



Description of Revenue Source

Ad Valorem Taxes are taxes paid on real and personal property located within the Village’s corporate limits. Taxes for real and personal property, excluding motor vehicles, are levied based upon the preceding January 1 valuations of the property and the tax rate established by the Village Council in the Budget Ordinance. These taxes are levied each year and are due on January 6 of the year following the levy. Real and personal property is revalued by the Moore County Tax Department at least every eight years, with the last revaluation completed in the 2015 tax year, or FY 2016.

Historically, motor vehicles were either registered in North Carolina under the annual system or the staggered system. However, effective in Fiscal Year 2014, North Carolina has changed its billing and collection process to a “Tax-and-Tag-Together” system. In the new system, tax bills for vehicles will be included with “invitation to renew” vehicle registrations. Vehicle taxes will be collected by the Department of Motor Vehicles at the same time as the vehicle registration. The motor vehicle tax portion will be distributed to the counties by the Department of Transportation on the 10th of each month.

The Village contracts with the Moore County Tax Department to levy and collect ad valorem taxes on behalf of the Village. Amounts collected by Moore County on behalf of the Village are remitted to the Village on a monthly basis.

Historically, ad valorem taxes have comprised approximately 54% of all Village General Fund revenues. This includes current year’s collections, prior year’s collections, penalties and interest, and refunds.

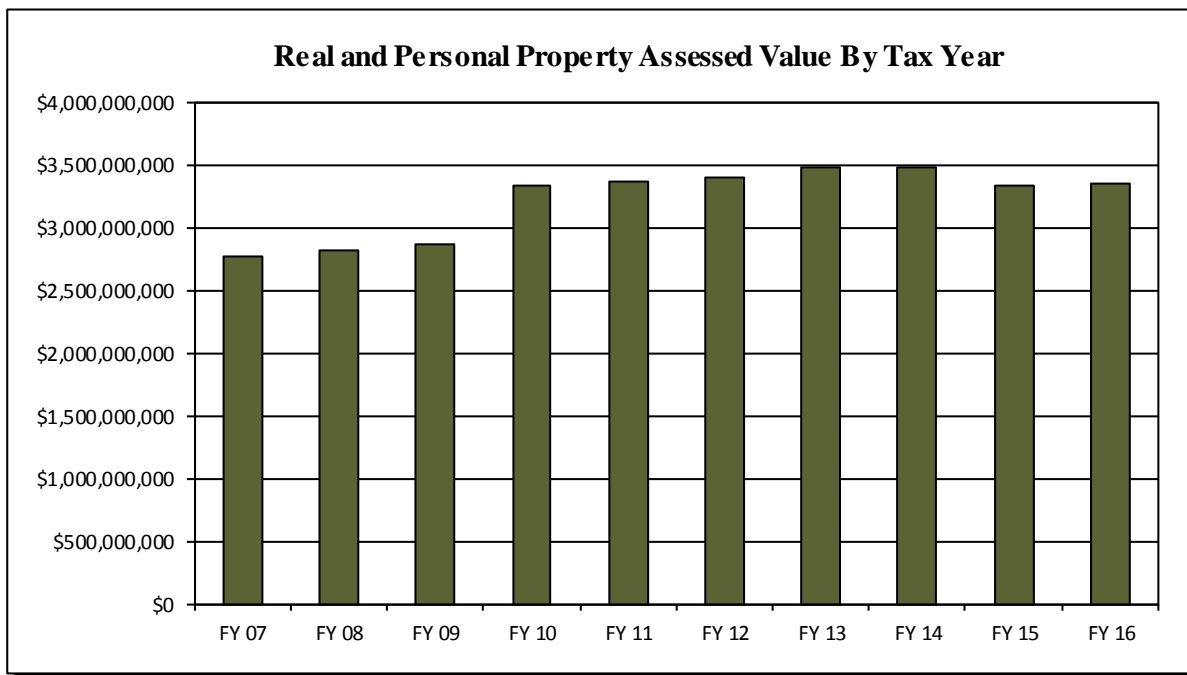
Ad Valorem Taxes	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Real & Personal - Current Year	\$ 9,256,297	\$ 9,073,000	\$ 9,125,000	\$ 9,359,000	3.2%
Real & Personal - Prior Years	4,187	5,000	5,000	5,000	0.0%
Motor Vehicles - Current Year	516,740	493,000	548,000	557,000	13.0%
Motor Vehicles - Prior Years	5,112	2,000	2,000	2,000	0.0%
Discounts/Reliefs/Refunds	(2,651)	(5,000)	(5,000)	(5,000)	0.0%
Tax Interest	12,680	5,000	5,000	5,000	0.0%
Total Ad Valorem Tax Revenue	\$ 9,792,365	\$ 9,573,000	\$ 9,680,000	\$ 9,923,000	3.7%

Revenue Assumptions

- In the 2015 property revaluation, the Moore County Tax Department estimated a 5.15% decrease in the Village’s property values since the last revaluation in 2007. After all revaluation appeals had been heard, the value of real property in the Village had only decreased by 4.83%. When combined with a small increase in the motor vehicle valuations, the total tax base was \$155,000,000, or 4.4% lower than the year before the revaluation.



