	4,215,974	-	275,047	-	-	4,491,021
Financial Services	-	-	-	213,157	-	-	213,157
Information Technology	-	-	28,388	43,431	-	-	71,819
Buildings & Grounds	-	113,747	-	128,691	-	-	242,438
Fleet Maintenance	25,170	95,118	-	132,956	-	-	253,244
	<u>2,410,194</u>	<u>4,424,839</u>	<u>28,388</u>	<u>827,318</u>	<u>-</u>	<u>-</u>	<u>7,690,739</u>
Public Safety							
Police	-	2,675,111	-	1,101,870	-	-	3,776,981
Fire	171,074	3,274,662	-	1,514,704	-	-	4,960,440
Inspections	-	-	-	57,398	-	-	57,398
	<u>171,074</u>	<u>5,949,773</u>	<u>-</u>	<u>2,673,972</u>	<u>-</u>	<u>-</u>	<u>8,794,819</u>
Transportation							
Public Services	32,500	526,154	-	49,238	-	-	607,892
Streets and Grounds	-	5,118	132,620	472,180	-	-	609,918
Powell Bill	-	-	45,713	426,265	23,097	-	495,075
	<u>32,500</u>	<u>531,272</u>	<u>178,333</u>	<u>947,683</u>	<u>23,097</u>	<u>-</u>	<u>1,712,885</u>
Environmental Protection							
Solid Waste	-	-	-	1,153,663	-	-	1,153,663
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,153,663</u>	<u>-</u>	<u>-</u>	<u>1,153,663</u>
Cultural and Recreation							
Recreation	760,373	218,194	1,276,473	148,884	518,125	-	2,922,049
Harness Track	1,456,250	1,124,777	113,957	427,972	16,602	-	3,139,558
Fair Barn	-	2,113,732	44,768	37,026	-	-	2,195,526
	<u>2,216,623</u>	<u>3,456,703</u>	<u>1,435,198</u>	<u>613,882</u>	<u>534,727</u>	<u>-</u>	<u>8,257,133</u>
Economic & Physical Development							
Planning	-	-	-	47,720	-	-	47,720
Engineering	-	-	246,329	58,580	1,455,545	-	1,760,454
	<u>-</u>	<u>-</u>	<u>246,329</u>	<u>106,300</u>	<u>1,455,545</u>	<u>-</u>	<u>1,808,174</u>
Construction in progress	-	-	-	-	-	975,153	975,153
	<u>\$ 4,830,391</u>	<u>\$ 14,362,587</u>	<u>\$ 1,888,248</u>	<u>\$ 6,322,818</u>	<u>\$ 2,013,369</u>	<u>\$ 975,153</u>	<u>\$ 30,392,566</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, 2009**

**Exhibit F-3**

FUNCTION AND ACTIVITY	General Fixed Assets July 1, 2008	Additions	Deletions	Adjustments	General Fixed Assets June 30, 2009
General Government					
Governing Body	\$ 2,255,800	\$ 163,260	\$ -	\$ -	\$ 2,419,060
Administration	4,491,021	-	-	-	4,491,021
Financial Services	213,157	-	-	-	213,157
Information Technology	51,554	20,265	-	-	71,819
Buildings & Grounds Mtnc.	229,655	12,783	-	-	242,438
Fleet Maintenance	379,438	-	(126,194)	-	253,244
	<u>7,620,625</u>	<u>196,308</u>	<u>(126,194)</u>	<u>-</u>	<u>7,690,739</u>
Public Safety					
Police	3,704,505	188,668	(116,192)	-	3,776,981
Fire	4,930,972	29,468	-	-	4,960,440
Inspections	57,398	-	-	-	57,398
	<u>8,692,875</u>	<u>218,136</u>	<u>(116,192)</u>	<u>-</u>	<u>8,794,819</u>
Transportation					
Public Services	607,892	-	-	-	607,892
Streets and Grounds	538,502	97,026	(25,610)	-	609,918
Powell Bill	495,075	-	-	-	495,075
	<u>1,641,469</u>	<u>97,026</u>	<u>(25,610)</u>	<u>-</u>	<u>1,712,885</u>
Environmental Protection					
Solid Waste	1,122,357	103,680	(72,374)	-	1,153,663
	<u>1,122,357</u>	<u>103,680</u>	<u>(72,374)</u>	<u>-</u>	<u>1,153,663</u>
Cultural and Recreation					
Recreation	2,524,894	402,147	(4,991)	-	2,922,050
Harness Track	3,105,763	168,309	(158,157)	23,643	3,139,558
Fair Barn	2,188,260	7,265	-	-	2,195,525
	<u>7,818,917</u>	<u>577,721</u>	<u>(163,148)</u>	<u>23,643</u>	<u>8,257,133</u>
Economic & Physical Development					
Planning	47,720	-	-	-	47,720
Engineering	1,601,761	158,693	-	-	1,760,454
	<u>1,649,481</u>	<u>158,693</u>	<u>-</u>	<u>-</u>	<u>1,808,174</u>
Construction in progress	<u>673,785</u>	<u>329,892</u>	<u>(4,881)</u>	<u>(23,643)</u>	<u>975,153</u>
	<u>\$ 29,219,509</u>	<u>\$ 1,681,456</u>	<u>\$ (508,399)</u>	<u>\$ -</u>	<u>\$ 30,392,566</u>

