

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2017

Prepared by
Financial Services Department

John G. Frye
Director of Financial Services



Village of Pinehurst, North Carolina
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For the Fiscal Year Ended June 30, 2017

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HISTORY, CHARM, AND SOUTHERN HOSPITALITY

September 22, 2017

Dear Mayor, Members of the Village Council, and Citizens:

The Comprehensive Annual Financial Report of the Village of Pinehurst, North Carolina (Village) is submitted for your review and use. This report was prepared by the Village's Financial Services Department, and it is the comprehensive publication of the Village's financial position and results of operations as of and for the fiscal year ended June 30, 2017. The Village, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

As a comprehensive annual financial report this document provides financial detail and historical trends beyond the basic financial statements in the Financial Section. The Supplementary Information provides details on the Village's pension plans. The Statistical Section provides trend information on financial performance, revenue capacity, debt capacity, demographic and economic indicators, and operating information. A Compliance Section includes documentation on federal and state grants and awards compliance.

Village management is responsible for both the accuracy of the data and the completeness and fairness of the report. To ensure reliability of the information, Village management has established a comprehensive framework of internal controls. Internal controls protect the Village's assets from loss, theft and misuse and provide reliable information for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the Village's controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

As noted earlier, the Village is required by state law to have an annual independent financial audit. Dixon Hughes Goodman, LLP, Certified Public Accountants, conducted the audit and concluded in an unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the Village of Pinehurst, North Carolina, as of June 30, 2017. The independent auditors' report on the basic financial statements is located at the beginning of the financial section of this report.

In addition to the independent audit of the financial statements, a compliance audit on federal and state financial assistance is also required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of federal awards. These reports are located in the Compliance Section of this Comprehensive Annual Financial Report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditors' report and provides a prescribed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Profile of the Village

“The Village of Pinehurst is a charming, vibrant community which reflects our rich history and traditions.” This vision statement adopted by the Village Council is reflective of what we aspire to be as a community. Our mission is to “promote, enhance, and sustain the quality of life for residents, businesses, and visitors.” The Village was incorporated in 1980, and is located in the Sandhills Region of North Carolina. The Village has a land area of approximately 17 square miles, and an estimated population of 16,123. Pinehurst is the largest of eleven municipalities in Moore County. The Village is empowered to levy a property tax on both real estate and personal properties located within its boundaries. It also is empowered, by state statute, to extend its corporate limits by annexation on a limited basis.

The Village has operated under the Council-Manager form of government since its incorporation in 1980. Policy making and legislative authority are vested in the Village Council consisting of the mayor and four other members. The Village Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the Village’s manager and attorney. The Village Manager is responsible for carrying out the policies and ordinances of the Village Council, for overseeing the day-to-day operations of the Village, and for appointing the heads of the various departments. Four members of the Village Council and the Mayor are elected to four year staggered terms. The Council then selects the Mayor Pro-tem and Treasurer from within the Council membership.

The Village provides a full range of services, including police and fire protection; the maintenance of streets and other infrastructure; planning and building inspections; solid waste services; and recreational activities.

The Pinehurst Village Council is required to adopt a budget by July 1 of each year. The Village’s budget ordinance creates a legal limit on spending authorizations and serves as the foundation for Pinehurst’s financial planning and control. The budget is prepared by fund and department. The Village Manager is authorized by the budget ordinance to make certain limited transfers within funds to facilitate budget execution consistent with Council intent.

Local Economy

The Village is primarily a residential community with a historically strong growth rate in residential development. Over the past year, the Village saw continued strengthening of the local housing market. In FY 2017, 161 new homes were constructed in the Village which is significantly higher than the 106 constructed in the previous year.

The tourism industry contributes significantly to the economic well-being of the Village. Moore County ranks eleventh out of one-hundred North Carolina counties in tourism, with an estimated \$442 million in annual tourism generated revenues. This is due primarily to the world-renowned reputation of Pinehurst Resort, which is owned by the privately held company Pinehurst, LLC. The resort’s golf, hotel, and spa amenities draw tourists from all over the world as a result of its exceptional quality. Pinehurst Resort hosted the 1999, 2005, and 2014 U.S. Open Golf Championships. In 2014 the back-to-back U.S. Open and U.S. Women’s Open Championships generated over \$169 million dollars in economic impact on the local and state economy. The resort is the Village’s largest taxpayer and employs approximately 1,300 people.

The Village can also claim a top-notch regional health facility, FirstHealth of the Carolinas. FirstHealth is a private, not-for-profit health care system based in Pinehurst which serves 15 counties. FirstHealth is the County’s largest private employer, employing approximately 3,600 health care professionals and staff. Their commitment to quality is evidenced by FirstHealth’s flagship hospital, Moore Regional, being consistently named among the Top 100 Hospitals in the country.

Long-Term Financial Planning and Major Initiatives

The Village is committed to maintaining a strong financial condition. The Village Council’s adopted fund balance policy requires the Village to maintain a minimum unassigned General Fund balance of 15% of actual expenditures as reported in the Village’s CAFR. In addition, when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance in the range of 30%-40% of budgeted expenditures. At June 30, 2017 the General Fund’s unassigned fund balance of \$7,110,976 represented 43% of General Fund actual expenditures and total fund balance was 56% of budgeted expenditures.

In Fiscal Year (FY) 2018 the Village adopted its fifth strategic operating plan (SOP). This strategic planning process was adopted as a part of implementing the Malcolm Baldrige performance excellence framework and is designed to provide an integrated approach to organizational performance management. The SOP includes a one-year budget and a five-year capital improvement plan (CIP). The SOP is a strategic, results-driven approach to resource allocation that is closely aligned with the Village Council's strategy and achieving the results articulated in the Village's balanced scorecard.

The Village's mission is "to promote, enhance, and sustain the quality of life for residents, businesses, and visitors." The Village Council adopted nine organizational goals for the 2018 Strategic Plan to achieve that mission. The goals are as follows: (1) safeguard the community, (2) ensure an attractive residential community, (3) ensure a thriving business community, (4) provide multi-modal transportation systems, (5) protect the environment, (6) maintain an active, healthy community, (7) professionally manage a high performing organization, (8) attract and retain an engaged workforce, and (9) maintain a healthy financial condition.

Major initiatives of the FY 2018 Strategic Plan to address these goals include:

- Comprehensive long-range plan update
- Land use planning
- Commercial streetscape enhancements
- Pedestrian connectivity
- Recreation facilities
- Planning & Inspections process improvements

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the 24th consecutive year the Village has received this prestigious award. In order to be awarded a Certificate of Achievement, the Village published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Village received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal years ended June 30, 2008 through 2017. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget document had to be judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the dedicated efforts of the entire staff of the Financial Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the Village Council for their unflinching support for maintaining the highest standards of professionalism in the management of the Village's finances.

Respectfully submitted,



Jeffrey M. Sanborn
Village Manager



John G. Frye
Director of Financial Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Village of Pinehurst
North Carolina**

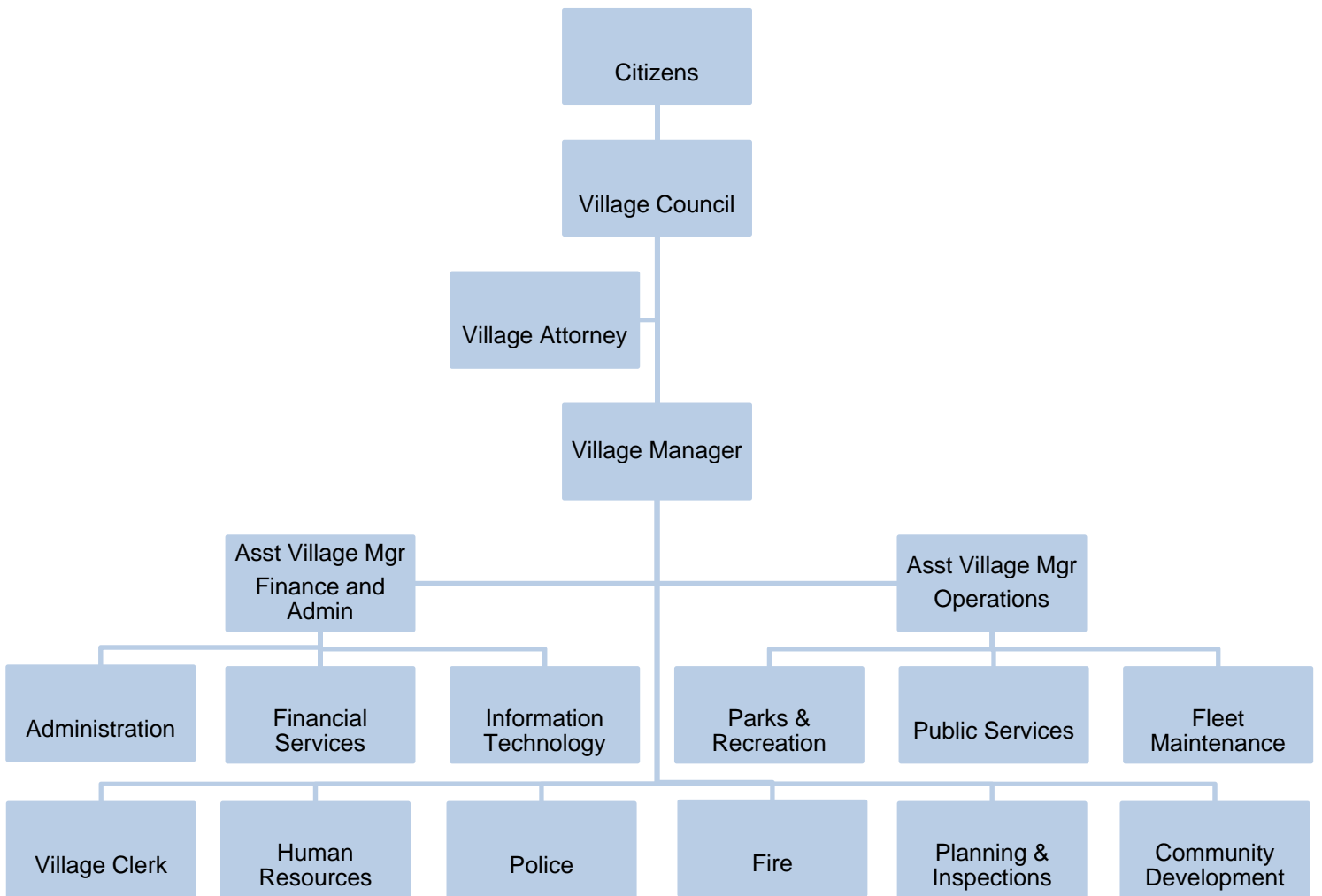
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Village of Pinehurst, North Carolina

Organizational Chart June 30, 2017



**Village of Pinehurst, North Carolina
List of Principal Officials
June 30, 2017**

Elected Officials

Nancy Roy Fiorillo	Mayor
John R. Cashion	Mayor Pro-Tem
John Bouldry	Treasurer
Claire Berggren	Council Member
Clark Campbell	Council Member

Appointed Officials

Jeffrey M. Sanborn	Village Manager
Natalie Hawkins	Assistant Village Manager
Jeff Batton	Assistant Village Manager
Michael J. Newman	Village Attorney
Lauren Craig	Village Clerk
John G. Frye	Financial Services Director
Angela M. Kantor	Human Resources Director
Jason Whitaker	Chief Information Officer
Earl Phipps	Police Chief
Carlton Cole	Fire Chief
Vacant	Planning & Inspectant Director
Walt Morgan	Public Services Director
Randy Kuhn	Fleet Maintenance Director
Mark Wagner	Parks and Recreation Director



Independent Auditors' Report

The Honorable Mayor and Members of
the Village Council
Village of Pinehurst
Pinehurst, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Pinehurst, North Carolina ("Village") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise of the Village's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during 2017 the Village of Pinehurst implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions*, which resulted in a cumulative effect adjustment to net position as of the beginning of the year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, Local Government Employees' Retirement System Schedule of the Proportionate Share of the Net Pension Liability (Asset) on page 45, Local Government Employees' Retirement System Schedule of Contributions on page 46, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll on pages 47 and 48 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village. The combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017 on our consideration of Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**High Point, North Carolina
September 22, 2017**

Village of Pinehurst Management's Discussion and Analysis June 30, 2017

As management of the Village of Pinehurst (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Village's financial statements, which follow this narrative.

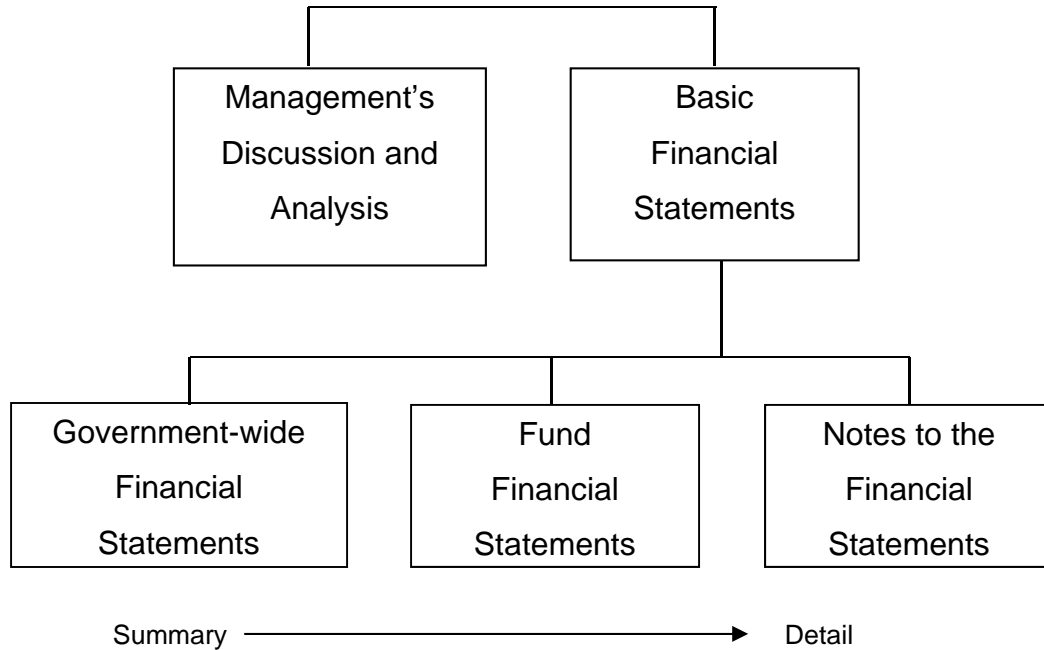
Financial Highlights

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,741,422 (*net position*).
- The Village's total net position increased by \$1,648,961 primarily due to lower than expected operating expenditures, an increase in capital assets, and the reduction in long term debt due to scheduled principal payments.
- At the end of the current fiscal year, the Village's only governmental fund, the General Fund, reported ending fund balance of \$10,633,102, an increase of \$1,307,758 in comparison with the prior year. Approximately 67% of this amount, or \$7,110,976, is available for spending at the Village's discretion (*unassigned fund balance*) and is equal to 43% of total general fund expenditures for the fiscal year.
- The Village's total debt decreased by \$368,531 (26%) during the current fiscal year. The decrease was due to scheduled principal payments on existing debt obligations. Total debt outstanding was \$1,066,792 at the 2017 fiscal year end.
- The Village had no general obligation bonded debt as of June 30, 2017.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$62,911, which is equivalent to a return of approximately 0.57% on the average amount of cash and cash equivalents during the year. At fiscal year's end, 28% of the Village's cash and investments were held in insured or collateralized depository accounts and 72% were invested with the North Carolina Capital Management Trust.
- The Village has received the Certificate of Achievement for Excellence in Financial Reporting for 24 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2017 fiscal year, the Village received the Distinguished Budget Presentation Award for the 10th consecutive year from the Government Finance Officers Association for its annual budget.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Village through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Village.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Village's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Village's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Village's financial status as a whole.

The two government-wide statements report the Village's net position and how they have changed. Net position is the difference between the Village's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village's financial condition.

The government-wide statements are divided into three categories: (1) governmental activities; (2) business-type activities; and (3) component units. The governmental activities include all of the Village's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Village charges customers to provide. The Village does not engage in any business-type activities as of June 30, 2017. The final category is the component unit. The Village does not have any component units as of June 30, 2017.

