

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2013

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, 2013

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HISTORY, CHARM, AND SOUTHERN HOSPITALITY

September 20, 2013

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, 2013. 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, 2013, 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, 2013. 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 is a charming, vibrant community which reflects our rich history and traditions, enhanced by a unique combination of cultural arts and recreational activities." This is the vision statement adopted by the Village Council in 2012. Our mission is to preserve and enhance the community's character and ambiance by guiding growth, managing change, and providing services in a financially responsible manner. The Village was

incorporated in 1980, and is located in the Sandhills Region of North Carolina. The Village has a land area of approximately 17 square miles, and an estimated population of 14,979. 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, on a limited basis, 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, continues to recover from the Great 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, during the recession the number of new homes constructed fell to a historical low of 51 new homes in 2010 and has recovered to only 71 this year. These considerably lower levels of activity may actually turn out to be the "new normal" level for home construction for some years to come.

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 \$374 million in annual tourism generated revenues. This is due primarily to the world-renowned reputation of Pinehurst Resort, which is owned by the privately held company Pinehurst, LLC. The resort's golf, hotel, and spa amenities draw tourists from all over the world and as a result of its exceptional quality, Pinehurst LLC was selected to host the 1999 and 2005 US Men's Open Golf Championships. Also, in 2014 our area has been selected to host the first ever back to back US Men's Open Golf Championship and US Women's Open Golf Championship. The resort employs over 1,100 people and its tax value represents 5% of the Village's total taxable value.

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 2,600 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. In 2012, the Village Council adopted a new Fund Balance policy which requires the Village to maintain a minimum unassigned General Fund balance of 15% of actual expenditures as reported in the Village's CAFR. In addition, when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance in the range of 30%-40% of budgeted expenditures. At June 30, 2013 the General Fund's unassigned fund balance of \$4,506,790 represented 29% of General Fund actual expenditures and total fund balance was 40% of budgeted expenditures.

In Fiscal Year 2014 the Village adopted its first strategic operating plan. This was done as a part of implementing the Malcolm Baldrige Performance Excellence Criteria and is designed to provide an integrated approach to organizational performance management. The plan includes a one-year budget and a five-year capital improvement plan (CIP). The strategic operating plan is a strategic, results-driven approach to resource allocation that is closely aligned with the Village Council's strategy and achieving the results articulated in the Village's balanced scorecard.

The Village Council's Areas of Focus for the 2014 Strategic Plan are: (1) Promote economic opportunity, (2) Provide safe traffic and pedestrian mobility, (3) Provide recreational and cultural opportunities, and (4) Recruit and retain a skilled and diverse workforce.

Major initiatives of the 2014 Strategic Plan to address these Areas of Focus include:

- Provide public restrooms in the Village Center
- Provide online resources for businesses
- Install gateway and way-finding signage
- Partner with NCDOT to install sidewalks and decorative traffic signals on Highway 211
- Support the Given Memorial Library facility expansion project
- Develop an alternative transportation plan for greenway, sidewalk, and biking trail expansions
- Perform a formal employee compensation study

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, 2012. This was the twentieth 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 2013. 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

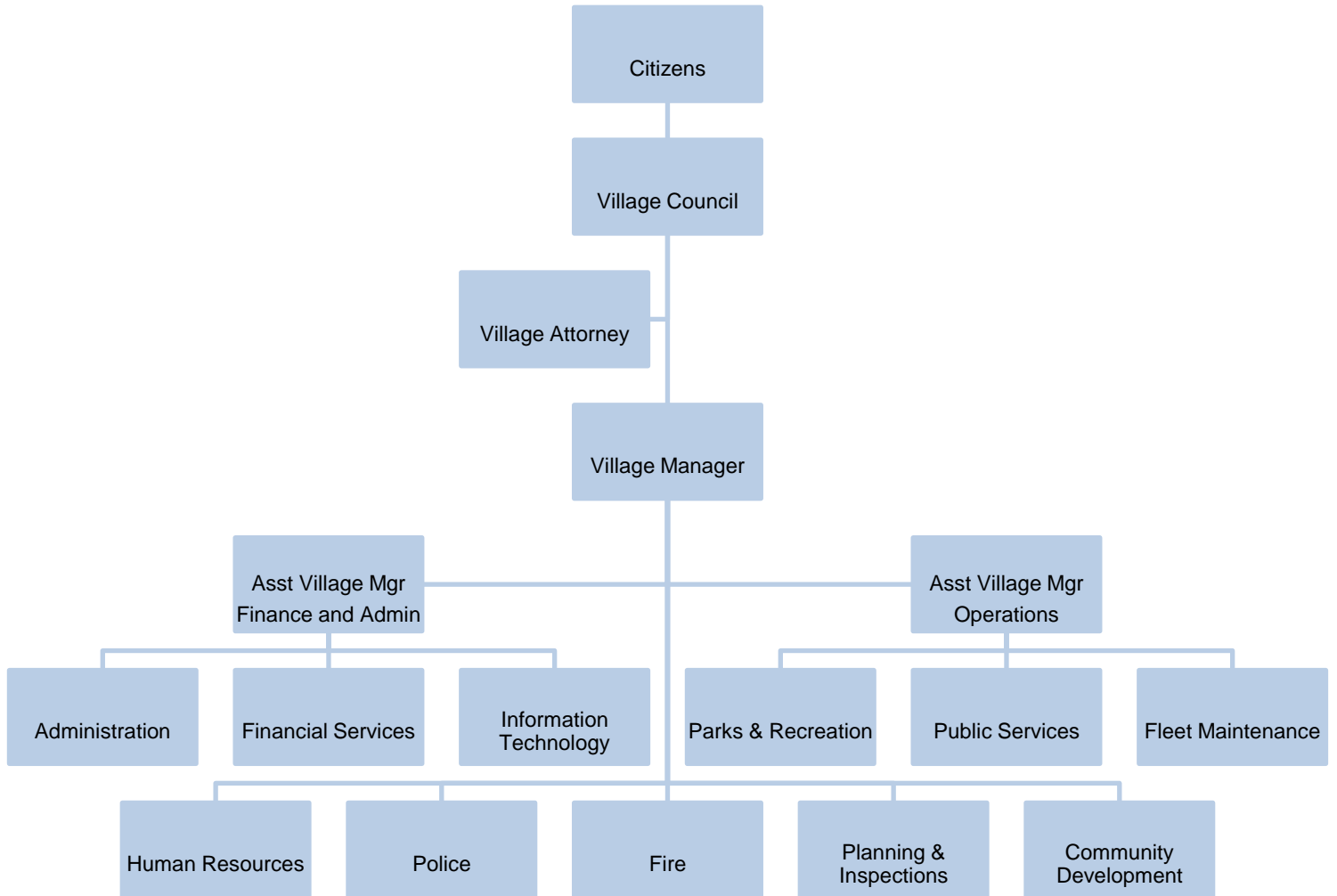
**Village of Pinehurst
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Village of Pinehurst, North Carolina
Organizational Chart
June 30, 2013



**Village of Pinehurst, North Carolina
List of Principal Officials
June 30, 2013**

Elected Officials

Nancy R. Fiorillo	Mayor
Douglas A. Lapins	Mayor Pro-Tem
John C. Strickland	Treasurer
John R. Cashion	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
Lauren Craig	Village Clerk
John G. Frye	Director of Financial Services
Angie Kantor	Director of Human Resources
Jason Whitaker	Director of Information Technology
Earl Phipps	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



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise of the Village's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinehurst, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress and Schedule of Employer Contributes, on pages 45 and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic finical statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquires of management about the method of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Pinehurst, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and 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.

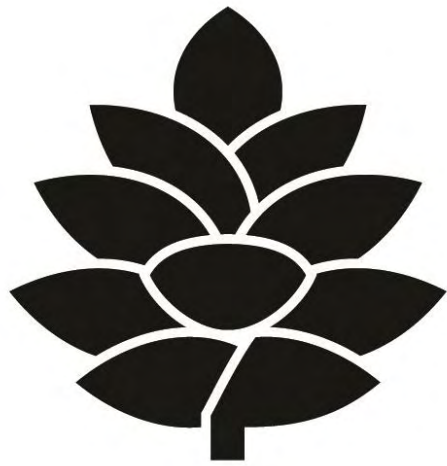
The combing and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combing and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013 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, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Pinehurst's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

September 20, 2013



Village of Pinehurst Management's Discussion and Analysis June 30, 2013

As management of the Village of Pinehurst (the Village), 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, 2013. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Village's financial statements, which follow this narrative.

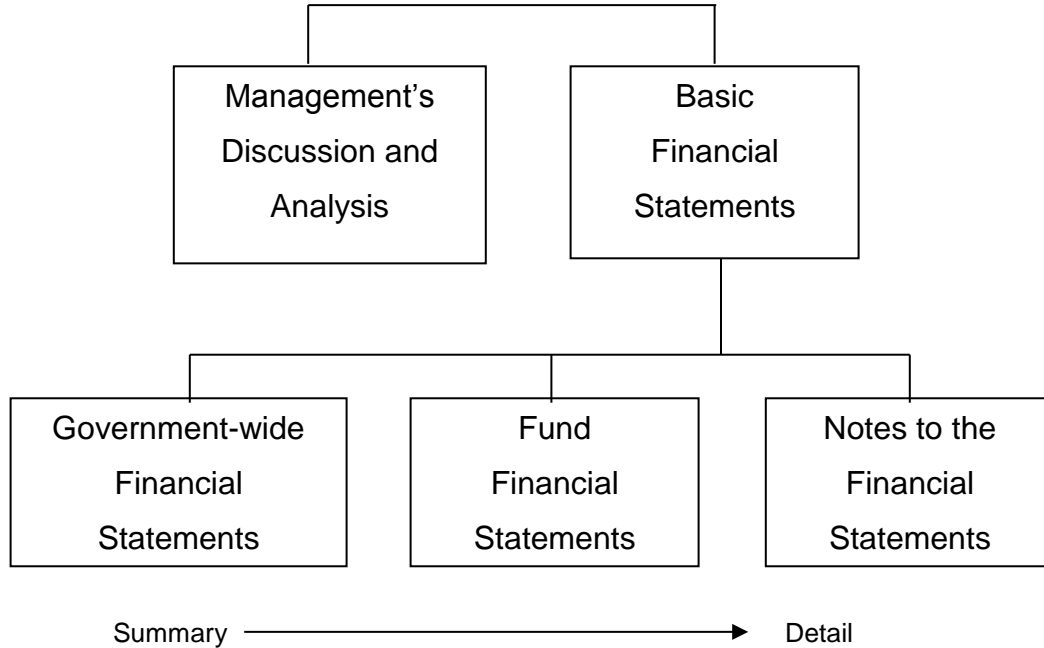
Financial Highlights

- The assets and deferred outflows of resources of the Village of Pinehurst exceeded its liabilities and deferred outflows of resources at the close of the fiscal year by \$25,130,524 (*net position*).
- The Village's total net position increased by \$1,179,924 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 \$7,172,503 a decrease of \$121,930 in comparison with the prior year. Approximately 63% of this total amount, or \$4,506,790, 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 \$4,506,790, or 29% of total general fund expenditures for the fiscal year.
- The Village of Pinehurst's total debt decreased by \$418,795 (17%) during the current fiscal year. The decrease was due to the payment of \$478,298 in principal on existing debt obligations and the issuance of \$59,503 in a new capital lease. Total debt outstanding was \$2,091,572 at the 2013 fiscal year end.
- The Village of Pinehurst's credit rating from the North Carolina Municipal Council was increased from 85 to 86 during the year. This rating is comparable to a rating of Aa/AA by the national rating agencies. The Village had no general obligation bonded debt as of June 30, 2013.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$12,947, which is equivalent to a return of approximately 0.15% on the average amount of cash and cash equivalents during the year. At fiscal year's end, 39% of the Village's cash and investments were held in insured or collateralized depository accounts and 61% 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 20 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2012-13 fiscal year, the Village received the Distinguished Budget Presentation Award for the sixth 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 position and how they have changed. Net position is the difference between the Village's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include all of the Village's basic services such as public safety, parks and recreation, and general administration. Property taxes 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, 2013. The final category is the component unit. The Village does not have any component units as of June 30, 2013.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village 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 can be divided into two categories: governmental funds and fiduciary 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 Position 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 Village Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Village of Pinehurst has one fiduciary fund, which is an agency 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 23-44 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 45 of this report.

Interdependence with Other Entities - The Village depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

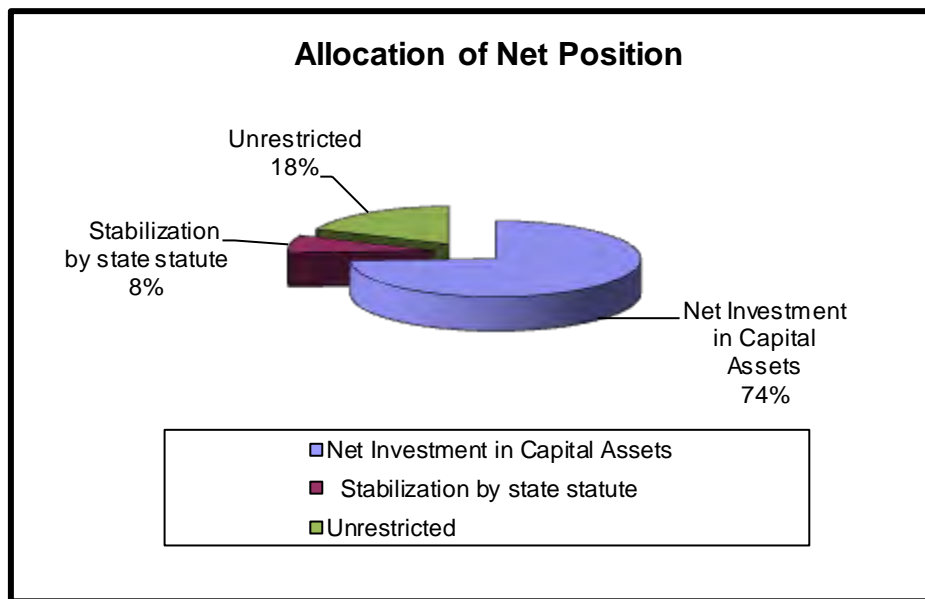
Net Position

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

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

	Governmental Activities 2013	Governmental Activities 2012
Current and other assets	\$ 8,549,532	\$ 8,152,158
Capital assets	20,707,515	19,781,715
Total assets	<u>29,257,047</u>	<u>27,933,873</u>
Long-term liabilities outstanding	2,874,107	3,260,053
Other liabilities	1,226,842	698,712
Total liabilities	<u>4,100,949</u>	<u>3,958,765</u>
Prepaid taxes	25,574	24,508
Total deferred inflows of resources	<u>25,574</u>	<u>24,508</u>
Net position:		
Net investment in capital assets	18,615,943	17,271,349
Restricted for:		
Stabilization by state statute	1,882,835	1,291,963
Municipal Service District	-	14,354
Unrestricted	4,631,746	5,372,934
Total net position	<u><u>\$ 25,130,524</u></u>	<u><u>\$ 23,950,600</u></u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Village of Pinehurst exceeded liabilities and deferred inflows by \$25,130,524 as of June 30, 2013. The Village's net position increased by \$1,179,924 for the fiscal year ended June 30, 2013. However, the largest portion, \$18,615,943 or 74%, reflects the Village's net investment in capital assets (e.g. land, right of ways, buildings, machinery, and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village's net position, \$1,882,835, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,631,746 is unrestricted.



