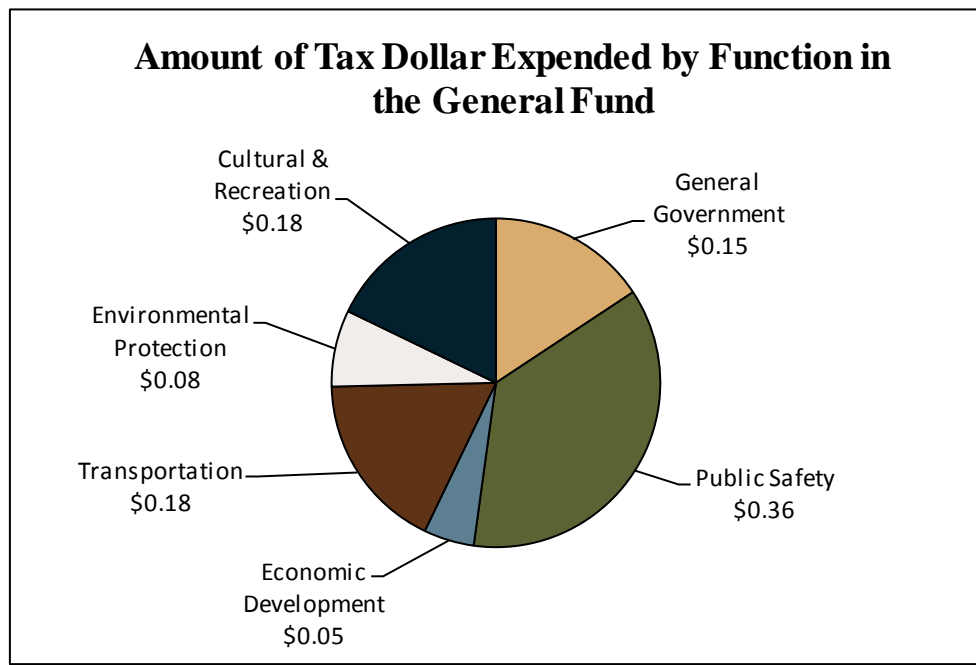




## Description

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. The following functional areas are included in the General Fund:

- ❖ General Government
- ❖ Public Safety
- ❖ Transportation
- ❖ Environmental Protection
- ❖ Economic and Physical Development
- ❖ Cultural and Recreation
- ❖ Debt Service

