

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2011

Prepared by
Financial Services Department

John G. Frye
Director of Financial Services

Village of Pinehurst, North Carolina
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For the Fiscal Year Ended June 30, 2011

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VILLAGE OF PINEHURST

Financial Services

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Pinehurst, North Carolina 28374
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September 23, 2011

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

The Comprehensive Annual Financial Report of the Village of Pinehurst, North Carolina is submitted for your review and use. This report was prepared by the Village's Financial Services Department, and it is the comprehensive publication of the Village's financial position and results of operations as of and for the fiscal year ended June 30, 2011. The Village, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

As a comprehensive annual financial report this document provides financial detail and historical trends beyond the basic financial statements in the Financial Section. The Supplementary Information provides details on the Village's pension plans. The Statistical Section provides trend information on financial performance, revenue capacity, debt capacity, demographic and economic indicators as well as operating information. A Compliance Section includes documentation on federal and state grants and awards compliance.

Village management is responsible for both the accuracy of the data and the completeness and fairness of the report. To ensure reliability of the information Village management has established a comprehensive framework of internal controls. Internal controls protect the Village's assets from loss, theft and misuse and provide reliable information for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the Village's controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

As noted earlier, the Village is required by state law to have an annual independent financial audit. Dixon Hughes Goodman, LLP, Certified Public Accountants, conducted the audit and concluded in an unqualified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the Village of Pinehurst, North Carolina, as of June 30, 2011. The independent auditors' report on the basic financial statements is located at the beginning of the financial section of this report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditors' report and provides a prescribed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Profile of the Village

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 17 square miles, and an estimated population of 14,783. Pinehurst is the largest of eleven municipalities in Moore County. The Village is empowered to levy a property tax on both real estate and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board.

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 Pinehurst Village Council is required to adopt a budget by July 1 of each year. The Village's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Pinehurst's financial planning and control. The budget is prepared by fund and department. The Village Manager is authorized by the budget ordinance to make certain limited transfers within funds to facilitate budget execution consistent with Council intent.

Local Economy

The Village of Pinehurst, like other municipalities, is still recovering from the global recession of 2008. The Village is primarily a residential community with a historically strong growth rate in residential development. At the height of the housing market, from 2000 to 2007, an average of 246 new homes were constructed each year within the Village. However, last year the Village added only 53 new homes, a slight increase from the 51 homes that were constructed the previous year. The Village of Pinehurst has not been immune to the national decline in the housing industry, but is currently showing 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 \$321 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, FirstHealth 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 FirstHealth's flagship hospital, Moore Regional, being consistently named among the Top 100 Hospitals in the country.

Long-Term Financial Planning and Major Initiatives

The Village is committed to maintaining a strong financial position even in these challenging economic times. Last year, the Village reviewed its Fund Balance policy and determined that the minimum fund balance level was considerably lower than the fund balances maintained by our peer group. Based on this review, in May of 2010, the Village Council adopted a new Fund Balance policy. This year, the Village increased its fund balance significantly through its cost containment initiative.

The Village Council has several ongoing initiatives to meet the needs of citizens and improve the overall quality of life. The Village adopted a Comprehensive Long Range Plan in May of 2010 that included the key strategic elements of character and ambiance, open space, the Village Center, extra-territorial areas, utility infrastructure, and vehicular transportation. Over the past two years, the Council has focused much attention on preserving and improving the historic downtown area. Streetscape and parking improvements have been funded and a study of the downtown business climate is currently underway.

In order to proactively anticipate future capital expenditures, the Village adopts a Five-Year Capital Improvements Plan (CIP) 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 and the Village finances as a whole.

Major initiatives of the CIP include the construction of a public services facility, downtown improvements, greenway construction, additions to parks, and storm water improvements. Street resurfacing also continues to be a priority for the Village with a goal of resurfacing approximately 5 miles of streets annually to maintain an average surface life-cycle of 20 years.

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, 2010. This was the eighteenth consecutive year the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the Village published an easily readable and efficiently organized 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.

In addition, the Village received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal years ended June 30, 2008 through 2011. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget document had to be judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the dedicated efforts of the entire staff of the Financial Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the Village Council for their unflinching support for maintaining the highest standards of professionalism in the management of the Village 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, 2010

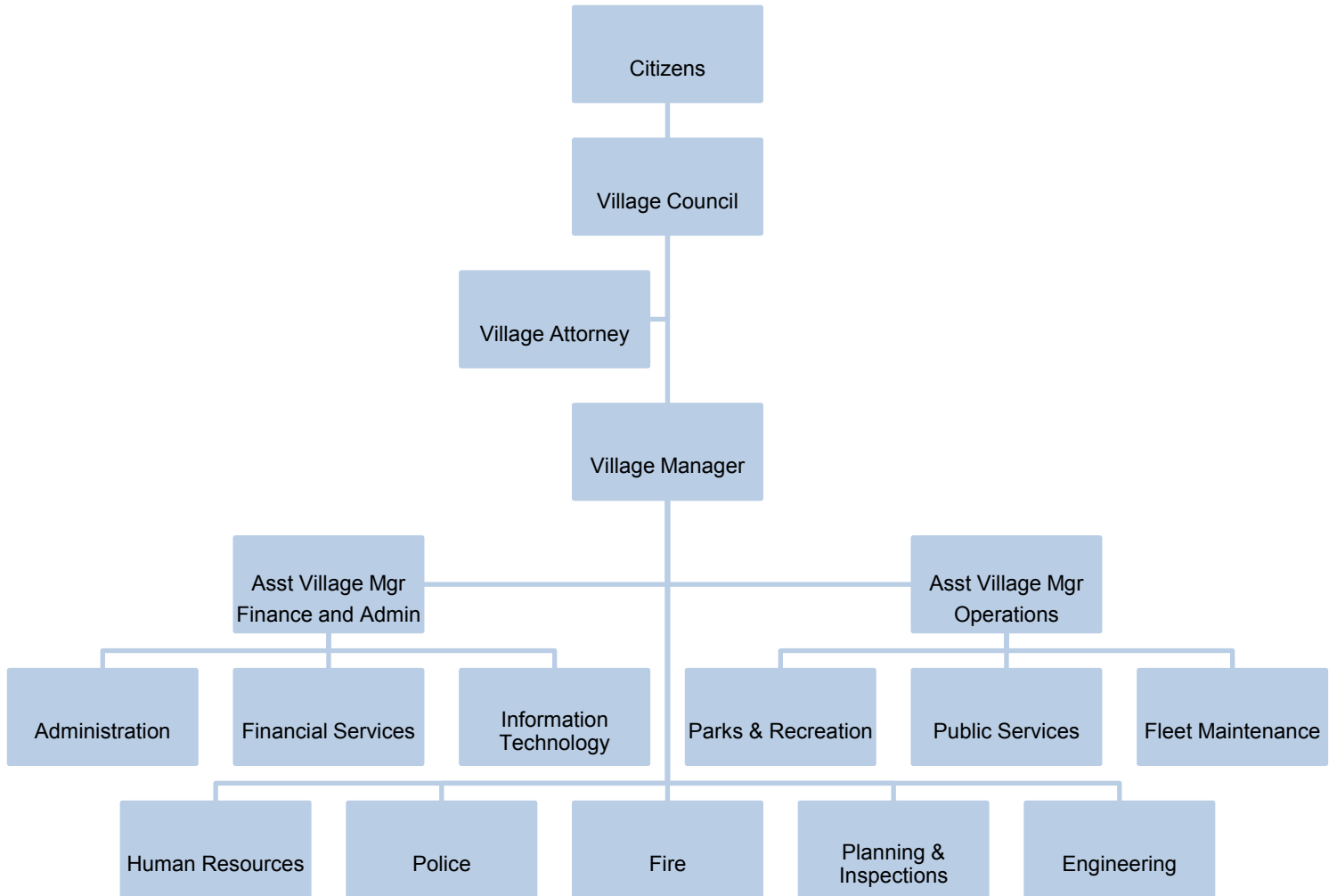
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Village of Pinehurst, North Carolina
Organizational Chart
June 30, 2011



**Village of Pinehurst, North Carolina
List of Principal Officials
June 30, 2011**

Elected Officials

Virginia F. Fallon	Mayor
Joan M. Thurman	Mayor Pro-Tem
Douglas A. Lapins	Treasurer
Nancy R. Fiorillo	Council Member
Mark W. Parson	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
Carlton Cole	Fire Chief
Andrea Correll	Director of Planning
Walt Morgan	Director of Public Services
Randy Kuhn	Director of Fleet Maintenance
Mark Wagner	Director of Parks and Recreation



DIXON HUGHES GOODMAN LLP
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, 2011 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinehurst, North Carolina as of June 30, 2011 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 23, 2011 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 conducted 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 statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards 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 Goodman LLP

September 23, 2011

Village of Pinehurst Management's Discussion and Analysis June 30, 2011

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, 2011. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Village's financial statements, which follow this narrative.

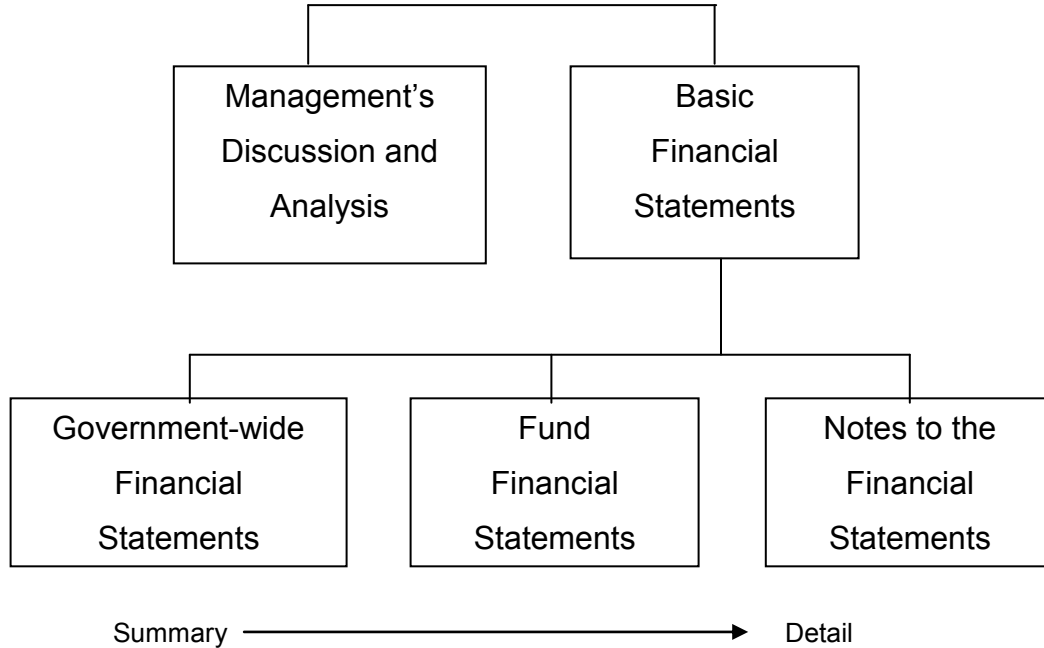
Financial Highlights

- The assets of the Village of Pinehurst exceeded its liabilities at the close of the fiscal year by \$23,035,689 (*net assets*).
- The Village's total net assets increased by \$1,104,465 primarily due to an increase 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 \$6,671,060 an increase of \$854,922 in comparison with the prior year. Approximately 61% of this total amount, or \$4,145,184, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,145,184, or 26% of total general fund expenditures for the fiscal year.
- The Village of Pinehurst's total debt decreased by \$891,764 (21%) during the current fiscal year. The key factor in this decrease was the payment of \$891,764 in principal on existing debt obligations, which totaled \$3,259,244 at the 2011 fiscal year end.
- 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, 2011.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$23,665, which is equivalent to a return of approximately 0.30% on the average amount of cash and cash equivalents during the year. At fiscal year end, 54% of the Village's cash and investments were held in insured or collateralized depository accounts and 46% 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 18 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2010-11 fiscal year, the Village received the Distinguished Budget Presentation Award for the fourth 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, 2011. The final category is the component unit. The Village does not have any component units as of June 30, 2011.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Pinehurst, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the Village's budget ordinance. All of the funds of the Village of Pinehurst are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Village's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Village's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village of Pinehurst adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the Village Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balances. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The Village of Pinehurst also adopts an annual budget for the Municipal Service District Fund, the other major governmental fund of the Village. The Municipal Service District Fund was created to account for the yearly operating costs of operating the dams in this subdivision. It is also used to account for the annual tax assessments for operations and the special assessment for the reconstruction of the earthen dam around Pond #1. Since this fund's revenues, expenditures/expenses, assets or liabilities are greater than 10% of corresponding totals for all governmental funds and more than 5% of the aggregate amount for all governmental and enterprise funds for the same item, this fund is a major governmental fund. As such, there is a budgetary statement provided for the Municipal Service District Fund.

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

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

Government-Wide Financial Analysis

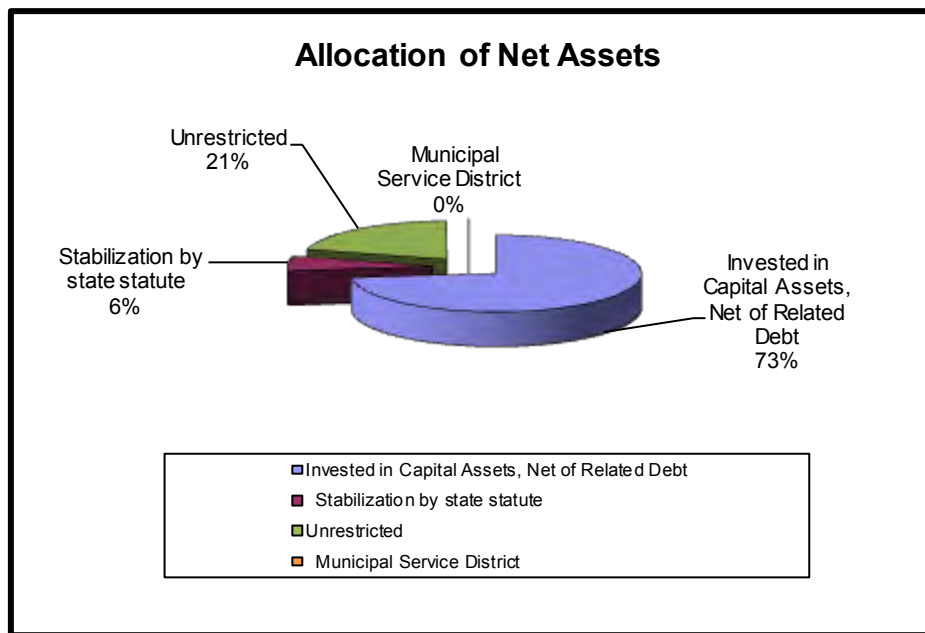
Net Assets

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

Village of Pinehurst's Net Assets
Figure 2

	<u>Governmental Activities</u> <u>2011</u>	<u>Governmental Activities</u> <u>2010</u>
Current and other assets	\$ 7,585,512	\$ 7,290,875
Capital assets	<u>20,101,326</u>	<u>20,671,632</u>
Total assets	<u>27,686,838</u>	<u>27,962,507</u>
Long-term liabilities outstanding	3,970,492	4,822,477
Other liabilities	<u>680,657</u>	<u>1,208,806</u>
Total Liabilities	<u>4,651,149</u>	<u>6,031,283</u>
Net assets:		
Invested in capital assets, net of related debt	16,842,082	16,520,624
Restricted for:		
Stabilization by state statute	1,422,691	940,483
Municipal Service District	14,084	13,070
Unrestricted	<u>4,756,832</u>	<u>4,457,047</u>
Total Net Assets	<u>\$ 23,035,689</u>	<u>\$ 21,931,224</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 \$23,035,689 as of June 30, 2011. The Village’s net assets increased by \$1,104,465 for the fiscal year ended June 30, 2011. However, the largest portion, \$16,842,082 or 73%, reflects the Village’s investment in capital assets (e.g. land, right of ways, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village’s net assets, \$1,436,775, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,756,832 is unrestricted.