- Last fiscal year, the revenue neutral tax rate was estimated to \$0.30 per \$100 valuation. The Village chose to adopt a rate of \$0.29 at the time. 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.
- The slightly higher final tax valuation and growth in other revenues have reduced the need for the one cent increase in FY 2018. The current budget calls instead for a ½ cent property tax rate increase in FY 2017 to support operations and strategic initiatives.
- The total estimated valuation of real and personal property is \$3,369,000,000, of which \$3,177,000,000 is real property valuation and \$192,000,000 is motor vehicle valuation. The Moore County Tax Administrator provides the Village with estimates of valuation annually.
- The growth factor used to estimate the total real property valuation for FY 2017 is 1.0%. The number of new homes constructed in the Village increased slightly in FY 2015, from 101 to 107, and we are expecting to maintain a similar level in FY 2016 and FY 2017. Although it varies from year to year, the historical growth rate for motor vehicles valuation has been 1%, and we are expecting it to be the same in the next fiscal year.
- The historical collection rates used to determine actual ad valorem tax revenue are 99.9% for real and personal property and 98.5% for motor vehicles. These have historically been some of the highest tax collection rates in the State.





Description of Revenue Source

Other Taxes and Licenses currently consists only of Golf Cart Sticker fees.

Golf cart stickers are issued to license the use of personal golf carts on Village streets. For FY 2016, the Village planned to eliminate the registration process and did not budget for any revenues. In January of 2016, the Village instead decided to convert the golf cart registration process from an annual registration to a one-time registration. This new system will accomplish the goals of the program while reducing the time and cost to issue the stickers.

Other Taxes & Licenses	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Golf Cart Stickers	\$ 2,010	\$ -	\$ -	\$ 500	100.0%
Total Other Taxes & Licenses	\$ 2,010	\$ -	\$ -	\$ 500	100.0%

Revenue Assumptions

- Previously the Village charged a fee of \$5 per cart per year to license personal golf carts. Starting in January 2016, a new one-time registration fee of \$20 was established.
- The new system should be more convenient for residents and less costly for the Village. The resulting revenues, however, will be approximately \$1,500 less per year under the new system.



Description of Revenue Source

Unrestricted Intergovernmental Revenue consists of Local Option Sales Taxes, Telecommunications Tax, Electricity Sales Tax, Video Programming Sales Tax, Hold Harmless Sales Tax, and Wine & Beer Tax. These six state-collected local revenues make up approximately 29% of all General Fund revenues.

The Local Option Sales Tax is levied by the Moore County Board of Commissioners and is collected by the State of North Carolina on behalf of the County. The local option sales tax rate of \$0.02 consists of three separate taxes that are authorized by the North Carolina General Statutes: Article 39 at \$0.01, Article 40 at \$0.005, and Article 42 at \$0.005. These local government sales and use taxes are applied to sales made in the state and are allocated to each county based on various legislated formulas. The total amount allocated to Moore County is then distributed among the county and the local government jurisdictions within the county on a per capita basis. The State of North Carolina distributes the Village's share of these taxes to the Village on a monthly basis.

The Telecommunications Tax represents a 8.0% sales tax on telecommunications sales within the Village's corporate limits. The State of North Carolina distributes a percentage of this tax collected to the Village based upon the Village's past share of the old telephone franchise tax that was repealed.

In North Carolina, Electricity Sales are taxed at the combined general statewide sales tax rate of 7%. The State allocates 44% of the proceeds to cities within the state. Each city receives a franchise tax share and an ad valorem share of these proceeds. The franchise tax share is based on the electricity franchise revenues received in FY 2014. The ad valorem share is based on the city's ad valorem taxes levied as a percentage of all cities' ad valorem taxes levied. The State of North Carolina distributes this tax to municipalities on a quarterly basis.

Video programming sales tax is applied to the gross receipts of cable service and direct-to-home satellite service retailers on the video programming provided to subscribers in the State. Programming provided by, or generally considered comparable to programming provided by, a television broadcast station, regardless of the method of delivery is subject to the tax. Gross receipts are taxed at the combined general sales tax rate of 7.0%.