## **Additional Financial Data**

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

### **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, 2009

Exhibit G-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2008</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2009</u>
2008-2009	\$ -	\$ 7,902,389	\$ 7,889,733	\$ 12,656
2007-2008	13,011		9,962	3,049
2006-2007	3,672		956	2,716
2005-2006	2,560		252	2,308
2004-2005	1,874		44	1,830
2003-2004	1,851		56	1,795
2002-2003	2,521		1	2,520
2001-2002	2,325		-	2,325
2000-2001	2,575		1,642	933
1999-2000	604		604	-
1998-1999	419		395	24
	<u>\$ 31,412</u>		<u>\$ 7,903,645</u>	<u>\$ 30,156</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 7,905,067
Ad valorem taxes - Special Revenue Fund	<u>4,150</u>
	7,909,217
Reconciling items:	
Interest collected and refunds	(11,254)
Refunds/reliefs	<u>5,682</u>
	<u>(5,572)</u>
Total collections and credits	<u>\$ 7,903,645</u>

**Village of Pinehurst, North Carolina**  
**Analysis of Current Tax Levy**  
**Village - Wide Levy**  
**For the Fiscal Year Ended June 30, 2009**

**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	\$ 2,809,805,001	\$ 0.28	\$ 7,867,143	\$ 7,507,728	\$ 359,415
Registered motor vehicles taxed at prior year's rate	11,771,665	\$ 0.28	32,960	-	32,960
Municipal service district	7,070,110	\$ 0.06	4,256	4,153	103
Penalties	-		1,086	1,086	-
<b>Total</b>	<b>2,828,646,776</b>		<b>7,905,445</b>	<b>7,512,967</b>	<b>392,478</b>
Discoveries:					
Current year taxes	7,062,376	\$ 0.28	19,933	19,933	-
Penalties	-		517	517	-
<b>Total</b>	<b>7,062,376</b>		<b>20,450</b>	<b>20,450</b>	<b>-</b>
Abatements	(8,395,057)		(23,506)	(6,816)	(16,690)
<b>Total property valuation</b>	<b>\$ 2,827,314,095</b>				
Net levy			7,902,389	7,526,601	375,788
Uncollected taxes at June 30, 2009			(12,656)	(4,183)	(8,473)
Current year's taxes collected			<u>\$ 7,889,733</u>	<u>\$ 7,522,418</u>	<u>\$ 367,315</u>
Current levy collection percentage			99.84%	99.94%	97.75%

\* 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, 2009

Exhibit G-3

	Transfers	
	From	To
<b>Operating Transfers From/To Other Funds</b>		
General Fund		
Capital Reserve Fund	\$ 283,520	\$ 430,900
Taylorhurst Assessments Fund	44,104	-
Municipal Service District Fund	15,620	-
Land Dedication Fund	21,900	-
Municipal Service District Fund		
General Fund	-	15,620
Taylorhurst Assessments Fund		
General Fund	-	44,104
Land Dedication Fund		
General Fund	-	21,900
Jackson Hamlet CDBG Capital Project fund	8,500	-
Capital Reserve		
Public Services Facility Capital Project Fund		
Capital Reserve	270,000	-
Capital Reserve Fund		
General Fund	430,900	283,520
Jackson Hamlet CDBG Capital Project Fund	-	8,500
Public Services Facility Capital Project Fund	-	270,000
	<u>          </u>	<u>          </u>
Total operating transfers - other funds	<u>\$ 1,074,544</u>	<u>\$ 1,074,544</u>

## Statistical Section

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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.

