

Village of Pinehurst, North Carolina  
Comprehensive Annual Financial Report



For the Fiscal Year Ended  
June 30, 2014

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, 2014**

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HISTORY, CHARM, AND SOUTHERN HOSPITALITY

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September 25, 2014

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, 2014. 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, 2014, 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, and operating information. A Compliance Section includes documentation on federal and state grants and awards compliance.

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

As noted earlier, the Village is required by state law to have an annual independent financial audit. Dixon Hughes Goodman, LLP, Certified Public Accountants, conducted the audit and concluded in an unmodified ("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, 2014. 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 15,150. 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, approximately 250 new homes were constructed each year within the Village. During the recession that followed, the number of new homes constructed fell to a historical low of 51 new homes in 2010. In 2014, 101 new homes were constructed. This is the first time since 2008 that the number of new homes constructed has exceeded 100.

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 as a result of its exceptional quality. Pinehurst Resort was selected to host the 1999 and 2005 U.S. Open Golf Championships. Also, in 2014 the Resort successfully hosted the first ever back to back U.S. Open and U.S. Women's Open Championships. This was the first time in history the tournaments were held at the same venue over two successive weeks. The resort is the Village's largest taxpayer and employs over 1,200 people.

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 3,400 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, 2014 the General Fund's unassigned fund balance of \$4,317,496 represented 26% of General Fund actual expenditures and total fund balance was 42% of budgeted expenditures.

In Fiscal Year 2014 the Village adopted its first strategic operating plan (SOP) and continued with this model in FY 2015. This was done as a part of implementing the Malcolm Baldrige Performance Excellence Criteria and is

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 2015 Strategic Plan are: (1) Preserve the character and ambiance of the Village, (2) Promote economic opportunity, (3) Provide safe traffic and pedestrian mobility, and (4) Provide recreational and cultural opportunities.

Major initiatives of the FY 2015 Strategic Plan to address these Areas of Focus include:

- Evaluate the code enforcement process
- Incrementally expand the Village Center into the Village Place/Rattlesnake Trail corridor
- Extend sidewalk and walkway system
- Improve the adequacy of street lighting in neighborhoods
- Evaluate the need for indoor recreation facilities

### **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, 2013. This was the twenty-first 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 2014. This year, for the first time, the Village was also awarded special recognition for its performance measures with its budget award. 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 unfailing 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**

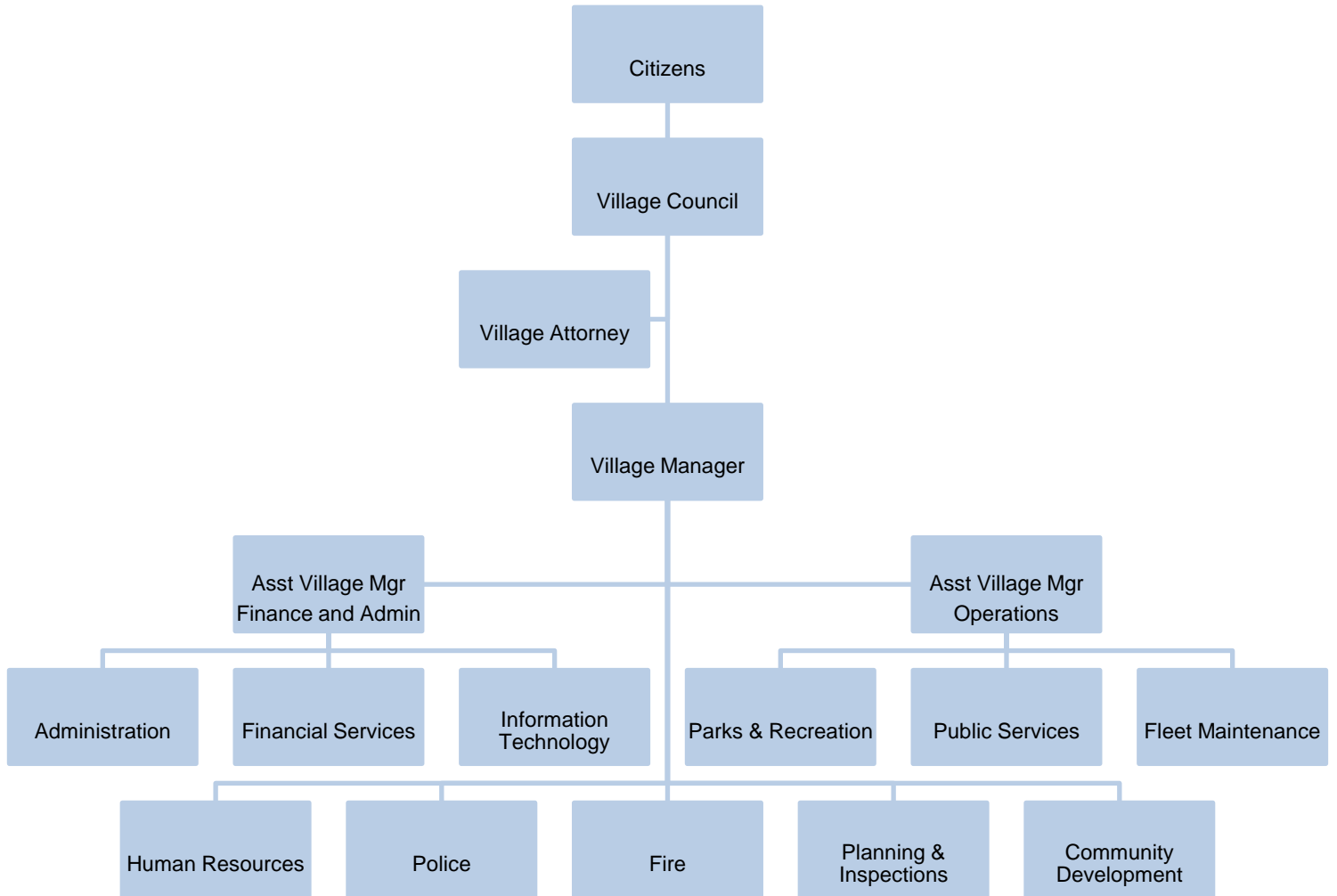
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



Village of Pinehurst, North Carolina  
Organizational Chart  
June 30, 2014



**Village of Pinehurst, North Carolina  
List of Principal Officials  
June 30, 2014**

**Elected Officials**

Nancy Roy Fiorillo	Mayor
John R. Cashion	Mayor Pro-Tem
John C. Strickland	Treasurer
Clark Campbell	Council Member
Claire Phillips	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	Financial Services Director
Angela M. Kantor	Human Resources Director
Jason Whitaker	Chief Information Officer
Earl Phipps	Police Chief
Carlton Cole	Fire Chief
Vacant	Planning & Inspections Director
Walt Morgan	Public Services Director
Randy Kuhn	Fleet Maintenance Director
Mark Wagner	Parks and Recreation Director



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

## ***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, 2014, 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, 2014, 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 44 and 45, 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary 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 combining 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 combining 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 24, 2014 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 24, 2014



## Village of Pinehurst Management's Discussion and Analysis June 30, 2014

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, 2014. 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.

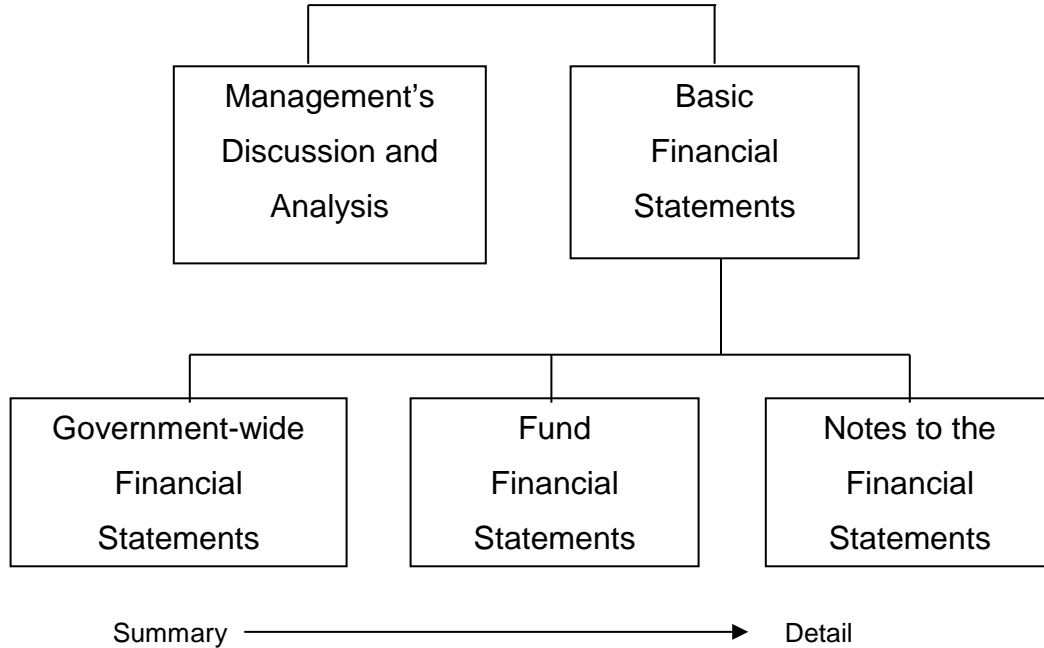
### Financial Highlights

- The assets and deferred outflows of resources of the Village of Pinehurst exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,940,113 (*net position*).
- The Village's total net position increased by \$809,589 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 \$7,751,738 an increase of \$579,235 in comparison with the prior year. Approximately 56% of this total amount, or \$4,317,496, 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 \$4,317,496, or 26% of total general fund expenditures for the fiscal year.
- The Village of Pinehurst's total debt increased by \$171,170 (8%) during the current fiscal year. The increase was due to the payment of \$378,830 in principal on existing debt obligations and the issuance of \$550,000 in new installment financing debt. Total debt outstanding was \$2,262,742 at the 2014 fiscal year end.
- The Village of Pinehurst's credit rating from the North Carolina Municipal Council remained unchanged at 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, 2014.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$10,424, which is equivalent to a return of approximately 0.12% on the average amount of cash and cash equivalents during the year. At fiscal year's end, 44% of the Village's cash and investments were held in insured or collateralized depository accounts and 56% 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 21 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2013-14 fiscal year, the Village received the Distinguished Budget Presentation Award for the seventh consecutive year from the Government Finance Officer's Association for its annual budget. The Village was also, for the first time, awarded special recognition for its performance measures with its budget award.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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, 2014. The final category is the component unit. The Village does not have any component units as of June 30, 2014.

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 22-43 of this report.

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

**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

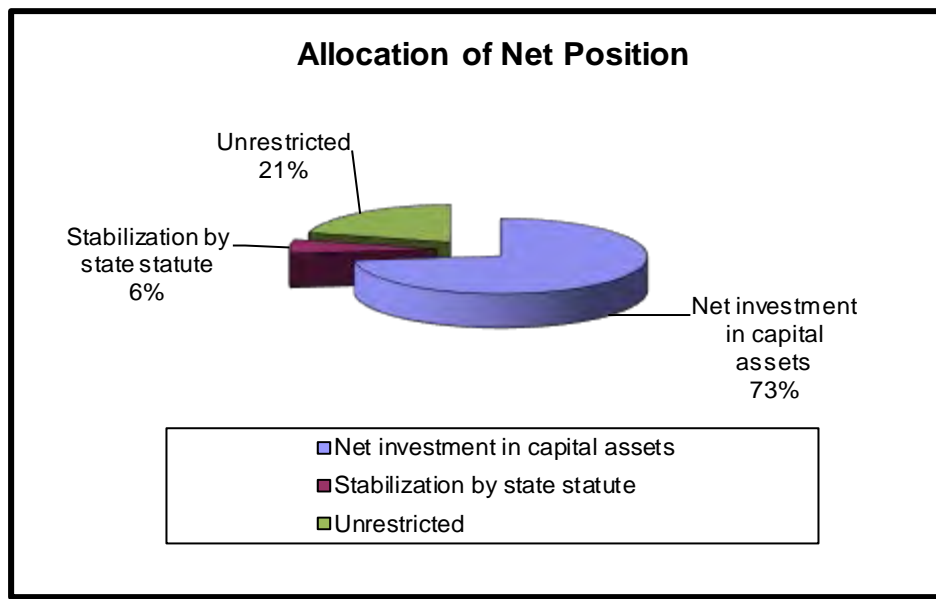
### Net Position

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

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

	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>
Current and other assets	\$ 8,868,781	\$ 8,549,532
Capital assets	<u>21,216,738</u>	<u>20,707,515</u>
Total assets	<u>30,085,519</u>	<u>29,257,047</u>
Long-term liabilities outstanding	3,130,679	2,874,107
Other liabilities	<u>1,014,711</u>	<u>1,226,842</u>
Total liabilities	<u>4,145,390</u>	<u>4,100,949</u>
Prepaid taxes	<u>16</u>	<u>25,574</u>
Total deferred inflows of resources	<u>16</u>	<u>25,574</u>
Net position:		
Net investment in capital assets	18,953,996	18,615,943
Restricted for:		
Stabilization by state statute	1,568,981	1,882,835
Unrestricted	<u>5,417,136</u>	<u>4,631,746</u>
Total net position	<u>\$ 25,940,113</u>	<u>\$ 25,130,524</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 \$25,940,113 as of June 30, 2014. The Village's net position increased by \$809,589 for the fiscal year ended June 30, 2014. However, the largest portion, \$18,953,996 or 73%, 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, \$1,568,981, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,417,136 is unrestricted.



