Financial Condition Assessment

Village of Pinehurst

FY 2017

Communicating Financial Condition

- Developed by UNC School of Government to communicate financial condition to elected officials
- Compares Village to peer group over time
- Distinguishes between General Fund (modified accrual) and Government-Wide (full accrual and includes utilities for peers)
- Compares the Village's FY 2017 results to our peer's FY 2016 results (latest data available)

Benchmark Group

- Pinehurst – pop. 16,123
  - Moore County
- Cornelius – pop. 28,515
  - Mecklenburg County
- Davidson – pop. 12,452
  - Mecklenburg County
- Holly Springs – pop. 31,391
  - Wake County
- Southern Pines - pop. 13,461
  - Moore County

Financial Condition Assessment

- Resource Flow
  - Total Margin
  - Financial Performance
  - Self-Sufficiency
  - Resource Obligation

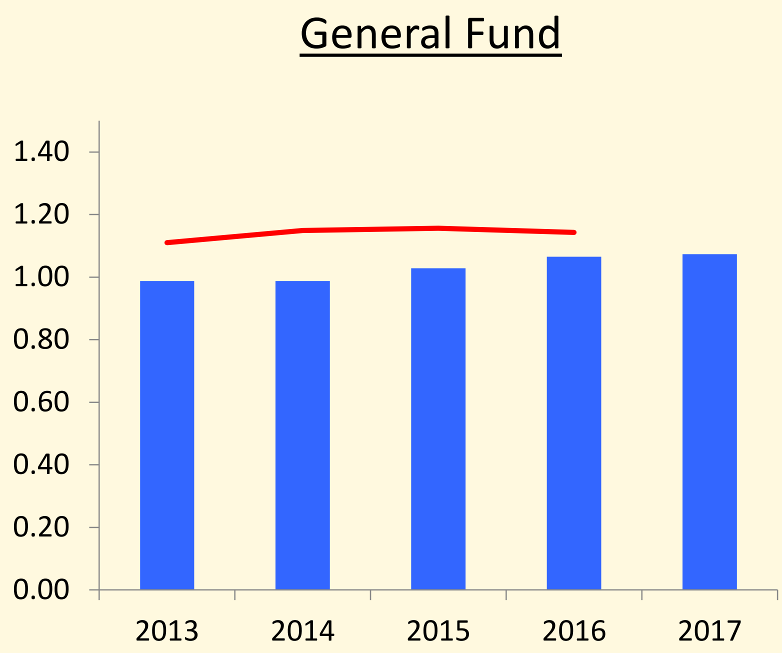
- Resource Stock
  - Liquidity
  - Solvency
  - Leverage
  - Capital