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### Categories of Statistical Information Included

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

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

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

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

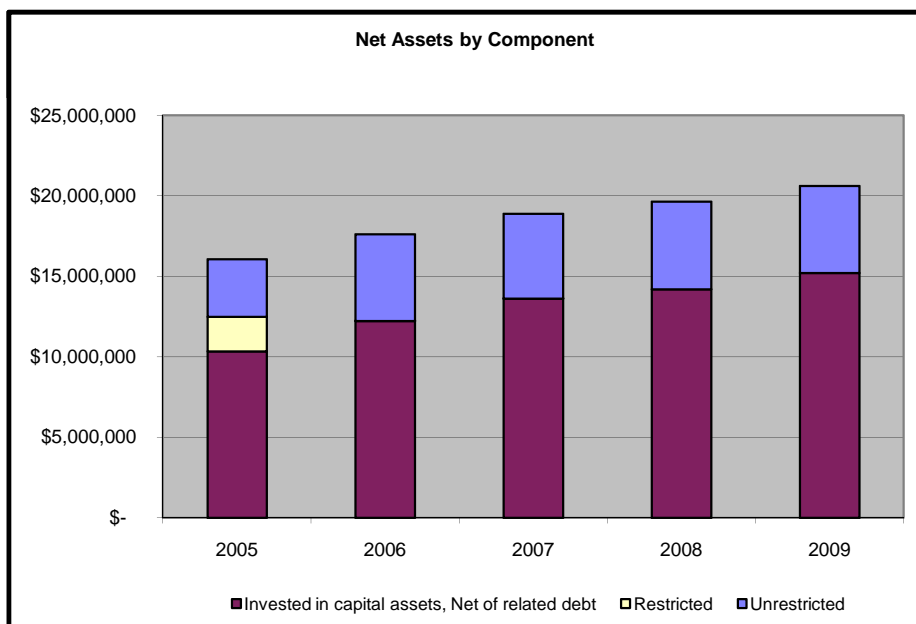
**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

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

Schedule 1

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 10,330,275	\$ 12,218,918	\$ 13,611,992	\$ 14,194,908	\$ 15,216,054
Restricted	2,145,256	808	844	-	-
Unrestricted	3,587,541	5,393,965	5,273,371	5,450,451	5,408,347
<b>Total governmental activities net assets</b>	<b>\$ 16,063,072</b>	<b>\$ 17,613,691</b>	<b>\$ 18,886,207</b>	<b>\$ 19,645,359</b>	<b>\$ 20,624,401</b>



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

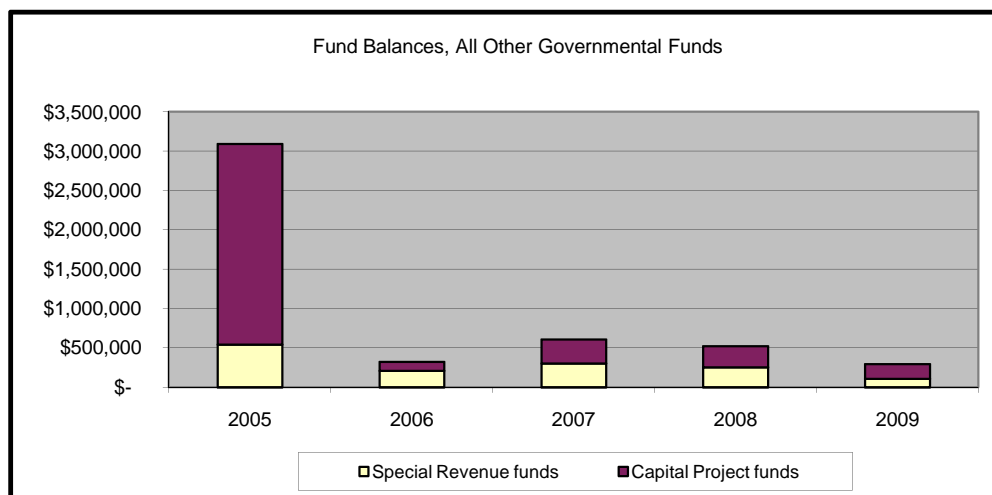
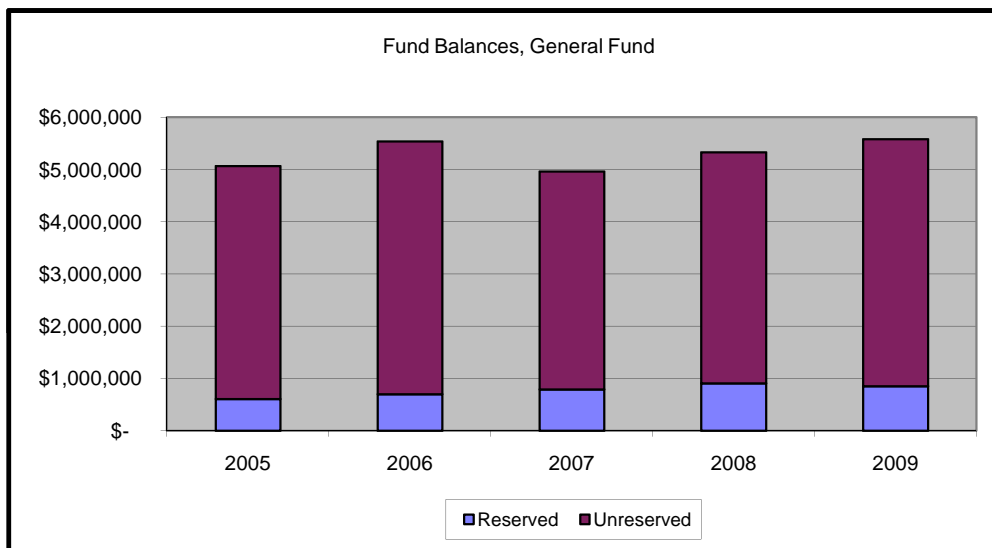
**Schedule 2**

