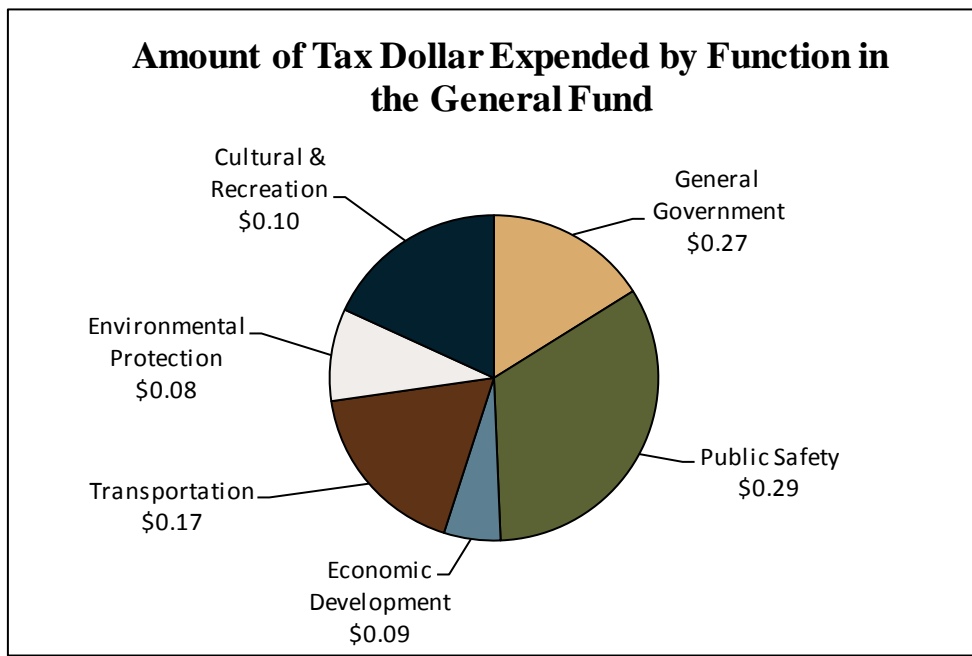




## Description

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

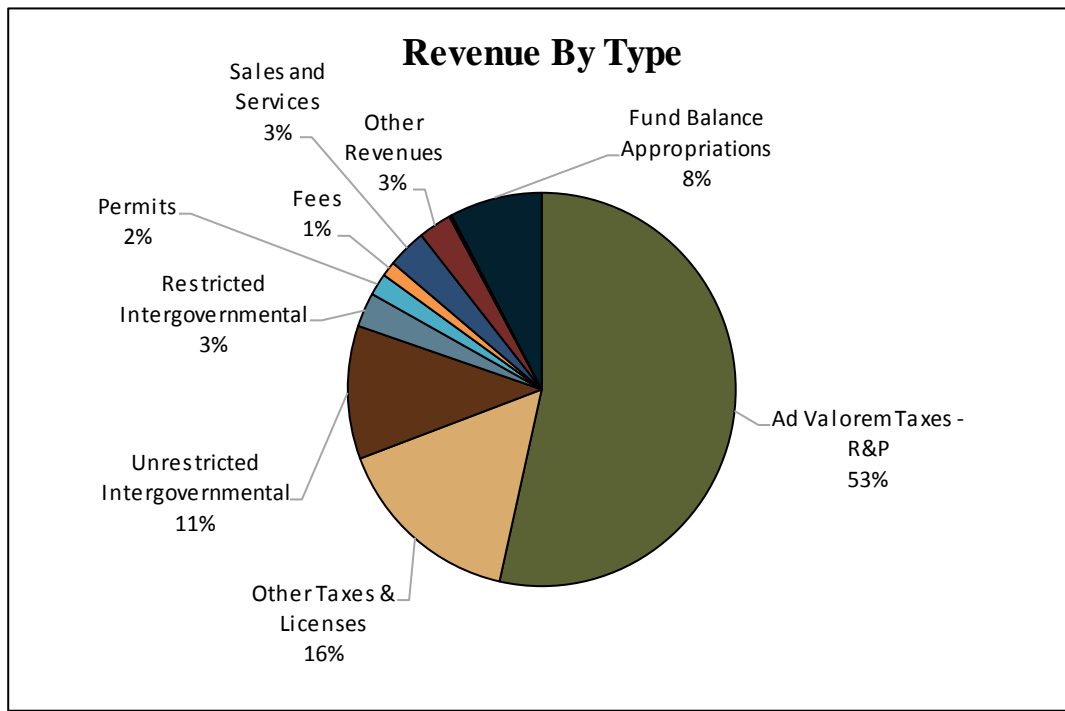




## General Fund Summary

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 and Other Taxes & Licenses, which includes Local Option Sales Tax, account for approximately 69% of the Village of Pinehurst's total revenues.

Revenues by Type	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Ad Valorem Taxes	\$ 9,771,682	\$ 9,767,000	\$ 9,767,000	\$ 9,573,000	-2.0%
Other Taxes & Licenses	2,601,561	2,800,700	2,746,125	2,826,000	0.9%
Unrestricted Intergovernmental Rev.	1,672,372	1,728,900	1,915,880	1,959,900	13.4%
Restricted Intergovernmental Rev.	502,679	549,985	551,935	505,450	-8.1%
Permits & Fees	1,252,453	557,750	560,300	544,300	-2.4%
Sales & Services	564,975	552,500	552,500	579,000	4.8%
Assessments	11,791	31,110	20,125	29,075	-6.5%
Other Revenues	508,097	198,586	202,642	492,680	148.1%
Investment Income	10,642	14,100	10,070	10,200	-27.7%
<b>Revenues</b>	<b>16,896,252</b>	<b>16,200,631</b>	<b>16,326,577</b>	<b>16,519,605</b>	<b>2.0%</b>
Other Financing Sources	557,933	2,898	2,897	-	-100.0%
Fund Balance Appropriations	-	1,888,430	-	1,375,639	-27.2%
<b>Total Revenues</b>	<b>\$ 17,454,185</b>	<b>\$ 18,091,959</b>	<b>\$ 16,329,474</b>	<b>\$ 17,895,244</b>	<b>-1.1%</b>
<b>Per Capita</b>	<b>\$ 1,152</b>	<b>\$ 1,165</b>	<b>\$ 1,052</b>	<b>\$ 1,138</b>	