### Governmental Activities

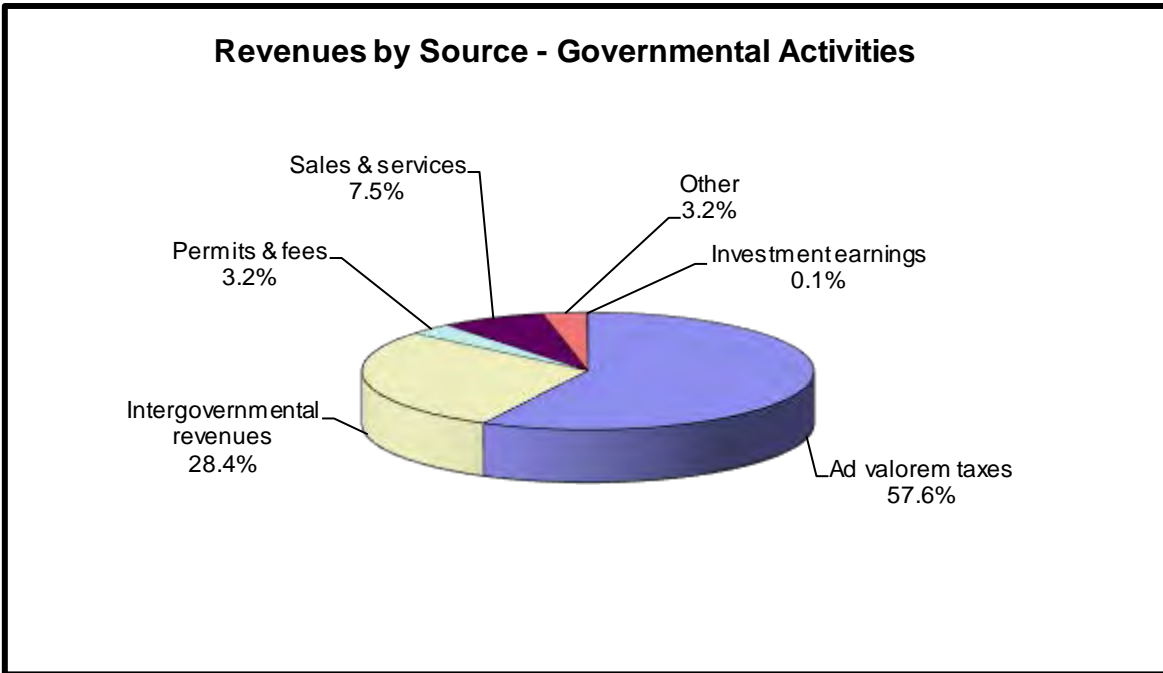
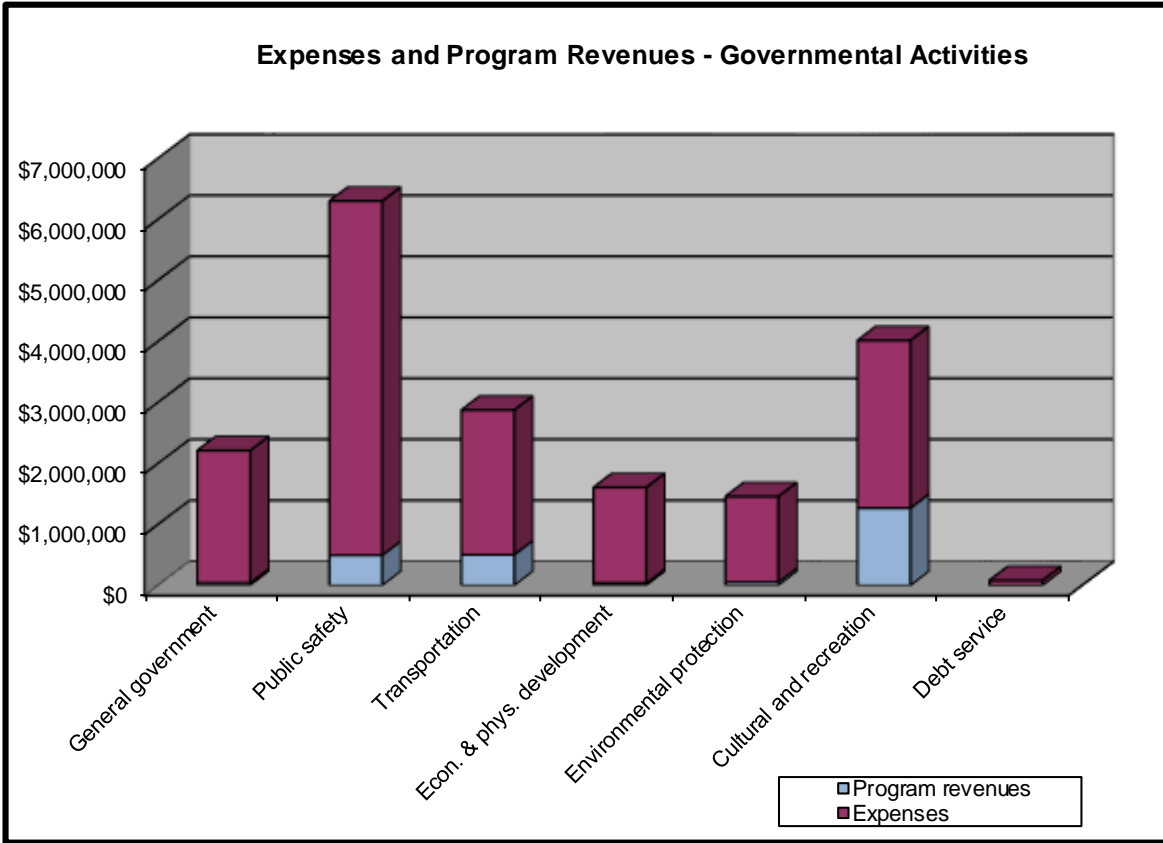
Governmental activities increased the Village's net position by \$809,589, thereby accounting for 100% of the total growth in the net position of the Village of Pinehurst.

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

- Property tax revenue increased approximately \$195,000 or 2.0% from the prior year due to the increase in the construction of new single family homes.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in the General Fund of 99.91%, which is comparable to the statewide average of 97.41%.
- Unrestricted intergovernmental revenues increased by \$109,000 or 2.6% due to increased collections of sales taxes and electricity franchise taxes. The increase in electricity franchise taxes may be attributed to the unusually cold winter heating season.
- Investment earnings decreased by approximately 24%, or \$2,500 compared to the prior year as the rate available on investments remains low.
- Expenses net of program revenues increased by \$637,000, or 4.6%.
- Operating grants and contributions increased \$13,000 or 2% primarily due to increased environmental protection grants received in the current year.
- Charges for services increased by approximately \$771,000 or 42% primarily due to revenues received from the USGA for the 2014 U.S. Open Golf Championships.
- Principal payments of \$378,000 reduced long term obligations to \$2,262,742.

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

	<u>Governmental</u> <u>Activities</u> <u>2014</u>	<u>Governmental</u> <u>Activities</u> <u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,817,348	\$ 1,046,703
Operating grants and contributions	546,089	533,380
Capital grants and contributions	42,563	207,252
General revenues:		
Property taxes	9,763,042	9,567,944
Golf cart licenses	2,230	1,775
Grants and contributions not restricted to specific programs	4,271,703	4,162,616
Other	<u>506,156</u>	<u>337,218</u>
Total revenues	<u>16,949,131</u>	<u>15,856,888</u>
 Expenses:		
General government	2,168,794	1,611,659
Public safety	5,803,531	5,582,355
Transportation	2,369,495	2,475,382
Economic & physical development	1,566,159	1,542,829
Environmental protection	1,402,623	1,275,525
Culture and recreation	2,746,748	2,100,673
Interest on long-term debt	<u>82,192</u>	<u>88,541</u>
Total expenses	<u>16,139,542</u>	<u>14,676,964</u>
 Increase in net position	809,589	1,179,924
Net position, July 1	<u>25,130,524</u>	<u>23,950,600</u>
 Net position, June 30	<u>\$ 25,940,113</u>	<u>\$ 25,130,524</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, 2014, the governmental funds of the Village of Pinehurst reported a combined fund balance of \$7,751,738, an increase of \$579,235 or 8% 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 \$4,317,496, while total fund balance reached \$7,748,844. The Village Council of the Village of Pinehurst has determined that the Village should maintain a minimum unassigned fund balance of 15% of actual general fund expenditures at year end and total fund balance of 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 26% of actual general fund expenditures, while total fund balance represents 42% of budgeted expenditures.

Fund balance in the Village's General Fund increased by \$587,096 during the 2014 fiscal year. Key components of this change are as follows:

- Property tax revenue increased approximately \$214,000 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 13%, or \$32,000.
- Sales tax revenues increased \$26,000 or 1% due to a modest increase in retail sales.
- Utility franchise taxes increased 10%, or \$54,000. This may be due to the unusually cold winter heating season.
- Other Financing Sources increased by \$628,000 due to loan proceeds of \$550,000 and the sale of a surplus fire station property during the fiscal year.
- Capital outlays were \$344,000 lower than the previous fiscal year, when significant capital improvements were made downtown in preparation for the 2014 U.S. Open Golf Championships.

### **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 \$243,896, or only 1.5%. The primary revenue that came in above estimated budget amounts were property taxes, unrestricted intergovernmental revenues, and sales and services revenues. Property taxes were \$90,000 higher due to higher than expected levels of new home construction. Unrestricted intergovernmental revenues were \$65,000 above budget, primarily due to increased electricity franchises taxes. This may be due to the colder winter heating season as mentioned above. Finally, sales and services revenues were \$51,000 above budget. This is due to better than expected facility rental income at the Village's Fair Barn, Harness Track, and Arboretum facilities.

Total expenditures were 4.0% less than originally budgeted amounts. Expenditures were less than budgeted amounts for the following significant items: (1) contracted and professional services of \$278,000 were lower than expected, including the \$85,000 bicycle pedestrian plan that was not started until late in the fiscal year, (2) salaries and benefits were \$306,000 lower due to employee vacancies related to turnover; and (3) capital expenditures were \$393,000 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 \$175,000 automated solid waste vehicle that was ordered at the end of the fiscal year that will not be delivered until December 2014. Also, a few other capital items were delayed for various reasons. These items have all been re-appropriated in Fiscal Year 2014-15. 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 increased by \$587,096 at June 30, 2014. At June 30, 2014, the General Fund reported fund balance of \$7,748,844, an 8.2% increase above the previous year. This increase can be attributed mostly to one-time revenues from the U.S. Open Golf Championships and the sale of a surplus fire station property.

## **Capital Asset and Debt Administration**

### **Capital assets**

The Village of Pinehurst's investment in capital assets for its governmental activities as of June 30, 2014 totals \$21,216,738 (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; the surplus fire station mentioned above had no historical cost as it was donated to the Village prior to the requirements of GASB 34):

- Fire engine replacement costing \$550,000
- Automated solid waste vehicle costing \$173,000
- Wayfinding signage totaling \$131,000
- Timmel pavilion parking lot costing \$140,000
- Street sweeper replacement costing \$93,000
- Addition of public restroom facilities downtown costing \$76,000
- Harness Track storm drainage improvements of \$44,000
- Welcome Center renovations totaling \$20,000

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

	<u>Governmental Activities</u> <u>2014</u>	<u>Governmental Activities</u> <u>2013</u>
Land	\$ 5,748,713	\$ 5,770,349
Right of Ways	73,867	75,892
Buildings and Improvements	8,299,667	8,073,521
Furniture and Equipment	725,140	580,267
Vehicles	2,415,169	2,035,158
Infrastructure	3,897,984	3,749,757
Construction in Progress	56,198	422,571
<b>Total</b>	<u><u>\$ 21,216,738</u></u>	<u><u>\$ 20,707,515</u></u>

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

**Long-term debt**

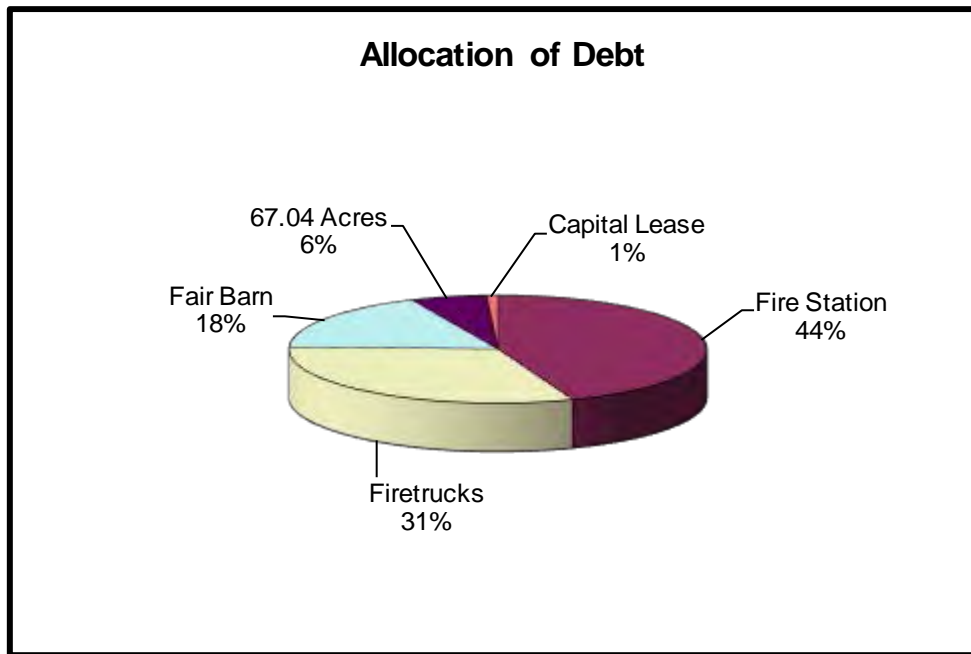
As of June 30, 2014, the Village of Pinehurst had total outstanding debt of \$2,262,742. Installment purchase agreements of \$2,242,982 or 99% of the total debt outstanding are collateralized by the assets that are financed. A capital lease of \$19,760 has one remaining annual payment and title passes to the Village at the end of the capital lease term.

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

	<u>Governmental Activities</u> <u>2014</u>	<u>Governmental Activities</u> <u>2013</u>
Capital Lease	\$ 19,760	\$ 38,571
Fire Station	1,000,000	1,166,667
Fair Barn	400,000	450,000
Firetrucks	709,649	269,667
67.04 Acres	133,333	166,667
<b>Total</b>	<u><u>\$ 2,262,742</u></u>	<u><u>\$ 2,091,572</u></u>

During fiscal year 2014 the Village of Pinehurst's total debt increased by \$171,170 (8.2%). This is due to principal payments of \$378,830 and the addition of one installment financing debt of \$550,000 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 \$276,355,076.

Additional information regarding the Village of Pinehurst's long-term debt can be found in Note 11 beginning on page 39 of this report.

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

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

- Improving unemployment: The Village of Pinehurst's unemployment rate dropped from 8.8% to 6.0% during the fiscal year. The current rate is just under the State rate of 6.9% and is slightly above historical levels.
- Recovery in new home construction: The Village added 101 new homes last year within the Village limits and its extraterritorial jurisdiction. This is the first time the number of homes constructed has exceeded 100 since FY 2008. The total value of the homes constructed was also 30% higher than the previous fiscal year.
- The Village annexed the small residential area known as Cotswold effective July 31, 2014. Revenues and expenditures related to this annexation have been incorporated into the Village's five-year plan.
- U.S. Open Golf Championships: The Village successfully hosted back to back Men's U.S. Open and Women's Open golf championships in June of 2014. This was the first time in history the tournaments were held at the same venue over two successive weeks. The positive media attention the Village received during the tournaments will likely generate increased tourism activity in the future.

The Village also supported a cooperative economic development marketing effort this year called "Moore Opportunity". The project, managed by Partners in Progress, is designed to provide vital information on our area to companies looking to expand or relocate their facilities.

## **Budget Highlights for the Fiscal Year Ending June 30, 2015**

### **Governmental Activities**

Revenues of the Village are expected to decrease by 3.7% overall for FY 2015. This is primarily due to the one-time revenues related to the 2014 U.S. Open golf championships and sale of the fire station property in FY 2014. The modest economic recovery is offsetting these losses to some degree. For example, property tax revenues are expected to increase by just under 1% due to increased levels of new home construction mentioned above. For the 2014-15 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 fall to \$17,756,060, a decrease of 2%. This small decrease is a result of capital investments made in the previous fiscal year preparing for the U.S. Opens. 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 (SOP) and continued with this model in FY 2015. This initiative was undertaken as a part of implementing the Malcolm Baldrige Performance Excellence Criteria and is designed to provide an integrated approach to organizational performance management. The SOP includes a one-year budget and a five-year capital improvement plan (CIP). The SOP is a strategic, results-driven approach to resource allocation that is closely aligned with the Village Council's strategy and achieving the results articulated in the Village's balanced scorecard.