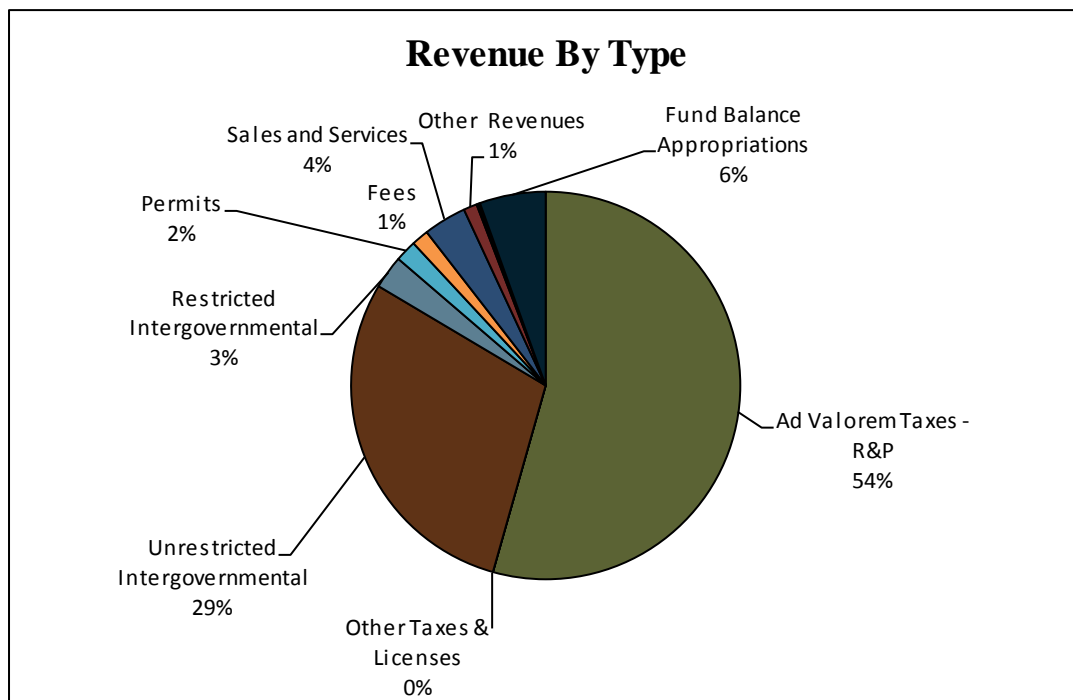




## General Fund Summary

The major revenues as well as other financing sources budgeted by the Village of Pinehurst are summarized in the table and chart below. Ad Valorem Taxes account for approximately 54% of the Village of Pinehurst's total revenues.

Revenues by Type	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Ad Valorem Taxes	\$ 9,792,365	\$ 9,573,000	\$ 9,680,000	\$ 9,923,000	3.7%
Other Taxes & Licenses	2,010	-	-	500	100.0%
Unrestricted Intergovernmental Rev.	4,979,172	4,785,900	5,249,400	5,326,200	11.3%
Restricted Intergovernmental Rev.	554,299	505,450	508,533	505,200	0.0%
Permits & Fees	578,554	556,300	557,305	583,800	4.9%
Sales & Services	629,899	579,000	655,535	652,400	12.7%
Assessments	20,116	29,075	40,000	29,000	-0.3%
Other Revenues	197,638	492,680	229,418	202,800	-58.8%
Investment Income	9,833	10,200	12,020	25,400	149.0%
<b>Revenues</b>	<b>16,763,886</b>	<b>16,531,605</b>	<b>16,932,211</b>	<b>17,248,300</b>	<b>4.3%</b>
Other Financing Sources	2,897	-	-	-	0%
Fund Balance Appropriations	-	1,827,290	-	1,001,685	-45.2%
<b>Total Revenues</b>	<b>\$ 16,766,783</b>	<b>\$ 18,358,895</b>	<b>\$ 16,932,211</b>	<b>\$ 18,249,985</b>	<b>-0.6%</b>
<b>Per Capita</b>	<b>\$ 1,080</b>	<b>\$ 1,165</b>	<b>\$ 1,074</b>	<b>\$ 1,143</b>	

