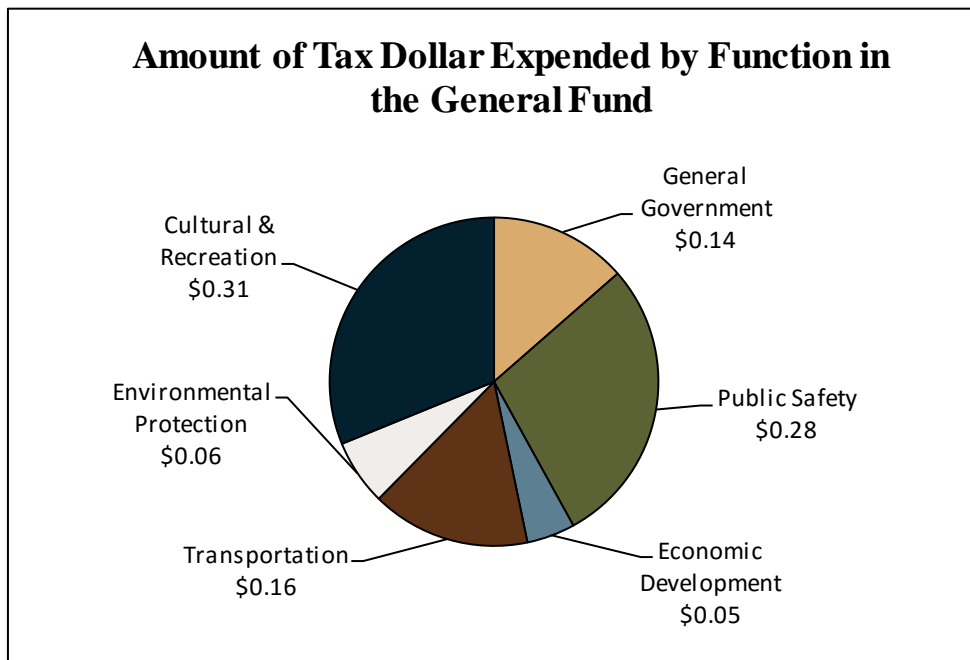




Description

The General Fund is used to account for resources traditionally associated with government which are not required legally, or by sound financial management, to be accounted for in another fund. The following functional areas are included in the General Fund:

- ❖ General Government
- ❖ Public Safety
- ❖ Transportation
- ❖ Environmental Protection
- ❖ Economic and Physical Development
- ❖ Cultural and Recreation
- ❖ Debt Service