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Expenses</b>					
Governmental Activities:					
General government	\$ 1,781,099	\$ 1,734,126	\$ 2,018,433	\$ 2,410,048	\$ 2,210,111
Public safety	3,849,890	3,931,368	4,458,221	5,059,957	5,135,875
Transportation	1,517,237	1,787,727	1,988,590	1,954,325	1,741,237
Economic and physical development	782,362	938,484	1,016,135	1,119,970	1,794,712
Environmental protection	819,886	746,798	907,233	945,601	972,257
Cultural and recreation	1,054,259	1,140,561	1,248,525	1,443,256	1,620,439
Non-departmental	47,016	55,822	45,416	48,615	62,907
Interest on long-term debt	-	290,181	242,197	212,761	182,228
<b>Total governmental activities expenses</b>	<b>\$ 9,851,749</b>	<b>\$ 10,625,067</b>	<b>\$ 11,924,750</b>	<b>\$ 13,194,533</b>	<b>\$ 13,719,766</b>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government	\$ 105	\$ -	\$ -	\$ -	\$ -
Public safety	1,181,662	965,086	910,283	905,229	979,498
Transportation	52,472	49,500	56,000	20,000	9,123
Economic and physical development	147,602	119,682	117,916	143,074	68,951
Cultural and recreation	710,545	422,331	408,097	399,999	454,034
Operating grants and contributions	472,094	486,762	610,570	670,345	1,281,966
Capital grants and contributions	10,794	17,518	262,397	44,592	15,987
<b>Total governmental activities program revenue</b>	<b>\$ 2,575,274</b>	<b>\$ 2,060,879</b>	<b>\$ 2,365,263</b>	<b>\$ 2,183,239</b>	<b>\$ 2,809,559</b>
<b>Total governmental activities net expense</b>	<b>\$ (7,276,475)</b>	<b>\$ (8,564,188)</b>	<b>\$ (9,559,487)</b>	<b>\$ (11,011,294)</b>	<b>\$ (10,910,207)</b>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 6,291,348	\$ 6,516,978	\$ 6,763,897	\$ 7,782,933	\$ 7,907,961
Sales taxes	2,122,892	2,316,972	2,501,361	2,557,685	2,241,517
Franchise taxes	202,078	217,008	133,435	33,628	38,073
Unrestricted intergovernmental	528,288	557,751	697,670	904,898	1,126,002
Investment earnings	108,704	238,730	321,606	284,129	127,863
Miscellaneous	180,095	267,368	414,034	174,266	447,833
<b>Total governmental activities general revenue</b>	<b>\$ 9,433,405</b>	<b>\$ 10,114,807</b>	<b>\$ 10,832,003</b>	<b>\$ 11,737,539</b>	<b>\$ 11,889,249</b>
<b>Change in Governmental Activities Net Assets</b>	<b>\$ 2,156,930</b>	<b>\$ 1,550,619</b>	<b>\$ 1,272,516</b>	<b>\$ 726,245</b>	<b>\$ 979,042</b>



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

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>General Fund</b>					
Reserved	\$ 608,665	\$ 699,828	\$ 789,983	\$ 910,361	\$ 850,944
Unreserved	4,458,716	4,839,460	4,172,551	4,418,599	4,734,552
Total general fund	<u>\$ 5,067,381</u>	<u>\$ 5,539,288</u>	<u>\$ 4,962,534</u>	<u>\$ 5,328,960</u>	<u>\$ 5,585,496</u>
<b>All Other Governmental Funds</b>					
Unreserved, reported in:					
Special Revenue funds	\$ 542,974	\$ 210,006	\$ 303,645	\$ 253,557	\$ 106,581
Capital Project funds	2,548,047	110,902	304,288	267,441	187,063
Total all other governmental funds	<u>\$ 3,091,021</u>	<u>\$ 320,908</u>	<u>\$ 607,933</u>	<u>\$ 520,998</u>	<u>\$ 293,644</u>