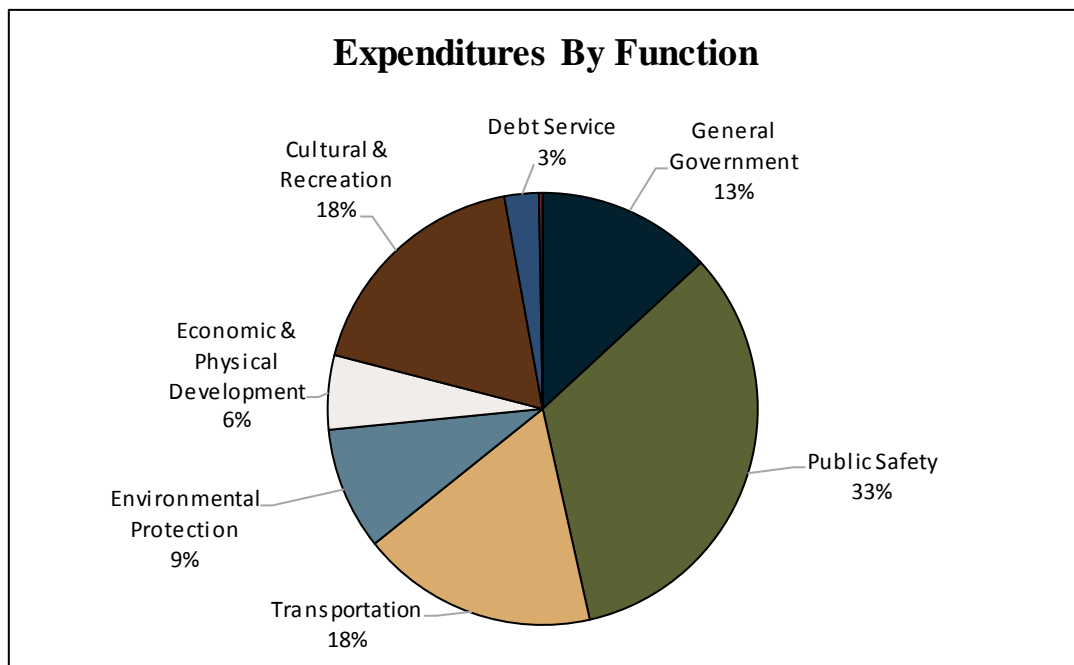




## General Fund Summary

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 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
General Government	\$ 2,196,932	\$ 2,429,330	\$ 2,369,660	\$ 2,357,545	-3.0%
Public Safety	5,856,008	5,938,437	5,844,060	5,960,605	0.4%
Transportation	2,792,152	2,992,085	2,853,268	3,183,975	6.4%
Environmental Protection	1,456,374	1,686,675	1,642,225	1,641,980	-2.6%
Economic & Physical Dev	1,409,024	1,543,880	1,440,693	995,855	-35.5%
Cultural & Recreation	2,694,672	2,912,027	2,588,724	3,240,980	11.3%
Debt Service	461,927	494,525	494,525	464,304	-6.1%
Contingency	-	95,000	-	50,000	-47.4%
<b>Total Expenditures</b>	<b>\$ 16,867,089</b>	<b>\$ 18,091,959</b>	<b>\$ 17,233,155</b>	<b>\$ 17,895,244</b>	<b>-1.1%</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 2016.

Expenditures by Type	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Salaries & Benefits	\$ 8,732,504	\$ 9,154,070	\$ 8,858,266	\$ 9,320,435	1.8%
Operating	5,551,904	6,331,031	5,798,324	5,760,905	-9.0%
Capital	2,120,754	2,112,333	2,082,040	2,349,600	11.2%
Debt Service	461,927	494,525	494,525	464,304	-6.1%
<b>Total Expenditures</b>	<b>\$ 16,867,089</b>	<b>\$ 18,091,959</b>	<b>\$ 17,233,155</b>	<b>\$ 17,895,244</b>	<b>-1.1%</b>

Expenditures by Department	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Governing Body	\$ 189,982	\$ 233,000	\$ 204,495	\$ 224,500	-3.6%
Administration	1,113,832	1,205,180	1,198,480	1,120,075	-7.1%
Finance	563,129	611,190	610,570	608,830	-0.4%
HR	329,989	379,960	356,115	404,140	6.4%
Police	2,668,063	2,940,228	2,952,420	2,921,030	-0.7%
Fire	2,975,822	2,769,874	2,671,489	2,782,535	0.5%
Planning	604,498	673,105	615,693	703,815	4.6%
Inspections	212,123	228,335	220,151	257,040	12.6%
Public Services Admin.	345,916	467,715	428,416	835,745	78.7%
Streets & Grounds	1,656,001	1,736,070	1,648,552	1,548,230	-10.8%
Powell Bill	790,235	788,300	776,300	800,000	1.5%
Community Development	804,526	870,775	825,000	292,040	-66.5%
Solid Waste	1,456,374	1,686,675	1,642,225	1,641,980	-2.6%
Recreation	1,571,262	1,468,966	1,269,623	1,973,445	34.3%
Library	360,000	380,000	380,000	200,000	-47.4%
Harness Track	535,826	686,197	631,651	700,250	2.0%
Fair Barn	227,584	376,864	307,450	367,285	-2.5%
Contingency	-	95,000	-	50,000	-47.4%
Debt Service	461,927	494,525	494,525	464,304	-6.1%
<b>Total Expenditures</b>	<b>\$ 16,867,089</b>	<b>\$ 18,091,959</b>	<b>\$ 17,233,155</b>	<b>\$ 17,895,244</b>	<b>-1.1%</b>
<b>Per Capita</b>	<b>\$ 1,113</b>	<b>\$ 1,165</b>	<b>\$ 1,110</b>	<b>\$ 1,138</b>	<b>-2.4%</b>



## Summary

The General Fund continues to reflect the overall economy with moderate revenue growth from both locally generated revenues to statewide intergovernmental revenues. The growth in the national housing market is having a positive impact on new home construction and this budget reflects moderate 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 distribution method.