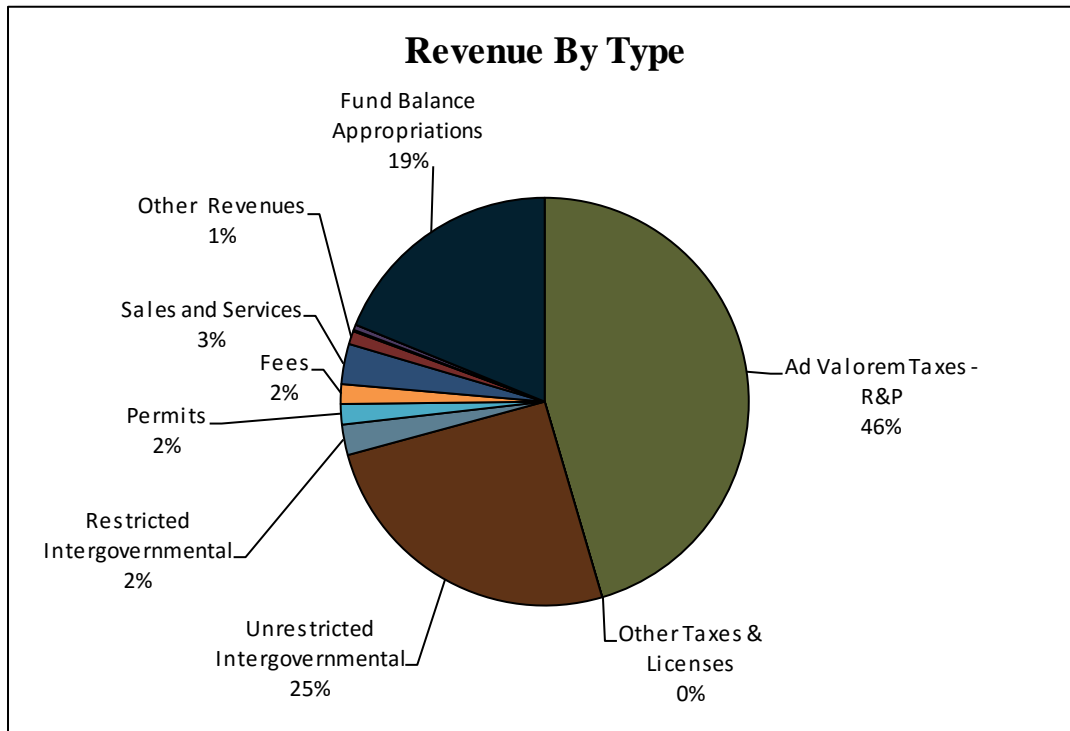




General Fund Summary

The major revenues as well as other financing sources budgeted by the Village of Pinehurst are summarized in the table and chart below. Ad valorem taxes account for approximately 56% of the Village of Pinehurst's total operating revenues. When fund balance appropriated is included, ad valorem taxes equal 46% of total revenues.

Revenues by Type	FY 2017 Actual	FY 2018 Budget	FY 2018 Estimated	FY 2019 Budgeted	Percent Change
Ad Valorem Taxes	\$ 9,996,412	\$ 10,052,000	\$ 10,126,000	\$ 10,250,000	2.0%
Other Taxes & Licenses	2,180	1,000	1,500	1,000	0.0%
Unrestricted Intergovernmental Rev.	5,478,926	5,606,100	5,629,000	5,711,000	1.9%
Restricted Intergovernmental Rev.	603,437	505,400	512,458	545,100	7.9%
Permits & Fees	801,574	677,300	682,870	717,500	5.9%
Sales & Services	719,515	708,600	694,500	719,600	1.6%
Assessments	39,102	28,400	28,400	25,900	-8.8%
Other Revenues	275,646	228,730	249,780	236,580	3.4%
Investment Income	63,189	49,000	99,000	96,000	95.9%
Revenues	17,979,981	17,856,530	18,023,508	18,302,680	2.5%
Fund Balance Appropriations	-	2,195,054	-	4,249,380	100.0%
Total Revenues	\$ 17,979,981	\$ 20,051,584	\$ 18,023,508	\$ 22,552,060	12.5%
Per Capita	\$ 1,115	\$ 1,219	\$ 1,096	\$ 1,353	