Financial Condition Assessment

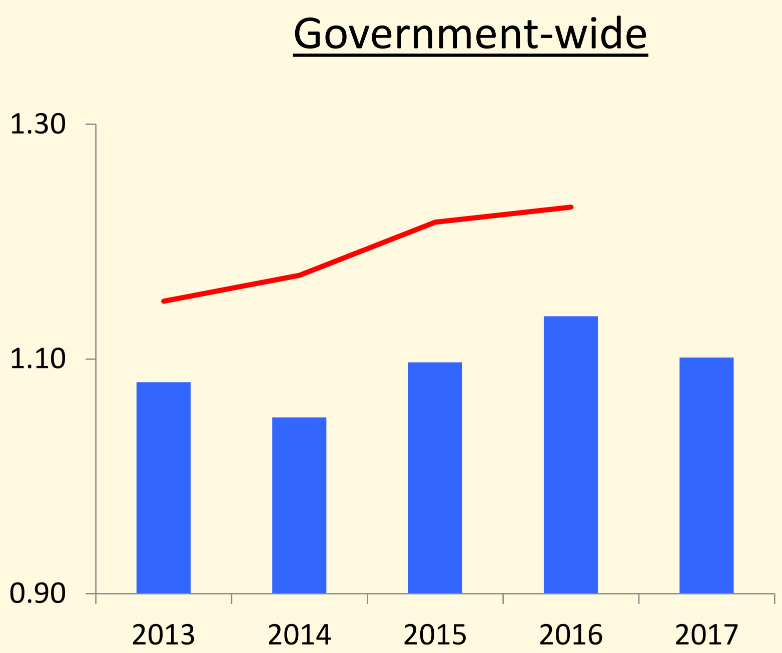
Resource Flow

Total Margin Ratio

Ratio of operating revenues to expenditures



Pinehurst = 1.07, Benchmark = 1.14



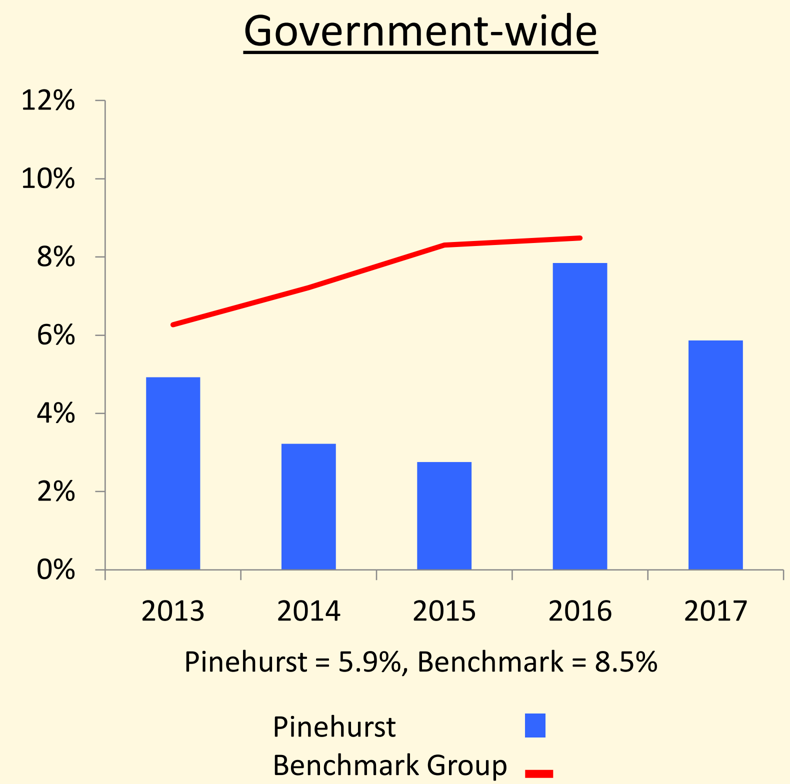
Pinehurst = 1.10, Benchmark = 1.23

Pinehurst
Benchmark Group

A ratio higher than one, indicates the Village has lived within its means.

Percent Change in Net Position

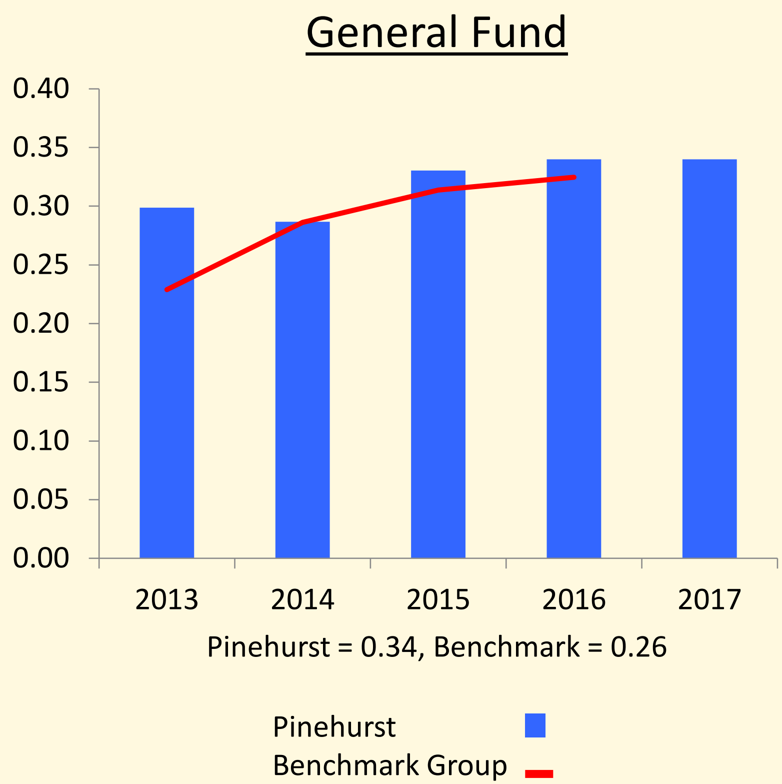
Change in net position compared to beginning net position



