

Village of Pinehurst

FY 2009-2010

# FINANCIAL CONDITION ASSESSMENT

# COMMUNICATING FINANCIAL CONDITION

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- ❑ Developed by UNC School of Government (SOG) to communicate financial condition to elected officials
- ❑ Compares Village to peer group over time
- ❑ Distinguishes between General Fund (modified accrual) and Government-Wide (full accrual and includes utilities for peers)
- ❑ Village was one of the first municipalities in NC to implement this assessment tool

# BENCHMARK GROUP

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- ❑ Pinehurst – pop. 13,277
  - ❑ Moore County
- ❑ Southern Pines - pop. 12,450
  - ❑ Moore County
- ❑ Hendersonville – pop. 12,993
  - ❑ Henderson County
- ❑ Carrboro – pop. 19,476
  - ❑ Orange County
- ❑ Cornelius – pop. 23,929
  - ❑ Mecklenburg County

# FINANCIAL CONDITION ASSESSMENT

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## ❑ Resource Flow

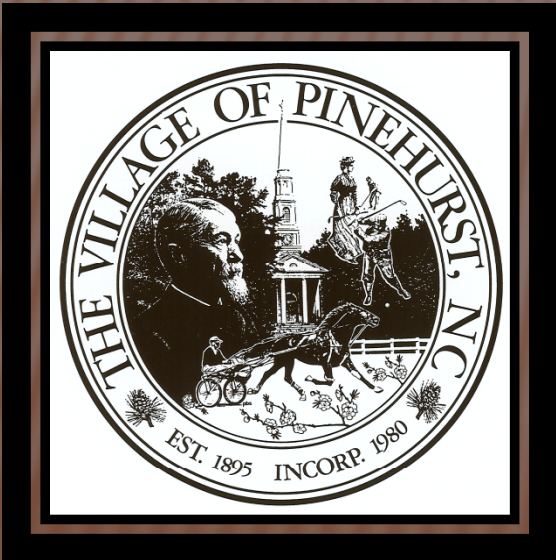
- ❑ Total Margin
- ❑ Financial Performance
- ❑ Self-Sufficiency
- ❑ Resource Obligation

