



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 2015-2016.

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 an “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 53% of all Village General Fund revenues. This includes current year’s collections, prior year’s collections, penalties and interest, and refunds.

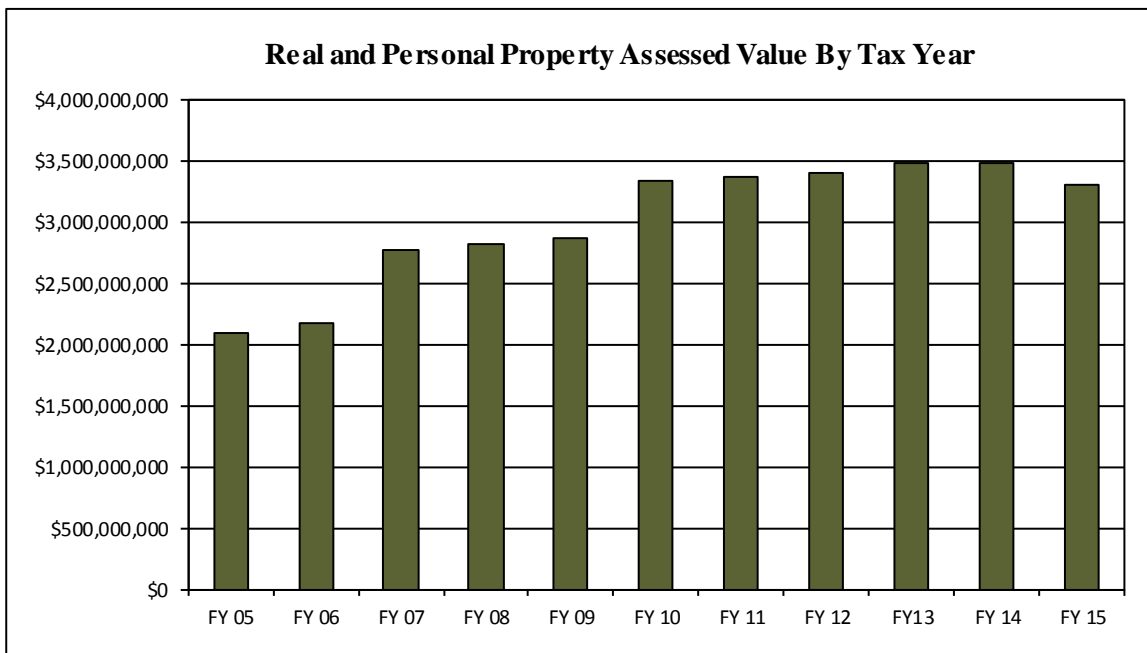
Ad Valorem Taxes	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Real & Personal - Current Year	\$ 9,103,395	\$ 9,224,000	\$ 9,224,000	\$ 9,073,000	-1.6%
Real & Personal - Prior Years	3,097	5,000	5,000	5,000	0.0%
Motor Vehicles - Current Year	611,920	536,000	536,000	493,000	-8.0%
Motor Vehicles - Prior Years	45,504	2,000	2,000	2,000	0.0%
Discounts/Reliefs/Refunds	(6,604)	(5,000)	(5,000)	(5,000)	0.0%
Tax Interest	14,370	5,000	5,000	5,000	0.0%
Total Ad Valorem Tax Revenue	\$ 9,771,682	\$ 9,767,000	\$ 9,767,000	\$ 9,573,000	-2.0%

Revenue Assumptions

- Property revaluation by the Moore County Tax Department resulted in an estimated 5.15% decrease in property values. As a result, the budget reflects an increased tax rate of \$0.29 per \$100 valuation, up from \$0.28. The proposed rate, although one cent lower than the revenue neutral tax rate of \$0.30, is expected to generate \$9,573,000 in ad valorem tax revenue. A revenue neutral rate is achieved by setting a property tax rate that will generate the same revenue as the previous year, plus normal growth. The proposed rate of \$0.29 is estimated to generate \$329,000 less than the revenue neutral tax rate.



- The total estimated valuation of real and personal property is \$3,312,000,000, of which \$3,133,000,000 is real property valuation and \$179,000,000 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 is 1.0%. The number of new homes constructed in the Village increased significantly in Fiscal Year 2013-2014, from 71 to 101, and we are expecting to maintain this level in FY 2015-2016. The historical growth factor for the 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 99.0% 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 consist of Local Option Sales Tax and Golf Cart Stickers.

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. This local government sales and use tax is applied to 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. The State of North Carolina distributes this tax to the Village on a monthly basis.

Golf cart stickers were issued annually to license the use of personal golf carts on Village streets. The Village charged a fee of \$5 per cart, per year to license personal golf carts. Starting in FY 2016, golf cart stickers will no longer be issued.