The Village's net position increased by $1,648,961 or 5.9% from operations. This was offset by an downward adjustment for pension liabilities of $628,284.

Intergovernmental Ratio

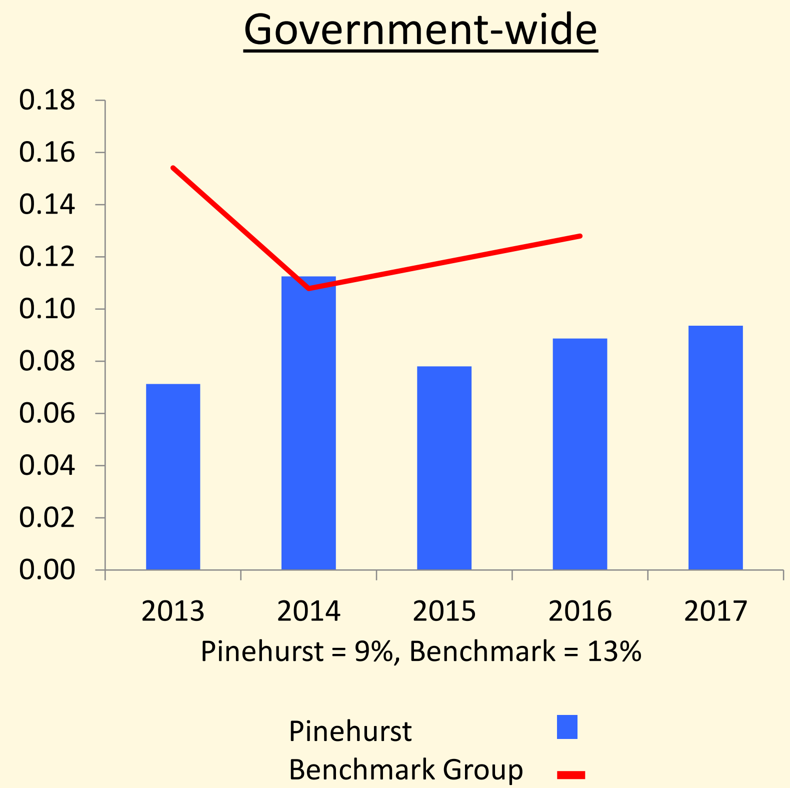
Ratio of intergovernmental to total revenues



The Village's reliance on other governments for revenues has increased as sales taxes and other intergovernmental revenues have grown faster than property taxes.