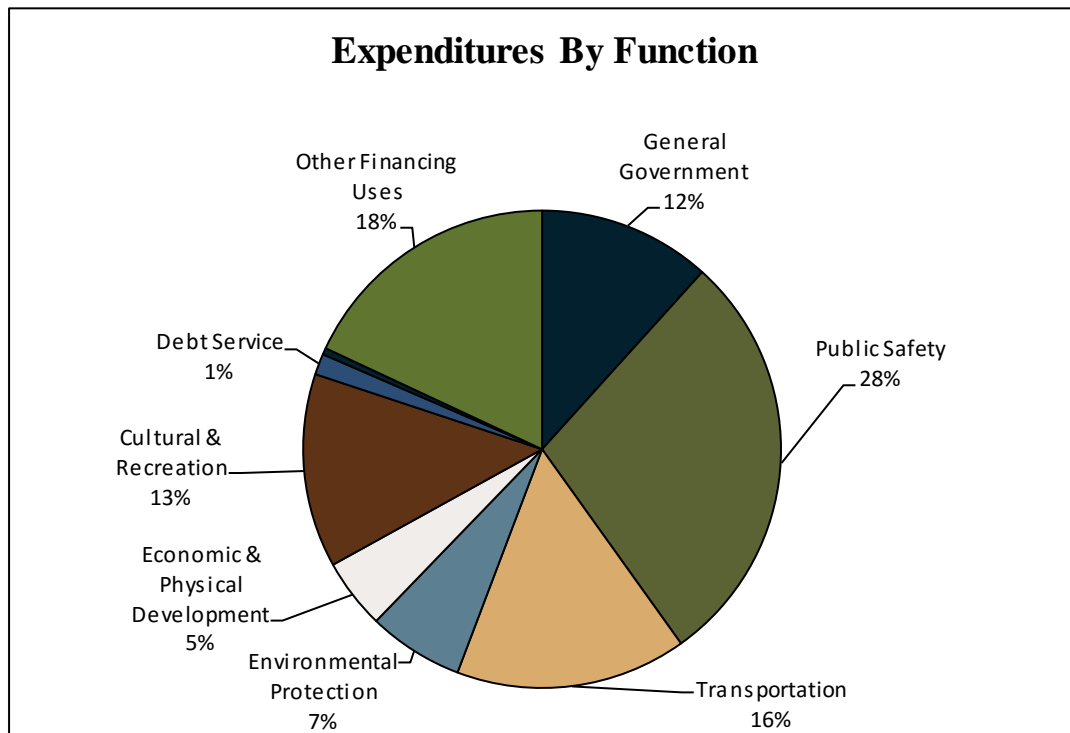




General Fund Summary

While the Village of Pinehurst's budget contains multiple departments and divisions, each conducts Village government activities as part of a functional area. For example, the Fire Department and the Police Department are part of the functional area known as Public Safety, as both share the common theme of protecting citizens. Grouping activities by these themes (functions), allows the decision-making process to be managed at a broader, more comprehensive level. The following table and chart present the trends for all of the Village of Pinehurst's different functions.

Expenditures by Function	FY 2017 Actual	FY 2018 Budget	FY 2018 Estimated	FY 2019 Budgeted	Percent Change
General Government	\$ 2,164,459	\$ 2,473,467	\$ 2,289,110	\$ 2,636,446	6.6%
Public Safety	5,564,978	6,734,956	6,499,626	6,411,845	-4.8%
Transportation	3,276,715	4,138,539	3,596,739	3,527,410	-14.8%
Environmental Protection	1,312,900	1,713,848	1,661,628	1,455,253	-15.1%
Economic & Physical Dev	764,595	986,416	800,485	1,070,953	8.6%
Cultural & Recreation	3,176,328	3,297,845	3,109,125	2,961,093	-10.2%
Debt Service	412,248	362,513	362,513	320,160	-11.7%
Contingency	-	-	-	100,000	100.0%
Expenditures	16,672,223	19,707,584	18,319,226	18,483,160	-6.2%
Other Financing Uses	-	344,000	344,000	4,068,900	1082.8%
Total Expenditures	\$ 16,672,223	\$ 20,051,584	\$ 18,663,226	\$ 22,552,060	12.5%
Per Capita	\$ 1,034	\$ 1,219	\$ 1,134	\$ 1,353	





General Fund Summary

The Village also summarizes expenditures by type and department to facilitate further analysis of expenditure trends. The following tables provide a summary of expenditures by expenditure type and department for Fiscal Year 2019.

Expenditures by Type	FY 2017 Actual	FY 2018 Budget	FY 2018 Estimated	FY 2019 Budgeted	Percent Change
Salaries & Benefits	\$ 9,174,340	\$ 9,904,550	\$ 9,498,760	\$ 10,454,400	5.6%
Operating	5,166,691	6,454,396	5,921,922	6,590,100	2.1%
Capital	1,918,944	2,986,125	2,536,031	1,118,500	-62.5%
Debt Service	412,248	362,513	362,513	320,160	-11.7%
Other Financing Uses	-	344,000	344,000	4,068,900	1082.8%
Total Expenditures	\$ 16,672,223	\$ 20,051,584	\$ 18,663,226	\$ 22,552,060	12.5%