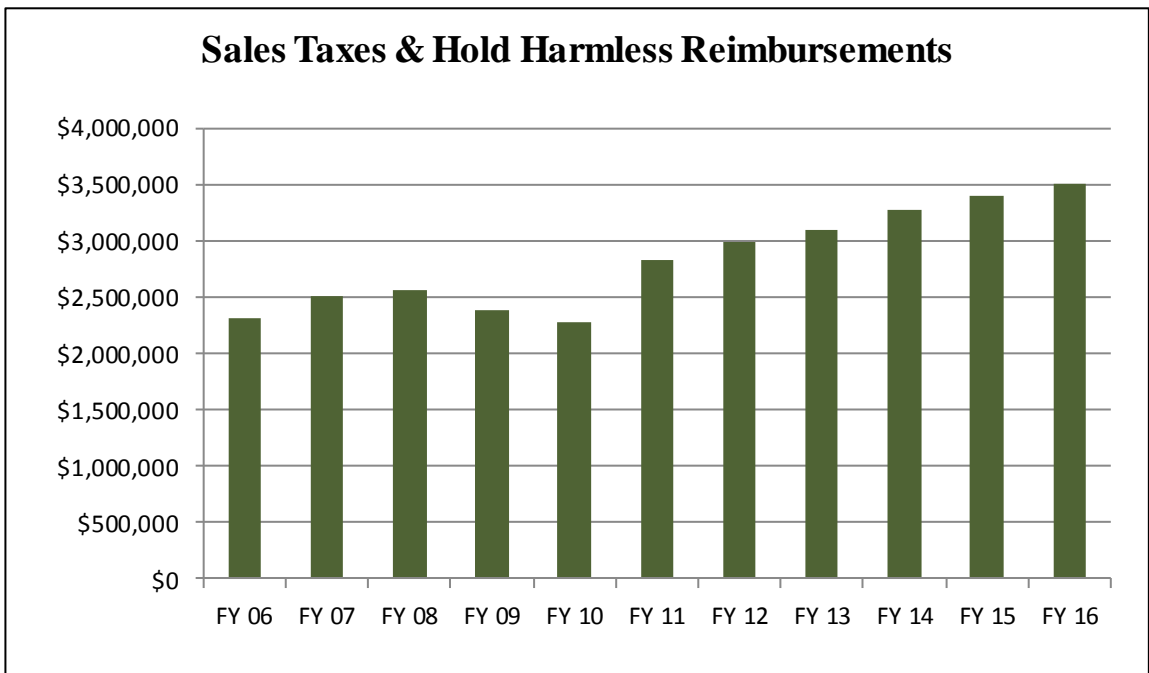
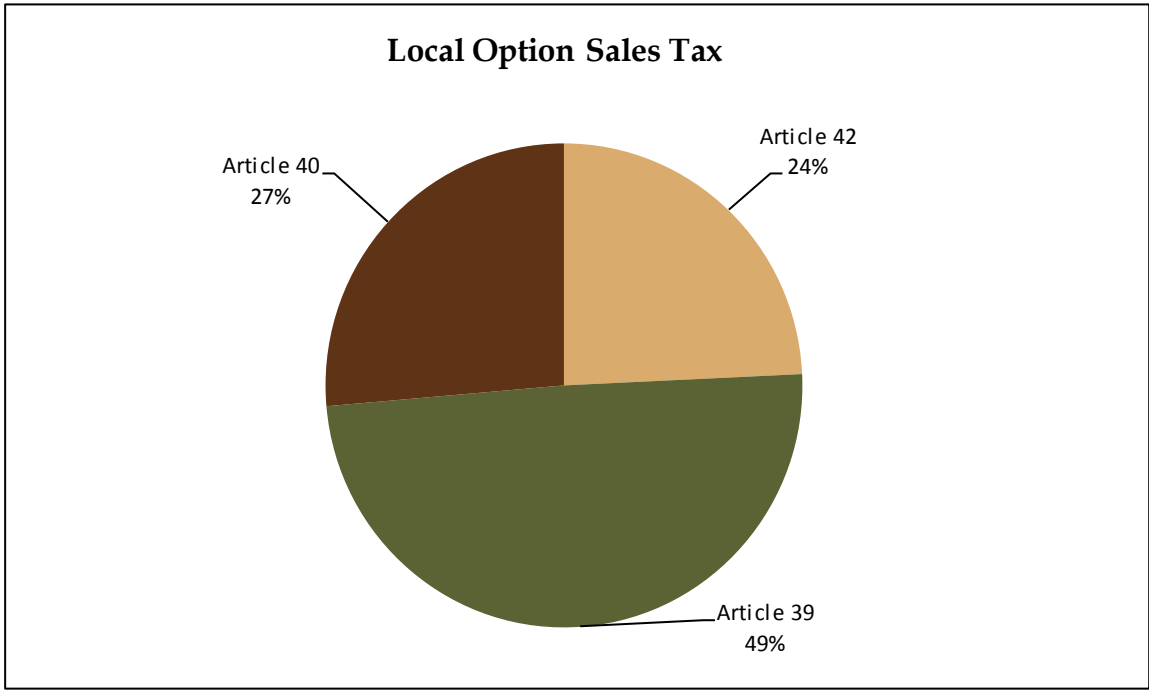
Other Taxes & Licenses	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Local Option Sales Tax	Actual	\$ 2,799,000	\$ 2,744,125	\$ 2,826,000	1.0%
Golf Cart Stickers	2,230	1,700	2,000	-	-100.0%
Total Other Taxes & Licenses	\$ 2,230	\$ 2,800,700	\$ 2,746,125	\$ 2,826,000	0.9%