Charges to Expense Ratio

Charges for services compared to total expenses

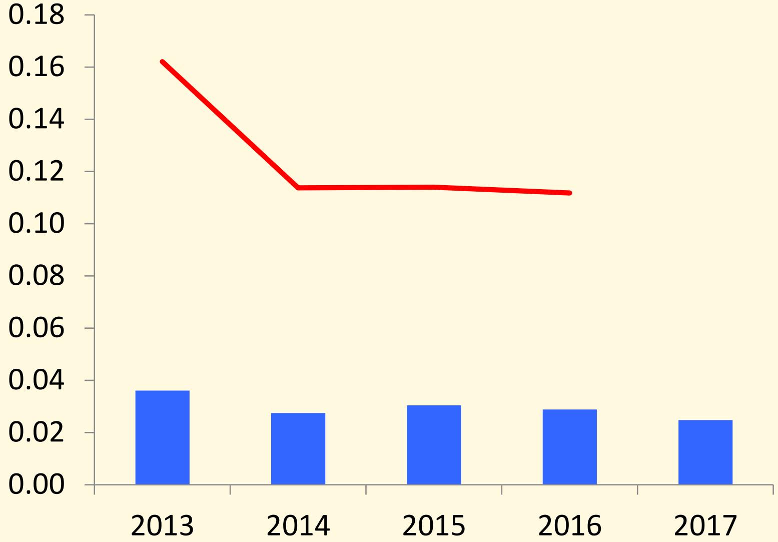


The Village's charges for services cover a slightly smaller portion of expenses than its peers. The spike in 2014 was due to the U.S. Open license fee.

Debt Service Ratio

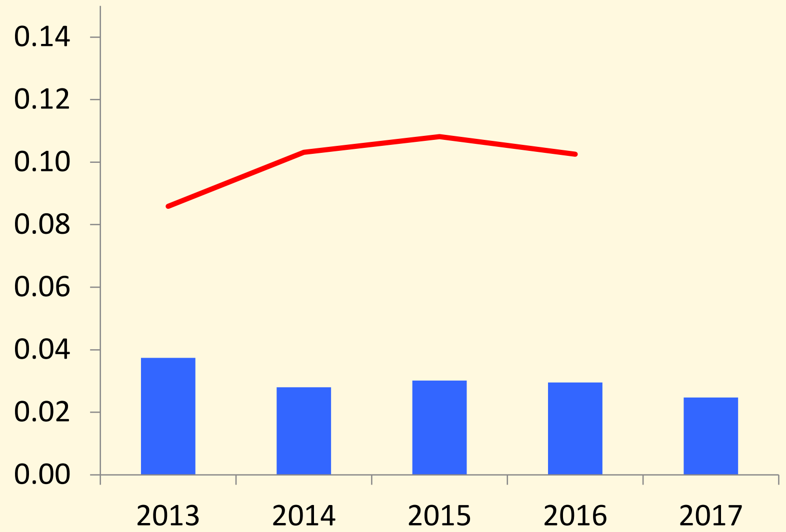
Debt service compared to total expenses

General Fund



Pinehurst = 2%, Benchmark = 11%,

Government-wide



Pinehurst = 2%, Benchmark = 10%

Pinehurst
Benchmark Group

The Village is far less reliant on debt, indicating a better ability to meet current and future debt service obligations.

