

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2018

Prepared by
Financial Services Department

Brooke Hunter
Financial Services Director



Village of Pinehurst, North Carolina
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HISTORY, CHARM, AND SOUTHERN HOSPITALITY

October 25, 2018

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, 2018. 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, 2018, 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, 2018. The independent auditors' report on the basic financial statements is located at the beginning of the financial section of this 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 16,452. 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 a steady local housing market. In fiscal year (FY) 2018, 144 new homes were constructed in the Village, which is a minor decrease from the 161 homes 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 \$491 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. Pinehurst Resort is the Village's largest taxpayer and employs approximately 1,400 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, 2018, the General Fund's unassigned fund balance of \$4,448,274 represented 25% of General Fund actual expenditures and total fund balance was 55% of budgeted expenditures.

The higher level of total fund balance is due to the accumulation of funds for a planned community center. The Village began designing the new 19,693 square foot facility in the current fiscal year with construction expected to commence in fall of 2018.

In FY 2019, the Village adopted its sixth 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 2019 Strategic Operating 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 2019 Strategic Operating Plan to address these goals include:

- Comprehensive Long-Range Plan update
- Commercial streetscape enhancements
- Pedestrian connectivity
- Recreation and cultural facilities
- Planning & Inspections process improvements
- Emergency Medical Services (EMS) facility relocation

The Village began developing the 2035 Long-Range Comprehensive Plan in the current fiscal year, which will be integrated into the SOP upon completion. We will engage the community and seek input from residents during each phase of the nearly 18 month process. The adopted plan will be used to direct capital and operating resources in future years to achieve the long-term vision and goals of the community.

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, 2017. This was the 25th 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 2018. We were awarded the Special Performance Measures Recognition in two of those years. 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 unfailing support for maintaining the highest standards of professionalism in the management of the Village's finances.