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

**Schedule 4**

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Revenues</b>					
Ad valorem taxes	\$ 6,290,091	\$ 6,516,709	\$ 6,766,300	\$ 7,785,759	\$ 7,909,217
Sales taxes	2,122,892	2,316,972	2,501,361	2,557,685	2,241,517
Franchise taxes	202,078	217,008	133,435	33,628	38,073
Unrestricted intergovernmental	528,288	557,751	697,670	904,898	1,126,002
Restricted intergovernmental	465,120	475,779	591,283	691,900	1,272,350
Permits and fees	1,387,337	1,134,268	1,079,571	1,071,151	1,059,147
Sales and services	705,049	422,331	407,677	400,419	453,201
Investment earnings	126,472	267,231	343,972	307,166	137,479
Assessments	32,565	26,427	58,527	56,236	38,699
Miscellaneous	97,386	195,933	156,292	150,574	199,430
Total revenues	<u>11,957,278</u>	<u>12,130,409</u>	<u>12,736,088</u>	<u>13,959,416</u>	<u>14,475,115</u>
<b>Expenditures</b>					
General government	1,638,071	1,480,516	1,784,308	2,165,676	1,827,508
Public safety	3,628,528	3,767,794	4,335,510	4,819,675	4,829,228
Transportation	1,598,334	1,785,797	1,895,464	1,930,191	1,727,241
Economic and physical development	971,816	1,022,141	1,073,563	1,216,009	1,891,282
Environmental protection	817,130	700,942	1,088,038	1,166,982	974,767
Cultural and recreation	1,051,090	1,118,877	1,147,154	1,360,286	1,802,697
Non-departmental	47,016	55,822	45,420	48,615	62,907
Debt service:					
Principal	648,862	757,191	776,602	796,762	808,993
Interest and other charges	221,971	280,308	251,461	221,947	191,418
Capital outlay	408,393	3,459,227	628,297	84,417	329,892
Total expenditures	<u>11,031,211</u>	<u>14,428,615</u>	<u>13,025,817</u>	<u>13,810,560</u>	<u>14,445,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>926,067</u>	<u>(2,298,206)</u>	<u>(289,729)</u>	<u>148,856</u>	<u>29,182</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(1,166,324)	(2,710,696)	(2,745,761)	(807,910)	(1,074,544)
Transfers from other funds	1,166,324	2,710,696	2,745,761	807,910	1,074,544
Issuance of debt	2,500,000	-	-	-	-
Total other financing sources (uses)	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,426,067	(2,298,206)	(289,729)	148,856	29,182
Fund balances, beginning	4,732,335	8,158,402	5,860,196	5,570,467	5,849,958
Prior period adjustment	-	-	-	130,635	-
Fund balances, beginning as restated	<u>4,732,335</u>	<u>8,158,402</u>	<u>5,860,196</u>	<u>5,701,102</u>	<u>5,849,958</u>
Fund balances, ending	<u>\$ 8,158,402</u>	<u>\$ 5,860,196</u>	<u>\$ 5,570,467</u>	<u>\$ 5,849,958</u>	<u>\$ 5,879,140</u>
Debt service as a percentage of noncapital expenditures	10.2%	11.2%	9.7%	8.7%	8.3%

**Notes:**

The capital outlay used to calculate debt service as a percentage of noncapital expenditures can be found in Note 3. B. of the Notes to the Financial Statements.

**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
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
2008	2007	2,719,108,835	310,265,291	16,387,599	268,117,125	2,777,644,600	0.28	2,777,644,600
2009	2008	2,761,647,092	318,070,765	17,315,268	269,719,030	2,827,314,095	0.28	3,017,410,987

**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 2008.

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)
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
2008	2007	0.28	0.08	0.445
2009	2008	0.28	0.06	0.479

**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**

<b>Taxpayer</b>	<b>2009</b>		<b>2000</b>	
	<b>Taxable Assessed Value</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Percentage of Total Taxable Assessed Value</b>
Pinehurst, LLC	\$ 172,112,067	6.20%	\$ 64,101,010	5.47%
Country Club of North Carolina	27,056,122	0.97%	14,001,500	1.19%
Pinehurst Surgical Clinic	26,866,110	0.97%	6,238,521	0.53%
Pinehurst Medical	17,765,969	0.64%	5,233,766	0.45%
Progress Energy Carolinas	11,665,532	0.42%	7,294,070	0.62%
MTMM Associates	9,651,451	0.35%	4,487,040	0.38%
Pleasant Living Health Care (Quail Haven)	-	0.00%	5,547,600	0.47%
Francis Maser	5,613,400	0.20%	-	0.00%
Carolina Telephone and Telegraph	5,179,826	0.19%	3,579,497	0.31%
Branch Banking and Trust Co.	4,723,730	0.17%	-	0.00%
Pinehurst Nursing	4,262,238	0.15%	2,852,853	0.24%
<b>Total</b>	<b>\$ 284,896,445</b>	<b>10.26%</b>	<b>\$ 113,335,857</b>	<b>9.67%</b>