Governmental Activities

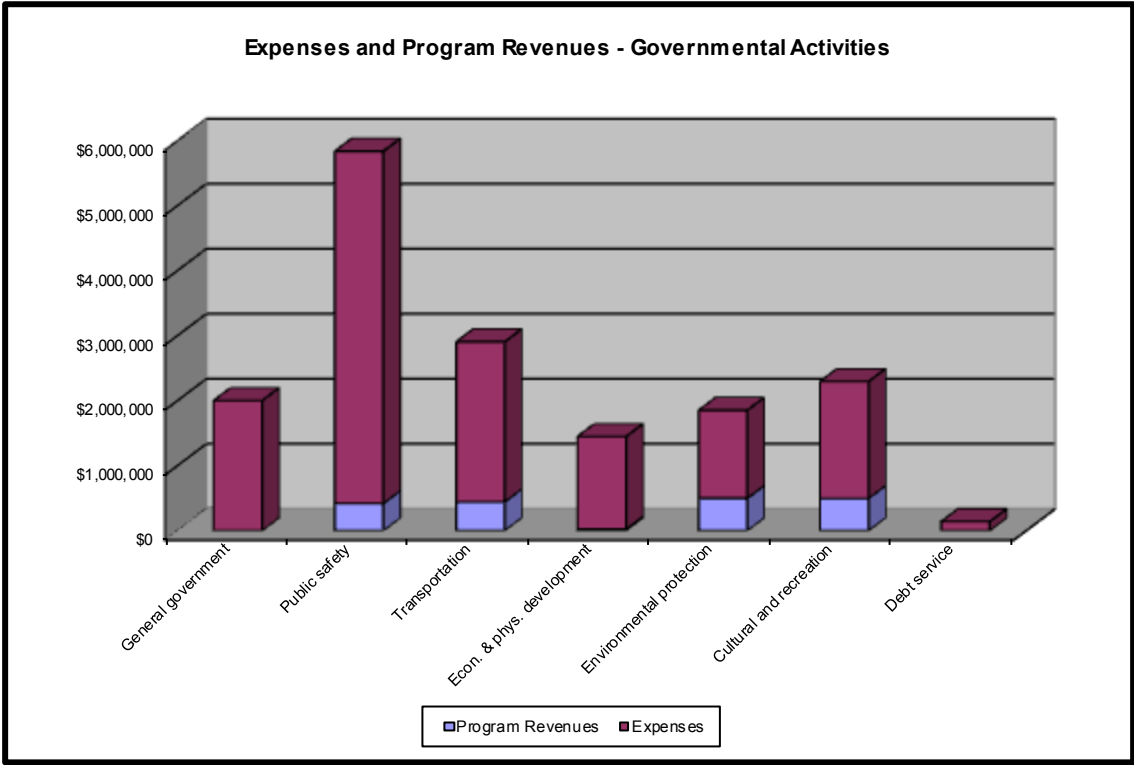
Governmental activities increased the Village's net assets by \$1,104,465, thereby accounting for 100% of the total growth in the net assets of the Village of Pinehurst.

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

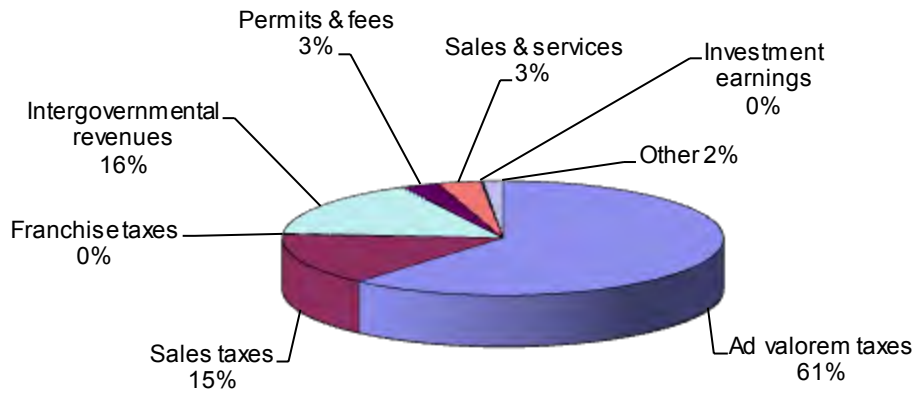
- Property tax revenue increased approximately \$1,545,100 over the prior year due primarily to a major annexation that became effective March 31, 2010.
- Sales tax revenues increased \$392,000 or 20% due to the annexation, an increase in retail sales, and a change in revenue recognition method.
- Investment earnings decreased approximately \$11,300 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 in the General Fund of 99.81%, which is comparable to the statewide average of 96.95%.
- Operating grants and contributions increased \$445,000 or 87% primarily due to grants received for environmental protection.
- Expenses net of program revenues increased by \$1,261,000, or 11%, due to operating expense increases, including \$731,000 for street resurfacing of which \$260,000 was carried over from the previous fiscal year.
- Principal payments of \$892,000 reduced long term obligations to \$3,259,000.

Village of Pinehurst's Change in Net Assets
Figure 3

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 931,537	\$ 1,386,370
Operating grants and contributions	957,837	513,020
Capital grants and contributions	-	1,099,183
General revenues:		
Property taxes	9,615,930	8,070,832
Sales taxes	2,309,414	1,917,162
Franchise taxes	44,913	43,191
Grants and contributions not restricted to specific programs	1,583,062	1,316,410
Other	251,872	302,314
Total revenues	<u>15,694,565</u>	<u>14,648,482</u>
Expenses:		
General government	2,001,438	2,103,062
Public safety	5,415,839	5,284,615
Transportation	2,460,277	1,672,394
Economic & physical development	1,422,329	1,209,264
Environmental protection	1,352,912	1,050,620
Culture and recreation	1,795,985	1,854,910
Interest on long-term debt	141,320	166,794
Total expenses	<u>14,590,100</u>	<u>13,341,659</u>
Increase in net assets	1,104,465	1,306,823
Net assets, July 1	<u>21,931,224</u>	<u>20,624,401</u>
Net assets, June 30	<u>\$ 23,035,689</u>	<u>\$ 21,931,224</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, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2011, the governmental funds of the Village of Pinehurst reported a combined fund balance of \$6,761,060, an increase of \$855,000 or 14% over last year.

The General Fund is the chief operating fund of the Village of Pinehurst. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,145,184, while total fund balance reached \$6,702,209. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.7% of total General Fund expenditures, while total fund balance represents 41.7% of that same amount. The Village Council's adopted fund balance policy requires the Village to maintain *total* fund balance in the range of 30%-40% of General Fund expenditures. The Village currently has total fund balance of 41.7% which exceeds this range. This surplus will be included as a revenue source when management prepares the budget for the next fiscal year.

Fund balance in the Village's General Fund increased by \$869,000 during the 2011 fiscal year. Key components of this change are as follows:

- Property taxes, the Village's largest revenue source, increased by \$1,540,000 or 19% above the previous fiscal year as a result of a major annexation that became effective March 31, 2010.
- Local option sales taxes were \$392,000, or 20% higher than the previous year due to the annexation mentioned above, an increase in retail sales, and a change in revenue recognition method.
- Fire district revenues decreased due to the annexation by \$392,000 or 65%.
- Investment income was \$12,000, or 34% lower than the previous year due to historically low short-term interest rates as set by the Federal Reserve.
- Street resurfacing expenditures in the Powell Bill department were \$731,000 higher than the previous fiscal year due to contracted resurfacing carried over from the previous fiscal year and a continued strong investment in resurfacing by the Village.
- Other operating expenditures were lower across the board due to management cost containment initiatives.

Proprietary Funds

The Village of Pinehurst does not have any proprietary funds.

General Fund Budgetary Highlights

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

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

Comparing budget to actual amounts, the Village exceeded the originally budgeted operating revenue estimates by \$765,000, or 5.2%. The primary revenue that came in above estimated budget amounts were sales tax revenues and their related hold harmless reimbursements. Sales taxes were higher than expected due to a higher than projected population increase from an annexation and increased retail sales. In addition, the Village does not budget for grants until they are awarded. During FY 2011, the Village was awarded a \$75,000 grant for recycling carts. Most other revenues came in slightly ahead of budget to add to these increases.

Total expenditures were 7.4% less than originally budgeted amounts. Operating expenditures were less than budgeted amounts for the following significant items: (1) contracted and professional services of \$267,000, with \$97,000 due to lower legal professional service costs and, (2) salaries and benefits were \$332,000 lower due to employee turnover and the elimination of 5.75 (full-time equivalent) staff positions through cost containment. During the spring of 2010 management undertook a comprehensive cost containment initiative with the goal of controlling operating costs in light of lower revenue growth. We estimate that this initiative saved \$356,000 in the current fiscal year and will save an additional \$2.1M over the next five years.

Capital expenditures in the General Fund were \$531,000 lower than originally budgeted. This was primarily due to a solid waste vehicle that was ordered but not received and sidewalks and parking lot improvements downtown that were not completed during the fiscal year. Some items have been re-appropriated in fiscal year 2011-12 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, 2011 added \$868,913 to fund balance as a result of operations. At June 30, 2011, the General Fund reported fund balance of \$6,702,209, a 14.9% 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, 2011 totals \$20,101,326 (net of accumulated depreciation). These assets include land, right of ways, buildings and improvements, furniture and equipment, vehicles, infrastructure such as streets and drainage systems, and construction in progress.

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

- Storm drainage projects totaling \$98,000
- Purchase of three vehicles for the Police Department in the amount of \$126,000
- Replacement of HVAC system at the Fair Barn at \$52,000
- Greenway trail additions of \$103,000
- Purchase of Village-wide phone system \$100,000
- Vehicle replacements totaling \$145,000

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

	<u>Governmental Activities</u> <u>2011</u>	<u>Governmental Activities</u> <u>2010</u>
Land	\$ 4,941,431	\$ 4,913,431
Right of Ways	52,552	54,600
Buildings and Improvements	8,576,522	9,233,601
Furniture and Equipment	270,294	238,973
Vehicles	2,016,871	2,113,007
Infrastructure	3,117,905	3,003,652
Construction in Progress	1,125,751	1,114,368
Total	<u>\$ 20,101,326</u>	<u>\$ 20,671,632</u>

Additional information on the Village's capital assets can be found in Note 6 of the Basic Financial Statements.

Long-term Debt

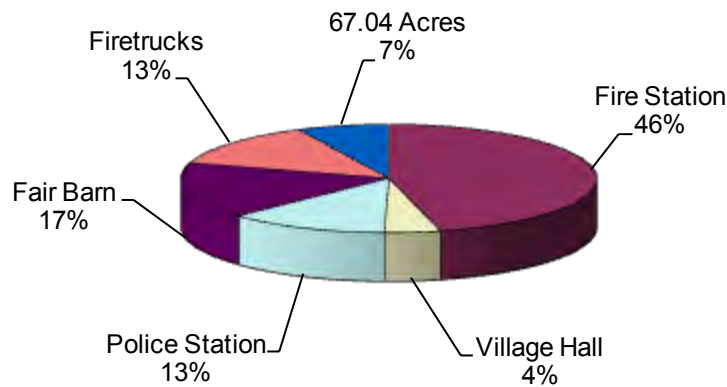
As of June 30, 2011, the Village of Pinehurst had installment purchase agreement debt outstanding of \$3,259,244. All long term debt of the Village is installment purchase agreements that are collateralized by the assets that are financed.

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

	<u>Governmental Activities</u> <u>2011</u>	<u>Governmental Activities</u> <u>2010</u>
Village Hall	\$ 141,110	\$ 415,950
Police Station	405,072	662,973
Fire Station	1,500,000	1,666,667
Fair Barn	550,000	600,000
Firetrucks	429,729	538,751
67.04 Acres	233,333	266,667
Total	<u>\$ 3,259,244</u>	<u>\$ 4,151,008</u>

During fiscal year 2011 the Village of Pinehurst's total debt decreased by \$891,764 (21%). This is due to the payment of principal balances on existing debt obligations.

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 \$265,476,945. The Village has \$16,000,000 in general obligation water and sewer bonds authorized but unissued at June 30, 2011.

Additional information regarding the Village of Pinehurst's long-term debt can be found in Note 11 beginning on page 40 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 9.1% at June 30, 2011 is well above historical levels but below the State rate of 9.9%.
- Slowing growth in new construction and in the number of new residents. The Village added 53 new homes last year within the Village limits and its extraterritorial jurisdiction. This is two homes higher than the previous year, but the total value of the homes constructed was 17% lower.
- Scheduled to host back to back Men's US Open and Women's U.S. Open golf championships in June of 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, 2012

Governmental Activities

Revenues of the Village are expected to increase by 1.1% for FY 2012. This is primarily due to growth in revenues distributed on a per capita basis, such as sales taxes. The 2010 Census increased the Village's population above the previous state estimates which were based on the 2000 census. These state population estimates are used to distribute state-shared revenues that are distributed on a per capita basis. Also a modest recovery is having a positive effect on economically sensitive revenues such as sale taxes. However, property tax revenues are expected to decline by 2.5% due to the loss of partial year funding from a major annexation in the previous fiscal year. Under state annexation laws, property taxes due for the partial year were not billable as revenue until the following fiscal year. This added three months of property taxes for the annexed area to the levy for FY 2011. For the 2011-12 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 decrease by 0.7% to \$15,900,470. The decreases are the direct result of management's cost containment initiatives in the prior fiscal year. These initiatives are estimated to save the Village \$2,100,000 over the next five years. Debt service expenditures also continue to decrease as the Village pays down its remaining debt obligation balances. Major initiatives of the recommended budget include, enhancing the historic downtown, studying the downtown business climate, containing operating costs, implementing automated collection of recyclables, adding to the greenway system and parks, improving the Village's transportation system, and completion of storm water drainage control projects.

Capital outlays of \$1,884,600 are included in the recommended budget. Some of the more notable items include, Police patrol vehicle replacements, downtown parking and streetscape improvements, additions to the Village greenway system, tennis courts at Rassie Wicker Park, stormwater projects, and all-weather show rings at the Harness Track.