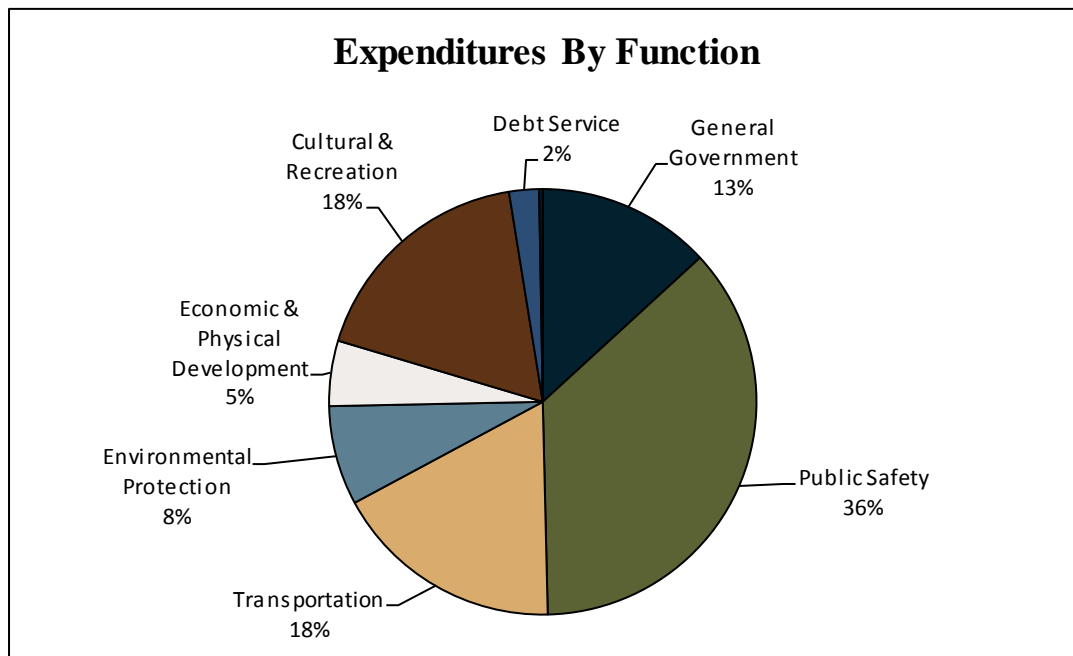




## General Fund Summary

While the Village of Pinehurst's budget contains multiple departments and divisions, each conducts Village government activities as part of a functional area. For example, the Fire Department and the Police Department are part of the functional area known as Public Safety, as both share the common theme of protecting citizens. Grouping activities by these themes (functions), allows the decision-making process to be managed at a broader, more comprehensive level. The following table and chart present the trends for all of the Village of Pinehurst's different functions.

Expenditures by Function	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
General Government	\$ 2,133,736	\$ 2,382,847	\$ 2,306,497	\$ 2,401,699	0.8%
Public Safety	5,543,489	6,050,332	5,738,785	6,655,736	10.0%
Transportation	2,789,063	3,273,013	3,060,676	3,194,092	-2.4%
Environmental Protection	1,586,800	1,710,580	1,625,010	1,376,626	-19.5%
Economic & Physical Dev	1,109,520	1,091,455	994,118	906,028	-17.0%
Cultural & Recreation	2,633,383	3,338,364	3,274,487	3,253,082	-2.6%
Debt Service	494,533	464,304	464,304	412,722	-11.1%
Contingency	-	48,000	-	50,000	4.2%
<b>Total Expenditures</b>	<b>\$ 16,290,524</b>	<b>\$ 18,358,895</b>	<b>\$ 17,463,877</b>	<b>\$ 18,249,985</b>	<b>-0.6%</b>





## General Fund Summary

The Village also summarizes expenditures by type and department to facilitate further analysis of expenditure trends. The following tables provide a summary of expenditures by Expenditure Type and Department for Fiscal Year 2017.

Expenditures by Type	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Salaries & Benefits	\$ 8,777,922	\$ 9,363,596	\$ 8,886,028	\$ 9,689,338	3.5%
Operating	5,460,049	5,796,782	5,500,332	6,011,225	3.7%
Capital	1,558,020	2,734,213	2,613,213	2,136,700	-21.9%
Debt Service	494,533	464,304	464,304	412,722	-11.1%
<b>Total Expenditures</b>	<b>\$ 16,290,524</b>	<b>\$ 18,358,895</b>	<b>\$ 17,463,877</b>	<b>\$ 18,249,985</b>	<b>-0.6%</b>

Expenditures by Department	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Governing Body	\$ 180,596	\$ 233,248	\$ 211,880	\$ 209,400	-10.2%
Administration	1,079,283	1,160,629	1,140,475	1,148,739	-1.0%
Finance	552,400	618,830	620,125	611,300	-1.2%
HR	321,457	370,140	334,017	432,260	16.8%
Police	2,726,411	2,949,599	2,799,977	3,031,653	2.8%
Fire	2,590,878	2,843,693	2,711,673	3,407,246	19.8%
Planning	565,361	721,215	626,378	637,998	-11.5%
Inspections	226,200	257,040	227,135	216,837	-15.6%
Public Services Admin.	358,837	891,745	878,526	503,311	-43.6%
Streets & Grounds	1,602,264	1,581,268	1,506,150	1,790,481	13.2%
Powell Bill	827,962	800,000	676,000	900,300	12.5%
Community Development	544,159	370,240	367,740	268,030	-27.6%
Solid Waste	1,586,800	1,710,580	1,625,010	1,376,626	-19.5%
Recreation	1,296,362	2,028,379	2,001,874	2,020,235	-0.4%
Library	405,000	225,000	225,000	200,000	-11.1%
Harness Track	612,043	717,700	690,610	611,231	-14.8%
Fair Barn	319,978	367,285	357,003	421,616	14.8%
Contingency	-	48,000	-	50,000	4.2%
Debt Service	494,533	464,304	464,304	412,722	-11.1%
<b>Total Expenditures</b>	<b>\$ 16,290,524</b>	<b>\$ 18,358,895</b>	<b>\$ 17,463,877</b>	<b>\$ 18,249,985</b>	<b>-0.6%</b>
<b>Per Capita</b>	<b>\$ 1,049</b>	<b>\$ 1,165</b>	<b>\$ 1,108</b>	<b>\$ 1,143</b>	<b>-1.9%</b>