Governmental Activities

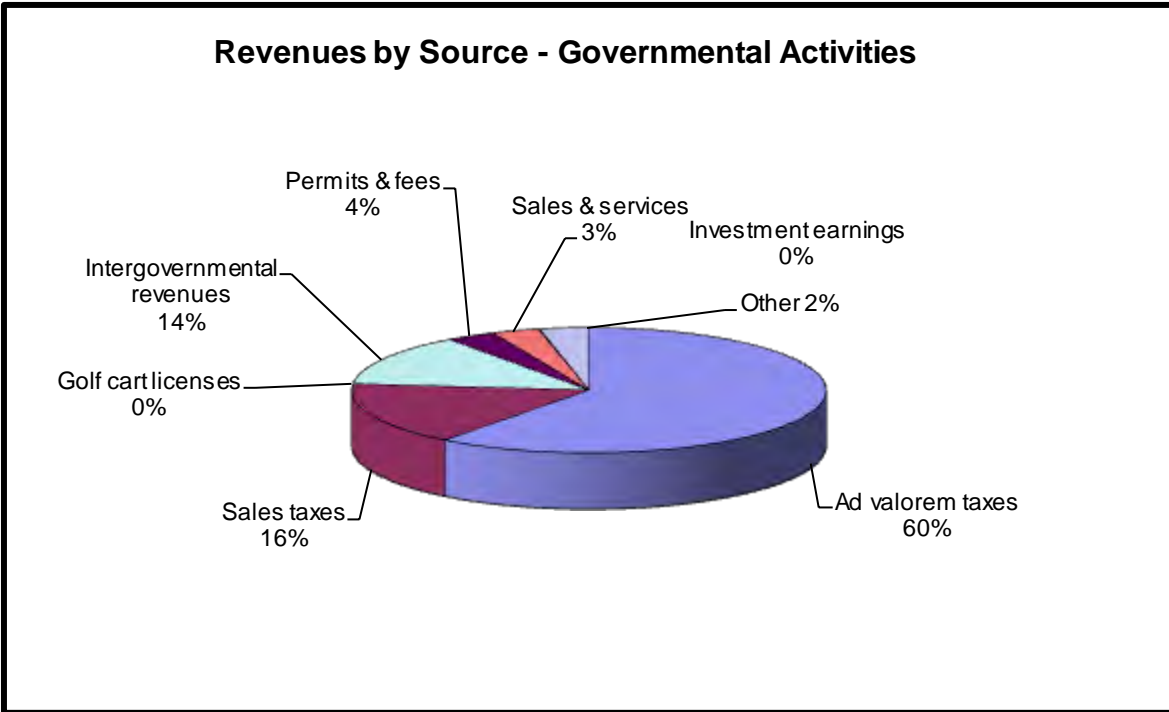
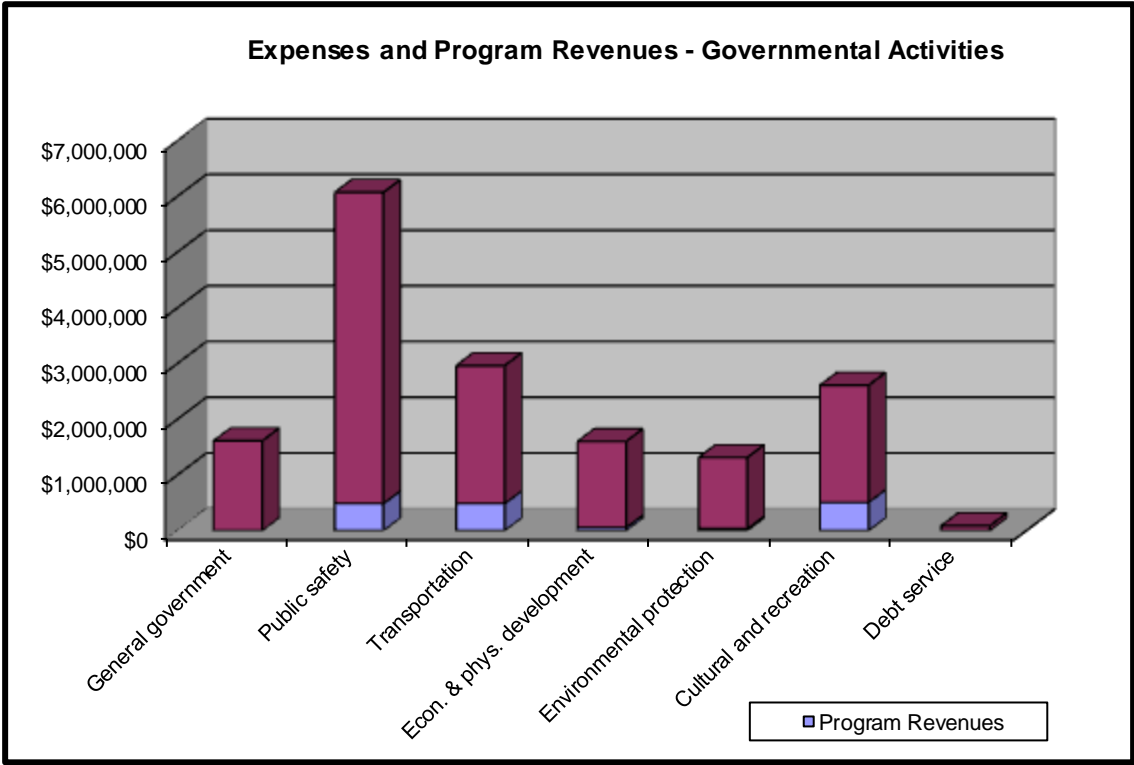
Governmental activities increased the Village's net position by \$1,179,924, thereby accounting for 100% of the total growth in the net position of the Village of Pinehurst.

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

- Property tax revenue increased approximately \$84,000 from the prior year due to the increase in the construction of new single family homes.
- Sales tax revenues increased \$139,000 or 5% due to an increase in overall retail sales activity.
- Other taxes and licenses decreased by approximately \$48,000, or 3% due to a decrease in statewide video programming taxes that are reported as unrestricted intergovernmental revenues.
- Investment earnings decreased by approximately 52%, or \$14,000 compared to the prior year as the rate available on investments continues to remain low.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in the General Fund of 99.79%, which is comparable to the statewide average of 97.24%.
- Operating grants and contributions decreased \$295,000 or 36% primarily due to environmental protection grants received in the prior year.
- Expenses net of program revenues decreased by \$192,000, or 1.5%. Charges for services increased by approximately \$53,000 or 5% but were offset by general operating expense increases and the reduction in operating grants mentioned above.
- Principal payments of \$478,000 reduced long term obligations to \$2,091,572.

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

	<u>Governmental Activities</u> <u>2013</u>	<u>Governmental Activities</u> <u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,046,703	\$ 993,561
Operating grants and contributions	533,380	827,939
Capital grants and contributions	207,252	-
General revenues:		
Property taxes	9,567,944	9,483,953
Sales taxes	2,573,483	2,434,430
Golf cart licenses	1,775	1,740
Grants and contributions not restricted to specific programs	1,589,133	1,637,272
Other	337,218	262,712
Total revenues	<u>15,856,888</u>	<u>15,641,607</u>
Expenses:		
General government	1,611,659	2,144,319
Public safety	5,582,355	5,454,487
Transportation	2,475,382	2,511,804
Economic & physical development	1,542,829	1,250,263
Environmental protection	1,275,525	1,337,891
Culture and recreation	2,100,673	1,919,013
Interest on long-term debt	88,541	108,919
Total expenses	<u>14,676,964</u>	<u>14,726,696</u>
Increase in net position	1,179,924	914,911
Net position, July 1	<u>23,950,600</u>	<u>23,035,689</u>
Net position, June 30	<u>\$ 25,130,524</u>	<u>\$ 23,950,600</u>



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, 2013, the governmental funds of the Village of Pinehurst reported a combined fund balance of \$7,172,503, a decrease of \$121,930 or 2% over last year.

The general fund is the chief operating fund of the Village of Pinehurst. At the end of the current fiscal year, Village of Pinehurst's unassigned fund balance in the General Fund was \$4,506,790, while total fund balance reached \$7,161,748. The Village Council of the Village of Pinehurst has determined that the Village should maintain unassigned fund balance of 15% of actual general fund expenditures at year end and total fund balance of 30%-40% of budgeted general fund expenditures when adopting the annual budget. Fund balance at these levels is maintained in to meet the cash flow needs of the Village and to be prepared for unforeseen emergencies and opportunities. The Village currently has unassigned fund balance of 29% of actual general fund expenditures, while total fund balance represents 40% of budgeted expenditures.

Fund balance in the Village's General Fund decreased by \$82,707 during the 2013 fiscal year. Key components of this change are as follows:

- Property tax revenue increased approximately \$75,000 from the prior year due to the increase in the construction of new single family homes. In addition, building permits and inspection fees increased by 23%, or \$45,700.
- Sales tax revenues increased \$139,000 or 5% due to an increase in overall retail sales activity.
- Revenue from ABC sales increased 32%, or \$25,600.
- Other Financing Sources increased by \$77,700 due to loan proceeds of \$59,503 and the transfer of equity from a capital project fund and special revenue fund that were closed during fiscal year 2013.
- Capital outlays for downtown enhancements in the Community Development department were \$630,000 higher than the previous fiscal year.

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 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 \$324,084, or 2.1%. 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 increased retail sales activity. In addition, property taxes were \$57,000 higher than budgeted due to the modest recovery in new home construction.

Total expenditures were 7.9% less than originally budgeted amounts. Operating expenditures were less than budgeted amounts for the following significant items: (1) contracted and professional services of \$291,000 were expected but not realized, (2) salaries and benefits were \$243,000 lower due to employee vacancies related to turnover, and (3) capital expenditures were \$1,000,000 below budget.

Capital expenditures in the General Fund were lower than originally budgeted as mentioned above. The majority of this variance was due to a \$550,000 fire engine that was on order during the year that was not delivered until after the fiscal year had ended. Also, several other capital items related to recreation were delayed for various reasons. These items have all been re-appropriated in fiscal year 2013-14. A few other capital items also came in slightly below their proposed budgets.

As a result of the variances in revenues and expenditures outlined above, fund balance in the General Fund decreased by \$82,707 at June 30, 2013. At June 30, 2013, the General Fund reported fund balance of \$7,161,748, a 1.1% decrease below the previous 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, 2013 totals \$20,707,515 (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):

- Completion of downtown park, parking, and streetscape improvements of \$630,000
- Storm drainage projects totaling \$266,000
- Garbage truck replacement costing \$169,000
- Tennis courts at Rassie Wicker Park for \$152,000
- Greenway trail extensions totaling \$114,000
- Harness Track sewer improvements of \$109,000
- Dump truck for Public Services costing \$92,000
- Downtown sidewalk additions totaling \$81,000
- Added parking at the Fair Barn costing \$75,000
- Assembly Hall audio-visual upgrades at \$64,000
- Police vehicle replacements costing \$60,000

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

	<u>Governmental Activities</u> <u>2013</u>	<u>Governmental Activities</u> <u>2012</u>
Land	\$ 5,770,349	\$ 4,946,064
Right of Ways	75,892	51,187
Buildings and Improvements	8,073,521	7,961,218
Furniture and Equipment	580,267	364,248
Vehicles	2,035,158	2,026,969
Infrastructure	3,749,757	3,239,079
Construction in Progress	422,571	1,192,950
Total	<u><u>\$ 20,707,515</u></u>	<u><u>\$ 19,781,715</u></u>

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

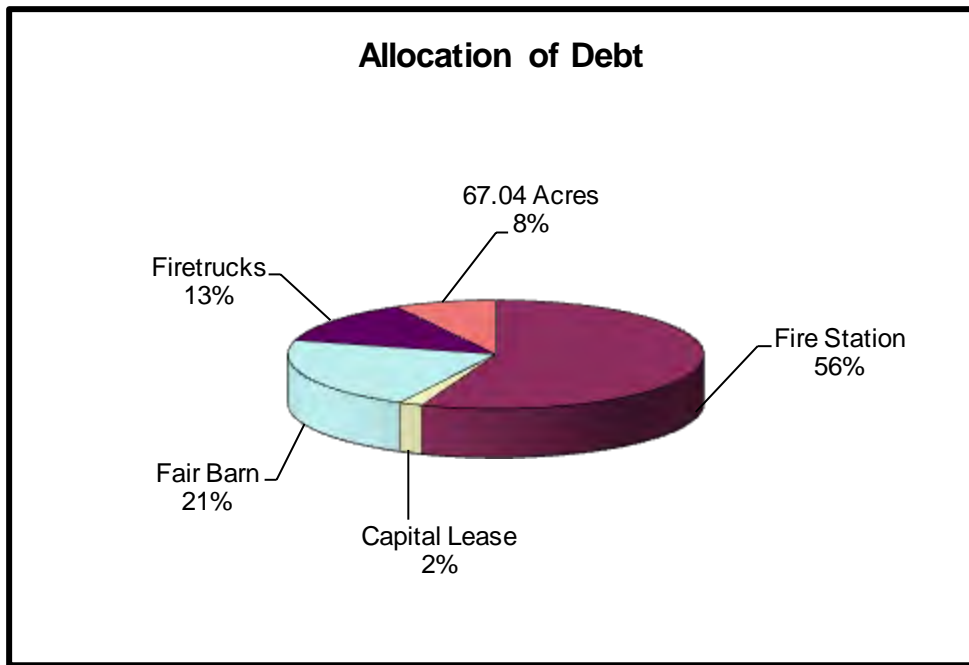
Long-term debt

As of June 30, 2013, the Village of Pinehurst had total outstanding debt of \$2,091,572. Installment purchase agreements of \$2,053,001 or 98% of the total debt outstanding are collateralized by the assets that are financed. A capital lease of \$38,571 has two remaining annual payments and title passes to the Village at the end of the capital lease term.