The Village Council's Areas of Focus for the 2015 Strategic Plan are: (1) Preserve the character and ambiance of the Village, (2) Promote economic opportunity, (3) Provide & promote safe traffic and pedestrian mobility, and (4) Provide recreational and cultural opportunities.

Major initiatives of the FY 2015 Strategic Plan to address these Areas of Focus include:

- Evaluate the code enforcement process
- Incrementally expand the Village Center into the Village Place/Rattlesnake Trail corridor
- Extend sidewalk and walkway system
- Improve the adequacy of street lighting in neighborhoods
- Evaluate the need for indoor recreation facilities

Total capital outlays of \$1,974,000 are down 15% compared to the previous fiscal year. The decrease is due to the considerable number of projects completed in Fiscal Year 2014 in preparation for the 2014 U.S. Opens. Notable projects in FY 2015 include:

- Highway 211 improvements - \$336,000
- Automated solid waste vehicle - \$190,000
- Cotswold drainage project - \$140,000
- Other small drainage projects - \$153,000
- Expand the Village Center - \$65,000
- Wicker Park development - \$50,000
- Bicycle trails - \$50,000

### **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 John Frye, Financial Services Director at 910-295-8646, or Village of Pinehurst, 395 Magnolia Road, Pinehurst, NC 28374.

Village of Pinehurst, North Carolina  
Statement of Net Position  
June 30, 2014

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 7,271,814
Taxes receivables (net)	30,294
Special assessments receivable	87,508
Interest receivable	6,299
Other receivables	14,658
Due from other governments	1,283,551
Inventories	44,071
Prepaid items	130,586
Total unrestricted current assets	<u>8,868,781</u>
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	5,748,713
Construction in progress	56,198
Right of ways	73,867
Buildings and improvements	8,299,667
Furniture and equipment	725,140
Vehicles	2,415,169
Infrastructure	3,897,984
Total capital assets	<u>21,216,738</u>
Total assets	<u>30,085,519</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	992,533
Accrued interest payable	22,178
Long-term liabilities due within one year	819,216
Total current liabilities	<u>1,833,927</u>
Non-current liabilities:	
Long-term liabilities due in more than one year	2,311,463
Total liabilities	<u>4,145,390</u>
<b>Deferred Inflows of Resources</b>	
Prepaid taxes	16
Total deferred inflows of resources	<u>16</u>
<b>Net Position</b>	
Net investment in capital assets	18,953,996
Restricted for:	
Stabilization by state statute	1,568,981
Unrestricted	5,417,136
<b>Total net position</b>	<u><u>\$ 25,940,113</u></u>

Village of Pinehurst, North Carolina  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

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:					
General government	\$ 2,168,794	\$ -	\$ -	\$ 42,563	\$ (2,126,231)
Public safety	5,803,531	490,364	5,791	-	(5,307,376)
Transportation	2,369,495	19,000	485,575	-	(1,864,920)
Economic and physical development	1,566,159	39,567	65	-	(1,526,527)
Environmental protection	1,402,623	-	54,651	-	(1,347,972)
Cultural and recreation	2,746,748	1,268,417	7	-	(1,478,324)
Interest on long-term debt	82,192	-	-	-	(82,192)
Total governmental activities	<u>\$ 16,139,542</u>	<u>\$ 1,817,348</u>	<u>\$ 546,089</u>	<u>\$ 42,563</u>	<u>(13,733,542)</u>
General revenues:					
Ad valorem taxes					9,763,042
Golf cart licenses					2,230
Unrestricted intergovernmental					4,271,703
Investment earnings					10,424
Miscellaneous					495,732
Total general revenues					<u>14,543,131</u>
Change in net position					809,589
Net position-beginning					<u>25,130,524</u>
Net position-ending					<u>\$ 25,940,113</u>

Village of Pinehurst, North Carolina  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

**Exhibit 3**

	<u>Major Funds</u>		<u>Total</u>		<u>Total</u>
	<u>General</u>		<u>Non-Major</u>		<u>Governmental</u>
	<u>Fund</u>		<u>Funds</u>		<u>Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 7,268,920		\$ 2,894		\$ 7,271,814
Receivables, net:					
Taxes	30,294		-		30,294
Assessments	87,508		-		87,508
Interest	6,299		-		6,299
Other receivables	14,658		-		14,658
Due from other governments	1,280,306		3,245		1,283,551
Inventories	44,071		-		44,071
Prepaid items	130,586		-		130,586
	<u>8,862,642</u>		<u>6,139</u>		<u>8,868,781</u>
Total assets					
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 278,648		\$ 3,245		\$ 281,893
Withholdings and accrued expenditures	551,113		-		551,113
Deposits	159,527		-		159,527
Total liabilities	<u>989,288</u>		<u>3,245</u>		<u>992,533</u>
Deferred inflows of resources:					
Unavailable revenues	124,494		-		124,494
Prepaid taxes	16		-		16
Total deferred inflows of resources	<u>124,510</u>		<u>-</u>		<u>124,510</u>
Fund balances:					
Nonspendable:					
Inventory	44,071		-		44,071
Prepaid items	130,586		-		130,586
Restricted:					
Stabilization by state statute	1,568,981		-		1,568,981
Committed:					
Special Revenue funds	-		2,894		2,894
Assigned:					
Subsequent year's expenditures	1,687,710		-		1,687,710
Unassigned	4,317,496		-		4,317,496
Total fund balances	<u>7,748,844</u>		<u>2,894</u>		<u>7,751,738</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,862,642</u>		<u>\$ 6,139</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	21,216,738
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	124,494
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>(3,152,857)</u>
Net position of governmental activities	<u>\$ 25,940,113</u>

**Village of Pinehurst, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit 4**

	Major Funds		Total Governmental Funds
	General Fund	Total Non-Major Funds	
<b>Revenues</b>			
Ad valorem taxes	\$ 9,771,682	\$ -	\$ 9,771,682
Golf cart licenses	2,230	-	2,230
Unrestricted intergovernmental	4,271,703	-	4,271,703
Restricted intergovernmental	502,679	45,394	548,073
Permits and fees	1,252,453	-	1,252,453
Sales and services	564,975	-	564,975
Investment earnings	10,642	72	10,714
Assessment income	11,791	-	11,791
Miscellaneous	266,641	-	266,641
Total revenues	<u>16,654,796</u>	<u>45,466</u>	<u>16,700,262</u>
<b>Expenditures</b>			
Current:			
General government	2,196,930	-	2,196,930
Public safety	5,856,007	-	5,856,007
Transportation	2,792,152	-	2,792,152
Economic and physical development	1,409,024	45,394	1,454,418
Environmental protection	1,456,374	-	1,456,374
Cultural and recreation	2,694,676	-	2,694,676
Debt service:			
Principal	378,829	-	378,829
Interest and other charges	83,098	-	83,098
Total expenditures	<u>16,867,090</u>	<u>45,394</u>	<u>16,912,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(212,294)</u>	<u>72</u>	<u>(212,222)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	7,933	-	7,933
Transfers to other funds	-	(7,933)	(7,933)
Sales of capital assets	241,457	-	241,457
Issuance of debt	550,000	-	550,000
Total other financing sources (uses)	<u>799,390</u>	<u>(7,933)</u>	<u>791,457</u>
Net change in fund balance	587,096	(7,861)	579,235
Fund balances, beginning	<u>7,161,748</u>	<u>10,755</u>	<u>7,172,503</u>
Fund balances, ending	<u>\$ 7,748,844</u>	<u>\$ 2,894</u>	<u>\$ 7,751,738</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, 2014**

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**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 579,235
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	602,778
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(93,555)
Revenues in the statement of activities that are not reported as revenues in the fund statements.	(23,202)
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.	(171,171)
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>(84,496)</u>
 Total changes in net position of governmental activities	 <u><u>\$ 809,589</u></u>

General Fund

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

Annual Budget and Actual

For the Fiscal Year Ended June 30, 2014

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 9,682,000	\$ 9,682,000	\$ 9,771,682	\$ 89,682
Golf cart licenses	1,700	1,700	2,230	530
Unrestricted intergovernmental	4,207,200	4,207,200	4,271,703	64,503
Restricted intergovernmental	552,755	546,255	502,679	(43,576)
Permits and fees	1,241,250	1,241,250	1,252,453	11,203
Sales and services	484,015	514,015	564,975	50,960
Investment earnings	20,500	20,500	10,642	(9,858)
Assessments	-	12,410	11,791	(619)
Miscellaneous	221,480	217,612	266,641	49,029
Total revenues	<u>16,410,900</u>	<u>16,442,942</u>	<u>16,654,796</u>	<u>211,854</u>
<b>Expenditures:</b>				
Current:				
General government	2,433,305	2,418,305	2,196,930	221,375
Public safety	6,144,765	6,236,402	5,856,007	380,395
Transportation	3,027,805	2,947,165	2,792,152	155,013
Economic & physical development	1,307,585	1,597,762	1,409,024	188,738
Environmental protection	1,524,125	1,832,125	1,456,374	375,751
Cultural and recreation	2,606,270	2,982,798	2,694,676	288,122
Contingency	50,000	11,900	-	11,900
Debt service:				
Principal retirement	381,017	381,017	378,829	2,188
Interest and fees	87,203	87,203	83,098	4,105
Total expenditures	<u>17,562,075</u>	<u>18,494,677</u>	<u>16,867,090</u>	<u>1,627,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,151,175)</u>	<u>(2,051,735)</u>	<u>(212,294)</u>	<u>1,839,441</u>
<b>Other Financing Sources (Uses):</b>				
Debt issuance	550,000	550,000	550,000	-
Sales of capital assets	-	245,900	241,457	(4,443)
Transfers from other funds	-	7,933	7,933	-
Total other financing sources (uses)	<u>550,000</u>	<u>803,833</u>	<u>799,390</u>	<u>(4,443)</u>
Fund balance appropriated	<u>601,175</u>	<u>1,247,902</u>	<u>-</u>	<u>(1,247,902)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>587,096</u>	<u>\$ 587,096</u>
Fund balances, beginning			<u>7,161,748</u>	
Fund balances, ending			<u>\$ 7,748,844</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, 2014, 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 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 **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. Both the Residential Assurance Agency Fund and the associated Residential Assurance Interest Special Revenue Fund were closed during the fiscal year ended June 30, 2014 (see Exhibit C-4, page 54 and Exhibit D-1, page 56).

**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 with the exception of agency funds, which technically have no 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. As it is the Village's policy to use restricted revenue sources before unrestricted, we first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Village's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, Municipal Service District Fund, Residential Assurance – Interest Fund, and Land Dedication Fund. All annual appropriations lapse at fiscal year-end. A project ordinance was adopted for the Jackson Hamlet CDBG-III Capital Project Fund, which is 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, 2013.

**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, 2014.

**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 a formally adopted resolution approved by a majority vote of a 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, 2014

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**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.

For the purpose of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The Village 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 \$21,216,738 difference are as follows:

Capital assets	\$ 37,300,469
Accumulated depreciation	<u>(16,083,731)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 21,216,738</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 \$124,494 difference are as follows:

Taxes receivable	\$ 30,294
Other receivables	6,692
Assessments receivable	<u>87,508</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 124,494</u>



Village of Pinehurst, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**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 \$3,152,857 difference are as follows:

Accrued interest payable	\$ (22,178)
Compensated absences payable	(671,113)
Net pension obligation	(196,824)
Leases payable	(19,760)
Installment purchases payable	<u>(2,242,982)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (3,152,857)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net 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 \$602,778 difference are as follows:

Capital outlay	\$ 2,120,756
Depreciation expense	<u>(1,517,978)</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><u>\$ 602,778</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.” The details of this \$93,555 difference are as follows:

Prior year construction in progress deletion	\$ (85,968)
Donated assets received	42,563
Gain on disposal of assets	218,414
Proceeds from disposal of assets	(230,364)
Loss on disposal of assets	<u>(38,200)</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><u>\$ (93,555)</u></u>

Village of Pinehurst, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**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 \$23,202 difference are as follows:

Special assessment payments	\$ (11,791)
Change in other deferred inflows	(2,771)
Change in deferred tax inflows	<u>(8,640)</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>\$ (23,202)</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 \$171,171 difference are as follows:

Principal payments	\$ 378,829
Installment financing obligation issuance	<u>(550,000)</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>\$ (171,171)</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 \$84,496 difference are as follows:

Accrued interest payable	\$ 906
Compensated absences	(61,981)
Pension obligation	<u>(23,421)</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>\$ (84,496)</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**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, 2014 the Village's deposits had a carrying amount of \$3,198,322. The cash balance in the bank at June 30, 2014 totaled \$3,264,953. Of the bank balance, \$739,735 was covered by federal depository insurance and \$2,525,218 was covered by collateral held under the Pooling Method. At June 30, 2014, the Village's petty cash fund totaled \$1,568.

**2. Investments**

At June 30, 2014, 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	\$4,071,924	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, 2014.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**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	\$ 30,294	\$ -	\$ 30,294
Special assessments	87,508	-	87,508
Interest	6,299	-	6,299
Accounts	23,638	-	23,638
Intergovernmental	<u>1,280,306</u>	<u>3,245</u>	<u>1,283,551</u>
Gross receivables	1,428,045	3,245	1,431,290
Less: Allowance for uncollectible accounts	<u>8,980</u>	<u>-</u>	<u>8,980</u>
Net total receivables	<u>\$ 1,419,065</u>	<u>\$ 3,245</u>	<u>\$ 1,422,310</u>

**Note 6. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2014, 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	\$ 5,770,349	\$ 28,514	\$ (50,150)	\$ 5,748,713
Construction in progress	<u>422,571</u>	<u>87,974</u>	<u>(454,347)</u>	<u>56,198</u>
Total capital assets not being depreciated	<u>6,192,920</u>	<u>116,488</u>	<u>(504,497)</u>	<u>5,804,911</u>
Capital assets being depreciated:				
Right of ways	81,000	-	-	81,000
Buildings and improvements	17,599,906	1,081,298	-	18,681,204
Furniture and equipment	2,117,069	328,161	-	2,445,230
Vehicles	5,100,348	748,350	(64,200)	5,784,498
Infrastructure	<u>4,246,225</u>	<u>257,401</u>	<u>-</u>	<u>4,503,626</u>
Total	<u>29,144,548</u>	<u>2,415,210</u>	<u>(64,200)</u>	<u>31,495,558</u>
Less accumulated depreciation for:				
Right of ways	5,108	2,025	-	7,133
Buildings and improvements	9,526,385	855,072	-	10,381,537
Furniture and equipment	1,536,802	183,287	-	1,720,090
Vehicles	3,065,190	368,340	(64,200)	3,369,329
Infrastructure	<u>496,468</u>	<u>109,174</u>	<u>-</u>	<u>605,642</u>
Total	<u>14,629,953</u>	<u>1,517,978</u>	<u>(64,200)</u>	<u>16,083,731</u>
Total capital assets being depreciated, net	<u>14,514,595</u>	<u>897,232</u>	<u>-</u>	<u>15,411,827</u>
Governmental activity capital assets, net	<u>\$ 20,707,515</u>	<u>\$ 1,013,720</u>	<u>\$ (504,497)</u>	<u>\$ 21,216,738</u>

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

General government	\$ 332,688
Public safety	471,656
Transportation	186,732
Economic & physical development	46,233
Environmental protection	120,643
Cultural and recreation	<u>360,027</u>
Total depreciation expense	<u>\$ 1,517,978</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**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, 2014. The projects include the fabrication of automated solid waste vehicle and storm drainage improvements at the Village’s Harness Track. At June 30, 2014, the Village’s commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Solid Waste vehicle chassis	\$ -	\$ 87,558
Solid Waste vehicle body fabrication	-	85,440
Harness Track storm water project	41,702	18,912
Total	<u>\$ 41,702</u>	<u>\$ 191,910</u>

**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 7.07% and 7.28%, 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, 2014, 2013, and 2012 were \$432,279, \$386,669, and \$394,794, 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, 2013, 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

***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, 2013 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, 2013 was 17 years.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**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	\$ 67,978
Interest on net pension obligation	8,670
Adjustment to annual required contribution	<u>(14,128)</u>
Annual pension cost	62,520
Contributions made	<u>39,099</u>
Increase (decrease) in net pension obligation	23,421
Net pension obligation beginning of year	<u>173,403</u>
 Net pension obligation end of year	 <u>\$ 196,824</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>
2012	\$ 49,704	87.83%	\$ 158,492
2013	54,010	72.39%	173,403
2014	62,520	62.54%	196,824

**4. Funded Status and Funding Progress**

As of December 31 2013, 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 \$626,720. The covered payroll (annual payroll of active employees covered by the plan) was \$1,206,717, and the ratio of the UAAL to the covered payroll was 51.94 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, 2014 were \$84,301, which consisted of \$60,211 from the Village and \$24,090 from the law enforcement officers.