The government-wide financial statements are on Exhibits 1 and 2 of the basic financial statements.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the Village's budget ordinance. The Village currently only has one fund, the General Fund, which is a governmental fund.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Village's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Village's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the Village Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balances. The statement shows four columns: 1) the original budget as adopted by the Village Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23-44 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

Interdependence with Other Entities - The Village depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

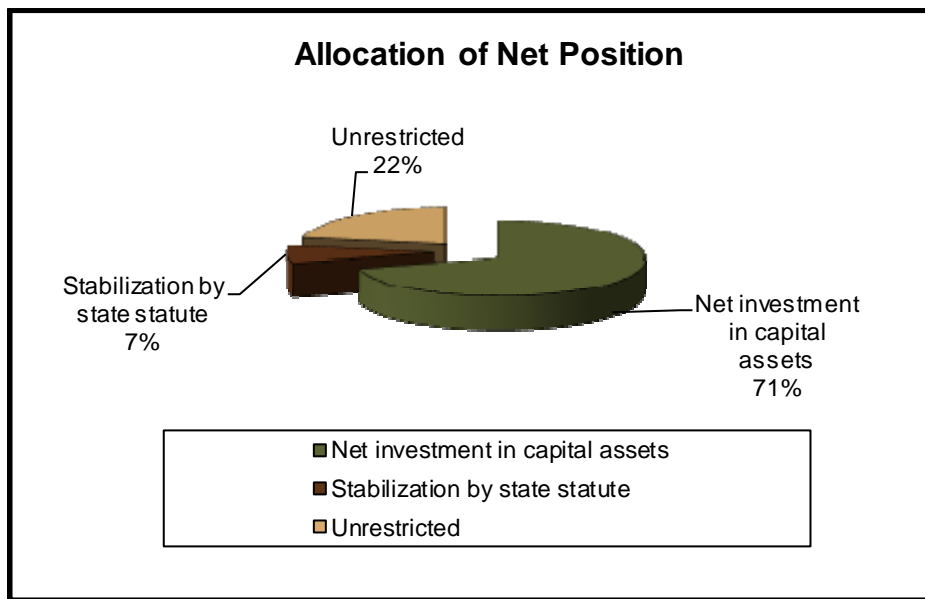
Net Position

The following (Figure 2) reflects condensed information on the Village's net position:

Village of Pinehurst's Net Position
Figure 2

	Governmental Activities 2017	Governmental Activities 2016
Current and other assets	\$ 11,503,007	\$ 10,342,528
Capital assets	22,047,655	21,903,313
Total assets	<u>33,550,662</u>	<u>32,245,841</u>
Deferred outflows of resources	<u>1,985,524</u>	<u>437,872</u>
Long-term liabilities outstanding	1,691,247	2,074,631
Net pension liability	2,278,540	759,805
Total pension liability	943,908	-
Other liabilities	756,123	873,342
Total liabilities	<u>5,669,818</u>	<u>3,707,778</u>
Deferred inflows of resources	<u>124,946</u>	<u>255,190</u>
Net position:		
Net investment in capital assets	20,980,863	20,467,990
Restricted for:		
Stabilization by state statute	2,165,724	1,474,901
Unrestricted	6,594,835	6,777,854
Total net position, previously reported	<u>-</u>	<u>28,720,745</u>
Cumulative effect adjustment	-	(628,284)
Total net position, ending	<u>\$ 29,741,422</u>	<u>\$ 28,092,461</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Village exceeded liabilities and deferred inflows by \$29,741,422 as of June 30, 2017. The Village's net position increased by \$1,020,677 for the fiscal year ended June 30, 2017. Of this amount, \$1,648,961 was added due to operations and \$628,284 was deducted due to a cumulative effect adjustment to net position related to pensions. The largest portion of net position, \$20,980,863 or 71%, reflects the Village's net investment in capital assets (e.g. land, right of ways, buildings, machinery, and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village's net position, \$2,165,724, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,594,835 is unrestricted.



Governmental Activities

Governmental activities increased the Village's net position by \$1,648,961. Several aspects of the Village's financial operations influenced the positive change in total governmental net position:

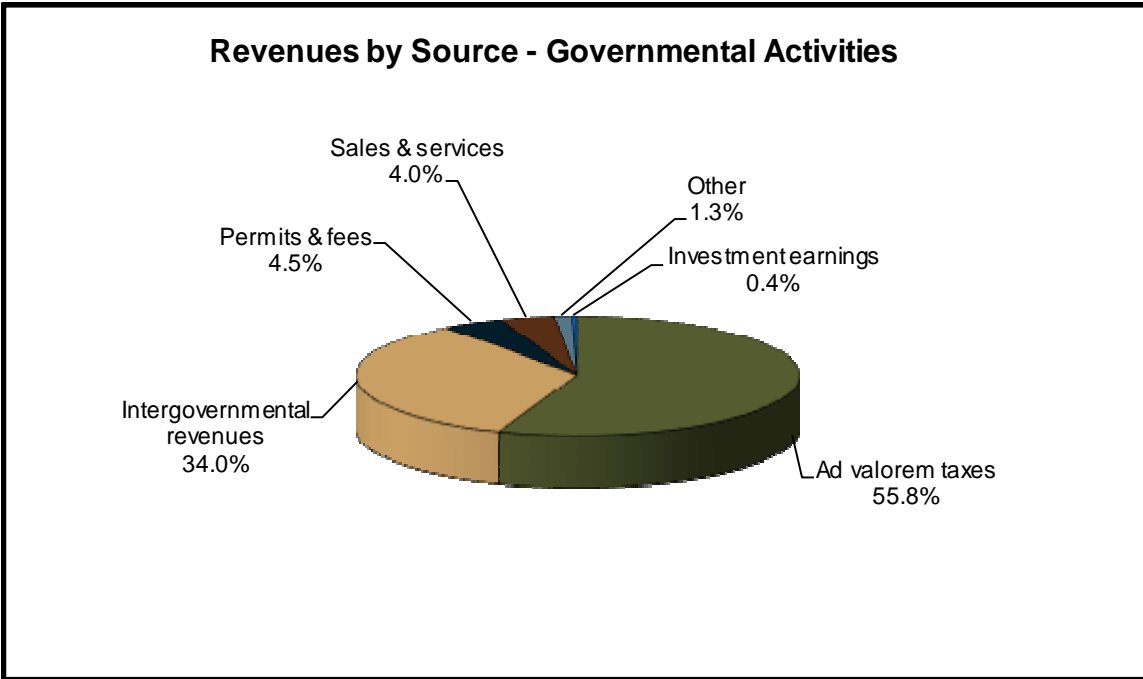
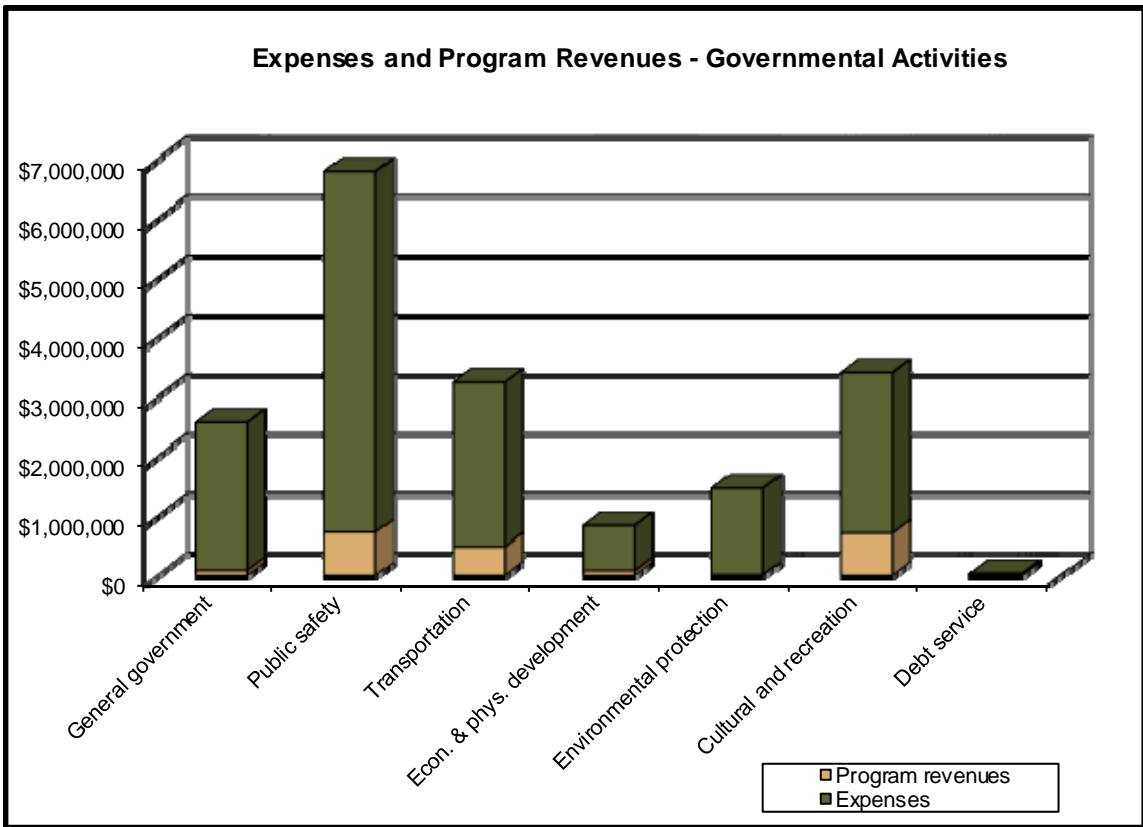
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in the General Fund of 99.91%, which is comparable to the statewide average of 98.90%.
- Unrestricted intergovernmental revenues increased by \$150,000, or 3%, due to increased collections of local option sales taxes.
- Expenses net of program revenues increased by \$926,000, or 7%. This result was influenced by the following factors:
 - Program expenses were \$955,000, or 6.2%, higher than in the previous fiscal year. This was primarily due to operating expenses increasing by \$658,000, or 10%, compared to the previous fiscal year.
 - Charges for services increased by approximately \$165,000, or 12%, due to increased revenues for building permits and recreation programs.
 - Operating grants and contributions increased \$94,000, or 19%, due to FEMA Public Assistance funding received for recovery efforts related to Hurricane Matthew.
 - Capital grants and contributions decreased by \$231,000 due to the receipt of donated streets and right-of-ways in the previous fiscal year and none being received in the current year.
 - The Village's net pension expense for the Local Government Employees Retirement System (LGERS) and Law Enforcement Officers Special Separation Allowance (LEOSSA) pension plans was \$674,000.

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Village of Pinehurst's Change in Net Position
Figure 3

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,524,571	\$ 1,359,573
Operating grants and contributions	603,714	509,304
Capital grants and contributions	-	230,788
General revenues:		
Property taxes	9,998,398	9,699,296
Golf cart licenses	2,180	8,745
Grants and contributions not restricted to specific programs	5,478,926	5,328,610
Other	322,221	279,128
Total revenues	<u>17,930,010</u>	<u>17,415,444</u>
Expenses:		
General government	2,495,248	2,501,748
Public safety	6,070,685	5,684,375
Transportation	2,755,861	2,481,039
Economic & physical development	765,422	677,747
Environmental protection	1,453,148	1,399,842
Culture and recreation	2,700,389	2,527,443
Interest on long-term debt	40,296	54,120
Total expenses	<u>16,281,049</u>	<u>15,326,314</u>
Increase in net position	1,648,961	2,089,130
Net position, beginning, previously reported	28,720,745	26,631,615
Cumulative effect adjustment	(628,284)	-
Net position, beginning, adjusted	<u>28,092,461</u>	<u>26,631,615</u>
Net position, June 30	<u>\$ 29,741,422</u>	<u>\$ 28,720,745</u>

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Business-Type Activities

The Village does not currently engage in business-type activities.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Village's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2017, the General Fund, the only governmental fund of the Village reported fund balance of \$10,633,102, an increase of \$1,307,758, or 14%, over last year. The unassigned portion of the fund balance in the General Fund was \$7,110,976. The Village Council has established by policy that the Village should maintain a minimum unassigned fund balance of 15% of actual general fund expenditures at year end and total fund balance of 30%-40% of budgeted general fund expenditures when adopting the annual budget. Fund balance at these levels is maintained to meet the cash flow needs of the Village and to be prepared for unforeseen emergencies and opportunities. The Village currently has unassigned fund balance of 43% of actual general fund expenditures, while total fund balance represents 56% of budgeted expenditures. The statewide average for total fund balance in the Village's population peer group is 54%.

As noted above, fund balance in the Village's General Fund increased by \$1,307,758 during the 2017 fiscal year. Key components of this change are as follows:

- Property tax revenue increased approximately \$253,000 from the prior year due to a one-half cent increase in the property tax rate and normal additions to the tax base.
- Single-family home construction saw significant increases during the year with building permits and inspection fees increasing \$115,000, or 35%, over the previous year.
- Sales tax revenues increased \$238,000, or 8%, due to an increase in tourism and overall economic activity.
- Electricity sales taxes decreased \$151,000, or 14%, due to an adjustment in the distribution basis and other seasonal factors.
- Actual operating and capital expenditures were lower than expected, which also contributed to the addition to fund balance.

Proprietary Funds

The Village does not have any proprietary funds.

General Fund Budgetary Highlights

The Village employs conservative budgetary practices. Revenue estimates are based on conservative assumptions and projections. Village departments are encouraged to provide a high level of service to the citizens of the Village while working to conserve financial resources.

During the fiscal year, the Village revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Comparing budget to actual amounts, the Village exceeded the originally budgeted operating revenue estimates by \$683,000, or 4.0%. The primary revenues that came in above estimated budget amounts were unrestricted and restricted intergovernmental revenues and sales and services revenues. Unrestricted intergovernmental revenues were \$203,000 above budget, primarily due to increased local option sales taxes mentioned above. Sales and services revenues were \$118,000 above budget due to increased building permit and recreation fees.

Total expenditures were \$1,578,000, or 8.6%, less than originally budgeted amounts. Expenditures were less than budgeted amounts for the following significant items: (1) contracted and professional services of \$367,000 were lower than expected, (2) salaries and benefits were \$486,000 lower due to employee vacancies related to turnover and a significant number of retirements; and (3) capital expenditures were \$917,000 below budget due primarily to a sidewalk project that was not completed and a fire engine that was on order at year end. Other smaller projects and capital items were also delayed for various reasons. These items have all been reappropriated in Fiscal Year 2017.

As a result of the variances in revenues and expenditures outlined above, fund balance in the General Fund increased by \$1,307,758 at June 30, 2017. This resulted in the General Fund reporting fund balance of \$10,633,102, a 14% increase above the previous year. Part of the increase can be attributed to revenues being higher than expected and operating and capital expenditures being lower than expected. However, the primary reason for the increase in fund balance was unfinished capital items that were reappropriated in FY 2018. The amount reappropriated to complete these items was \$871,000, which included \$600,000 for a fire engine that was on order at year end. After accounting for these items, the fund balance would have increased by approximately \$437,000.

Capital Asset and Debt Administration

Capital assets

The Village's investment in capital assets for its governmental activities as of June 30, 2017 totals \$22,047,655 (net of accumulated depreciation). These assets include land, right of ways, buildings and improvements, furniture and equipment, vehicles, infrastructure such as streets and drainage systems, and construction in progress.

Major capital asset transactions during the year include the following additions. There were no significant demolitions or disposals:

- Public Services complex renovations of \$540,000
- Gun Club neighborhood sidewalk project costing \$289,000 (partially completed)
- Forest Drive to Spring Lake Drive greenway project costing \$206,000
- McIntyre Road streetscape improvement project costing \$165,000
- Harness Track water truck replacement costing \$182,000
- Dump truck replacement costing \$109,000

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**Village of Pinehurst's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities	Governmental Activities
	2017	2016
Land	\$ 5,783,713	\$ 5,783,713
Right of Ways	163,777	168,340
Buildings and Improvements	7,795,379	7,657,676
Furniture and Equipment	834,565	894,892
Vehicles	2,451,089	2,514,587
Infrastructure	4,853,923	4,682,129
Construction in Progress	165,209	201,976
Total	\$ 22,047,655	\$ 21,903,313

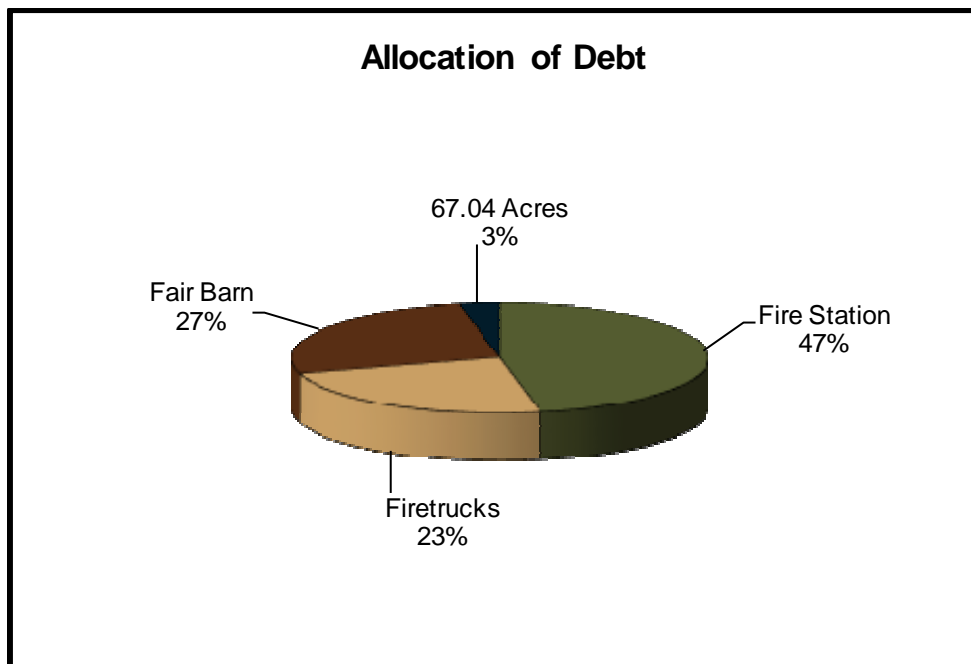
Additional information on the Village's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term debt

As of June 30, 2017, the Village had total outstanding debt of \$1,066,792 in installment purchase agreements collateralized by the assets that are financed. During fiscal year 2017 the Village's total debt decreased by \$368,531, or 26%, due to principal payments as detailed in Note 9.