Respectfully submitted,



Jeffrey M. Sanborn
Village Manager



Brooke Hunter
Financial Services Director



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

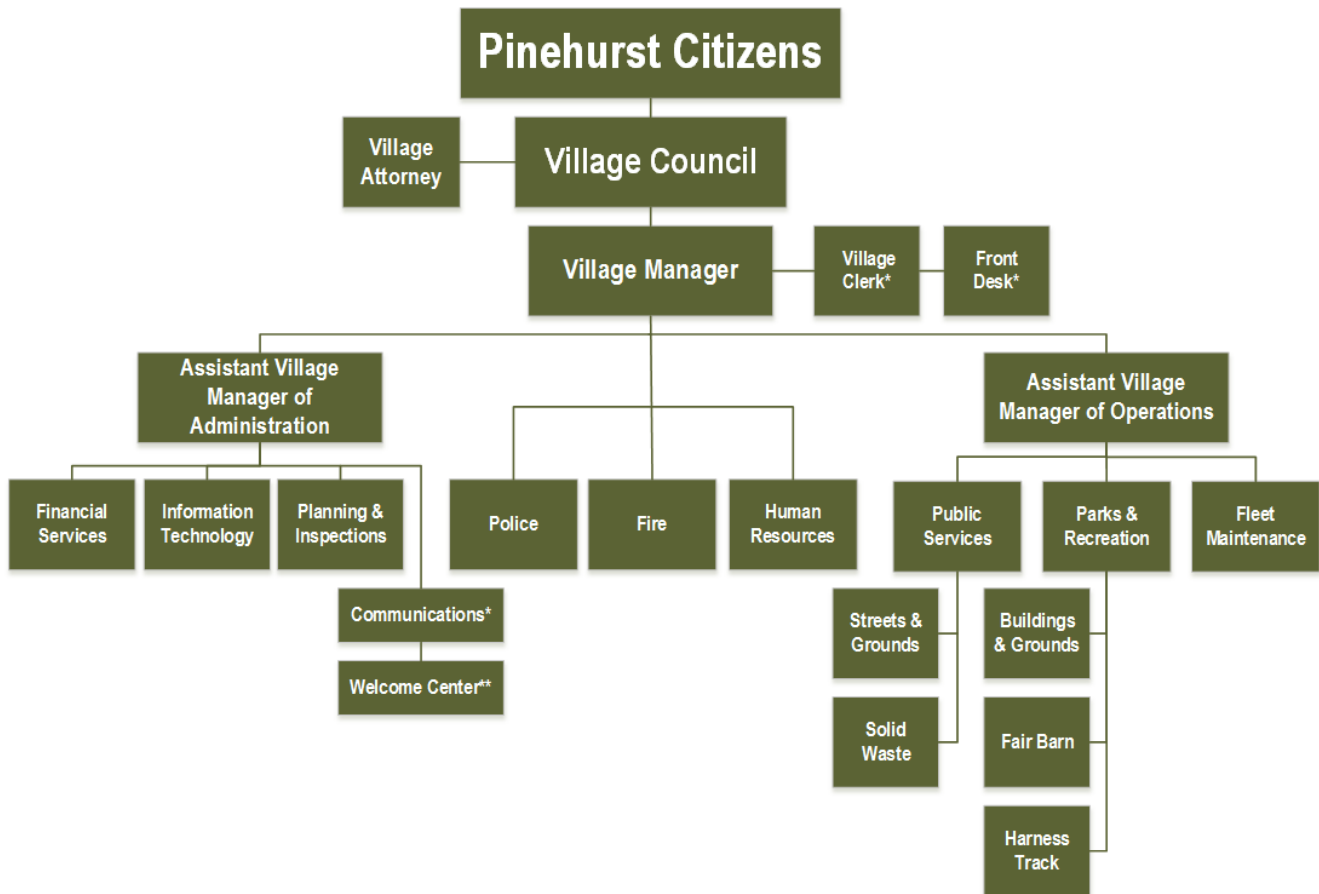
June 30, 2017

Christopher P. Morill

Executive Director/CEO

Village of Pinehurst, North Carolina

Organizational Chart June 30, 2018



*This function is included in the Administration Department.

**This function is included in the Community Development Department.

**Village of Pinehurst, North Carolina
List of Principal Officials
June 30, 2018**

Elected Officials

Nancy Roy Fiorillo	Mayor
John R. Cashion	Mayor Pro-Tem
John Bouldry	Treasurer
Judy Davis	Council Member
Kevin Drum	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
Brooke Hunter	Financial Services Director
Angela M. Kantor	Human Resources Director
Jason Whitaker	Chief Information Officer
Earl Phipps	Police Chief
Carlton Cole	Fire Chief
Will Deaton	Planning & Inspections Director
Walt Morgan	Public Services Director
Randy Kuhn	Fleet Maintenance Director
Mark Wagner	Parks & 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, 2018, 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, 2018, 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.

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 46, Local Government Employees' Retirement System Schedule of Contributions on page 47, 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 48 and 49 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 October 25, 2018 on our consideration of the 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 the Village's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**High Point, North Carolina
October 25, 2018**

Village of Pinehurst Management's Discussion and Analysis June 30, 2018

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, 2018. 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.