## ❑ Resource Stock

- ❑ Liquidity
- ❑ Solvency
- ❑ Leverage
- ❑ Capital

Financial Condition Assessment

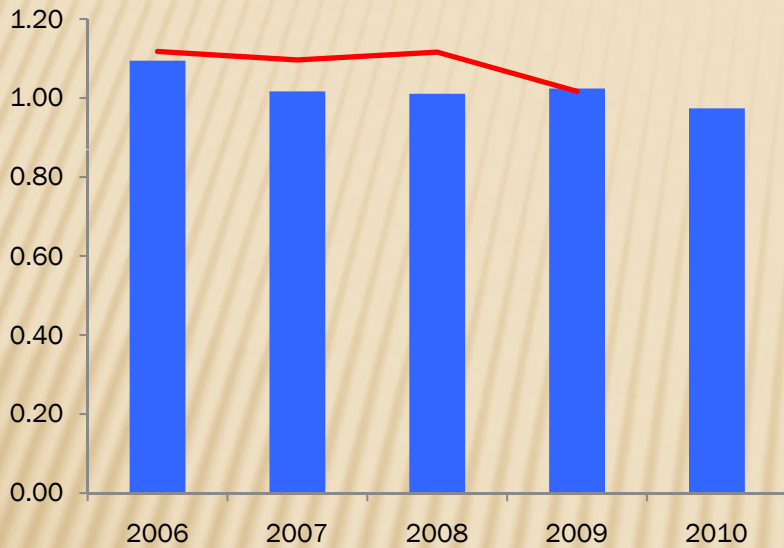
# RESOURCE FLOW



# TOTAL MARGIN RATIO

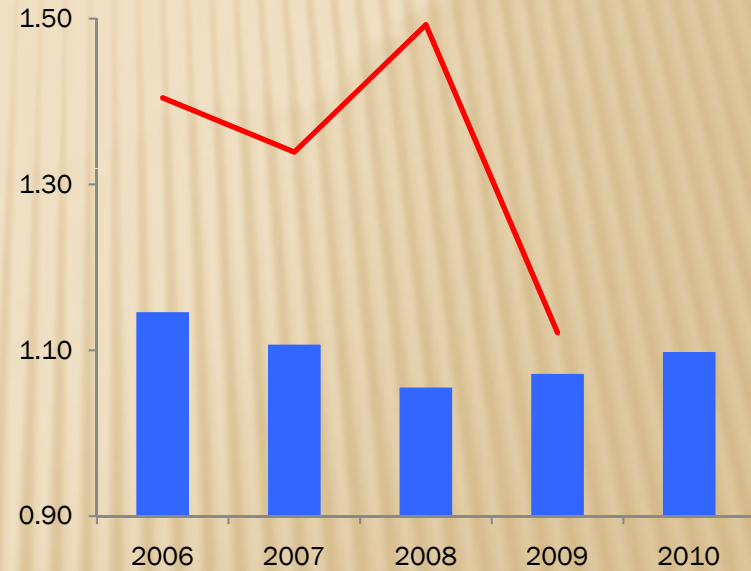
Ratio of revenues to expenditures

General Fund



Pinehurst = 0.97, Benchmark = 1.02

Government-wide



Pinehurst = 1.10, Benchmark = 1.12

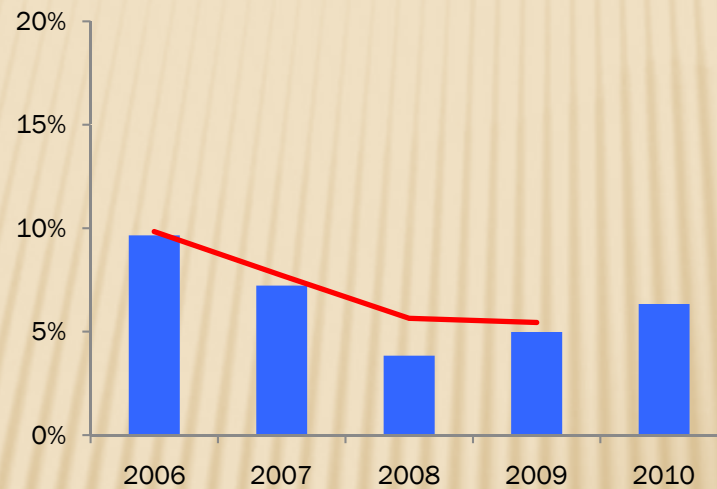
Pinehurst ■  
Benchmark Group —

A ratio higher than one, indicates the Village has lived within its means, while not building up excess reserves.

# PERCENT CHANGE IN NET ASSETS

Change in net assets compared to beginning net assets

## Government-wide



Pinehurst = 6.3%, Benchmark = 5.4%

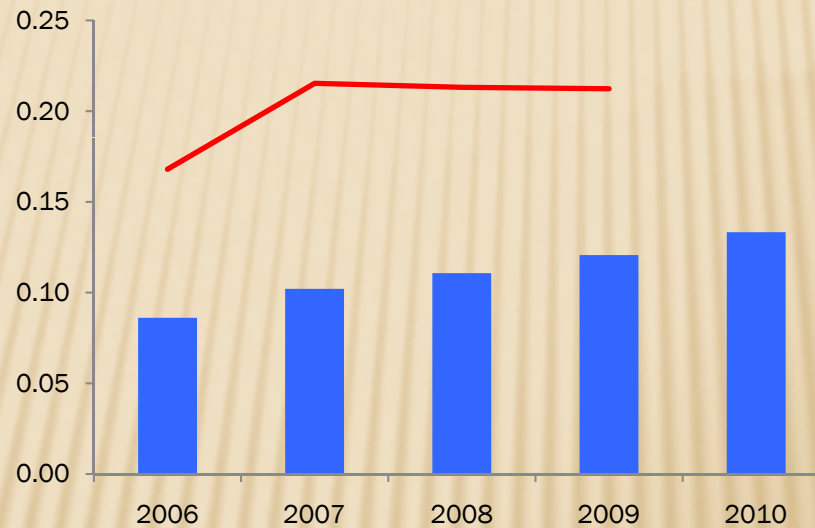
Pinehurst ■  
Benchmark Group —

The growth rate in the Village's net assets is lower today than before the recession consistent with its peers group.