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, 2011

Exhibit 1

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,974,399
Taxes receivables (net)	34,654
Special assessments receivable	137,171
Interest receivable	16,083
Other receivables	41,216
Due from other governments	1,206,675
Inventories	46,747
Prepaid items	128,567
Total unrestricted current assets	<u>7,585,512</u>
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	4,941,431
Construction in progress	1,125,751
Right of Ways	52,552
Buildings and improvements	8,576,522
Furniture and equipment	270,294
Vehicles	2,016,871
Infrastructure	3,117,905
Total capital assets	<u>20,101,326</u>
Total assets	<u>27,686,838</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	626,128
Unearned revenue	21,162
Accrued interest payable	33,367
Long-term liabilities due within one year	<u>1,080,516</u>
Total current liabilities	1,761,173
Non-current liabilities:	
Long-term liabilities due in more than one year	<u>2,889,976</u>
Total liabilities	<u>4,651,149</u>
Net Assets	
Invested in capital assets, net of related debt	16,842,082
Restricted for:	
Stabilization by state statute	1,422,691
Municipal Service District	14,084
Unrestricted	<u>4,756,832</u>
Total net assets	<u><u>\$ 23,035,689</u></u>

Village of Pinehurst, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2011

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	\$ 2,001,438	\$ -	\$ -	\$ -	\$ (2,001,438)
Public safety	5,415,839	398,609	22,893	-	(4,994,337)
Transportation	2,460,277	10,000	434,742	-	(2,015,535)
Economic and physical development	1,422,329	25,615	76	-	(1,396,638)
Environmental protection	1,352,912	-	500,124	-	(852,788)
Cultural and recreation	1,795,985	497,313	2	-	(1,298,670)
Interest on long-term debt	141,320	-	-	-	(141,320)
Total governmental activities	<u>\$14,590,100</u>	<u>\$ 931,537</u>	<u>\$ 957,837</u>	<u>\$ -</u>	<u>(12,700,726)</u>
General revenues:					
Ad valorem taxes					\$ 9,615,930
Sales taxes					2,309,414
Franchise taxes					44,913
Unrestricted intergovernmental					1,583,062
Investment earnings					23,665
Miscellaneous					228,207
Total general revenues					<u>13,805,191</u>
Change in net assets					<u>1,104,465</u>
Net assets-beginning					<u>21,931,224</u>
Net assets-ending					<u>\$ 23,035,689</u>

Village of Pinehurst, North Carolina
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit 3

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Municipal Service District		
Assets				
Cash and cash equivalents	\$ 5,915,548	\$ 14,084	\$ 44,767	\$ 5,974,399
Receivables, net:				
Taxes	34,654	-	-	34,654
Assessments	-	137,171	-	137,171
Interest	16,083	-	-	16,083
Other receivables	41,216	-	-	41,216
Due from other governments	1,201,145	-	5,530	1,206,675
Due from other funds	5,530	-	-	5,530
Inventories	46,747	-	-	46,747
Prepaid items	128,567	-	-	128,567
Total assets	\$ 7,389,490	\$ 151,255	\$ 50,297	\$ 7,591,042
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 165,084	\$ -	\$ -	\$ 165,084
Withholdings and accrued expenditures	365,669	-	-	365,669
Deposits	95,375	-	-	95,375
Deferred revenues	61,153	137,171	-	198,324
Due to other funds	-	-	5,530	5,530
Total liabilities	687,281	137,171	5,530	829,982
Fund balances:				
Nonspendable:				
Inventory	46,747	-	-	46,747
Prepaid items	128,567	-	-	128,567
Restricted:				
Stabilization by state statute	1,422,691	-	-	1,422,691
Municipal Service District	-	14,084	-	14,084
Committed:				
Capital Project funds	-	-	34,549	34,549
Special Revenue funds	-	-	10,218	10,218
Assigned:				
Subsequent year's expenditures	959,020	-	-	959,020
Unassigned	4,145,184	-	-	4,145,184
Total fund balances	6,702,209	14,084	44,767	6,761,060
Total liabilities and fund balances	\$ 7,389,490	\$ 151,255	\$ 50,297	

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	20,101,326
Liabilities for earned but deferred revenues in the fund statements	177,162
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>(4,003,859)</u>
Net assets of governmental activities	\$ 23,035,689

Village of Pinehurst, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

Exhibit 4

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Municipal Service District		
Revenues				
Ad valorem taxes	\$ 9,605,784	\$ 3,827	\$ -	\$ 9,609,611
Sales taxes	2,311,351	-	-	2,311,351
Franchise taxes	42,976	-	-	42,976
Unrestricted intergovernmental	1,583,062	-	-	1,583,062
Restricted intergovernmental	534,182	-	423,367	957,549
Permits and fees	446,838	-	-	446,838
Sales and services	497,714	-	-	497,714
Investment earnings	23,836	37	78	23,951
Assessment income	-	34,648	-	34,648
Miscellaneous	200,316	-	-	200,316
Total revenues	<u>15,246,059</u>	<u>38,512</u>	<u>423,445</u>	<u>15,708,016</u>
Expenditures				
Current:				
General government	1,840,989	-	-	1,840,989
Public safety	5,049,620	-	-	5,049,620
Transportation	2,382,430	-	-	2,382,430
Economic and physical development	1,049,080	-	423,367	1,472,447
Environmental protection	1,265,894	2,850	-	1,268,744
Cultural and recreation	1,781,382	-	-	1,781,382
Debt service:				
Principal	891,764	-	-	891,764
Interest and other charges	150,635	-	-	150,635
Capital outlay	-	-	15,083	15,083
Total expenditures	<u>14,411,794</u>	<u>2,850</u>	<u>438,450</u>	<u>14,853,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>834,265</u>	<u>35,662</u>	<u>(15,005)</u>	<u>854,922</u>
Other Financing Sources (Uses)				
Transfers to other funds	-	(34,648)	-	(34,648)
Transfers from other funds	34,648	-	-	34,648
Total other financing sources (uses)	<u>34,648</u>	<u>(34,648)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	868,913	1,014	(15,005)	854,922
Fund balances, beginning	<u>5,833,296</u>	<u>13,070</u>	<u>59,772</u>	<u>5,906,138</u>
Fund balances, ending	<u>\$ 6,702,209</u>	<u>\$ 14,084</u>	<u>\$ 44,767</u>	<u>\$ 6,761,060</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, 2011

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 854,922
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 depreciation exceeded capital outlays in the current period	(568,177)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(2,129)
Revenues in the statement of activities that are not reported as revenues in the fund statements.	(41,451)
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 net effect of these differences in the treatment of long-term debt.	891,764
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>(30,464)</u>
 Total changes in net assets of governmental activities	 <u><u>\$ 1,104,465</u></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, 2011

Exhibit 6
Page 1 of 2

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 9,679,900	\$ 9,679,900	\$ 9,605,784	\$ (74,116)
Sales taxes	2,030,000	2,131,600	2,311,351	179,751
Franchise taxes	43,300	43,300	42,976	(324)
Unrestricted intergovernmental	1,310,400	1,470,400	1,583,062	112,662
Restricted intergovernmental	416,200	513,231	534,182	20,951
Permits and fees	377,150	377,150	446,838	69,688
Sales and services	407,830	407,830	497,714	89,884
Investment earnings	35,800	35,800	23,836	(11,964)
Miscellaneous	180,475	183,325	200,316	16,991
Total revenues	<u>14,481,055</u>	<u>14,842,536</u>	<u>15,246,059</u>	<u>403,523</u>
Expenditures:				
Current:				
General government	2,108,670	2,074,780	1,840,989	233,791
Public safety	5,181,219	5,289,292	5,049,620	239,672
Transportation	2,248,235	2,527,791	2,382,430	145,361
Economic & physical development	1,297,335	1,357,196	1,049,080	308,116
Environmental protection	1,516,150	1,621,205	1,265,894	355,311
Cultural and recreation	2,072,490	2,138,144	1,781,382	356,762
Contingency	50,000	40,639	-	40,639
Non-departmental	53,945	-	-	-
Debt service:				
Principal retirement	891,738	891,765	891,764	1
Interest and fees	143,752	150,725	150,635	90
Total expenditures	<u>15,563,534</u>	<u>16,091,537</u>	<u>14,411,794</u>	<u>1,679,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,082,479)</u>	<u>(1,249,001)</u>	<u>834,265</u>	<u>2,083,266</u>
Other Financing Sources (Uses):				
Transfers from other funds	15,620	35,850	34,648	(1,202)
Total other financing sources (uses)	<u>15,620</u>	<u>35,850</u>	<u>34,648</u>	<u>(1,202)</u>
Fund balance appropriated	<u>1,066,859</u>	<u>1,213,151</u>	<u>-</u>	<u>(1,213,151)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>868,913</u>	<u>\$ 868,913</u>
Fund balances, beginning			<u>5,833,296</u>	
Fund balances, ending			<u>\$ 6,702,209</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, 2011

Exhibit 6
 Page 2 of 2

	Municipal Service District			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,680	\$ 3,680	\$ 3,827	\$ 147
Assessment income	15,620	35,850	34,648	(1,202)
Investment earnings	100	100	37	(63)
Total revenues	<u>19,400</u>	<u>39,630</u>	<u>38,512</u>	<u>(1,118)</u>
Expenditures:				
Operating expenditures	<u>3,780</u>	<u>3,780</u>	<u>2,850</u>	<u>930</u>
Excess of revenues over (under) expenditures	<u>15,620</u>	<u>35,850</u>	<u>35,662</u>	<u>(188)</u>
Other Financing Sources (Uses):				
Transfers to other funds	<u>(15,620)</u>	<u>(35,850)</u>	<u>(34,648)</u>	<u>1,202</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,014</u>	<u>\$ 1,014</u>
Fund balances, beginning			<u>13,070</u>	
Fund balances, ending			<u>\$ 14,084</u>	

Village of Pinehurst, North Carolina
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

Exhibit 7

	<u>Residential Assurance Fund</u>
Assets	
Cash and cash equivalents	\$ 60,000
Liabilities	
Builder deposits	<u>60,000</u>
Net Assets	<u><u>\$ -</u></u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 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, 2011, 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, 2011, 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.

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.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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 **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 community center at Cannon Park.

The **Jackson Hamlet Community Development Block Grant Recovery (CDBG-R) Project Fund** was established to account for the costs incurred in the design and construction of additional sewer facilities for the Jackson Hamlet Community adjacent to Pinehurst. The project is funded through the American Recovery and Reinvestment Act (ARRA).

The Village did not have any enterprise funds during the fiscal year ended June 30, 2011.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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, Municipal Service District Fund, Residential Assurance – Interest Fund, and Land Dedication Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Public Services Facility, Recreation Center, and Jackson Hamlet CDBG-R 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 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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data (Continued)

As required by North Carolina General Statutes, Chapter 159, Section 26(d) [hereinafter references to the North Carolina General Statutes will be cited as G.S.], the Village maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed.

E. Assets, Liabilities, 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

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, 2010.

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 tangible or intangible assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The 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:

<u>Asset Class</u>	<u>Estimated Useful Lives (years)</u>
Right of Ways	40
Infrastructure	20 - 40
Buildings and improvements	20
Furniture and equipment	3 - 10
Vehicles	4 - 20

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance may be spent.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

Fund Balances (Continued)

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid items – portion of fund balance that is not an available resource because it represents expenditures that were paid in the current fiscal year, but are attributed to the next fiscal year.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Municipal Service District - portion of fund balance that has been budgeted by the Council for the yearly costs of operating the dams in this subdivision.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Village of Pinehurst's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Land Dedication – portion of fund balance that has been budgeted by the Council for the dedication of land or payment of fees in lieu of the dedication of land from developers for open space preservation.

Committed for Residential Assurance Fund Interest – portion of fund balance that represents interest from the Residential Assurance Fund that has been budgeted by the Council for community projects.

Committed for Parks and Recreation – portion of fund balance that has been budgeted by the Council for construction of a community center.

Committed for Public Services – portion of fund balance that has been budgeted by the Council for construction of a public services facility.

Committed for Jackson Hamlet CDBG-R – portion of fund balance that has been budgeted by the Council for construction of additional sewer facilities in the Jackson Hamlet Community adjacent to Pinehurst.

Assigned fund balance – portion of fund balance that Village of Pinehurst intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$10,000.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

Fund Balances (Continued)

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Village of Pinehurst has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Village in such a manner that total fund balance is 30% - 40% of budgeted expenditures. Any portion of the general fund balance in excess of 30% of budgeted expenditures may be appropriated for expenditure by the Village Council.

Note 2. Stewardship, Compliance and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

Expenditures of on-behalf payments are not considered to be violations of state statute budget requirements (See Note 13).

Note 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 \$20,101,326 difference are as follows:

Capital assets	\$ 32,582,628
Accumulated depreciation	<u>(12,481,302)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 20,101,326</u>

Another element of the reconciliation states that “Liabilities for earned but deferred revenues in fund statements.” The details of this \$177,162 difference are as follows:

Taxes receivable	\$ 34,654
Other receivables	5,337
Assessments receivable	<u>137,171</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 177,162</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

**Note 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 \$4,003,859 difference are as follows:

Accrued interest payable	\$ (33,367)
Compensated absences payable	(558,806)
Net pension obligation	(152,442)
Installment purchases payable	<u>(3,259,244)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (4,003,859)</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 \$568,177 difference are as follows:

Capital outlay	\$ 824,235
Depreciation expense	<u>(1,392,412)</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>\$ (568,177)</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 \$2,129 difference are as follows:

Donations of capital assets (received)	\$ 28,000
Proceeds from sale of assets	(32,478)
Loss on disposal of assets	(30,129)
Gain on disposal of assets	<u>32,478</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of activities</i>	<u>\$ (2,129)</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

**Note 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 \$41,451 difference are as follows:

Special assessment payments	\$ (34,648)
Change in deferred other revenue	(10,606)
Change in deferred tax revenue	<u>3,803</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>\$ (41,451)</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 \$891,764 difference are as follows:

Principal payments	<u>\$ 891,764</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>\$ 891,764</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 \$30,464 difference are as follows:

Compensated absences	\$ (30,755)
Accrued interest payable	9,315
Pension obligation	<u>(9,024)</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>\$ (30,464)</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4. Deposits and Investments

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, 2011 the Village's deposits had a carrying amount of \$3,231,433. The cash balance in the bank at June 30, 2011 totaled \$3,676,587. Of the bank balance, \$1,250,000 was covered by federal depository insurance and \$2,426,587 was covered by collateral held under the Pooling Method. At June 30, 2011, the Village's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2011, the Village's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Cash Portfolio	\$2,801,966	N/A	AAAm

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, 2011.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5. 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:

	General	Municipal Service District Fund	Non-Major and Other Fund	Total
Receivables:				
Taxes	\$ 34,654	\$ -	\$ -	\$ 34,654
Accounts	41,216	-	-	41,216
Special assessments	-	137,171	-	137,171
Interest	16,083	-	-	16,083
Intergovernmental	<u>1,201,145</u>	<u>-</u>	<u>5,530</u>	<u>1,206,675</u>
Gross receivables	1,293,098	137,171	5,530	1,435,799
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 1,293,098</u>	<u>\$ 137,171</u>	<u>\$ 5,530</u>	<u>\$ 1,435,799</u>

Note 6. Capital Assets

A. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,913,431	\$ 28,000	\$ -	\$ 4,941,431
Construction in progress	<u>1,114,368</u>	<u>20,383</u>	<u>(9,000)</u>	<u>1,125,751</u>
Total capital assets not being depreciated	<u>6,027,799</u>	<u>48,383</u>	<u>(9,000)</u>	<u>6,067,182</u>
Capital assets being depreciated:				
Right of ways	54,600	-	-	54,600
Buildings and improvements	16,361,965	173,794	(36,985)	16,498,774
Furniture and equipment	2,072,108	142,666	(299,389)	1,915,385
Vehicles	4,734,853	286,057	(401,749)	4,619,161
Infrastructure	<u>3,217,191</u>	<u>210,335</u>	<u>-</u>	<u>3,427,526</u>
Total	<u>26,440,717</u>	<u>812,852</u>	<u>(738,123)</u>	<u>26,515,446</u>
Less accumulated depreciation for:				
Right of ways	-	2,048	-	2,048
Buildings and improvements	7,128,364	800,744	(6,856)	7,922,252
Furniture and equipment	1,833,135	111,345	(299,389)	1,645,091
Vehicles	2,621,846	382,193	(401,749)	2,602,290
Infrastructure	<u>213,539</u>	<u>96,082</u>	<u>-</u>	<u>309,621</u>
Total	<u>11,796,884</u>	<u>1,392,412</u>	<u>(707,994)</u>	<u>12,481,302</u>
Total capital assets being depreciated, net	<u>14,643,833</u>	<u>(579,560)</u>	<u>(30,129)</u>	<u>14,034,144</u>
Governmental activity capital assets, net	<u>\$ 20,671,632</u>	<u>\$ (531,177)</u>	<u>\$ (39,129)</u>	<u>\$ 20,101,326</u>

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

General government	\$ 265,133
Public safety	547,630
Transportation	140,690
Economic & physical development	60,888
Environmental protection	85,002
Cultural and recreation	<u>293,069</u>
Total depreciation expense	<u>\$ 1,392,412</u>

**Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 7. 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.

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 6.44% and 6.41%, 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, 2011, 2010, and 2009 were \$359,878, \$281,165, and \$271,640, respectively. The contributions made by the Village equaled the required contributions for each year.