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 in conjunction with economists from the North Carolina General Assembly. These estimates are communicated to all municipalities to aid them in budgeting state-collected revenues. Locally, tourism and construction were up in FY 2015 primarily due to hosting the U.S. Open Championships in June 2014. In addition, FY 2015 reflects the annexation of Cotswold of Pinehurst. Both of these events will not be repeated in FY 2016, as a result we estimate that local option sales taxes will only increase by approximately 1.0% in FY 2016.
- There is currently a bill in the N.C. Senate that would radically alter the distribution of local option sales taxes in North Carolina. An estimate by the N.C. League of Municipalities has calculated that this change could reduce the Village's sales tax revenues by \$1.1 million per year if implemented. It is unclear at this time if this bill will pass in its current form or what the final impact will be to the Village. Our sales tax revenue assumptions have not been altered based on this potential action by the N.C. Legislature.



The distribution and trend of the local option sales tax revenue by tax type is depicted in the following graphs.





Unrestricted Intergovernmental Revenues

Description of Revenue Source

Unrestricted Intergovernmental Revenue consists of Telecommunications Tax, Electricity Franchise Tax, Video Programming Sales Tax, Hold Harmless Sales Tax and Wine & Beer Tax. All five of these taxes are state-collected local revenues.

The Telecommunications Tax represents a 6.0% 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.

Electricity Franchise Tax represents 3.09% of the taxable gross receipts of the sales of electric power derived within the Village’s corporate limits. The State of North Carolina distributes this tax to the Village 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.

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.

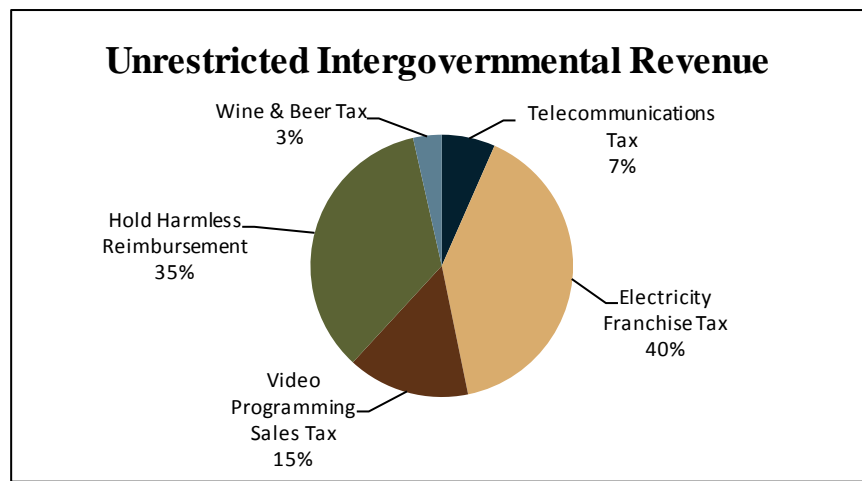
Unrestricted Intergovernmental Revenue	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Telecommunications Tax	\$ 115,413	\$ 115,000	\$ 115,000	\$ 129,000	12.2%
Electricity Franchise Tax	608,170	650,000	765,000	788,000	21.2%
Video Programming Sales Tax	290,050	289,000	289,000	295,000	2.1%
Hold Harmless Reimbursement	592,468	612,000	679,380	679,000	10.9%
Wine & Beer Tax	66,271	62,900	67,500	68,900	9.5%
Total Unrest. Intergovernmental Rev.	\$ 1,672,372	\$ 1,728,900	\$ 1,915,880	\$ 1,959,900	13.4%