Expenditures by Department Totaled by Function	FY 2017 Actual	FY 2018 Budget	FY 2018 Estimated	FY 2019 Budgeted	Percent Change	FY 2019 % Total
General Government						
Governing Body	\$ 120,834	\$ 180,800	\$ 124,727	\$ 150,100	-17.0%	0.7%
Administration	1,103,736	1,178,282	1,133,355	1,293,486	9.8%	5.7%
Finance	581,531	661,135	635,425	675,080	2.1%	3.0%
HR	358,358	453,250	395,603	517,780	14.2%	2.3%
Total General Government	2,164,459	2,473,467	2,289,110	2,636,446	6.6%	11.7%
Public Safety						
Police	2,796,366	3,131,953	3,030,127	3,384,561	8.1%	15.0%
Fire	2,562,742	3,384,643	3,258,931	2,798,627	-17.3%	12.4%
Inspections	205,870	218,360	210,568	228,657	4.7%	1.0%
Total Public Safety	5,564,978	6,734,956	6,499,626	6,411,845	-4.8%	28.4%
Transportation						
Public Services Admin.	784,979	555,589	532,208	502,011	-9.6%	2.2%
Streets & Grounds	1,677,754	2,595,550	2,077,131	1,925,399	-25.8%	8.5%
Powell Bill	813,982	987,400	987,400	1,100,000	11.4%	4.9%
Total Transportation	3,276,715	4,138,539	3,596,739	3,527,410	-14.8%	15.6%
Environmental Protection						
Solid Waste	1,312,900	1,713,848	1,661,628	1,455,253	-15.1%	6.5%
Total Environmental Protection	1,312,900	1,713,848	1,661,628	1,455,253	-15.1%	6.5%
Economic & Physical Dev.						
Planning	560,141	713,541	594,700	835,793	17.1%	3.7%
Community Development	204,454	272,875	205,785	235,160	-13.8%	1.0%
Total Economic & Physical Dev.	764,595	986,416	800,485	1,070,953	8.6%	4.7%
Cultural & Recreation						
Recreation	1,956,706	1,970,610	1,831,672	1,803,529	-8.5%	8.0%
Library	200,000	200,000	200,000	100,000	-50.0%	0.4%
Harness Track	676,857	667,589	652,624	645,582	-3.3%	2.9%
Fair Barn	342,765	459,646	424,829	411,982	-10.4%	1.8%
Total Cultural & Recreation	3,176,328	3,297,845	3,109,125	2,961,093	-10.2%	13.1%
Debt Service	412,248	362,513	362,513	320,160	-11.7%	1.4%
Contingency	-	-	-	100,000	100.0%	0.4%
Total Expenditures	16,672,223	19,707,584	18,319,226	18,483,160	-6.2%	
Other Financing Uses (OFU)	-	344,000	344,000	4,068,900	1082.8%	18.0%
Total Expenditures & OFU	\$ 16,672,223	\$ 20,051,584	\$ 18,663,226	\$ 22,552,060	12.5%	100.0%



General Fund Summary

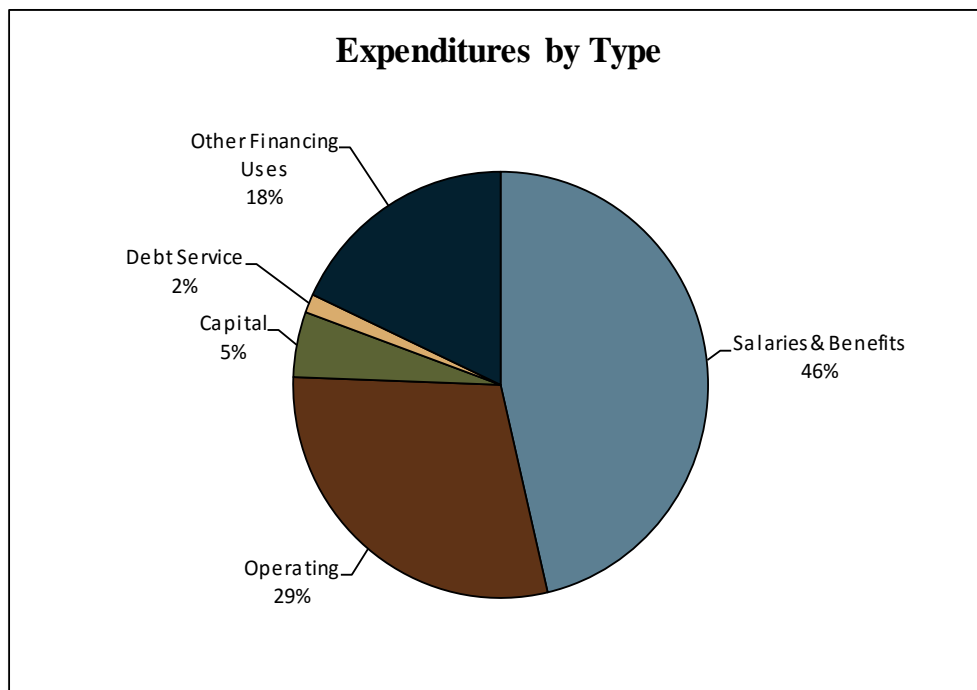
The General Fund continues to reflect the overall economy with moderate revenue growth from both locally generated revenues and statewide intergovernmental revenues. The recovery in local housing market, over the past few years, is having a positive impact on property tax and local option sales tax revenues. The Village's state-collected utility taxes, however, have leveled off and started to decline slightly as consumers move away from traditional landline telephone and cable television services.