**Source:** Moore County Tax Department

**Note:** 2009 and 2000 data are for tax years 2008 and 1999 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
2000	1999	3,783,096	3,765,239	99.53%	12,056	3,777,295	99.85%
2001	2000	3,903,235	3,887,446	99.60%	16,765	3,904,211	100.03%
2002	2001	3,987,088	3,974,166	99.68%	14,174	3,988,340	100.03%
2003	2002	4,863,211	4,843,250	99.59%	12,885	4,856,135	99.85%
2004	2003	5,735,830	5,721,684	99.75%	19,745	5,741,429	100.10%
2005	2004	6,289,511	6,274,550	99.76%	26,836	6,301,386	100.19%
2006	2005	6,517,524	6,500,443	99.74%	14,773	6,515,216	99.96%
2007	2006	6,761,283	6,748,375	99.81%	10,192	6,758,567	99.96%
2008	2007	7,782,597	7,769,586	99.83%	9,962	7,779,548	99.96%
2009	2008	7,902,389	7,889,733	99.84%	-	7,889,733	99.84%

**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>
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
2008	2007	5,296,474	0.93%	468
2009	2008	4,487,481	0.73%	386

(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, 2009**

**Schedule 10**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Moore County (1)</b>			
Debt repaid with property taxes:			
Moore County General Obligation Debt	\$ 91,900,000	24.79%	\$ 22,780,808
Other debt:			
Moore County Certificates of Participation	425,000	24.79%	105,352
Moore County Installment Loans	6,680,173	24.79%	<u>1,655,928</u>
Subtotal, overlapping debt			24,542,087
<b>Village of Pinehurst direct debt</b>			<u>4,487,481</u>
Total direct and overlapping debt			<u><u>\$ 29,029,568</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, 2008 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>
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%
2008	222,211,568	5,296,474	216,915,094	97.62%
2009	226,185,128	4,487,481	221,697,647	98.02%

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed valuation	\$ 2,827,314,095	
	x <u>8.00%</u>	
Debt limit - 8.0% of assessed value		\$ 226,185,128
Gross debt:		
Total bonded debt	-	
Authorized and unissued bonds	-	
Lease financing agreements	<u>4,487,481</u>	
Total gross debt	4,487,481	
Less: statutory deductions	<u>-</u>	
Total amount of debt applicable to debt limit (net debt)		<u>4,487,481</u>
<b>LEGAL DEBT MARGIN</b>		<u><u>\$ 221,697,647</u></u>

**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>
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	6.4%
2004	2003	10,218	458,407,284	44,863	60.4	6.5%
2005	2004	10,498	483,590,811	46,065	60.4	5.6%
2006	2005	10,694	509,319,363	47,627	60.4	5.1%
2007	2006	11,026	542,145,667	49,170	60.4	4.8%
2008	2007	11,316	572,262,434	50,571	60.4	4.4%
2009	2008	11,632	610,890,250	52,518	60.4	6.3%

**Sources:**

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

**Notes:**

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

Unemployment rate information is a calendar year adjusted annual average in Moore County.

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

**Schedule 13**

<b>Employer</b>	<b>2009</b>		<b>2000</b>	
	<b>Employees</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Percentage of Total Employment</b>
First Health of the Carolinas (1)	2,571	55.53%	2,150	61.29%
Pinehurst, LLC (2)	1,225	26.46%	1,175	33.49%
<b>Total</b>		<b>81.99%</b>		<b>94.78%</b>

**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:**

2009 employment is based on calendar year 2008.  
2000 employment is estimated.

GASB 44 requires comparative data for the current calendar year and nine years prior. 1990 Census Data was used for 2000 and 2009 to estimate the percentage of total employment.