## Summary

The General Fund continues to reflect the overall economy with moderate revenue growth from both locally generated revenues and statewide intergovernmental revenues. The continued recovery in the national housing market is having a positive impact on new home construction and this budget reflects the associated growth in Property Tax and Local Option Sales Tax revenues. There is also a significant increase in Electricity Sales Tax due to a favorable change in the tax rate and distribution formula.

The proposed General Fund budget for FY 2017 is \$18,249,985, a decrease of approximately 0.6% from the previous year’s amended budget. The primary reason for the small decrease is the reappropriation of unfinished capital projects from FY 2015 into FY 2016.

The following table indicates the Village’s results from operations before any other financing sources or uses for the past five years:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Income (Loss)</u>
6/30/2012 Actual	\$15,311,703	\$14,803,571	\$508,132
6/30/2013 Actual	15,616,884	15,811,474	(194,590)
6/30/2014 Actual	16,654,796	16,867,090	(212,294)
6/30/2015 Actual	16,748,558	16,290,525	458,033
6/30/2016 Estimated	16,932,211	17,463,877	(531,666)
6/30/2017 Budgeted	17,248,300	18,249,985	(1,001,685)

After adding Appropriated Fund Balance of \$1,001,685 to revenues, the Village’s FY 2017 Recommended Budget is balanced in accordance with North Carolina General Statutes.

## Revenue Highlights

The approved budget for FY 2017 represents a 0.6% decrease from the FY 2016 amended budget. Revenues are estimated to increase by approximately 4.3% over FY 2016. The property revaluation by the Moore County Tax Department in FY 2016 resulted in a 4.83% decrease in property values. Last fiscal year, the revenue neutral tax rate was estimated to \$0.30 per \$100 at the time of the revaluation. The Village chose to adopt a rate of \$0.29 when adopting the budget. The plan was to spend down fund balance for two years and to raise the property tax rate by one cent in FY 2018 if needed. At the conclusion of the revaluation appeal period, final tax values were slightly higher than expected. This combined with robust growth in other operating revenues have reduced the need for the one cent increase in FY 2018. The current budget calls instead for increasing the property tax rate by one-half cent to \$0.295 in FY 2017 to support operations and strategic initiatives.

These factors increased the projected ad valorem tax revenues, which represent roughly 54% of total revenues, by approximately 3.7% over the prior year.



Unrestricted Intergovernmental Revenues which are distributed by the North Carolina Department of Revenue are expected to increase significantly over the prior year. The formula for distribution of Electricity Sales Tax was changed in 2014, and the Village has received significantly more from this revenue source under the new formula. Local Option Sales Tax revenues have also grown faster than was projected due to an improving economy. Overall, we are expecting to see unrestricted intergovernmental revenues to increase approximately \$540,000 or 11.3% over the FY 2016 budget.

Permits and Fees are expected to increase by 4.9% in FY 2017 over the prior year budgeted levels. This increase is due to a 26.5% increase in Fire District revenues. In January of 2016, the Village began providing medical first response services through a contract with Moore County. This increased revenues in this area by \$12,000. Also, rescue services funding from the county was previously accounted for in another revenue category and has been reclassified to this category. Finally, the Village's projected funding from its contract with the Town of Taylortown is expected to increase due to an increase in the property value in the area covered under the contract.

Sales and Services revenues, which are derived from various Parks and Recreation fees, are expected to increase by 12.7% over prior year levels. The largest increases come from Fair Barn rental revenues and Recreation Fees. Fair Barn rental revenues are expected to increase 16.2% over the prior year due to strong demand for the facility and increased weekday rentals. Recreation fees are also expected to increase by 36.8%. This forecast is based on current year revenue collections which reflect increasing participation in recreation programs and high demand for rentals of the Village Arboretum venue.