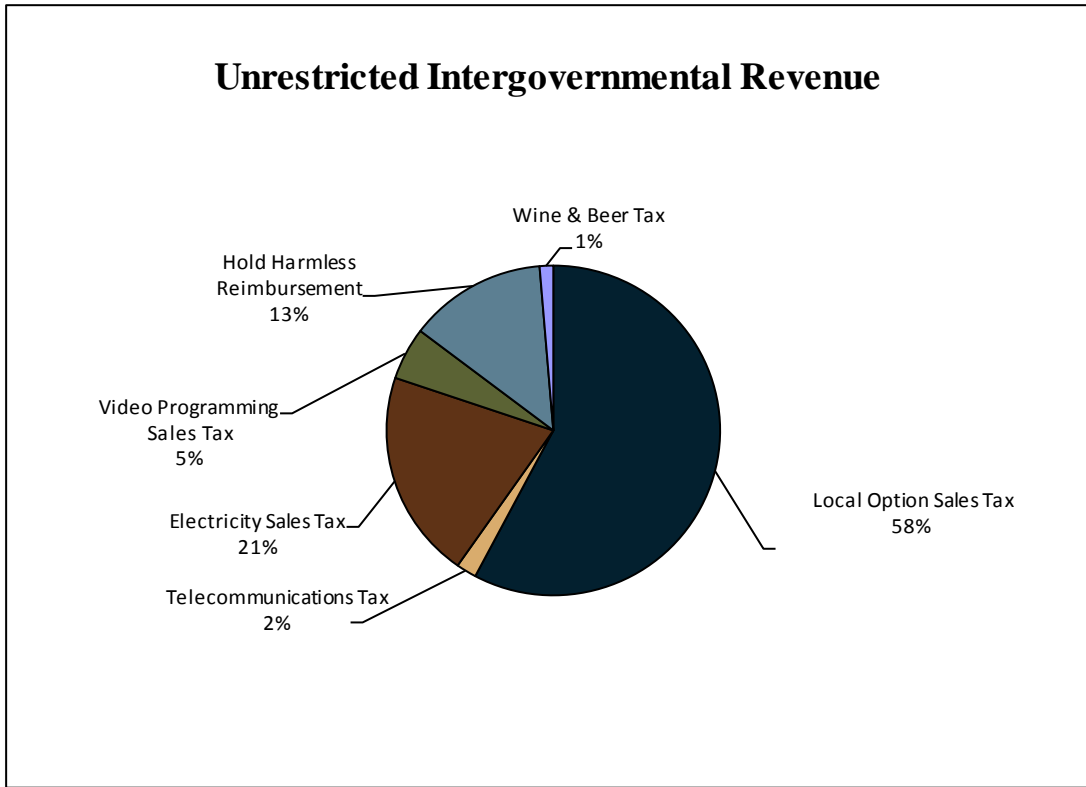
The Hold Harmless Reimbursement is based on taxable sales made in the county and is allocated among the county and the local government jurisdictions within the county based upon a per capita basis. These Hold Harmless Reimbursements were granted to municipalities to replace the Article 44 sales tax that was repealed as part of the Medicaid relief program for counties. The State of North Carolina distributes these funds to the Village on a monthly basis.

The Wine & Beer Tax is levied by the State of North Carolina on the sale of malt beverages, fortified wine and unfortified wine. A percentage of the tax on the sales of these beverages that are generated from within the Village's corporate limits is distributed to the Village by the state on an annual basis.



Unrestricted Intergovernmental Revenues

Unrestricted Intergovernmental Revenue	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Local Option Sales Tax	\$ 2,850,563	\$ 2,826,000	\$ 2,978,500	\$ 3,076,000	8.8%
Telecommunications Tax	122,095	129,000	129,000	105,000	-18.6%
Electricity Sales Tax	967,524	788,000	1,088,000	1,089,000	38.2%
Video Programming Sales Tax	296,634	295,000	295,000	274,000	-7.1%
Hold Harmless Reimbursement	668,311	679,000	690,000	712,000	4.9%
Wine & Beer Tax	74,045	68,900	68,900	70,200	1.9%
Total Unrest. Intergovernmental Rev.	\$ 4,979,172	\$ 4,785,900	\$ 5,249,400	\$ 5,326,200	11.3%





Revenue Assumptions

- Local Option Sales Tax estimates are based on a combination of the expected statewide growth or loss factor for Articles 39, 40, and 42, adjusted for local economic conditions. The statewide rates are estimated by the North Carolina League of Municipalities (NCLM) in conjunction with economists from the North Carolina General Assembly. These estimates are communicated to all municipalities to aid them in budgeting these state-collected revenues. This year, the NCLM is projecting sales tax growth in FY 2016 of 4.50% and 3.75% in FY 2017. Based on this stronger forecast, the FY 2017 local option sales tax revenue budget will increase by approximately 8.8% over the FY 2016 budgeted amounts.
- Telecommunications Taxes are projected based upon growth assumptions provided by the NCLM. The telecommunication industry continues to experience a decline in the total number of landlines. The NCLM is projecting this revenue to decrease 12.0% in FY 2016 and 2.0% in FY 2017. Based on this forecast, the Village's telecommunications tax revenue will decrease by approximately 18.6% in FY 2017 over the FY 2016 budgeted amount.
- Electricity Franchise Taxes are also projected based upon growth assumptions provided by the NCLM. FY 2015 marked the first year of a new tax rate and distribution method for this revenue. The distribution formula is written into law and is not scheduled to be revisited. The actual revenues yielded from the new formula during this initial period have been difficult to forecast. As a result, the estimated FY 2015 revenue was 48.8% more than the FY 2015 budget. This, coupled with an additional increase in FY 2016, results in a 38.2% increase between the FY 2016 and FY 2017 budgeted amounts. This revenue should level off at this point and is expected to grow at 3.5% per year going forward.
- Thus far, distributions of Video Programming Sales Taxes for FY 2016 are lower than the amounts collected in FY 2015 as the industry continues to face competition from other video content providers. The NCLM is projecting a decrease in FY 2016 of 5.5% and 2.0% in FY 2017. Based on this forecast, telecommunications tax revenue will decrease by approximately 7.1% in FY 2017 as compared to the FY 2016 budgeted amount.
- Beer and Wine Tax revenues are expected to increase by 1.9% to \$70,200 in FY 2017 due to increased sales.