The proposed General Fund budget for FY 2015-2016 is \$17,895,244, a decrease of approximately 1.1% from the previous year's budget. The primary reason for the \$196,715 decrease in the budget is the deferral of a \$200,000 commitment to the Given Memorial Library for a future capital expansion project. The \$200,000 will be paid in \$100,000 increments in FY 2017 and FY 2018.

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>
6/30/11 Actual	\$15,247,997	\$14,407,809	\$840,188
6/30/12 Actual	15,311,703	14,803,571	508,132
6/30/13 Actual	15,616,884	15,811,474	(194,590)
6/30/14 Actual	16,654,796	16,867,090	(212,294)
6/30/15 Estimated	16,329,474	17,233,155	(903,681)
6/30/16 Budgeted	16,519,605	17,895,244	(1,375,639)

After adding Appropriated Fund Balance of \$1,375,639 to revenues, the Village's FY 2015-2016 Recommended Budget is balanced in accordance with North Carolina General Statutes.

## Revenue Highlights

The approved budget for FY 2015-2016 represents a 1.1% decrease from the FY 2014-2015 amended budget. Revenues are estimated to increase by approximately 2.0% over FY 2014-2015. Property revaluation by the Moore County Tax Department resulted in an estimated 5.15% decrease in property values. As a result, the FY 2015-2016 Budget recommends increasing the ad valorem tax rate to a rate of \$0.29 per \$100 valuation, up from the current rate of \$0.28. This rate, although lower than the revenue neutral rate of \$0.30, is expected to generate \$9,573,000 in ad valorem tax revenues. Ad Valorem taxes, which represent roughly 53% of total revenues, are estimated to decrease by approximately 2.0% due to the effects of the revaluation, offset by normal growth.

Unrestricted Intergovernmental Revenues which are distributed by the North Carolina Department of Revenue based on population, are expected to increase significantly. The formula for distribution of Electricity Sales Tax was changed and the Village is seeing favorable results in this revenue source. We are expecting to see an increase of approximately \$230,000 or 13.4% over the FY 2014-2015 budget.