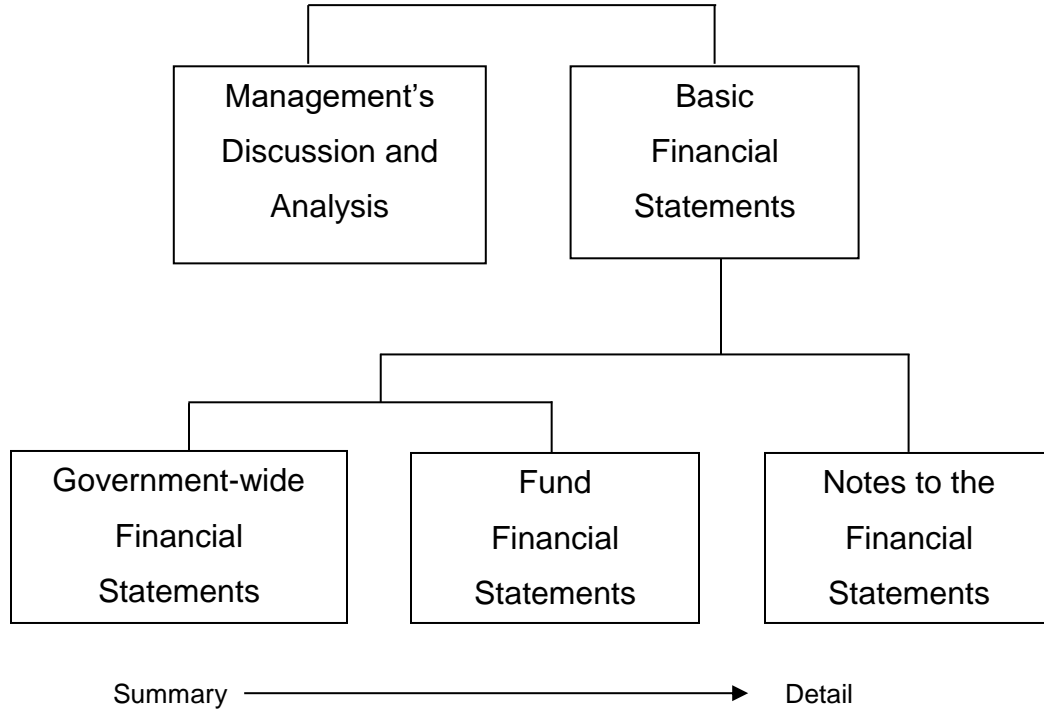
Financial Highlights

- 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 \$31,496,239 (*net position*).
- The Village's total net position increased by \$1,754,817 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 governmental funds, consisting of the General Fund and Community Center Capital Project Fund, reported combined ending fund balances of \$10,828,715, an increase of \$195,613 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$4,448,274, or 25% of total general fund expenditures for the fiscal year. This amount is available for spending at the Village's discretion.
- The Community Center Capital Project Fund was established during the current fiscal year to account for the design and construction of the new community center at Cannon Park. The General Fund transferred \$344,000 to the Capital Project Fund for estimated design costs for the building. Design began in the current fiscal year, with construction planned for fall of 2018. Ending committed fund balance in the Capital Project Fund was \$186,877, which will be used to complete the design phase.
- The Village's total debt decreased by \$329,223 (31%) during the current fiscal year. The decrease was due to scheduled principal payments on existing debt obligations. Total debt outstanding was \$737,569 at the 2018 fiscal year end.
- The Village had no general obligation bonded debt as of June 30, 2018.
- Throughout the year, the Village's deposits were insured or collateralized as required by state law. Total investment earnings were approximately \$146,038, which is equivalent to a return of approximately 1.26% on the average amount of cash and cash equivalents during the year. At fiscal year's end, 29% of the Village's cash and investments were held in insured or collateralized depository accounts and 71% were invested with the North Carolina Capital Management Trust.
- The Village has received the Certificate of Achievement for Excellence in Financial Reporting for 25 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2018 fiscal year, the Village received the Distinguished Budget Presentation Award for the 11th consecutive year from the Government Finance Officers Association for its annual budget. We have also been awarded the Special Performance Measures Recognition in two of those years.

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, 2018. The final category is the component unit. The Village does not have any component units as of June 30, 2018.

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 has two funds, the General Fund and the Community Center Capital Project Fund, which are governmental funds.

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.

A multi-year project ordinance was adopted for the Community Center Capital Project Fund, as the facility will take more than one fiscal year to design and build.

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 begin on page 23 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 46 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