Restricted Intergovernmental Revenues

Description of Revenue Source

Restricted Intergovernmental Revenues include Powell Bill funds, solid waste disposal tax, and may include other miscellaneous federal or state grants that are restricted for a specific purpose.

Powell Bill revenue is the annual appropriation from the North Carolina State Highway Fund. The Village’s annual distribution of Powell Bill revenue is calculated based upon two factors: a per capita rate and the number of street miles maintained within the Village’s corporate limits.

The State levies a \$2 per-ton “tipping tax” on municipal solid waste and construction and demolition debris that is deposited in a landfill in the state or transferred at a transfer station for disposal outside the state. Cities in North Carolina receive 18.75 percent of this State collected revenue which is distributed based on a per capita basis for solid waste management programs and services. The Village uses these funds primarily to fund its recycling program.

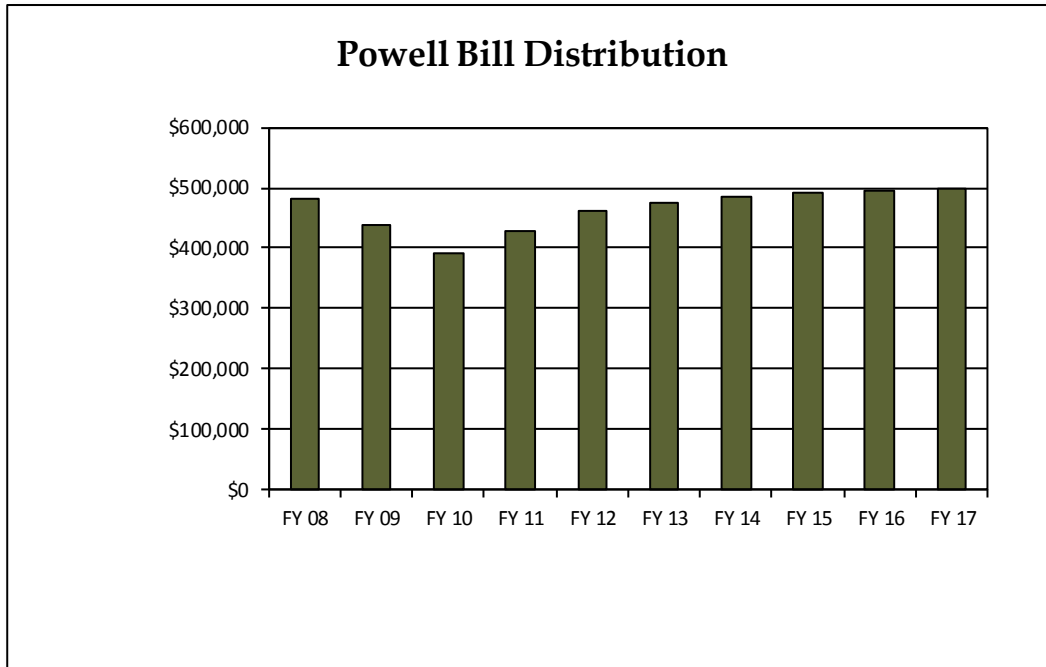
Restricted Intergovernmental Revenue	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Powell Bill	\$ 492,706	\$ 492,000	\$ 495,083	\$ 494,000	0.4%
BAB Interest Rebates	2,559	1,450	1,450	300	-79.3%
Controlled Substance Tax Distribution	1,646	1,100	1,100	1,000	-9.1%
Solid Waste Disposal	10,018	9,900	9,900	9,900	0.0%
Other Grants	47,370	1,000	1,000	-	-100.0%
Total Rest. Intergovernmental Rev.	\$ 554,299	\$ 505,450	\$ 508,533	\$ 505,200	0.0%