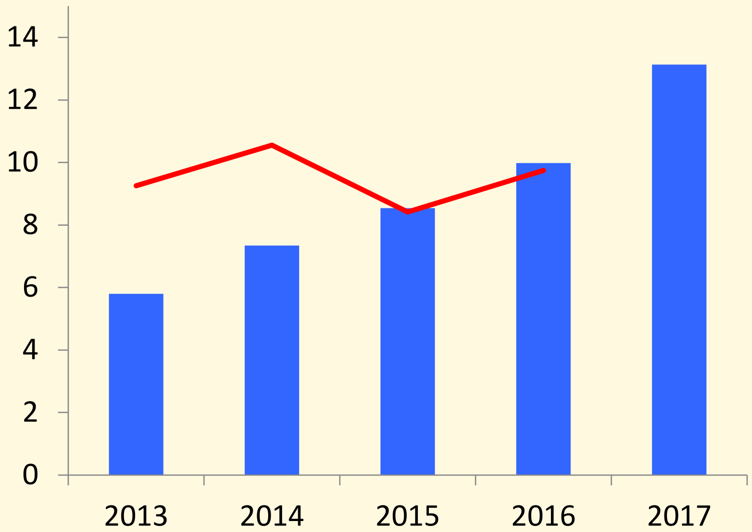
Financial Condition Assessment

Resource Stock

Quick Ratio

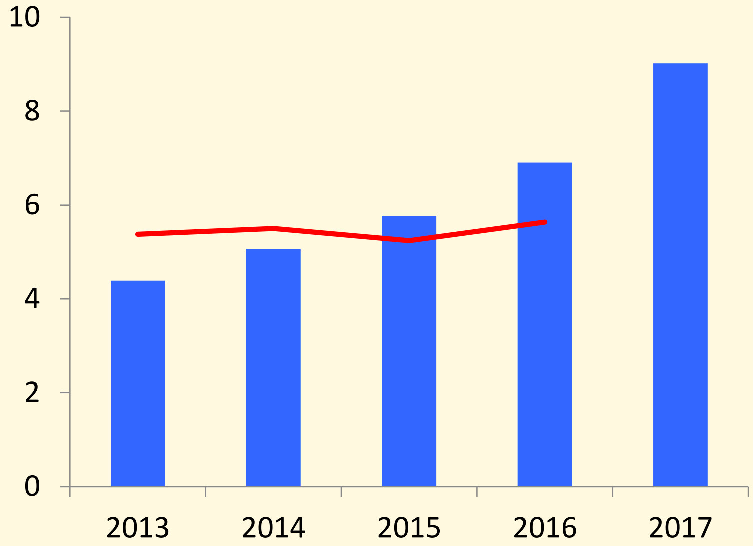
Cash and investments compared to current liabilities

General Fund



Pinehurst = 13.1, Benchmark = 9.8

Government-wide



Pinehurst = 9.0, Benchmark = 5.6

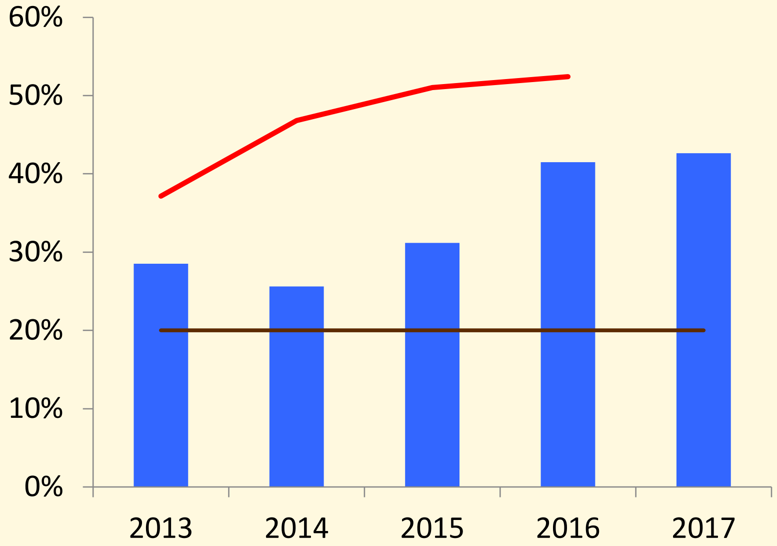
Pinehurst
Benchmark Group

Cash and investment levels have improved since 2013 as we have set aside funds for the Community Center. We have also surpassed the peer group average.