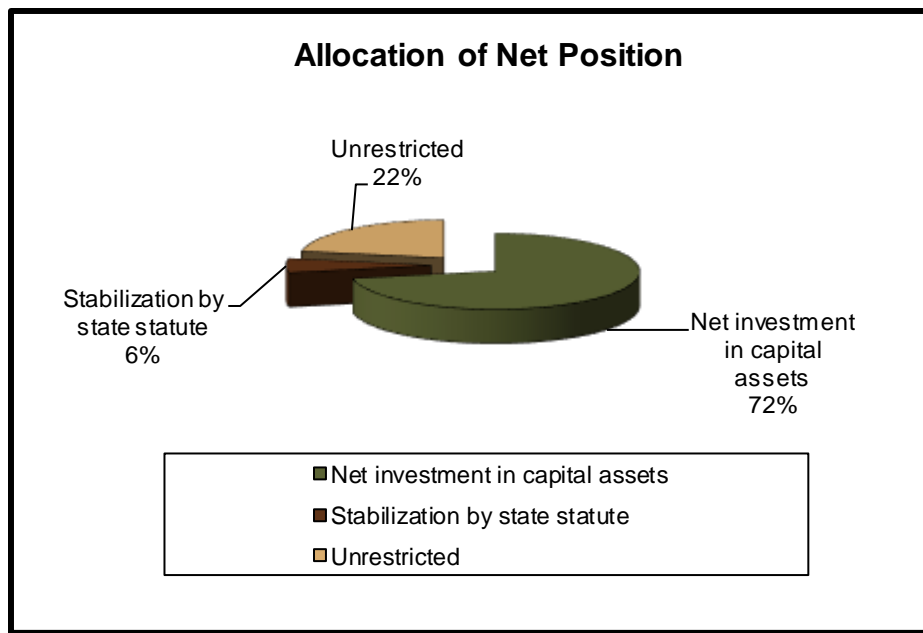
Net Position

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

Village of Pinehurst's Net Position
Figure 2

	Governmental Activities 2018	Governmental Activities 2017
Current and other assets	\$ 11,901,867	\$ 11,503,007
Capital assets	23,369,159	22,047,655
Total assets	<u>35,271,026</u>	<u>33,550,662</u>
Deferred outflows of resources	<u>1,316,461</u>	<u>1,985,524</u>
Long-term liabilities outstanding	4,018,059	4,913,695
Other liabilities	985,933	756,123
Total liabilities	<u>5,003,992</u>	<u>5,669,818</u>
Deferred inflows of resources	<u>87,256</u>	<u>124,946</u>
Net position:		
Net investment in capital assets	22,631,590	20,980,863
Restricted for:		
Stabilization by state statute	1,881,641	2,165,724
Public safety	2,672	-
Unrestricted	<u>6,980,336</u>	<u>6,594,835</u>
Total net position, ending	<u><u>\$ 31,496,239</u></u>	<u><u>\$ 29,741,422</u></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 \$31,496,239 as of June 30, 2018. The Village's net position increased by \$1,754,817 for the fiscal year ended June 30, 2018. The largest portion of net position, \$22,631,590 or 72%, 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, \$1,884,313, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,980,336 is unrestricted.



Governmental Activities

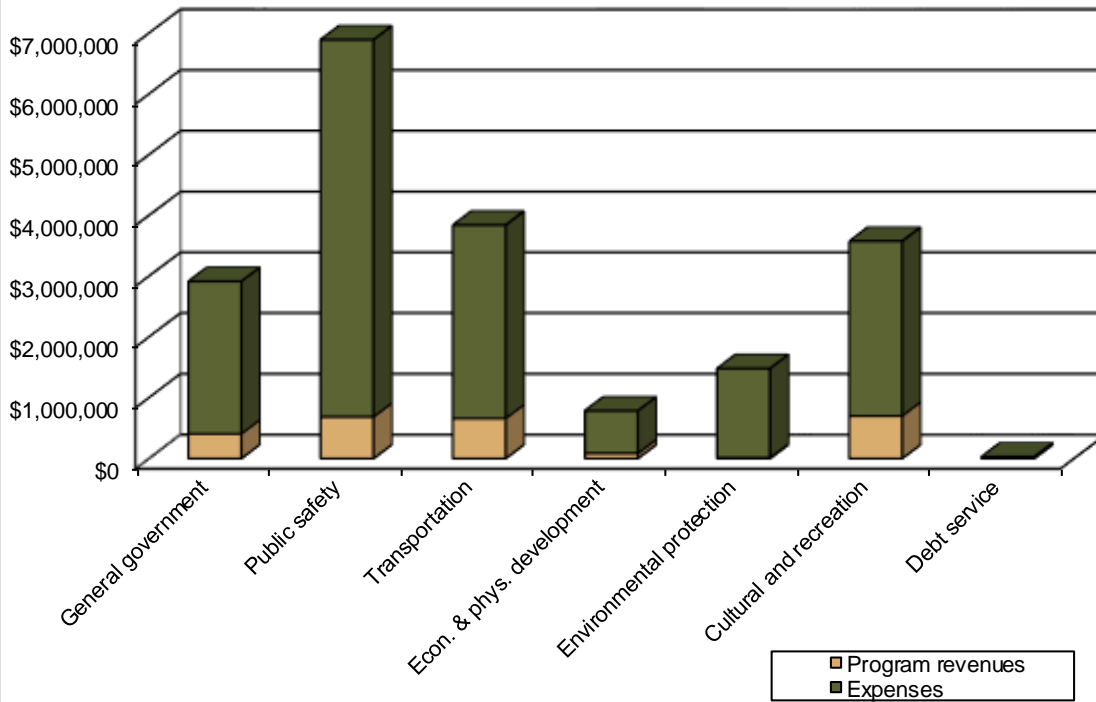
Governmental activities increased the Village's net position by \$1,754,817. Several aspects of the Village's financial operations influenced the positive change in total governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in the General Fund of 99.93%, which is comparable to the statewide average in the Village's population peer group of 99.09%.
- Unrestricted intergovernmental revenues increased by \$162,000, or 3%, due primarily to increased collections of local option sales taxes.
- Expenses net of program revenues increased by \$274,000, or 2%. This result was influenced by the following factors:
 - Program expenses were \$695,000, or 4%, higher than in the previous fiscal year. This was primarily due to operating expenses increasing by \$523,000, or 7%, compared to the previous fiscal year.
 - Charges for services decreased by approximately \$53,000, or 3%, due to decreased building permit revenues since fewer homes were built in the current year.
 - Operating grants and contributions decreased \$86,000, or 14%, due to FEMA Public Assistance funding received for recovery efforts related to Hurricane Matthew in the prior year. No similar funds were received in the current year.
 - Capital grants and contributions increased by \$559,000 due to the receipt of donated streets, right-of-ways, and land in the current fiscal year while no donations were received in the previous 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 \$617,000.