Revenue Assumptions

- The per capita rate used in the estimation of Powell Bill revenue is \$20.15, which is a 1.0% decrease from the previous year’s actual distribution rate. The street mile rate utilized to project the allocation is \$1,624 per street mile maintained, which decreased by \$5 from the FY 2016 distribution. Both of these estimated distribution rates were provided by the North Carolina League of Municipalities. These lower rates, combined with a small increase in population should yield the Village the same revenue in FY 2017 as the current year.
- The Village purchased a fire engine with a Build America Bond (BAB) in FY 2010. We receive a 35% interest rebate on each semi-annual payment until the debt obligation is satisfied in FY 2017. The rebate will decline each year as the amount of interest paid decreases.
- The North Carolina League of Municipalities projects that Solid Waste Disposal revenue for FY 2016 will increase by 2.0% over FY 2015. In addition, construction continues to be strong and revenues for FY 2017 are projected to increase 1.5% over FY 2016. Based on these projections, we are not increasing the budget over the FY 2016 levels.
- The Village does not normally budget for other grant revenues until a grant award notification has been received.



Restricted Intergovernmental Revenues





Description of Revenue Source

Permits and Fees consist primarily of Permit & Inspection Fees, Planning & Zoning Fees, and Fire District Revenue. There are also several other minor fees that are included in Permits and Fees revenue.

Permit and Inspection Fees and Planning & Zoning Fees are established by the Village Council, reviewed annually, and modified if needed. These permits and fees are charged to builders, developers, and homeowners for new construction and additions/alterations to property. The Village’s growth is generated primarily by new residential construction; therefore it is new home construction that really drives this revenue source.

Fire District Revenue represents funding paid to the Village by Moore County for the Village’s fire department to provide fire protection, rescue services, and medical first response in a geographic district outside of the Village limits. The Village also contracts with Taylortown, a neighboring town, to provide fire protection services under an annual contract. Both of these funding sources are included in Fire District Revenue. Moore County provides funding through a formula that is reflective of the level of fire service provided. The amount of funds paid to the Village by Taylortown is based upon a tax rate established by Moore County that is applied to the real and personal property in the unincorporated areas of the county. Moore County remits payment to the Village monthly while Taylortown pays quarterly.

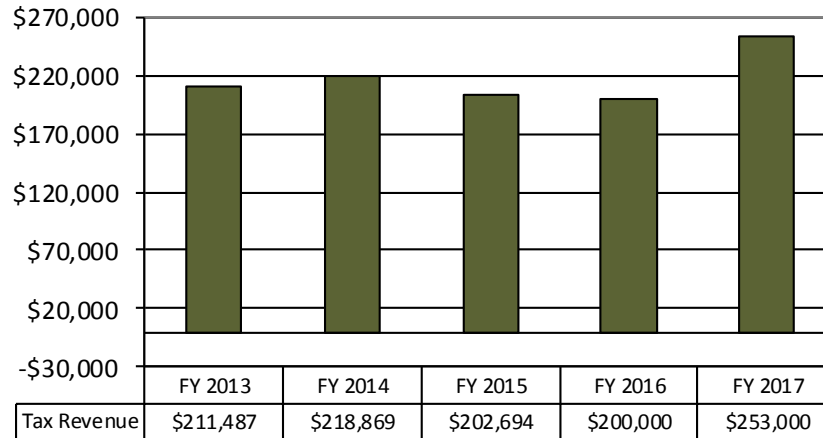
Permits & Fees	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Permit & Inspection Fees	\$ 306,270	\$ 280,000	\$ 280,000	\$ 280,000	0.0%
Planning & Zoning Fees	48,625	46,500	46,500	46,500	0.0%
Fire District Revenue	202,694	200,000	200,000	253,000	26.5%
Other Fees	20,865	29,800	30,805	4,300	-85.6%
Total Permit & Fees	\$ 578,454	\$ 556,300	\$ 557,305	\$ 583,800	4.9%

Revenue Assumptions

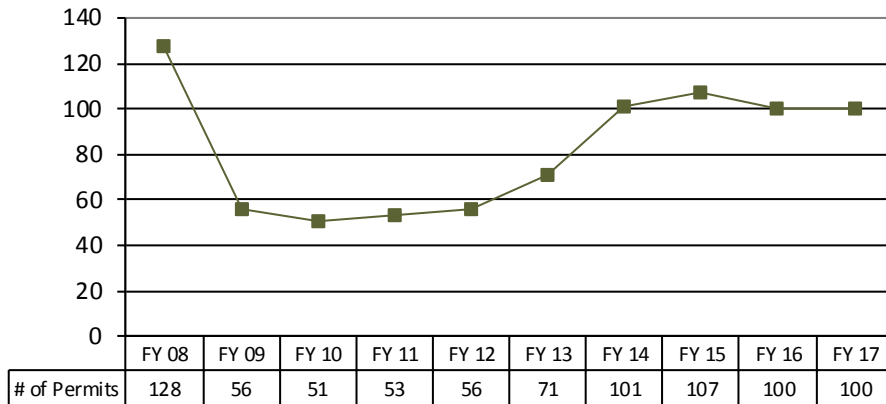
- Permit & Inspection Fees and Planning & Zoning Fees for residential construction are expected to remain the same in FY 2017 as the number and value of new homes being constructed remains relatively the same. The Village expects approximately 100 homes to be constructed in both FY 2016 and FY 2017 in the Village limits and ETJ. Fees related to non-residential projects are expected to be at levels similar to FY 2016.
- Moore County officials have stated that the new service-level funding formula, expected to be in place for FY 2017, should yield the Village the same or more revenue than received in the previous year. The Village also added medical first response services under this contract in FY 2016, increasing revenues by approximately \$12,000. Rescue service funds of \$14,000 from Moore County, previously accounted for in another line item, are now included in this line item.
- The Town of Taylortown’s tax value increased compared to the prior year due to a new commercial development in the town. This also increased the Village’s Fire District Revenues slightly.