The proposed General Fund budget for FY 2019 is \$22,552,060, an increase of approximately 12% from the previous year's amended budget. The majority of this increase is due to the transfer of \$4,068,900 to the Community Center Capital Project Fund to fund the construction of this new facility.

The following table indicates the Village's results from operations before any other financing sources or uses for the past five years:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Income (Loss)</u>
6/30/2014 Actual	\$16,654,796	\$16,867,090	\$ (212,294)
6/30/2015 Actual	16,748,558	16,290,525	458,033
6/30/2016 Actual	17,230,883	16,130,641	1,100,242
6/30/2017 Actual	17,979,981	16,672,223	1,307,758
6/30/2018 Estimated	18,023,508	18,319,226	(295,718)
6/30/2019 Budgeted	18,302,680	18,483,160	(180,480)

After accounting for an other financing use of \$4,068,900 and adding appropriated fund balance of \$4,249,380 to revenues, the Village's FY 2019 recommended budget is balanced in accordance with North Carolina General Statutes.





Revenue Highlights

The approved budget for FY 2019 represents a 12% increase from the FY 2018 amended budget. Operating revenues are estimated to increase by approximately 2.5% over FY 2018. The recommended budget as presented results in a per capita expenditure of \$1,353 based on a projected population of 16,669.

The projected ad valorem tax revenues, which represent roughly 56% of total operating revenues, are expected to grow by 2% over the prior year. This is due to the increase in single-family home construction over the past three years. The proposed budget calls for the current property tax rate to remain at 29.5 cents per \$100 of property valuation. At the revaluation scheduled for FY 2020, the tax rate is expected to fall to the revenue neutral rate of \$0.28 per \$100 valuation.

Unrestricted intergovernmental revenues, which are distributed by the North Carolina Department of Revenue, are expected to increase or decrease at varying rates over the prior year. Local option sales taxes, which provide approximately 19% of the Village's operating revenues, are expected to increase by 4.3% over the previous year's budget. This increase is based on strong levels of retail sales over the last two fiscal years. Utility sales taxes are expected to decrease over the prior year at varying rates. Overall, we are expecting to see unrestricted intergovernmental revenues increase approximately 1.9% over the FY 2018 budget.

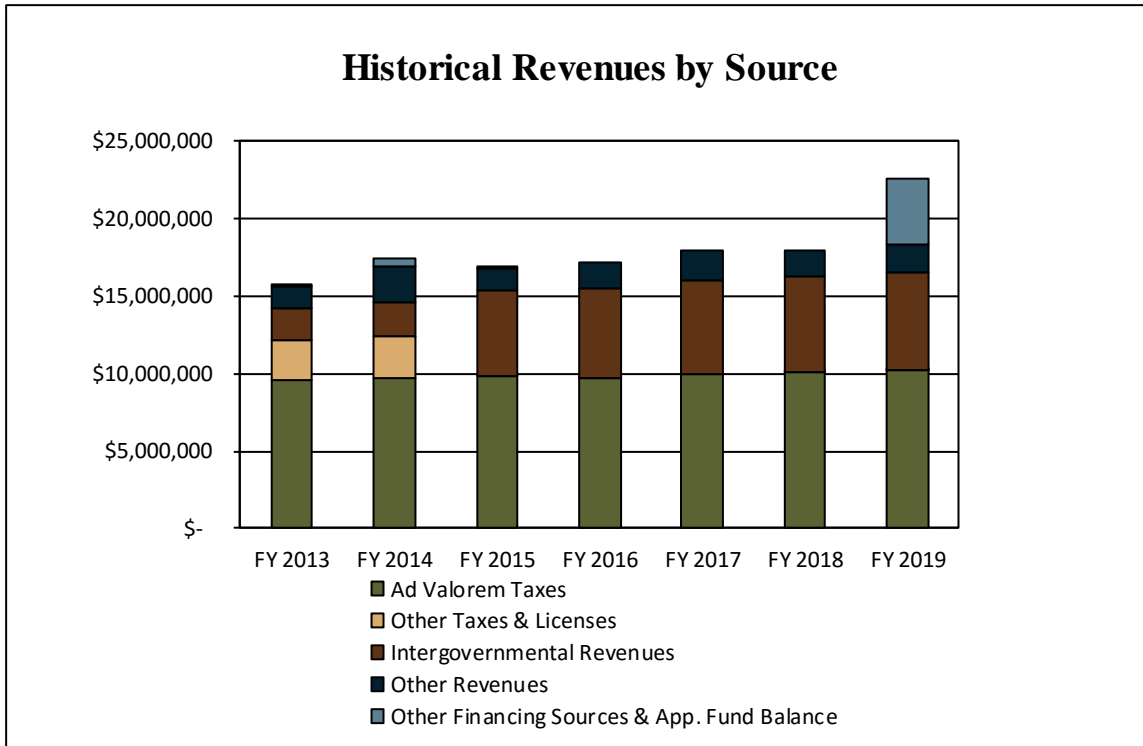
Permits and fees are expected to increase by 5.9% in FY 2019 over the prior year budgeted levels. This increase is primarily due to a 12% increase in fire district revenues. This increase is based on the continued phase-in of Moore County's fire protection funding formula adopted in 2017.