Revenue Assumptions

- Telecommunications Taxes are projected based upon growth assumptions provided by the North Carolina League of Municipalities. The telecommunication industry is continuing to experience a decline in the number of landlines in FY 2015. However, wireless revenue is expected to continue growing and this growth will offset the declines in landline revenue. Therefore, we are estimating a 9% increase in revenue for Telecommunications Taxes in FY 2014-2015 and 0% growth in FY 2015-2016 for a total increase of 12.2% between the FY 2015 and FY 2016 budgets.
- Electricity Franchise Taxes are also projected based upon growth assumptions provided by the North Carolina League of Municipalities. FY 2014-2015 marked the first year of a new distribution method. The distribution formula is written into law and is not scheduled to be revisited. Therefore, future distributions should more closely mirror this year's distributions. Through two distributions, under the new system, electricity sales tax is up 46% from the corresponding quarters in FY 2013-2014. As a result, the estimated Fiscal Year 2014-2015 revenue is 17.7% more than the FY 2014-2015 budget. This, coupled with an estimated 3% increase from the FY 2015 estimated budget, results in a 21.2% increase between the FY 2014-2015 and FY 2015-2016 budgets.
- Thus far, distributions of Video Programming Sales Taxes for FY 2014-2015 are ahead of estimates and the North Carolina League of Municipalities expect that video programming revenues will increase by 1.5% in FY 2014-2015. However industry projections indicate that the competitive trends will continue to depress subscriber revenue. Therefore, we are projecting a 1.0% decrease in this revenue source for FY 2015-2016. As a result, Video Programming Sales Tax will increase by 2.1% between the FY 2014-2015 and FY 2015-2016 budgets.
- Beer and Wine Tax revenues are expected to increase by 9.5% as FY 2014-2015 revenues are projected to increase by 7.3% over budget and fiscal year 2015-16 distributions are expected to increase by approximately 2.0%.

The following graph shows that the Village receives approximately 62% of unrestricted intergovernmental revenue from telecommunications, electricity, and video programming taxes.





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 State Highway Fund for the proceeds from a one and three-fourth (1³/₄) cents tax on each gallon of motor fuel sold within the state. 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.

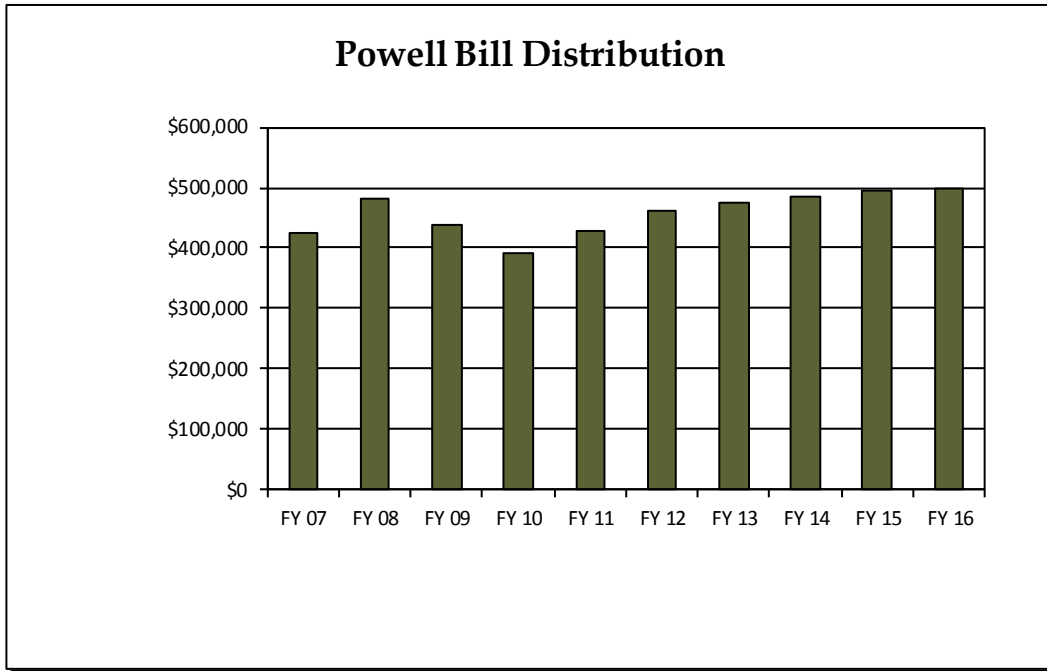
Restricted Intergovernmental Revenue	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Powell Bill	\$ 485,356	\$ 494,000	\$ 494,000	\$ 492,000	-0.4%
BAB Interest Rebates	3,713	2,760	2,760	1,450	-47.5%
Controlled Substance Tax Distribution	1,005	1,000	1,150	1,100	10.0%
Solid Waste Disposal	9,257	9,000	9,700	9,900	10.0%
Other Grants	3,348	43,225	44,325	1,000	-97.7%
Total Rest. Intergovernmental Rev.	\$ 502,679	\$ 549,985	\$ 551,935	\$ 505,450	-8.1%

Revenue Assumptions

- The per capita rate used in the estimation of Powell Bill revenue is \$20.39, which is 1.5% decrease from the previous year's actual distribution rate. The street mile rate utilized to project the allocation is \$1,629 per street mile maintained, which increased by \$33 from the FY 2014-2015 distribution. Both of these estimated distribution rates were provided by the North Carolina League of Municipalities.
- 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 2014-15 will increase by 5.5% over FY 2013-2014. In addition, construction continues to be strong and revenue for FY 2015-2016 are projected to increase 2.5% over FY 14-15. However, FY 2015 actual results are significantly more than budgeted revenues resulting in a 10.0% percentage change between Fiscal Years 2015 and 2016. The Village uses these funds primarily to fund its recycling program.
- 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.