**Village of Pinehurst's Outstanding Debt
Figure 5**

	Governmental Activities	Governmental Activities
	2017	2016
Installment Purchase Agreements		
Fire Station	\$ 500,000	\$ 666,666
Fair Barn	250,000	300,000
Firetrucks	283,459	427,989
67.04 Acres	33,333	40,668
Total	\$ 1,066,792	\$ 1,435,323



North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Village is \$269,883,654.

Additional information regarding the Village’s long-term debt can be found in Note 9 beginning on page 41 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following economic indicators and conditions reflect the current operating environment of the Village:

- **New home construction:** The Village added 161 new homes last year compared to 106 in the previous fiscal year. For the previous three years the average number constructed had hovered around 100. This increase in single-family home construction also indicates that the Village’s tax base will increase proportionately next year.
- **Sales tax revenues:** Sales taxes have increased over the past two fiscal years with growth rates at or above their historical averages.
- **Demographics:** With population increasing and a demographic that is trending younger, the Village is focusing more resources to address the needs of younger residents with recreational amenities.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities

Revenues of the Village are expected to increase by 3.5% overall for FY 2018. This is primarily due to increases in property taxes, sales taxes, and permits and fees. Property tax revenues are expected to increase by 1.3% due to tax base growth from increased single family home construction. For FY 2018, the Village adopted an ad valorem tax rate of \$0.295 per \$100 valuation, the same as the previous year.

Budgeted expenditures in the General Fund are estimated to be \$19,139,093, an increase of 0.5%. This small increase is a result of inflationary increases in salaries and operating expenditures. Debt service and capital outlay expenditures are lower compared to the previous year.

In Fiscal Year 2018 the Village adopted its fifth strategic operating plan (SOP). This strategic planning process was adopted as a part of implementing the Malcolm Baldrige performance excellence framework and is designed to provide an integrated approach to organizational performance management. The SOP includes a one-year budget and a five-year capital improvement plan (CIP). The SOP is a strategic, results-driven approach to resource allocation that is closely aligned with the Village Council's strategy and achieving the results articulated in the Village's balanced scorecard.

The Village's mission is "to promote, enhance, and sustain the quality of life for residents, businesses, and visitors." The Village Council adopted nine organizational goals for the 2018 Strategic Plan to achieve that mission. The goals are as follows: (1) safeguard the community, (2) ensure an attractive residential community, (3) ensure a thriving business community, (4) provide multi-modal transportation systems, (5) protect the environment, (6) maintain an active, healthy community, (7) professionally manage a high performing organization, (8) attract and retain an engaged workforce, and (9) maintain a healthy financial condition.

Major initiatives of the FY 2018 Strategic Plan to address these goals include:

- Comprehensive long-range plan update
- Land use planning
- Commercial streetscape enhancements
- Pedestrian connectivity
- Recreation facilities
- Planning & Inspections process improvements

Total capital outlays of \$2,204,600 are down 23% compared to the previous fiscal year. The significant capital items included for FY 2018 are as follows:

- Pedestrian facilities (\$430,000)
- Community Center design (\$344,000)
- Replacement of two Solid Waste vehicles (\$325,000)
- Additional streetscape improvements on McCaskill Road (\$145,000)
- Dump truck replacement (\$140,000)
- Backhoe replacement (\$135,000)
- Cannon Park parking lot paving (\$120,000)

Business-Type Activities

The Village does not engage in any Business-type activities.

Requests for Information

This report is designed to provide an overview of the Village's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to John Frye, Financial Services Director at 910-295-8646, or Village of Pinehurst, 395 Magnolia Road, Pinehurst, NC 28374.



Village of Pinehurst, North Carolina
Statement of Net Position
June 30, 2017

Exhibit 1

Assets	Governmental Activities
Current assets:	
Cash and cash equivalents	\$ 9,789,207
Taxes receivables (net)	26,568
Special assessments receivable	92,260
Interest receivable	8,642
Other receivables	22,360
Due from other governments	1,492,081
Inventories	36,653
Prepaid items	35,236
Total unrestricted current assets	11,503,007
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	5,783,713
Construction in progress	165,209
Right of ways	163,777
Buildings and improvements	7,795,379
Furniture and equipment	834,565
Vehicles	2,451,089
Infrastructure	4,853,923
Total capital assets	22,047,655
Total assets	33,550,662
Deferred Outflows of Resources	
Pensions-Contributions to pension plan in the current fiscal year	517,442
Pensions-Change in proportion and differences in employer contributions and proportionate share of contributions	9,467
Pensions-Difference between actual and expected experience Changes in assumptions	42,810
	156,060
Pensions-Net difference between actual and expected earnings on pension plan investments	1,259,745
Total deferred outflows of resources	1,985,524
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	745,340
Accrued interest payable	10,783
Long-term liabilities due within one year	734,331
Total current liabilities	1,490,454
Long-term liabilities:	
Net pension liability	2,278,540
Total pension liability	943,908
Long-term liabilities due in more than one year	956,916
Total liabilities	5,669,818
Deferred Inflows of Resources	
Unavailable revenue	154
Pensions-Changes in assumptions	16,123
Pensions-Change in proportion and differences in employer contributions and proportionate share of contributions	28,826
Pensions-Difference between actual and expected experience	79,843
Total deferred inflows of resources	124,946
Net Position	
Net investment in capital assets	20,980,863
Restricted for:	
Stabilization by state statute	2,165,724
Unrestricted	6,594,835
Total net position	\$ 29,741,422

Village of Pinehurst, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 2,495,248	\$ 1,763	\$ 85,991	\$ -	\$ (2,407,494)
Public safety	6,070,685	722,337	11,003	-	(5,337,345)
Transportation	2,755,861	-	495,899	-	(2,259,962)
Economic and physical development	765,422	83,562	-	-	(681,860)
Environmental protection	1,453,148	-	10,821	-	(1,442,327)
Cultural and recreation	2,700,389	716,909	-	-	(1,983,480)
Interest on long-term debt	40,296	-	-	-	(40,296)
Total governmental activities	\$ 16,281,049	\$ 1,524,571	\$ 603,714	\$ -	\$ (14,152,764)
General revenues:					
Ad valorem taxes				\$ 9,998,398	
Golf cart licenses				2,180	
Unrestricted intergovernmental				5,478,926	
Investment earnings				62,911	
Miscellaneous				259,310	
Total general revenues				15,801,725	
Change in net position				1,648,961	
Net position, beginning, previously reported				28,720,745	
Cumulative effect adjustment				(628,284)	
Net position, beginning, adjusted				28,092,461	
Net position-ending				\$ 29,741,422	

Village of Pinehurst, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

Exhibit 3

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 9,789,207
Receivables, net:	
Taxes	26,568
Special assessments	92,260
Interest	8,642
Other	22,360
Due from other governments	1,492,081
Inventories	36,653
Prepaid items	35,236
	<u>11,503,007</u>
Total assets	<u>11,503,007</u>
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	184,835
Withholdings and accrued expenditures	358,620
Deposits	201,885
	<u>745,340</u>
Total liabilities	<u>745,340</u>
Deferred inflows of resources:	
Unearned revenues	154
Unavailable revenues	124,411
	<u>124,565</u>
Total deferred inflows of resources	<u>124,565</u>
Fund balances:	
Nonspendable:	
Inventory	36,653
Prepaid items	35,236
Restricted:	
Stabilization by state statute	2,165,724
Assigned:	
Subsequent year's expenditures	1,284,513
Unassigned	7,110,976
	<u>10,633,102</u>
Total fund balances	<u>10,633,102</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 11,503,007</u>

Village of Pinehurst, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Exhibit 4

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balance, governmental funds		\$ 10,633,102
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 41,787,581	
Accumulated depreciation	<u>(19,739,926)</u>	22,047,655
Deferred outflows of resources related to pensions are not reported in the funds		1,985,524
Liabilities for earned revenues considered deferred inflows of resources in the fund statements:		
Taxes receivable	26,568	
Other receivables	5,583	
Assessments receivable	<u>92,260</u>	124,411
Some liabilities, including notes payable and accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(10,783)	
Compensated absences payable	(624,455)	
Net pension liability	(2,278,540)	
Total pension liability	(943,908)	
Installment purchases payable	<u>(1,066,792)</u>	(4,924,478)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(124,792)</u>
Net position of governmental activities		<u>\$ 29,741,422</u>

Village of Pinehurst, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

Exhibit 5

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Ad valorem taxes	\$ 9,996,412	\$ 9,996,412
Golf cart licenses	2,180	2,180
Unrestricted intergovernmental	5,478,926	5,478,926
Restricted intergovernmental	603,437	603,437
Permits and fees	801,574	801,574
Sales and services	719,515	719,515
Investment earnings	63,189	63,189
Assessment income	39,102	39,102
Miscellaneous	197,420	197,420
	<u>17,901,755</u>	<u>17,901,755</u>
Expenditures		
Current:		
General government	2,164,459	2,164,459
Public safety	5,564,978	5,564,978
Transportation	3,276,715	3,276,715
Economic and physical development	764,595	764,595
Environmental protection	1,312,900	1,312,900
Cultural and recreation	3,176,328	3,176,328
Debt service:		
Principal	368,531	368,531
Interest and other charges	43,717	43,717
	<u>16,672,223</u>	<u>16,672,223</u>
Total expenditures		
	<u>1,229,532</u>	<u>1,229,532</u>
Excess of revenues over expenditures		
Other Financing Sources		
Sales of capital assets	<u>78,226</u>	<u>78,226</u>
Net change in fund balance	1,307,758	1,307,758
Fund balances, beginning	<u>9,325,344</u>	<u>9,325,344</u>
Fund balances, ending	<u>\$ 10,633,102</u>	<u>\$ 10,633,102</u>

Village of Pinehurst, North Carolina
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
June 30, 2017

Exhibit 6

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds		\$ 1,307,758
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay expenditures which were capitalized	\$ 1,918,944	
Depreciation expense	<u>(1,734,195)</u>	184,749
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		489,064
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities		28,378
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) in the current period:		
Gain on disposal of assets	57,900	
Proceeds from disposal of assets	(74,232)	
Loss on disposal of assets	<u>(24,075)</u>	(40,407)
Revenues in the Statement of Activities that are not reported as revenues in the fund statements:		
Special assessment payments	(39,102)	
Change in other deferred inflows	3,481	
Change in deferred tax inflows	<u>1,986</u>	(33,635)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:		
Principal payments		368,531
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued interest payable	3,421	
Compensated absences	14,853	
Pension expense	<u>(673,751)</u>	<u>(655,477)</u>
 Total changes in net position of governmental activities		 <u>\$ 1,648,961</u>

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -

Annual Budget and Actual

For the Fiscal Year Ended June 30, 2017

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 9,923,000	\$ 9,923,000	\$ 9,996,412	\$ 73,412
Golf cart licenses	500	500	2,180	1,680
Unrestricted intergovernmental	5,326,200	5,276,200	5,478,926	202,726
Restricted intergovernmental	505,200	514,200	603,437	89,237
Permits and fees	583,800	683,800	801,574	117,774
Sales and services	652,400	671,900	719,515	47,615
Investment earnings	25,400	40,400	63,189	22,789
Assessments	29,000	29,000	39,102	10,102
Miscellaneous	172,800	177,800	197,420	19,620
Total revenues	17,218,300	17,316,800	17,901,755	584,955
Expenditures:				
Current:				
General government	2,401,699	2,378,999	2,164,459	214,540
Public safety	6,655,736	6,712,146	5,564,978	1,147,168
Transportation	3,194,092	3,551,953	3,276,715	275,238
Economic & physical development	906,028	953,840	764,595	189,245
Environmental protection	1,376,626	1,376,862	1,312,900	63,962
Cultural and recreation	3,253,082	3,570,308	3,176,328	393,980
Contingency	50,000	46,900	-	46,900
Debt service:				
Principal retirement	368,784	368,784	368,531	253
Interest and fees	43,938	43,938	43,717	221
Total expenditures	18,249,985	19,003,730	16,672,223	2,331,507
Excess (deficiency) of revenues over (under) expenditures	<u>(1,031,685)</u>	<u>(1,686,930)</u>	<u>1,229,532</u>	<u>2,916,462</u>
Other Financing Sources:				
Sales of capital assets	30,000	60,000	78,226	18,226
Fund balance appropriated	1,001,685	1,626,930	-	(1,626,930)
Net change in fund balances	\$ -	\$ -	1,307,758	\$ 1,307,758
Fund balances, beginning			9,325,344	
Fund balances, ending			<u>\$ 10,633,102</u>	

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Village conform to generally accepted accounting principles (GAAP) as applicable to government units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Village of Pinehurst is a municipal corporation, which is governed by a five-member council. The mayor is directly elected along with the other four council members. For financial reporting purposes, in accordance with generally accepted accounting principles, the Village includes any separate entity for which the Village is financially accountable. For the year ended June 30, 2017, no other entity is included in the Village financial statements.

B. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations of these charges are performed to avoid distortion of the direct costs and program revenues reported for the various functions concerned. These statements report the *governmental activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Village's funds. Separate statements for each fund category are presented, even though the latter is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the Village only has only one fund, the General Fund.

The Village reports the following major governmental fund:

The **General Fund** is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are ad valorem taxes and intergovernmental revenues. The primary expenditures are for public safety, transportation, and general government services.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all governmental funds of the Village are accounted for during the year on the modified accrual basis of accounting.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Village considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities sales tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village because the tax is levied by Moore County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. As it is the Village's policy to use restricted revenue sources before unrestricted, we first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

The Village's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the object level for the General Fund (e.g. operating expenditures and capital outlay), at the departmental level for the special revenue funds, and at the object level for the capital projects funds. A function is a group of related activities aimed at accomplishing a major service, such as public safety; a department is a component of a function, such as police. The Village manager may authorize all budget transfers within a department and transfers that do not exceed \$10,000 between departments. Transfers between funds require council approval. During the year, several amendments to the original budget became necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

As required by North Carolina General Statutes, Chapter 159, Section 26(d) [hereinafter references to the North Carolina General Statutes will be cited as G.S.], the Village maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Village are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Village may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Village may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Village to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Village's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Village pools moneys from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year, and these taxes are due on September 1 (lien date); however, no interest or penalties are assessed until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

5. Inventory and Prepaid Items

Inventory is valued at cost, which approximates market, using the first-in, first-out method. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets

Capital assets are defined by the government as tangible or intangible assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization cost for all assets is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
Right of ways	40
Infrastructure	20 - 40
Buildings and improvements	20
Furniture and equipment	3 - 10
Vehicles	4 - 20

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has two items that meet this criteria, contributions made to the pension plan in the 2017 fiscal year and other pension related deferrals.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category - taxes receivable, special assessments receivable, other receivables, and pension deferrals.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The vacation policy of the Village provides for the accumulation without any applicable maximum until December 31 of each year. At December 31, employees may carryover two times the employee's annual accrual rate for the current year. This rate varies according to years of employment and position. Any excess hours removed from vacation shall be added to the employee's sick leave balance. The Village has assumed a first-in, first-out method of using accumulated compensated time. Compensated vacation absences are reported in the government-wide financial statements as an expense and a liability as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Village's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Village has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

10. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance may be spent.

The governmental fund types classify fund balances as follows:

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - The portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid items - The portion of fund balance that is not an available resource because it represents expenditures that were paid in the current fiscal year, but are attributed to the next fiscal year.

Restricted fund balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - The portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Committed fund balance - The portion of fund balance that can only be used for specific purposes imposed by a formally adopted resolution approved by a majority vote of a quorum of the Village's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance - The portion of fund balance that the Village intends to use for specific purposes imposed by majority vote by quorum of the Village Council.