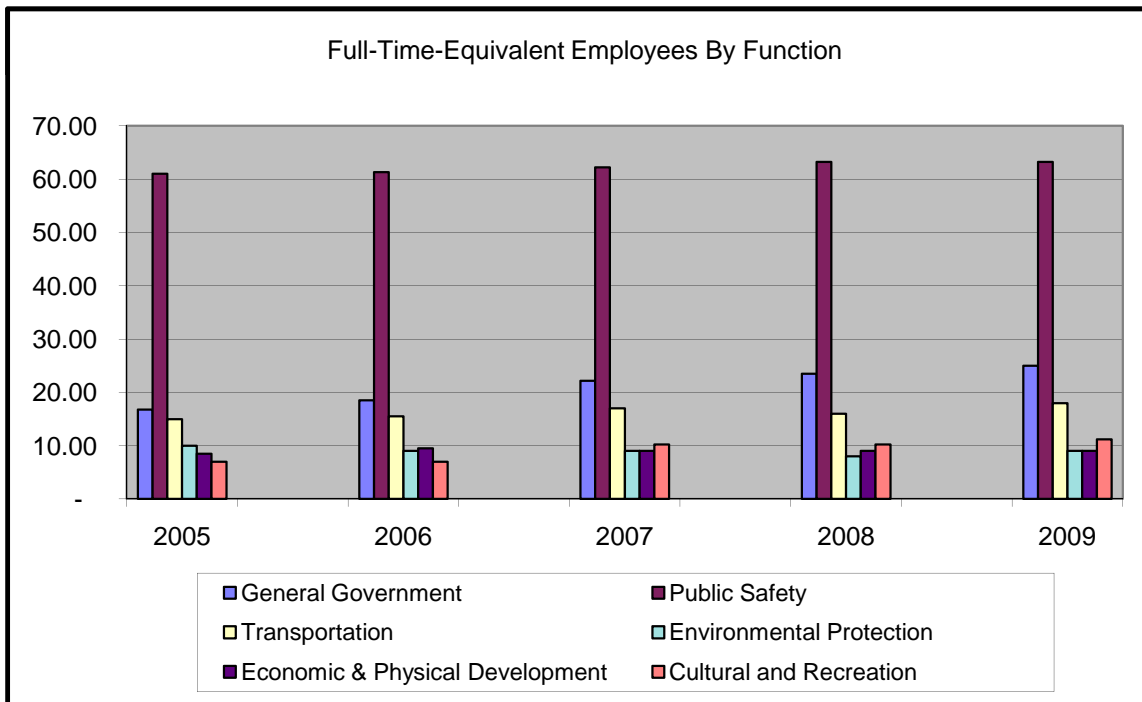
Village of Pinehurst, North Carolina  
 Full-time-Equivalent Employees by Function  
 Last Ten Fiscal Years

Function	Full-time-Equivalent Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	(2)									
General Government	53.0	12.0	13.0	13.5	14.0	16.75	18.5	22.2	23.5	25.0
Public Safety	(1) 54.0	54.0	54.0	57.0	58.0	61.0	61.3	62.2	63.2	63.2
Transportation	-	16.0	15.0	15.0	15.0	15.0	15.5	17.0	16.0	18.0
Environmental Protection	-	10.0	10.0	9.0	9.0	10.0	9.0	9.0	8.0	9.0
Economic & Physical Development	(1) -	10.0	10.5	7.0	8.5	8.5	9.5	9.0	9.0	9.0
Cultural and Recreation	-	8.0	8.0	8.0	8.5	7.0	7.0	10.2	10.2	11.2
<b>Total</b>	<b>107.0</b>	<b>110.0</b>	<b>110.5</b>	<b>109.5</b>	<b>113.0</b>	<b>118.3</b>	<b>120.8</b>	<b>129.6</b>	<b>129.9</b>	<b>135.4</b>

(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**

<b>Function</b>	<b>Fiscal Year</b>							
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General Government								
Financial Services								
Purchase orders issued	354	509	440	323	262	207	225	260
Vendor checks issued	2,966	2,919	3,595	2,673	2,529	2,427	2,448	2,333
Human Resources								
Workers' compensation lost time (days)	NA	NA	NA	322	6	60	12	446
Employee turnover rate	NA	NA	NA	9.0%	9.0%	9.4%	7.8%	7.9%
Fleet Maintenance								
Tires changed	171	200	250	300	372	235	311	216
10-point service performed	480	500	300	350	200	291	233	208
Public Safety								
Fire Protection								
Public fire & life safety classes	556	341	95	95	219	204	167	159
Incident calls	673	715	743	842	922	827	843	855
Structure fires	24	18	24	21	26	56	63	44
Inspections	560	467	877	766	824	787	732	620
Child passenger seat inspections	NA	NA	389	833	579	583	396	173
Police Protection								
Physical arrests	207	178	172	206	202	262	585	444
Citations issued	902	971	1,479	1,560	1,285	3,806	3,891	3,993
Response to calls/officer initiated activity	11,482	11,588	11,782	11,500	9,801	11,866	13,513	13,640
Traffic accidents	421	446	467	447	432	483	500	474
Inspections								
Building inspections conducted	7,253	7,661	11,064	11,286	10,588	9,194	7,683	5,409
Certificates of occupancy issued	234	231	214	254	271	227	169	181
Transportation								
Street resurfacing (miles)	4.9	3.3	4.9	5.0	5.0	6.3	5.6	4.8
Environmental Protection								
Refuse collected (tons annually)	5,597	4,677	5,673	4,578	4,287	4,392	3,715	3,629
Homes receiving service	5,940	6,040	NA	6,345	6,485	6,651	6,749	6,651
Recyclables collected (tons annually)	NA	NA	330	305	369	568	941	1,102
Economic & Physical Development								
Building permits issued	353	321	374	318	378	424	359	278
Zoning compliance investigations	694	473	538	475	480	477	690	624
Cultural & Recreation								
Recreation								
Number of parks	3	4	4	4	4	4	4	4
Program participants	329	354	361	398	468	679	830	939
Athletics participants	1,351	1,437	1,456	1,507	1,503	1,556	1,982	2,323
Harness Track								
Standardbred stalls leased	NA	222	270	280	285	249	220	281
Facilities reserved (days)	87	95	67	62	45	32	30	20
Fair Barn								
Events	NA	31	61	67	87	89	84	80
Rental days	NA	39	85	125	131	117	95	98