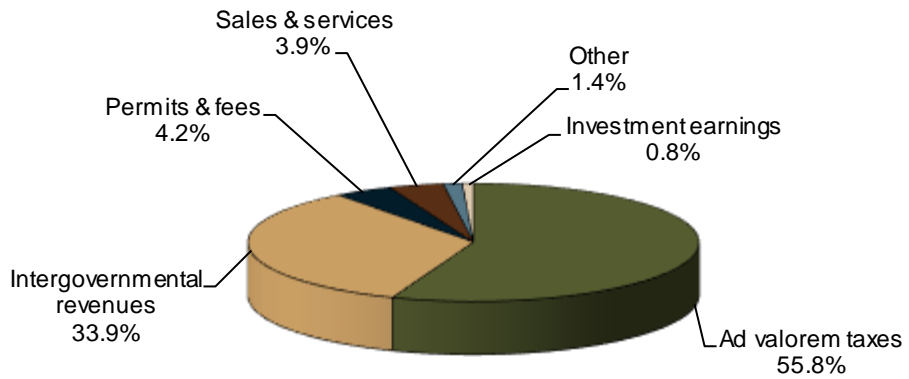
Village of Pinehurst's Change in Net Position
Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2018</u>	<u>Governmental</u> <u>Activities</u> <u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,472,018	\$ 1,524,571
Operating grants and contributions	518,202	603,714
Capital grants and contributions	559,349	-
General revenues:		
Property taxes	10,143,940	9,998,398
Golf cart licenses	2,475	2,180
Grants and contributions not restricted to specific programs	5,641,380	5,478,926
Other	393,507	322,221
Total revenues	<u>18,730,871</u>	<u>17,930,010</u>
Expenses:		
General government	2,507,278	2,495,248
Public safety	6,207,724	6,070,685
Transportation	3,185,140	2,755,861
Economic and physical development	700,647	765,422
Environmental protection	1,470,406	1,453,148
Culture and recreation	2,875,926	2,700,389
Interest on long-term debt	28,933	40,296
Total expenses	<u>16,976,054</u>	<u>16,281,049</u>
Increase in net position	<u>1,754,817</u>	<u>1,648,961</u>
Net position, beginning, previously reported	29,741,422	28,720,745
Cumulative effect adjustment	-	(628,284)
Net position, beginning, adjusted	<u>29,741,422</u>	<u>28,092,461</u>
Net position, June 30	<u>\$ 31,496,239</u>	<u>\$ 29,741,422</u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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, 2018, the governmental funds of the Village reported a combined fund balance of \$10,828,715, an increase of \$195,613, or 2%, over last year. Included in this change in fund balance is an increase in fund balance in the newly established Community Center Capital Project Fund of \$186,877.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,448,274, while total fund balance reached \$10,641,838. 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 25% of actual general fund expenditures, while total fund balance represents 55% of budgeted expenditures. The statewide average for total fund balance in the Village's population peer group is 56%. A transfer to the Community Center Capital Project Fund of \$4,068,900 is included in the Village's assigned fund balance for the current year. This will be used to fund the construction of the Community Center at Cannon Park in fiscal year 2019.