# INTERGOVERNMENTAL RATIO

Ratio of intergovernmental to total revenues

## General Fund



Pinehurst = 0.13, Benchmark = 0.21

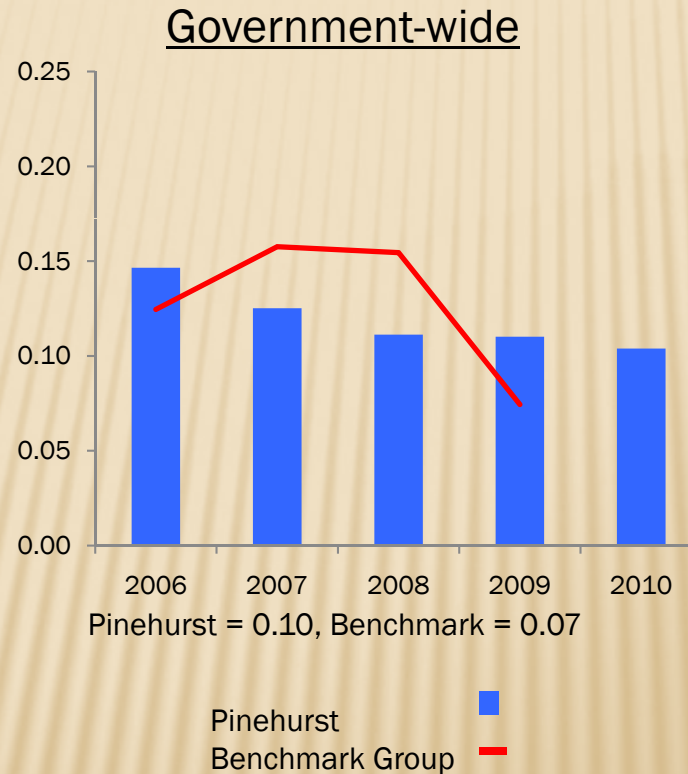
Pinehurst ■  
Benchmark Group —

The Village is consistently less reliant on other governments for revenues than its peer group.



# CHARGE TO EXPENSE RATIO

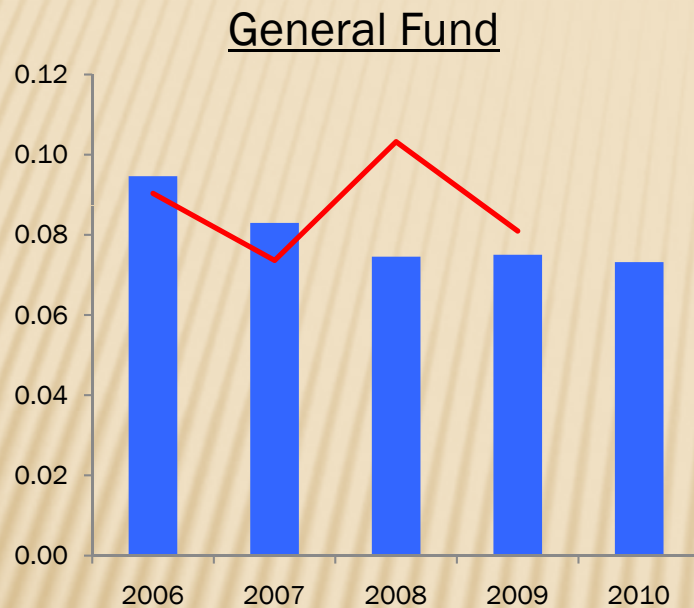
Charges for services compared to total expenses



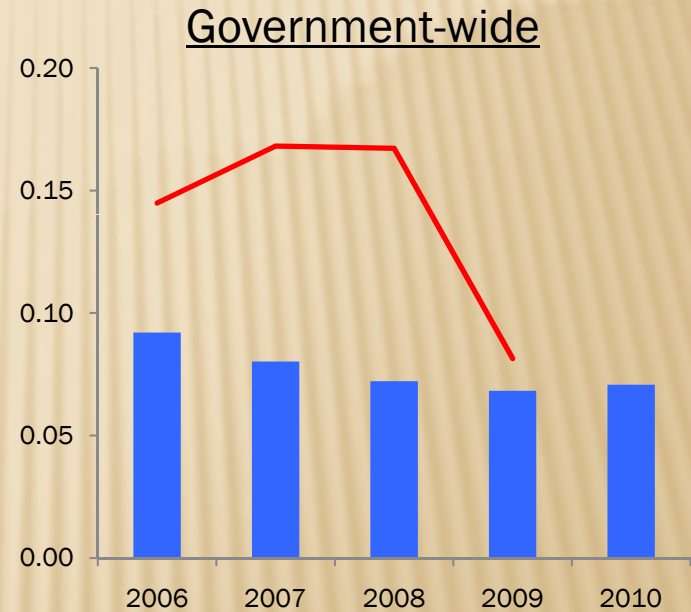
The Village's charges for services cover a larger portion of expenses, indicating that services are more fully self-supporting.