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

	<u>Governmental Activities</u> <u>2013</u>	<u>Governmental Activities</u> <u>2012</u>
Capital Lease	\$ 38,571	\$ -
Police Station	-	137,513
Fire Station	1,166,667	1,333,333
Fair Barn	450,000	500,000
Firetrucks	269,667	339,520
67.04 Acres	166,667	200,000
Total	<u><u>\$ 2,091,572</u></u>	<u><u>\$ 2,510,366</u></u>

During fiscal year 2013 the Village of Pinehurst's total debt decreased by \$418,795 (17%). This is due to principal payments of \$478,298 and the addition of one capital lease as detailed in Note 11.



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 \$271,457,928.

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 8.8% at June 30, 2013 is well above historical levels and is equal to the State rate of 8.8%.
- Modest recovery in new construction and in the number of new residents. The Village added 71 new homes last year within the Village limits and its extraterritorial jurisdiction. This is three homes higher than the previous year, and the total value of the homes constructed was also 28% higher.
- Scheduled to host back to back Men's US Open and Women's US 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, 2014

Governmental Activities

Revenues of the Village are expected to increase by 7.2% overall for FY 2014. This is primarily due to the one-time payment of license fees related to the 2014 US Open golf championships and growth in other revenues affected by the economy. The modest recovery is having the most noticeable effect on economically sensitive revenues such as sale taxes and their related hold harmless reimbursements. Property tax revenues, however, are also expected to increase by a modest 1.9% due to increased levels of new home construction mentioned above. For the 2013-14 fiscal year the Village maintained the current ad valorem tax rate of \$0.28 per \$100 valuation.

Budgeted expenditures in the General Fund are expected to remain flat at \$17,562,075, a decrease of only 0.6%. This small decrease is a result of capital investments made for the US Opens in the previous fiscal year, that are offset somewhat by new initiatives, and normal operating increases. Debt service expenditures also continue to decrease as the Village pays down its remaining debt obligation balances.

In Fiscal Year 2014 the Village adopted its first strategic operating plan. This was done as a part of implementing the Malcolm Baldrige Performance Excellence Criteria and is designed to provide an integrated approach to organizational performance management. The plan includes a one-year budget and a five-year capital improvement plan (CIP). The strategic operating plan is a strategic, results-driven approach to resource allocation that is closely aligned with the Village Council's strategy and achieving the results articulated in the Village's balanced scorecard.

The Village Council's Areas of Focus for the 2014 Strategic Plan are: (1) Promote economic opportunity, (2) Provide safe traffic and pedestrian mobility, (3) Provide recreational and cultural opportunities, (4) Recruit and retain a skilled and diverse workforce.

Major initiatives of the FY 2014 Strategic Plan to address these Areas of Focus include:

- Provide public restrooms in the Village Center
- Provide online resources for businesses
- Install gateway and way-finding signage
- Partner with NCDOT to install sidewalks and decorative traffic signals on Highway 211
- Support the Given Memorial Library facility expansion project
- Develop an alternative transportation plan for greenway, sidewalk, and biking trail expansions
- Perform a formal employee compensation study

Total capital outlays of \$2,332,000 are down 28% compared to the previous fiscal year. The decrease is due to the considerable number of projects completed in Fiscal Year 2013 in preparation for the 2014 US Opens. Notable projects in FY 2014 include:

- Fire engine - \$550,000
- Drainage projects - \$300,000
- Automated solid waste vehicle - \$195,000
- Street sweeper - \$150,000
- Arboretum parking lot - \$135,000
- Gateway and way-finding signage - \$125,000.

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 Position
June 30, 2013

Exhibit 1

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,888,782
Taxes receivables (net)	38,934
Special assessments receivable	99,299
Interest receivable	6,816
Other receivables	58,092
Due from other governments	1,286,661
Inventories	43,640
Prepaid items	127,308
Total unrestricted current assets	<u>8,549,532</u>
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	5,770,349
Construction in progress	422,571
Right of ways	75,892
Buildings and improvements	8,073,521
Furniture and equipment	580,267
Vehicles	2,035,158
Infrastructure	3,749,757
Total capital assets	<u>20,707,515</u>
Total assets	<u>29,257,047</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	1,203,758
Accrued interest payable	23,084
Long-term liabilities due within one year	697,340
Total current liabilities	<u>1,924,182</u>
Non-current liabilities:	
Long-term liabilities due in more than one year	2,176,767
Total liabilities	<u>4,100,949</u>
Deferred Inflows of Resources	
Prepaid taxes	25,574
Total deferred inflows of resources	<u>25,574</u>
Net Position	
Net investment in capital assets	18,615,943
Restricted for:	
Stabilization by state statute	1,882,835
Unrestricted	4,631,746
Total net position	<u><u>\$ 25,130,524</u></u>

Village of Pinehurst, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
General government	\$ 1,611,659	\$ -	\$ -	\$ 53,720	\$ (1,557,939)
Public safety	5,582,355	469,345	19,228	-	(5,093,782)
Transportation	2,475,382	10,500	476,544	153,532	(1,834,806)
Economic and physical development	1,542,829	57,745	108	-	(1,484,976)
Environmental protection	1,275,525	-	37,495	-	(1,238,030)
Cultural and recreation	2,100,673	509,113	5	-	(1,591,555)
Interest on long-term debt	88,541	-	-	-	(88,541)
Total governmental activities	<u>\$14,676,964</u>	<u>\$ 1,046,703</u>	<u>\$ 533,380</u>	<u>\$ 207,252</u>	<u>(12,889,629)</u>
General revenues:					
Ad valorem taxes					9,567,944
Sales taxes					2,573,483
Golf cart licenses					1,775
Unrestricted intergovernmental					1,589,133
Investment earnings					12,947
Miscellaneous					324,271
Total general revenues					<u>14,069,553</u>
Change in net position					<u>1,179,924</u>
Net position-beginning					<u>23,950,600</u>
Net position-ending					<u>\$ 25,130,524</u>

Village of Pinehurst, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

Exhibit 3

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,878,027	\$ 10,755	\$ 6,888,782
Receivables, net:			
Taxes	38,934	-	38,934
Assessments	99,299	-	99,299
Interest	6,816	-	6,816
Other receivables	58,092	-	58,092
Due from other governments	1,268,311	18,350	1,286,661
Inventories	43,640	-	43,640
Prepaid items	127,308	-	127,308
	<u>8,520,427</u>	<u>29,105</u>	<u>8,549,532</u>
Total assets	<u>\$ 8,520,427</u>	<u>\$ 29,105</u>	<u>\$ 8,549,532</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 650,942	\$ 18,350	\$ 669,292
Withholdings and accrued expenditures	453,884	-	453,884
Deposits	80,582	-	80,582
Total liabilities	<u>1,185,408</u>	<u>18,350</u>	<u>1,203,758</u>
Deferred inflows of resources:			
Unavailable revenues	147,697	-	147,697
Prepaid taxes	25,574	-	25,574
Total deferred inflows of resources	<u>173,271</u>	<u>-</u>	<u>173,271</u>
Fund balances:			
Nonspendable:			
Inventory	43,640	-	43,640
Prepaid items	127,308	-	127,308
Restricted:			
Stabilization by state statute	1,882,835	-	1,882,835
Committed:			
Special Revenue funds	-	10,755	10,755
Assigned:			
Subsequent year's expenditures	601,175	-	601,175
Unassigned	4,506,790	-	4,506,790
Total fund balances	<u>7,161,748</u>	<u>10,755</u>	<u>7,172,503</u>
	<u>\$ 8,520,427</u>	<u>\$ 29,105</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,520,427</u>	<u>\$ 29,105</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	20,707,515
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	147,697
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>(2,897,191)</u>
Net position of governmental activities	<u>\$ 25,130,524</u>

Village of Pinehurst, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

Exhibit 4

	Major Funds		Total Governmental Funds
	General Fund	Total Non-Major Funds	
Revenues			
Ad valorem taxes	\$ 9,557,452	\$ 3,674	\$ 9,561,126
Sales taxes	2,573,483	-	2,573,483
Golf cart licenses	1,775	-	1,775
Unrestricted intergovernmental	1,589,133	-	1,589,133
Restricted intergovernmental	503,816	29,044	532,860
Permits and fees	535,247	-	535,247
Sales and services	517,744	-	517,744
Investment earnings	13,342	126	13,468
Assessment income	-	12,412	12,412
Miscellaneous	324,892	-	324,892
Total revenues	<u>15,616,884</u>	<u>45,256</u>	<u>15,662,140</u>
Expenditures			
Current:			
General government	2,106,278	-	2,106,278
Public safety	5,197,380	-	5,197,380
Transportation	2,178,585	-	2,178,585
Economic and physical development	2,131,195	29,044	2,160,239
Environmental protection	1,347,682	3,055	1,350,737
Cultural and recreation	2,280,905	-	2,280,905
Debt service:			
Principal	478,298	-	478,298
Interest and other charges	91,151	-	91,151
Total expenditures	<u>15,811,474</u>	<u>32,099</u>	<u>15,843,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(194,590)</u>	<u>13,157</u>	<u>(181,433)</u>
Other Financing Sources (Uses)			
Transfers to other funds	-	(52,380)	(52,380)
Transfers from other funds	52,380	-	52,380
Capital lease obligation issuance	59,503	-	59,503
Total other financing sources (uses)	<u>111,883</u>	<u>(52,380)</u>	<u>59,503</u>
Net change in fund balance	(82,707)	(39,223)	(121,930)
Fund balances, beginning	<u>7,244,455</u>	<u>49,978</u>	<u>7,294,433</u>
Fund balances, ending	<u>\$ 7,161,748</u>	<u>\$ 10,755</u>	<u>\$ 7,172,503</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, 2013

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (121,930)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	1,042,486
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(116,686)
Revenues in the statement of activities that are not reported as revenues in the fund statements.	(12,503)
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.	418,795
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>(30,238)</u>
 Total changes in net position of governmental activities	 <u><u>\$ 1,179,924</u></u>

General Fund

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

Annual Budget and Actual

For the Fiscal Year Ended June 30, 2013

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 9,500,500	\$ 9,500,500	\$ 9,557,452	\$ 56,952
Sales taxes	2,430,000	2,496,000	2,573,483	77,483
Golf cart licenses	1,800	1,800	1,775	(25)
Unrestricted intergovernmental	1,682,500	1,616,500	1,589,133	(27,367)
Restricted intergovernmental	485,895	509,170	503,816	(5,354)
Permits and fees	477,100	477,100	535,247	58,147
Sales and services	497,915	497,915	517,744	19,829
Investment earnings	28,790	28,790	13,342	(15,448)
Miscellaneous	188,300	243,288	324,892	81,604
Total revenues	<u>15,292,800</u>	<u>15,371,063</u>	<u>15,616,884</u>	<u>245,821</u>
Expenditures:				
Current:				
General government	2,194,170	2,259,044	2,106,278	152,766
Public safety	5,959,540	6,006,402	5,197,380	809,022
Transportation	2,449,280	2,344,617	2,178,585	166,032
Economic & physical development	1,467,030	2,455,986	2,131,195	324,791
Environmental protection	2,397,285	1,508,541	1,347,682	160,859
Cultural and recreation	2,095,145	2,710,070	2,280,905	429,165
Contingency	50,000	38,000	-	38,000
Debt service:				
Principal retirement	457,306	478,299	478,298	1
Interest and fees	91,318	91,258	91,151	107
Total expenditures	<u>17,161,074</u>	<u>17,892,217</u>	<u>15,811,474</u>	<u>2,080,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,868,274)</u>	<u>(2,521,154)</u>	<u>(194,590)</u>	<u>2,326,564</u>
Other Financing Sources (Uses):				
Debt issuance	550,000	550,000	-	(550,000)
Capital lease obligation issuance	-	59,504	59,503	(1)
Transfers to other funds	(100,000)	-	-	-
Transfers from other funds	12,410	52,380	52,380	-
Total other financing sources (uses)	<u>462,410</u>	<u>661,884</u>	<u>111,883</u>	<u>(550,001)</u>
Fund balance appropriated	<u>1,405,864</u>	<u>1,859,270</u>	<u>-</u>	<u>(1,859,270)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(82,707)</u>	<u>\$ (82,707)</u>
Fund balances, beginning			<u>7,244,455</u>	
Fund balances, ending			<u>\$ 7,161,748</u>	

Village of Pinehurst, North Carolina
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

Exhibit 7

	<u>Residential Assurance Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 50,000</u>
Liabilities	
Builder deposits	<u>\$ 50,000</u>

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, 2013, no other entity is included in the Village of Pinehurst financial statements.

B. Basis of Presentation

Government-wide Statements. The statement of net position 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 report the *governmental activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for 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 fund:

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.

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

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

Additionally, the government reports the following fiduciary fund:

The **Residential Assurance 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.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all governmental funds of the Village are accounted for during the year on the modified accrual basis of accounting. All fiduciary funds, including agency funds, use the accrual, rather than the modified accrual basis of accounting.

Government-wide and Fiduciary Financial Statements. The government-wide and fiduciary financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. 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 is both restricted and unrestricted net position 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, and Jackson Hamlet CDBG-III 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, Deferred Outflows/Inflows of Resources, 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, Deferred Outflows/Inflows of Resources, 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, 2012.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has no deferred outflows of resources at June 30, 2013.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has four items that meet the criterion for this category - prepaid taxes, property taxes receivable, special assessments receivable, and other receivables.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

9. Compensated Absences

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

10. Net Position/Fund Balances

Net Position

Net Position in government-wide financial statements is classified net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

10. Net Position/Fund Balances (Continued)

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance may be spent.

The governmental fund types classify fund balances as follows:

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

Inventories - 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)].

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 Village 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 Agency Fund budgeted by the Village Council for community projects.

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

Assigned fund balance – portion of fund balance that Village of Pinehurst intends to use for specific purposes imposed by majority vote by quorum of the Village Council.