Fire District Revenue



New Home Construction Permits





Description of Revenue Source

As allowed by state statute, the Village of Pinehurst may assess property owners for expenditures that directly benefit specific property owners. Currently, the Village has two active assessments. The first assessed property owners for improvements made to dams in FY 2007 in the Municipal Service District (MSD). The Village expects to collect \$9,800 for the 11th installment of this 15-year assessment in FY 2017. Also in FY 2016, the Village assessed property owners in the newly annexed Cotswold of Pinehurst area for a stormwater project. These assessments are planned to be paid in five equal installments without interest. In FY 2016, the first year of the assessment, several property owners chose to pay off their assessment in full. This increased actual revenues in FY 2016 above budgeted levels. The Cotswold assessment should generate revenues of \$19,200 in FY 2017.

Assessments	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Assessments	\$ 20,116	\$ 29,075	\$ 40,000	\$ 29,000	-0.3%
Total Assessments	\$ 20,116	\$ 29,075	\$ 40,000	\$ 29,000	-0.3%



Stormwater improvement project



Description of Revenue Source

Sales and Services revenue consists of three separate revenue sources for Parks and Recreation Fees and Charges. The first source is Harness Track revenue for horse stall and other facility rentals, as well as revenues generated from shows and special events held on the property. The Harness Track is owned and operated by the Village and is the oldest continuously operating equine sports facility in North Carolina.

The second primary revenue source in this category is revenue generated from the Village’s Fair Barn. The Fair Barn is the oldest surviving early twentieth-century fair exhibition hall in North Carolina. It was built in 1917 and has been completely renovated and serves as a multi-purpose community gathering place. Revenue consists of rental fees and admission fees for Village-sponsored special events.

The third major category of Sales and Services revenue is Recreation Fees. These are the fees charged to participants in programs and athletic leagues sponsored by the Recreation Department.

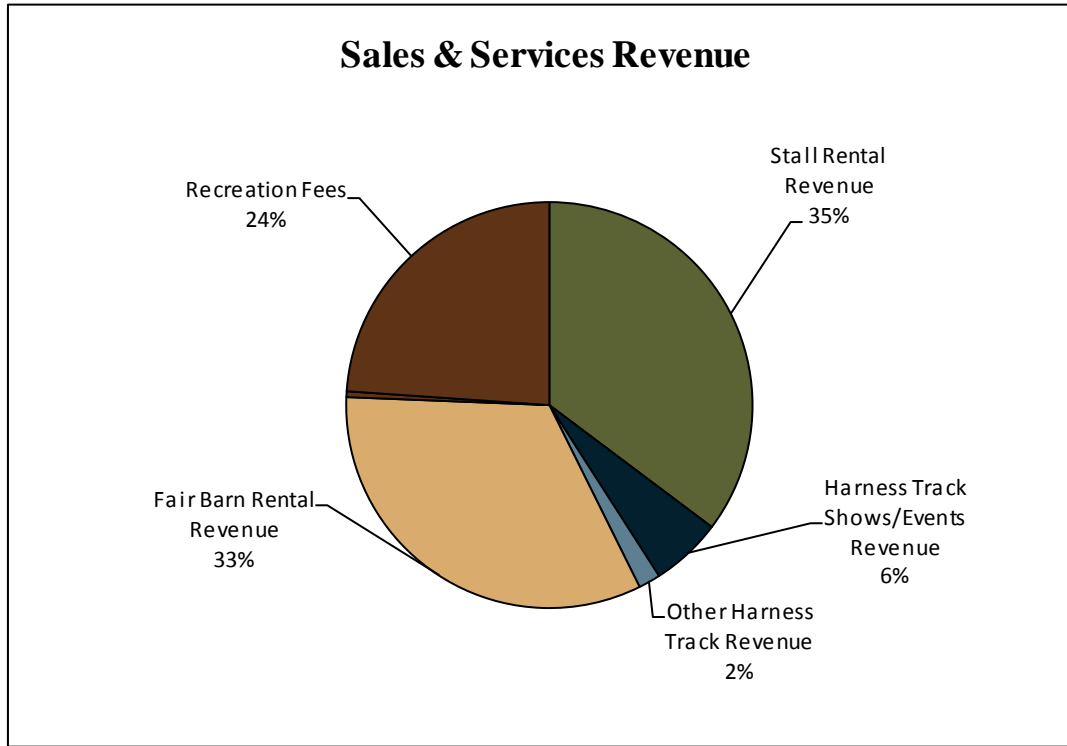
Table with 6 columns: Sales & Services, FY 2015 Actual, FY 2016 Budget, FY 2016 Estimated, FY 2017 Budgeted, Percent Change. Rows include Stall Rental Revenue, Harness Track Shows/Events Revenue, Other Harness Track Revenue, Fair Barn Rental Revenue, Fair Barn Shows/Events Revenue, Recreation Fees, and Total Sales & Services.