**D. Firefighters' and Rescue Squad Workers' Pension Fund**

**Plan Description.** The State of North Carolina contributes, on behalf of the Village of Pinehurst, to the Firefighters' 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 Firefighters' 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, 2014 were \$441,109, which consisted of \$243,715 from the Village and \$197,394 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, 2014**

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**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. Because all death benefit payments are made from the Death Benefit Plan and not by the Village, the Village does not determine the number of eligible participants. The Village has no liability beyond the payment of monthly contributions. The contributions to Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Village considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014, the Village made contributions to the State for death benefits of \$0. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Village of Pinehurst will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

**Note 8. Deferred Inflows of Resources**

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes	\$ -	\$ 16
Taxes receivable	30,294	-
Others receivable	6,692	-
Special assessments receivable	87,508	-
Total	<u>\$ 124,494</u>	<u>\$ 16</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 participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 9. Risk Management (Continued)**

Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village upon request.

The Village carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

As the Village has no facilities within a FEMA recognized flood zone, we have elected not carry additional flood insurance coverage.

In accordance with G.S. 159-29, the Village's employees that have access to \$100 or more at any given time of the Village's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are 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, 2014, 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.

**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, 2014:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment	<u>\$ 59,503</u>	<u>\$ 17,851</u>	<u>\$ 41,652</u>
	<u>\$ 59,503</u>	<u>\$ 17,851</u>	<u>\$ 41,652</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending June 30	
2015	\$ <u>20,847</u>
Total minimum lease payments	20,847
Less: amount representing interest	<u>1,087</u>
Present value of the minimum lease payments	\$ <u>19,760</u>

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 11. Long-Term Obligations (Continued)**

**B. Installment Purchase**

Long-term debt obligations of the Village consisted of the following at June 30, 2014:

\$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	\$ 133,333
\$2,500,000 building installment purchase dated 3/14/05 due in 30 semi-annual installments consisting of fixed principal of \$83,334 plus interest at 3.44% through March 2020; collateralized by building	1,000,000
\$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	400,000
\$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	196,688
\$550,000 vehicle installment purchase dated 7/31/13 due in 14 semi-annual payments of \$41,917 through August 2020; interest at 1.75%; collateralized by fire truck	<u>512,961</u>
	<u>\$ 2,242,982</u>

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 401,383	\$ 72,295
2016	406,115	58,199
2017	368,727	43,952
2018	329,223	34,299
2019	297,281	21,877
2020-2024	<u>440,253</u>	<u>18,541</u>
	<u>\$ 2,242,982</u>	<u>\$ 249,163</u>

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

At June 30, 2014, the Village of Pinehurst had a legal debt margin of \$276,355,076.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 11. Long-Term Obligations (Continued)**

**C. Changes in Long Term Liabilities (Continued)**

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
Installment purchases	\$2,053,001	\$ 550,000	\$ (360,019)	\$2,242,982	\$ 401,383
Capital leases	38,571	-	(18,811)	19,760	19,760
Compensated absences	609,132	423,290	(361,309)	671,113	398,073
Net pension obligation	<u>173,403</u>	<u>23,421</u>	<u>-</u>	<u>196,824</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$2,874,107</u>	<u>\$ 996,711</u>	<u>\$ (740,139)</u>	<u>\$3,130,679</u>	<u>\$ 819,216</u>

Compensated absences typically have been liquidated in the general fund.

**Note 12. Interfund Balances and Activity**

**Balances due to/from other funds**

The Village has no balances due to/from other funds at June 30, 2014.

**Transfers to/from other funds**

Transfers to/from other funds at June 30, 2014, consist of the following:

From the Interest Residential Assurance Fund to the General Fund upon the closing of the special revenue fund	\$ <u>7,933</u>
Total transfers	\$ <u>7,933</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 2014 fiscal year, \$7,933 was transferred from the Interest Residential Assurance Fund to the General Fund upon the closing of the special revenue fund.

**Note 13. Revenues, Expenditures and Expenses**

For the fiscal year ended June 30, 2014, the Village of Pinehurst has recognized on behalf of payments for pension contributions made by the State as revenue and an expenditure of \$1,073 for the 3 volunteer and employed firefighters who perform duties for the Village's fire department. The volunteers and employees elected to be members of the Firefighters' 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, 2014

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**Note 14. Net Investment in Capital Assets**

	<u>Governmental</u>
Capital Assets	\$ 21,216,738
Less: Long-Term Debt	<u>(2,262,742)</u>
Net Investment in Capital Assets	\$ <u>18,953,996</u>

**Note 15. Fund Balance**

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

<b>Total fund balance-General Fund</b>	<b>\$ 7,748,844</b>
<b>Less:</b>	
<b>Inventories</b>	44,071
<b>Prepaid Items</b>	130,586
<b>Stabilization by State Statute</b>	1,568,981
<b>Appropriated Fund Balance in 2015 budget</b>	1,687,710
<b>Fund Balance Policy Minimum</b>	2,530,063
<b>Remaining Fund Balance</b>	1,787,433

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, 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, 2014 the General Fund's unassigned fund balance of \$4,317,496 represents 26% of General Fund actual expenditures which exceeds the policy minimum. Total fund balance was 42% 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.

<b>Encumbrances</b>	<b>General Fund</b>	<b>Non-Major Funds</b>
	\$274,410	\$0

**Note 16. 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.

**Village of Pinehurst, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**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.

**Note 17. Significant Effects of Subsequent Events**

Effective July 31, 2014, the Cotswold subdivision was annexed into the Village of Pinehurst's municipal limits. The area consists of 67 residential lots with 51 single-family homes constructed. The tax total tax value of the area at the time of the annexation was \$19,889,420. The overall financial and operational impact of this annexation is immaterial to the Village as a whole.

**Note 18. Joint Ventures**

The Village and the members of the Village's fire department each appoint two members to the five-member local board of trustees for the Firefighters' Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighters' Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighters' Relief Fund. These distributions are used to assist fire fighters in various ways. The local board of the Firefighters' Relief Fund received a distribution of \$17,294 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2014. 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, 2014. The Firefighters' Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**Note 19. Reclassification**

The Village previously reported sales taxes as an own-source revenue when in fact these revenues should have been reported as shared revenues. These local option sales taxes are levied by the Moore County Board of Commissioners and a portion is allocated to the Village by state statute. These revenues have been reclassified as unrestricted intergovernmental revenues in the financial statements for the current year and for the previous nine years in the statistical section. This reclassification had no effect on net position or fund balance as previously reported.

Also, the Village previously reported proceeds from the sale of capital assets as "Miscellaneous Revenues". In the past, these amounts have been small and were immaterial to the financial statements taken as a whole. In FY 2014, the Village sold a surplus fire station property and the proceeds from the sale were material to the financial statements. Proceeds from the sale of capital assets are now properly reported as "Other Financing Sources" and have been reclassified for all prior fiscal years. This reclassification had no effect on net position or fund balance as previously reported.

## **Required Supplementary Information**

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

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### **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**

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**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)
12/31/04	-	\$ 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%
12/31/13	-	626,720	626,720	0.00%	1,206,717	51.94%



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

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**Exhibit A-2**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2014	67,978	57.52%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 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**

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

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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, 2014  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2013

Exhibit B-1  
Page 1 of 4

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 9,677,000	\$ 9,757,312	\$ 80,312	\$ 9,542,156
Penalties and interest	5,000	14,370	9,370	15,296
Total	9,682,000	9,771,682	89,682	9,557,452
Other taxes:				
Golf cart licenses	1,700	2,230	530	1,775
Total	1,700	2,230	530	1,775
Unrestricted intergovernmental:				
Local option sales tax	2,590,000	2,599,331	9,331	2,573,483
Telecommunications sales tax	115,000	115,413	413	114,189
Utilities franchise tax	565,000	608,170	43,170	553,832
Video programming	290,000	290,050	50	295,237
Hold harmless reimbursements	580,000	592,468	12,468	565,398
Wine & beer tax	67,200	66,271	(929)	60,477
Total	4,207,200	4,271,703	64,503	4,162,616
Restricted intergovernmental:				
Powell Bill allocation	485,000	485,356	356	476,150
BAB interest rebates	3,555	3,713	158	4,799
Controlled substance tax	2,500	1,005	(1,495)	774
Other grants	45,500	2,275	(43,225)	12,548
Solid waste disposal tax	9,700	9,257	(443)	8,438
On-behalf of payments - Fire and Rescue	-	1,073	1,073	1,107
Total	546,255	502,679	(43,576)	503,816
Permits and fees:				
Building permits and inspection fees	260,000	273,142	13,142	241,011
Planning and zoning fees	50,000	41,535	(8,465)	52,307
Fire district	212,000	218,869	6,869	211,487
Rescue services	14,000	14,000	-	14,000
US Open license fee	700,000	700,000	-	-
Other permits and fees	5,250	4,907	(343)	16,442
Total	1,241,250	1,252,453	11,203	535,247
Sales and services:				
Rents, concessions and fees	428,515	470,842	42,327	424,732
Recreation fees	85,500	94,133	8,633	93,012
Total	514,015	564,975	50,960	517,744
Investment earnings:				
Investment income	20,500	10,642	(9,858)	13,342
Assessments	12,410	11,791	(619)	-

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, 2014  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2013

Exhibit B-1  
Page 2 of 4

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		
Miscellaneous:				
ABC revenue	\$ 90,000	\$ 116,864	\$ 26,864	\$ 105,760
Recycling revenue	55,000	21,194	(33,806)	55,406
Donations	39,194	62,417	23,223	57,271
Other revenues	33,418	66,166	32,748	46,962
Total	<u>217,612</u>	<u>266,641</u>	<u>49,029</u>	<u>265,399</u>
<b>Total revenues</b>	<u>16,442,942</u>	<u>16,654,796</u>	<u>211,854</u>	<u>15,557,391</u>
<b>Expenditures:</b>				
General government:				
Governing body:				
Operating expenditures	236,500	189,982	46,518	206,779
Capital outlay	-	-	-	90,865
Total	<u>236,500</u>	<u>189,982</u>	<u>46,518</u>	<u>297,644</u>
Administration:				
Operating expenditures	1,085,090	1,051,309	33,781	960,955
Capital outlay	120,050	62,521	57,529	28,730
Total	<u>1,205,140</u>	<u>1,113,830</u>	<u>91,310</u>	<u>989,685</u>
Financial services:				
Operating expenditures	587,460	563,129	24,331	529,386
Capital outlay	450	-	450	6,334
Total	<u>587,910</u>	<u>563,129</u>	<u>24,781</u>	<u>535,720</u>
Human resources:				
Operating expenditures	378,530	322,489	56,041	280,438
Capital outlay	10,225	7,500	2,725	2,791
Total	<u>388,755</u>	<u>329,989</u>	<u>58,766</u>	<u>283,229</u>
<b>Total general government</b>	<u>2,418,305</u>	<u>2,196,930</u>	<u>221,375</u>	<u>2,106,278</u>
Public safety:				
Police:				
Operating expenditures	2,798,905	2,642,568	156,337	2,520,687
Capital outlay	39,600	25,494	14,106	98,284
Total	<u>2,838,505</u>	<u>2,668,062</u>	<u>170,443</u>	<u>2,618,971</u>
Fire:				
Operating expenditures	2,587,352	2,412,770	174,582	2,310,879
Capital outlay	586,125	561,980	24,145	55,091
Total	<u>3,173,477</u>	<u>2,974,750</u>	<u>198,727</u>	<u>2,365,970</u>
Fire and rescue on behalf of payments	-	1,073	(1,073)	1,107

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, 2014  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2013

Exhibit B-1  
Page 3 of 4

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		
Inspections:				
Operating expenditures	\$ 224,300	\$ 212,122	\$ 12,178	\$ 209,143
Capital outlay	120	-	120	2,189
Total	224,420	212,122	12,298	211,332
Total public safety	6,236,402	5,856,007	380,395	5,197,380
Transportation:				
Public services administration:				
Operating expenditures	376,290	345,916	30,374	334,014
Capital outlay	565	-	565	1,503
Total	376,855	345,916	30,939	335,517
Streets and grounds:				
Operating expenditures	1,388,959	1,292,518	96,441	1,025,409
Capital outlay	379,551	363,483	16,068	134,793
Total	1,768,510	1,656,001	112,509	1,160,202
Powell Bill:				
Operating expenditures	801,800	790,235	11,565	682,866
Total transportation	2,947,165	2,792,152	155,013	2,178,585
Economic & physical development:				
Planning:				
Operating expenditures	648,710	604,498	44,212	663,194
Capital outlay	175	-	175	6,362
Total	648,885	604,498	44,387	669,556
Community Development				
Operating expenditures	446,250	308,454	137,796	213,922
Capital outlay	502,627	496,072	6,555	1,247,717
Total	948,877	804,526	144,351	1,461,639
Total economic & physical development	1,597,762	1,409,024	188,738	2,131,195
Environmental protection:				
Solid waste:				
Operating expenditures	1,448,900	1,283,498	165,402	1,156,797
Capital outlay	383,225	172,876	210,349	190,885
Total	1,832,125	1,456,374	375,751	1,347,682
Total environmental protection	1,832,125	1,456,374	375,751	1,347,682
Cultural and Recreation:				
Recreation:				
Operating expenditures	1,356,404	1,218,191	138,213	923,382
Capital outlay	369,269	353,075	16,194	348,379
Total	1,725,673	1,571,266	154,407	1,271,761