B. Law Enforcement Officers Special Separation Allowance

1. 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>25</u>
Total	<u>28</u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The Village has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7. Pension Plan Obligations (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

3. 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, 2010 actuarial valuation using the projected unit credit actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 – 7.85% per year. Both(a) and (b) included an inflation component of 3.00%. 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, 2010 was 20 years.

The Village's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 52,094
Interest on net pension obligation	7,171
Adjustment to annual required contribution	<u>(7,678)</u>
Annual pension cost	51,587
Contributions made	<u>42,563</u>
Increase (decrease) in net pension obligation	9,024
Net pension obligation beginning of year	<u>143,418</u>
 Net pension obligation end of year	 <u>\$ 152,442</u>

Three Year Trend Information

<u>For Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 35,118	124.54%	\$ 143,822
2010	42,159	100.96%	143,418
2011	51,587	82.51%	152,442

4. Funded Status and Funding Progress

As of December 31 2010, 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 \$463,380. The covered payroll (annual payroll of active employees covered by the plan) was \$1,177,170, and the ratio of the UAAL to the covered payroll was 39.36 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.

Note 7. Pension Plan Obligations (Continued)

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.

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, 2011 were \$71,673, which consisted of \$58,008 from the Village and \$13,665 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, 2011 were \$345,500, which consisted of \$222,986 from the Village and \$122,514 in voluntary contributions from employees.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7. Pension Plan Obligations (Continued)

E. Deferred Compensation Plan (Continued)

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

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, 2011, the Village made contributions to the State for death benefits of \$5,614. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% 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. The Village considers these contributions to be immaterial.

Note 8. Deferred 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)	\$ -	\$ 21,162
Taxes receivable (General Fund)	34,654	-
Others receivable (General Fund)	5,337	-
Special assessments receivable: (Municipal Service District Fund)	137,171	-
Total	<u>\$ 177,162</u>	<u>\$ 21,162</u>

**Village of Pinehurst
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 9. 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 (\$18,867,587), 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.

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.

Note 10. Claims, Judgments and Contingent Liabilities

At June 30, 2011, 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.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11. Long-Term Obligations

Long-term debt obligations of the Village consisted of the following at June 30, 2011:

\$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	\$ 233,333
\$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	1,500,000
\$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	141,110
\$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	405,072
\$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	23,362
\$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	550,000
\$500,000 vehicle installment purchase dated 11/10/09 due in 14 semi-annual payments of \$42,037 through December 2016; interest at 4.43% with a 35% Build America Bond interest rebate on each payment for a net effective interest rate of approximately 2.88%; collateralized by fire truck	<u>406,367</u>
	<u>\$ 3,259,244</u>

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

Year ending June 30	Principal	Interest
2011	\$ 748,833	\$ 116,780
2012	457,307	91,316
2013	322,921	76,280
2014	326,187	63,654
2015	329,599	56,615
2016-2020	1,024,397	93,218
2021-2025	<u>50,000</u>	<u>1,725</u>
	<u>\$ 3,259,244</u>	<u>\$ 499,588</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11. Long-Term Obligations (Continued)

At June 30, 2011, the Village of Pinehurst had authorized, but unissued bonds of \$16,000,000, and had a legal debt margin of \$265,476,945.

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 4,151,008	\$ -	\$ (891,764)	\$ 3,259,244	\$ 748,833
Compensated absences	528,051	362,438	(331,683)	558,806	331,683
Net pension obligation	<u>143,418</u>	<u>9,024</u>	<u>-</u>	<u>152,442</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 4,822,477</u>	<u>\$ 371,462</u>	<u>\$ (1,223,447)</u>	<u>\$ 3,970,492</u>	<u>\$ 1,080,516</u>

Compensated absences typically have been liquidated in the general fund.

Note 12. Interfund Balances and Activity

Balances due to/from other funds

The Village has the following balances due to/from other funds at June 30, 2011:

Due to the General Fund from the Jackson Hamlet CDBG-R Project Fund	\$5,530
Due from the Jackson Hamlet CDBG-R Fund to the General Project Fund	\$5,530

These interfund balances resulted from the time lag between the dates funds were expended in the Jackson Hamlet CDBG-R project and the date of reimbursement by the granting agency. Since there are no local matching funds to provide operating capital for this project, the General Fund was required to temporarily provide cash to the project fund to pay expenditures until the grant reimbursements were received.

Transfers to/from other funds

Transfers to/from other funds at June 30, 2011, consist of the following:

From the Municipal Service District Fund to the General Fund for capital expenditures	<u>\$ 34,648</u>
Total transfers	<u>\$ 34,648</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 2011 fiscal year, \$34,648 was transferred from the Municipal Service District to the General Fund. This amount represents the special assessments collected from the service district during the fiscal year. The assessments were levied by the Village for the reconstruction of the earthen dam around Pond #1.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 13. Revenues, Expenditures and Expenses

For the fiscal year ended June 30, 2011, the Village of Pinehurst has recognized on behalf of payments for pension contributions made by the State as revenue and an expenditure of \$669 for the 2 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.

Note 14. Fund Balance

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

Total fund balance-General Fund	\$ 6,702,209
Less:	
Inventories	46,747
Prepaid Items	128,567
Stabilization by State Statute	1,422,691
Appropriated Fund Balance in 2012 budget	959,020
Remaining Fund Balance	4,145,184

The Village's fund balance policy states that *total* General Fund balance should be within the range of 30% - 40% of budgeted General Fund expenditures. At June 30, 2011 the General Fund total fund balance of \$6,702,209 represents 41.7% of General Fund budgeted expenditures which exceeds the policy range. This surplus will be included as a revenue source when the budget is prepared for the next fiscal year.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Non-Major Funds
	\$164,054	\$0

Note 15. Summary Disclosure of Significant Contingencies

A. Employment Security Benefits

The Village has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee.

B. Federal and State Assisted Programs

The Village has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 16. 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 \$19,183 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2011. 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, 2011. 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

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)
12/31/01	\$ -	\$ 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%
12/31/09	-	489,896	489,896	0.00%	1,139,799	42.98%
12/31/10	-	463,380	463,380	0.00%	1,177,170	39.36%

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

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2010	40,792	104.34%
2011	52,094	81.70%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
Cost-of living adjustments	None
 *Includes inflation at	 3.00%

General Fund

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

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2011
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

Exhibit B-1
Page 1 of 4

	2011		Variance Positive (Negative)	2010
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 9,677,400	\$ 9,592,065	\$ (85,335)	\$ 8,053,730
Penalties and interest	2,500	13,719	11,219	12,067
Total	<u>9,679,900</u>	<u>9,605,784</u>	<u>(74,116)</u>	<u>8,065,797</u>
Other taxes:				
Local option sales tax	2,130,000	2,309,414	179,414	1,917,162
Franchise fees-cablevision	43,300	42,976	(324)	43,191
Golf cart stickers	1,600	1,937	337	-
Total	<u>2,174,900</u>	<u>2,354,327</u>	<u>179,427</u>	<u>1,960,353</u>
Unrestricted intergovernmental:				
Telecommunications sales tax	143,000	132,201	(10,799)	141,445
Utilities franchise tax	615,000	599,634	(15,366)	541,658
Video programming	259,000	280,802	21,802	263,023
Hold harmless reimbursements	400,000	510,480	110,480	353,461
Wine & beer tax	53,400	59,945	6,545	16,823
Total	<u>1,470,400</u>	<u>1,583,062</u>	<u>112,662</u>	<u>1,316,410</u>
Restricted intergovernmental:				
Powell Bill allocation	406,000	428,619	22,619	390,006
BAB interest rebates	7,000	7,047	47	4,338
Controlled substance tax	13,781	13,926	145	3,942
Highway safety grant	-	-	-	13,660
Other grants	76,250	68,750	(7,500)	52,024
Solid waste disposal tax	10,200	9,220	(980)	9,950
Other revenues	-	5,951	5,951	-
On-behalf of payments - Fire and Rescue	-	669	669	854
Total	<u>513,231</u>	<u>534,182</u>	<u>20,951</u>	<u>474,774</u>
Permits and fees:				
Building permits and inspection fees	165,000	171,818	6,818	226,275
Planning and zoning fees	35,000	34,318	(682)	40,336
Fire district	154,100	214,299	60,199	606,741
Rescue services	10,000	10,000	-	-
Other permits and fees	13,050	16,403	3,353	41,031
Total	<u>377,150</u>	<u>446,838</u>	<u>69,688</u>	<u>914,383</u>
Sales and services:				
Rents, concessions and fees	342,830	410,852	68,022	389,157
Recreation fees	65,000	86,862	21,862	79,746
Total	<u>407,830</u>	<u>497,714</u>	<u>89,884</u>	<u>468,903</u>
Investment earnings:				
Investment income	35,800	23,836	(11,964)	35,823

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, 2011
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

Exhibit B-1
Page 2 of 4

	2011		Variance Positive (Negative)	2010
	Budget	Actual		
Miscellaneous:				
ABC revenue	\$ 72,000	\$ 77,391	\$ 5,391	\$ 81,583
Recycling revenue	21,500	23,708	2,208	-
Donations	29,700	37,577	7,877	44,631
Other revenues	60,125	61,640	1,515	74,257
Total	183,325	200,316	16,991	200,471
Total revenues	14,842,536	15,246,059	403,523	13,436,914
Expenditures:				
General government:				
Governing body:				
Operating expenditures	250,055	152,586	97,469	275,216
Capital outlay	11,512	5,661	5,851	-
Total	261,567	158,247	103,320	275,216
Administration:				
Operating expenditures	894,263	864,137	30,126	837,875
Capital outlay	38,242	32,481	5,761	9,000
Total	932,505	896,618	35,887	846,875
Financial services:				
Operating expenditures	581,511	545,559	35,952	487,285
Capital outlay	3,597	1,791	1,806	-
Total	585,108	547,350	37,758	487,285
Human resources:				
Operating expenditures	294,161	238,057	56,104	254,392
Capital outlay	1,439	717	722	-
Total	295,600	238,774	56,826	254,392
Total general government	2,074,780	1,840,989	233,791	1,863,768
Public safety:				
Police:				
Operating expenditures	2,554,162	2,410,973	143,189	2,402,436
Capital outlay	163,219	153,674	9,545	117,581
Total	2,717,381	2,564,647	152,734	2,520,017
Fire:				
Operating expenditures	2,256,093	2,200,426	55,667	2,123,042
Capital outlay	86,826	76,422	10,404	516,192
Total	2,342,919	2,276,848	66,071	2,639,234
Fire and rescue on behalf of payments	-	669	(669)	854

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, 2011
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

Exhibit B-1
Page 3 of 4

	2011		Variance Positive (Negative)	2010
	Budget	Actual		
Inspections:				
Operating expenditures	\$ 219,452	\$ 206,704	\$ 12,748	\$ 205,441
Capital outlay	9,540	752	8,788	-
Total	228,992	207,456	21,536	205,441
Total public safety	5,289,292	5,049,620	239,672	5,365,546
Transportation:				
Public services administration:				
Operating expenditures	328,249	315,865	12,384	299,910
Capital outlay	1,439	717	722	-
Total	329,688	316,582	13,106	299,910
Streets and grounds:				
Operating expenditures	889,036	805,187	83,849	803,047
Capital outlay	84,517	70,489	14,028	18,925
Total	973,553	875,676	97,877	821,972
Powell Bill:				
Operating expenditures	1,224,550	1,190,172	34,378	458,881
Total transportation	2,527,791	2,382,430	145,361	1,580,763
Economic & physical development:				
Planning:				
Operating expenditures	719,925	665,051	54,874	710,139
Capital outlay	25,995	21,444	4,551	-
Total	745,920	686,495	59,425	710,139
Engineering:				
Operating expenditures	381,102	254,285	126,817	394,056
Capital outlay	230,174	108,300	121,874	127,243
Total	611,276	362,585	248,691	521,299
Total economic & physical development	1,357,196	1,049,080	308,116	1,231,438
Environmental protection:				
Solid waste:				
Operating expenditures	1,456,205	1,265,894	190,311	929,616
Capital outlay	165,000	-	165,000	108,867
Total	1,621,205	1,265,894	355,311	1,038,483
Total environmental protection	1,621,205	1,265,894	355,311	1,038,483
Cultural and Recreation:				
Recreation:				
Operating expenditures	892,196	836,026	56,170	874,980
Capital outlay	368,589	198,814	169,775	70,866
Total	1,260,785	1,034,840	225,945	945,846

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, 2011
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