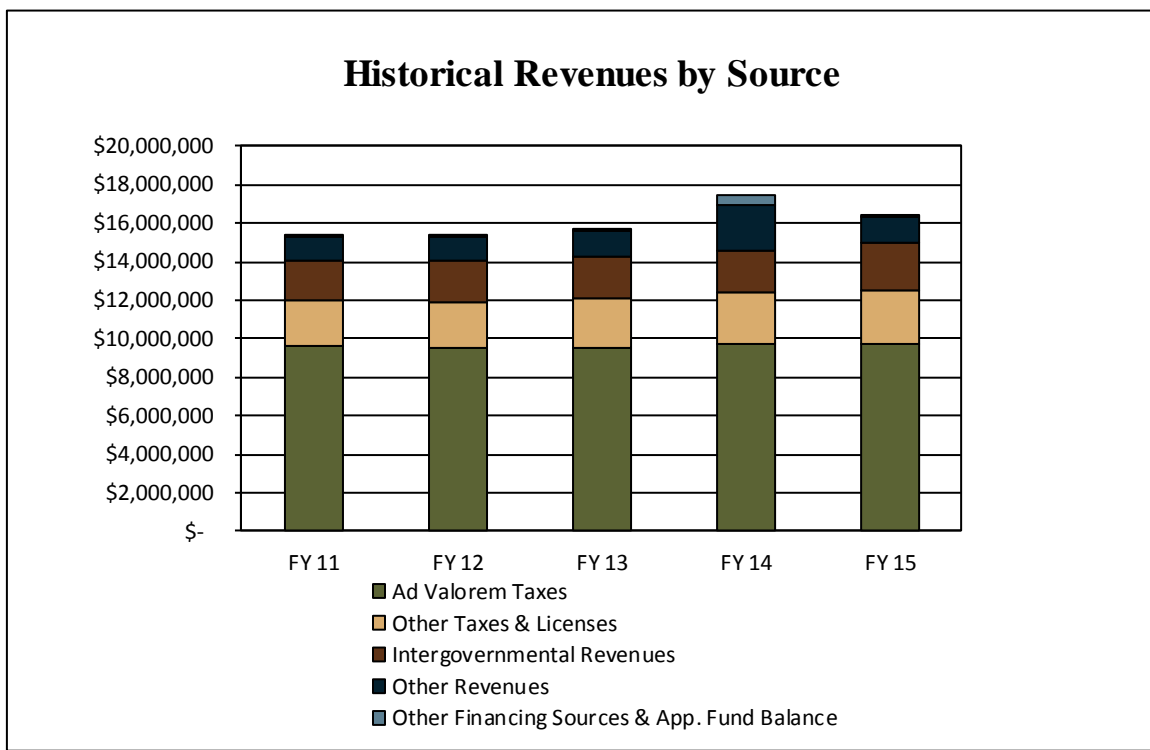


The Village of Pinehurst hosted both the 2014 U.S. Open and U.S. Women's Open Championships back-to-back in consecutive weeks on Pinehurst No. 2 in June 2014. Permits & Fees decreased by \$700,000 in FY 2014-2015 due to compensation received from the USGA for services and use of facilities during the Championships.

Assessments are expected to decrease as the annual installment is paid for repairs made to improve dams in FY 2006-2007 in the Municipal Service District (MSD). The FY 2014-2015 and FY 2015-2016 budgets reflect an assessment of \$18,700 to the Cotswold of Pinehurst property owners for a stormwater project. The Village expects this project to be completed in FY2014-2015 and the property owners assessed in FY 2015-2016.

Other Revenues reflect \$300,000 for the sale of land purchased for a new Public Services complex. Council has decided to sell the land and make improvements at the existing location instead. The Village also sold a vacant fire station for \$220,000 in FY 2013-2014.

Interest rates for the upcoming year are expected to remain low and the funds available to invest will decrease in FY 2016 causing investment income to decrease 27.7%. The low investment rates are due to the interest rates available in the market on both short and long term investments.