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, 2014  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	
Library:				
Operating expenditures	\$ 360,000	\$ 360,000	\$ -	\$ 140,000
Harness Track:				
Operating expenditures	522,570	468,587	53,983	417,962
Capital outlay	109,150	67,239	41,911	159,821
Total	631,720	535,826	95,894	577,783
Fair Barn:				
Operating expenditures	252,830	217,068	35,762	199,991
Capital outlay	12,575	10,516	2,059	91,370
Total	265,405	227,584	37,821	291,361
Total cultural and recreation	2,982,798	2,694,676	288,122	2,280,905
Contingency:				
Operating expenditures	11,900	-	11,900	-
Debt service:				
Principal retirement	381,017	378,829	2,188	478,298
Interest and fees	87,203	83,098	4,105	91,151
Total	468,220	461,927	6,293	569,449
<b>Total expenditures</b>	<b>18,494,677</b>	<b>16,867,090</b>	<b>1,627,587</b>	<b>15,811,474</b>
Excess (deficiency) of revenues over (under) expenditures	(2,051,735)	(212,294)	1,839,441	(254,083)
<b>Other Financing Sources (Uses):</b>				
Debt issuance	550,000	550,000	-	-
Sales of capital assets	245,900	241,457	(4,443)	59,493
Capital lease obligation issuance	-	-	-	59,503
Transfers from other funds:				
Capital Project Funds	-	-	-	24,982
Special Revenue Funds	7,933	7,933	-	27,398
<b>Total other financing sources (uses)</b>	<b>803,833</b>	<b>799,390</b>	<b>(4,443)</b>	<b>171,376</b>
Fund balance appropriated	1,247,902	-	(1,247,902)	-
Net change in fund balances	\$ -	587,096	\$ 587,096	(82,707)
Fund balances, beginning		7,161,748		7,244,455
Fund balances, ending		\$ 7,748,844		\$ 7,161,748





## **Non-Major Governmental Funds**

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

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

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

**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, 2014**

**Exhibit C-1**

	Special Revenue Fund	Capital Project Fund	
	Land Dedication Fund	Jackson Hamlet CDBG-III	Total Non-Major Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 2,894	\$ -	\$ 2,894
Due from other governments	-	3,245	3,245
<b>Total assets</b>	<b>\$ 2,894</b>	<b>\$ 3,245</b>	<b>\$ 6,139</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ -	\$ 3,245	\$ 3,245
<b>Total liabilities</b>	<b>-</b>	<b>3,245</b>	<b>3,245</b>
Fund balances:			
Committed:			
Special revenue funds	2,894	-	2,894
<b>Total fund balances</b>	<b>2,894</b>	<b>-</b>	<b>2,894</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,894</b>	<b>\$ 3,245</b>	<b>\$ 6,139</b>

**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, 2014**

	Special Revenue Funds		
	Land Dedication Fund	Residential Assurance - Interest Fund	Total
<b>Revenues</b>			
Restricted intergovernmental	\$ -	\$ -	\$ -
Investment earnings	7	65	72
Total revenues	<u>7</u>	<u>65</u>	<u>72</u>
<b>Expenditures</b>			
Operating	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7</u>	<u>65</u>	<u>72</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	-	(7,933)	(7,933)
Total other financing sources (uses)	<u>-</u>	<u>(7,933)</u>	<u>(7,933)</u>
Net change in fund balances	7	(7,868)	(7,861)
Fund balances-beginning	<u>2,887</u>	<u>7,868</u>	<u>10,755</u>
Fund balances-ending	<u>\$ 2,894</u>	<u>\$ -</u>	<u>\$ 2,894</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, 2014**

	Capital Projects Fund		Total Nonmajor Governmental Funds
	Jackson Hamlet CDBG-III	Total	
<b>Revenues</b>			
Restricted intergovernmental	\$ 45,394	\$ 45,394	\$ 45,394
Investment earnings	-	-	72
Total revenues	<u>45,394</u>	<u>45,394</u>	<u>45,466</u>
<b>Expenditures</b>			
Operating	45,394	45,394	45,394
Total expenditures	<u>45,394</u>	<u>45,394</u>	<u>45,394</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	<u>72</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	-	-	(7,933)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,933)</u>
Net change in fund balances	-	-	(7,861)
Fund balances-beginning	-	-	<u>10,755</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,894</u>

Village of Pinehurst, North Carolina  
Land Dedication Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2013

Exhibit C-3

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
Investment earnings	\$ 600	\$ 600	\$ 7	\$ (593)	\$ 5
<b>Expenditures</b>					
Operating	600	600	-	600	-
Excess of revenues over expenditures	-	-	7	7	5
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	7	<u>\$ 7</u>	5
Fund balances-beginning			2,887		2,882
Fund balances-ending			<u>\$ 2,894</u>		<u>\$ 2,887</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, 2014  
 With Comparative Actual Amounts for Fiscal Year Ended June 30, 2013

Exhibit C-4

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
Investment earnings	\$ 200	\$ 200	\$ 65	\$ (135)	\$ 108
<b>Expenditures</b>					
Operating	200	200	-	200	-
Excess of revenues over expenditures	-	-	65	65	108
<b>Other Financing Sources (Uses)</b>					
Transfer to General Fund	-	(7,933)	(7,933)	-	-
Total other financing sources (uses)	-	(7,933)	(7,933)	-	-
Fund balance appropriated	-	7,933	-	(7,933)	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(7,868)	<u>\$ (7,868)</u>	108
Fund balances-beginning			<u>7,868</u>		<u>7,760</u>
Fund balances-ending			<u>\$ -</u>		<u>\$ 7,868</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, 2014**

**Exhibit C-5**

	Project Author- ization	Actual			Variance with Final Budget- Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Community development block grant	\$ 683,200	\$ 29,044	\$ 45,394	\$ 74,438	\$ (608,762)
Total revenues	<u>683,200</u>	<u>29,044</u>	<u>45,394</u>	<u>74,438</u>	<u>(608,762)</u>
<b>Expenditures</b>					
Professional services	73,200	1,125	6,893	8,018	65,182
Grants for community projects	<u>610,000</u>	<u>27,919</u>	<u>38,501</u>	<u>66,420</u>	<u>543,580</u>
Total expenditures	<u>683,200</u>	<u>29,044</u>	<u>45,394</u>	<u>74,438</u>	<u>608,762</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances-beginning			-		
Fund balances-ending			<u>\$ -</u>		



## **Fiduciary Funds**

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

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**Residential Assurance 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, 2014

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Exhibit D-1

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/14</u>
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 55,000</u>	<u>\$ 20,000</u>	<u>\$ (75,000)</u>	<u>\$ -</u>
<b>Liabilities</b>				
Builder deposits	<u>\$ 55,000</u>	<u>\$ 20,000</u>	<u>\$ (75,000)</u>	<u>\$ -</u>



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

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

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**Village of Pinehurst, North Carolina**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**June 30, 2014**

**Exhibit E-1**

	<u>2014</u>	<u>2013</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 5,748,713	\$ 5,770,349
Right of ways	81,000	81,000
Buildings and improvements	18,681,204	17,599,906
Furniture, equipment, and vehicles	8,229,728	7,217,417
Infrastructure	4,503,626	4,246,225
Construction in progress	<u>56,198</u>	<u>422,571</u>
Total governmental funds capital assets	<u>\$ 37,300,469</u>	<u>\$ 35,337,468</u>
<b>Investment in governmental funds capital assets by source:</b>		
General Fund	\$ 37,257,906	\$ 32,993,527
Donations	<u>42,563</u>	<u>2,343,941</u>
Total governmental funds capital assets	<u>\$ 37,300,469</u>	<u>\$ 35,337,468</u>

**Village of Pinehurst, North Carolina**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2014**

**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	\$ 3,313,346	\$ -	\$ -	\$ -	\$ 60,503	\$ -	\$ -	\$ 3,373,849
Administration	-	-	4,248,469	-	98,248	-	-	4,346,717
Financial Services	-	-	-	-	135,259	-	-	135,259
Human Resources	-	-	-	-	21,300	-	-	21,300
Information Technology	-	-	-	28,388	228,607	-	-	256,995
Buildings & Grounds	-	-	423,203	386,987	218,829	29,476	-	1,058,495
Fleet Maintenance	25,170	-	95,120	-	152,068	-	-	272,358
	<u>3,338,516</u>	<u>-</u>	<u>4,766,792</u>	<u>415,375</u>	<u>914,814</u>	<u>29,476</u>	<u>-</u>	<u>9,464,973</u>
Public Safety								
Police	-	-	2,696,435	-	1,096,976	-	-	3,793,411
Fire	161,074	-	3,291,078	-	2,430,808	-	-	5,882,960
Inspections	-	-	-	-	33,801	-	-	33,801
	<u>161,074</u>	<u>-</u>	<u>5,987,513</u>	<u>-</u>	<u>3,561,585</u>	<u>-</u>	<u>-</u>	<u>9,710,172</u>
Transportation								
Public Services	32,500	-	526,154	-	63,719	-	-	622,373
Streets and Grounds	-	81,000	5,118	241,920	1,098,243	3,033,105	-	4,459,386
Powell Bill	-	-	-	45,713	329,735	23,098	-	398,546
	<u>32,500</u>	<u>81,000</u>	<u>531,272</u>	<u>287,633</u>	<u>1,491,697</u>	<u>3,056,203</u>	<u>-</u>	<u>5,480,305</u>
Environmental Protection								
Solid Waste	-	-	-	-	1,508,777	-	-	1,508,777
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,508,777</u>	<u>-</u>	<u>-</u>	<u>1,508,777</u>
Cultural and Recreation								
Recreation	760,373	-	237,664	2,071,045	176,908	770,398	-	4,016,388
Harness Track	1,456,250	-	1,201,587	210,250	451,493	125,827	-	3,445,407
Fair Barn	-	-	2,207,926	119,387	51,753	-	-	2,379,066
	<u>2,216,623</u>	<u>-</u>	<u>3,647,177</u>	<u>2,400,682</u>	<u>680,154</u>	<u>896,225</u>	<u>-</u>	<u>9,840,861</u>
Economic & Physical Development								
Planning	-	-	-	-	52,438	-	-	52,438
Community Development	-	-	-	644,760	20,263	521,722	-	1,186,745
	<u>-</u>	<u>-</u>	<u>-</u>	<u>644,760</u>	<u>72,701</u>	<u>521,722</u>	<u>-</u>	<u>1,239,183</u>
Construction in progress	-	-	-	-	-	-	56,198	56,198
	<u>\$ 5,748,713</u>	<u>\$ 81,000</u>	<u>\$ 14,932,754</u>	<u>\$ 3,748,450</u>	<u>\$ 8,229,728</u>	<u>\$ 4,503,626</u>	<u>\$ 56,198</u>	<u>\$ 37,300,469</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, 2014**

**Exhibit E-3**

FUNCTION AND ACTIVITY	Capital Assets July 1, 2013	Additions	Deletions	Adjustments	Capital Assets June 30, 2014
General Government					
Governing Body	\$ 3,359,018	\$ 26,563	\$ (38,200)	\$ 26,468	\$ 3,373,849
Administration	4,335,073	11,644	-	-	4,346,717
Financial Services	135,259	-	-	-	135,259
Human Resources	13,800	7,500	-	-	21,300
Information Technology	256,995	-	-	-	256,995
Buildings & Grounds Mtnc.	996,361	404,718	-	(342,584)	1,058,495
Fleet Maintenance	272,358	-	-	-	272,358
	<u>9,368,864</u>	<u>450,425</u>	<u>(38,200)</u>	<u>(316,116)</u>	<u>9,464,973</u>
Public Safety					
Police	3,832,117	25,494	(64,200)	-	3,793,411
Fire	5,342,980	551,930	(11,950)	-	5,882,960
Inspections	33,801	-	-	-	33,801
	<u>9,208,898</u>	<u>577,424</u>	<u>(76,150)</u>	<u>-</u>	<u>9,710,172</u>
Transportation					
Public Services	622,373	-	-	-	622,373
Streets and Grounds	2,092,656	607,565	-	1,759,165	4,459,386
Powell Bill	398,546	-	-	-	398,546
	<u>3,113,575</u>	<u>607,565</u>	<u>-</u>	<u>1,759,165</u>	<u>5,480,305</u>
Environmental Protection					
Solid Waste	1,353,778	172,876	-	(17,877)	1,508,777
	<u>1,353,778</u>	<u>172,876</u>	<u>-</u>	<u>(17,877)</u>	<u>1,508,777</u>
Cultural and Recreation					
Recreation	3,495,029	236,607	-	284,752	4,016,388
Harness Track	3,425,475	19,932	-	-	3,445,407
Fair Barn	2,293,931	10,516	-	74,619	2,379,066
	<u>9,214,435</u>	<u>267,055</u>	<u>-</u>	<u>359,371</u>	<u>9,840,861</u>
Economic & Physical Development					
Planning	52,438	-	-	-	52,438
Community Development	2,602,909	-	-	(1,416,164)	1,186,745
	<u>2,655,347</u>	<u>-</u>	<u>-</u>	<u>(1,416,164)</u>	<u>1,239,183</u>
Construction in progress	422,571	87,974	(85,968)	(368,379)	56,198
	<u>\$ 35,337,468</u>	<u>\$ 2,163,319</u>	<u>\$ (200,318)</u>	<u>\$ -</u>	<u>\$ 37,300,469</u>



## **Additional Financial Data**

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

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### **Schedule of Ad Valorem Taxes Receivable**

### **Analysis of Current Tax Levy**

### **Schedule of Transfers**

**Village of Pinehurst, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2014**

**Exhibit F-1**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 9,756,980	\$ 9,748,024	\$ 8,956
2012-2013	19,714	-	15,869	3,845
2011-2012	2,902	-	1,009	1,893
2010-2011	3,758	-	140	3,618
2009-2010	2,854	-	23	2,831
2008-2009	1,255	-	84	1,171
2007-2008	2,205	-	100	2,105
2006-2007	2,318	-	98	2,220
2005-2006	2,075	-	107	1,968
2004-2005	1,701	-	14	1,687
2003-2004	152	-	152	-
	<u>\$ 38,934</u>	<u>\$ 9,756,980</u>	<u>\$ 9,765,620</u>	<u>\$ 30,294</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 9,771,682
Reconciling items:	
Interest collected and refunds	(14,370)
Refunds/reliefs	<u>8,308</u>
	<u>(6,062)</u>
Total collections and credits	<u>\$ 9,765,620</u>

**Village of Pinehurst, North Carolina  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2014**

**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	\$ 3,476,772,659	\$ 0.28	\$ 9,738,705	\$ 9,108,904	\$ 629,801
Registered motor vehicles taxed at prior year's rate	15,016,938	\$ 0.28	42,047	-	42,047
Penalties	-		1,612	1,612	-
Total	<u>3,491,789,597</u>		<u>9,782,364</u>	<u>9,110,516</u>	<u>671,848</u>
Discoveries:					
Current year taxes	392,876	\$ 0.28	1,100	1,100	-
Penalties	-		3	3	-
Total	<u>392,876</u>		<u>1,103</u>	<u>1,103</u>	<u>-</u>
Abatements	<u>(9,459,746)</u>		<u>(26,487)</u>	<u>(5,615)</u>	<u>(20,872)</u>
Total property valuation	<u>\$ 3,482,722,727</u>				
Net levy			9,756,980	9,106,004	650,976
Uncollected taxes at June 30, 2014			<u>(8,956)</u>	<u>(2,609)</u>	<u>(6,347)</u>
Current year's taxes collected			<u>\$ 9,748,024</u>	<u>\$ 9,103,395</u>	<u>\$ 644,629</u>
Current levy collection percentage			99.91%	99.97%	99.03%