Assessment revenues are expected to yield \$25,900 for FY 2019 from two special assessments. The revenue budget for FY 2019 anticipates \$8,100 from the Municipal Service District assessment and \$17,800 from the Cotswold assessment.

Sales and services revenues, which are derived from various Parks and Recreation fees, are expected to increase by 1.6% over prior year levels. The largest increases are coming from recreation fees and facility rentals. This forecast is based on current year revenue collections, which reflect increasing participation in recreation programs and high demand for rentals of the Village Arboretum venue. Harness Track stall revenues, however, are down 8.5% due to lower occupancy rates in FY 2018.

Other revenues are planned to increase by 3.4% compared to the previous year. The primary factors contributing to this increase are increased proceeds from the sale of surplus capital assets and modest increases in ABC revenues.

Investment income is estimated to grow by 95.9% as interest rates have risen and funds available to invest have also increased. The average rate of return expected in Fiscal Year 2019 is 0.99%. This rate, although low, is more than double the rate of return for FY 2018.



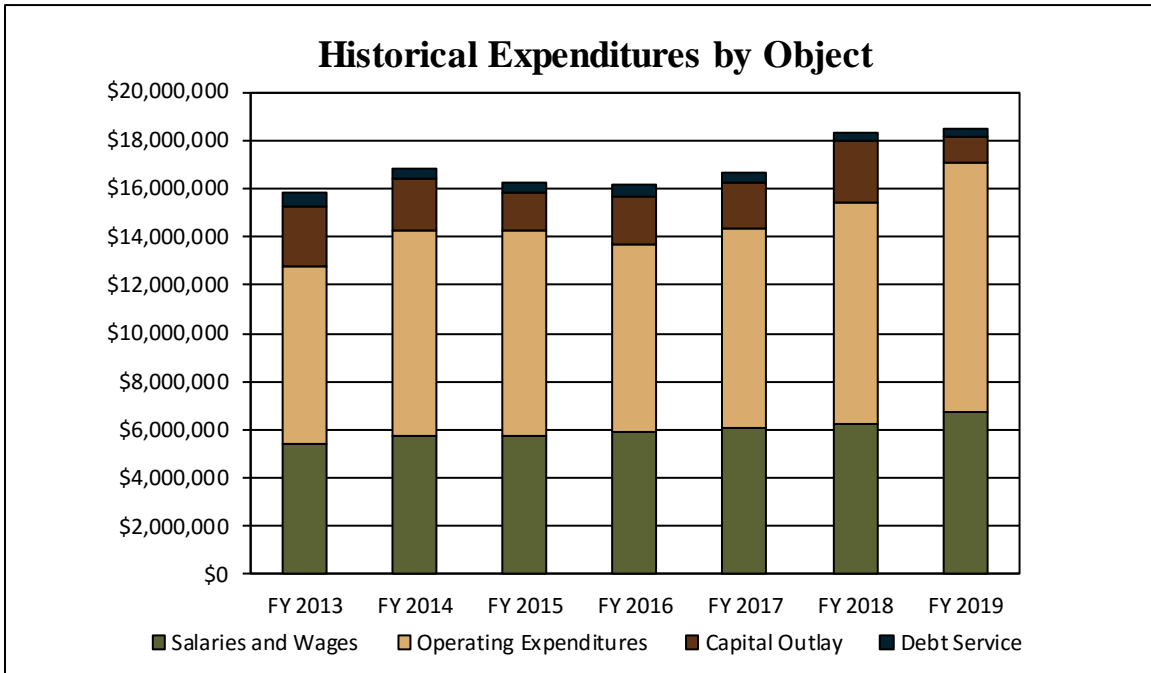


Expenditure Highlights

Salaries and benefits are expected to increase by 5.6% in FY 2019. This is affected by an average merit increase for employees of 3% and a projected 10% increase in group insurance. Also, in FY 2019 there are 2.0 new employee FTEs added to the budget. A new Performance Management Director position is added to the Administration Department and a Maintenance Technician will be added to the Buildings and Grounds Division, mid-year.

Village department heads are focused on achieving the strategic objectives and performance targets established by the Council that are reflected on the Balanced Scorecard (BSC). The 0.6% increase in operating expenditures is reflective of increases and offsetting decreases throughout the budget. Current year operating expenditures include funding for strategic initiatives supporting the Council's goals and objectives as listed in the *Strategic Priorities* section of this document. These include increased road resurfacing, developing a Long-Range Comprehensive Plan and implementing Planning & Inspections automation software. Offsetting operating expenditure reductions were realized in debt service, support for the library's capital campaign, and buildings and grounds maintenance costs.