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 Village Council 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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 available fund balance is at least equal to or greater than 15% of budgeted expenditures and 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 position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$20,707,515 difference are as follows:

Capital assets	\$ 35,337,468
Accumulated depreciation	<u>(14,629,953)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 20,707,515</u>

Another element of the reconciliation states that “Liabilities for earned revenues considered deferred inflows of resources in the fund statements.” The details of this \$147,697 difference are as follows:

Taxes receivable	\$ 38,934
Other receivables	9,464
Assessments receivable	<u>99,299</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 147,697</u>

**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 position (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 \$2,897,191 difference are as follows:

Accrued interest payable	\$ (23,084)
Compensated absences payable	(609,132)
Net pension obligation	(173,403)
Leases payable	(38,571)
Installment purchases payable	<u>(2,053,001)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (2,897,191)</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 position 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 \$1,042,486 difference are as follows:

Capital outlay	\$ 2,465,488
Depreciation expense	<u>(1,423,002)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,042,486</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 position." The details of this \$116,686 difference are as follows:

Prior year asset deletion	\$ (321,040)
Donated assets received	207,252
Loss on disposal of assets	<u>(2,898)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of activities</i>	<u>\$ (116,686)</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

**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 \$12,503 difference are as follows:

Special assessment payments	\$ (12,412)
Change in other deferred inflows	(6,909)
Change in deferred tax inflows	<u>6,818</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (12,503)</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 position. 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 \$418,795 difference are as follows:

Principal payments	\$ 478,298
Capital lease obligation issuance	<u>(59,503)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 418,795</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 \$30,238 difference are as follows:

Accrued interest payable	\$ 2,610
Compensated absences	(17,937)
Pension obligation	<u>(14,911)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (30,238)</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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

At June 30, 2013 the Village's deposits had a carrying amount of \$2,702,325. The cash balance in the bank at June 30, 2013 totaled \$2,818,337. Of the bank balance, \$750,000 was covered by federal depository insurance and \$2,068,337 was covered by collateral held under the Pooling Method. At June 30, 2013, the Village's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2013, 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	\$4,235,457	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, 2013.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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:

	<u>General</u>	<u>Non-Major and Other Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 38,934	\$ -	\$ 38,934
Special assessments	99,299	-	99,299
Interest	6,816	-	6,816
Accounts	58,092	-	58,092
Intergovernmental	<u>1,268,311</u>	<u>18,350</u>	<u>1,286,661</u>
Gross receivables	1,471,452	18,350	1,489,802
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 1,471,452</u>	<u>\$ 18,350</u>	<u>\$ 1,489,802</u>

Note 6. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,946,064	\$ 824,285	\$ -	\$ 5,770,349
Construction in progress	<u>1,192,950</u>	<u>390,282</u>	<u>(1,160,661)</u>	<u>422,571</u>
Total capital assets not being depreciated	<u>6,139,014</u>	<u>1,214,567</u>	<u>(1,160,661)</u>	<u>6,192,920</u>
Capital assets being depreciated:				
Right of ways	54,600	26,400	-	81,000
Buildings and improvements	16,677,938	927,167	(5,199)	17,599,906
Furniture and equipment	1,908,284	348,288	(139,503)	2,117,069
Vehicles	4,913,424	386,721	(199,797)	5,100,348
Infrastructure	<u>3,637,007</u>	<u>609,218</u>	<u>-</u>	<u>4,246,225</u>
Total	<u>27,191,253</u>	<u>2,297,794</u>	<u>(344,499)</u>	<u>29,144,548</u>
Less accumulated depreciation for:				
Right of ways	3,413	1,695	-	5,108
Buildings and improvements	8,716,720	813,304	(3,639)	9,526,385
Furniture and equipment	1,544,036	130,932	(138,166)	1,536,802
Vehicles	2,886,455	378,531	(199,796)	3,065,190
Infrastructure	<u>397,928</u>	<u>98,540</u>	<u>-</u>	<u>496,468</u>
Total	<u>13,548,552</u>	<u>1,423,002</u>	<u>(341,601)</u>	<u>14,629,953</u>
Total capital assets being depreciated, net	<u>13,642,701</u>	<u>874,792</u>	<u>(2,898)</u>	<u>14,514,595</u>
Governmental activity capital assets, net	<u>\$ 19,781,715</u>	<u>\$ 2,089,359</u>	<u>\$ (1,163,559)</u>	<u>\$ 20,707,515</u>

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

General government	\$ 309,876
Public safety	481,814
Transportation	120,231
Economic & physical development	68,912
Environmental protection	114,578
Cultural and recreation	<u>327,591</u>
Total depreciation expense	<u>\$ 1,423,002</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6. Capital Assets (Continued)

Construction and Other Capital Related Commitments. The Village has active construction projects and other capital related commitments as of June 30, 2013. The projects include the fabrication of a fire engine pumper/tanker, conceptual design of the Carriage House parking facility, and a park, parking lot and streetscape improvements in the downtown area. At June 30, 2013, the Village's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
KME fire engine fabrication	\$ -	\$ 514,000
Carriage House conceptual design	38,225	31,275
Downtown improvements	721,708	13,805
Total	\$ 759,933	\$ 559,080

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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$386,669, \$394,794, and \$359,878, 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.

Note 7. Pension Plan Obligations (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

1. Plan Description (Continued)

All full-time law enforcement officers of the Village are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>24</u>
Total	<u>26</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.

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, 2012 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, 2012 was 18 years.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 7. Pension Plan Obligations (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

3. Contributions (Continued)

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

Annual required contribution	\$ 55,948
Interest on net pension obligation	7,925
Adjustment to annual required contribution	<u>(9,863)</u>
Annual pension cost	54,010
Contributions made	<u>39,099</u>
Increase (decrease) in net pension obligation	14,911
Net pension obligation beginning of year	<u>158,492</u>
 Net pension obligation end of year	 <u>\$ 173,403</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>
2011	\$ 51,587	82.51%	\$ 152,442
2012	49,704	87.83%	158,492
2013	54,010	72.39%	173,403

4. Funded Status and Funding Progress

As of December 31 2012, 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 \$607,213. The covered payroll (annual payroll of active employees covered by the plan) was \$1,172,606, and the ratio of the UAAL to the covered payroll was 51.78 percent.

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

C. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

Note 7. Pension Plan Obligations (Continued)

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

law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$75,020, which consisted of \$57,726 from the Village and \$17,294 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 regular employees to the plan. Contributions for the year ended June 30, 2013 were \$439,379, which consisted of \$228,863 from the Village and \$210,516 in voluntary contributions from employees.

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

F. Other Employment Benefits

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

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 7. Pension Plan Obligations (Continued)

F. Other Employment Benefits (Continued)

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 payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. 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. Due to a plan surplus, the North Carolina Department of State Treasurer did not require an employer contribution to the LGERS Death Benefit Plan for Fiscal Year 2012-13.

Note 8. Deferred Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes	\$ -	\$ 25,574
Taxes receivable	38,934	-
Others receivable	9,464	-
Special assessments receivable	99,299	-
Total	<u>\$ 147,697</u>	<u>\$ 25,574</u>

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 (\$19,333,890), 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, 2013, 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, 2013

Note 11. Long-Term Obligations

A. Capital Lease

The Village has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date its inception.

The agreement was executed on January 14, 2013 to lease computer equipment and requires 3 annual payments of \$20,932. In this agreement, title passes to the Village at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2013:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment	<u>\$ 59,503</u>	<u>\$ 11,901</u>	<u>\$ 47,602</u>
	<u>\$ 59,503</u>	<u>\$ 11,901</u>	<u>\$ 47,602</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year Ending June 30	
2014	\$ 20,932
2015	<u>20,847</u>
Total minimum lease payments	41,779
Less: amount representing interest	<u>3,208</u>
Present value of the minimum lease payments	\$ <u>38,571</u>

B. Installment Purchase

Long-term debt obligations of the Village consisted of the following at June 30, 2013:

\$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	\$ 166,667
\$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	1,166,667
\$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	450,000
\$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>269,667</u>
	<u>\$ 2,053,001</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11. Long-Term Obligations (Continued)

B. Installment Purchase (Continued)

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 322,927	\$ 76,274
2015	326,193	63,648
2016	329,605	50,874
2017	290,944	37,954
2018	250,000	27,687
2019-2022	<u>533,332</u>	<u>35,033</u>
	<u>\$ 2,053,001</u>	<u>\$ 291,470</u>

C. Changes in Long-Term Liabilities

At June 30, 2013, the Village of Pinehurst had a legal debt margin of \$271,457,928.

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$2,510,366	\$ -	\$ (457,365)	\$2,053,001	\$ 322,927
Capital leases	-	59,503	(20,932)	38,571	18,811
Compensated absences	591,195	363,068	(345,131)	609,132	355,602
Net pension obligation	<u>158,492</u>	<u>14,911</u>	<u>-</u>	<u>173,403</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$3,260,053</u>	<u>\$ 437,482</u>	<u>\$ (823,428)</u>	<u>\$2,874,107</u>	<u>\$ 697,340</u>

Compensated absences typically have been liquidated in the general fund.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12. Interfund Balances and Activity

Balances due to/from other funds

The Village has no balances due to/from other funds at June 30, 2013.

Transfers to/from other funds

Transfers to/from other funds at June 30, 2013, consist of the following:

From the Municipal Service District Fund to the General Fund for capital expenditures and upon closing the special revenue fund	\$ 27,398
From the Public Services Facility Project Fund to the General Fund upon the closing of the project fund	<u>24,982</u>
Total transfers	<u>\$ 52,380</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 2013 fiscal year, \$27,398 was transferred from the Municipal Service District to the General Fund. This amount includes \$12,412 for 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. It also includes \$14,986 transferred upon closing the special revenue fund. Also, \$24,982 was transferred from the Public Services Facility Project Fund to the General Fund upon the closing of the project fund.

Note 13. Revenues, Expenditures and Expenses

For the fiscal year ended June 30, 2013, the Village of Pinehurst has recognized on behalf of payments for pension contributions made by the State as revenue and an expenditure of \$1,107 for the 3 volunteer and employed firefighters and rescue workers who perform duties for the Village's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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	\$ 7,161,748
Less:	
Inventories	43,640
Prepaid Items	127,308
Stabilization by State Statute	1,882,835
Appropriated Fund Balance in 2013 budget	601,175
Fund Balance Policy Minimum	2,371,721
Remaining Fund Balance	2,135,069

The Village's fund balance policy requires the Village to maintain a minimum unassigned General Fund balance of 15% of actual expenditures as reported in the Village's CAFR. In addition, the when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance in the range of 30%-40% of budgeted expenditures. At June 30, 2013 the General Fund's unassigned fund balance of \$4,506,790 represents 29% of General Fund actual expenditures which exceeds the policy minimum. Total fund balance was 40% of budgeted expenditures. The amount by which the fund balance exceeds policy-established minimums may be included as a revenue source when the budget is prepared for the next fiscal year.

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

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$559,080	\$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, 2013

Note 16. Significant Effects of Subsequent Events

A. Debt Issuance

The Village entered into a \$550,000 financing agreement with First Bank on July 31, 2013 to replace a fire truck. The loan will be paid back in annual payments of \$41,917 over seven years at 1.75% interest.

Note 17. 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 lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. These distributions are used to assist fire fighters in various ways. The local board of the Firemen's Relief Fund received a distribution of \$20,668 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2013. 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, 2013. 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.

Note 18. Change in Accounting Principles/Restatement

The Village implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.



Required Supplementary Information

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

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)
12/31/03	\$ -	\$ 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%
12/31/11	-	493,802	493,802	0.00%	1,138,078	43.39%
12/31/12	-	607,213	607,213	0.00%	1,172,606	51.78%

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

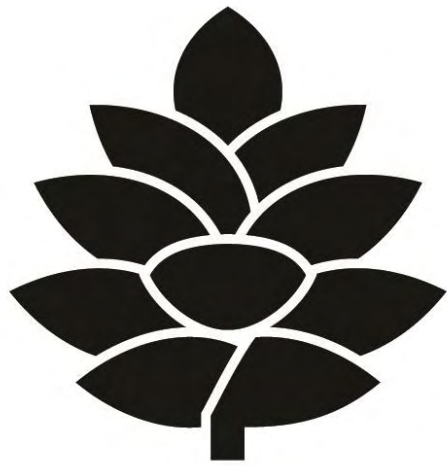
Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2012	51,176	85.30%
2013	55,948	69.88%

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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 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, 2013
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

Exhibit B-1
Page 1 of 4

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 9,498,000	\$ 9,542,156	\$ 44,156	\$ 9,468,860
Penalties and interest	2,500	15,296	12,796	13,901
Total	9,500,500	9,557,452	56,952	9,482,761
Other taxes:				
Local option sales tax	2,496,000	2,573,483	77,483	2,434,430
Golf cart licenses	1,800	1,775	(25)	1,740
Total	2,497,800	2,575,258	77,458	2,436,170
Unrestricted intergovernmental:				
Telecommunications sales tax	135,000	114,189	(20,811)	145,296
Utilities franchise tax	550,000	553,832	3,832	549,784
Video programming	300,000	295,237	(4,763)	317,187
Hold harmless reimbursements	567,000	565,398	(1,602)	560,954
Wine & beer tax	64,500	60,477	(4,023)	64,051
Total	1,616,500	1,589,133	(27,367)	1,637,272
Restricted intergovernmental:				
Powell Bill allocation	476,150	476,150	-	461,810
BAB interest rebates	4,995	4,799	(196)	6,045
Controlled substance tax	5,000	774	(4,226)	2,539
Other grants	13,125	12,548	(577)	8,250
Solid waste disposal tax	9,900	8,438	(1,462)	10,093
On-behalf of payments - Fire and Rescue	-	1,107	1,107	764
Total	509,170	503,816	(5,354)	489,501
Permits and fees:				
Building permits and inspection fees	195,000	241,011	46,011	195,296
Planning and zoning fees	35,000	52,307	17,307	36,429
Fire district	220,000	211,487	(8,513)	213,197
Rescue services	12,000	14,000	2,000	12,000
Other permits and fees	15,100	16,442	1,342	24,077
Total	477,100	535,247	58,147	480,999
Sales and services:				
Rents, concessions and fees	408,015	424,732	16,717	413,382
Recreation fees	89,900	93,012	3,112	88,308
Total	497,915	517,744	19,829	501,690
Investment earnings:				
Investment income	28,790	13,342	(15,448)	27,838

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, 2013
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		
Miscellaneous:				
ABC revenue	\$ 79,800	\$ 105,760	\$ 25,960	\$ 80,135
Recycling revenue	55,000	55,406	406	56,202
Donations	56,536	57,271	735	51,895
Other revenues	51,952	106,455	54,503	67,239
Total	243,288	324,892	81,604	255,471
Total revenues	15,371,063	15,616,884	245,821	15,311,702
Expenditures:				
General government:				
Governing body:				
Operating expenditures	223,500	206,779	16,721	164,959
Capital outlay	90,900	90,865	35	-
Total	314,400	297,644	16,756	164,959
Administration:				
Operating expenditures	1,002,901	960,955	41,946	957,594
Capital outlay	29,145	28,730	415	9,529
Total	1,032,046	989,685	42,361	967,123
Financial services:				
Operating expenditures	561,498	529,386	32,112	536,954
Capital outlay	7,214	6,334	880	-
Total	568,712	535,720	32,992	536,954
Human resources:				
Operating expenditures	340,279	280,438	59,841	250,943
Capital outlay	3,607	2,791	816	13,800
Total	343,886	283,229	60,657	264,743
Total general government	2,259,044	2,106,278	152,766	1,933,779
Public safety:				
Police:				
Operating expenditures	2,635,851	2,520,687	115,164	2,436,617
Capital outlay	111,301	98,284	13,017	103,627
Total	2,747,152	2,618,971	128,181	2,540,244
Fire:				
Operating expenditures	2,426,657	2,310,879	115,778	2,262,595
Capital outlay	608,913	55,091	553,822	38,031
Total	3,035,570	2,365,970	669,600	2,300,626
Fire and rescue on behalf of payments	-	1,107	(1,107)	764