Village of Pinehurst, North Carolina  
 Schedule of Transfers  
 For the Fiscal Year Ended June 30, 2014

Exhibit F-3

	Transfers	
	From	To
<b>Transfers From/To Other Funds</b>		
General Fund		
Interest Residential Assurance Fund	\$ 7,933	\$ -
Interest Residential Assurance Fund		
General Fund	-	7,933
	<u>          </u>	<u>          </u>
Total transfers	<u>\$ 7,933</u>	<u>\$ 7,933</u>

## Statistical Section

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

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### Categories of Statistical Information Included

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

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

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

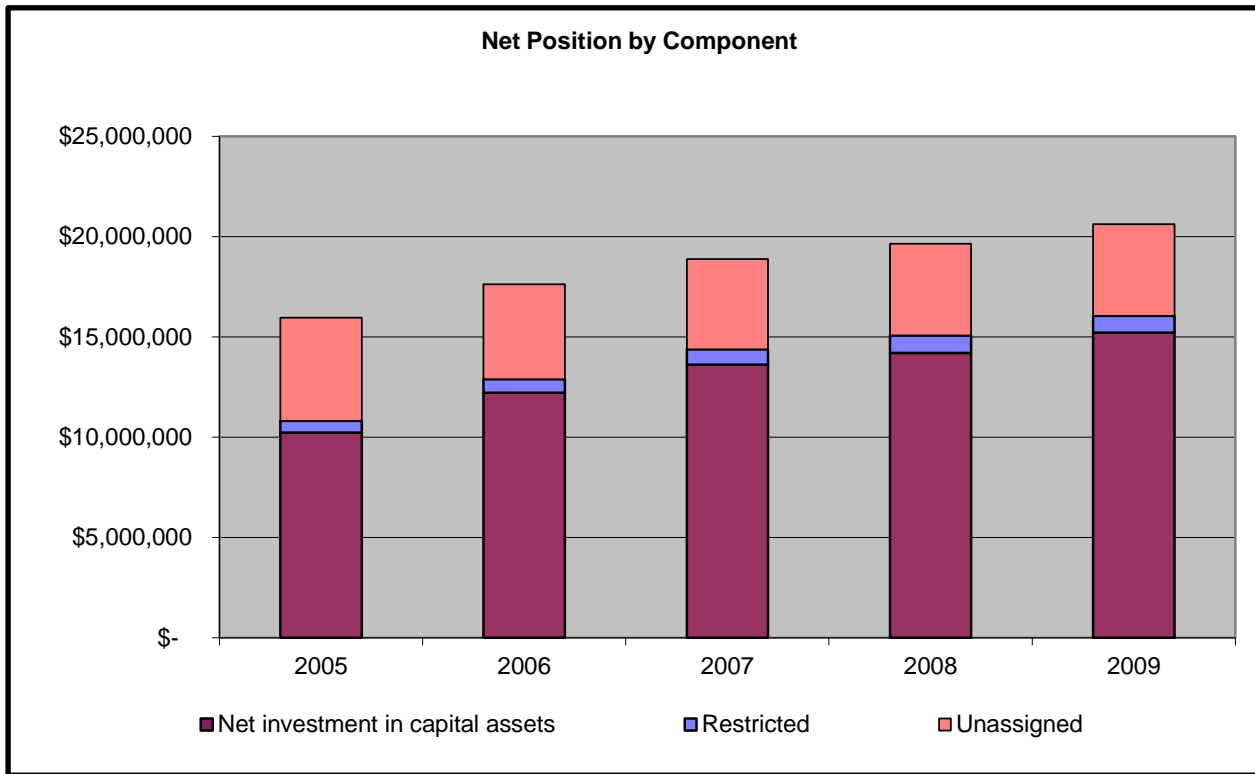
**Demographic and Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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

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

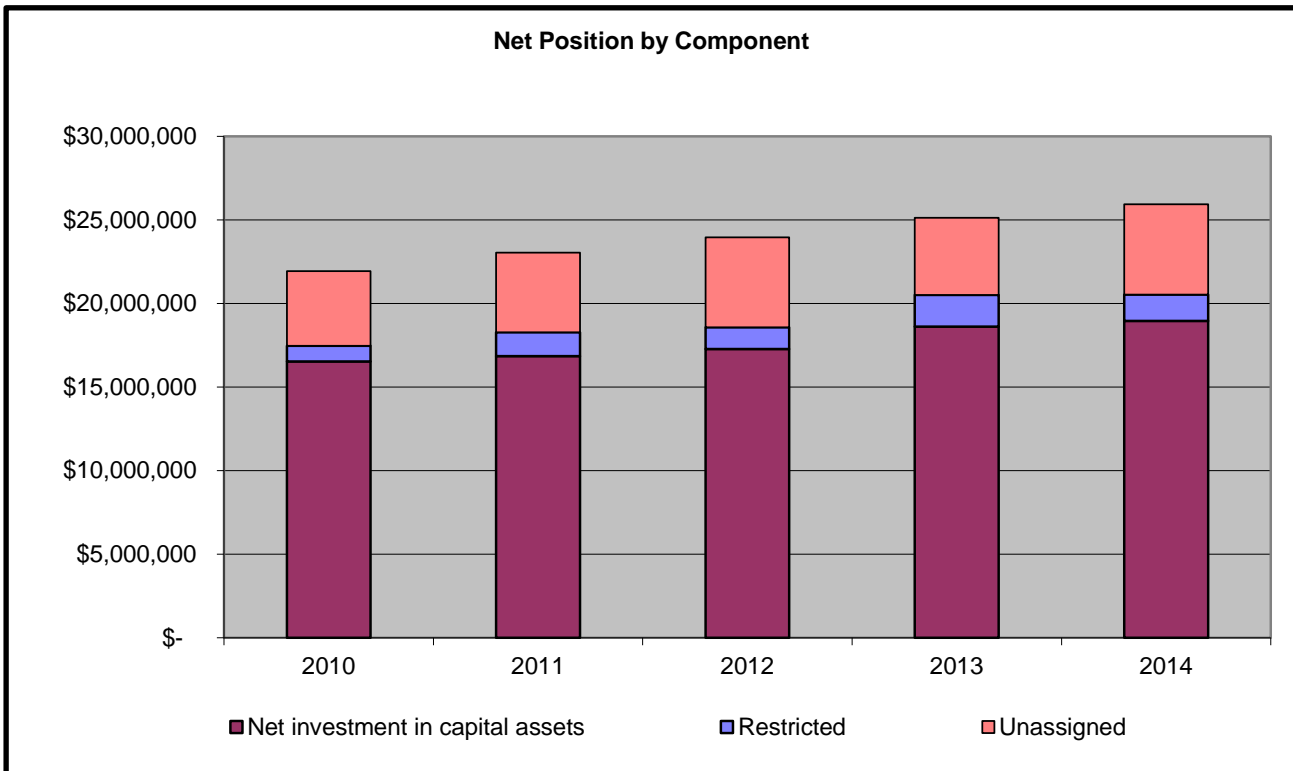
Village of Pinehurst, North Carolina  
 Net Position by Component  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Governmental activities</b>					
Net investment in capital assets	\$ 10,229,378	\$ 12,218,918	\$ 13,611,992	\$ 14,194,908	\$ 15,216,054
Restricted for:					
Stabilization by state statute	587,775	669,013	754,787	866,501	814,222
Equitable sharing	775	808	844	-	-
Municipal Service District	3,821	6,322	9,546	12,710	12,116
Unrestricted	5,140,426	4,718,630	4,509,038	4,571,240	4,582,009
<b>Total governmental activities net position</b>	<b>\$ 15,962,175</b>	<b>\$ 17,613,691</b>	<b>\$ 18,886,207</b>	<b>\$ 19,645,359</b>	<b>\$ 20,624,401</b>



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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Governmental activities</b>					
Net investment in capital assets	\$ 16,520,624	\$ 16,842,082	\$ 17,271,349	\$ 18,615,943	\$ 18,953,996
Restricted for:					
Stabilization by state statute	940,483	1,422,691	1,291,963	1,882,835	1,568,981
Equitable sharing	-	-	-	-	-
Municipal Service District	13,070	14,084	14,354	-	-
Unrestricted	4,457,047	4,756,832	5,372,934	4,631,746	5,417,136
<b>Total governmental activities net position</b>	<b>\$ 21,931,224</b>	<b>\$ 23,035,689</b>	<b>\$ 23,950,600</b>	<b>\$ 25,130,524</b>	<b>\$ 25,940,113</b>



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

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Expenses</b>					
Governmental Activities:					
General government	\$ 1,781,099	\$ 1,734,126	\$ 2,018,433	\$ 2,410,048	\$ 2,210,111
Public safety	3,849,890	3,931,368	4,458,221	5,059,957	5,135,875
Transportation	1,517,237	1,787,727	1,988,590	1,954,325	1,741,237
Economic and physical development	782,362	938,484	1,016,135	1,119,970	1,794,712
Environmental protection	819,886	746,798	907,233	945,601	972,257
Cultural and recreation	1,054,259	1,140,561	1,248,525	1,443,256	1,620,439
Non-departmental	47,016	55,822	45,416	48,615	62,907
Interest on long-term debt	-	290,181	242,197	212,761	182,228
<b>Total governmental activities expenses</b>	<b>\$ 9,851,749</b>	<b>\$ 10,625,067</b>	<b>\$ 11,924,750</b>	<b>\$ 13,194,533</b>	<b>\$ 13,719,766</b>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government	\$ 105	\$ -	\$ -	\$ -	\$ -
Public safety	1,181,662	965,086	910,283	905,229	979,498
Transportation	52,472	49,500	56,000	20,000	9,123
Economic and physical development	147,602	119,682	117,916	143,074	68,951
Cultural and recreation	710,545	422,331	408,097	399,999	454,034
Operating grants and contributions	472,094	486,762	610,570	670,345	1,281,966
Capital grants and contributions	10,794	17,518	262,397	44,592	15,987
<b>Total governmental activities program revenue</b>	<b>\$ 2,575,274</b>	<b>\$ 2,060,879</b>	<b>\$ 2,365,263</b>	<b>\$ 2,183,239</b>	<b>\$ 2,809,559</b>
<b>Total governmental activities net expense</b>	<b>\$ (7,276,475)</b>	<b>\$ (8,564,188)</b>	<b>\$ (9,559,487)</b>	<b>\$ (11,011,294)</b>	<b>\$ (10,910,207)</b>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 6,291,348	\$ 6,516,978	\$ 6,763,897	\$ 7,782,933	\$ 7,907,961
Franchise taxes	202,078	217,008	133,435	33,628	38,073
Golf cart licenses	-	-	-	-	-
Unrestricted intergovernmental	2,651,180	2,874,723	3,199,031	3,462,583	3,367,519
Investment earnings	108,704	238,730	321,606	284,129	127,863
Miscellaneous	180,095	267,368	414,034	174,266	447,833
<b>Total governmental activities general revenue</b>	<b>\$ 9,433,405</b>	<b>\$ 10,114,807</b>	<b>\$ 10,832,003</b>	<b>\$ 11,737,539</b>	<b>\$ 11,889,249</b>
<b>Change in Governmental Activities Net Position</b>	<b>\$ 2,156,930</b>	<b>\$ 1,550,619</b>	<b>\$ 1,272,516</b>	<b>\$ 726,245</b>	<b>\$ 979,042</b>



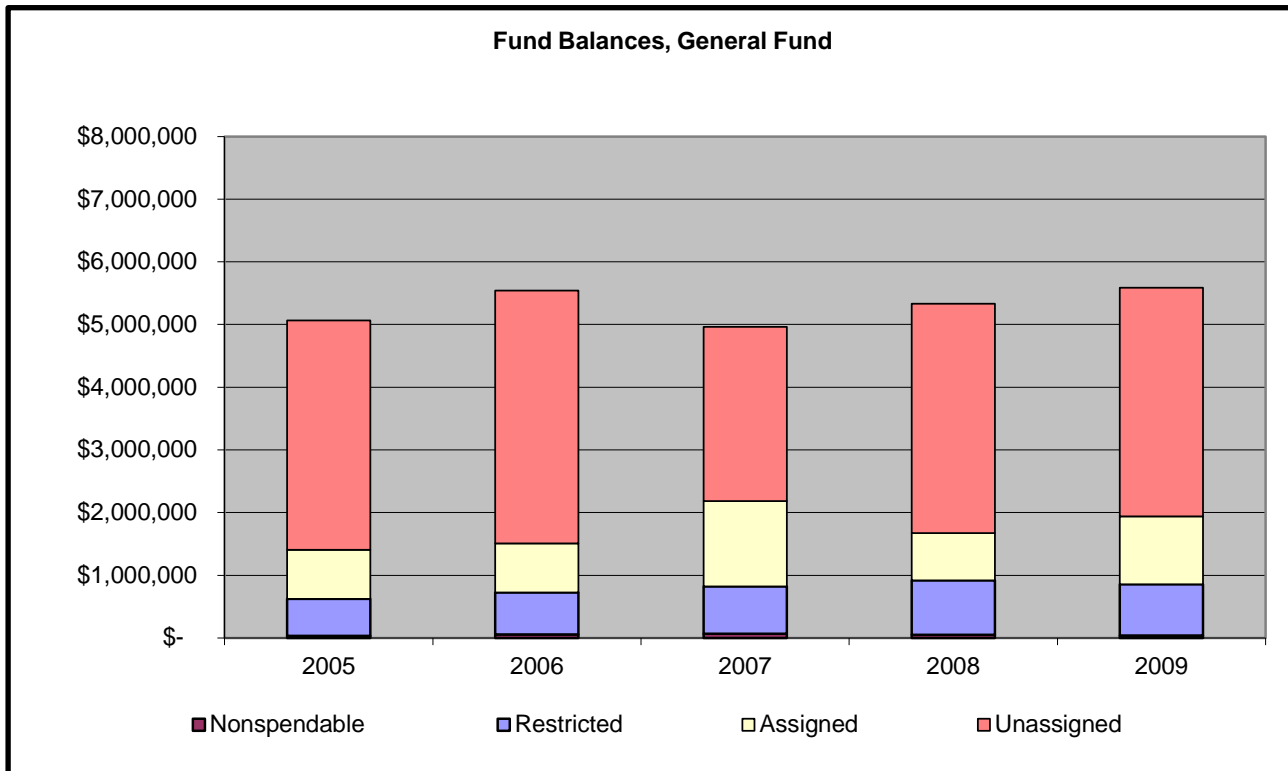
**Village of Pinehurst, North Carolina**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