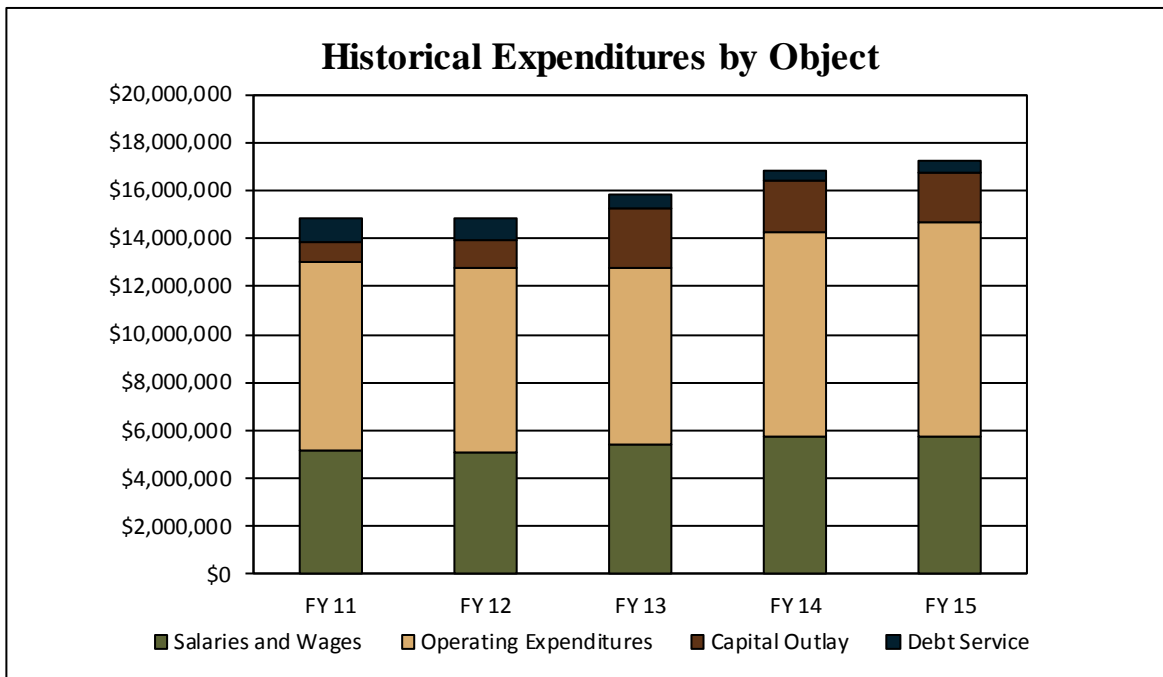


## Expenditure Highlights

Salaries & Benefits are expected to increase by 1.8% in FY 2015-2016. This is the result of an average merit increase for employees of 0%-3% and a projected 10% increase in group insurance. These increases are offset by a slight decrease in the state-mandated employer retirement contributions and a 13.3% reduction in workers' compensation premiums.

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 9.0% decrease in operating expenditures reflects the completion of initiatives and their associated expenditures in FY 2014-2015. This includes implementing a single-day collection system for solid waste, recycling and yard debris; completing a pedestrian and bicycle master plans; and deferring the funding for a future library expansion project. Current year Operating Expenditures include funding for other strategic initiatives supporting the Council's goals and objectives as listed in the *Strategic Priorities* section of this document.

Capital spending in the General Fund increased by 11.2% primarily due to the inclusion of capital appropriations of \$400,000 for the redevelopment of the Public Services complex. Fiscal Year 2016 also includes \$280,000 for a spray ground/splash pad at Rassic Wicker Park, \$200,000 for greenways and sidewalks, \$150,000 for drainage and stormwater projects, and \$91,000 for streetscape improvements on McCaskill Road. There is also \$146,000 for intersection improvements at McKenzie Road, Barrett Road and Hwy 5 to improve traffic safety. The balance of the funding is for routine replacement of capital items.





**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 2015-2016 budget and three prior fiscal years.

<b>Fund Balance</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Estimated</b>	<b>FY 2015-16 Budgeted</b>
Beginning	\$7,244,455	\$7,161,748	\$7,748,844	\$7,316,871
Ending	7,161,748	7,748,844	7,316,871	6,860,495
Increase/(Decrease)	(82,707)	587,096	(431,973)	(456,376)
% Change	-1.1%	8.2%	-5.6%	-6.2%
% of Expenditures	45.3%	45.9%	40.4%	38.3%

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 2015-2016 we have appropriated \$1,375,639 of the Village’s fund balance as a revenue source. This amount is \$512,791 less than the previous fiscal year due to lower expenditure levels. Significant expenditure reductions are reflected in the Solid Waste, Community Development and the Library departments as follows, respectively: \$105,000 for rolling carts purchased for a new yard debris collection system; \$142,000 for a Bicycle/Pedestrian Master Plan and Village Place study; and the deferral of a \$200,000 commitment for a future capital expansion project.

Fund balance is estimated to be \$7,316,871 at June 30, 2015. This is 40.4% of the budgeted FY 2014-2015 expenditures of \$18,091,959. The Village’s fund balance policy is to maintain 30%-40% of expenditures in fund balance. Fund balance at June 30, 2016 is estimated to be \$6,860,495 or 38.3% of budgeted expenditures. The Village Council plans to reduce fund balance to the mid-point of the policy range of 30-40% over the next two years by adopting a tax rate that is one-cent lower than the revenue neutral tax.