Subsequent year's expenditures - The portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Village Council approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$10,000.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

10. Net Position/Fund Balances (Continued)

Fund Balances (Continued)

Unassigned fund balance - The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. In the general fund, this amount may be negative or positive. However, the general fund is the only governmental fund that reports a positive unassigned fund balance amount.

For the purpose of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The Village has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Village in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures and total fund balance is 30% - 40% of budgeted expenditures. Any portion of the general fund balance in excess of 30% of budgeted expenditures may be appropriated for expenditure by the Village Council.

11. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Village's employer contributions are recognized when due and the Village has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2. Deposits and Investments

A. Deposits

All of the Village's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Village's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

Since the State Treasurer is acting in a fiduciary capacity for the Village, these deposits are considered to be held by the Village's agent in the Village's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Village under the Pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralized public deposits under the Pooling Method. The Village has no formal policy regarding custodial credit risk for deposits.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2. Deposits and Investments (Continued)

A. Deposits (Continued)

At June 30, 2017, the Village's deposits had a carrying amount of \$2,723,812. The cash balance in the bank at June 30, 2017 totaled \$2,770,700. Of the bank balance, \$750,000 was covered by federal depository insurance and \$2,020,700 was covered by collateral held under the Pooling Method. At June 30, 2017, the Village's petty cash fund totaled \$1,200.

B. Investments

At June 30, 2017, the Village's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2017	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$2,022,597	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	5,041,598	0.09 years	Unrated

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village's investment policy will structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations. Also, the Village's investment policy requires the investment of operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Credit risk - Credit risk is the risk of loss due to the failure of the security issuer or backer. The Village will minimize this risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized. The Village's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The Village's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3. Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

	<u>General</u>
Other receivables:	
Planning & Inspections fines	\$ 3,397
Harness Track events	<u>903</u>
Total	<u>\$ 4,300</u>

Note 4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,783,713	\$ -	\$ -	\$ 5,783,713
Construction in progress	<u>201,976</u>	<u>165,209</u>	<u>(201,976)</u>	<u>165,209</u>
Total capital assets not being depreciated	<u>5,985,689</u>	<u>165,209</u>	<u>(201,976)</u>	<u>5,948,922</u>
Capital assets being depreciated:				
Right of ways	182,520	-	-	182,520
Buildings and improvements	19,769,525	1,078,974	(41,863)	20,806,636
Furniture and equipment	2,912,080	220,156	(56,563)	3,075,673
Vehicles	6,163,862	342,826	(584,167)	5,922,521
Infrastructure	<u>5,537,554</u>	<u>313,755</u>	-	<u>5,851,309</u>
Total	<u>34,565,541</u>	<u>1,955,711</u>	<u>(682,593)</u>	<u>35,838,659</u>
Less accumulated depreciation for:				
Right of ways	14,180	4,563	-	18,743
Buildings and improvements	12,111,849	917,196	(17,788)	13,011,257
Furniture and equipment	2,017,188	280,483	(56,563)	2,241,108
Vehicles	3,649,275	389,992	(567,835)	3,471,432
Infrastructure	<u>855,425</u>	<u>141,961</u>	-	<u>997,386</u>
Total	<u>18,647,917</u>	<u>1,734,195</u>	<u>(642,186)</u>	<u>19,739,926</u>
Total capital assets being depreciated, net	<u>15,917,624</u>	<u>221,516</u>	<u>(40,407)</u>	<u>16,098,733</u>
Governmental activity capital assets, net	<u>\$ 21,903,313</u>	<u>\$ 386,725</u>	<u>\$ (242,383)</u>	<u>\$ 22,047,655</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 374,668
Public safety	483,159
Transportation	336,097
Economic & physical development	-
Environmental protection	142,710
Cultural and recreation	<u>397,561</u>
Total depreciation expense	<u>\$ 1,734,195</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4. Capital Assets (Continued)

Construction and other capital related commitments – The Village has active construction projects and other capital related commitments as of June 30, 2017. The projects include the fabrication of a fire engine and construction of sidewalks. At June 30, 2017, the Village’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Fire engine fabrication	\$ -	\$ 564,268
Sidewalk construction	253,411	84,110
Total	\$ 253,411	\$ 648,378

Note 5. Pension Plan and Postemployment Obligations

A. Local Government Employees' Retirement System

Plan description - The Village is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits provided - LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5. Pension Plan and Postemployment Obligations (Continued)

A. Local Government Employees' Retirement System (Continued)

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Village employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.34% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Village were \$489,064 for the year ended June 30, 2017.

Refunds of contributions - Village employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2017, the Village reported a liability of \$2,278,540 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Village's proportion was 0.107%, which was a decrease of 0.002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village recognized pension expense of \$610,827. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,810	\$ 79,843
Changes in assumptions	156,060	-
Net difference between projected and actual earnings on pension plan investments	1,259,745	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	9,467	28,826
Village contributions subsequent to the measurement date	<u>489,064</u>	<u>-</u>
Total	<u>\$ 1,957,146</u>	<u>\$ 108,669</u>

Note 5. Pension Plan and Postemployment Obligations (Continued)

A. Local Government Employees' Retirement System (Continued)

The \$489,064 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$ 205,892
2019	206,042
2020	591,969
2021	355,512
2022	-
Thereafter	-

Actuarial assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Note 5. Pension Plan and Postemployment Obligations (Continued)

A. Local Government Employees' Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village's proportionate share of the net pension asset to changes in the discount rate -

The following presents the Village's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Village's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Village's proportionate share of the net pension liability (asset)	\$ 5,408,036	\$ 2,278,539	\$ (335,450)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report for the State of North Carolina.

Note 5. Pension Plan and Postemployment Obligations (Continued)

B. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Village of Pinehurst administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Village's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Village law enforcement officers are covered by the Separation Allowance.

At the December 31, 2015 Valuation Date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>24</u>
Total	<u>27</u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The Village has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-Year Municipal Bond Index determined at the end of each month for the year ending December 31, 2016.

Mortality rates are based on the RP-2014 Series Mortality tables with adjustments for mortality improvements based on Scale AA.

Note 5. Pension Plan and Postemployment Obligations (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

4. Change in Actuarial Assumptions

On the Prior Measurement Date (December 31, 2015), the Municipal Bond Index Rate, on which the discount rate is based, was 3.57%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 3.86% as of the Measurement Date (December 31, 2016). This resulted in a \$19,441 reduction in the Total Pension Liability.

5. Contributions

The Village is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Village's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Village paid \$54,325 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Village reported a total pension liability of \$943,908. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Village recognized pension expense of \$62,924.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 16,123
Benefit payments and plan administrative expense made subsequent to the measurement date	28,378	-
Total	<u>\$ 28,378</u>	<u>\$ 16,123</u>

The \$28,378 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2018	\$ 3,318
2019	3,318
2020	3,318
2021	3,318
2022	2,851
Thereafter	-

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5. Pension Plan and Postemployment Obligations (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

5. Contributions (Continued)

Sensitivity of the Village's total pension liability to changes in the discount rate. The following presents the Village's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<u>1% Decrease</u> <u>(2.86%)</u>	<u>Discount Rate</u> <u>(3.86%)</u>	<u>1% Increase</u> <u>(4.86%)</u>
Total pension liability	\$ 1,012,932	\$ 943,908	\$ 880,349

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2017</u>
Beginning balance	\$ 951,629
Service Cost	33,042
Interest on the total pension liability	33,003
Changes of assumptions or other inputs	(19,441)
Benefit payments	<u>(54,325)</u>
Ending balance of the total pension liability	<u>\$ 943,908</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

Note 5. Pension Plan and Postemployment Obligations (Continued)

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description - The Village contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Village. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy - Article 12E of G.S. Chapter 143 requires the Village to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$83,414, which consisted of \$63,285 from the Village and \$20,129 from the law enforcement officers. Since the funds vest immediately, no amounts were forfeited.

D. Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan, available to all Village employees, permits them to defer a portion of their salary until future years. The Village established the plan and may amend it at its discretion. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Village currently contributes five percent for all regular employees to the plan. Contributions for the year ended June 30, 2017 were \$586,872, which consisted of \$268,704 from the Village and \$318,168 in voluntary contributions from employees. Since the funds vest immediately, no amounts were forfeited.

The Village also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Village does not make contributions to the 457 plan.

E. Other Employment Benefits

The Village has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 with a minimum of \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Village, the Village does not determine the number of eligible participants. The Village has no liability beyond the payment of monthly contributions.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5. Pension Plan and Postemployment Obligations (Continued)

E. Other Employment Benefits (Continued)

The contributions to Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Village considers these contributions to be immaterial.

For the fiscal year ended June 30, 2017, the Village made contributions to the State for death benefits of \$4,837. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.00% of covered payroll, respectively.

The Village also provides group life insurance to all full-time and regular part-time employees who have been employed for a minimum of 30 days. Tier 1 employees, which includes managers, department heads, and assistant department heads, are provided \$50,000 of coverage. All other eligible employees in Tier 2 are covered at \$25,000. The coverage amounts provided under the group term life insurance may change annually.

Each year, the total amount of life insurance coverage provided under the Death Benefit Plan and the group life insurance plan are evaluated. The amount of life insurance coverage in excess of \$50,000 is considered a taxable fringe benefit and an imputed premium value for the excess life insurance benefit is added to each employees taxable earnings for the year.

Note 6. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

Contributions to LGERS pension plan in the current fiscal year	\$ 489,064
Benefit payments to LEOSSA recipients in the current fiscal year	28,378
Changes in proportion and differences between Village and proportionate share of contributions	9,467
Difference between actual and expected experience	42,810
Changes in assumptions	156,060
Net difference between projected and actual earnings on pension plan investments	<u>1,259,745</u>
Total	<u>\$ 1,985,524</u>

Deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Unearned revenue	\$ 154	\$ 154
Taxes receivable, less penalties	-	26,568
Other receivables	-	5,583
Special assessments receivable	-	92,260
Changes in assumptions	16,123	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	28,826	-
Differences between expected and actual experience	<u>79,843</u>	<u>-</u>
Total	<u>\$ 124,946</u>	<u>\$ 124,565</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village upon request.

The Village carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

As the Village has no facilities within a FEMA recognized flood zone, we have elected not carry additional flood insurance coverage.

In accordance with G.S. 159-29, the Village's employees that have access to \$100 or more at any given time of the Village's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$490,000 and \$10,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$500,000.

Note 8. Claims, Judgments and Contingent Liabilities

At June 30, 2017, the Village was a defendant to various lawsuits. In the opinion of Village management and the Village attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the Village's financial position.

Note 9. Long-Term Obligations

A. Installment Purchase

Long-term debt obligations of the Village consisted of the following at June 30, 2017:

\$500,000 land installment purchase dated 4/7/03 due in 30 semi-annual payments consisting of fixed principal of \$16,667 plus interest at 3.98% through April 2018; issued by BB&T and collateralized by land	\$ 33,333
\$2,500,000 building installment purchase dated 3/14/05 due in 30 semi-annual installments consisting of fixed principal of \$83,334 plus interest at 3.44% through March 2020; issued by PNC and collateralized by fire station building	500,000
\$1,000,000 building installment purchase dated 3/11/02 due in 40 semi-annual payments consisting of fixed principal of \$25,000 plus interest at 4.60% through March 2022; issued by Bank of America and collateralized by Fair Barn building	250,000

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9. Long-Term Obligations (Continued)

A. Installment Purchase (Continued)

\$550,000 vehicle installment purchase dated 7/31/13 due in 14 semi-annual payments of \$41,917 through August 2020; interest at 1.75%; issued by First Bank and collateralized by fire truck

\$ 283,459

\$ 1,066,792

Annual debt service requirements to maturity for debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 329,211	\$ 33,301
2019	297,281	21,879
2020	298,697	12,429
2021	91,603	4,247
2022	<u>50,000</u>	<u>1,725</u>
	<u>\$ 1,066,792</u>	<u>\$ 73,581</u>

B. Changes in Long-Term Liabilities

At June 30, 2017, the Village had a legal debt margin of \$269,942,652.

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$ 1,435,323	\$ -	\$ (368,531)	\$ 1,066,792	\$ 329,211
Compensated absences	639,308	399,903	(414,756)	624,455	405,120
Net pension liability (LGERS)	490,982	1,787,558	-	2,278,540	-
Total pension liability (LEO)	<u>268,823</u>	<u>675,085</u>	<u>-</u>	<u>943,908</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 2,834,436</u>	<u>\$ 2,862,546</u>	<u>\$ (783,287)</u>	<u>\$ 4,913,695</u>	<u>\$ 734,331</u>

Compensated absences typically have been liquidated in the general fund.

Note 10. Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 22,047,655
Less: Long-term debt	<u>(1,066,792)</u>
Net investment in capital assets	<u>\$ 20,980,863</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance-General Fund	\$ 10,633,102
Less:	
Inventories	36,653
Prepaid items	35,236
Stabilization by state statute	2,165,724
Appropriated fund balance in 2018 Budget	1,284,513
Fund balance policy minimum	2,500,833
Remaining fund balance	\$ 4,610,143

The Village's fund balance policy requires the Village to maintain a minimum unassigned General Fund balance of 15% of actual expenditures as reported in the Village's CAFR. In addition, when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance in the range of 30%-40% of budgeted expenditures. At June 30, 2017 the General Fund's unassigned fund balance of \$7,110,976 represents 43% of General Fund actual expenditures which is well above the policy minimum. Total fund balance was 56% of budgeted expenditures. The amount by which the fund balance exceeds policy-established minimums may be included as a revenue source when the budget is prepared for the next fiscal year.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund
	\$648,378

Note 12. Summary Disclosure of Significant Contingencies

A. Employment Security Benefits

The Village has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee.

B. Federal and State Assisted Programs

The Village has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 13. Significant Effects of Subsequent Events

None.

Note 14. Joint Ventures

The Village and the members of the Village's fire department each appoint two members to the five-member local board of trustees for the Firefighters' Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighters' Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighters' Relief Fund. These distributions are used to assist fire fighters in various ways. The local board of the Firefighters' Relief Fund received a distribution of \$24,137 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2017. The Village obtains an ongoing financial benefit from the Fund for the benefits provided to members of the Village's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2017. The Firefighters' Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Note 15. Change in Accounting Principle

The Village implemented Governmental Accounting Standards Board (GASB) Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the Village to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Village to the Law Enforcement Officers' Special Separation Allowance during the measurement period. The information necessary for full retrospective application is not available, so the accounting change was implemented in 2017 with a cumulative effect adjustment to net position as of the beginning of the year. As a result, net position for the governmental activities at July 1, 2016 decreased \$628,284.



Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

**Schedule of Proportionate Share of Net Pension
Liability (Asset)
Local Government Employees' Retirement System**

**Schedule of Contributions
Local Government Employees' Retirement System**

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation
Allowance**

**Schedule of Total Pension Liability as a
Percentage of Covered Payroll
Law Enforcement Officers' Special Separation
Allowance**

Village of Pinehurst, North Carolina
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
Local Government Employees' Retirement System - Last Four Fiscal Years*
Required Supplementary Information

Exhibit A-1

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pinehurst's proportion of the net pension liability (asset) (%)	0.1073%	0.1094%	0.1083%	0.1077%
Pinehurst's proportion of the net pension liability (asset) (\$)	\$ 2,278,539	\$ 490,982	\$ (638,460)	\$ 1,298,199
Pinehurst's covered-employee payroll	\$ 6,380,220	\$ 6,280,547	\$ 6,025,207	\$ 5,731,782
Pinehurst's proportionate share of the net pension liability (asset) as a percentage of its covered -employee payroll	35.71%	7.82%	(10.6%)	22.65%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

**The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Also, this schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.*

*** This will be the same percentage for all participant employers in the LGERS plan.*

Village of Pinehurst, North Carolina
Schedule of Contributions
Local Government Employees' Retirement System - Last Four Fiscal Years*
Required Supplementary Information

Exhibit A-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 489,064	\$ 424,359	\$ 445,138	\$ 434,315
Contributions in relation to the contractually required contribution	<u>489,064</u>	<u>424,359</u>	<u>445,138</u>	<u>434,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pinehurst's covered-employee payroll	\$ 6,548,274	\$ 6,380,220	\$ 6,280,547	\$ 6,025,207
Contributions as a percentage of covered-employee payroll	7.47%	6.65%	7.09%	7.21%

** This schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.*

Village of Pinehurst, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance -
For the Year Ended June 30, 2017 *
Required Supplementary Information

Exhibit A-3

Beginning balance	\$ 951,629
Service Cost	33,042
Interest on the total pension liability	33,003
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(19,441)
Benefit payments	(54,325)
Other changes	-
	<hr/>
Ending balance of the total pension liability **	<u><u>\$ 943,908</u></u>

** This schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.*

*** The Village of Pinehurst has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.*

Village of Pinehurst, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance -
For the Year Ended June 30, 2017 *
Required Supplementary Information

Exhibit A-4

Total pension liability **	\$	943,908
Covered payroll		1,313,290
Total pension liability as a percentage of covered payroll		71.87%

** This schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.*

*** The Village of Pinehurst has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.*



General Fund

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.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	
Revenues:				
Ad valorem taxes:				
Taxes	\$ 9,918,000	\$ 9,986,511	\$ 68,511	\$ 9,687,263
Penalties and interest	5,000	9,901	4,901	10,434
Total	<u>9,923,000</u>	<u>9,996,412</u>	<u>73,412</u>	<u>9,697,697</u>
Other taxes:				
Golf cart licenses	500	2,180	1,680	8,745
Total	<u>500</u>	<u>2,180</u>	<u>1,680</u>	<u>8,745</u>
Unrestricted intergovernmental:				
Local option sales tax	3,076,000	3,283,276	207,276	3,045,953
Telecommunications sales tax	90,000	88,866	(1,134)	94,353
Utilities sales tax	1,054,000	954,540	(99,460)	1,105,975
Video programming	274,000	296,032	22,032	297,131
Hold harmless reimbursements	712,000	783,237	71,237	715,857
Wine & beer tax	70,200	72,975	2,775	69,341
Total	<u>5,276,200</u>	<u>5,478,926</u>	<u>202,726</u>	<u>5,328,610</u>
Restricted intergovernmental:				
Powell Bill allocation	494,000	495,621	1,621	495,083
BAB interest rebates	300	255	(45)	1,367
Controlled substance tax	1,000	784	(216)	1,217
Other grants	9,000	95,956	86,956	1,361
Solid waste disposal tax	9,900	10,821	921	10,217
Total	<u>514,200</u>	<u>603,437</u>	<u>89,237</u>	<u>509,245</u>
Permits and fees:				
Building permits and inspection fees	370,000	444,435	74,435	329,589
Planning and zoning fees	55,000	70,300	15,300	53,000
Fire district	253,000	274,655	21,655	215,192
Rescue services	-	-	-	25,000
Other permits and fees	5,800	12,184	6,384	9,252
Total	<u>683,800</u>	<u>801,574</u>	<u>117,774</u>	<u>632,033</u>
Sales and services:				
Rents, concessions and fees	547,400	589,828	42,428	603,212
Recreation fees	124,500	129,687	5,187	126,414
Total	<u>671,900</u>	<u>719,515</u>	<u>47,615</u>	<u>729,626</u>
Investment earnings:				
Investment income	40,400	63,189	22,789	25,932
Assessments	29,000	39,102	10,102	45,741

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	
Miscellaneous:				
ABC revenue	\$ 113,320	\$ 130,965	\$ 17,645	\$ 120,944
Recycling revenue	-	-	-	526
Donations	27,480	30,050	2,570	35,240
Other revenues	37,000	36,405	(595)	38,932
Total	<u>177,800</u>	<u>197,420</u>	<u>19,620</u>	<u>195,642</u>
Total revenues	<u>17,316,800</u>	<u>17,901,755</u>	<u>584,955</u>	<u>17,173,271</u>
Expenditures:				
General government:				
Governing body:				
Operating expenditures	209,400	120,834	88,566	166,703
Total	<u>209,400</u>	<u>120,834</u>	<u>88,566</u>	<u>166,703</u>
Administration:				
Operating expenditures	1,114,210	1,082,562	31,648	1,033,153
Capital outlay	58,279	21,174	37,105	23,584
Total	<u>1,172,489</u>	<u>1,103,736</u>	<u>68,753</u>	<u>1,056,737</u>
Financial services:				
Operating expenditures	612,640	579,712	32,928	610,051
Capital outlay	1,960	1,819	141	-
Total	<u>614,600</u>	<u>581,531</u>	<u>33,069</u>	<u>610,051</u>
Human resources:				
Operating expenditures	380,060	356,084	23,976	309,259
Capital outlay	2,450	2,274	176	-
Total	<u>382,510</u>	<u>358,358</u>	<u>24,152</u>	<u>309,259</u>
Total general government	<u>2,378,999</u>	<u>2,164,459</u>	<u>214,540</u>	<u>2,142,750</u>
Public safety:				
Police:				
Operating expenditures	2,952,174	2,724,664	227,510	2,564,223
Capital outlay	88,815	71,702	17,113	88,982
Total	<u>3,040,989</u>	<u>2,796,366</u>	<u>244,623</u>	<u>2,653,205</u>
Fire:				
Operating expenditures	2,788,874	2,526,763	262,111	2,484,032
Capital outlay	665,356	35,979	629,377	98,021
Total	<u>3,454,230</u>	<u>2,562,742</u>	<u>891,488</u>	<u>2,582,053</u>

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	
Inspections:				
Operating expenditures	\$ 215,955	\$ 205,001	\$ 10,954	\$ 185,192
Capital outlay	972	869	103	22,864
Total	<u>216,927</u>	<u>205,870</u>	<u>11,057</u>	<u>208,056</u>
Total public safety	<u>6,712,146</u>	<u>5,564,978</u>	<u>1,147,168</u>	<u>5,443,314</u>
Transportation:				
Public services administration:				
Operating expenditures	419,715	361,503	58,212	357,173
Capital outlay	429,905	423,476	6,429	285,093
Total	<u>849,620</u>	<u>784,979</u>	<u>64,641</u>	<u>642,266</u>
Streets and grounds:				
Operating expenditures	1,336,564	1,220,143	116,421	1,163,805
Capital outlay	465,469	457,611	7,858	272,213
Total	<u>1,802,033</u>	<u>1,677,754</u>	<u>124,279</u>	<u>1,436,018</u>
Powell Bill:				
Operating expenditures	900,300	813,982	86,318	646,835
Capital outlay	-	-	-	48,952
Total	<u>900,300</u>	<u>813,982</u>	<u>86,318</u>	<u>695,787</u>
Total transportation	<u>3,551,953</u>	<u>3,276,715</u>	<u>275,238</u>	<u>2,774,071</u>
Economic & physical development:				
Planning:				
Operating expenditures	642,150	557,734	84,416	527,678
Capital outlay	27,608	2,407	25,201	-
Total	<u>669,758</u>	<u>560,141</u>	<u>109,617</u>	<u>527,678</u>
Community development				
Operating expenditures	273,167	195,089	78,078	187,654
Capital outlay	10,915	9,365	1,550	159,234
Total	<u>284,082</u>	<u>204,454</u>	<u>79,628</u>	<u>346,888</u>
Total economic & physical development	<u>953,840</u>	<u>764,595</u>	<u>189,245</u>	<u>874,566</u>
Environmental protection:				
Solid waste:				
Operating expenditures	1,372,690	1,309,558	63,132	1,257,365
Capital outlay	4,172	3,342	830	319,633
Total	<u>1,376,862</u>	<u>1,312,900</u>	<u>63,962</u>	<u>1,576,998</u>
Total environmental protection	<u>1,376,862</u>	<u>1,312,900</u>	<u>63,962</u>	<u>1,576,998</u>

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2016

Exhibit B-1
Page 4 of 4

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	
Cultural and recreation:				
Recreation:				
Operating expenditures	\$ 1,441,400	\$ 1,367,212	\$ 74,188	\$ 1,240,069
Capital outlay	710,911	589,494	121,417	466,593
Total	<u>2,152,311</u>	<u>1,956,706</u>	<u>195,605</u>	<u>1,706,662</u>
Library:				
Operating expenditures	200,000	200,000	-	225,000
Harness Track:				
Operating expenditures	513,400	453,749	59,651	448,173
Capital outlay	282,881	223,108	59,773	162,403
Total	<u>796,281</u>	<u>676,857</u>	<u>119,424</u>	<u>610,576</u>
Fair Barn:				
Operating expenditures	335,570	266,441	69,129	262,099
Capital outlay	86,146	76,324	9,822	50,382
Total	<u>421,716</u>	<u>342,765</u>	<u>78,951</u>	<u>312,481</u>
Total cultural and recreation	<u>3,570,308</u>	<u>3,176,328</u>	<u>393,980</u>	<u>2,854,719</u>
Contingency:				
Operating expenditures	46,900	-	46,900	-
Debt service:				
Principal retirement	368,784	368,531	253	406,502
Interest and fees	43,938	43,717	221	57,721
Total	<u>412,722</u>	<u>412,248</u>	<u>474</u>	<u>464,223</u>
Total expenditures	<u>19,003,730</u>	<u>16,672,223</u>	<u>2,331,507</u>	<u>16,130,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,686,930)</u>	<u>1,229,532</u>	<u>2,916,462</u>	<u>1,042,630</u>
Other Financing Sources:				
Sales of capital assets	60,000	78,226	18,226	57,612
Total other financing sources	<u>60,000</u>	<u>78,226</u>	<u>18,226</u>	<u>57,612</u>
Fund balance appropriated	1,626,930	-	(1,626,930)	-
Net change in fund balances	<u>\$ -</u>	<u>1,307,758</u>	<u>\$ 1,307,758</u>	<u>1,100,242</u>
Fund balances, beginning		<u>9,325,344</u>		<u>8,225,102</u>
Fund balances, ending		<u>\$ 10,633,102</u>		<u>\$ 9,325,344</u>



Capital Assets Used in the Operation of Governmental Funds

Capital assets are all tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Schedule by Source

Schedule by Function and Activity

Schedule of Changes by Function and Activity

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2017

Exhibit C-1

	<u>2017</u>	<u>2016</u>
Governmental funds capital assets:		
Land	\$ 5,783,713	\$ 5,783,713
Right of ways	182,520	182,520
Buildings and improvements	20,806,636	19,769,525
Furniture, equipment, and vehicles	8,998,194	9,075,942
Infrastructure	5,851,309	5,537,554
Construction in progress	<u>165,209</u>	<u>201,976</u>
Total governmental funds capital assets	<u>\$ 41,787,581</u>	<u>\$ 40,551,230</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 38,959,766	\$ 37,723,415
Donations	<u>2,827,815</u>	<u>2,827,815</u>
Total governmental funds capital assets	<u>\$ 41,787,581</u>	<u>\$ 40,551,230</u>

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2017

Exhibit C-2

	<u>Land</u>	<u>Right of Ways</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Furniture, Equipment & Vehicles</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:								
General government								
Governing body	\$ 3,302,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,302,525
Administration	-	-	4,259,809	-	227,341	-	-	4,487,150
Financial services	-	-	-	-	135,258	-	-	135,258
Human resources	-	-	-	-	345,149	-	-	345,149
Information technology	-	-	-	28,388	21,300	-	-	49,688
Buildings and grounds	-	-	436,666	704,711	265,010	29,476	-	1,435,863
Fleet maintenance	25,170	-	81,456	-	185,610	-	-	292,236
	<u>3,327,695</u>	<u>-</u>	<u>4,777,931</u>	<u>733,099</u>	<u>1,179,668</u>	<u>29,476</u>	<u>-</u>	<u>10,047,869</u>
Public safety								
Police	-	-	2,696,434	-	1,141,502	-	-	3,837,936
Fire	161,074	-	3,306,268	-	2,303,186	-	-	5,770,528
Inspections	-	-	-	-	39,865	-	-	39,865
	<u>161,074</u>	<u>-</u>	<u>6,002,702</u>	<u>-</u>	<u>3,484,553</u>	<u>-</u>	<u>-</u>	<u>9,648,329</u>
Transportation								
Public services	78,321	-	1,066,271	-	136,762	-	-	1,281,354
Streets and grounds	-	182,520	5,118	1,031,122	1,457,048	4,503,189	-	7,178,997
Powell Bill	-	-	-	45,713	242,538	21,115	-	309,366
	<u>78,321</u>	<u>182,520</u>	<u>1,071,389</u>	<u>1,076,835</u>	<u>1,836,348</u>	<u>4,524,304</u>	<u>-</u>	<u>8,769,717</u>
Environmental protection								
Solid waste	-	-	-	-	1,440,661	-	-	1,440,661
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,440,661</u>	<u>-</u>	<u>-</u>	<u>1,440,661</u>
Cultural and recreation								
Recreation	760,373	-	284,857	2,819,476	307,997	1,028,643	-	5,201,346
Harness track	1,456,250	-	1,267,509	297,682	633,496	268,886	-	3,923,823
Fair barn	-	-	2,309,005	166,151	74,534	-	-	2,549,690
	<u>2,216,623</u>	<u>-</u>	<u>3,861,371</u>	<u>3,283,309</u>	<u>1,016,027</u>	<u>1,297,529</u>	<u>-</u>	<u>11,674,859</u>
Economic and Physical Development								
Planning	-	-	-	-	40,937	-	-	40,937
Construction in progress	-	-	-	-	-	-	165,209	165,209
	<u>\$ 5,783,713</u>	<u>\$ 182,520</u>	<u>\$ 15,713,393</u>	<u>\$ 5,093,243</u>	<u>\$ 8,998,194</u>	<u>\$ 5,851,309</u>	<u>\$ 165,209</u>	<u>\$ 41,787,581</u>

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2017

Exhibit C-3

	<u>Capital Assets</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Capital Assets</u> <u>June 30, 2017</u>
Function and Activity					
General government					
Governing body	\$ 3,348,346	\$ -	\$ -	\$ (45,821)	\$ 3,302,525
Administration	4,472,982	14,169	-	-	4,487,151
Financial services	135,259	-	-	-	135,259
Human resources	21,300	-	-	-	21,300
Information technology	301,013	86,098	(13,574)	-	373,537
Buildings and grounds maintenance	1,435,860	-	-	-	1,435,860
Fleet maintenance	307,488	6,870	(22,121)	-	292,237
	<u>10,022,248</u>	<u>107,137</u>	<u>(35,695)</u>	<u>(45,821)</u>	<u>10,047,869</u>
Public safety					
Police	3,892,874	41,244	(96,183)	-	3,837,935
Fire	5,838,375	10,870	(42,121)	(36,595)	5,770,529
Inspections	56,665	-	(16,800)	-	39,865
	<u>9,787,914</u>	<u>52,114</u>	<u>(155,104)</u>	<u>(36,595)</u>	<u>9,648,329</u>
Transportation					
Public services	661,148	391,721	-	228,484	1,281,353
Streets and grounds	6,843,494	319,019	(51,682)	68,167	7,178,998
Powell Bill	348,161	-	(15,698)	(23,097)	309,366
	<u>7,852,803</u>	<u>710,740</u>	<u>(67,380)</u>	<u>273,554</u>	<u>8,769,717</u>
Environmental protection					
Solid waste	1,812,092	-	(371,431)	-	1,440,661
Cultural and recreation					
Recreation	4,591,532	586,405	(13,267)	36,674	5,201,344
Harness track	3,755,820	222,056	(28,216)	(25,836)	3,923,824
Fair barn	2,474,408	75,283	-	-	2,549,691
	<u>10,821,760</u>	<u>883,744</u>	<u>(41,483)</u>	<u>10,838</u>	<u>11,674,859</u>
Economic and physical development					
Planning	52,437	-	(11,500)	-	40,937
Construction in progress					
	201,976	165,209	-	(201,976)	165,209
	<u>\$ 40,551,230</u>	<u>\$ 1,918,944</u>	<u>\$ (682,593)</u>	<u>\$ -</u>	<u>\$ 41,787,581</u>

Additional Financial Data

This section contains additional information on property taxes and interfund transfers.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Village of Pinehurst, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2017

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 9,992,459	\$ 9,983,263	\$ 9,196
2015-2016	6,270	-	3,562	2,708
2014-2015	268	-	11	257
2013-2014	1,616	-	151	1,465
2012-2013	2,651	-	37	2,614
2011-2012	1,230	-	49	1,181
2010-2011	1,349	-	70	1,279
2009-2010	2,625	-	-	2,625
2008-2009	1,054	-	6	1,048
2007-2008	1,967	-	2	1,965
2006-2007	5,552	-	3,322	2,230
	<u>\$ 24,582</u>	<u>\$ 9,992,459</u>	<u>\$ 9,990,473</u>	<u>\$ 26,568</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 9,996,412
Reconciling items:	
Interest collected and refunds	(9,901)
Refunds/reliefs	3,962
	<u>(5,939)</u>
Total collections and credits	<u>\$ 9,990,473</u>

Village of Pinehurst, North Carolina
 Analysis of Current Tax Levy
 For the Fiscal Year Ended June 30, 2017

Exhibit D-2

	General Fund		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,387,600,587	\$ 0.295	\$ 9,990,928	\$ 9,381,449	\$ 609,479
Penalties	-		1,364	1,364	-
Total	<u>3,387,600,587</u>		<u>9,992,292</u>	<u>9,382,813</u>	<u>609,479</u>
Discoveries:					
Current year taxes	611,364	\$ 0.295	1,804	1,804	-
Penalties	-		115	115	-
Total	<u>611,364</u>		<u>1,919</u>	<u>1,919</u>	<u>-</u>
Abatements	<u>(1,331,379)</u>		<u>(1,752)</u>	<u>(1,752)</u>	<u>-</u>
Total property valuation	<u><u>\$ 3,386,880,572</u></u>				
Net levy			9,992,459	9,382,980	609,479
Uncollected taxes at June 30			<u>(9,196)</u>	<u>(9,196)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 9,983,263</u>	<u>\$ 9,373,784</u>	<u>\$ 609,479</u>
Current levy collection percentage			99.91%	99.90%	100.00%