# DEBT SERVICE RATIO

Debt service compared to total expenses



Pinehurst = 0.07, Benchmark = 0.08



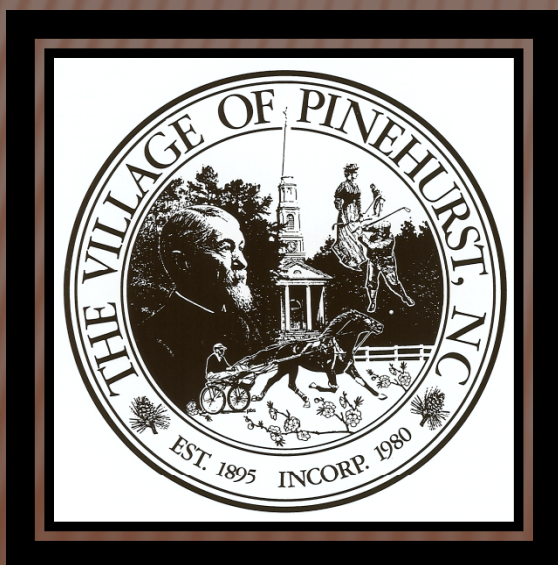
Pinehurst = 0.07, Benchmark = 0.08

Pinehurst ■  
Benchmark Group —

The Village is somewhat less reliant on debt, indicating a better ability to meet current and future debt service obligations.

Financial Condition Assessment

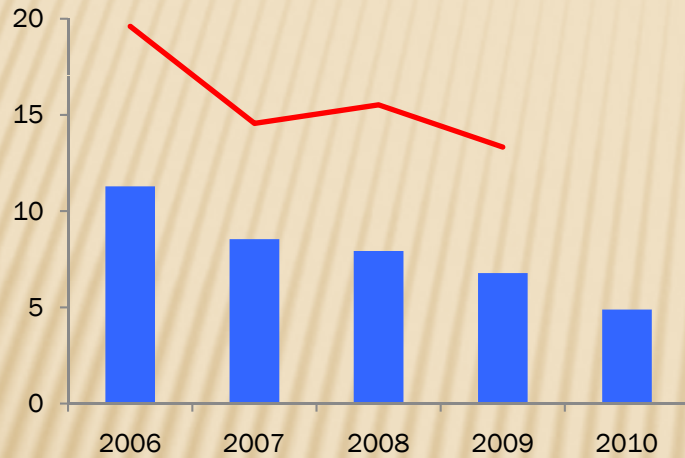
# RESOURCE STOCK



# QUICK RATIO

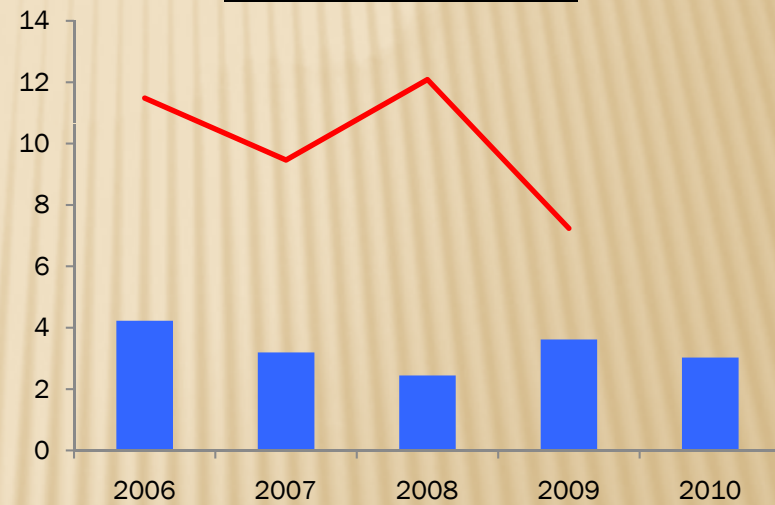
Cash and investments compared to current liabilities