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, 2013
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		
Inspections:				
Operating expenditures	\$ 221,347	\$ 209,143	\$ 12,204	\$ 211,682
Capital outlay	2,333	2,189	144	-
Total	<u>223,680</u>	<u>211,332</u>	<u>12,348</u>	<u>211,682</u>
Total public safety	<u>6,006,402</u>	<u>5,197,380</u>	<u>809,022</u>	<u>5,053,316</u>
Transportation:				
Public services administration:				
Operating expenditures	349,894	334,014	15,880	330,191
Capital outlay	5,910	1,503	4,407	22,824
Total	<u>355,804</u>	<u>335,517</u>	<u>20,287</u>	<u>353,015</u>
Streets and grounds:				
Operating expenditures	1,117,450	1,025,409	92,041	1,010,673
Capital outlay	139,863	134,793	5,070	144,902
Total	<u>1,257,313</u>	<u>1,160,202</u>	<u>97,111</u>	<u>1,155,575</u>
Powell Bill:				
Operating expenditures	<u>731,500</u>	<u>682,866</u>	<u>48,634</u>	<u>1,049,934</u>
Total transportation	<u>2,344,617</u>	<u>2,178,585</u>	<u>166,032</u>	<u>2,558,524</u>
Economic & physical development:				
Planning:				
Operating expenditures	774,621	663,194	111,427	653,973
Capital outlay	6,365	6,362	3	590
Total	<u>780,986</u>	<u>669,556</u>	<u>111,430</u>	<u>654,563</u>
Community Development				
Operating expenditures	294,500	213,922	80,578	171,483
Capital outlay	1,380,500	1,247,717	132,783	292,296
Total	<u>1,675,000</u>	<u>1,461,639</u>	<u>213,361</u>	<u>463,779</u>
Total economic & physical development	<u>2,455,986</u>	<u>2,131,195</u>	<u>324,791</u>	<u>1,118,342</u>
Environmental protection:				
Solid waste:				
Operating expenditures	1,283,952	1,156,797	127,155	1,236,202
Capital outlay	224,589	190,885	33,704	228,286
Total	<u>1,508,541</u>	<u>1,347,682</u>	<u>160,859</u>	<u>1,464,488</u>
Total environmental protection	<u>1,508,541</u>	<u>1,347,682</u>	<u>160,859</u>	<u>1,464,488</u>
Cultural and Recreation:				
Recreation:				
Operating expenditures	965,364	923,382	41,982	922,003
Capital outlay	575,747	348,379	227,368	97,835
Total	<u>1,541,111</u>	<u>1,271,761</u>	<u>269,350</u>	<u>1,019,838</u>

Village of Pinehurst, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2013
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	
Library:				
Operating expenditures	\$ 140,000	\$ 140,000	\$ -	\$ -
Harness Track:				
Operating expenditures	490,243	417,962	72,281	437,465
Capital outlay	182,621	159,821	22,800	161,635
Total	672,864	577,783	95,081	599,100
Fair Barn:				
Operating expenditures	258,979	199,991	58,988	182,642
Capital outlay	97,116	91,370	5,746	8,074
Total	356,095	291,361	64,734	190,716
Total cultural and recreation	2,710,070	2,280,905	429,165	1,809,654
Contingency:				
Operating expenditures	38,000	-	38,000	-
Debt service:				
Principal retirement	478,299	478,298	1	748,878
Interest and fees	91,258	91,151	107	116,592
Total	569,557	569,449	108	865,470
Total expenditures	17,892,217	15,811,474	2,080,743	14,803,573
Excess (deficiency) of revenues over (under) expenditures	(2,521,154)	(194,590)	2,326,564	508,129
Other Financing Sources (Uses):				
Debt issuance	550,000	-	(550,000)	-
Capital lease obligation issuance	59,504	59,503	(1)	-
Transfers from other funds:				
Capital Project Funds	24,982	24,982	-	8,657
Special Revenue Funds	27,398	27,398	-	25,460
Total other financing sources (uses)	661,884	111,883	(550,001)	34,117
Fund balance appropriated	1,859,270	-	(1,859,270)	-
Net change in fund balances	\$ -	(82,707)	\$ (82,707)	542,246
Fund balances, beginning		7,244,455		6,702,209
Fund balances, ending		\$ 7,161,748		\$ 7,244,455



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.

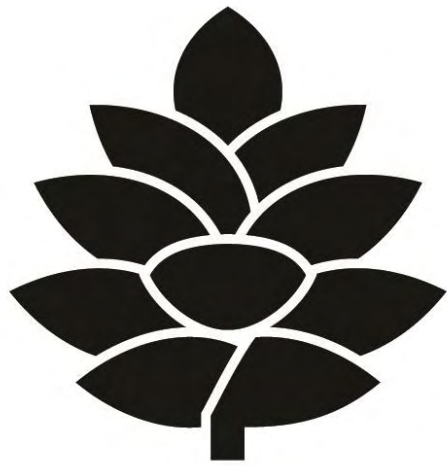
Land Dedication Fund – This fund is used to account for the dedication of land or the payment of fees in lieu of the dedication of land from developers.

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

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. This fund was closed in fiscal year 2013 and the remaining fund balance was transferred to the General Fund.

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. This fund was closed in fiscal year 2013 and the remaining fund balance was transferred to the General Fund.

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



Village of Pinehurst, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

Exhibit C-1

	Special Revenue Funds		Capital Project Fund	Total Non-Major Governmental Funds
	Land Dedication Fund	Residential Assurance-Interest Fund	Jackson Hamlet CDBG-III	
Assets				
Cash and cash equivalents	\$ 2,887	\$ 7,868	\$ -	\$ 10,755
Due from other governments	-	-	18,350	18,350
Total assets	<u>\$ 2,887</u>	<u>\$ 7,868</u>	<u>\$ 18,350</u>	<u>\$ 29,105</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 18,350	\$ 18,350
Total liabilities	<u>-</u>	<u>-</u>	<u>18,350</u>	<u>18,350</u>
Fund balances:				
Committed:				
Special revenue funds	<u>2,887</u>	<u>7,868</u>	<u>-</u>	<u>10,755</u>
Total fund balances	<u>2,887</u>	<u>7,868</u>	<u>-</u>	<u>10,755</u>
Total liabilities and fund balances	<u>\$ 2,887</u>	<u>\$ 7,868</u>	<u>\$ 18,350</u>	<u>\$ 29,105</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, 2013

Exhibit C-2
Page 1 of 2

	Special Revenue Funds			Total
	Land Dedication Fund	Residential Assurance - Interest Fund	Municipal Service District Fund	
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ 3,674	\$ 3,674
Assessments	-	-	12,412	12,412
Restricted intergovernmental	-	-	-	-
Investment earnings	5	108	13	126
Total revenues	<u>5</u>	<u>108</u>	<u>16,099</u>	<u>16,212</u>
Expenditures				
Operating	-	-	3,055	3,055
Total expenditures	<u>-</u>	<u>-</u>	<u>3,055</u>	<u>3,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5</u>	<u>108</u>	<u>13,044</u>	<u>13,157</u>
Other Financing Sources (Uses)				
Transfers to other funds	-	-	(27,398)	(27,398)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(27,398)</u>	<u>(27,398)</u>
Net change in fund balances	5	108	(14,354)	(14,241)
Fund balances-beginning	<u>2,882</u>	<u>7,760</u>	<u>14,354</u>	<u>24,996</u>
Fund balances-ending	<u>\$ 2,887</u>	<u>\$ 7,868</u>	<u>\$ -</u>	<u>\$ 10,755</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, 2013

Exhibit C-2
Page 2 of 2

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Public Services Facility	Jackson Hamlet CDBG-III	Total	
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 3,674
Assessments	-	-	-	12,412
Restricted intergovernmental	-	29,044	29,044	29,044
Investment earnings	-	-	-	126
Total revenues	-	29,044	29,044	45,256
Expenditures				
Operating	-	29,044	29,044	32,099
Total expenditures	-	29,044	29,044	32,099
Excess (deficiency) of revenues over (under) expenditures	-	-	-	13,157
Other Financing Sources (Uses)				
Transfers to other funds	(24,982)	-	(24,982)	(52,380)
Total other financing sources (uses)	(24,982)	-	(24,982)	(52,380)
Net change in fund balances	(24,982)	-	(24,982)	(39,223)
Fund balances-beginning	24,982	-	24,982	49,978
Fund balances-ending	\$ -	\$ -	\$ -	\$ 10,755

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, 2013
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

Exhibit C-3

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
Revenues					
Investment earnings	\$ 10	\$ 10	\$ 5	\$ (5)	\$ 19
Expenditures					
Operating	10	10	-	10	-
Excess of revenues over expenditures	-	-	5	5	19
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	5	<u>\$ 5</u>	19
Fund balances-beginning			2,882		2,863
Fund balances-ending			<u>\$ 2,887</u>		<u>\$ 2,882</u>

Village of Pinehurst, North Carolina
 Residential Assurance Interest Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2013
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

Exhibit C-4

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
Revenues					
Investment earnings	\$ 180	\$ 180	\$ 108	\$ (72)	\$ 405
Expenditures					
Operating	180	180	-	180	-
Excess of revenues over expenditures	-	-	108	108	405
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	108	<u>\$ 108</u>	405
Fund balances-beginning			<u>7,760</u>		<u>7,355</u>
Fund balances-ending			<u>\$ 7,868</u>		<u>\$ 7,760</u>

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, 2013
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

Exhibit C-5

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
Revenues					
Ad valorem taxes	\$ 3,680	\$ 3,680	\$ 3,674	\$ (6)	\$ 3,730
Assessment income	12,410	12,412	12,412	-	25,460
Investment earnings	20	20	13	(7)	83
Total revenues	16,110	16,112	16,099	(13)	29,273
Expenditures					
Operating expenditures	3,700	3,700	3,055	645	3,543
Excess of revenues over expenditures	12,410	12,412	13,044	632	25,730
Other Financing Sources (Uses)					
Transfer to General Fund	(12,410)	(27,398)	(27,398)	-	(25,460)
Fund balance appropriated	-	14,986	-	(14,986)	-
Net change in fund balances	\$ -	\$ -	(14,354)	\$ (14,354)	270
Fund balances-beginning			14,354		14,084
Fund balances-ending			\$ -		\$ 14,354

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, 2013

Exhibit C-6

	Project Author- ization	Actual			Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures					
Engineering costs	\$ 336,900	\$ 312,829	\$ -	\$ 312,829	\$ 24,071
Construction costs	2,500	1,624	-	1,624	876
Land acquisition	770,600	770,565	-	770,565	35
Total expenditures	<u>1,110,000</u>	<u>1,085,018</u>	<u>-</u>	<u>1,085,018</u>	<u>24,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,110,000)</u>	<u>(1,085,018)</u>	<u>-</u>	<u>(1,085,018)</u>	<u>24,982</u>
Other Financing Sources (Uses)					
Fund balance appropriated	24,982	-	-	-	(24,982)
Transfer to General Fund	(24,982)	-	(24,982)	(24,982)	-
Transfer from Capital Reserve Fund	1,110,000	1,110,000	-	1,110,000	-
Total other financing sources (uses)	<u>1,110,000</u>	<u>1,110,000</u>	<u>(24,982)</u>	<u>1,085,018</u>	<u>(24,982)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 24,982</u>	<u>(24,982)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances-beginning			<u>24,982</u>		
Fund balances-ending			<u>\$ -</u>		

Village of Pinehurst, North Carolina
Capital Projects Fund - Jackson Hamlet CDBG-III
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2013

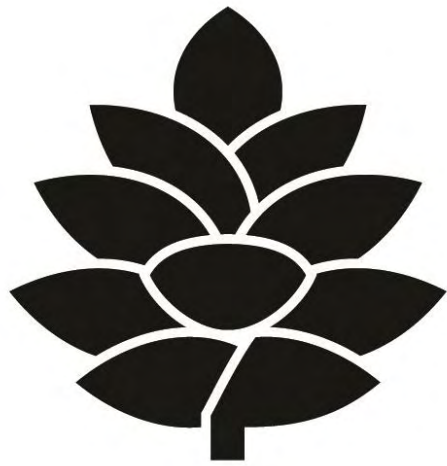
Exhibit C-7

	Project Author- ization	Actual			Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Community development block grant	\$ 683,200	\$ -	\$ 29,044	\$ 29,044	\$ (654,156)
Total revenues	<u>683,200</u>	<u>-</u>	<u>29,044</u>	<u>29,044</u>	<u>(654,156)</u>
Expenditures					
Professional services	73,200	-	1,125	1,125	72,075
Grants for community projects	610,000	-	27,919	27,919	582,081
Total expenditures	<u>683,200</u>	<u>-</u>	<u>29,044</u>	<u>29,044</u>	<u>654,156</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances-beginning			<u>-</u>		
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 Agency 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 Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

Exhibit D-1

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/13</u>
Assets				
Cash and cash equivalents	<u>\$ 55,000</u>	<u>\$ 15,000</u>	<u>\$ (20,000)</u>	<u>\$ 50,000</u>
Liabilities				
Builder deposits	<u>\$ 55,000</u>	<u>\$ 15,000</u>	<u>\$ (20,000)</u>	<u>\$ 50,000</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, 2013

Exhibit E-1

	<u>2013</u>	<u>2012</u>
Governmental funds capital assets:		
Land	\$ 5,770,349	\$ 4,946,064
Right of ways	81,000	54,600
Buildings and improvements	17,599,906	16,677,938
Furniture, equipment, and vehicles	7,217,417	6,821,708
Infrastructure	4,246,225	3,637,007
Construction in progress	<u>422,571</u>	<u>1,192,950</u>
Total governmental funds capital assets	<u><u>\$ 35,337,468</u></u>	<u><u>\$ 33,330,267</u></u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 32,993,527	\$ 30,072,217
Capital Project Funds	-	1,121,361
Donations	<u>2,343,941</u>	<u>2,136,689</u>
Total governmental funds capital assets	<u><u>\$ 35,337,468</u></u>	<u><u>\$ 33,330,267</u></u>