Statistical Section

This part of the Village's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Categories of Statistical Information Included

Financial Trends - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity - These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

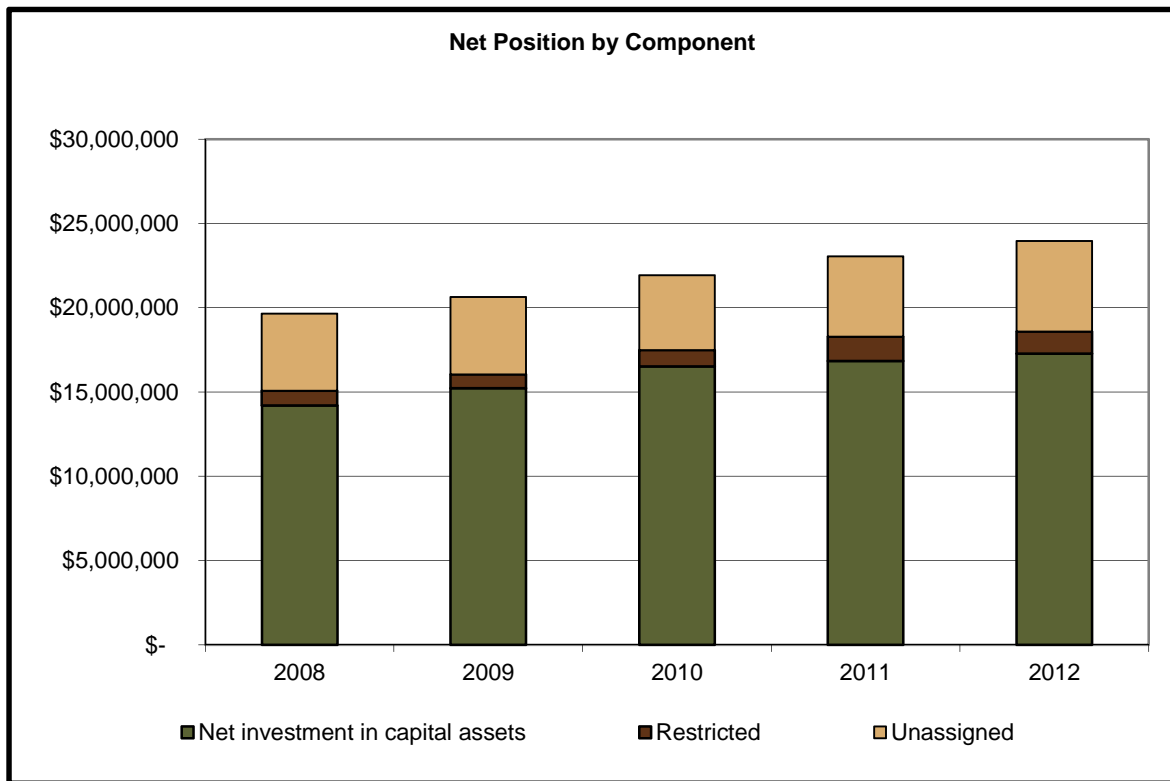
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

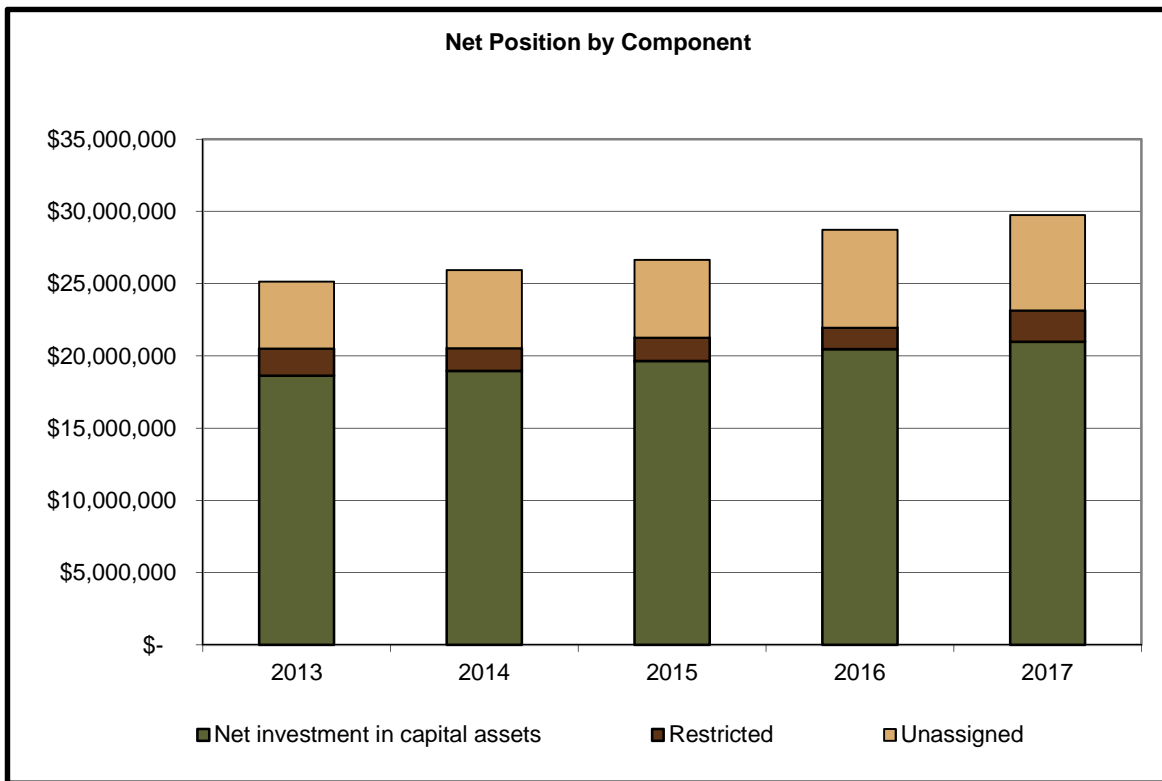
Village of Pinehurst, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 14,194,908	\$ 15,216,054	\$ 16,520,624	\$ 16,842,082	\$ 17,271,349
Restricted for:					
Stabilization by state statute	866,501	814,222	940,483	1,422,691	1,291,963
Municipal Service District	12,710	12,116	13,070	14,084	14,354
Unrestricted	<u>4,571,240</u>	<u>4,582,009</u>	<u>4,457,047</u>	<u>4,756,832</u>	<u>5,372,934</u>
Total net position, previously reported	19,645,359	20,624,401	21,931,224	23,035,689	23,950,600
Retatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities net position	<u><u>\$ 19,645,359</u></u>	<u><u>\$ 20,624,401</u></u>	<u><u>\$ 21,931,224</u></u>	<u><u>\$ 23,035,689</u></u>	<u><u>\$ 23,950,600</u></u>



Village of Pinehurst, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 18,615,943	\$ 18,953,996	\$ 19,648,800	\$ 20,467,990	\$ 20,980,863
Restricted for:					
Stabilization by state statute	1,882,835	1,568,981	1,601,410	1,474,901	2,165,724
Municipal Service District	-	-	-	-	-
Unrestricted	4,631,746	5,417,136	5,381,405	6,777,854	6,594,835
Total net position, previously reported	25,130,524	25,940,113	26,631,615	28,720,745	29,741,422
Retatement	-	-	-	(628,284)	-
Total governmental activities net position	<u>\$ 25,130,524</u>	<u>\$ 25,940,113</u>	<u>\$ 26,631,615</u>	<u>\$ 28,092,461</u>	<u>\$ 29,741,422</u>



Village of Pinehurst, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

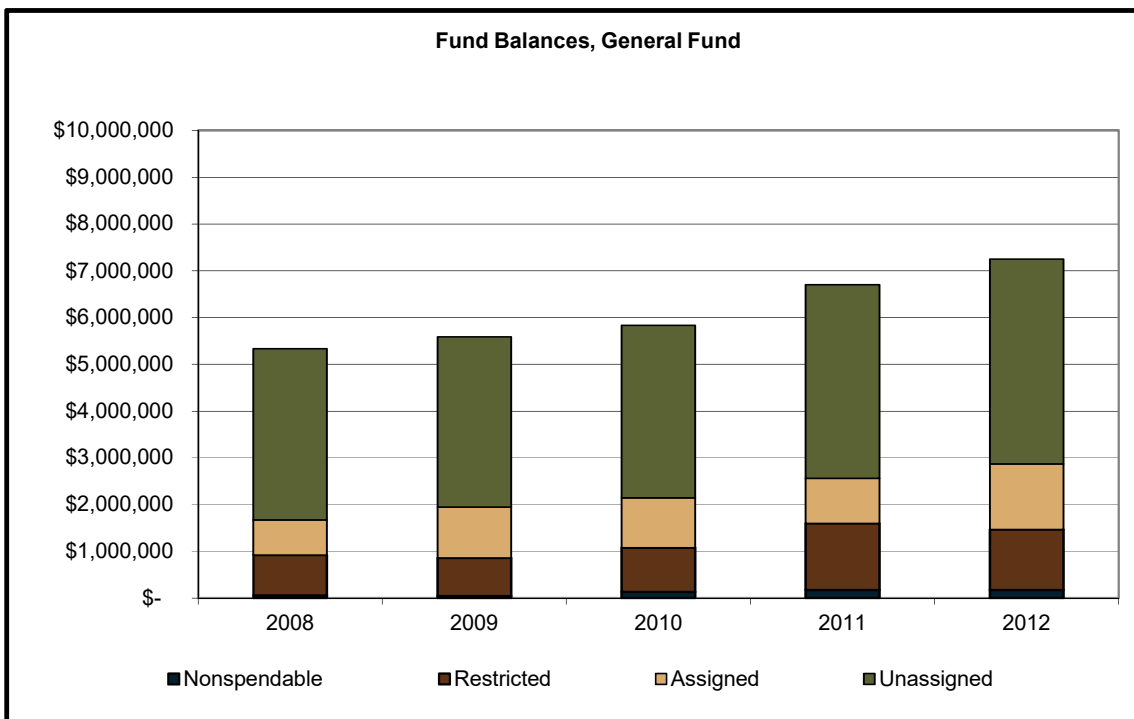
	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses					
Governmental activities:					
General government	\$ 2,018,433	\$ 2,410,048	\$ 2,103,062	\$ 2,001,438	\$ 2,144,319
Public safety	4,458,221	5,059,957	5,284,615	5,415,839	5,454,487
Transportation	1,988,590	1,954,325	1,672,394	2,460,277	2,511,804
Economic and physical development	1,016,135	1,119,970	1,209,264	1,422,329	1,250,263
Environmental protection	907,233	945,601	1,050,620	1,352,912	1,337,891
Cultural and recreation	1,248,525	1,443,256	1,854,910	1,795,985	1,919,013
Non-departmental	45,416	48,615	-	-	-
Interest on long-term debt	242,197	212,761	166,794	141,320	108,919
Total governmental activities expenses	\$ 11,924,750	\$ 13,194,533	\$ 13,341,659	\$ 14,590,100	\$ 14,726,696
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	910,283	905,229	842,700	398,609	422,878
Transportation	56,000	20,000	9,000	10,000	10,000
Economic and physical development	117,916	143,074	66,201	25,615	49,827
Cultural and recreation	408,097	399,999	468,469	497,313	510,856
Operating grants and contributions	610,570	670,345	513,020	957,837	827,939
Capital grants and contributions	262,397	44,592	1,099,183	-	-
Total governmental activities program revenue	\$ 2,365,263	\$ 2,183,239	\$ 2,998,573	\$ 1,889,374	\$ 1,821,500
Total governmental activities net expense	\$ (9,559,487)	\$ (11,011,294)	\$ (10,343,086)	\$ (12,700,726)	\$ (12,905,196)
General Revenues and Other					
Changes in Net Position					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 6,763,897	\$ 7,782,933	\$ 8,070,832	\$ 9,615,930	\$ 9,483,953
Franchise taxes	133,435	33,628	43,191	44,913	-
Golf cart licenses	-	-	-	-	1,740
Unrestricted intergovernmental	3,199,031	3,462,583	3,233,572	3,892,476	4,071,702
Investment earnings	321,606	284,129	35,001	23,665	27,125
Miscellaneous	414,034	174,266	267,313	228,207	235,587
Total governmental activities general revenue	\$ 10,832,003	\$ 11,737,539	\$ 11,649,909	\$ 13,805,191	\$ 13,820,107
Change in Governmental Activities Net Position	\$ 1,272,516	\$ 726,245	\$ 1,306,823	\$ 1,104,465	\$ 914,911

Village of Pinehurst, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2013	2014	2015	2016	2017
Expenses					
Governmental Activities:					
General government	\$ 1,611,659	\$ 2,168,794	\$ 2,220,764	\$ 2,501,748	\$ 2,495,248
Public safety	5,582,355	5,803,531	5,653,753	5,684,375	6,070,685
Transportation	2,475,382	2,369,495	2,325,248	2,481,039	2,755,861
Economic and physical development	1,542,829	1,566,159	1,567,788	677,747	765,422
Environmental protection	1,275,525	1,402,623	1,526,924	1,399,842	1,453,148
Cultural and recreation	2,100,673	2,746,748	2,647,805	2,527,443	2,700,389
Non-departmental	-	-	-	-	-
Interest on long-term debt	88,541	82,192	69,243	54,120	40,296
	<u>88,541</u>	<u>82,192</u>	<u>69,243</u>	<u>54,120</u>	<u>40,296</u>
Total governmental activities expenses	<u>\$ 14,676,964</u>	<u>\$ 16,139,542</u>	<u>\$ 16,011,525</u>	<u>\$ 15,326,314</u>	<u>\$ 16,281,049</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ 35	\$ 91	\$ 1,763
Public safety	469,345	490,364	507,962	569,814	722,337
Transportation	10,500	19,000	17,000	-	-
Economic and physical development	57,745	39,567	51,363	59,368	83,562
Cultural and recreation	509,113	1,268,417	672,851	730,300	716,909
Operating grants and contributions	533,380	546,089	1,025,870	509,304	603,714
Capital grants and contributions	207,252	42,563	320,235	230,788	-
	<u>207,252</u>	<u>42,563</u>	<u>320,235</u>	<u>230,788</u>	<u>-</u>
Total governmental activities program revenue	<u>\$ 1,787,335</u>	<u>\$ 2,406,000</u>	<u>\$ 2,595,316</u>	<u>\$ 2,099,665</u>	<u>\$ 2,128,285</u>
Total governmental activities net expense	<u>\$ (12,889,629)</u>	<u>\$ (13,733,542)</u>	<u>\$ (13,416,209)</u>	<u>\$ (13,226,649)</u>	<u>\$ (14,152,764)</u>
General Revenues and Other					
Changes in Net Position					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 9,567,944	\$ 9,763,042	\$ 9,785,054	\$ 9,699,296	\$ 9,998,398
Franchise taxes	-	-	-	-	-
Golf cart licenses	1,775	2,230	2,010	8,745	2,180
Unrestricted intergovernmental	4,162,616	4,271,703	4,979,172	5,328,610	5,478,926
Investment earnings	12,947	10,424	9,796	25,872	62,911
Miscellaneous	324,271	495,732	197,599	253,256	259,310
	<u>324,271</u>	<u>495,732</u>	<u>197,599</u>	<u>253,256</u>	<u>259,310</u>
Total governmental activities general revenue	<u>\$ 14,069,553</u>	<u>\$ 14,543,131</u>	<u>\$ 14,973,631</u>	<u>\$ 15,315,779</u>	<u>\$ 15,801,725</u>
Change in Governmental Activities Net Position	<u>\$ 1,179,924</u>	<u>\$ 809,589</u>	<u>\$ 1,557,422</u>	<u>\$ 2,089,130</u>	<u>\$ 1,648,961</u>