## General Fund



Pinehurst = 4.89, Benchmark = 13.33

## Government-wide



Pinehurst = 3.03, Benchmark = 7.24

Pinehurst ■  
Benchmark Group —

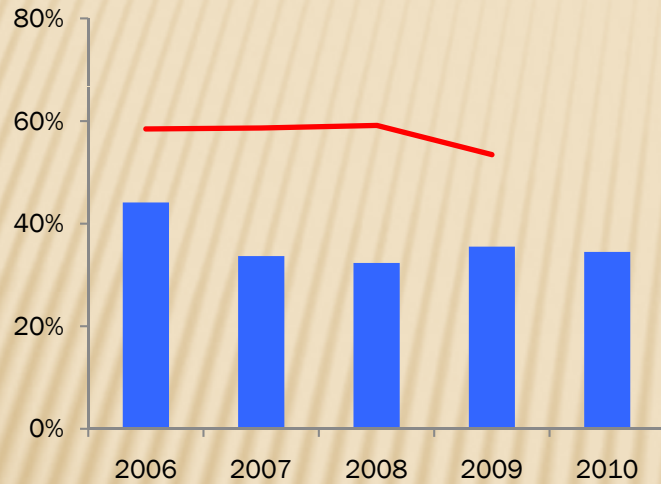
Cash and investment levels while adequate to cover current obligations are lower than our peer group overall.

# FUND BALANCE AND NET ASSETS RATIOS

Fund balance as a % of expenditures

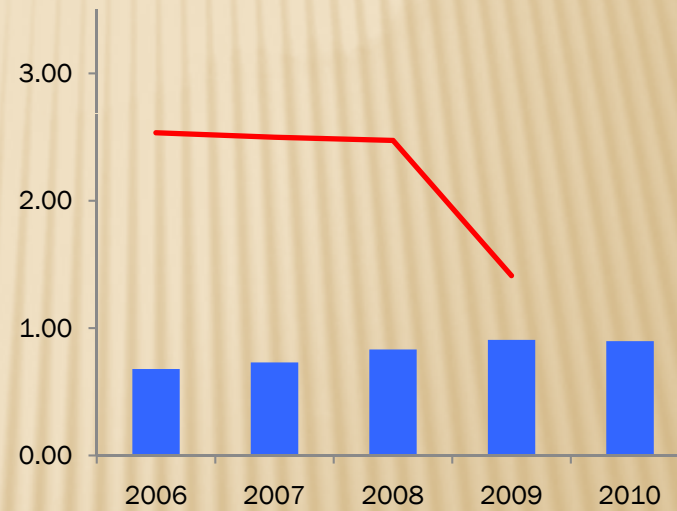
Net assets as a % of total liabilities

## General Fund



Pinehurst = 34.5%, Benchmark = 53.4%

## Government-wide



Pinehurst = 0.90, Benchmark = 1.41

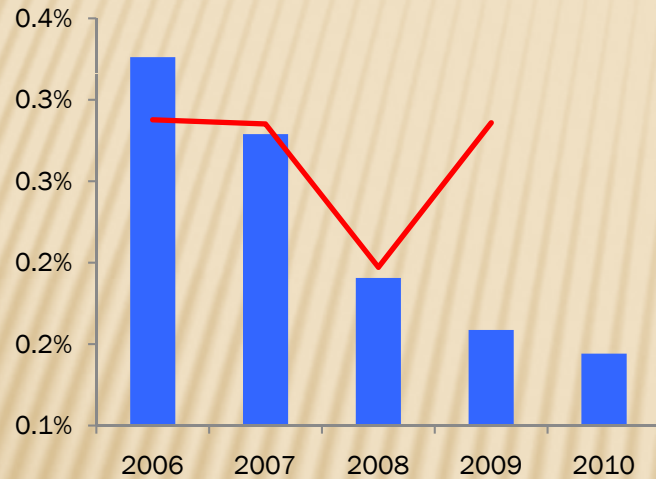
Pinehurst ■  
Benchmark Group —

The Village's fund balance remains lower than its peer group. The newly adopted fund balance policy should improve this going forward.