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2013

Exhibit E-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	\$ 3,324,982	\$ -	\$ -	\$ -	\$ 34,036	\$ -	\$ -	\$ 3,359,018
Administration	-	-	4,248,469	-	86,602	-	-	4,335,071
Financial Services	-	-	-	-	135,258	-	-	135,258
Human Resources	-	-	-	-	13,800	-	-	13,800
Information Technology	-	-	-	28,388	228,607	-	-	256,995
Buildings & Grounds	-	-	113,747	658,080	195,059	29,476	-	996,362
Fleet Maintenance	25,170	-	95,120	-	152,070	-	-	272,360
	<u>3,350,152</u>	<u>-</u>	<u>4,457,336</u>	<u>686,468</u>	<u>845,432</u>	<u>29,476</u>	<u>-</u>	<u>9,368,864</u>
Public Safety								
Police	-	-	2,696,435	-	1,135,683	-	-	3,832,118
Fire	171,074	-	3,291,078	-	1,880,828	-	-	5,342,980
Inspections	-	-	-	-	33,800	-	-	33,800
	<u>171,074</u>	<u>-</u>	<u>5,987,513</u>	<u>-</u>	<u>3,050,311</u>	<u>-</u>	<u>-</u>	<u>9,208,898</u>
Transportation								
Public Services	32,500	-	526,154	-	63,720	-	-	622,374
Streets and Grounds	-	81,000	5,118	132,620	832,101	1,041,816	-	2,092,655
Powell Bill	-	-	-	45,713	329,735	23,098	-	398,546
	<u>32,500</u>	<u>81,000</u>	<u>531,272</u>	<u>178,333</u>	<u>1,225,556</u>	<u>1,064,914</u>	<u>-</u>	<u>3,113,575</u>
Environmental Protection								
Solid Waste	-	-	-	-	1,353,778	-	-	1,353,778
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,353,778</u>	<u>-</u>	<u>-</u>	<u>1,353,778</u>
Cultural and Recreation								
Recreation	760,373	-	237,664	1,549,685	176,908	770,398	-	3,495,028
Harness Track	1,456,250	-	1,181,654	210,252	451,494	125,827	-	3,425,477
Fair Barn	-	-	2,207,925	44,768	41,237	-	-	2,293,930
	<u>2,216,623</u>	<u>-</u>	<u>3,627,243</u>	<u>1,804,705</u>	<u>669,639</u>	<u>896,225</u>	<u>-</u>	<u>9,214,435</u>
Economic & Physical Development								
Planning	-	-	-	-	52,438	-	-	52,438
Community Development	-	-	-	327,036	20,263	2,255,610	-	2,602,909
	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,036</u>	<u>72,701</u>	<u>2,255,610</u>	<u>-</u>	<u>2,655,347</u>
Construction in progress	-	-	-	-	-	-	422,571	422,571
	<u>\$ 5,770,349</u>	<u>\$ 81,000</u>	<u>\$ 14,603,364</u>	<u>\$ 2,996,542</u>	<u>\$ 7,217,417</u>	<u>\$ 4,246,225</u>	<u>\$ 422,571</u>	<u>\$ 35,337,468</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, 2013

Exhibit E-3

FUNCTION AND ACTIVITY	Capital Assets July 1, 2012	Additions	Deletions	Adjustments	Capital Assets June 30, 2013
General Government					
Governing Body	\$ 2,534,733	\$ 53,720	\$ -	\$ 770,565	\$ 3,359,018
Administration	4,274,523	70,319	(9,769)	-	4,335,073
Financial Services	171,074	-	(35,815)	-	135,259
Human Resources	13,800	-	-	-	13,800
Information Technology	159,509	104,176	(6,690)	-	256,995
Buildings & Grounds Mtnce.	313,839	641,951	(17,985)	58,556	996,361
Fleet Maintenance	252,863	-	-	19,495	272,358
	<u>7,720,341</u>	<u>870,166</u>	<u>(70,259)</u>	<u>848,616</u>	<u>9,368,864</u>
Public Safety					
Police	3,791,506	73,864	(33,253)	-	3,832,117
Fire	5,313,538	41,137	(11,695)	-	5,342,980
Inspections	33,801	-	-	-	33,801
	<u>9,138,845</u>	<u>115,001</u>	<u>(44,948)</u>	<u>-</u>	<u>9,208,898</u>
Transportation					
Public Services	622,373	-	-	-	622,373
Streets and Grounds	1,944,633	153,653	(5,630)	-	2,092,656
Powell Bill	449,775	-	(51,229)	-	398,546
	<u>3,016,781</u>	<u>153,653</u>	<u>(56,859)</u>	<u>-</u>	<u>3,113,575</u>
Environmental Protection					
Solid Waste	1,282,272	186,904	(115,398)	-	1,353,778
	<u>1,282,272</u>	<u>186,904</u>	<u>(115,398)</u>	<u>-</u>	<u>1,353,778</u>
Cultural and Recreation					
Recreation	3,190,533	314,233	(20,237)	10,500	3,495,029
Harness Track	3,304,848	151,854	(11,732)	(19,495)	3,425,475
Fair Barn	2,282,431	11,500	-	-	2,293,931
	<u>8,777,812</u>	<u>477,587</u>	<u>(31,969)</u>	<u>(8,995)</u>	<u>9,214,435</u>
Economic & Physical Development					
Planning	52,438	-	-	-	52,438
Community Development	2,148,828	479,147	(25,066)	-	2,602,909
	<u>2,201,266</u>	<u>479,147</u>	<u>(25,066)</u>	<u>-</u>	<u>2,655,347</u>
Construction in progress					
	1,192,950	390,282	(321,040)	(839,621)	422,571
	<u>\$ 33,330,267</u>	<u>\$ 2,672,740</u>	<u>\$ (665,539)</u>	<u>\$ -</u>	<u>\$ 35,337,468</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, 2013

Exhibit F-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 9,554,601	\$ 9,534,887	\$ 19,714
2011-2012	14,219	-	11,317	2,902
2010-2011	4,308	-	550	3,758
2009-2010	3,134	-	280	2,854
2008-2009	1,431	-	176	1,255
2007-2008	2,219	-	14	2,205
2006-2007	2,337	-	19	2,318
2005-2006	2,117	-	42	2,075
2004-2005	1,764	-	63	1,701
2003-2004	160	-	8	152
2002-2003	427	-	427	-
	<u>\$ 32,116</u>	<u>\$ 9,554,601</u>	<u>\$ 9,547,783</u>	<u>\$ 38,934</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 9,557,452
Reconciling items:	
Interest collected and refunds	(15,296)
Refunds/reliefs	5,627
	<u>(9,669)</u>
Total collections and credits	<u>\$ 9,547,783</u>

Village of Pinehurst, North Carolina
Analysis of Current Tax Levy
General Fund
For the Fiscal Year Ended June 30, 2013

Exhibit F-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	\$ 3,403,426,151	\$ 0.28	\$ 9,529,653	\$ 9,068,811	\$ 460,842
Registered motor vehicles taxed at prior year's rate	13,722,077	\$ 0.28	38,422	-	38,422
Penalties	-		883	883	-
Total	<u>3,417,148,228</u>		<u>9,568,958</u>	<u>9,069,694</u>	<u>499,264</u>
Discoveries:					
Current year taxes	1,956,006	\$ 0.28	5,477	5,477	-
Penalties	-		1	1	-
Total	<u>1,956,006</u>		<u>5,478</u>	<u>5,478</u>	<u>-</u>
Abatements	<u>(7,083,914)</u>		<u>(19,835)</u>	<u>7,055</u>	<u>(26,890)</u>
Total property valuation	<u>\$ 3,412,020,320</u>				
Net levy			9,554,601	9,082,227	472,374
Uncollected taxes at June 30, 2013			<u>(19,714)</u>	<u>(5,097)</u>	<u>(14,617)</u>
Current year's taxes collected			<u>\$ 9,534,887</u>	<u>\$ 9,077,130</u>	<u>\$ 457,757</u>
Current levy collection percentage			99.79%	99.94%	96.91%

Village of Pinehurst, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 Special Revenue Fund
 June 30, 2013

Exhibit F-3

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 3,674	\$ 3,674	\$ -
	<u>\$ -</u>	<u>\$ 3,674</u>	<u>\$ 3,674</u>	<u>\$ -</u>

Reconciliation with revenues:

Ad valorem taxes - Special Revenue Fund	<u>\$ 3,674</u>
Total collections and credits	<u>\$ 3,674</u>

Village of Pinehurst, North Carolina
 Analysis of Current Tax Levy
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2013

Exhibit F-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	\$ 7,348,436	\$ 0.05	\$ 3,674	\$ 3,674	\$ -
Total property valuation	<u>\$ 7,348,436</u>				
Net levy			3,674	3,674	-
Uncollected taxes at June 30, 2013			-	-	-
Current year's taxes collected			<u>\$ 3,674</u>	<u>\$ 3,674</u>	<u>\$ -</u>
Current levy collection percentage			100.00%	100.00%	0.00%

Village of Pinehurst, North Carolina
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2013

Exhibit F-5

Transfers From/To Other Funds	Transfers	
	From	To
General Fund		
Municipal Service District Fund	\$ 27,398	\$ -
Public Services Facility Fund	24,982	-
Public Services Facility Fund		
General Fund	-	24,982
Municipal Service District Fund		
General Fund	-	27,398
	<u> </u>	<u> </u>
Total transfers	<u>\$ 52,380</u>	<u>\$ 52,380</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.

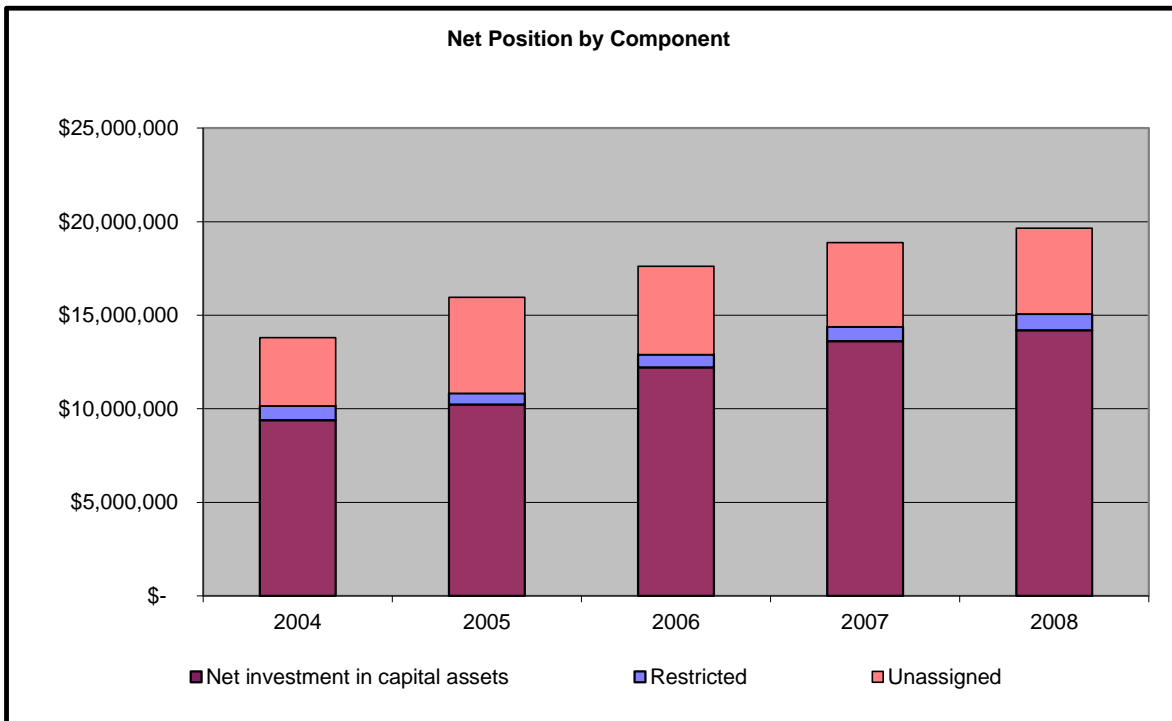
Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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.

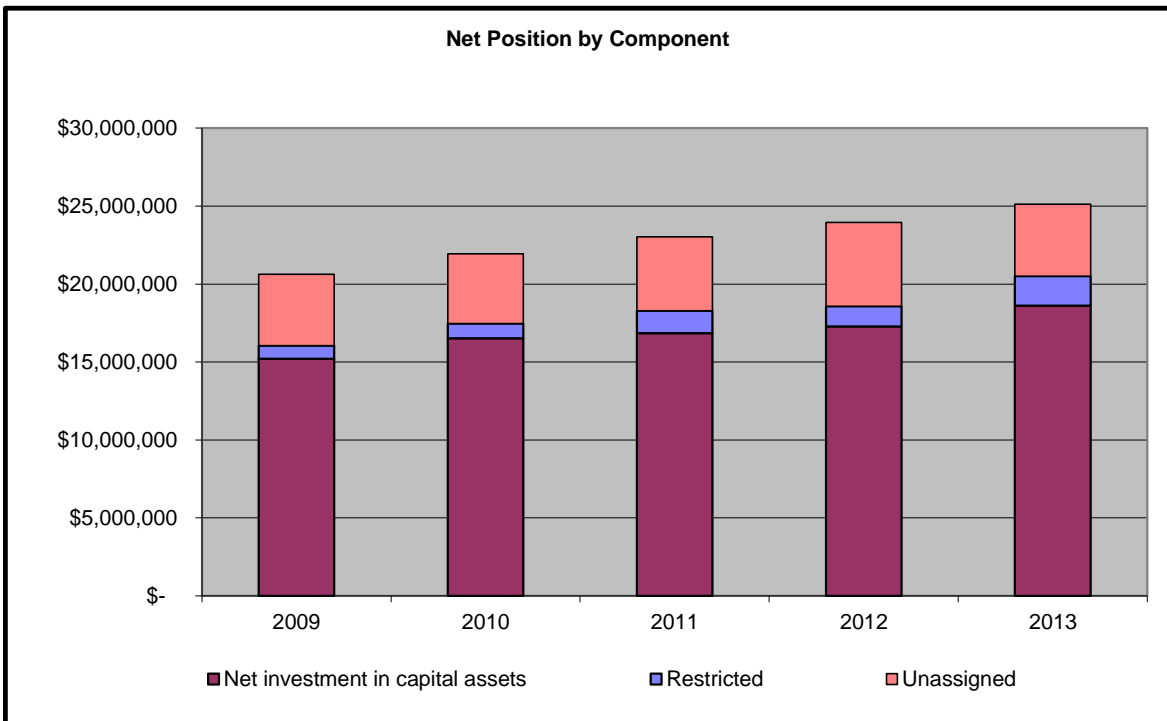
Village of Pinehurst, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Net investment in capital assets	\$ 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 position	\$ 13,805,245	\$ 15,962,175	\$ 17,613,691	\$ 18,886,207	\$ 19,645,359