Capital spending in the General Fund decreased by 11.7% compared to the previous year. The inclusion of \$600,000 for the replacement of a fire engine in the prior year contributed to this variance. Significant items in the current plan include streetscape improvements, paving the parking lot at Cannon Park, and additional street and drainage maintenance equipment.





Fund Balance

Fund balance refers to the difference between current financial assets and liabilities reported in a fund. It is also referred to as surplus funds. The North Carolina Local Government Commission recommends that units of government retain an amount of unreserved fund balance in the General Fund of at least equal to 8% of appropriations of the fund. The Village Council has a financial policy recommending that the total fund balance in the General Fund remain between 30% and 40% of budgeted expenditures to avoid cash flow interruptions, generate investment income, eliminate the need for short-term borrowing, and have a reserve available for emergencies or opportunities.

The following schedules outline the percentage increase or decrease for the Village’s fund balance for the FY 2019 budget and three prior fiscal years.

Fund Balance	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Budgeted
Beginning	\$ 8,225,102	\$ 9,325,344	\$ 10,633,102	\$ 10,499,128
Ending	9,325,344	10,633,102	10,499,128	7,285,000
Increase/(Decrease)	1,100,242	1,307,758	(133,974)	(3,214,128)
% Change	13.4%	14.0%	-1.3%	-30.6%
% of Expenditures	57.8%	63.8%	52.4%	32.3%

N. C. General Statutes require that municipal budgets be balanced. They also require that expenditure budgets not be overspent, even by a small amount. A common way that municipalities deal with these requirements is to over-budget expenditures slightly and appropriate some of their savings (fund balance) as an off-setting revenue source. Revenues are conservatively estimated as well. For FY 2019, we have appropriated \$4,249,380 of the Village’s fund balance as a revenue source. This amount includes the transfer of \$4,068,900 for the construction phase of the Community Center project at Cannon Park.

Fund balance is estimated to be \$10,499,128 at June 30, 2018. This is 52.4% of the budgeted FY 2018 expenditures of \$20,051,584. The Village’s fund balance policy is to maintain 30%-40% of expenditures in fund balance. Fund balance at June 30, 2019 is estimated to be \$7,285,000 or 32.3% of budgeted expenditures. Due to continued investment in the Community Center Capital Project Fund, fund balance will fall to near the bottom of the policy range in FY 2019. The anticipated return of \$1,000,000 from the Given Memorial Library capital campaign trust account in FY 2020 will increase fund balance significantly. By FY 2022, fund balance is expected to increase to 44% and stabilize at that level for the remainder of the plan.