# DEBT RATIOS

Debt as a % of assessed value

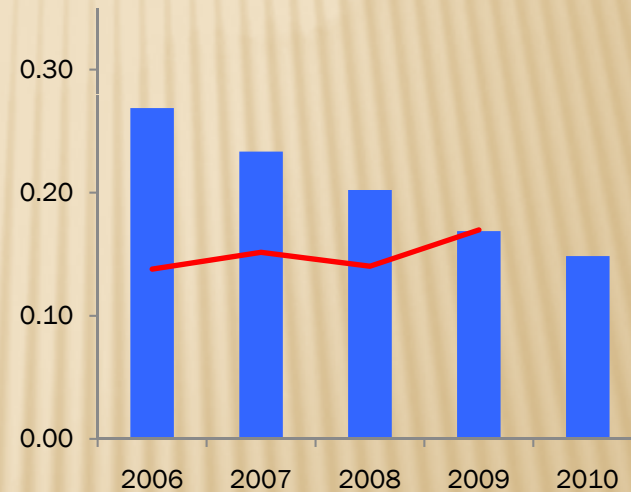
## General Fund



Pinehurst = 0.1%, Benchmark = 0.3%

Long Term Debt as a % of total assets

## Government-wide



Pinehurst = 0.15, Benchmark = 0.17

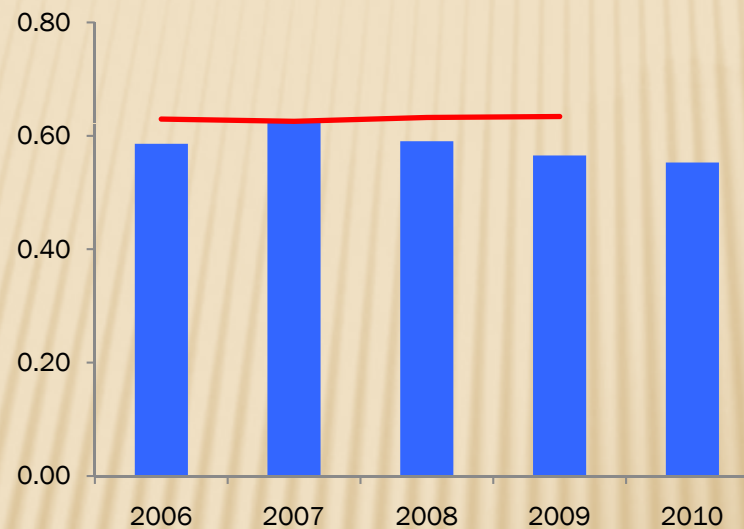
Pinehurst ■  
Benchmark Group —

The Village's outstanding debt is comparable to our peers and is declining which improves our ability to meet current and future financial obligations.

# CAPITAL ASSET CONDITION RATIO

Accumulated depreciation divided by capital assets

## Government-wide



Pinehurst = 0.55, Benchmark = 0.63

Pinehurst ■  
Benchmark Group ■

The capital assets of the Village are slightly more depreciated than our peers, indicating a lower level investment in capital assets.

# SUMMARY

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- ❑ When compared to our peer group:
  - ❑ The Village has lived within its means and has improved its financial condition compared to our peers.
  - ❑ We are less reliant on other governments for revenues.
  - ❑ Our charges for services cover a larger portion of expenses.
  - ❑ We are less reliant on debt and have a better ability to meet current and future debt service obligations.
  - ❑ The Village maintains smaller cash reserves and fund balances. Therefore, we are less liquid and less solvent.
  - ❑ We are investing in capital assets at a slightly lower rate than our peers.