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

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 15,216,054	\$ 16,520,624	\$ 16,842,082	\$ 17,271,349	\$ 18,615,943
Restricted for:					
Stabilization by state statute	814,222	940,483	1,422,691	1,291,963	1,882,835
Equitable sharing	-	-	-	-	-
Municipal Service District	12,116	13,070	14,084	14,354	-
Transportation	-	-	-	-	-
Unrestricted	4,582,009	4,457,047	4,756,832	5,372,934	4,631,746
Total governmental activities net position	\$ 20,624,401	\$ 21,931,224	\$ 23,035,689	\$ 23,950,600	\$ 25,130,524



Village of Pinehurst, North Carolina
Changes in Net Position
Last Ten 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	<u>\$ 9,508,556</u>	<u>\$ 9,851,749</u>	<u>\$ 10,625,067</u>	<u>\$ 11,924,750</u>	<u>\$ 13,194,533</u>
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	<u>\$ 2,461,825</u>	<u>\$ 2,575,274</u>	<u>\$ 2,060,879</u>	<u>\$ 2,365,263</u>	<u>\$ 2,183,239</u>
Total governmental activities net expense	<u>\$ (7,046,731)</u>	<u>\$ (7,276,475)</u>	<u>\$ (8,564,188)</u>	<u>\$ (9,559,487)</u>	<u>\$ (11,011,294)</u>
General Revenues and Other Changes in Net Position					
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
Golf cart licenses	-	-	-	-	-
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	<u>\$ 8,532,962</u>	<u>\$ 9,433,405</u>	<u>\$ 10,114,807</u>	<u>\$ 10,832,003</u>	<u>\$ 11,737,539</u>
Change in Governmental Activities Net Position	<u>\$ 1,486,231</u>	<u>\$ 2,156,930</u>	<u>\$ 1,550,619</u>	<u>\$ 1,272,516</u>	<u>\$ 726,245</u>

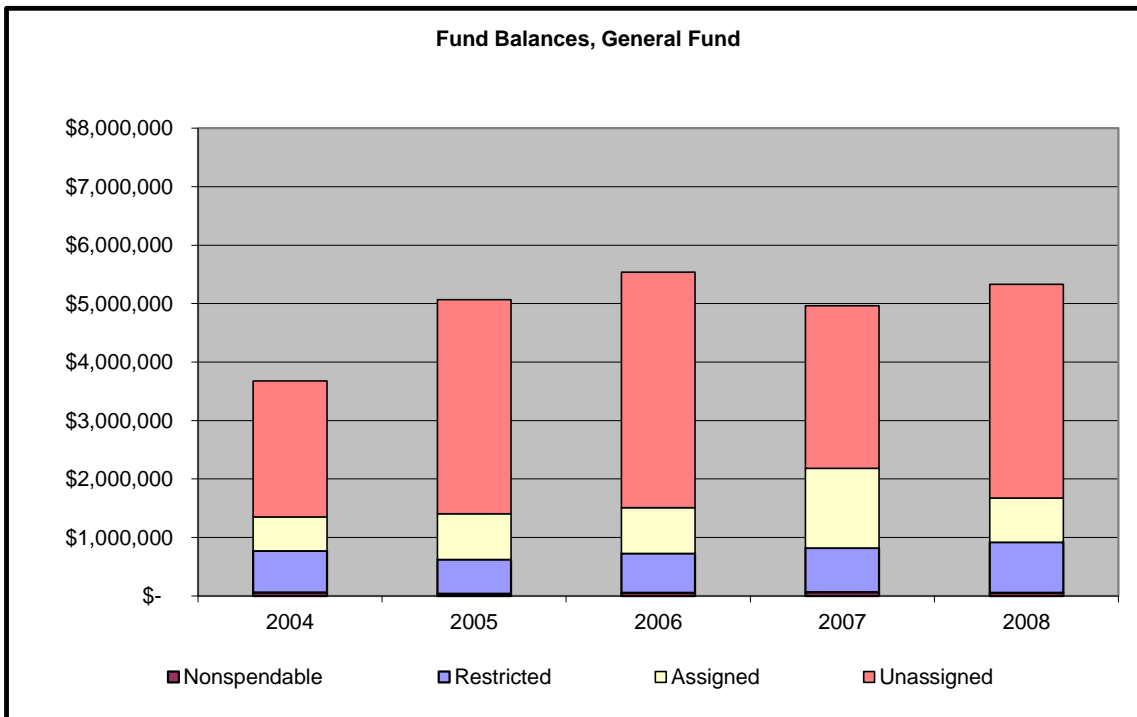
Village of Pinehurst, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 2
Page 2 of 2

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental Activities:					
General government	\$ 2,210,111	\$ 2,103,062	\$ 2,001,438	\$ 2,144,319	\$ 1,611,659
Public safety	5,135,875	5,284,615	5,415,839	5,454,487	5,582,355
Transportation	1,741,237	1,672,394	2,460,277	2,511,804	2,475,382
Economic and physical development	1,794,712	1,209,264	1,422,329	1,250,263	1,542,829
Environmental protection	972,257	1,050,620	1,352,912	1,337,891	1,275,525
Cultural and recreation	1,620,439	1,854,910	1,795,985	1,919,013	2,100,673
Non-departmental	62,907	-	-	-	-
Interest on long-term debt	182,228	166,794	141,320	108,919	88,541
Total governmental activities expenses	\$ 13,719,766	\$ 13,341,659	\$ 14,590,100	\$ 14,726,696	\$ 14,676,964
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	979,498	842,700	398,609	422,878	469,345
Transportation	9,123	9,000	10,000	10,000	10,500
Economic and physical development	68,951	66,201	25,615	49,827	57,745
Cultural and recreation	454,034	468,469	497,313	510,856	509,113
Operating grants and contributions	1,281,966	513,020	957,837	827,939	533,380
Capital grants and contributions	15,987	1,099,183	-	-	207,252
Total governmental activities program revenue	\$ 2,809,559	\$ 2,998,573	\$ 1,889,374	\$ 1,821,500	\$ 1,787,335
Total governmental activities net expense	\$ (10,910,207)	\$ (10,343,086)	\$ (12,700,726)	\$ (12,905,196)	\$ (12,889,629)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 7,907,961	\$ 8,070,832	\$ 9,615,930	\$ 9,483,953	\$ 9,567,944
Sales taxes	2,241,517	1,917,162	2,309,414	2,434,430	2,573,483
Franchise taxes	38,073	43,191	44,913	-	-
Golf cart licenses	-	-	-	1,740	1,775
Unrestricted intergovernmental	1,126,002	1,316,410	1,583,062	1,637,272	1,589,133
Investment earnings	127,863	35,001	23,665	27,125	12,947
Miscellaneous	447,833	267,313	228,207	235,587	324,271
Total governmental activities general revenue	\$ 11,889,249	\$ 11,649,909	\$ 13,805,191	\$ 13,820,107	\$ 14,069,553
Change in Governmental Activities Net Position	\$ 979,042	\$ 1,306,823	\$ 1,104,465	\$ 914,911	\$ 1,179,924

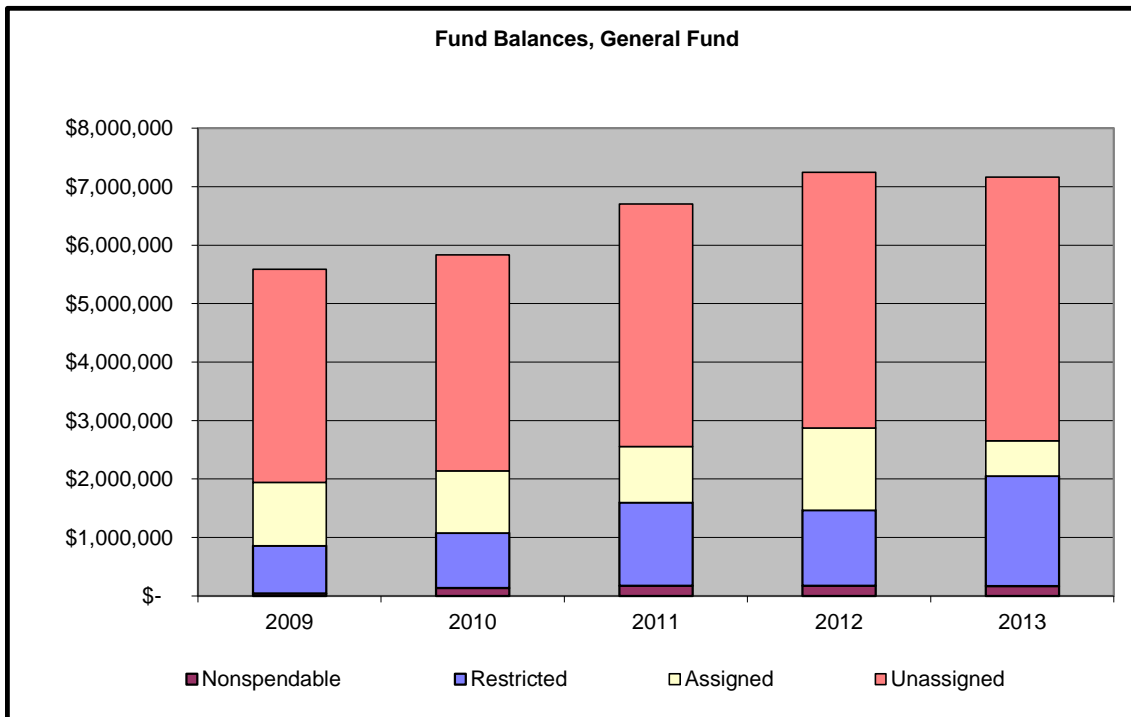
Village of Pinehurst, North Carolina
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	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	\$ 3,674,629	\$ 5,067,381	\$ 5,539,288	\$ 4,962,534	\$ 5,328,960
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	\$ 1,057,706	\$ 3,091,021	\$ 320,908	\$ 607,933	\$ 520,998



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

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Nonspendable:					
Inventory	\$ 36,722	\$ 36,180	\$ 46,747	\$ 48,745	\$ 43,640
Prepaid items	5,300	97,922	128,567	124,714	127,308
Restricted:					
Stabilization by state statute	814,222	940,483	1,422,691	1,291,963	1,882,835
Equitable sharing	-	-	-	-	-
Transportation	-	-	-	-	-
Assigned:					
Subsequent year's expenditures	1,086,707	1,066,859	959,020	1,405,864	601,175
Unassigned	3,642,545	3,691,852	4,145,184	4,373,169	4,506,790
Total general fund	\$ 5,585,496	\$ 5,833,296	\$ 6,702,209	\$ 7,244,455	\$ 7,161,748
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ 12,116	\$ 13,070	\$ 14,084	\$ 14,354	\$ -
Transportation	-	-	-	-	-
Committed:					
Capital Project fund expenditures	187,063	49,632	34,549	24,982	-
Special Revenue fund expenditures	94,465	10,140	10,218	10,642	10,755
Total all other governmental funds	\$ 293,644	\$ 72,842	\$ 58,851	\$ 49,978	\$ 10,755



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

Schedule 4
Page 2 of 2

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Ad valorem taxes	\$ 7,909,217	\$ 8,070,137	\$ 9,609,611	\$ 9,486,491	\$ 9,561,126
Sales taxes	2,241,517	1,917,162	2,311,351	2,434,430	2,573,483
Other taxes and licenses	38,073	43,191	42,976	1,740	1,775
Unrestricted intergovernmental	1,126,002	1,316,410	1,583,062	1,637,272	1,589,133
Restricted intergovernmental	1,272,350	510,604	957,549	826,718	532,860
Permits and fees	1,059,147	914,383	446,838	480,999	535,247
Sales and services	453,201	468,903	497,714	501,690	517,744
Investment earnings	137,479	37,416	23,951	28,345	13,468
Assessments	38,699	15,619	34,648	25,460	12,412
Miscellaneous	199,430	203,238	200,316	255,471	324,892
Total revenues	<u>14,475,115</u>	<u>13,497,063</u>	<u>15,708,016</u>	<u>15,678,616</u>	<u>15,662,140</u>
Expenditures					
General government	1,827,508	1,863,768	1,840,989	1,933,779	2,106,278
Public safety	4,829,228	5,365,546	5,049,620	5,053,316	5,197,380
Transportation	1,727,241	1,580,763	2,382,430	2,558,524	2,178,585
Economic and physical development	1,891,282	1,271,268	1,472,447	1,455,559	2,160,239
Environmental protection	974,767	1,041,943	1,268,744	1,468,031	1,350,737
Cultural and recreation	1,802,697	1,706,863	1,781,382	1,809,654	2,280,905
Non-departmental	62,907	-	-	-	-
Debt service:					
Principal	808,993	836,473	891,764	748,878	478,298
Interest and other charges	191,418	173,226	150,635	116,592	91,151
Capital outlay	<u>329,892</u>	<u>130,215</u>	<u>15,083</u>	<u>910</u>	<u>-</u>
Total expenditures	<u>14,445,933</u>	<u>13,970,065</u>	<u>14,853,094</u>	<u>15,145,243</u>	<u>15,843,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,182</u>	<u>(473,002)</u>	<u>854,922</u>	<u>533,373</u>	<u>(181,433)</u>
Other Financing Sources (Uses)					
Transfers to other funds	(1,074,544)	(1,760,662)	(34,648)	(34,117)	(52,380)
Transfers from other funds	1,074,544	1,760,662	34,648	34,117	52,380
Issuance of debt	-	500,000	-	-	59,503
Total other financing sources (uses)	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>59,503</u>
Net change in fund balances	29,182	26,998	854,922	533,373	(121,930)
Fund balances, beginning	5,849,958	5,879,140	5,906,138	6,761,060	7,294,433
Prior period adjustment	-	-	-	-	-
Fund balances, beginning as restated	<u>5,849,958</u>	<u>5,879,140</u>	<u>5,906,138</u>	<u>6,761,060</u>	<u>7,294,433</u>
Fund balances, ending	<u>\$ 5,879,140</u>	<u>\$ 5,906,138</u>	<u>\$ 6,761,060</u>	<u>\$ 7,294,433</u>	<u>\$ 7,172,503</u>
Debt service as a percentage of noncapital expenditures	7.7%	7.9%	7.4%	6.2%	4.3%

Notes:

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

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

Schedule 5

Fiscal Year	Tax year	Residential Property	Commercial Property	Industrial Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
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	2,805,421,046
2010	2009	2,807,721,340	332,150,630	17,024,619	271,564,035	2,885,332,554	0.28	2,833,475,256
2011	2010	3,312,056,948	339,862,923	16,599,447	309,316,950	3,359,202,368	0.28	2,861,810,009
2012	2011	3,333,807,236	348,341,880	17,750,788	309,216,950	3,390,682,954	0.28	2,890,428,109
2013	2012	3,368,430,240	346,142,700	17,669,146	312,873,330	3,419,368,756	0.28	2,919,332,390

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)
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
2012	2011	0.28	0.05	0.465
2013	2012	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	2013		2004	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pinehurst LLC	\$ 165,094,503	4.83%	\$ 122,721,821	6.22%
Pinehurst Surgical Clinic	23,614,600	0.69%	7,476,792	0.38%
Country Club of North Carolina	22,019,470	0.64%	19,234,509	0.98%
Pinehurst Medical	20,244,470	0.59%	10,518,950	0.53%
Pinewild Project Limited PTNS	14,041,942	0.41%	-	0.00%
Progress Energy Carolinas	12,381,585	0.36%	11,188,017	0.57%
MTMM Associates (Carolina Eye Assoc.)	9,634,212	0.28%	7,497,974	0.38%
East Lake Development, LLC	8,162,720	0.24%	-	0.00%
SCOP (Surgery Center of Pinehurst)	5,148,450	0.15%	-	0.00%
Carolina Telephone and Telegraph	4,323,982	0.13%	4,171,776	0.21%
Branch Banking and Trust Co.	-	0.00%	4,149,931	0.21%
Pleasant Living Health Care (Quail Haven)	-	0.00%	8,164,628	0.41%
Pinehurst Nursing	-	0.00%	3,555,883	0.18%
Total	\$ 284,665,934	8.33%	\$ 198,680,281	10.08%

Sources:

Moore County Tax Department

Notes:

FY2013 and FY2004 data are for tax years 2012 and 2003 respectively.