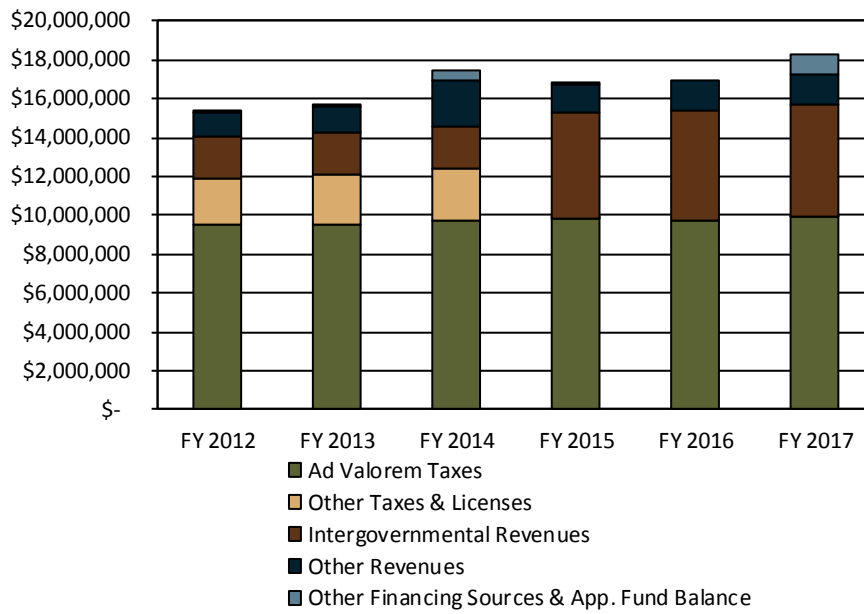
Assessment revenues are expected to stabilize at \$29,000 for FY 2017. FY 2016 marked the first year of assessments for the Cotswold of Pinehurst property owners for a stormwater project. During the first year, several property owners chose to pay off the entire five-year assessment in the first year. The revenue budget for FY 2017 anticipates \$9,800 from the MSD assessment and \$19,200 from the Cotswold assessment.

Other Revenues are planned to decrease by \$290,000, or 58.8% compared to the previous year. The primary factor contributing to the decrease is the \$300,000 anticipated land sale proceeds included in the FY 2016 budget. The land sale was deferred in FY 2016 and is not included in the FY 2017 plan.

Investment income is estimated to grow by 149.0% as interest rates have risen and funds available to invest have also increased. The average rate of return expected in Fiscal Year 2017 is 0.26%. This rate, although low, is nearly double the rate of return for FY 2016.