**Schedule 2**  
**Page 2 of 2**

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Expenses</b>					
Governmental Activities:					
General government	\$ 2,103,062	\$ 2,001,438	\$ 2,144,319	\$ 1,611,659	\$ 2,168,794
Public safety	5,284,615	5,415,839	5,454,487	5,582,355	5,803,531
Transportation	1,672,394	2,460,277	2,511,804	2,475,382	2,369,495
Economic and physical development	1,209,264	1,422,329	1,250,263	1,542,829	1,566,159
Environmental protection	1,050,620	1,352,912	1,337,891	1,275,525	1,402,623
Cultural and recreation	1,854,910	1,795,985	1,919,013	2,100,673	2,746,748
Non-departmental	-	-	-	-	-
Interest on long-term debt	166,794	141,320	108,919	88,541	82,192
<b>Total governmental activities expenses</b>	<b>\$ 13,341,659</b>	<b>\$ 14,590,100</b>	<b>\$ 14,726,696</b>	<b>\$ 14,676,964</b>	<b>\$ 16,139,542</b>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	842,700	398,609	422,878	469,345	490,364
Transportation	9,000	10,000	10,000	10,500	19,000
Economic and physical development	66,201	25,615	49,827	57,745	39,567
Cultural and recreation	468,469	497,313	510,856	509,113	1,268,417
Operating grants and contributions	513,020	957,837	827,939	533,380	546,089
Capital grants and contributions	1,099,183	-	-	207,252	42,563
<b>Total governmental activities program revenue</b>	<b>\$ 2,998,573</b>	<b>\$ 1,889,374</b>	<b>\$ 1,821,500</b>	<b>\$ 1,787,335</b>	<b>\$ 2,406,000</b>
<b>Total governmental activities net expense</b>	<b>\$ (10,343,086)</b>	<b>\$ (12,700,726)</b>	<b>\$ (12,905,196)</b>	<b>\$ (12,889,629)</b>	<b>\$ (13,733,542)</b>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Ad valorem taxes	\$ 8,070,832	\$ 9,615,930	\$ 9,483,953	\$ 9,567,944	\$ 9,763,042
Franchise taxes	43,191	44,913	-	-	-
Golf cart licenses	-	-	1,740	1,775	2,230
Unrestricted intergovernmental	3,233,572	3,892,476	4,071,702	4,162,616	4,271,703
Investment earnings	35,001	23,665	27,125	12,947	10,424
Miscellaneous	267,313	228,207	235,587	324,271	495,732
<b>Total governmental activities general revenue</b>	<b>\$ 11,649,909</b>	<b>\$ 13,805,191</b>	<b>\$ 13,820,107</b>	<b>\$ 14,069,553</b>	<b>\$ 14,543,131</b>
<b>Change in Governmental Activities Net Position</b>	<b>\$ 1,306,823</b>	<b>\$ 1,104,465</b>	<b>\$ 914,911</b>	<b>\$ 1,179,924</b>	<b>\$ 809,589</b>

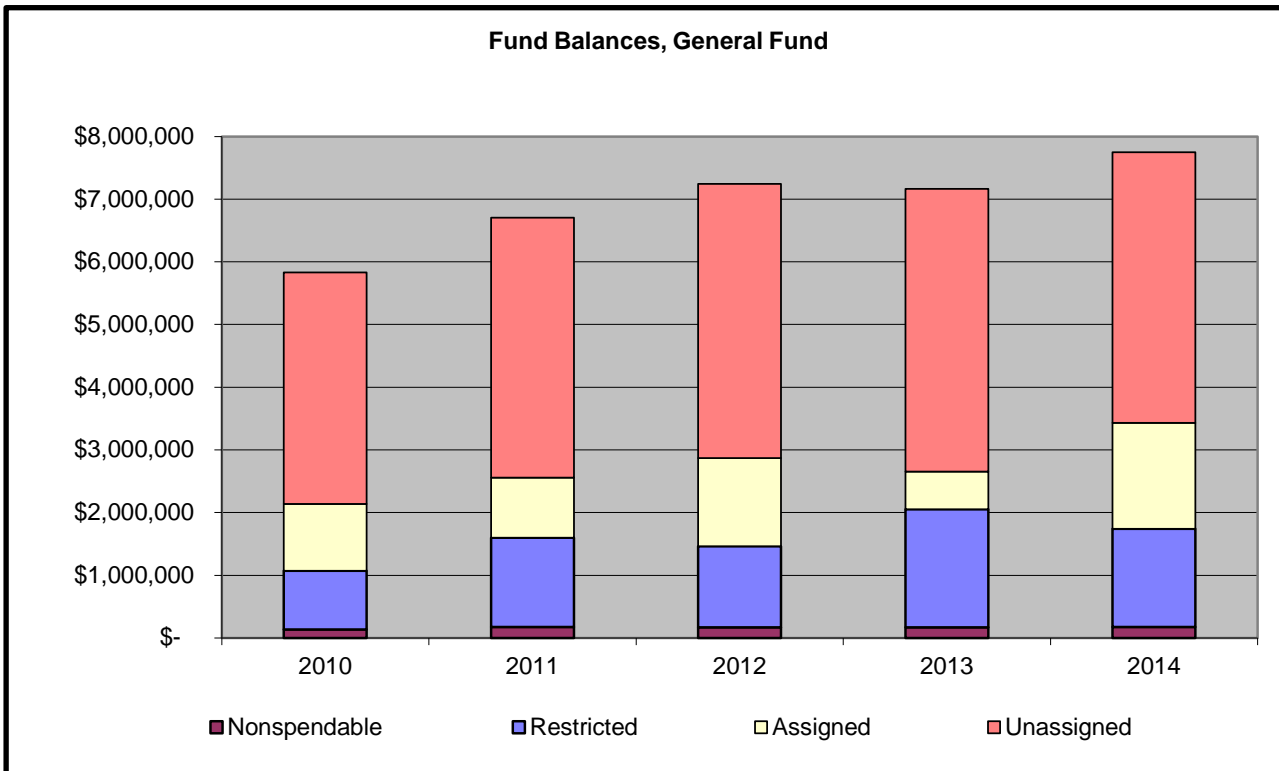
**Village of Pinehurst, North Carolina**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>General Fund</b>					
Nonspendable:					
Inventory	\$ 20,115	\$ 30,007	\$ 34,352	\$ 43,860	\$ 36,722
Prepaid items	16,061	25,063	31,925	10,483	5,300
Restricted:					
Stabilization by state statute	587,775	669,013	754,787	866,501	814,222
Equitable sharing	775	808	844	-	-
Assigned:					
Subsequent year's expenditures	781,275	786,405	1,362,144	752,672	1,086,707
Unassigned	3,661,380	4,027,992	2,778,482	3,655,444	3,642,545
<b>Total general fund</b>	<b>\$ 5,067,381</b>	<b>\$ 5,539,288</b>	<b>\$ 4,962,534</b>	<b>\$ 5,328,960</b>	<b>\$ 5,585,496</b>
<b>All Other Governmental Funds</b>					
Restricted:					
Municipal Service District	\$ 3,821	\$ 6,322	\$ 9,546	\$ 12,710	\$ 12,116
Committed:					
Capital Project fund expenditures	2,548,047	110,902	304,288	267,441	187,063
Special Revenue fund expenditures	539,153	203,684	294,099	240,847	94,465
<b>Total all other governmental funds</b>	<b>\$ 3,091,021</b>	<b>\$ 320,908</b>	<b>\$ 607,933</b>	<b>\$ 520,998</b>	<b>\$ 293,644</b>



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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>General Fund</b>					
Nonspendable:					
Inventory	\$ 36,180	\$ 46,747	\$ 48,745	\$ 43,640	\$ 44,071
Prepaid items	97,922	128,567	124,714	127,308	130,586
Restricted:					
Stabilization by state statute	940,483	1,422,691	1,291,963	1,882,835	1,568,980
Equitable sharing	-	-	-	-	-
Assigned:					
Subsequent year's expenditures	1,066,859	959,020	1,405,864	601,175	1,687,710
Unassigned	3,691,852	4,145,184	4,373,169	4,506,790	4,317,497
<b>Total general fund</b>	<b>\$ 5,833,296</b>	<b>\$ 6,702,209</b>	<b>\$ 7,244,455</b>	<b>\$ 7,161,748</b>	<b>\$ 7,748,844</b>
<b>All Other Governmental Funds</b>					
Restricted:					
Municipal Service District	\$ 13,070	\$ 14,084	\$ 14,354	\$ -	\$ -
Committed:					
Capital Project fund expenditures	49,632	34,549	24,982	-	-
Special Revenue fund expenditures	10,140	10,218	10,642	10,755	2,894
<b>Total all other governmental funds</b>	<b>\$ 72,842</b>	<b>\$ 58,851</b>	<b>\$ 49,978</b>	<b>\$ 10,755</b>	<b>\$ 2,894</b>



**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				
	2005	2006	2007	2008	2009
<b>Revenues</b>					
Ad valorem taxes	\$ 6,290,091	\$ 6,516,709	\$ 6,766,300	\$ 7,785,759	\$ 7,909,217
Other taxes and licenses	202,078	217,008	133,435	33,628	38,073
Unrestricted intergovernmental	2,651,180	2,874,723	3,199,031	3,462,583	3,367,519
Restricted intergovernmental	465,120	475,779	591,283	691,900	1,272,350
Permits and fees	1,387,337	1,134,268	1,079,571	1,071,151	1,059,147
Sales and services	705,049	422,331	407,677	400,419	453,201
Investment earnings	126,472	267,231	343,972	307,166	137,479
Assessments	32,565	26,427	58,527	56,236	38,699
Miscellaneous	82,185	186,980	154,389	131,172	165,488
Total revenues	<u>11,942,077</u>	<u>12,121,456</u>	<u>12,734,185</u>	<u>13,940,014</u>	<u>14,441,173</u>
<b>Expenditures</b>					
General government	1,638,071	1,480,516	1,784,308	2,165,676	1,827,508
Public safety	3,628,528	3,767,794	4,335,510	4,819,675	4,829,228
Transportation	1,598,334	1,785,797	1,895,464	1,930,191	1,727,241
Economic and physical development	971,816	1,022,141	1,073,563	1,216,009	1,891,282
Environmental protection	817,130	700,942	1,088,038	1,166,982	974,767
Cultural and recreation	1,051,090	1,118,877	1,147,154	1,360,286	1,802,697
Non-departmental	47,016	55,822	45,420	48,615	62,907
Debt service:					
Principal	648,862	757,191	776,602	796,762	808,993
Interest and other charges	221,971	280,308	251,461	221,947	191,418
Capital outlay	408,393	3,459,227	628,297	84,417	329,892
Total expenditures	<u>11,031,211</u>	<u>14,428,615</u>	<u>13,025,817</u>	<u>13,810,560</u>	<u>14,445,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>910,866</u>	<u>(2,307,159)</u>	<u>(291,632)</u>	<u>129,454</u>	<u>(4,760)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(1,166,324)	(2,710,696)	(2,745,761)	(807,910)	(1,074,544)
Transfers from other funds	1,166,324	2,710,696	2,745,761	807,910	1,074,544
Sales of capital assets	15,201	8,953	1,903	19,402	33,942
Issuance of debt	2,500,000	-	-	-	-
Total other financing sources (uses)	<u>2,515,201</u>	<u>8,953</u>	<u>1,903</u>	<u>19,402</u>	<u>33,942</u>
Net change in fund balances	3,426,067	(2,298,206)	(289,729)	148,856	29,182
Fund balances, beginning	4,732,335	8,158,402	5,860,196	5,570,467	5,849,958
Prior period adjustment	-	-	-	130,635	-
Fund balances, beginning as restated	<u>4,732,335</u>	<u>8,158,402</u>	<u>5,860,196</u>	<u>5,701,102</u>	<u>5,849,958</u>
Fund balances, ending	<u>\$ 8,158,402</u>	<u>\$ 5,860,196</u>	<u>\$ 5,570,467</u>	<u>\$ 5,849,958</u>	<u>\$ 5,879,140</u>
Debt service as a percentage of noncapital expenditures	9.2%	10.1%	8.9%	8.0%	7.7%

**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				
	2010	2011	2012	2013	2014
<b>Revenues</b>					
Ad valorem taxes	\$ 8,070,137	\$ 9,609,611	\$ 9,486,491	\$ 9,561,126	\$ 9,771,682
Other taxes and licenses	43,191	42,976	1,740	1,775	2,230
Unrestricted intergovernmental	3,233,572	3,894,413	4,071,702	4,162,616	4,271,703
Restricted intergovernmental	510,604	957,549	826,718	532,860	548,073
Permits and fees	914,383	446,838	480,999	535,247	1,252,453
Sales and services	468,903	497,714	501,690	517,744	564,975
Investment earnings	37,416	23,951	28,345	13,468	10,714
Assessments	15,619	34,648	25,460	12,412	11,791
Miscellaneous	170,051	167,838	221,513	265,399	266,641
Total revenues	<u>13,463,876</u>	<u>15,675,538</u>	<u>15,644,658</u>	<u>15,602,647</u>	<u>16,700,262</u>
<b>Expenditures</b>					
General government	1,863,768	1,840,989	1,933,779	2,106,278	2,196,930
Public safety	5,365,546	5,049,620	5,053,316	5,197,380	5,856,007
Transportation	1,580,763	2,382,430	2,558,524	2,178,585	2,792,152
Economic and physical development	1,271,268	1,472,447	1,455,559	2,160,239	1,454,418
Environmental protection	1,041,943	1,268,744	1,468,031	1,350,737	1,456,374
Cultural and recreation	1,706,863	1,781,382	1,809,654	2,280,905	2,694,676
Non-departmental	-	-	-	-	-
Debt service:					
Principal	836,473	891,764	748,878	478,298	378,829
Interest and other charges	173,226	150,635	116,592	91,151	83,098
Capital outlay	130,215	15,083	910	-	-
Total expenditures	<u>13,970,065</u>	<u>14,853,094</u>	<u>15,145,243</u>	<u>15,843,573</u>	<u>16,912,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(506,189)</u>	<u>822,444</u>	<u>499,415</u>	<u>(240,926)</u>	<u>(212,222)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(1,760,662)	(34,648)	(34,117)	(52,380)	(7,933)
Transfers from other funds	1,760,662	34,648	34,117	52,380	7,933
Sales of capital assets	33,187	32,478	33,958	59,493	241,457
Issuance of debt	500,000	-	-	59,503	550,000
Total other financing sources (uses)	<u>533,187</u>	<u>32,478</u>	<u>33,958</u>	<u>118,996</u>	<u>791,457</u>
Net change in fund balances	26,998	854,922	533,373	(121,930)	579,235
Fund balances, beginning	5,879,140	5,906,138	6,761,060	7,294,433	7,172,503
Prior period adjustment	-	-	-	-	-
Fund balances, beginning as restated	<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>
Fund balances, ending	<u>\$ 5,906,138</u>	<u>\$ 6,761,060</u>	<u>\$ 7,294,433</u>	<u>\$ 7,172,503</u>	<u>\$ 7,751,738</u>
Debt service as a percentage of noncapital expenditures	7.9%	7.4%	6.2%	4.3%	3.1%

**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
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	2,763,747,893
2010	2009	2,807,721,340	332,150,630	17,024,619	271,564,035	2,885,332,554	0.28	2,873,837,205
2011	2010	3,312,056,948	339,862,923	16,599,447	309,316,950	3,359,202,368	0.28	3,325,942,939
2012	2011	3,333,807,236	348,341,880	17,750,788	309,216,950	3,390,682,954	0.28	3,377,174,257
2013	2012	3,368,430,240	346,142,700	17,669,146	312,873,330	3,419,368,756	0.28	3,398,974,907
2014	2013	3,433,539,072	346,239,540	17,443,205	314,499,090	3,482,722,727	0.28	3,448,240,324

**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)
2005	2004	0.31	0.12	0.515
2006	2005	0.31	0.09	0.495
2007	2006	0.31	0.09	0.495
2008	2007	0.28	0.08	0.475
2009	2008	0.28	0.06	0.504
2010	2009	0.28	0.06	0.485
2011	2010	0.28	0.05	0.485
2012	2011	0.28	0.05	0.485
2013	2012	0.28	0.05	0.485
2014	2013	0.28	-	0.485

**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.

In fiscal year 2013 the Municipal Service District fund was closed and all operations were absorbed into the General Fund. Starting in fiscal year 2014, the cost of operations is funded by the Direct Tax.