Exhibit B-1
Page 4 of 4

	2011		Variance Positive (Negative)	2010
	Budget	Actual		
Harness Track:				
Operating expenditures	\$ 497,946	\$ 449,740	\$ 48,206	\$ 458,161
Capital outlay	59,725	48,613	11,112	34,650
Total	<u>557,671</u>	<u>498,353</u>	<u>59,318</u>	<u>492,811</u>
Fair Barn:				
Operating expenditures	265,155	194,739	70,416	226,387
Capital outlay	54,533	53,450	1,083	41,819
Total	<u>319,688</u>	<u>248,189</u>	<u>71,499</u>	<u>268,206</u>
Total cultural and recreation	<u>2,138,144</u>	<u>1,781,382</u>	<u>356,762</u>	<u>1,706,863</u>
Contingency:				
Operating expenditures	<u>40,639</u>	<u>-</u>	<u>40,639</u>	<u>-</u>
Debt service:				
Principal retirement	891,765	891,764	1	836,473
Interest and fees	150,725	150,635	90	173,226
Total	<u>1,042,490</u>	<u>1,042,399</u>	<u>91</u>	<u>1,009,699</u>
Total expenditures	<u>16,091,537</u>	<u>14,411,794</u>	<u>1,679,743</u>	<u>13,796,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,249,001)</u>	<u>834,265</u>	<u>2,083,266</u>	<u>(359,646)</u>
Other Financing Sources (Uses):				
Loan proceeds	-	-	-	500,000
Transfers to other funds:				
Special Revenue Funds	-	-	-	(825,000)
Transfers from other funds:				
Special Revenue Funds	35,850	34,648	(1,202)	932,446
Total other financing sources (uses)	<u>35,850</u>	<u>34,648</u>	<u>(1,202)</u>	<u>607,446</u>
Fund balance appropriated	<u>1,213,151</u>	<u>-</u>	<u>(1,213,151)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>868,913</u>	<u>\$ 868,913</u>	<u>247,800</u>
Fund balances, beginning		<u>5,833,296</u>		<u>5,585,496</u>
Fund balances, ending		<u>\$ 6,702,209</u>		<u>\$ 5,833,296</u>

Municipal Service District Fund

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

Village of Pinehurst, North Carolina
Municipal Service District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2011
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

Exhibit C-1

	2011		Variance Positive (Negative)	2010
	Budget	Actual		
Revenues				
Ad valorem taxes	\$ 3,680	\$ 3,827	\$ 147	\$ 4,340
Assessment income	35,850	34,648	(1,202)	15,619
Investment earnings	100	37	(63)	75
Total revenues	<u>39,630</u>	<u>38,512</u>	<u>(1,118)</u>	<u>20,034</u>
Expenditures				
Operating expenditures	<u>3,780</u>	<u>2,850</u>	<u>930</u>	<u>3,460</u>
Excess of revenues over expenditures	<u>35,850</u>	<u>35,662</u>	<u>(188)</u>	<u>16,574</u>
Other Financing Sources (Uses)				
Transfer to General Fund	<u>(35,850)</u>	<u>(34,648)</u>	<u>1,202</u>	<u>(15,620)</u>
Net change in fund balances	<u>\$ -</u>	<u>1,014</u>	<u>\$ 1,014</u>	<u>954</u>
Fund balances-beginning		<u>13,070</u>		<u>12,116</u>
Fund balances-ending		<u>\$ 14,084</u>		<u>\$ 13,070</u>

Non-Major Governmental Funds

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

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

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

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 Recovery (CDBG-R) 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. The project is funded through the American Recovery and Reinvestment Act (ARRA)

Village of Pinehurst, North Carolina
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2011

Exhibit D-1
 Page 1 of 2

	Special Revenue Funds		
	Land Dedication Fund	Residential Assurance - Interest	Total
Assets			
Cash and cash equivalents	\$ 2,863	\$ 7,355	\$ 10,218
Due from other governments	-	-	-
Total assets	<u>\$ 2,863</u>	<u>\$ 7,355</u>	<u>\$ 10,218</u>
Liabilities and Fund Balance			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund balances:			
Committed:			
Capital projects	-	-	-
Special revenue funds	<u>2,863</u>	<u>7,355</u>	<u>10,218</u>
Total fund balances	<u>2,863</u>	<u>7,355</u>	<u>10,218</u>
Total liabilities and fund balances	<u>\$ 2,863</u>	<u>\$ 7,355</u>	<u>\$ 10,218</u>

Village of Pinehurst, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

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-R		
Assets					
Cash and cash equivalents	\$ 25,892	\$ 8,657	\$ -	\$ 34,549	\$ 44,767
Due from other governments	-	-	5,530	5,530	5,530
Total assets	<u>\$ 25,892</u>	<u>\$ 8,657</u>	<u>\$ 5,530</u>	<u>\$ 40,079</u>	<u>\$ 50,297</u>
Liabilities and Fund Balance					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 5,530	\$ 5,530	\$ 5,530
Fund balances:					
Committed:					
Capital projects	25,892	8,657	-	34,549	34,549
Special revenue funds	-	-	-	-	10,218
Total fund balances	<u>25,892</u>	<u>8,657</u>	<u>-</u>	<u>34,549</u>	<u>44,767</u>
Total liabilities and fund balances	<u>\$ 25,892</u>	<u>\$ 8,657</u>	<u>\$ 5,530</u>	<u>\$ 40,079</u>	<u>\$ 50,297</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, 2011

Exhibit D-2
Page 1 of 2

	Special Revenue Funds		
	Land Dedication Fund	Residential Assurance - Interest	Total
Revenues			
Investment earnings	\$ 2	\$ 76	\$ 78
Restricted intergovernmental	-	-	-
Total revenues	<u>2</u>	<u>76</u>	<u>78</u>
Expenditures			
Operating	-	-	-
Capital	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2</u>	<u>76</u>	<u>78</u>
Net change in fund balances	2	76	78
Fund balances-beginning	<u>2,861</u>	<u>7,279</u>	<u>10,140</u>
Fund balances-ending	<u>\$ 2,863</u>	<u>\$ 7,355</u>	<u>\$ 10,218</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, 2011

Exhibit D-2
Page 2 of 2

	Capital Projects Funds			Total	Total Nonmajor Governmental Funds
	Public Services Facility	Recreation Center	Jackson Hamlet CDBG-R		
Revenues					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ 78
Restricted intergovernmental	-	-	423,367	423,367	423,367
Total revenues	<u>-</u>	<u>-</u>	<u>423,367</u>	<u>423,367</u>	<u>423,445</u>
Expenditures					
Operating	-	-	423,367	423,367	423,367
Capital	15,083	-	-	15,083	15,083
Total expenditures	<u>15,083</u>	<u>-</u>	<u>423,367</u>	<u>438,450</u>	<u>438,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,083)</u>	<u>-</u>	<u>-</u>	<u>(15,083)</u>	<u>(15,005)</u>
Net change in fund balances	(15,083)	-	-	(15,083)	(15,005)
Fund balances-beginning	<u>40,975</u>	<u>8,657</u>	<u>-</u>	<u>49,632</u>	<u>59,772</u>
Fund balances-ending	<u>\$ 25,892</u>	<u>\$ 8,657</u>	<u>\$ -</u>	<u>\$ 34,549</u>	<u>\$ 44,767</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, 2011
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

Exhibit D-3

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
Revenues					
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ 2,767
Investment earnings	50	50	2	(48)	10
Total revenues	50	50	2	(48)	2,777
Expenditures					
Operating	50	50	-	50	-
Excess of revenues over expenditures	-	-	2	2	2,777
Net change in fund balances	\$ -	\$ -	2	\$ 2	2,777
Fund balances-beginning			2,861		84
Fund balances-ending			\$ 2,863		\$ 2,861

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, 2011
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

Exhibit D-4

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
Revenues					
Investment earnings	\$ 250	\$ 250	\$ 76	\$ (174)	\$ 371
Expenditures					
Operating	250	250	-	250	-
Excess of revenues over expenditures	-	-	76	76	371
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	76	<u>\$ 76</u>	371
Fund balances-beginning			7,279		6,908
Fund balances-ending			<u>\$ 7,355</u>		<u>\$ 7,279</u>

Village of Pinehurst, North Carolina
Capital Projects Fund - Public Services Facility
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit D-5

	Project Author- ization	Actual			Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures					
Engineering costs	\$ 336,900	\$ 296,736	\$ 15,083	\$ 311,819	\$ 25,081
Construction costs	2,500	1,724	-	1,724	776
Land acquisition	770,600	770,565	-	770,565	35
Total expenditures	<u>1,110,000</u>	<u>1,069,025</u>	<u>15,083</u>	<u>1,084,108</u>	<u>25,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,110,000)</u>	<u>(1,069,025)</u>	<u>(15,083)</u>	<u>(1,084,108)</u>	<u>25,892</u>
Other Financing Sources (Uses)					
Transfer from Capital Reserve Fund	<u>1,110,000</u>	<u>1,110,000</u>	<u>-</u>	<u>1,110,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 40,975</u>	<u>(15,083)</u>	<u>\$ 25,892</u>	<u>\$ 25,892</u>
Fund balances-beginning			<u>40,975</u>		
Fund balances-ending			<u>\$ 25,892</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, 2011

Exhibit D-6

	Project Author- ization	Actual		Total to Date	Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year		
Expenditures					
Engineering costs	\$ 45,000	\$ 36,343	\$ -	\$ 36,343	\$ 8,657
Other Financing Sources (Uses)					
Transfer from General Fund	45,000	45,000	-	45,000	-
Net change in fund balances	<u>\$ -</u>	<u>\$ 8,657</u>	-	<u>\$ 8,657</u>	<u>\$ 8,657</u>
Fund balances-beginning			<u>8,657</u>		
Fund balances-ending			<u>\$ 8,657</u>		

Village of Pinehurst, North Carolina
Capital Projects Fund - Jackson Hamlet CDBG-R
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2011

Exhibit D-7

	Project Author- ization	Actual			Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Community development block grant	\$ 796,530	\$ 35,830	\$ 423,367	\$ 459,197	\$ (337,333)
Total revenues	<u>796,530</u>	<u>35,830</u>	<u>423,367</u>	<u>459,197</u>	<u>(337,333)</u>
Expenditures					
Professional services	37,930	3,750	20,150	23,900	14,030
Grants for community projects	758,600	32,080	403,217	435,297	323,303
Total expenditures	<u>796,530</u>	<u>35,830</u>	<u>423,367</u>	<u>459,197</u>	<u>337,333</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances-beginning			-		
Fund balances-ending			<u>\$ -</u>		

Fiduciary Funds

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

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

Village of Pinehurst, North Carolina
Residential Assurance Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2011

Exhibit E-1

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
Assets				
Cash and cash equivalents	<u>\$ 60,000</u>	<u>\$ 20,000</u>	<u>\$ (20,000)</u>	<u>\$ 60,000</u>
Liabilities				
Builder deposits	<u>\$ 60,000</u>	<u>\$ 20,000</u>	<u>\$ (20,000)</u>	<u>\$ 60,000</u>

Capital Assets Used in the Operation of Governmental Funds

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

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
June 30, 2011

Exhibit F-1

	<u>2011</u>	<u>2010</u>
Governmental funds capital assets:		
Land	\$ 4,941,431	\$ 4,913,431
Right of Ways	54,600	54,600
Buildings and improvements	16,498,774	16,361,965
Furniture, equipment, and vehicles	6,534,546	6,806,961
Infrastructure	3,427,526	3,217,191
Construction in progress	<u>1,125,751</u>	<u>1,114,368</u>
Total governmental funds capital assets	<u>\$ 32,582,628</u>	<u>\$ 32,468,516</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 29,325,488	\$ 29,254,459
Capital Project Funds	1,120,451	1,105,368
Donations	<u>2,136,689</u>	<u>2,108,689</u>
Total governmental funds capital assets	<u>\$ 32,582,628</u>	<u>\$ 32,468,516</u>

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2011

Exhibit F-2

FUNCTION AND ACTIVITY	Land	Right of Ways	Buildings	Improvements Other Than Buildings	Furniture, Equipment & Vehicles	Infrastructure	Construction In Progress	Total
General Government								
Governing Body	\$ 2,496,064	\$ -	\$ -	\$ -	\$ 34,036	\$ -	\$ -	\$ 2,530,100
Administration	-	-	4,248,469	-	26,054	-	-	4,274,523
Financial Services	-	-	-	-	213,157	-	-	213,157
Information Technology	-	-	-	28,388	131,307	-	-	159,695
Buildings & Grounds	-	-	113,747	-	142,043	-	-	255,790
Fleet Maintenance	25,170	-	95,117	-	127,152	-	-	247,439
	<u>2,521,234</u>	<u>-</u>	<u>4,457,333</u>	<u>28,388</u>	<u>673,749</u>	<u>-</u>	<u>-</u>	<u>7,680,704</u>
Public Safety								
Police	-	-	2,687,469	-	1,195,572	-	-	3,883,041
Fire	171,074	-	3,274,662	-	1,831,031	-	-	5,276,767
Inspections	-	-	-	-	33,801	-	-	33,801
	<u>171,074</u>	<u>-</u>	<u>5,962,131</u>	<u>-</u>	<u>3,060,404</u>	<u>-</u>	<u>-</u>	<u>9,193,609</u>
Transportation								
Public Services	32,500	-	526,154	-	49,238	-	-	607,892
Streets and Grounds	-	54,600	5,118	132,620	565,872	1,041,816	-	1,800,026
Powell Bill	-	-	-	45,713	386,465	23,097	-	455,275
	<u>32,500</u>	<u>54,600</u>	<u>531,272</u>	<u>178,333</u>	<u>1,001,575</u>	<u>1,064,913</u>	<u>-</u>	<u>2,863,193</u>
Environmental Protection								
Solid Waste	-	-	-	-	1,130,418	-	-	1,130,418
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,130,418</u>	<u>-</u>	<u>-</u>	<u>1,130,418</u>
Cultural and Recreation								
Recreation	760,373	-	230,244	1,333,307	154,002	656,142	-	3,134,068
Harness Track	1,456,250	-	1,164,785	113,957	391,619	16,602	-	3,143,213
Fair Barn	-	-	2,207,927	44,768	29,736	-	-	2,282,431
	<u>2,216,623</u>	<u>-</u>	<u>3,602,956</u>	<u>1,492,032</u>	<u>575,357</u>	<u>672,744</u>	<u>-</u>	<u>8,559,712</u>
Economic & Physical Development								
Planning	-	-	-	-	52,438	-	-	52,438
Engineering	-	-	-	246,329	40,605	1,689,869	-	1,976,803
	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,329</u>	<u>93,043</u>	<u>1,689,869</u>	<u>-</u>	<u>2,029,241</u>
Construction in progress	-	-	-	-	-	-	1,125,751	1,125,751
	<u>\$ 4,941,431</u>	<u>\$ 54,600</u>	<u>\$ 14,553,692</u>	<u>\$ 1,945,082</u>	<u>\$ 6,534,546</u>	<u>\$ 3,427,526</u>	<u>\$ 1,125,751</u>	<u>\$ 32,582,628</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, 2011