**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							
	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety								
Fire Protection								
Stations	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	7	7	5
Police Protection								
Stations	1	1	1	1	1	1	1	1
Patrol units	15	15	15	15	16	17	20	20
Transportation								
Miles of streets	101.35	101.35	101.35	104.65	104.65	104.65	104.65	104.65
Maintenance vehicles	18	18	18	18	18	18	20	22
Brick sidewalks (linear feet)	-	1,542	1,994	4,187	4,918	4,918	4,918	4,918
Environmental Protection								
Refuse collection trucks	15	15	15	15	17	19	21	20
Economic & Physical Development								
Storm water drainage areas	-	-	2	3	4	6	7	10
Cultural & Recreation								
Park acreage	230	297	297	297	297	297	297	297
Greenway trails (miles)	-	-	1.5	3.0	3.5	4.0	5.0	5.8
Playgrounds	1	2	2	2	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2	2	2	2
Soccer fields	1	1	1	1	2	2	2	2

Sources: Various Village departments



**DIXON HUGHES** P.L.L.C.

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 basic 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, 2009, and have issued our report thereon dated September 21, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Pinehurst's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Pinehurst's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Pinehurst's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Pinehurst's financial statements that is more than inconsequential will not be prevented or detected by the Village of Pinehurst's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Pinehurst's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 21, 2009





**DIXON HUGHES** P.L.C.

Certified Public Accountants and Advisors

**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act**

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

**Compliance**

We have audited the compliance of the Village of Pinehurst, North Carolina with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2009. The Village of Pinehurst's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Pinehurst's management. Our responsibility is to express an opinion on the Village of Pinehurst's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Pinehurst's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Pinehurst's compliance with those requirements.

In our opinion, the Village of Pinehurst complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of the Village of Pinehurst is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Pinehurst's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Pinehurst's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Village of Pinehurst's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Village of Pinehurst's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Dixon Hughes PLLC*

September 21, 2009

**VILLAGE OF PINEHURST, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2009**

**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses	None reported

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses	None reported
Noncompliance material to federal awards	No
Type of auditor's report issued on compliance for major federal programs:	Unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	No
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Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**II. FINANCIAL STATEMENT FINDINGS**

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**Village of Pinehurst, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2009**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards</b>					
<u>U.S. Department of Housing &amp; Urban Development</u>					
Passed through N.C. Department of Commerce					
Jackson Hamlet Sewer CDBG	14.228	06-C-1597	\$ 679,105	\$ -	\$ 100,486
<u>US Department of Justice</u>					
Passed through N.C. Department of Crime Control and Public Safety					
Governor's Highway Safety Program	20.601	K8-09-02-36	7,833	-	-
<u>US Department of Transportation</u>					
Passed through N.C. Department of Transportation					
Governor's Highway Safety Program	20.6	PT-09-03-04-15	67,291	-	67,291
<u>US Department of Homeland Security</u>					
Passed through N.C. Department of Crime Control and Public Safety					
FEMA - Fire Management Asst. Gran	97.046	FEMA-2773-FM-NC	3,379	-	-
Total Federal Awards			<u>757,608</u>	<u>-</u>	<u>167,777</u>
<b>State Awards</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill			-	437,164	416,857
Total State Awards			<u>-</u>	<u>437,164</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 757,608</u>	<u>\$ 437,164</u>	<u>\$ 167,777</u>

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 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 Village's general purpose 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.