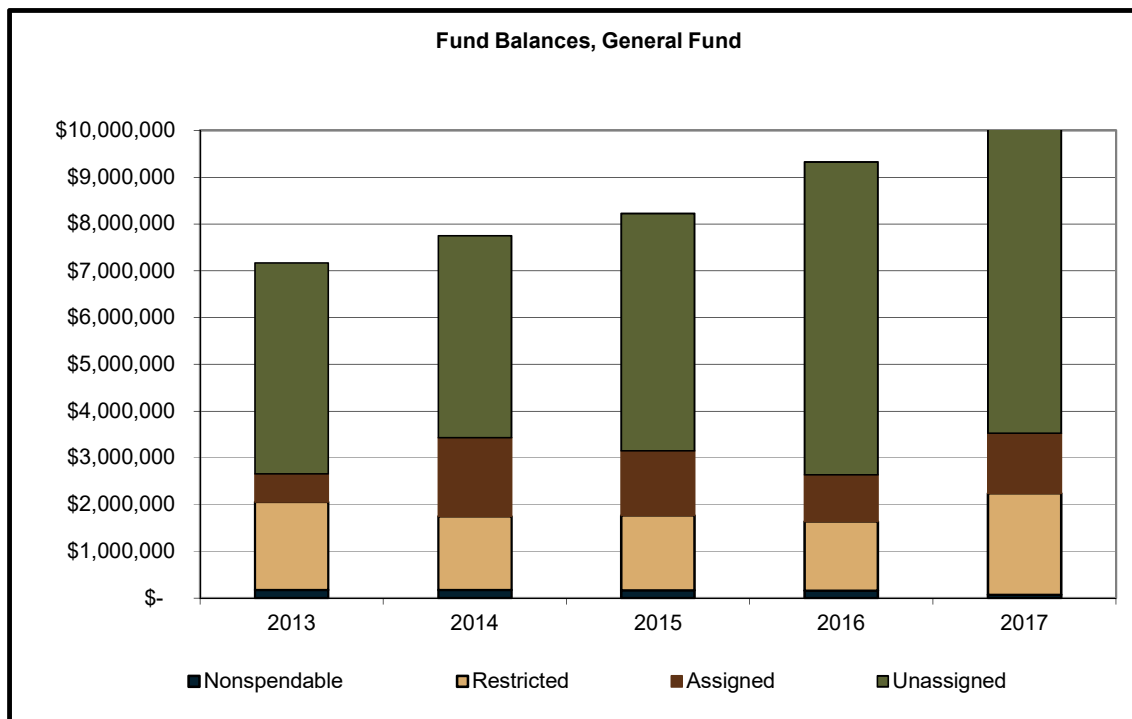
Village of Pinehurst, North Carolina
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund					
Nonspendable:					
Inventory	\$ 43,860	\$ 36,722	\$ 36,180	\$ 46,747	\$ 48,745
Prepaid items	10,483	5,300	97,922	128,567	124,714
Restricted:					
Stabilization by state statute	866,501	814,222	940,483	1,422,691	1,291,963
Assigned:					
Subsequent year's expenditures	752,672	1,086,707	1,066,859	959,020	1,405,864
Unassigned	3,655,444	3,642,545	3,691,852	4,145,184	4,373,169
Total general fund	\$ 5,328,960	\$ 5,585,496	\$ 5,833,296	\$ 6,702,209	\$ 7,244,455
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ 12,710	\$ 12,116	\$ 13,070	\$ 14,084	\$ 14,354
Committed:					
Capital Project fund expenditures	267,441	187,063	49,632	34,549	24,982
Special Revenue fund expenditures	240,847	94,465	10,140	10,218	10,642
Total all other governmental funds	\$ 520,998	\$ 293,644	\$ 72,842	\$ 58,851	\$ 49,978



Village of Pinehurst, North Carolina
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2013	2014	2015	2016	2017
General Fund					
Nonspendable:					
Inventory	\$ 43,640	\$ 44,071	\$ 44,494	\$ 39,799	\$ 36,653
Prepaid items	127,308	130,586	124,296	118,979	35,236
Restricted:					
Stabilization by state statute	1,882,835	1,568,980	1,601,410	1,474,901	2,165,724
Assigned:					
Subsequent year's expenditures	601,175	1,687,710	1,375,639	1,001,685	1,284,513
Unassigned	4,506,790	4,317,497	5,079,263	6,689,980	7,110,976
Total general fund	\$ 7,161,748	\$ 7,748,844	\$ 8,225,102	\$ 9,325,344	\$ 10,633,102
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ -	\$ -	\$ -	\$ -	\$ -
Committed:					
Capital Project fund expenditures	-	-	-	-	-
Special Revenue fund expenditures	10,755	2,894	-	-	-
Total all other governmental funds	\$ 10,755	\$ 2,894	\$ -	\$ -	\$ -



Village of Pinehurst, North Carolina
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues					
Ad valorem taxes	\$ 7,785,759	\$ 7,909,217	\$ 8,070,137	\$ 9,609,611	\$ 9,486,491
Other taxes and licenses	33,628	38,073	43,191	42,976	1,740
Unrestricted intergovernmental	3,462,583	3,367,519	3,233,572	3,894,413	4,071,702
Restricted intergovernmental	691,900	1,272,350	510,604	957,549	826,718
Permits and fees	1,071,151	1,059,147	914,383	446,838	480,999
Sales and services	400,419	453,201	468,903	497,714	501,690
Investment earnings	307,166	137,479	37,416	23,951	28,345
Assessments	56,236	38,699	15,619	34,648	25,460
Miscellaneous	131,172	165,488	170,051	167,838	221,513
Total revenues	<u>13,940,014</u>	<u>14,441,173</u>	<u>13,463,876</u>	<u>15,675,538</u>	<u>15,644,658</u>
Expenditures					
General government	2,165,676	1,827,508	1,863,768	1,840,989	1,933,779
Public safety	4,819,675	4,829,228	5,365,546	5,049,620	5,053,316
Transportation	1,930,191	1,727,241	1,580,763	2,382,430	2,558,524
Economic and physical development	1,216,009	1,891,282	1,271,268	1,472,447	1,455,559
Environmental protection	1,166,982	974,767	1,041,943	1,268,744	1,468,031
Cultural and recreation	1,360,286	1,802,697	1,706,863	1,781,382	1,809,654
Non-departmental	48,615	62,907	-	-	-
Debt service:					
Principal	796,762	808,993	836,473	891,764	748,878
Interest and other charges	221,947	191,418	173,226	150,635	116,592
Capital outlay	84,417	329,892	130,215	15,083	910
Total expenditures	<u>13,810,560</u>	<u>14,445,933</u>	<u>13,970,065</u>	<u>14,853,094</u>	<u>15,145,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,454</u>	<u>(4,760)</u>	<u>(506,189)</u>	<u>822,444</u>	<u>499,415</u>
Other Financing Sources (Uses)					
Transfers to other funds	(807,910)	(1,074,544)	(1,760,662)	(34,648)	(34,117)
Transfers from other funds	807,910	1,074,544	1,760,662	34,648	34,117
Sales of capital assets	19,402	33,942	33,187	32,478	33,958
Issuance of debt	-	-	500,000	-	-
Total other financing sources (uses)	<u>19,402</u>	<u>33,942</u>	<u>533,187</u>	<u>32,478</u>	<u>33,958</u>
Net change in fund balances	148,856	29,182	26,998	854,922	533,373
Fund balances, beginning	5,570,467	5,849,958	5,879,140	5,906,138	6,761,060
Prior period adjustment	130,635	-	-	-	-
Fund balances, beginning as restated	<u>5,701,102</u>	<u>5,849,958</u>	<u>5,879,140</u>	<u>5,906,138</u>	<u>6,761,060</u>
Fund balances, ending	<u>\$ 5,849,958</u>	<u>\$ 5,879,140</u>	<u>\$ 5,906,138</u>	<u>\$ 6,761,060</u>	<u>\$ 7,294,433</u>
Debt service as a percentage of noncapital expenditures	8.0%	7.7%	7.9%	7.4%	6.2%

Notes:

The capital outlay used to calculate debt service as a percentage of noncapital expenditures can be found in Exhibit 6

Village of Pinehurst, North Carolina
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues					
Ad valorem taxes	\$ 9,561,126	\$ 9,771,682	\$ 9,792,365	\$ 9,697,697	\$ 9,996,412
Other taxes and licenses	1,775	2,230	2,010	8,745	2,180
Unrestricted intergovernmental	4,162,616	4,271,703	4,979,172	5,328,610	5,478,926
Restricted intergovernmental	532,860	548,073	1,069,055	509,245	603,437
Permits and fees	535,247	1,252,453	578,554	632,033	801,574
Sales and services	517,744	564,975	629,899	729,626	719,515
Investment earnings	13,468	10,714	9,836	25,932	63,189
Assessments	12,412	11,791	20,116	45,741	39,102
Miscellaneous	265,399	266,641	182,310	195,642	197,420
Total revenues	<u>15,602,647</u>	<u>16,700,262</u>	<u>17,263,317</u>	<u>17,173,271</u>	<u>17,901,755</u>
Expenditures					
General government	2,106,278	2,196,930	2,133,743	2,142,750	2,164,459
Public safety	5,197,380	5,856,007	5,543,484	5,443,314	5,564,978
Transportation	2,178,585	2,792,152	2,789,063	2,774,071	3,276,715
Economic and physical development	2,160,239	1,454,418	1,624,275	874,566	764,595
Environmental protection	1,350,737	1,456,374	1,586,800	1,576,998	1,312,900
Cultural and recreation	2,280,905	2,694,676	2,633,384	2,854,719	3,176,328
Non-departmental	-	-	-	-	-
Debt service:					
Principal	478,298	378,829	420,917	406,502	368,531
Interest and other charges	91,151	83,098	73,615	57,721	43,717
Capital outlay	-	-	-	-	-
Total expenditures	<u>15,843,573</u>	<u>16,912,484</u>	<u>16,805,281</u>	<u>16,130,641</u>	<u>16,672,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(240,926)</u>	<u>(212,222)</u>	<u>458,036</u>	<u>1,042,630</u>	<u>1,229,532</u>
Other Financing Sources (Uses)					
Transfers to other funds	(52,380)	(7,933)	(2,897)	-	-
Transfers from other funds	52,380	7,933	2,897	-	-
Sales of capital assets	59,493	241,457	15,328	57,612	78,226
Issuance of debt	59,503	550,000	-	-	-
Total other financing sources (uses)	<u>118,996</u>	<u>791,457</u>	<u>15,328</u>	<u>57,612</u>	<u>78,226</u>
Net change in fund balances	(121,930)	579,235	473,364	1,100,242	1,307,758
Fund balances, beginning	7,294,433	7,172,503	7,751,738	8,225,102	9,325,344
Prior period adjustment	-	-	-	-	-
Fund balances, beginning as restated	<u>7,294,433</u>	<u>7,172,503</u>	<u>7,751,738</u>	<u>8,225,102</u>	<u>9,325,344</u>
Fund balances, ending	<u>\$ 7,172,503</u>	<u>\$ 7,751,738</u>	<u>\$ 8,225,102</u>	<u>\$ 9,325,344</u>	<u>\$ 10,633,102</u>
Debt service as a percentage of noncapital expenditures	4.3%	3.1%	3.2%	3.3%	2.8%

Notes:

The capital outlay used to calculate debt service as a percentage of noncapital expenditures can be found in Exhibit 6

Village of Pinehurst, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Schedule 5

Fiscal Year	Tax year	Residential Property	Commercial Property	Industrial Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2008	2007	\$ 2,719,108,835	\$ 310,265,291	\$ 16,387,599	\$ 268,117,125	\$ 2,777,644,600	0.28	\$ 2,777,644,600
2009	2008	2,761,647,092	318,070,765	17,315,268	269,719,030	2,827,314,095	0.28	2,763,747,893
2010	2009	2,807,721,340	332,150,630	17,024,619	271,564,035	2,885,332,554	0.28	2,873,837,205
2011	2010	3,312,056,948	339,862,923	16,599,447	309,316,950	3,359,202,368	0.28	3,325,942,939
2012	2011	3,333,807,236	348,341,880	17,750,788	309,216,950	3,390,682,954	0.28	3,377,174,257
2013	2012	3,368,430,240	346,142,700	17,669,146	312,873,330	3,419,368,756	0.28	3,398,974,907
2014	2013	3,433,539,072	346,239,540	17,443,205	314,499,090	3,482,722,727	0.28	3,474,384,205
2015	2014	3,433,872,218	357,593,290	16,969,593	316,220,133	3,492,214,968	0.28	3,481,769,659
2016	2015	3,352,781,389	375,083,970	19,365,934	404,357,860	3,342,873,433	0.29	3,342,873,433
2017	2016	3,397,612,017	375,641,253	19,308,922	405,681,620	3,386,880,572	0.295	3,380,120,331

Sources:

Moore County Tax Department

Notes:

Assessed valuations are established by the Moore County Board of Commissioners at 100% of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. Property was last revalued in FY 2016.

Estimated actual taxable value is calculated using information provided in Moore County's Comprehensive Annual Financial Report (CAFR).

Village of Pinehurst, North Carolina
 Direct and Overlapping Property Tax Rates
 Last Ten Years
 (Rates are Per \$100 of Assessed Value)

Fiscal Year	Tax Year	Direct Rates	Overlapping Rates	
		Total Direct Rate	Village of Pinehurst Municipal Service District	Moore County (1)
2008	2007	0.28	0.08	0.475
2009	2008	0.28	0.06	0.504
2010	2009	0.28	0.06	0.485
2011	2010	0.28	0.05	0.485
2012	2011	0.28	0.05	0.485
2013	2012	0.28	0.05	0.485
2014	2013	0.28	-	0.485
2015	2014	0.28	-	0.485
2016	2015	0.29	-	0.495
2017	2016	0.295	-	0.495

Sources:

(1) Moore County Tax Department

Notes:

Overlapping rates are those of local and county governments that apply to property owners within the Village of Pinehurst. Not all overlapping rates apply to all property owners; for example, although the county property tax rates apply to all Village of Pinehurst property owners, the Municipal Service District rates apply only to 25 property owners whose property is located within that district's geographic boundaries.

In fiscal year 2013 the Municipal Service District fund was closed and all operations were absorbed into the General Fund. Starting in fiscal year 2014, the cost of operations is funded by the Direct Tax.

**Village of Pinehurst, North Carolina
Principal Property Tax Payers
Current Year and Nine Years Ago**

Schedule 7

Taxpayer	2017		2008	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pinehurst LLC	\$ 168,670,273	4.98%	\$ 164,043,190	5.91%
Pinehurst Surgical Clinic	25,473,350	0.75%	25,323,092	0.91%
Pinehurst Medical	24,510,010	0.72%	19,784,083	0.71%
Country Club of North Carolina	17,324,070	0.51%	25,760,090	0.93%
Duke Energy Progress, Inc.	12,772,101	0.38%	11,187,561	0.40%
Pinewild Project Limited PTNS	10,074,130	0.30%	-	-
Quail Haven Properties of Pinehurst, LLC	10,020,530	0.30%	9,142,025	0.33%
MTMM Associates (Carolina Eye Assoc.)	8,888,030	0.26%	9,294,593	0.33%
Pinehurst Nursing Center	5,643,817	0.17%	-	-
SCOP (Surgery Center of Pinehurst)	5,622,480	0.17%	-	-
Francis Maser	-	-	7,859,330	0.28%
Branch Banking and Trust Co.	-	-	5,449,226	0.20%
Carolina Telephone and Telegraph	-	-	4,730,464	0.17%
Total	\$ 288,998,791	8.53%	\$ 282,573,654	10.17%

Sources:

Moore County Tax Department

Notes:

FY2017 and FY2008 data are for tax years 2016 and 2007 respectively.

Pinehurst, LLC includes: Resorts of Pinehurst Inc., Pinehurst, Inc., Pinehurst LLC and Resorts of Pinehurst, Inc.

**Village of Pinehurst, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years**

Schedule 8

Fiscal Year	Tax year	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2008	2007	\$ 7,793,643	\$ 7,769,586	99.69%	\$ 11,046	\$ 7,780,632	99.83%
2009	2008	7,913,998	7,889,733	99.69%	11,609	7,901,342	99.84%
2010	2009	8,077,535	8,050,348	99.66%	12,228	8,062,576	99.81%
2011	2010	9,606,203	9,588,105	99.81%	12,940	9,601,045	99.95%
2012	2011	9,477,624	9,463,405	99.85%	13,038	9,476,443	99.99%
2013	2012	9,558,275	9,538,561	99.79%	17,100	9,555,661	99.97%
2014	2013	9,756,980	9,748,024	99.91%	7,491	9,755,515	99.98%
2015	2014	9,774,886	9,772,350	99.97%	2,279	9,774,629	100.00%
2016	2015	9,692,375	9,686,105	99.94%	3,562	9,689,667	99.97%
2017	2016	9,992,459	9,983,263	99.91%	-	9,983,263	99.91%

Sources:

Moore County Tax Department

Notes:

(1) Taxes Levied for the Fiscal Year have been adjusted for Collections in Subsequent Years.