Revenue Assumptions

- Harness Track Stall Rental revenues are projected to increase for FY 2017 due to strong demand for stall space in the facility.
• Harness Track Shows and Events revenues have trended below budget in FY 2016 and are expected to remain at these levels in FY 2017.
• The events held at the Fair Barn continue to be successful. Revenues are expected to increase to \$215,000 for FY 2017 as efforts to increase weekday rentals are expected to yield positive results.
• Recreation Fees are expected to increase significantly due to increasing participation in recreation programs and high demand for event rentals in the Village Arboretum.



The distribution of sales and services revenue by source is depicted in the following graph.





Description of Revenue Source

Other Revenues include Alcoholic Beverage Control (ABC) Revenues and Other Miscellaneous Revenues. ABC revenue is based on a percentage of the sale of mixed beverages from local merchants and the net profits from counter sales of alcoholic beverages in Pinehurst at ABC Stores. Other Miscellaneous Revenues include sales of surplus assets, donations made to the Village, fees generated by the Police Department, and various other minor fees.

Other Revenues	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
ABC Revenues	\$ 101,715	\$ 111,700	\$ 112,600	\$ 113,320	1.5%
Other Miscellaneous Revenues	95,923	380,980	116,818	89,480	-76.5%
Total Other Revenues	\$ 197,638	\$ 492,680	\$ 229,418	\$ 202,800	-58.8%

Revenue Assumptions

- ABC revenue is projected to increase by 1.5% for FY 2017. This increase is tracking slightly behind the increase rate for other general sales taxes.
- Other miscellaneous revenues are expected to decrease by 76.5% 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.



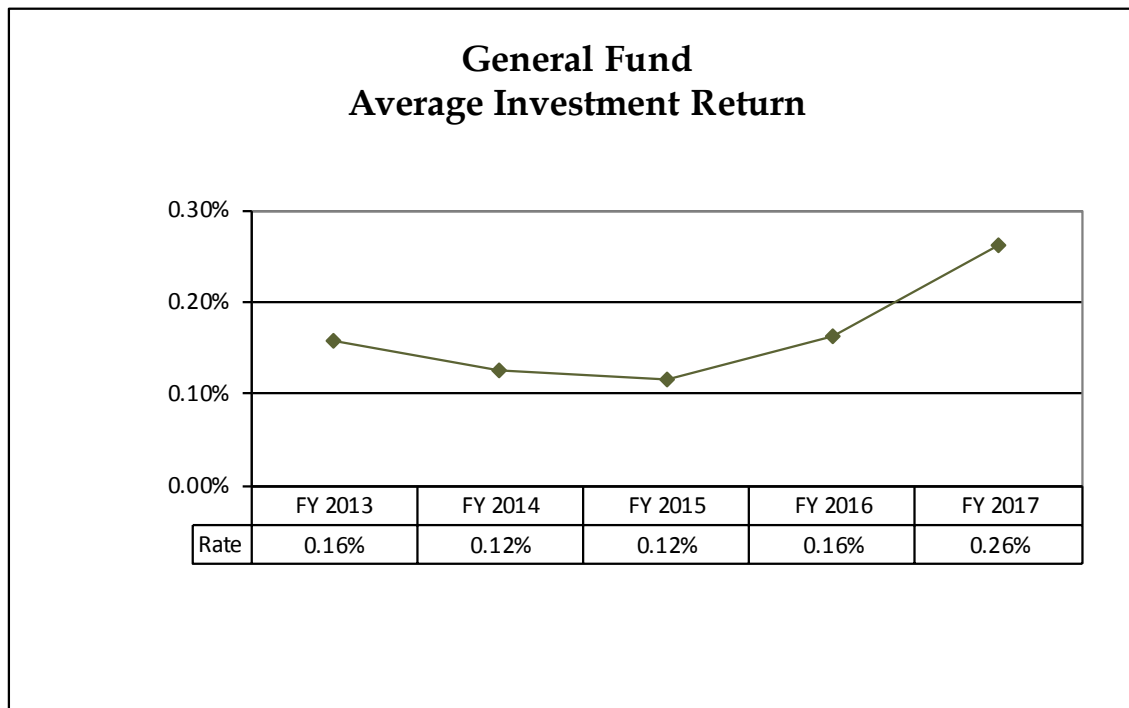
Description of Revenue Source

Investment Income includes the return earned on cash and investment balances. Interest is earned on the cash balances invested with the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a7) money market mutual fund, bank certificates of deposit, U. S. Treasury and Agency securities, and high grade commercial paper.