Exhibit F-3

FUNCTION AND ACTIVITY	Capital Assets July 1, 2010	Additions	Deletions	Adjustments	Capital Assets June 30, 2011
General Government					
Governing Body	\$ 2,502,100	\$ 28,000	\$ -	\$ -	\$ 2,530,100
Administration	4,467,048	23,496	(225,021)	9,000	4,274,523
Financial Services	213,157	-	-	-	213,157
Information Technology	71,819	99,630	(11,754)	-	159,695
Buildings & Grounds Mtnc.	256,239	17,001	(13,559)	(3,891)	255,790
Fleet Maintenance	253,244	-	(5,805)	-	247,439
	<u>7,763,607</u>	<u>168,127</u>	<u>(256,139)</u>	<u>5,109</u>	<u>7,680,704</u>
Public Safety					
Police	3,800,240	126,202	(43,401)	-	3,883,041
Fire	5,476,633	65,643	(265,509)	-	5,276,767
Inspections	36,818	17,001	(20,018)	-	33,801
	<u>9,313,691</u>	<u>208,846</u>	<u>(328,928)</u>	<u>-</u>	<u>9,193,609</u>
Transportation					
Public Services	607,892	-	-	-	607,892
Streets and Grounds	1,703,842	68,375	-	27,809	1,800,026
Powell Bill	495,075	-	(39,800)	-	455,275
	<u>2,806,809</u>	<u>68,375</u>	<u>(39,800)</u>	<u>27,809</u>	<u>2,863,193</u>
Environmental Protection					
Solid Waste	1,199,480	-	-	(69,062)	1,130,418
	<u>1,199,480</u>	<u>-</u>	<u>-</u>	<u>(69,062)</u>	<u>1,130,418</u>
Cultural and Recreation					
Recreation	2,959,096	174,972	-	-	3,134,068
Harness Track	3,145,992	52,076	(99,999)	45,144	3,143,213
Fair Barn	2,230,056	52,375	-	-	2,282,431
	<u>8,335,144</u>	<u>279,423</u>	<u>(99,999)</u>	<u>45,144</u>	<u>8,559,712</u>
Economic & Physical Development					
Planning	47,720	-	(13,257)	17,975	52,438
Engineering	1,887,697	107,081	-	(17,975)	1,976,803
	<u>1,935,417</u>	<u>107,081</u>	<u>(13,257)</u>	<u>-</u>	<u>2,029,241</u>
Construction in progress	1,114,368	20,383	-	(9,000)	1,125,751
	<u>\$ 32,468,516</u>	<u>\$ 852,235</u>	<u>\$ (738,123)</u>	<u>\$ -</u>	<u>\$ 32,582,628</u>

Additional Financial Data

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

**Schedule of Ad Valorem Taxes Receivable –
General Fund**

**Analysis of Current Tax Levy –
General Fund**

**Schedule of Ad Valorem Taxes Receivable –
Special Revenue Fund**

**Analysis of Current Tax Levy –
Special Revenue Fund**

Schedule of Transfers

Village of Pinehurst, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 General Fund
 June 30, 2011

Exhibit G-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 9,602,484	\$ 9,584,386	\$ 18,098
2009-2010	14,853	-	11,297	3,556
2008-2009	1,780	-	208	1,572
2007-2008	2,586	-	249	2,337
2006-2007	2,468	-	43	2,425
2005-2006	2,187	-	60	2,127
2004-2005	1,767	-	3	1,764
2003-2004	1,731	-	1	1,730
2002-2003	2,485	-	1,920	565
2001-2002	557	-	77	480
2000-2001	329	-	329	-
	<u>\$ 30,743</u>	<u>\$ 9,602,484</u>	<u>\$ 9,598,573</u>	<u>\$ 34,654</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 9,605,784
Reconciling items:	
Interest collected and refunds	(13,719)
Refunds/reliefs	6,508
	<u>(7,211)</u>
Total collections and credits	<u>\$ 9,598,573</u>

Village of Pinehurst, North Carolina
 Analysis of Current Tax Levy
 General Fund
 For the Fiscal Year Ended June 30, 2011

Exhibit G-2

	General Fund			Total Levy	
	Property Valuation	Rate	Total Levy*	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 3,329,313,572	\$ 0.28	\$ 9,539,529	\$ 9,136,163	\$ 403,366
Registered motor vehicles taxed at prior year's rate	11,170,832	\$ 0.28	31,278	-	31,278
Penalties	-		1,151	1,151	-
Total	<u>3,340,484,404</u>		<u>9,571,958</u>	<u>9,137,314</u>	<u>434,644</u>
Discoveries:					
Current year taxes	17,910,269	\$ 0.28	48,808	48,808	-
Penalties	-		267	267	-
Total	<u>17,910,269</u>		<u>49,075</u>	<u>49,075</u>	<u>-</u>
Abatements	<u>(6,624,346)</u>		<u>(18,549)</u>	<u>1,353</u>	<u>(19,902)</u>
Total property valuation	<u>\$ 3,351,770,327</u>				
Net levy			9,602,484	9,187,742	414,742
Uncollected taxes at June 30, 2011			<u>(18,098)</u>	<u>(7,811)</u>	<u>(10,287)</u>
Current year's taxes collected			<u>\$ 9,584,386</u>	<u>\$ 9,179,931</u>	<u>\$ 404,455</u>
Current levy collection percentage			99.81%	99.91%	97.52%

* Total Levy includes \$217,450 for annexation effective 3/31/10.

Village of Pinehurst, North Carolina
Schedule of Ad Valorem Taxes Receivable
Special Revenue Fund
June 30, 2011

Exhibit G-3

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 3,719	\$ 3,719	\$ -
2009-2010	106	-	106	-
2008-2009	2	-	2	-
	<u>\$ 108</u>	<u>\$ 3,719</u>	<u>\$ 3,827</u>	<u>\$ -</u>

Reconciliation with revenues:

Ad valorem taxes - Special Revenue Fund	<u>\$ 3,827</u>
Total collections and credits	<u>\$ 3,827</u>

Village of Pinehurst, North Carolina
Analysis of Current Tax Levy
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

Exhibit G-4

	Municipal Service District			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 7,432,041	\$ 0.05	\$ 3,719	\$ 3,646	\$ 73
Total property valuation	<u>\$ 7,432,041</u>				
Net levy			3,719	3,646	73
Uncollected taxes at June 30, 2011			-	-	-
Current year's taxes collected			<u>\$ 3,719</u>	<u>\$ 3,646</u>	<u>\$ 73</u>
Current levy collection percentage			100.00%	100.00%	100.00%

Village of Pinehurst, North Carolina
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2011

Exhibit G-5

	Transfers	
	From	To
Transfers From/To Other Funds		
General Fund		
Municipal Service District Fund	\$ 34,648	-
Municipal Service District Fund		
General Fund	-	\$ 34,648
	<u>\$ 34,648</u>	<u>\$ 34,648</u>
Total transfers	<u>\$ 34,648</u>	<u>\$ 34,648</u>

Statistical Section

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

Categories of Statistical Information Included

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

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

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

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

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

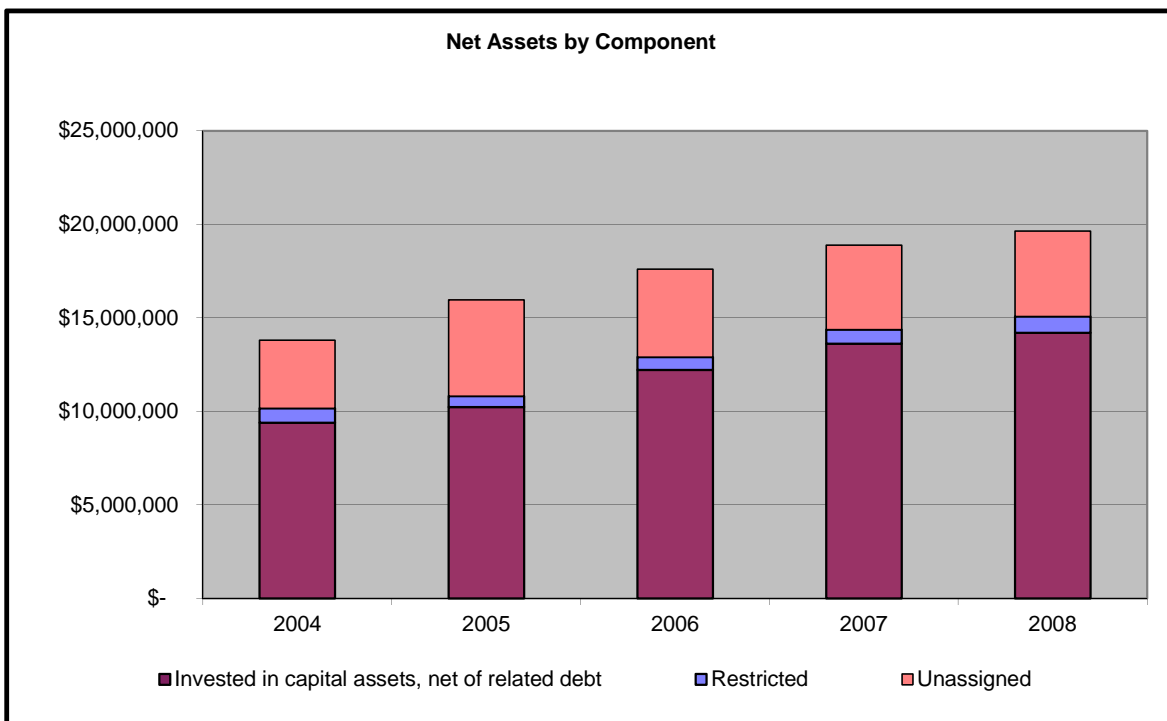
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$ 9,393,026	\$ 10,229,378	\$ 12,218,918	\$ 13,611,992	\$ 14,194,908
Restricted for:					
Stabilization by state statute	569,970	587,775	669,013	754,787	866,501
Equitable sharing	766	775	808	844	-
Municipal Service District	3,157	3,821	6,322	9,546	12,710
Transportation	189,822	-	-	-	-
Unrestricted	3,648,504	5,140,426	4,718,630	4,509,038	4,571,240
Total governmental activities net assets	<u>\$ 13,805,245</u>	<u>\$ 15,962,175</u>	<u>\$ 17,613,691</u>	<u>\$ 18,886,207</u>	<u>\$ 19,645,359</u>

Notes:

The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the accrual basis of accounting when they are available.

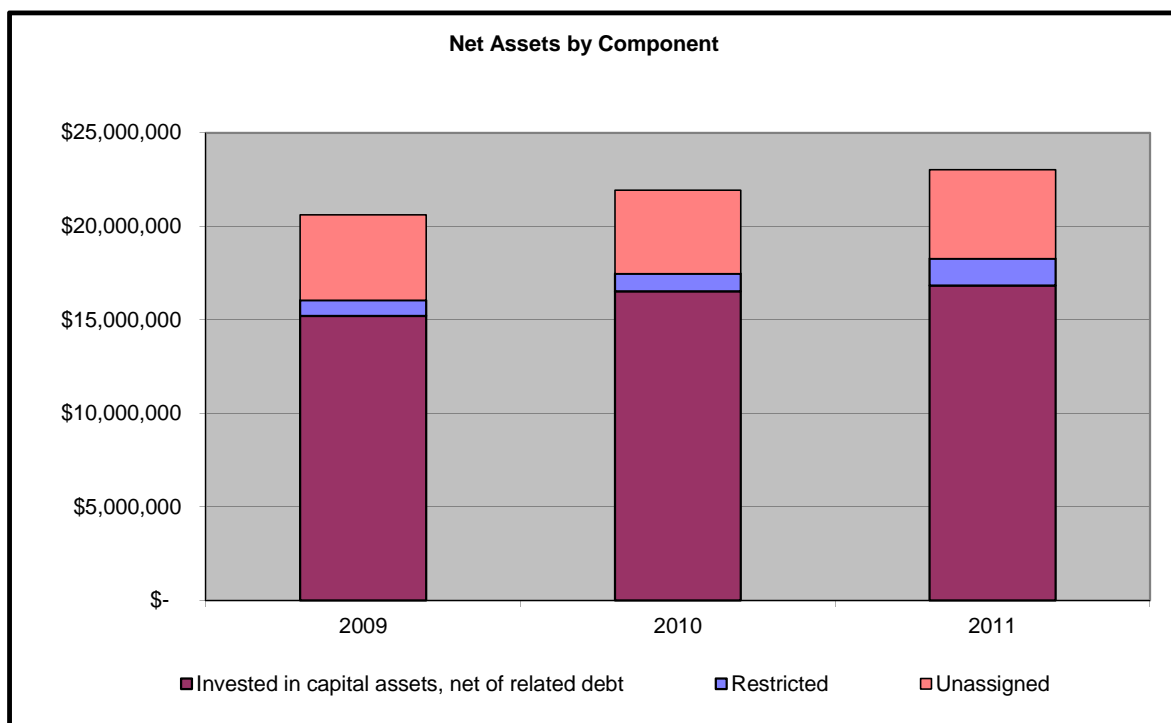


Village of Pinehurst, North Carolina
 Net Assets by Component
 Last Eight Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year		
	2009	2010	2011
Governmental activities			
Invested in capital assets, net of related debt	\$ 15,216,054	\$ 16,520,624	\$ 16,842,082
Restricted for:			
Stabilization by state statute	814,222	940,483	1,422,691
Equitable sharing	-	-	-
Municipal Service District	12,116	13,070	14,084
Transportation	-	-	-
Unrestricted	4,582,009	4,457,047	4,756,832
Total governmental activities net assets	\$ 20,624,401	\$ 21,931,224	\$ 23,035,689

Notes:

The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the accrual basis of accounting when they are available.



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

Schedule 2
Page 1 of 2

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental Activities:					
General government	\$ 1,630,401	\$ 1,781,099	\$ 1,734,126	\$ 2,018,433	\$ 2,410,048
Public safety	3,625,258	3,849,890	3,931,368	4,458,221	5,059,957
Transportation	1,600,610	1,517,237	1,787,727	1,988,590	1,954,325
Economic and physical development	623,011	782,362	938,484	1,016,135	1,119,970
Environmental protection	795,166	819,886	746,798	907,233	945,601
Cultural and recreation	1,159,550	1,054,259	1,140,561	1,248,525	1,443,256
Non-departmental	74,560	47,016	55,822	45,416	48,615
Interest on long-term debt	-	-	290,181	242,197	212,761
Total governmental activities expenses	\$ 9,508,556	\$ 9,851,749	\$ 10,625,067	\$ 11,924,750	\$ 13,194,533
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ 105	\$ -	\$ -	\$ -
Public safety	910,384	1,181,662	965,086	910,283	905,229
Transportation	84,000	52,472	49,500	56,000	20,000
Economic and physical development	117,833	147,602	119,682	117,916	143,074
Cultural and recreation	511,911	710,545	422,331	408,097	399,999
Operating grants and contributions	573,224	472,094	486,762	610,570	670,345
Capital grants and contributions	264,473	10,794	17,518	262,397	44,592
Total governmental activities program revenue	\$ 2,461,825	\$ 2,575,274	\$ 2,060,879	\$ 2,365,263	\$ 2,183,239
Total governmental activities net expense	\$ (7,046,731)	\$ (7,276,475)	\$ (8,564,188)	\$ (9,559,487)	\$ (11,011,294)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 5,740,515	\$ 6,291,348	\$ 6,516,978	\$ 6,763,897	\$ 7,782,933
Sales taxes	1,788,004	2,122,892	2,316,972	2,501,361	2,557,685
Franchise taxes	174,074	202,078	217,008	133,435	33,628
Unrestricted intergovernmental	496,028	528,288	557,751	697,670	904,898
Investment earnings	41,982	108,704	238,730	321,606	284,129
Miscellaneous	292,359	180,095	267,368	414,034	174,266
Total governmental activities general revenue	\$ 8,532,962	\$ 9,433,405	\$ 10,114,807	\$ 10,832,003	\$ 11,737,539
Change in Governmental Activities Net Assets	\$ 1,486,231	\$ 2,156,930	\$ 1,550,619	\$ 1,272,516	\$ 726,245

Notes:

The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the accrual basis of accounting when they are available.