Fund Balance and Net Position Ratios

Fund balance as a % of expenditures

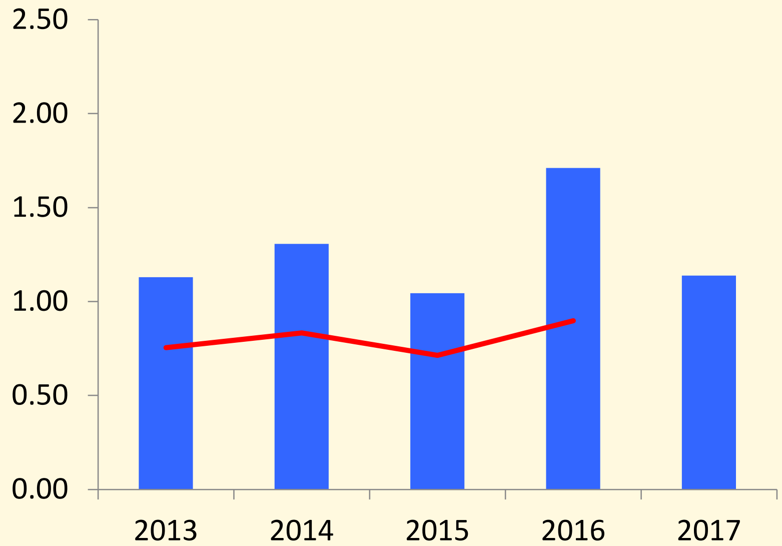
General Fund



Pinehurst = 43%, Benchmark = 52%
BSC Minimum = 20%

Ratio of net position to total liabilities

Government-wide



Pinehurst = 1.1, Benchmark = 0.9

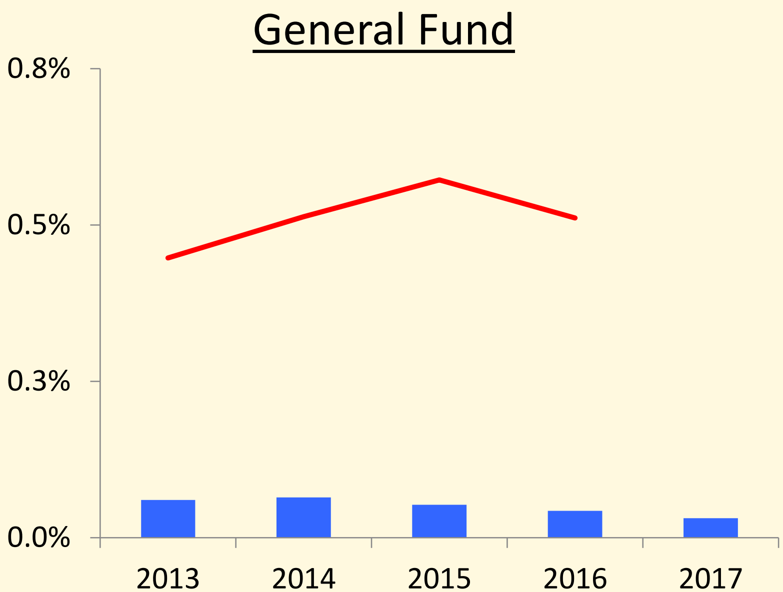
Pinehurst
Benchmark Group
BSC Target

The Village's <u>unassigned</u> fund balance is lower than its peer group.
However, it is well above the Village's adopted fund balance policy minimum.