# THINGS TO CONSIDER

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- ❑ Consistent with last year, the only significant deviations from our peer group are:
  - ❑ The Village maintains smaller cash reserves
  - ❑ The Village maintains smaller fund balance reserves
  
- ❑ Recommendation is to:
  - ❑ Continue our cost containment initiative to enhance the Village's overall financial position
  - ❑ Increase fund balance by adopting budgets that maintain the previous year's fund balance level and apply any year-end excesses to increase fund balance

**Table 1: Resource Flow for Government-Wide Activities**  
**(economic resources and accrual basis)**

Financial Dimension	Description	Financial Indicator	Government-wide activities		Interpretation
			Calculation	Data source	
Total margin	Addresses whether a government lived within its means during the fiscal year.	Total margin ratio	Total resource inflow (program revenues plus total general revenues and transfers) divided by total resource outflow (total expenses)	Statement of activities	A ratio of one or higher indicates that a government lived within its means.
Financial performance	Provides the magnitude of how a government's financial position improved or deteriorated as a result of resource flow.	Percent change in net assets	Change in net assets divided by net assets, beginning	Statement of activities	A positive percent change indicates that a government's financial position improved.
Self-sufficiency	Addresses the extent to which service charges covered total expenses.	Charge to expense ratio	Charges for services (fees, fines, and charges for services) divided by total expenses	Statement of activities	A ratio of one or higher indicates that the service is fully self-supporting.
Resource obligation	Provides feedback on service flexibility with the amount of resources committed to annual debt service.	Debt service ratio	Debt service (principal and interest payments on long-term debt) divided by total expenses plus principal	Statement of activities (interest) & Exhibit 4 (principal)	Service flexibility decreases as more resources are committed to annual debt service.

**Table 2: Resource Stock for Government-Wide Activities**  
**(economic resources and accrual basis)**

<b>Financial Dimension</b>	<b>Description</b>	<b>Financial Indicator</b>	<b>Government-wide activities</b>		<b>Interpretation</b>
			<b>Calculation</b>	<b>Data source</b>	
Liquidity	Government's ability to address short-term obligations	Quick ratio	Cash & investments divided by current liabilities (not including deferred revenue)	Statement of net assets	A high ratio suggests a government is able to meet its short-term obligations.
Solvency	Government's ability to address long-term obligations	Net assets ratio	Unrestricted net assets divided by total liabilities	Statement of net assets	A high ratio suggests a government is able to meet its long-term obligations.
Leverage	Extent to which total assets are financed with long-term debt	Debt to assets ratio	Long-term debt divided by total assets	Notes to financial statements	A high ratio suggests a government is overly reliant on debt for financing assets.
Capital	Condition of capital assets as defined as remaining useful life	Capital assets condition ratio	1 minus accumulated depreciation divided by capital assets being depreciated	Notes to financial statements	A high ratio suggests a government is investing in its capital assets.

**Table 3: Resource Flow for General Fund**  
**(financial resources and modified accrual basis)**

<b>Financial Dimension</b>	<b>Description</b>	<b>Financial Indicator</b>	<b>Calculation</b>	<b>Data Source</b>	<b>Interpretation</b>
Total margin	Addresses whether a government lived within its means during the fiscal year.	Total margin ratio	Total revenues divided by total expenditures	Statement of revenues, expenditures, and changes in fund balances	A ratio of one or higher indicates that a government lived within its means.
Dependency	Provides the extent to which a government is reliant on other governments for resources.	Intergovernmental ratio	Total intergovernmental revenue divided by total revenue	Statement of revenues, expenditures, and changes in fund balances	A higher ratio indicates a government is more financially reliant upon other governments.
Resource obligation	Provides feedback on service flexibility with the amount of resources committed to annual debt service.	Debt service ratio	Debt service (principal and interest payments on long-term debt) divided by noncapital expenditures	Statement of revenues, expenditures, and changes in fund balances	Service flexibility decreases as more resources are committed to annual debt service.

**Table 4: Resource Stock for General Fund**  
**(financial resources and modified accrual basis)**

<b>Financial Dimension</b>	<b>Description</b>	<b>Financial Indicator</b>	<b>Calculation</b>	<b>Data Source</b>	<b>Interpretation</b>
Liquidity	Government's ability to address short-term obligations.	Quick ratio	Cash & investments divided by current liabilities (not including deferred revenue)	Balance sheet	A high ratio suggests a government can meet its short-term obligations.
Solvency	Government's ability to address long-term obligations.	Fund balance as a percentage of expenditures	Available fund balance divided by total expenditures plus transfers out	Balance sheet	A high ratio suggests a government can meet its long-term obligations.
Leverage	Extent to which a government relies on tax-supported debt.	Debt as a percentage of assessed value	Tax-supported, long-term debt divided by assessed value	Notes to financial statements	A high ratio suggests a government is overly reliant on debt.