Fund balance in the Village's General Fund increased by \$8,736 during the 2018 fiscal year. This minor change in fund balance is the result of modest revenue growth and spending a majority of budgeted operating and capital expenditures.

Key offsetting components that attributed to the change are as follows:

- Property tax revenue increased approximately \$132,000 from the prior year due to normal additions to the tax base.
- Single-family home construction experienced a decline during the year with building permits and inspection fees decreasing \$83,000, or 19%, over the previous year.
- Sales tax revenues increased \$68,000, or 2%, due to an increase in tourism and overall economic activity.
- Actual operating and capital expenditures were greater than the prior year, and most large projects were completed before year-end.

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 \$343,000, or 1.9%. The primary revenues that came in above estimated budget amounts were ad valorem taxes, permits and fees, and investment earnings. Ad valorem taxes were \$91,000 above budget due to an increase in property tax base. Permits and fees were \$85,000 above budget due to greater than expected building permits and planning and zoning fees. Although new single-family home construction fell slightly below the prior year, construction levels exceeded our original budgeted estimates. Investment earnings were \$97,000 above budget as a result of rising interest rates throughout the fiscal year, as well as increased use of the North Carolina Capital Management Trust Term Portfolio which yields higher returns.

Total expenditures were \$932,000, or 5.0%, less than originally budgeted amounts. Expenditures were less than budgeted amounts for the following significant items: (1) contracted and professional services of \$230,000 were lower than expected, (2) salaries and benefits were \$361,000 lower due to employee vacancies related to turnover, and (3) repairs and maintenance expenditures for buildings, grounds, and equipment were \$205,000 lower primarily due to the delay of new Planning & Inspections software implementation. All significant capital projects were completed during the fiscal year. However, some smaller projects and capital items were delayed for various reasons. These items have all been reappropriated in fiscal year 2019.

As a result of the variances in revenues and expenditures outlined above, fund balance in the General Fund increased by \$8,736 at June 30, 2018. This resulted in the General Fund reporting fund balance of \$10,641,838. This minor increase can be attributed to revenues coming in close to budget and most operating and capital expenditures items being spent.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets for its governmental activities as of June 30, 2018 totals \$23,369,159 (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:

- Fire engine replacement costing \$577,000
- McIntyre Road and McCaskill Road streetscape improvement projects costing \$325,000
- Paving of Cannon Park parking lot costing \$124,000
- Replacement of two garbage trucks totaling \$324,000
- Backhoe loader replacement costing \$121,000
- Dump truck replacement costing \$110,000
- Construction in progress in the Community Center Capital Project Fund for a portion of building design costing \$158,000

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

	<u>Governmental Activities</u> <u>2018</u>	<u>Governmental Activities</u> <u>2017</u>
Land	\$ 6,232,258	\$ 5,783,713
Right of Ways	224,712	163,777
Buildings and Improvements	7,707,885	7,795,379
Furniture and Equipment	877,258	834,565
Vehicles	3,235,551	2,451,089
Infrastructure	4,912,663	4,853,923
Construction in Progress	178,832	165,209
Total	<u><u>\$ 23,369,159</u></u>	<u><u>\$ 22,047,655</u></u>