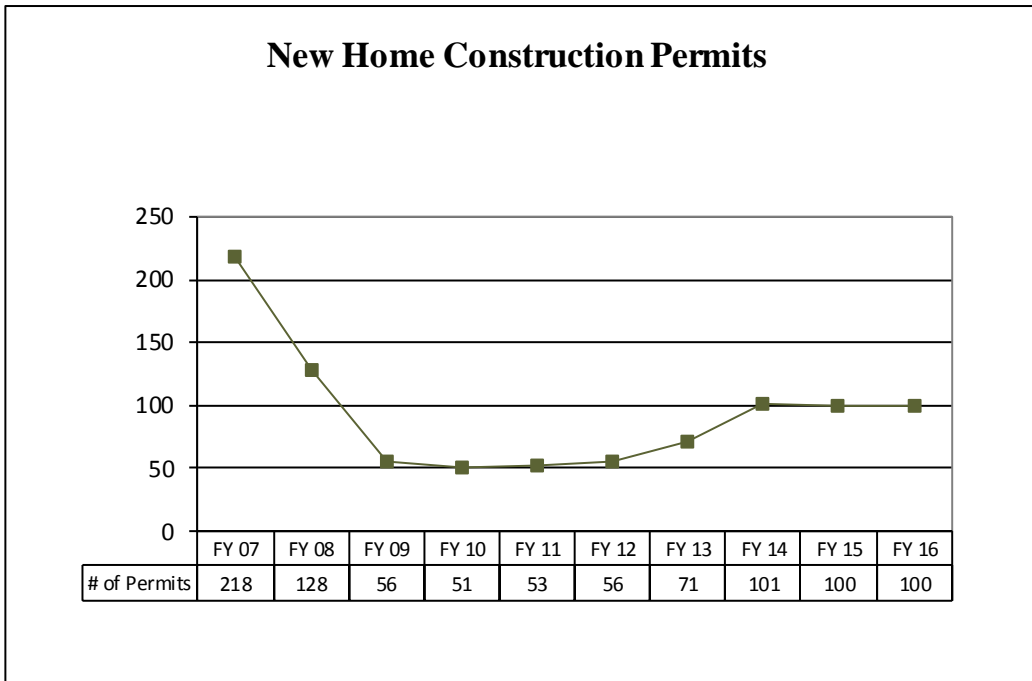
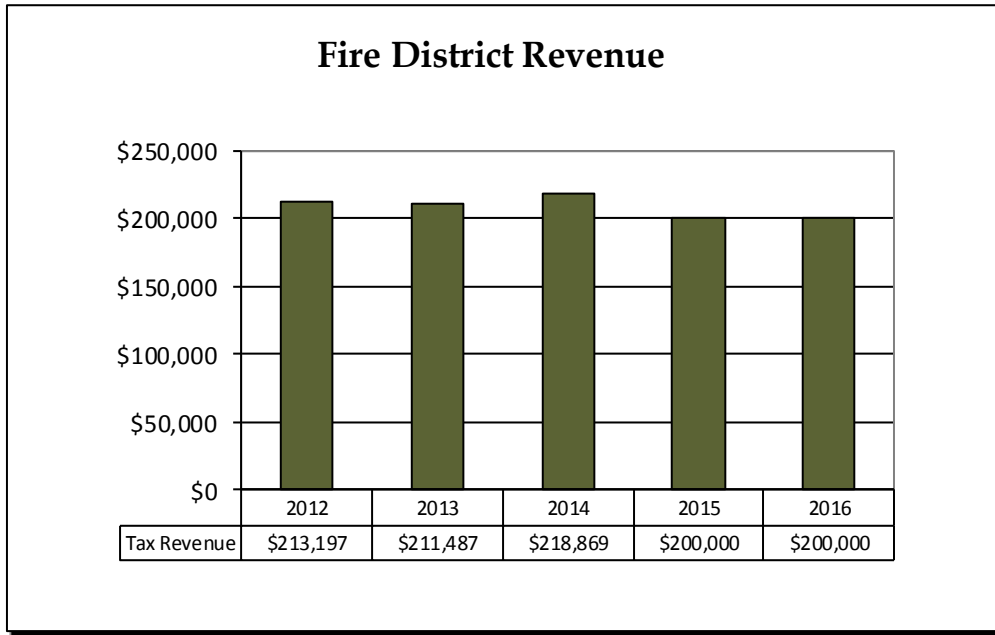
Permit and Inspection Fees and Planning & Zoning Fees are established by the Village Council, reviewed annually, and modified if needed. These permits and fees are charged to builders, developers, and homeowners for new construction and additions/alterations to property. The Village’s growth is generated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