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

	Fiscal Year		
	2009	2010	2011
Expenses			
Governmental Activities:			
General government	\$ 2,210,111	\$ 2,103,062	\$ 2,001,438
Public safety	5,135,875	5,284,615	5,415,839
Transportation	1,741,237	1,672,394	2,460,277
Economic and physical development	1,794,712	1,209,264	1,422,329
Environmental protection	972,257	1,050,620	1,352,912
Cultural and recreation	1,620,439	1,854,910	1,795,985
Non-departmental	62,907	-	-
Interest on long-term debt	182,228	166,794	141,320
Total governmental activities expenses	<u>\$ 13,719,766</u>	<u>\$ 13,341,659</u>	<u>\$ 14,590,100</u>
Program Revenues			
Governmental Activities:			
Charges for services:			
General government	\$ -	\$ -	\$ -
Public safety	979,498	842,700	398,609
Transportation	9,123	9,000	10,000
Economic and physical development	68,951	66,201	25,615
Cultural and recreation	454,034	468,469	497,313
Operating grants and contributions	1,281,966	513,020	957,837
Capital grants and contributions	15,987	1,099,183	-
Total governmental activities program revenue	<u>\$ 2,809,559</u>	<u>\$ 2,998,573</u>	<u>\$ 1,889,374</u>
Total governmental activities net expense	<u>\$ (10,910,207)</u>	<u>\$ (10,343,086)</u>	<u>\$ (12,700,726)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Ad valorem taxes	\$ 7,907,961	\$ 8,070,832	\$ 9,615,930
Sales taxes	2,241,517	1,917,162	2,309,414
Franchise taxes	38,073	43,191	44,913
Unrestricted intergovernmental	1,126,002	1,316,410	1,583,062
Investment earnings	127,863	35,001	23,665
Miscellaneous	447,833	267,313	228,207
Total governmental activities general revenue	<u>\$ 11,889,249</u>	<u>\$ 11,649,909</u>	<u>\$ 13,805,191</u>
Change in Governmental Activities Net Assets	<u>\$ 979,042</u>	<u>\$ 1,306,823</u>	<u>\$ 1,104,465</u>

Notes:

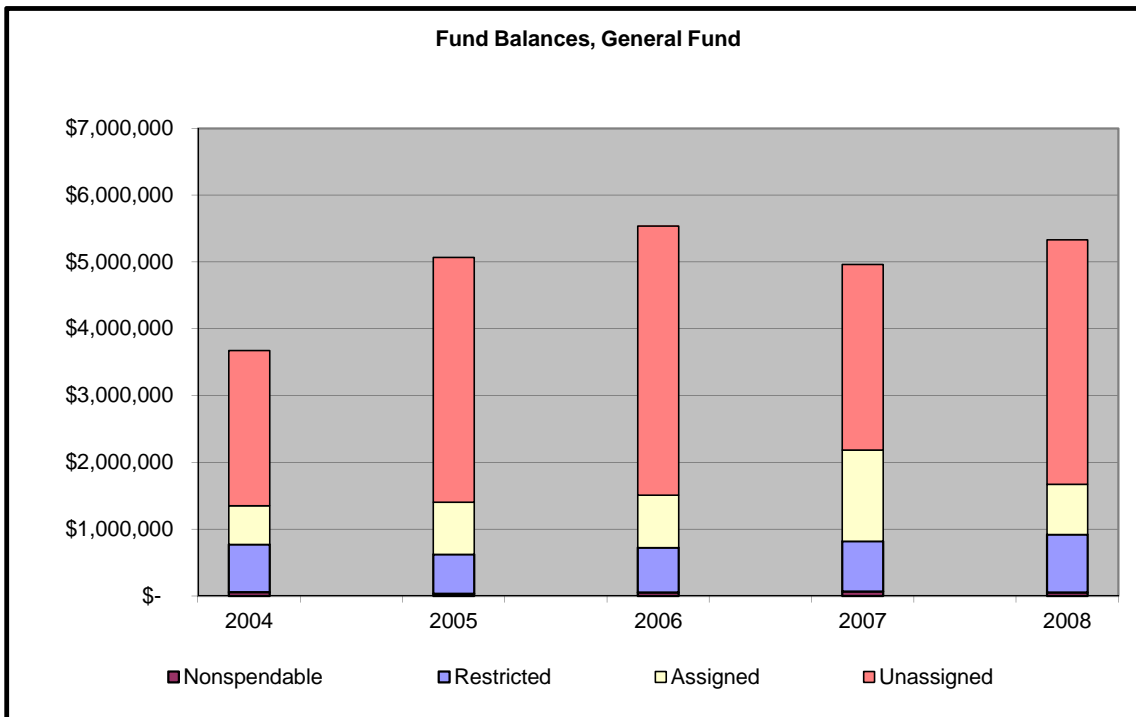
The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the accrual basis of accounting when they are available.

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Nonspendable:					
Inventory	\$ 16,888	\$ 20,115	\$ 30,007	\$ 34,352	\$ 43,860
Prepaid items	42,757	16,061	25,063	31,925	10,483
Restricted:					
Stabilization by state statute	569,970	587,775	669,013	754,787	866,501
Equitable sharing	766	775	808	844	-
Transportation	141,788	-	-	-	-
Assigned:					
Subsequent year's expenditures	579,230	781,275	786,405	1,362,144	752,672
Unassigned	2,323,230	3,661,380	4,027,992	2,778,482	3,655,444
Total general fund	<u>\$ 3,674,629</u>	<u>\$ 5,067,381</u>	<u>\$ 5,539,288</u>	<u>\$ 4,962,534</u>	<u>\$ 5,328,960</u>
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ 3,157	\$ 3,821	\$ 6,322	\$ 9,546	\$ 12,710
Transportation	48,034	-	-	-	-
Committed:					
Capital Project fund expenditures	677,735	2,548,047	110,902	304,288	267,441
Special Revenue fund expenditures	328,780	539,153	203,684	294,099	240,847
Total all other governmental funds	<u>\$ 1,057,706</u>	<u>\$ 3,091,021</u>	<u>\$ 320,908</u>	<u>\$ 607,933</u>	<u>\$ 520,998</u>

Notes:

The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the accrual basis of accounting when they are available.

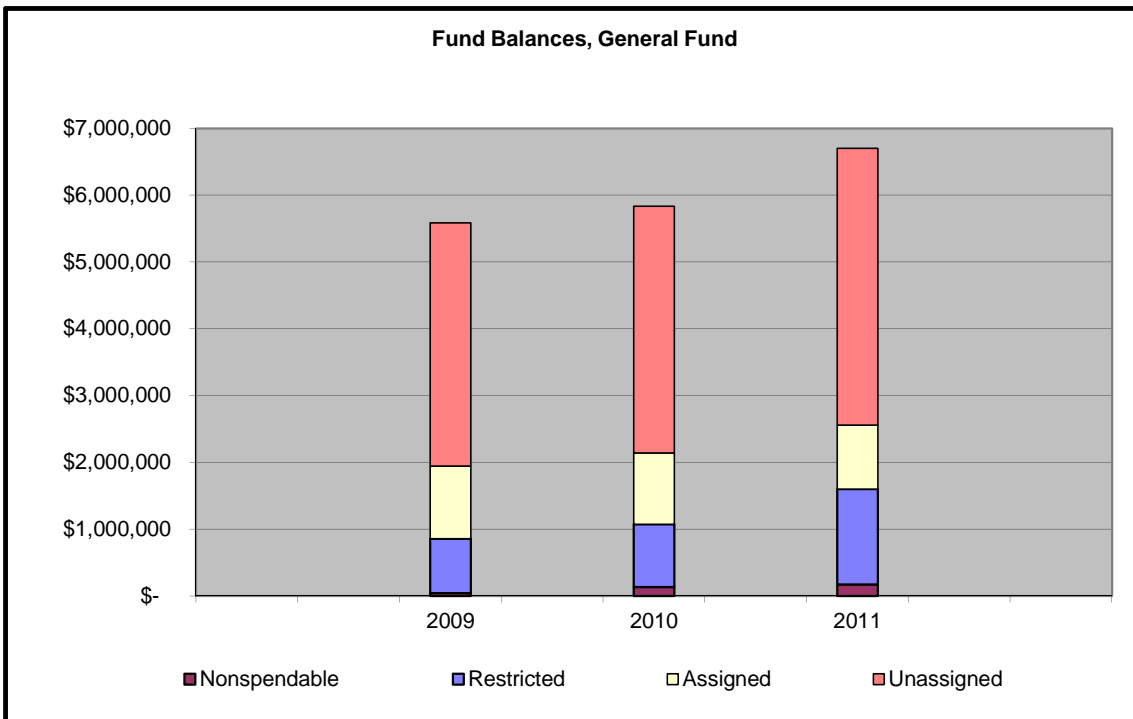


**Village of Pinehurst, North Carolina
Fund Balances - Governmental Funds
Last Eight Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year		
	2009	2010	2011
General Fund			
Nonspendable:			
Inventory	\$ 36,722	\$ 36,180	\$ 46,747
Prepaid items	5,300	97,922	128,567
Restricted:			
Stabilization by state statute	814,222	940,483	1,422,691
Equitable sharing	-	-	-
Transportation	-	-	-
Assigned:			
Subsequent year's expenditures	1,086,707	1,066,859	959,020
Unassigned	3,642,545	3,691,852	4,145,184
Total general fund	<u>\$ 5,585,496</u>	<u>\$ 5,833,296</u>	<u>\$ 6,702,209</u>
All Other Governmental Funds			
Restricted:			
Municipal Service District	\$ 12,116	\$ 13,070	\$ 14,084
Transportation	-	-	-
Committed:			
Capital Project fund expenditures	187,063	49,632	34,549
Special Revenue fund expenditures	94,465	10,140	10,218
Total all other governmental funds	<u>\$ 293,644</u>	<u>\$ 72,842</u>	<u>\$ 58,851</u>

Notes:

The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the accrual basis of accounting when they are available.



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

Schedule 4
Page 1 of 2

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
Ad valorem taxes	\$ 5,745,314	\$ 6,290,091	\$ 6,516,709	\$ 6,766,300	\$ 7,785,759
Sales taxes	1,788,004	2,122,892	2,316,972	2,501,361	2,557,685
Franchise taxes	174,074	202,078	217,008	133,435	33,628
Unrestricted intergovernmental	496,028	528,288	557,751	697,670	904,898
Restricted intergovernmental	795,715	465,120	475,779	591,283	691,900
Permits and fees	1,112,217	1,387,337	1,134,268	1,079,571	1,071,151
Sales and services	511,911	705,049	422,331	407,677	400,419
Investment earnings	41,982	126,472	267,231	343,972	307,166
Assessments	37,960	32,565	26,427	58,527	56,236
Miscellaneous	227,022	97,386	195,933	156,292	150,574
Total revenues	<u>10,930,227</u>	<u>11,957,278</u>	<u>12,130,409</u>	<u>12,736,088</u>	<u>13,959,416</u>
Expenditures					
General government	1,367,137	1,638,071	1,480,516	1,784,308	2,165,676
Public safety	3,379,022	3,628,528	3,767,794	4,335,510	4,819,675
Transportation	1,708,641	1,598,334	1,785,797	1,895,464	1,930,191
Economic and physical development	620,122	971,816	1,022,141	1,073,563	1,216,009
Environmental protection	869,351	817,130	700,942	1,088,038	1,166,982
Cultural and recreation	1,147,768	1,051,090	1,118,877	1,147,154	1,360,286
Non-departmental	74,560	47,016	55,822	45,420	48,615
Debt service:					
Principal	682,280	648,862	757,191	776,602	796,762
Interest and other charges	295,797	221,971	280,308	251,461	221,947
Capital outlay	342,185	408,393	3,459,227	628,297	84,417
Total expenditures	<u>10,486,863</u>	<u>11,031,211</u>	<u>14,428,615</u>	<u>13,025,817</u>	<u>13,810,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>443,364</u>	<u>926,067</u>	<u>(2,298,206)</u>	<u>(289,729)</u>	<u>148,856</u>
Other Financing Sources (Uses)					
Transfers to other funds	(1,979,034)	(1,166,324)	(2,710,696)	(2,745,761)	(807,910)
Transfers from other funds	1,979,034	1,166,324	2,710,696	2,745,761	807,910
Issuance of debt	-	2,500,000	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	443,364	3,426,067	(2,298,206)	(289,729)	148,856
Fund balances, beginning	4,288,971	4,732,335	8,158,402	5,860,196	5,570,467
Prior period adjustment	-	-	-	-	130,635
Fund balances, beginning as restated	<u>4,288,971</u>	<u>4,732,335</u>	<u>8,158,402</u>	<u>5,860,196</u>	<u>5,701,102</u>
Fund balances, ending	<u>\$ 4,732,335</u>	<u>\$ 8,158,402</u>	<u>\$ 5,860,196</u>	<u>\$ 5,570,467</u>	<u>\$ 5,849,958</u>
Debt service as a percentage of noncapital expenditures	10.6%	9.2%	10.1%	8.9%	8.0%

Notes:

The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the modified accrual basis of accounting when they are available.

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

	Fiscal Year		
	2009	2010	2011
Revenues			
Ad valorem taxes	\$ 7,909,217	\$ 8,070,137	\$ 9,609,611
Sales taxes	2,241,517	1,917,162	2,311,351
Franchise taxes	38,073	43,191	42,976
Unrestricted intergovernmental	1,126,002	1,316,410	1,583,062
Restricted intergovernmental	1,272,350	510,604	957,549
Permits and fees	1,059,147	914,383	446,838
Sales and services	453,201	468,903	497,714
Investment earnings	137,479	37,416	23,951
Assessments	38,699	15,619	34,648
Miscellaneous	199,430	203,238	200,316
Total revenues	<u>14,475,115</u>	<u>13,497,063</u>	<u>15,708,016</u>
Expenditures			
General government	1,827,508	1,863,768	1,840,989
Public safety	4,829,228	5,365,546	5,049,620
Transportation	1,727,241	1,580,763	2,382,430
Economic and physical development	1,891,282	1,271,268	1,472,447
Environmental protection	974,767	1,041,943	1,268,744
Cultural and recreation	1,802,697	1,706,863	1,781,382
Non-departmental	62,907	-	-
Debt service:			
Principal	808,993	836,473	891,764
Interest and other charges	191,418	173,226	150,635
Capital outlay	329,892	130,215	15,083
Total expenditures	<u>14,445,933</u>	<u>13,970,065</u>	<u>14,853,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,182</u>	<u>(473,002)</u>	<u>854,922</u>
Other Financing Sources (Uses)			
Transfers to other funds	(1,074,544)	(1,760,662)	(34,648)
Transfers from other funds	1,074,544	1,760,662	34,648
Issuance of debt	-	500,000	-
Total other financing sources (uses)	<u>-</u>	<u>500,000</u>	<u>-</u>
Net change in fund balances	29,182	26,998	854,922
Fund balances, beginning	5,849,958	5,879,140	5,906,138
Prior period adjustment	-	-	-
Fund balances, beginning as restated	<u>5,849,958</u>	<u>5,879,140</u>	<u>5,906,138</u>
Fund balances, ending	<u>\$ 5,879,140</u>	<u>\$ 5,906,138</u>	<u>\$ 6,761,060</u>
Debt service as a percentage of noncapital expenditures	7.7%	7.9%	7.4%

Notes:

The Village of Pinehurst began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004 and will report 10 years of results on the modified accrual basis of accounting when they are available.