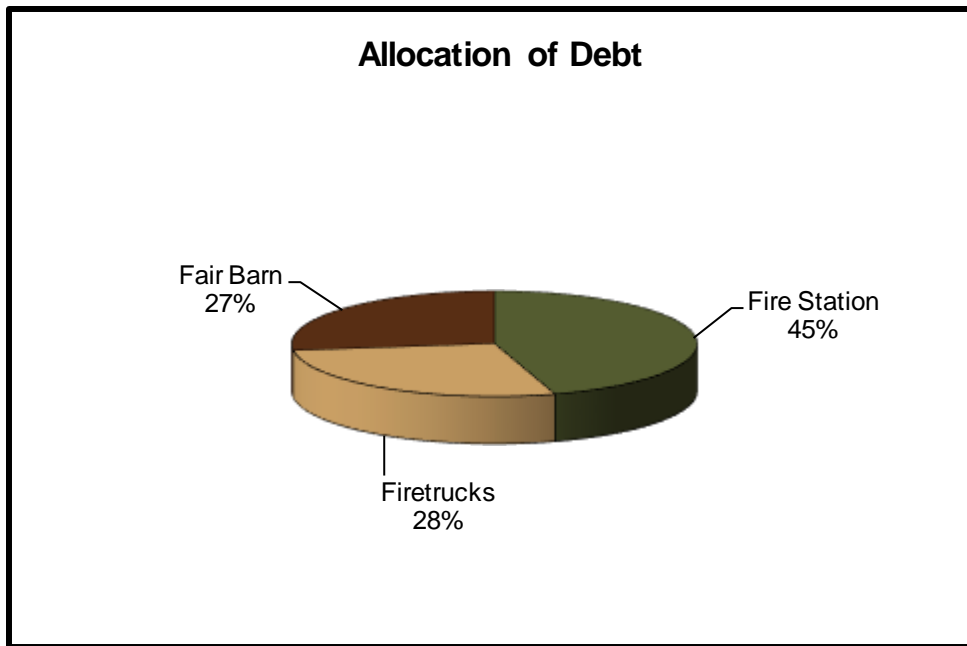
Additional information on the Village's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-Term Debt

As of June 30, 2018, the Village had total outstanding debt of \$737,569 in installment purchase agreements collateralized by the assets that are financed. During fiscal year 2018 the Village's total debt decreased by \$329,223, or 31%, due to principal payments as detailed in Note 9.

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

	<u>Governmental Activities</u> <u>2018</u>	<u>Governmental Activities</u> <u>2017</u>
Installment Purchase Agreements		
Fire Station	\$ 333,333	\$ 500,000
Fair Barn	200,000	250,000
Firetrucks	204,236	283,459
67.04 Acres	-	33,333
Total	<u><u>\$ 737,569</u></u>	<u><u>\$ 1,066,792</u></u>



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 \$274,097,595.

Additional information regarding the Village’s long-term debt can be found in Note 9 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 144 new homes last year compared to 161 in the previous fiscal year. These construction rates are substantially higher than the prior three years, which averaged 100 homes each. We project slightly fewer homes to be built in FY 2019 due to mortgage interest rate increases and the depletion of buildable lots within Village limits. However, the steady growth experienced over the past two years has added to our tax base and resulted in additional revenue available to provide and expand high quality municipal services. The Village has also seen significant commercial development over the past two years.
- **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, such as the new community center facility.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities

Revenues of the Village are expected to increase by 2.5% overall for FY 2019. This is primarily due to increases in property taxes, sales taxes, and investment earnings. Property tax revenues are expected to increase by 2.0% due to tax base growth from increased single-family home construction. For FY 2019, 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 \$22,552,060, an increase of 12.5%, which includes a transfer to the Community Center Capital Project Fund of \$4,068,900. The transfer will fund the estimated construction of the new 19,693 square foot community center building. The new facility will contain a gymnasium, office space, a kitchen, and four activity rooms of varying sizes. Construction is planned to commence in the fall of 2018, and the center is scheduled to open in the fall of 2019.

Excluding the transfer, General Fund expenditures decreased by 6.2%. This decrease is primarily a result of lower capital expenditures compared to the previous fiscal year. Debt service expenditures also continue to decrease as the Village pays down its remaining debt obligations.