Investment Income	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Investment Income	\$ 9,833	\$ 10,200	\$ 12,020	\$ 25,400	149.0%
Total Investment Income	\$ 9,833	\$ 10,200	\$ 12,020	\$ 25,400	149.0%

Revenue Assumptions

- Investment income is estimated to grow by 149.0% as investment rates have increased 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.





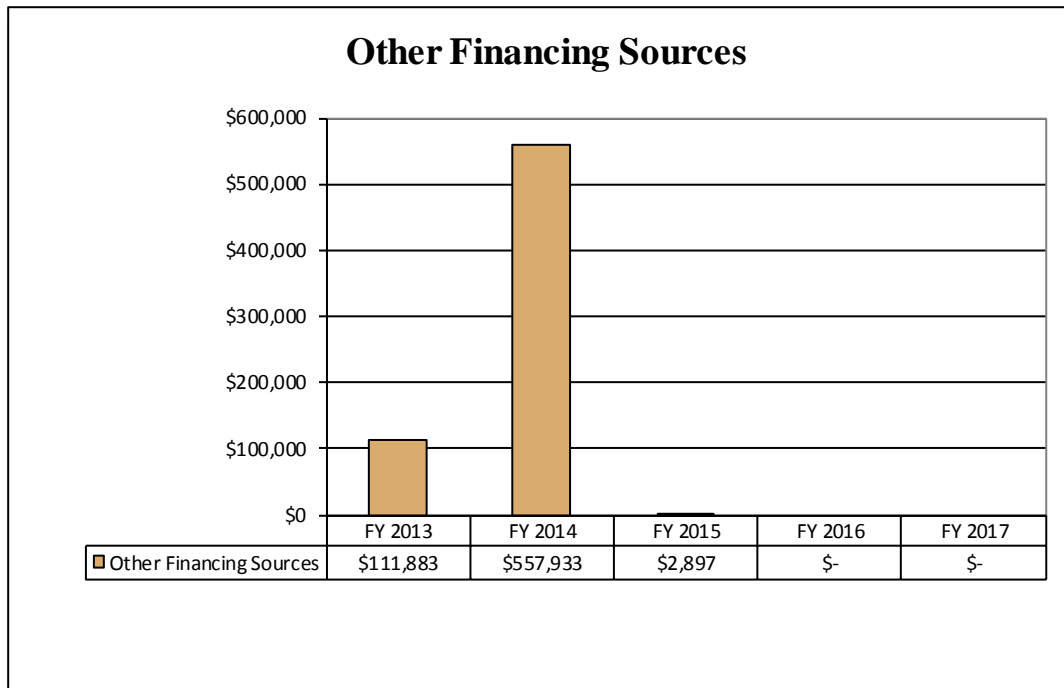
Description of Revenue Source

Other Financing Sources is comprised of Operating Transfers from other funds and occasionally debt proceeds.

Other Financing Sources	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Transfer from Special Rev Funds	\$ 2,897	\$ -	\$ -	\$ -	0.0%
Total Other Financing Sources	\$ 2,897	\$ -	\$ -	\$ -	0.0%

Revenue Assumptions

- Loan proceeds of \$550,000 were received to facilitate the purchase of a replacement fire truck in FY 2014.
- Currently, the Village does not have an active Capital Project Fund. Also, no financings are planned for FY 2017.





Description of Revenue Source

Revenue from Fund Balance Appropriations is the use of equity (net position), which has been accumulated from previous fiscal years, to pay for current fiscal year expenditures.

Fund Balance Appropriations	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated	FY 2017 Budgeted	Percent Change
Fund Balance Appropriated	\$ -	\$ 1,827,290	\$ -	\$ 1,001,685	-45.2%
Total Fund Balance Appropriations	\$ -	\$ 1,827,290	\$ -	\$ 1,001,685	-45.2%

Revenue Assumptions

- For FY 2017 we have appropriated \$1,001,685 of the Village’s fund balance as a revenue source. Historically, operating revenues come in at 101% of budget while operating expenditures typically fall 5% below budget. The amount of fund balance appropriated this year is slightly higher than this budget variance amount. If historical trends continue for FY 2017 we will subtract approximately \$44,000 from Fund Balance which will cause fund balance to decrease slightly to 44.5% of General Fund expenditures, or just above the Council’s adopted policy range of 30%-40%.
- The amount of fund balance appropriated in FY 2017 is \$825,605, or 45%, lower than the previous fiscal year due to strong revenue growth and slightly lower capital expenditure levels.