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

**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)
2004	2003	5,757,218	5,721,684	99.38%	21,388	5,743,072	99.75%
2005	2004	6,316,476	6,274,550	99.34%	26,965	6,301,515	99.76%
2006	2005	6,532,923	6,500,443	99.50%	15,399	6,515,842	99.74%
2007	2006	6,771,872	6,748,375	99.65%	10,589	6,758,964	99.81%
2008	2007	7,793,403	7,769,586	99.69%	10,806	7,780,392	99.83%
2009	2008	7,913,791	7,889,733	99.70%	11,402	7,901,135	99.84%
2010	2009	8,077,306	8,050,348	99.67%	11,999	8,062,347	99.81%
2011	2010	9,606,203	9,588,105	99.81%	10,461	9,598,566	99.92%
2012	2011	9,477,624	9,463,405	99.85%	11,317	9,474,722	99.97%
2013	2012	9,558,275	9,538,561	99.79%	-	9,538,561	99.79%

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>
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	0.75%	240
2012	2011	2,510,366	0.48%	170
2013	2012	2,091,572	0.34%	140

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, 2013

Schedule 10

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Moore County (1)			
Debt repaid with property taxes:			
Moore County General Obligation Debt	\$ 69,444,000	28.49%	\$ 19,783,174
Other debt:			
Moore County LOB	26,080,000	28.49%	7,429,658
Moore County Installment Loans	149,792	28.49%	<u>42,673</u>
Subtotal, overlapping debt			27,255,505
Village of Pinehurst direct debt			<u>2,091,572</u>
Total direct and overlapping debt			<u><u>\$ 29,347,077</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, 2011 were used to determine the overlapping debt percentage.

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

Schedule 11

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin as a Percent of Debt Limit</u>
2004	157,745,701	5,775,892	151,969,809	96.34%
2005	162,831,477	7,627,030	155,204,447	95.32%
2006	168,476,995	6,869,839	161,607,156	95.92%
2007	174,788,164	6,093,236	168,694,928	96.51%
2008	222,211,568	5,296,474	216,915,094	97.62%
2009	226,185,128	4,487,481	221,697,647	98.02%
2010	230,826,604	4,151,008	226,675,596	98.20%
2011	268,736,189	3,259,244	265,476,945	98.79%
2012	271,245,476	2,510,366	268,744,270	99.08%
2013	273,549,500	2,091,572	271,457,928	99.24%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed valuation	\$ 3,419,368,756	
	x <u>8.00%</u>	
Debt limit - 8.0% of assessed value		\$ 273,549,500
Gross debt:		
Capital leases	38,571	
Installment purchase agreements	<u>2,053,001</u>	
Total gross debt	2,091,572	
Total amount of debt applicable to debt limit (net debt)		<u>2,091,572</u>
LEGAL DEBT MARGIN		<u><u>\$ 271,457,928</u></u>

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

Schedule 12

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
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	13,601	434,198,324	31,924	58.4	9.5%
2012	2011	14,783	526,777,422	35,634	58.4	8.9%
2013	2012	14,979	608,671,665	40,635	60.6	8.6%

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 Southern Pines-Pinehurst area.

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

Schedule 13

Employer	2013		2004	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
First Health of the Carolinas (1)	2,677	58.32%	2,255	56.59%
Pinehurst, LLC (2)	1,128	24.58%	1,184	29.71%
Total		82.90%		86.30%

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:

2013 employment is based on calendar year 2012.
2004 employment is estimated.

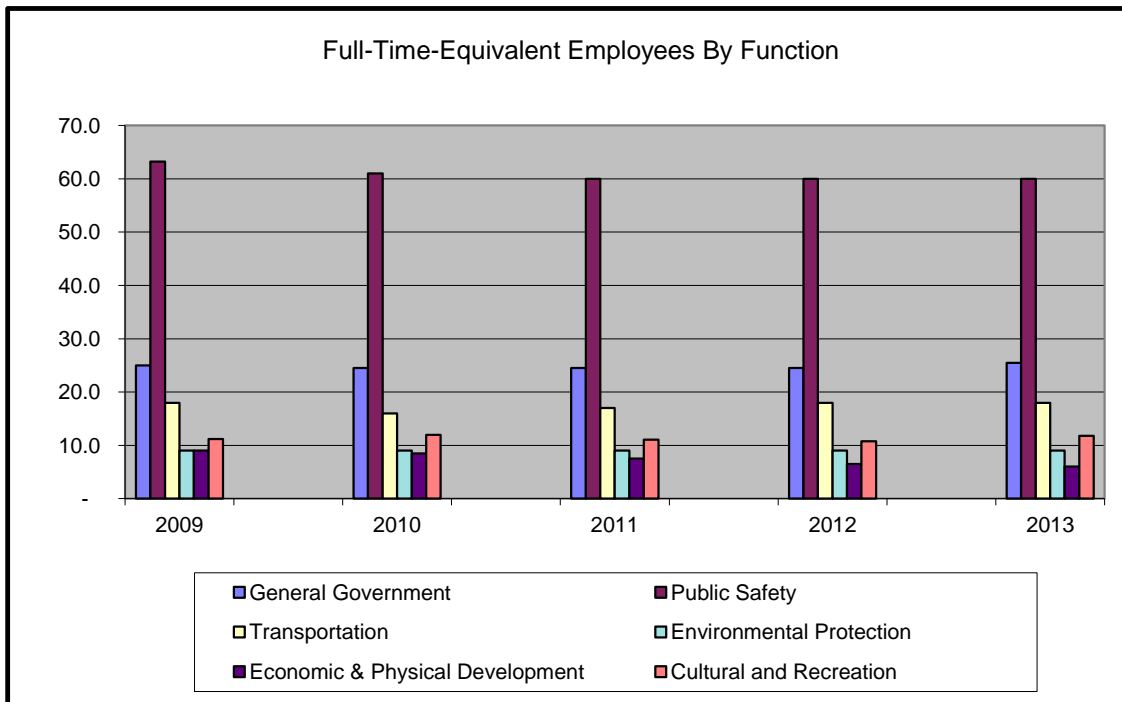
GASB 44 requires comparative data for the current calendar year and nine years prior. 2010 adjusted Census Data was used for 2004 and 2013 to estimate the percentage of total employment.

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

Function	Full-time-Equivalent Employees as of June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	14.0	16.75	18.5	22.2	23.5	25.0	24.5	24.5	24.5	25.5
Public Safety	58.0	61.0	61.3	62.2	63.2	63.2	61.0	60.0	60.0	60.0
Transportation	15.0	15.0	15.5	17.0	16.0	18.0	16.0	17.0	18.0	18.0
Environmental Protection	9.0	10.0	9.0	9.0	8.0	9.0	9.0	9.0	9.0	9.0
Economic & Physical Development	8.5	8.5	9.5	9.0	9.0	9.0	8.5	7.5	6.5	6.0
Cultural and Recreation	8.5	7.0	7.0	10.2	10.2	11.2	12.0	11.1	10.8	11.8
Total	113.0	118.3	120.8	129.6	129.9	135.4	131.0	129.1	128.8	130.3

Notes:

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



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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
General Government					
Financial Services					
Purchase orders issued	440	323	262	207	225
Vendor checks issued	3,595	2,673	2,529	2,427	2,448
Vendor EFTs issued	-	-	-	-	-
Human Resources					
Workers' compensation lost time (days)	NA	322	6	60	12
Employee turnover rate	NA	9.0%	9.0%	9.4%	7.8%
Fleet Maintenance					
Tires changed	250	300	372	235	311
10-point service performed	300	350	200	291	233
Public Safety					
Fire Protection					
Public fire & life safety classes	95	95	219	204	167
Incident calls	743	842	922	827	843
Structure fires	24	21	26	56	63
Inspections	877	766	824	787	732
Child passenger seat inspections	389	833	579	583	396
Police Protection					
Physical arrests	172	206	202	262	585
Citations issued	1,479	1,560	1,285	3,806	3,891
Response to calls/officer initiated activity	11,782	11,500	9,801	11,866	13,513
Traffic accidents	467	447	432	483	500
Inspections					
Building inspections conducted	11,064	11,286	10,588	9,194	7,683
Certificates of occupancy issued	214	254	271	227	169
Transportation					
Street resurfacing (miles)	4.9	5.0	5.0	6.3	5.6
Environmental Protection					
Refuse collected (tons annually)	5,673	4,578	4,287	4,392	4,094
Homes receiving service	NA	6,345	6,485	6,651	6,782
Recyclables collected (tons annually)	330	305	369	568	943
Economic & Physical Development					
Building permits issued	374	318	378	424	359
Zoning compliance investigations	538	475	480	477	690
Cultural & Recreation					
Recreation					
Program participants	361	398	468	679	830
Athletics participants	1,456	1,507	1,503	1,556	1,982
Harness Track					
Standardbred stalls leased	270	280	285	249	220
Facilities reserved (days)	67	62	45	32	30
Fair Barn					
Events	61	67	87	89	84
Rental days	85	125	131	117	95

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				
	2009	2010	2011	2012	2013
General Government					
Financial Services					
Purchase orders issued	260	280	295	269	299
Vendor checks issued	2,333	2,471	2,444	2,365	1,840
Vendor EFTs issued	-	-	-	401	620
Human Resources					
Workers' compensation lost time (days)	446	32	425	33	74
Employee turnover rate	7.9%	9.2%	8.5%	10.7%	11.4%
Fleet Maintenance					
Tires changed	216	116	188	200	205
10-point service performed	208	194	288	228	220
Public Safety					
Fire Protection					
Public fire & life safety classes	159	170	176	191	254
Incident calls	855	884	1,031	865	982
Structure fires	44	55	58	35	43
Inspections	620	423	784	1,174	950
Child passenger seat inspections	173	222	228	120	182
Police Protection					
Physical arrests	444	445	233	165	184
Citations issued	3,993	2,970	3,053	1,908	1,208
Response to calls/officer initiated activity	13,640	14,495	14,362	13,364	10,901
Traffic accidents	474	418	476	414	447
Inspections					
Building inspections conducted	5,409	4,281	4,370	3,832	4,608
Certificates of occupancy issued	181	156	197	48	68
Transportation					
Street resurfacing (miles)	4.8	3.2	6.4	4.5	3.6
Environmental Protection					
Refuse collected (tons annually)	3,948	3,849	4,124	3,808	3,856
Homes receiving service	6,862	7,686	7,736	7,812	7,877
Recyclables collected (tons annually)	966	1,473	1,734	1,807	1,913
Economic & Physical Development					
Building permits issued	278	259	239	287	275
Zoning compliance investigations	624	475	501	577	596
Cultural & Recreation					
Recreation					
Program participants	939	1,065	1,739	1,748	1,591
Athletics participants	2,323	2,287	2,296	1,934	1,838
Harness Track					
Standardbred stalls leased	281	251	276	259	223
Facilities reserved (days)	20	30	32	32	103
Fair Barn					
Events	80	88	113	113	102
Rental days	98	96	120	113	112

Sources:
 Various Village departments

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

<u>Function</u>	<u>Fiscal Year</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	6	6	6	7	7
Police Protection					
Stations	1	1	1	1	1
Patrol units	15	15	16	17	20
Transportation					
Miles of streets	101.35	104.65	104.65	104.65	104.65
Maintenance vehicles	18	18	18	18	20
Sidewalks (linear feet)	13,573	13,574	13,575	13,575	13,576
Environmental Protection					
Refuse collection trucks	15	15	17	19	21
Economic & Physical Development					
Storm water drainage areas	2	3	4	6	7
Cultural & Recreation					
Number of parks	4	4	4	4	4
Park acreage	297	297	297	297	297
Greenway trails (miles)	1.5	3.0	3.5	4.0	5.0
Playgrounds	2	2	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	1	1	2	2	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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	5	6	6	6	6
Police Protection					
Stations	1	1	1	1	1
Patrol units	20	20	21	22	23
Transportation					
Miles of streets	104.65	105.20	105.20	105.20	105.37
Maintenance vehicles	22	22	23	25	24
Sidewalks (linear feet)	153,577	13,577	13,578	13,578	13,578
Environmental Protection					
Refuse collection trucks	20	17	17	15	15
Economic & Physical Development					
Storm water drainage areas	10	16	29	38	48
Cultural & Recreation					
Number of parks	4	4	4	4	4
Park acreage	297	297	297	297	297
Greenway trails (miles)	5.8	5.8	6.3	6.3	6.8
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





**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprises the Village of Pinehurst's basic financial statements, and have issued our report thereon dated September 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Pinehurst's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Pinehurst's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Pinehurst's internal control.

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

Our consideration of 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Pinehurst's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Pinehurst's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

September 20, 2013

Village of Pinehurst, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

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-III	14.228	07-D-2356	\$ 29,044	\$ -	\$ -
<u>U.S. Department of Justice</u>					
Passed through N.C. Department of Crime Control and Public Safety					
Governor's Crime Commission	16.803	PROJ008810	7,500	-	2,500
<u>U.S. Department of Transportation</u>					
Passed through N.C. Department of Crime Control and Public Safety					
Governor's Highway Safety Program	20.600	PT-13-03-03-15	<u>5,049</u>	<u>-</u>	<u>1,683</u>
Total Federal Awards			<u>41,593</u>	<u>-</u>	<u>4,183</u>
State Awards					
<u>N.C. Department of Transportation</u>					
Powell Bill			<u>-</u>	<u>476,150</u>	<u>-</u>
Total State Awards			<u>-</u>	<u>476,150</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 41,593</u>	<u>\$ 476,150</u>	<u>\$ 4,183</u>