### Historical Revenues by Source



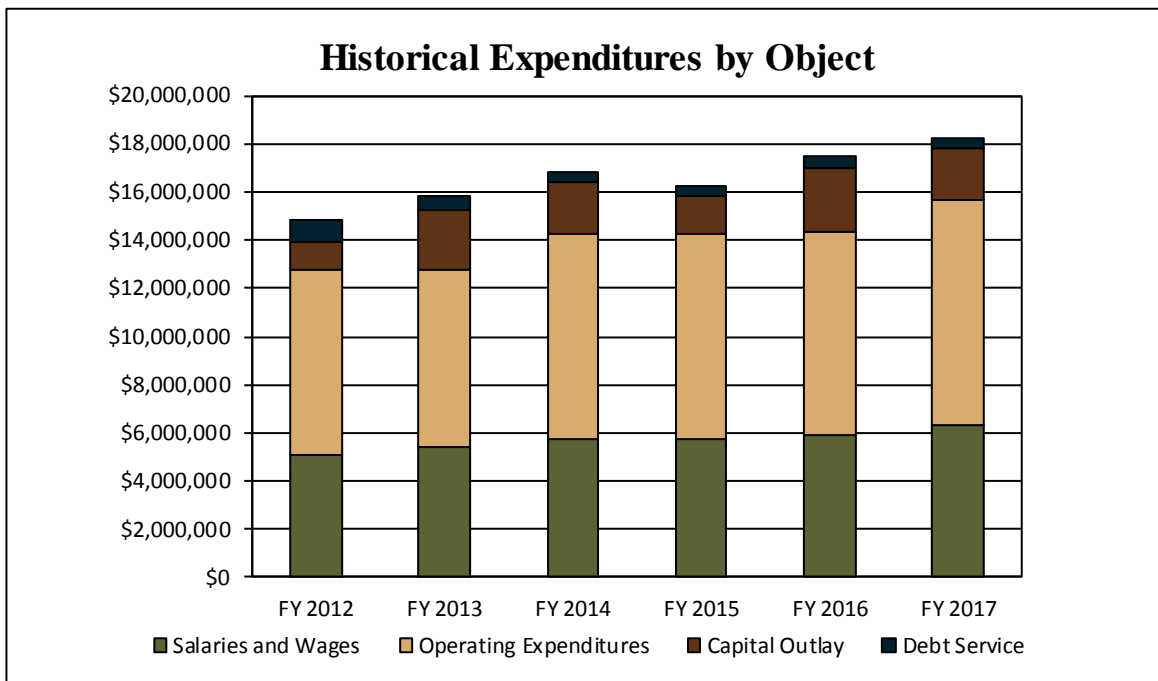


## Expenditure Highlights

Salaries & Benefits are expected to increase by 3.5% in FY 2017. This is affected by an average merit increase for employees of 0%-3% and a projected 10% increase in group insurance. Also, in FY 2017 there are 3.75 new employee FTEs added to the budget. The cost for these increases is offset to some extent by a significant number of employee retirements, which have lowered payroll expenditures slightly.

Village Department Heads are focused on achieving the strategic objectives and performance targets established by the Council that are reflected on the Balanced Scorecard (BSC). The 3.7% increase in operating expenditures is reflective of several new initiatives and their associated expenditures in FY 2017. Current year Operating Expenditures include funding for strategic initiatives supporting the Council's goals and objectives as listed in the *Strategic Priorities* section of this document. These include the reorganization of the Administration and Police Departments, conducting a land use plan, marketing and promotion, and additional greenway maintenance.

Capital spending in the General Fund decreased by 21.9% compared to the previous year. The inclusion of \$400,000 for the Public Services complex redevelopment and \$280,000 for a spray ground at Rassie Wicker Park in the prior year contributed to this variance. Significant items in the current plan include \$600,000 for the replacement of a 1998 fire engine and \$375,200 for neighborhood sidewalks.







## Fund Balance

Fund balance refers to the difference between current financial assets and liabilities reported in a fund. It is also referred to as surplus funds. The North Carolina Local Government Commission recommends that units of government retain an amount of unreserved fund balance in the General Fund of at least equal to 8% of appropriations of the fund. The Village Council has a financial policy recommending that the total fund balance in the General Fund remain between 30% and 40% of budgeted expenditures to avoid cash flow interruptions, generate investment income, eliminate the need for short-term borrowing, and have a reserve available for emergencies or opportunities.

The following schedules outline the percentage increase or decrease for the Village’s fund balance for the FY 2017 budget and three prior fiscal years.

Fund Balance	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Budgeted
Beginning	\$ 7,161,748	\$ 7,748,844	\$ 8,225,102	\$ 8,161,960
Ending	7,748,844	8,225,102	8,161,960	8,117,786
Increase/(Decrease)	587,096	476,258	(63,142)	(44,174)
% Change	8.2%	6.1%	-0.8%	-0.5%
% of Expenditures	45.9%	50.5%	44.5%	44.5%

N. C. General Statutes require that municipal budgets be balanced. They also require that expenditure budgets not be overspent, even by a small amount. A common way that municipalities deal with these requirements is to over-budget expenditures slightly and appropriate some of their savings (fund balance) as an off-setting revenue source. Revenues are conservatively estimated as well. For FY 2017, we have appropriated \$1,001,685 of the Village’s fund balance as a revenue source. This amount is \$825,605 less than the previous fiscal year due to strong revenue growth and lower capital expenditure levels.

Fund balance is estimated to be \$8,161,960 at June 30, 2016. This is 44.5% of the budgeted FY 2016 expenditures of \$18,358,895. The Village’s fund balance policy is to maintain 30%-40% of expenditures in fund balance. Fund balance at June 30, 2017 is estimated to be \$8,117,786 or 44.5% of budgeted expenditures. The FY 2017 Strategic Operating Plan calls for fund balance to be reduced to the mid-point of the policy range over the next three years and to maintain that level for the remainder of the plan.