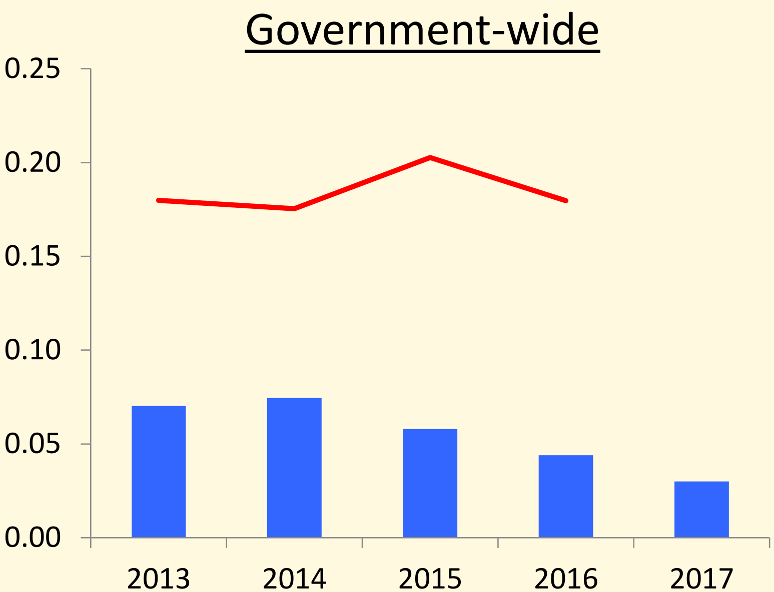
Debt Ratios

Debt as a % of assessed value

Long term debt to assets ratio



Pinehurst = 0.1%, Benchmark = 0.5%



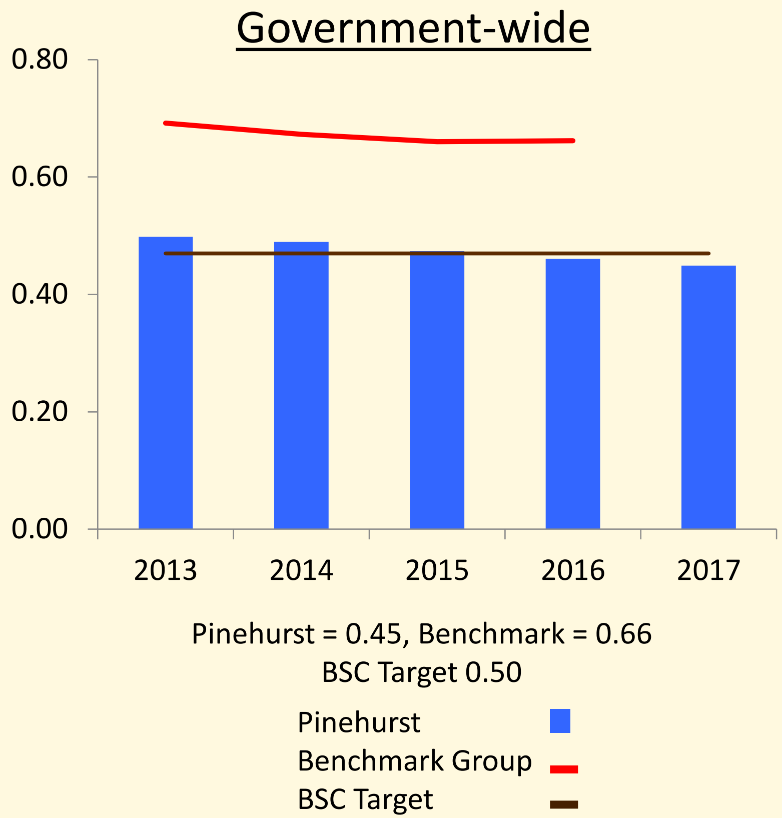
Pinehurst = .03%, Benchmark = 0.18%

Pinehurst
Benchmark Group

The Village's outstanding debt is much lower than its peers and is declining which improves our ability to meet current and future financial obligations.

Capital Asset Condition Ratio

Accumulated depreciation divided by capital assets



The capital assets of the Village are more depreciated than our peer group; this indicates a lower level of capital reinvestment.

Summary

- When compared to our peer group:
  - The Village has lived within its means and has improved its financial condition compared to its peers
  - All units are becoming slightly more reliant on intergovernmental revenues as those revenues are growing faster than property taxes
  - Our charges for services are slightly lower than our peers
  - We are much less reliant on long-term debt than our peers
  - Cash and investment levels have increased as we have set aside funds for the Community Center
  - Our fund balance, though above policy maximums, will decrease to near the bottom of the desired range after the Community Center is constructed in FY 2019
  - We are investing in capital assets at a level slightly below our peers

Things to Consider

- The only significant deviations from our peer group are:
  - The Village maintains smaller fund balance reserves
    - Fund balance is currently above the upper limit of Council's adopted policy as we prepare to construct the Community Center
    - Have maintained a low tax rate
  - The Village is less reliant on long-term debt
- Recommendation is to:
  - Seek to maintain fund balance according to our five-year plan
  - Closely monitor operating revenue growth
  - Remain vigilant in controlling operating expenditures