Fire District Revenue represents the amount of funds paid to the Village by Moore County for the Village’s fire department to provide fire protection service to its extraterritorial jurisdiction (ETJ). The Village also contracts with a neighboring local government jurisdiction to provide fire protection services under an annual contract. This is also included in Fire District Revenue. The amount of funds paid to the Village is based upon a tax rate established by Moore County that is applied to the real and personal property valuation in the covered areas. The Moore County Tax Department levies and collects the fire district tax for the Village’s ETJ and then remits collections to the Village monthly.

Table with 6 columns: Category, FY 2013-14 Actual, FY 2014-15 Budget, FY 2014-15 Estimated, FY 2015-16 Budgeted, Percent Change. Rows include US Open Franchise Fees, Permit & Inspection Fees, Planning & Zoning Fees, Fire District Revenue, Other Fees, and Total Permit & Fees.

Revenue Assumptions

- U.S. Open Franchise Fees include \$700,000 in FY 2013-2014 from the USGA to provide services and facilities for the U.S. Open Championships hosted by the Village in June 2014.
• Permit & Inspection Fees and Planning & Zoning Fees for residential construction are expected to remain the same in FY 2015-2016 as the number and value of new homes being constructed remains flat.
• Fire district revenue is based upon a tax rate of \$0.089 per \$100 of property valuation, which is an increase from the current rate of \$0.84 in order to remain revenue neutral after the 2015 property revaluation.





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 assessed property owners for improvements made to dams in FY 2006-2007 in the Municipal Service District (MSD). The Village expects to collect \$10,410 for the 10th installment of a 15 year assessment in FY 2015-2016. The Village also intends to assess property owners in the newly annexed Cotswold of Pinehurst for a stormwater project in Fiscal Year 2015-2016. The budget assumes that the assessment will be paid in five equal installments of approximately \$18,700 annually.

Assessments	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Assessments	\$ 11,791	\$ 31,110	\$ 20,125	\$ 29,075	-6.5%
Total Assessments	\$ 11,791	\$ 31,110	\$ 20,125	\$ 29,075	-6.5%





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 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.

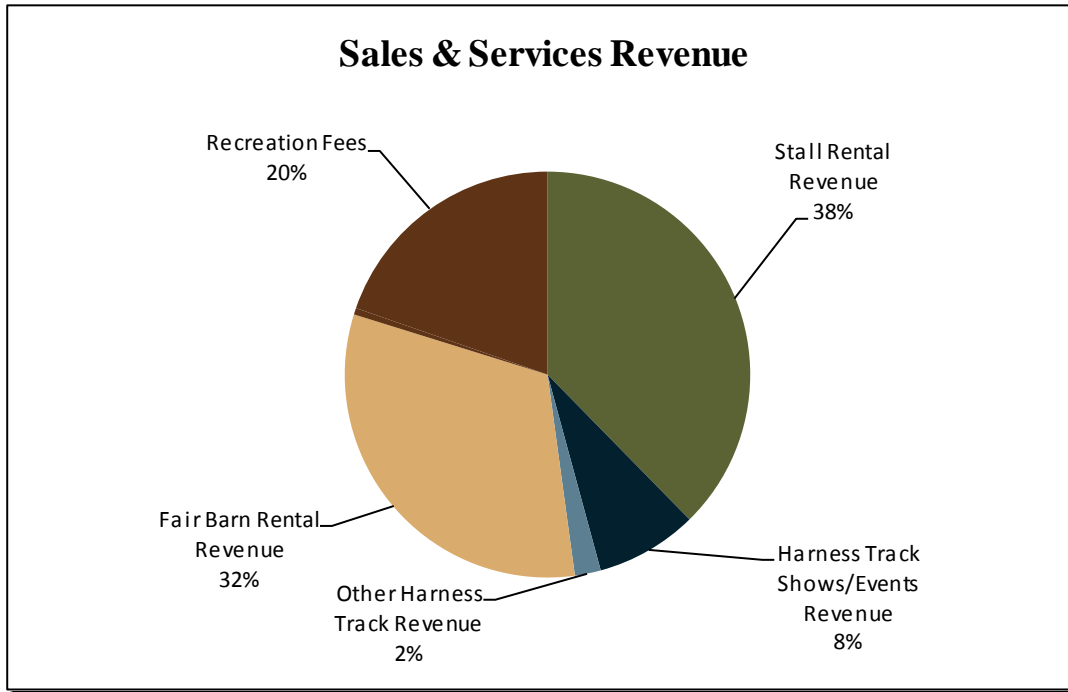
Sales & Services	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Stall Rental Revenue	\$ 199,446	\$ 197,000	\$ 197,000	\$ 218,000	10.7%
Harness Track Shows/Events Revenue	33,492	47,000	47,000	47,000	0.0%
Other Harness Track Revenue	10,161	12,000	12,000	12,000	0.0%
Fair Barn Rental Revenue	203,372	180,000	180,000	185,000	2.8%
Fair Barn Shows/Events Revenue	-	3,000	3,000	3,000	0.0%
Recreation Fees	118,504	113,500	113,500	114,000	0.4%
Total Sales & Services	\$ 564,975	\$ 552,500	\$ 552,500	\$ 579,000	4.8%