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
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
2010	2009	2,807,721,340	332,150,630	17,024,619	271,564,035	2,885,332,554	0.28	3,205,925,060
2011	2010	3,312,056,948	339,862,923	16,599,447	309,316,950	3,359,202,368	0.28	3,817,275,418

Sources:

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)
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
2010	2009	0.28	0.06	0.465
2011	2010	0.28	0.05	0.465

Sources:

(1) Moore County Tax Department

Notes:

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

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

Schedule 7

Taxpayer	2011		2002	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pinehurst, LLC	\$ 163,446,800	4.87%	\$ 70,949,916	5.33%
Country Club of North Carolina	32,020,713	0.95%	13,530,981	1.02%
Pinewild Project Limited PTNS	28,826,969	0.86%	-	0.00%
Pinehurst Surgical Clinic	27,156,035	0.81%	6,187,656	0.46%
Pinehurst Medical	17,975,290	0.54%	7,709,363	0.58%
Progress Energy Carolinas	11,327,060	0.34%	8,373,096	0.63%
MTMM Associates (Carolina Eye Assoc.)	10,289,611	0.31%	4,487,040	0.34%
SCOP (Surgery Center of Pinehurst)	7,377,562	0.22%	-	0.00%
Branch Banking and Trust Co.	6,011,662	0.18%	-	0.00%
Pleasant Living Health Care (Quail Haven)	-	0.00%	5,550,700	0.42%
Francis Maser	5,613,400	0.17%	-	0.00%
Carolina Telephone and Telegraph	-	0.00%	3,700,996	0.28%
Total	\$ 310,045,102	9.23%	\$ 120,489,748	9.19%

Sources:

Moore County Tax Department

Notes:

2011 and 2002 data are for tax years 2010 and 2001 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 (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2002	2001	4,003,107	3,974,166	99.28%	16,019	3,990,185	99.68%
2003	2002	4,878,051	4,843,250	99.29%	14,840	4,858,090	99.59%
2004	2003	5,755,640	5,721,684	99.41%	19,810	5,741,494	99.75%
2005	2004	6,316,413	6,274,550	99.34%	26,902	6,301,452	99.76%
2006	2005	6,532,478	6,500,443	99.51%	14,954	6,515,397	99.74%
2007	2006	6,771,766	6,748,375	99.65%	10,483	6,758,858	99.81%
2008	2007	7,793,271	7,769,586	99.70%	10,674	7,780,260	99.83%
2009	2008	7,913,473	7,889,733	99.70%	11,084	7,900,817	99.84%
2010	2009	8,076,604	8,050,348	99.67%	11,297	8,061,645	99.81%
2011	2010	9,606,203	9,588,105	99.81%	-	9,588,105	99.81%

Sources:

Moore County Tax Department

Notes:

(1) Taxes Levied for the Fiscal Year have been adjusted for Collections in Subsequent Years.

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

Schedule 9

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Governmental Activities Installment Financing (3)</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
2002	2001	6,581,599	1.55%	668
2003	2002	6,458,172	1.48%	649
2004	2003	5,775,892	1.26%	565
2005	2004	7,627,030 (1)	1.58%	727
2006	2005	6,869,839	1.35%	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
2010	2009	4,151,008	0.60%	313
2011	2010	3,259,244	0.69%	220

Notes:

- (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.
- (3) Details regarding outstanding debt can be found in the notes to the financial statements.

Village of Pinehurst, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

Schedule 10

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Moore County (1)			
Debt repaid with property taxes:			
Moore County General Obligation Debt	\$ 84,650,000	24.69%	\$ 20,901,666
Other debt:			
Moore County LOB	29,830,000	24.69%	7,365,584
Moore County Installment Loans	244,376	24.69%	<u>60,341</u>
Subtotal, overlapping debt			28,327,591
Village of Pinehurst direct debt			<u>3,259,244</u>
Total direct and overlapping debt			<u><u>\$ 31,586,835</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, 2010 were used to determine the overlapping debt percentage.

**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>
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	4.5%
2009	2008	11,632	610,890,250	52,518	60.4	6.2%
2010	2009	13,277	694,911,723	52,340	60.4	10.3%
2011	2010	14,783	471,932,492	31,924	58.4	9.7%

Sources:

- (1) Office of State Budget and Management.
- (2) U.S. Census Bureau.
- (3) North Carolina Employment Security Commission.
- (4) A change in municipal boundary effective March 31, 2010 increased the certified population in fiscal year 2010 by 1,482.

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

Employer	2011		2002	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
First Health of the Carolinas (1)	2,585	44.72%	2,190	52.29%
Pinehurst, LLC (2)	1,105	19.12%	1,145	27.34%
Total		63.84%		79.63%

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:

2011 employment is based on calendar year 2010.
 2002 employment is estimated.

GASB 44 requires comparative data for the current calendar year and nine years prior. 2010 Census Data was used for 2002 and 2011 to estimate the percentage of total employment.

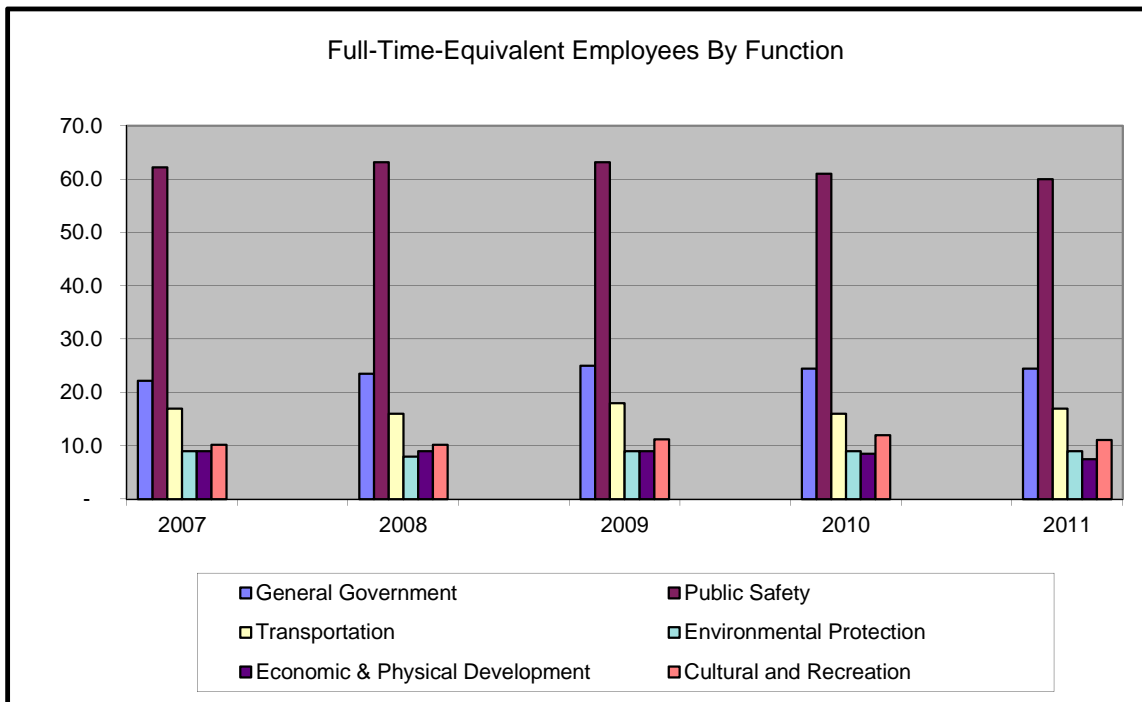
Village of Pinehurst, North Carolina
 Full-time-Equivalent Employees by Function
 Last Ten Fiscal Years

Function	Full-time-Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	13.0	13.5	14.0	16.75	18.5	22.2	23.5	25.0	24.5	24.5
Public Safety (1)	54.0	57.0	58.0	61.0	61.3	62.2	63.2	63.2	61.0	60.0
Transportation	15.0	15.0	15.0	15.0	15.5	17.0	16.0	18.0	16.0	17.0
Environmental Protection	10.0	9.0	9.0	10.0	9.0	9.0	8.0	9.0	9.0	9.0
Economic & Physical Development (1)	10.5	7.0	8.5	8.5	9.5	9.0	9.0	9.0	8.5	7.5
Cultural and Recreation	8.0	8.0	8.5	7.0	7.0	10.2	10.2	11.2	12.0	11.1
Total	110.5	109.5	113.0	118.3	120.8	129.6	129.9	135.4	131.0	129.1

Notes:

(1) Prior to 2003, the Inspections department was accounted for in the Planning department.

A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.



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

<u>Function</u>	<u>Fiscal Year</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government					
Financial Services					
Purchase orders issued	354	509	440	323	262
Vendor checks issued	2,966	2,919	3,595	2,673	2,529
Human Resources					
Workers' compensation lost time (days)	NA	NA	NA	322	6
Employee turnover rate	NA	NA	NA	9.0%	9.0%
Fleet Maintenance					
Tires changed	171	200	250	300	372
10-point service performed	480	500	300	350	200
Public Safety					
Fire Protection					
Public fire & life safety classes	556	341	95	95	219
Incident calls	673	715	743	842	922
Structure fires	24	18	24	21	26
Inspections	560	467	877	766	824
Child passenger seat inspections	NA	NA	389	833	579
Police Protection					
Physical arrests	207	178	172	206	202
Citations issued	902	971	1,479	1,560	1,285
Response to calls/officer initiated activity	11,482	11,588	11,782	11,500	9,801
Traffic accidents	421	446	467	447	432
Inspections					
Building inspections conducted	7,253	7,661	11,064	11,286	10,588
Certificates of occupancy issued	234	231	214	254	271
Transportation					
Street resurfacing (miles)	4.9	3.3	4.9	5.0	5.0
Environmental Protection					
Refuse collected (tons annually)	5,597	4,677	5,673	4,578	4,287
Homes receiving service	5,940	6,040	NA	6,345	6,485
Recyclables collected (tons annually)	NA	NA	330	305	369
Economic & Physical Development					
Building permits issued	353	321	374	318	378
Zoning compliance investigations	694	473	538	475	480
Cultural & Recreation					
Recreation					
Program participants	329	354	361	398	468
Athletics participants	1,351	1,437	1,456	1,507	1,503
Harness Track					
Standardbred stalls leased	NA	222	270	280	285
Facilities reserved (days)	87	95	67	62	45
Fair Barn					
Events	NA	31	61	67	87
Rental days	NA	39	85	125	131

Sources:

Various Village departments

Notes:

NA indicates "not available"

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

Function	Fiscal Year				
	2007	2008	2009	2010	2011
General Government					
Financial Services					
Purchase orders issued	207	225	260	280	295
Vendor checks issued	2,427	2,448	2,333	2,471	2,444
Human Resources					
Workers' compensation lost time (days)	60	12	446	32	425
Employee turnover rate	9.4%	7.8%	7.9%	9.2%	8.5%
Fleet Maintenance					
Tires changed	235	311	216	116	188
10-point service performed	291	233	208	194	288
Public Safety					
Fire Protection					
Public fire & life safety classes	204	167	159	170	176
Incident calls	827	843	855	884	1,031
Structure fires	56	63	44	55	58
Inspections	787	732	620	423	784
Child passenger seat inspections	583	396	173	222	228
Police Protection					
Physical arrests	262	585	444	445	233
Citations issued	3,806	3,891	3,993	2,970	3,053
Response to calls/officer initiated activity	11,866	13,513	13,640	14,495	14,362
Traffic accidents	483	500	474	418	476
Inspections					
Building inspections conducted	9,194	7,683	5,409	4,281	4,370
Certificates of occupancy issued	227	169	181	156	197
Transportation					
Street resurfacing (miles)	6.3	5.6	4.8	3.2	6.4
Environmental Protection					
Refuse collected (tons annually)	4,392	4,094	3,948	3,849	4,124
Homes receiving service	6,651	6,782	6,862	7,686	7,736
Recyclables collected (tons annually)	568	943	966	1,473	1,734
Economic & Physical Development					
Building permits issued	424	359	278	259	239
Zoning compliance investigations	477	690	624	475	501
Cultural & Recreation					
Recreation					
Program participants	679	830	939	1,065	1,739
Athletics participants	1,556	1,982	2,323	2,287	2,296
Harness Track					
Standardbred stalls leased	249	220	281	251	276
Facilities reserved (days)	32	30	20	30	32
Fair Barn					
Events	89	84	80	88	113
Rental days	117	95	98	96	120

Sources:
 Various Village departments

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

Schedule 16
 Page 1 of 2

<u>Function</u>	<u>Fiscal Year</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	6	6	6	6	6
Police Protection					
Stations	1	1	1	1	1
Patrol units	15	15	15	15	16
Transportation					
Miles of streets	101.35	101.35	101.35	104.65	104.65
Maintenance vehicles	18	18	18	18	18
Brick sidewalks (linear feet)	-	1,542	1,994	4,187	2,725
Environmental Protection					
Refuse collection trucks	15	15	15	15	17
Economic & Physical Development					
Storm water drainage areas	-	-	2	3	4
Cultural & Recreation					
Number of parks	3	4	4	4	4
Park acreage	230	297	297	297	297
Greenway trails (miles)	-	-	1.5	3.0	3.5
Playgrounds	1	2	2	2	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	1	1	1	1	2

Sources:
 Various Village departments

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

Schedule 16
 Page 2 of 2

<u>Function</u>	<u>Fiscal Year</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	7	7	5	6	6
Police Protection					
Stations	1	1	1	1	1
Patrol units	17	20	20	20	21
Transportation					
Miles of streets	104.65	104.65	104.65	105.20	105.20
Maintenance vehicles	18	20	22	22	23
Brick sidewalks (linear feet)	4,918	4,918	4,918	4,918	4,918
Environmental Protection					
Refuse collection trucks	19	21	20	17	17
Economic & Physical Development					
Storm water drainage areas	6	7	10	16	29
Cultural & Recreation					
Number of parks	4	4	4	4	4
Park acreage	297	297	297	297	297
Greenway trails (miles)	4.0	5.0	5.8	5.8	6.3
Playgrounds	3	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	2	2	2	2	2

Sources:
 Various Village departments



DIXON HUGHES GOODMAN LLP
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, 2011, and have issued our report thereon dated September 23, 2011. 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

Management of the Village of Pinehurst is responsible for establishing and maintaining effective 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 opinion 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 grant agreements, 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 Goodman LLP

September 23, 2011

Village of Pinehurst, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Local Expenditures
Federal Awards					
<u>U.S. Department of Housing & Urban Development</u>					
Passed through N.C. Department of Commerce					
Jackson Hamlet Sewer CDBG-R	14.228	09-R-1972	\$ 423,367	\$ -	\$ -
Total Federal Awards			423,367	-	-
State Awards					
<u>N.C. Department of Environment & Natural Resources</u>					
Curbside Recycling Roll-Out Cart Grant	3744		-	67,500	-
<u>N.C. Department of Transportation</u>					
Powell Bill			-	428,619	-
Total State Awards			-	496,119	-
Total Federal and State Awards			\$ 423,367	\$ 496,119	\$ -