Village of Pinehurst, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Governmental Activities Installment Financing (1)</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
2008	2007	\$ 5,296,474	0.96%	\$ 468
2009	2008	4,487,481	0.76%	386
2010	2009	4,151,008	0.62%	313
2011	2010	3,259,244	0.75%	240
2012	2011	2,510,366	0.48%	170
2013	2012	2,091,572	0.34%	140
2014	2013	2,262,742	0.35%	149
2015	2014	1,841,825	0.26%	119
2016	2015	1,435,323	0.18%	91
2017	2016	1,066,792	0.13%	66

Notes:

(1) Details regarding outstanding debt can be found in Note 9 of the notes to the financial statements.

(2) See Schedule 12 for personal income and population data. These ratios are calculated using personal income and population for the calendar year.

Village of Pinehurst, North Carolina
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2017

Schedule 10

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Moore County (1)			
Debt repaid with property taxes:			
Moore County general obligation debt	\$ 46,535,000	27.94%	\$ 13,001,300
Other debt:			
Moore County LOB	19,374,000	27.94%	5,412,854
Capital lease	277,977	27.94%	77,663
Moore County installment loans	413,243	27.94%	115,455
			18,607,272
Subtotal, overlapping debt			18,607,272
Village of Pinehurst direct debt			1,066,792
Total direct and overlapping debt			\$ 19,674,064

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Village. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Village. This process recognizes that, when considering the Village's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-therefore responsible for repaying the debt-of each overlapping governments.

(1) Source: Moore County's Comprehensive Annual Financial Report (CAFR)

(2) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the Village of Pinehurst's boundaries and dividing it by each unit's total taxable assessed value. Taxable assessed property values as of June 30, 2016 were used to determine the overlapping debt percentage.

Village of Pinehurst, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

Schedule 11

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin as a Percent of Debt Limit</u>
2008	\$ 222,211,568	\$ 5,296,474	\$ 216,915,094	97.62%
2009	226,185,128	4,487,481	221,697,647	98.02%
2010	230,826,604	4,151,008	226,675,596	98.20%
2011	268,736,189	3,259,244	265,476,945	98.79%
2012	271,245,476	2,510,366	268,744,270	99.08%
2013	273,549,500	2,091,572	271,457,928	99.24%
2014	278,617,818	2,262,742	276,355,076	99.19%
2015	279,377,197	1,841,825	277,535,372	99.34%
2016	267,429,875	1,435,323	265,994,552	99.46%
2017	270,950,446	1,066,792	269,883,654	99.61%

Legal debt margin calculation for Fiscal Year 2017

Assessed valuation	\$ 3,386,880,572	
	x <u>0.08</u>	
Debt limit - 8.0% of assessed value		\$ 270,950,446
Gross debt:		
Installment purchase agreements	<u>1,066,792</u>	
Total gross debt	1,066,792	
Total amount of debt applicable to debt limit (net debt)		<u>1,066,792</u>
Legal debt margin		<u><u>\$ 269,883,654</u></u>

**Village of Pinehurst, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years**

Schedule 12

<u>Fiscal Year</u>	<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
2008	2007	11,316	\$ 554,303,016	\$ 48,984	60.4	4.5%
2009	2008	11,632	591,718,568	50,870	60.4	6.2%
2010	2009	13,277	673,103,180	50,697	60.4	10.3%
2011	2010	13,601	434,198,324	31,924	58.4	9.5%
2012	2011	14,783	526,777,422	35,634	58.4	8.9%
2013	2012	14,979	608,671,665	40,635	60.6	8.6%
2014	2013	15,150	650,586,450	42,943	60.9	6.3%
2015	2014	15,525	708,033,150	45,606	60.8	5.4%
2016	2015	15,763	778,093,206	49,362	61.1	5.1%
2017	2016	16,123	798,136,869	49,503	61.4	4.1%

Sources:

- (1) Office of State Budget and Management.
- (2) U.S. Census Bureau.
- (3) North Carolina Employment Security Commission.

Notes:

Per Capita Income is adjusted annually after the Decennial Census calendar year by the annual average inflation rate.

Unemployment rate information is a calendar year adjusted annual average in Southern Pines-Pinehurst area.

A change in municipal boundary effective March 31, 2010 increased the certified population in fiscal year 2010 by 1,482.

Village of Pinehurst, North Carolina
Principal Employers
Current Year and Nine Years Ago

Schedule 13

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
First Health of the Carolinas (1)	3,610	63.47%	2,615	58.06%
Pinehurst, LLC (2)	1,298	22.82%	1,229	27.29%
Total		<u>86.29%</u>		<u>85.35%</u>

Sources:

(1) Human Resources Department at First Health of the Carolinas.

(2) Human Resources Department at Pinehurst, LLC f/n/a Resorts of Pinehurst Inc.

Notes:

2017 employment is based on calendar year 2016.

GASB 44 requires comparative data for the current calendar year and nine years prior. 2010 adjusted Census Data was used for 2008 and 2017 to estimate the percentage of total employment.

Village of Pinehurst, North Carolina
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

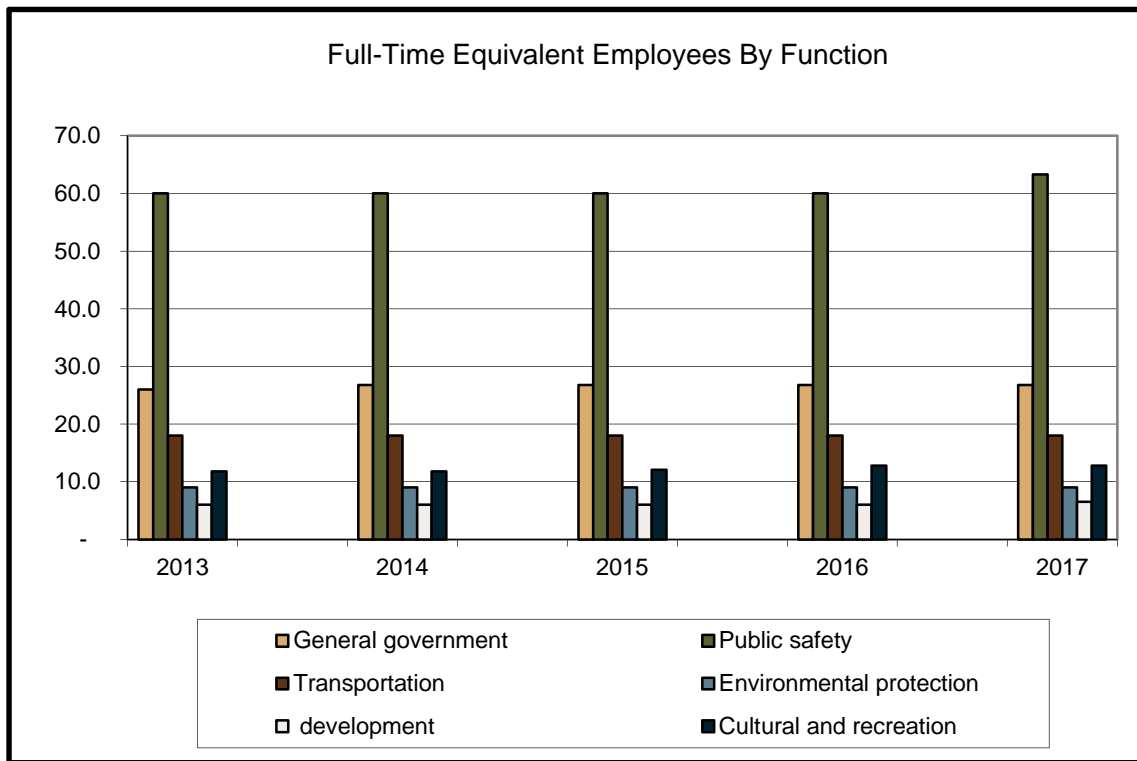
Function	Full-time Equivalent Employees as of June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	23.5	25.0	24.5	24.5	24.5	26.0	26.8	26.8	26.8	26.8
Public safety	63.2	63.2	61.0	60.0	60.0	60.0	60.0	60.0	60.0	63.3
Transportation	16.0	18.0	16.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0
Environmental protection	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Economic and physical development	9.0	9.0	8.5	7.5	6.5	6.0	6.0	6.0	6.0	6.5
Cultural and recreation	10.2	11.2	12.0	11.1	10.8	11.8	11.8	12.1	12.8	12.8
Total	129.9	135.4	131.0	129.1	128.8	130.8	131.6	131.9	132.6	136.4

Source:

Village of Pinehurst Human Resources Department

Notes:

A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.



Village of Pinehurst, North Carolina
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General Government					
Financial services:					
Purchase orders issued	225	260	280	295	269
Vendor checks issued	2,448	2,333	2,471	2,444	2,365
Vendor EFTs issued	-	-	-	-	401
Human resources:					
Workers' compensation lost time (days)	12	446	32	425	33
Employee turnover rate	7.8%	7.9%	9.2%	8.5%	10.7%
Fleet maintenance:					
Tires changed	311	216	116	188	200
10-point service performed	233	208	194	288	228
Public Safety					
Fire protection:					
Public fire & life safety classes	167	159	170	176	191
Incident calls	843	855	884	1,031	865
Structure fires	63	44	55	58	35
Inspections	732	620	423	784	1,174
Child passenger seat inspections	396	173	222	228	120
Police protection:					
Physical arrests	585	444	445	233	165
Citations issued	3,891	3,993	2,970	3,053	1,908
Response to calls/officer initiated activity	13,513	13,640	14,495	14,362	13,364
Traffic accidents	500	474	418	476	414
Inspections:					
Building inspections conducted	7,683	5,409	4,281	4,370	3,832
Certificates of occupancy issued	169	181	156	197	48
Transportation					
Street resurfacing (miles)	5.6	4.8	3.2	6.4	4.5
Environmental Protection					
Refuse collected (tons annually)	4,094	3,948	3,849	4,124	3,808
Homes receiving service	6,782	6,862	7,686	7,736	7,812
Recyclables collected (tons annually)	943	966	1,473	1,734	1,807
Economic and Physical Development					
Building permits issued	359	278	259	239	287
Code compliance investigations	690	624	475	501	577
Cultural and Recreation					
Recreation:					
Program participants	830	939	1,065	1,739	1,748
Athletics participants	1,982	2,323	2,287	2,296	1,934
Harness track:					
Standardbred stalls leased	220	281	251	276	259
Facilities reserved (days)	30	20	30	32	32
Fair barn:					
Events	84	80	88	113	113
Rental days	95	98	96	120	113

Sources:

Various Village departments

Notes:

(1) Fiscal Year 2014 includes inspections conducted for the USGA at the US Open Championship venue

Village of Pinehurst, North Carolina
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2013	2014	2015	2016	2017
General Government					
Financial services:					
Purchase orders issued	299	338	297	323	384
Vendor checks issued	1,840	1,641	1,509	1,490	1,377
Vendor EFTs issued	620	998	1,009	1,070	1,071
Human resources:					
Workers' compensation lost time (days)	74	144	39	8	8
Employee turnover rate	11.4%	7.9%	14.3%	12.6%	13.1%
Fleet maintenance:					
Tires changed	205	204	186	184	188
10-point service performed	220	200	112	110	288
Public Safety					
Fire protection:					
Public fire & life safety classes	254	307	342	438	563
Incident calls	982	993	1,052	1,245	1,754
Structure fires	43	28	14	4	10
Inspections (1)	950	1,898	756	184	186
Child passenger seat inspections	182	170	170	183	136
Police protection:					
Physical arrests	184	239	575	651	739
Citations issued	1,208	2,082	1,757	2,603	2,750
Response to calls/officer initiated activity	10,901	13,041	11,742	14,923	16,613
Traffic accidents	447	422	433	635	654
Inspections:					
Building inspections conducted (1)	4,608	7,540	5,469	5,656	6,633
Certificates of occupancy issued	68	79	116	91	130
Transportation					
Street resurfacing (miles)	3.6	5.0	4.5	2.1	3.1
Environmental Protection					
Refuse collected (tons annually)	3,856	3,988	3,973	4,106	4,062
Homes receiving service	7,877	7,955	8,107	8,196	8,326
Recyclables collected (tons annually)	1,913	2,025	2,115	1,935	2,060
Economic and Physical Development					
Building permits issued	275	313	289	315	347
Code compliance investigations	596	522	639	774	1,251
Cultural and Recreation					
Recreation:					
Program participants	1,591	1,807	1,986	2,634	2,950
Athletics participants	1,838	1,442	1,736	1,699	1,922
Harness track:					
Standardbred stalls leased	223	240	236	256	252
Facilities reserved (days)	103	125	38	52	40
Fair barn:					
Events	102	122	133	112	121
Rental days	112	199	205	177	159

Sources:

Various Village departments

Notes:

(1) Fiscal Year 2014 includes inspections conducted for the USGA at the US Open Championship venue

**Village of Pinehurst, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year				
	2008	2009	2010	2011	2012
Public safety					
Fire protection					
Stations	2	2	2	2	2
Fire trucks	7	5	6	6	6
Police protection					
Stations	1	1	1	1	1
Police vehicles	20	20	20	21	22
Transportation					
Miles of streets	104.65	104.65	105.57	105.57	105.57
Maintenance vehicles	20	22	22	23	25
Sidewalks, greenways and bike paths (lf)	24,138	34,698	45,258	45,258	47,898
Environmental protection					
Refuse collection trucks	21	20	17	17	15
Economic and physical development					
Storm water drainage areas	7	10	16	29	38
Cultural and recreation					
Number of parks	4	4	4	4	4
Park acreage	294	294	294	294	294
Greenway trails (miles)	5.0	5.8	5.8	6.3	6.3
Playgrounds	3	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	2	2	2	2	2

Sources:

Various Village departments

**Village of Pinehurst, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year				
	2013	2014	2015	2016	2017
Public safety					
Fire protection:					
Stations	2	2	2	2	2
Fire trucks	6	7	6	6	6
Police protection:					
Stations	1	1	1	1	1
Police vehicles	23	24	26	29	26
Transportation					
Miles of streets	105.90	105.66	106.08	106.35	106.35
Maintenance vehicles	24	25	25	23	25
Sidewalks, greenways and bike paths (lf)	49,482	68,313	68,653	71,663	79,272
Environmental protection					
Refuse collection trucks	15	15	16	17	13
Economic and physical development					
Storm water drainage areas	48	57	66	80	84
Cultural and recreation					
Number of parks	4	5	5	5	5
Park acreage	294	294	294	294	294
Greenway trails (miles)	6.8	6.8	6.8	7.1	7.6
Playgrounds	3	3	3	3	3
Baseball/softball diamonds	2	2	2	2	2
Soccer fields	2	2	2	2	2

Sources:

Various Village departments



Compliance Section

This section contains the reports and schedules listed below.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Compliance for the Major State Program and on Internal Control over Compliance Required by the Uniform Guidance and State Single Audit Implementation Act

Schedule of Findings and Questioned Costs

Schedule of Expenditures of Federal and State Awards



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and
Members of the Village Council
Village of Pinehurst, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Pinehurst, North Carolina ("Village"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Village's basic financial statements, and have issued our report thereon dated September 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**High Point, North Carolina
September 22, 2017**



Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance Required by the Uniform Guidance and State Single Audit Implementation Act

To the Honorable Mayor and
Members of the Village Council
Village of Pinehurst, North Carolina

Report on Compliance for the Major State Program

We have audited Village of Pinehurst, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on its major state program for the year ended June 30, 2017. The Village of Pinehurst's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Village of Pinehurst's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Village of Pinehurst's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination on the Village of Pinehurst's compliance.

Opinion on the Major State Program

In our opinion, the Village of Pinehurst complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Village of Pinehurst is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Pinehurst's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Pinehurst's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on applicable sections of Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**High Point, North Carolina
September 22, 2017**

**Village of Pinehurst, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017**

Schedule of Findings and Questioned Costs

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

State Awards

Internal control over major state programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses _____ Yes X None reported
- Noncompliance material to state award _____ Yes X No

Type of auditors' report issued on compliance for major state program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

_____ Yes X No

Identification of major state program:

Powell Bill

II. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2017.

**Village of Pinehurst, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017**

III. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2017.

IV. Prior Year Audit Findings

There were no prior year audit findings.

Village of Pinehurst, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards					
<u>U.S. Department of Homeland Security</u>					
Passed through N.C. Department of Public Safety - Emergency Management Federal Emergency Management Administration					
Disaster Grants - Public Assistance	97.036	4285-DR-NC	\$ 69,844	\$ 23,281	\$ -
<u>U.S. Department of Justice</u>					
Bullet Proof Vest Partnership Program	16.607	Direct	2,831	-	2,831
Total Federal Awards			<u>72,675</u>	<u>23,281</u>	<u>2,831</u>
State Awards					
<u>N.C. Department of Transportation</u>					
Powell Bill			-	495,621	-
Total State Awards			<u>-</u>	<u>495,621</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 72,675</u>	<u>\$ 518,902</u>	<u>\$ 2,831</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Village of Pinehurst under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the only changes in net position, or cash flows of the Village, a selected portion of the operations of the Village, it is not intended to and does not present the financial position, Schedule presents.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.