Revenue Assumptions

- Harness Track Stall Rental revenue are projected to increase for FY 2015-2016 as recommendations made by the process improvement BIRDIE team are expected to include an increase in fees.
- The events held at the Fair Barn continue to be successful. Revenues are expected to increase slightly to \$185,000 for FY 2015-2016 as efforts to increase weekday rentals are expected to yield positive results.
- Recreation Fees are expected to increase slightly as increased fees associated with the Arboretum and lawns rentals are received.



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 donations made to the Village, fees generated by the Police Department, and various other minor fees.

Other Revenues	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
ABC Revenues	\$ 116,864	\$ 113,800	\$ 109,500	\$ 111,700	-1.8%
Recycling Revenues	21,194	-	-	-	0.0%
Other Miscellaneous Revenues	370,039	84,786	93,142	380,980	349.3%
Total Other Revenues	\$ 508,097	\$ 198,586	\$ 202,642	\$ 492,680	148.1%

Revenue Assumptions

- ABC revenue is projected to decrease by 1.8% for FY 2015–2016. This reduction is expected as sales return to normal after the Men’s and Women’s U.S. Opens held in June 2014.
- Prior to FY 2014-2015, the Village derived recycling revenues from a private contract between the Village and Pratt Industries. This relationship was discontinued in fiscal year 2014 and assumed by Moore County.
- Other miscellaneous revenues are expected to increase by 349.3%. The primary factor contributing to the increase is the anticipated sale of land purchased for a new Public Services complex. Council has decided to sell the land and are considering making improvements at the existing Public Services location. In FY 2014, the Village sold a vacant fire station and received \$220,000 from the sale.



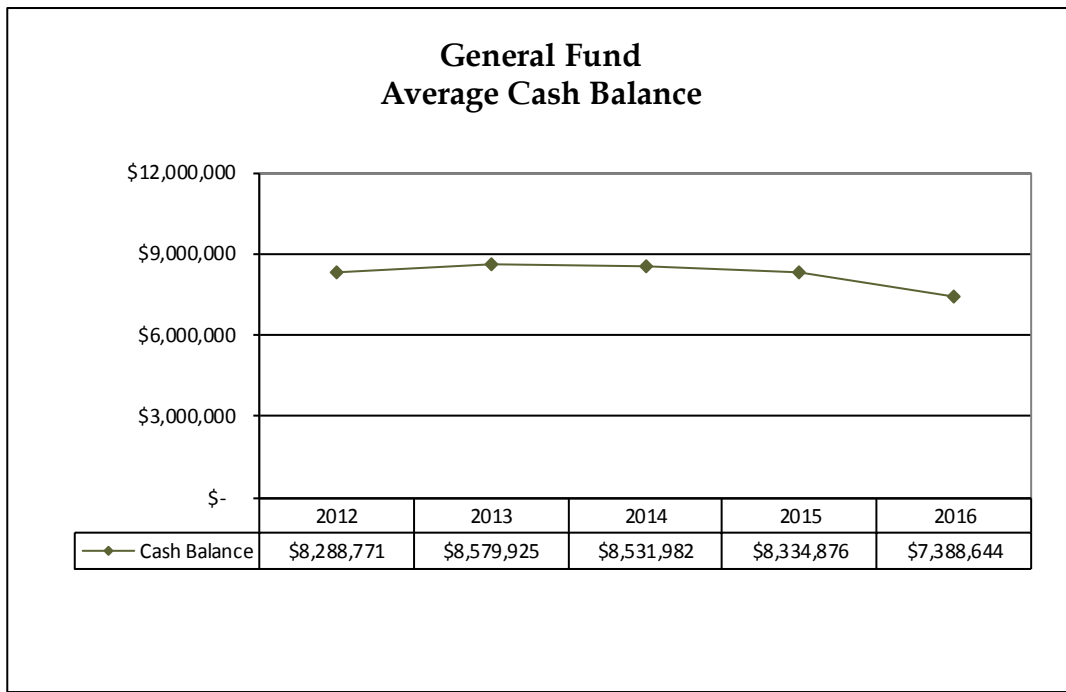
Description of Revenue Source

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 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Investment Income	\$ 10,642	\$ 14,100	\$ 10,070	\$ 10,200	-27.7%
Total Investment Income	\$ 10,642	\$ 14,100	\$ 10,070	\$ 10,200	-27.7%

Revenue Assumptions

- Investment income is estimated to decrease 27.7% as investment rates continue to remain at historically low levels and funds available to invest decline. The average rate of return expected in Fiscal Year 2015-2016 is 0.12% which is the same rate of return in FY 2014-2015.