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

**Schedule 7**

Taxpayer	2014		2005	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pinehurst LLC	\$ 159,291,425	4.57%	\$ 118,565,300	5.83%
Pinehurst Surgical Clinic	23,614,600	0.68%	7,616,410	0.37%
Country Club of North Carolina	22,019,470	0.63%	17,847,520	0.88%
Pinehurst Medical	20,244,470	0.58%	10,487,499	0.52%
Pinewild Project Limited PTNS	14,042,077	0.40%	-	0.00%
Progress Energy Carolinas	12,502,793	0.36%	11,646,416	0.57%
East Lake Development, LLC	6,847,520	0.20%	-	0.00%
MTMM Associates (Carolina Eye Assoc.)	5,644,060	0.16%	6,617,107	0.33%
SCOP (Surgery Center of Pinehurst)	5,148,450	0.15%	-	0.00%
Pinehurst Nursing	4,286,825	0.12%	3,401,170	0.17%
Infinity B&C LLC	4,127,550	0.12%	-	0.00%
Carolina Telephone and Telegraph	4,002,740	0.11%	4,430,287	0.22%
Branch Banking and Trust Co.	-	0.00%	4,377,622	0.22%
Pleasant Living Health Care (Quail Haven)	-	0.00%	8,174,043	0.40%
<b>Total</b>	<b>\$ 281,771,980</b>	<b>8.09%</b>	<b>\$ 193,163,374</b>	<b>9.49%</b>

**Sources:**

Moore County Tax Department

**Notes:**

FY2014 and FY2005 data are for tax years 2013 and 2004 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)
2005	2004	\$6,316,490	\$6,274,550	99.34%	\$26,979	\$6,301,529	99.76%
2006	2005	6,533,030	6,500,443	99.50%	15,506	6,515,949	99.74%
2007	2006	6,771,970	6,748,375	99.65%	10,687	6,759,062	99.81%
2008	2007	7,793,503	7,769,586	99.69%	10,906	7,780,492	99.83%
2009	2008	7,913,875	7,889,733	99.69%	11,486	7,901,219	99.84%
2010	2009	8,077,329	8,050,348	99.67%	12,022	8,062,370	99.81%
2011	2010	9,606,203	9,588,105	99.81%	10,601	9,598,706	99.92%
2012	2011	9,477,624	9,463,405	99.85%	12,326	9,475,731	99.98%
2013	2012	9,558,275	9,538,561	99.79%	15,869	9,554,430	99.96%
2014	2013	9,756,980	9,748,024	99.91%	-	9,748,024	99.91%

**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 (1)</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
2005	2004	\$7,627,030	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
2014	2013	2,262,742	0.35%	149

**Notes:**

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

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

Village of Pinehurst, North Carolina  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2014

Schedule 10

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
<b>Moore County (1)</b>			
Debt repaid with property taxes:			
Moore County General Obligation Debt	\$ 64,805,000	28.36%	\$ 18,375,780
Other debt:			
Moore County LOB	24,085,000	28.36%	6,829,422
Capital Lease	351,829	28.36%	99,763
Moore County Installment Loans	100,940	28.36%	<u>28,622</u>
Subtotal, overlapping debt			25,333,586
<b>Village of Pinehurst direct debt</b>			<u>2,262,742</u>
Total direct and overlapping debt			<u>\$ 27,596,328</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, 2013 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>
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%
2014	278,617,818	2,262,742	276,355,076	99.19%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed valuation	\$ 3,482,722,727	
	x <u>8.00%</u>	
Debt limit - 8.0% of assessed value		\$ 278,617,818
Gross debt:		
Capital leases	19,760	
Installment purchase agreements	<u>2,242,982</u>	
Total gross debt	2,262,742	
Total amount of debt applicable to debt limit (net debt)		<u>2,262,742</u>
<b>LEGAL DEBT MARGIN</b>		<u><u>\$ 276,355,076</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>
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%
2014	2013	15,150	650,586,450	42,943	60.9	6.3%

**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**

<b>Employer</b>	<b>2014</b>		<b>2005</b>	
	<b>Employees</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Percentage of Total Employment</b>
First Health of the Carolinas (1)	3,401	71.05%	2,370	56.44%
Pinehurst, LLC (2)	1,260	26.32%	1,253	29.84%
<b>Total</b>		<b>97.37%</b>		<b>86.28%</b>

**Sources:**

- (1) Human Resources Department at First Health of the Carolinas.
- (2) Human Resources Department at Pinehurst, LLC f/n/a Resorts of Pinehurst Inc.

**Notes:**

2014 employment is based on calendar year 2013.  
2005 employment is estimated.

GASB 44 requires comparative data for the current calendar year and nine years prior. 2010 adjusted Census Data was used for 2005 and 2014 to estimate the percentage of total employment.

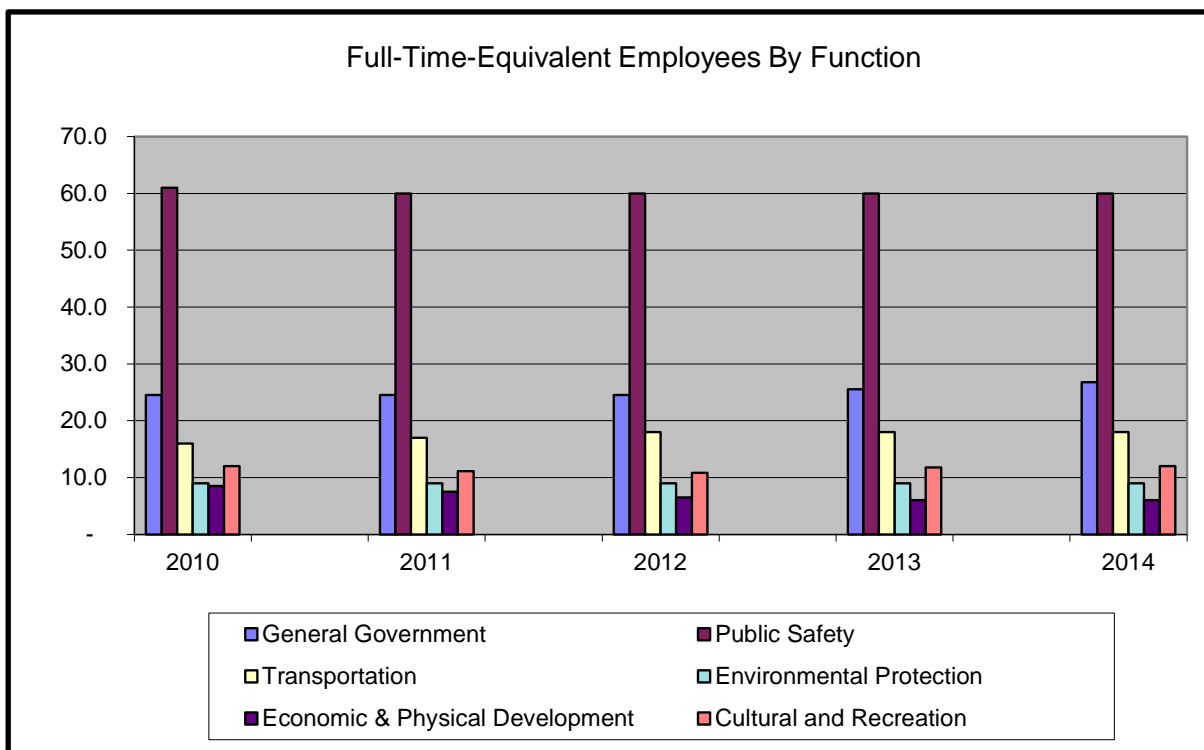
**Village of Pinehurst, North Carolina**  
**Full-time-Equivalent Employees by Function**  
**Last Ten Fiscal Years**

**Schedule 14**

<u>Function</u>	Full-time-Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	16.75	18.5	22.2	23.5	25.0	24.5	24.5	24.5	25.5	26.8
Public Safety	61.0	61.3	62.2	63.2	63.2	61.0	60.0	60.0	60.0	60.0
Transportation	15.0	15.5	17.0	16.0	18.0	16.0	17.0	18.0	18.0	18.0
Environmental Protection	10.0	9.0	9.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0
Economic & Physical Development	8.5	9.5	9.0	9.0	9.0	8.5	7.5	6.5	6.0	6.0
Cultural and Recreation	7.0	7.0	10.2	10.2	11.2	12.0	11.1	10.8	11.8	12.0
Total	118.3	120.8	129.6	129.9	135.4	131.0	129.1	128.8	130.3	131.8

**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**

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General Government					
Financial Services					
Purchase orders issued	323	262	207	225	260
Vendor checks issued	2,673	2,529	2,427	2,448	2,333
Vendor EFTs issued	-	-	-	-	-
Human Resources					
Workers' compensation lost time (days)	322	6	60	12	446
Employee turnover rate	9.0%	9.0%	9.4%	7.8%	7.9%
Fleet Maintenance					
Tires changed	300	372	235	311	216
10-point service performed	350	200	291	233	208
Public Safety					
Fire Protection					
Public fire & life safety classes	95	219	204	167	159
Incident calls	842	922	827	843	855
Structure fires	21	26	56	63	44
Inspections	766	824	787	732	620
Child passenger seat inspections	833	579	583	396	173
Police Protection					
Physical arrests	206	202	262	585	444
Citations issued	1,560	1,285	3,806	3,891	3,993
Response to calls/officer initiated activity	11,500	9,801	11,866	13,513	13,640
Traffic accidents	447	432	483	500	474
Inspections					
Building inspections conducted	11,286	10,588	9,194	7,683	5,409
Certificates of occupancy issued	254	271	227	169	181
Transportation					
Street resurfacing (miles)	5.0	5.0	6.3	5.6	4.8
Environmental Protection					
Refuse collected (tons annually)	4,578	4,287	4,392	4,094	3,948
Homes receiving service	6,345	6,485	6,651	6,782	6,862
Recyclables collected (tons annually)	305	369	568	943	966
Economic & Physical Development					
Building permits issued	318	378	424	359	278
Zoning compliance investigations	475	480	477	690	624
Cultural & Recreation					
Recreation					
Program participants	398	468	679	830	939
Athletics participants	1,507	1,503	1,556	1,982	2,323
Harness Track					
Standardbred stalls leased	280	285	249	220	281
Facilities reserved (days)	62	45	32	30	20
Fair Barn					
Events	67	87	89	84	80
Rental days	125	131	117	95	98

**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				
	2010	2011	2012	2013	2014
General Government					
Financial Services					
Purchase orders issued	280	295	269	299	338
Vendor checks issued	2,471	2,444	2,365	1,840	1,641
Vendor EFTs issued	-	-	401	620	998
Human Resources					
Workers' compensation lost time (days)	32	425	33	74	144
Employee turnover rate	9.2%	8.5%	10.7%	11.4%	7.9%
Fleet Maintenance					
Tires changed	116	188	200	205	204
10-point service performed	194	288	228	220	200
Public Safety					
Fire Protection					
Public fire & life safety classes	170	176	191	254	307
Incident calls	884	1,031	865	982	993
Structure fires	55	58	35	43	28
Inspections (1)	423	784	1,174	950	1,898
Child passenger seat inspections	222	228	120	182	170
Police Protection					
Physical arrests	445	233	165	184	239
Citations issued	2,970	3,053	1,908	1,208	2,082
Response to calls/officer initiated activity	14,495	14,362	13,364	10,901	13,041
Traffic accidents	418	476	414	447	422
Inspections					
Building inspections conducted (1)	4,281	4,370	3,832	4,608	7,540
Certificates of occupancy issued	156	197	48	68	79
Transportation					
Street resurfacing (miles)	3.2	6.4	4.5	3.6	5.0
Environmental Protection					
Refuse collected (tons annually)	3,849	4,124	3,808	3,856	3,988
Homes receiving service	7,686	7,736	7,812	7,877	7,955
Recyclables collected (tons annually)	1,473	1,734	1,807	1,913	2,025
Economic & Physical Development					
Building permits issued	259	239	287	275	313
Zoning compliance investigations	475	501	577	596	522
Cultural & Recreation					
Recreation					
Program participants	1,065	1,739	1,748	1,591	1,807
Athletics participants	2,287	2,296	1,934	1,838	1,442
Harness Track					
Standardbred stalls leased	251	276	259	223	240
Facilities reserved (days)	30	32	32	103	125
Fair Barn					
Events	88	113	113	102	122
Rental days	96	120	113	112	199

**Sources:**

Various Village departments

**Notes:**

(1) Fiscal Years 2005 and 2014 include inspections conducted for the USGA at the US Open Championship venue

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

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	6	6	7	7	5
Police Protection					
Stations	1	1	1	1	1
Patrol units	15	16	17	20	20
Transportation					
Miles of streets	104.65	104.65	104.65	104.65	104.65
Maintenance vehicles	18	18	18	20	22
Sidewalks (linear feet)	13,574	13,575	13,575	13,576	153,577
Environmental Protection					
Refuse collection trucks	15	17	19	21	20
Economic & Physical Development					
Storm water drainage areas	3	4	6	7	10
Cultural & Recreation					
Number of parks	4	4	4	4	4
Park acreage	297	297	297	297	297
Greenway trails (miles)	3.0	3.5	4.0	5.0	5.8
Playgrounds	2	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	1	2	2	2	2

Sources:

Various Village departments

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

Function	Fiscal Year				
	2010	2011	2012	2013	2014
Public Safety					
Fire Protection					
Stations	2	2	2	2	2
Fire trucks	6	6	6	6	7
Police Protection					
Stations	1	1	1	1	1
Patrol units	20	21	22	23	24
Transportation					
Miles of streets	105.57	105.57	105.57	105.90	105.66
Maintenance vehicles	22	23	25	24	25
Sidewalks (linear feet)	13,577	13,578	13,578	13,578	13,578
Environmental Protection					
Refuse collection trucks	17	17	15	15	15
Economic & Physical Development					
Storm water drainage areas	16	29	38	48	57
Cultural & Recreation					
Number of parks	4	4	4	4	5
Park acreage	297	297	297	297	297
Greenway trails (miles)	5.8	6.3	6.3	6.8	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





**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Independent Auditors' Report**

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 *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, 2014, 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 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 24, 2014

**Village of Pinehurst, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2014**

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<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Awards</b>					
<u>U.S. Department of Housing &amp; Urban Development</u>					
Passed through N.C. Department of Commerce					
Jackson Hamlet Sewer CDBG-III	14.228	07-D-2356	\$ 45,394	\$ -	\$ -
<u>U.S. Department of Transportation</u>					
Passed through N.C. Department of Trasportation					
Federal-Aid Highway Program-Bicycle Planning Grant	20.205	4172	2,275	-	975
Total Federal Awards			<u>47,669</u>	<u>-</u>	<u>975</u>
<b>State Awards</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill			-	485,356	-
Total State Awards			<u>-</u>	<u>485,356</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 47,669</u>	<u>\$ 485,356</u>	<u>\$ 975</u>