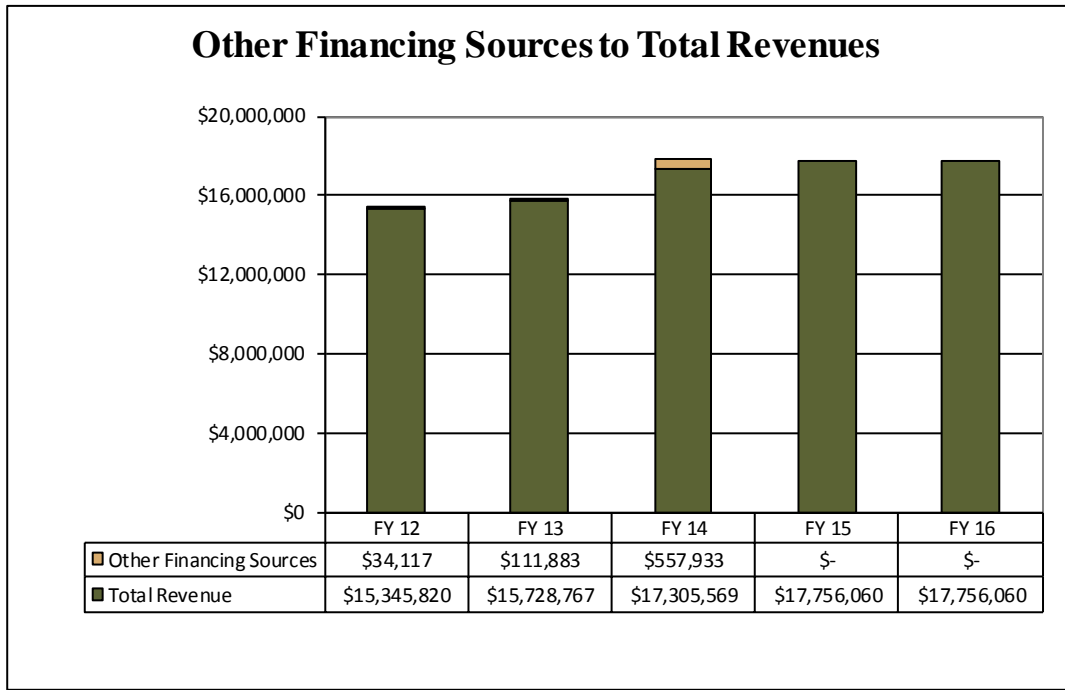
Description of Revenue Source

Other Financing Sources is comprised of Operating Transfers from other funds and occasionally debt proceeds. A common Operating Transfer from a Special Revenue Fund would be from a Capital Project Fund to reimburse the General Fund for capital expenditures.

Other Financing Sources	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Loan Proceeds	\$ 550,000	\$ -	\$ -	\$ -	0.0%
Transfer from Special Rev Funds	7,933	2,898	2,897	-	-100.0%
Total Other Financing Sources	\$ 557,933	\$ 2,898	\$ 2,897	\$ -	-100.0%

Revenue Assumptions

- Loan proceeds of \$550,000 were received to facilitate the purchase of a replacement fire truck in FY 2013-2014.
- The Interest-Residential Assurance Special Revenue Fund was closed in FY2014, the Land Dedication Fund was closed in FY 2015 and all assets were transferred to the General Fund.
- Currently, there are no Special Revenue Funds or Capital Project Funds. Therefore, no transfers to the General Fund are expected in fiscal year 2016.





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 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Estimated	FY 2015-16 Budgeted	Percent Change
Fund Balance Appropriated	\$ -	\$ 1,888,430	\$ -	\$ 1,375,639	-27.2%
Total Fund Balance Appropriations	\$ -	\$ 1,888,430	\$ -	\$ 1,375,639	-27.2%

Revenue Assumptions

- For FY 2015-2016 we have appropriated \$1,375,639 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 that is appropriated this year exceeds this budget variance amount. If this historical trend continues for FY 2015-16 we will subtract approximately \$456,000 from Fund Balance which will cause fund balance to decrease to approximately 38.3% of General Fund expenditures, well within the Council’s adopted range of 30%-40%.
- The amount of fund balance appropriated in FY 2015-2016 is 27% lower than the previous fiscal year. 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.