In fiscal year 2019, the Village adopted its sixth 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 2019 Strategic Operating 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 2019 Strategic Operating Plan to address these goals include:

- Comprehensive Long-Range Plan update
- Commercial streetscape enhancements
- Pedestrian connectivity
- Recreation and cultural facilities
- Planning & Inspections process improvements
- Emergency Medical Services (EMS) facility relocation

Total capital outlays of \$5,187,400 are up 56% compared to the previous fiscal year, due primarily to construction of the community center. The significant capital items included for FY 2019 are as follows:

- Community center construction (\$4,068,900)
- Wicker Park playground equipment replacement (\$95,000)
- Sewer jet and vacuum trailer (\$121,000)
- Storm drainage projects (\$160,000)

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 Brooke Hunter, Financial Services Director at 910-295-8646, or Village of Pinehurst, 395 Magnolia Road, Pinehurst, North Carolina 28374.



Village of Pinehurst, North Carolina
Statement of Net Position
June 30, 2018

Exhibit 1

Assets	Governmental Activities
Current assets:	
Cash and cash equivalents	\$ 10,107,104
Taxes receivables (net)	27,858
Special assessments receivable	60,653
Interest receivable	20,970
Other receivables	30,369
Due from other governments	1,595,042
Inventories	39,993
Prepaid items	19,878
Total unrestricted current assets	<u>11,901,867</u>
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	6,232,258
Construction in progress	178,832
Right of ways	224,712
Buildings and improvements	7,707,885
Furniture and equipment	877,258
Vehicles	3,235,551
Infrastructure	4,912,663
Total capital assets	<u>23,369,159</u>
Total assets	<u>35,271,026</u>
Deferred Outflows of Resources	
Pension deferrals	1,316,461
Total deferred outflows of resources	<u>1,316,461</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	978,377
Accrued interest payable	7,556
Long-term liabilities due within one year	678,550
Total current liabilities	<u>1,664,483</u>
Long-term liabilities:	
Long-term liabilities due in more than one year	3,339,509
Total liabilities	<u>5,003,992</u>
Deferred Inflows of Resources	
Pension deferrals	87,256
Total deferred inflows of resources	<u>87,256</u>
Net Position	
Net investment in capital assets	22,631,590
Restricted for:	
Stabilization by state statute	1,881,641
Public safety	2,672
Unrestricted	6,980,336
Total net position	<u>\$ 31,496,239</u>

Village of Pinehurst, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,507,278	\$ 7,665	\$ -	\$ 400,389	\$ (2,099,224)
Public safety	6,207,724	677,954	8,129	-	(5,521,641)
Transportation	3,185,140	-	499,134	158,960	(2,527,046)
Economic and physical development	700,647	85,317	-	-	(615,330)
Environmental protection	1,470,406	-	10,939	-	(1,459,467)
Cultural and recreation	2,875,926	701,082	-	-	(2,174,844)
Interest on long-term debt	28,933	-	-	-	(28,933)
Total governmental activities	<u>\$ 16,976,054</u>	<u>\$ 1,472,018</u>	<u>\$ 518,202</u>	<u>\$ 559,349</u>	<u>\$ (14,426,485)</u>
General revenues:					
Ad valorem taxes					\$ 10,143,940
Golf cart licenses					2,475
Unrestricted intergovernmental					5,641,380
Investment earnings					146,038
Miscellaneous					247,469
Total general revenues					<u>16,181,302</u>
Change in net position					<u>1,754,817</u>
Net position, beginning					29,741,422
Net position, ending					<u>\$ 31,496,239</u>

Village of Pinehurst, North Carolina
 Balance Sheet
 Governmental Funds
 June 30, 2018

Exhibit 3

	Major Funds		Total Governmental Funds
	General Fund	Community Center Capital Project Fund	
Assets			
Cash and cash equivalents	\$ 9,920,227	\$ 186,877	\$ 10,107,104
Receivables, net:			
Taxes	27,858	-	27,858
Special assessments	60,653	-	60,653
Interest	20,970	-	20,970
Other	30,369	-	30,369
Due from other governments	1,595,042	-	1,595,042
Inventories	39,993	-	39,993
Prepaid items	19,878	-	19,878
Total assets	<u>\$ 11,714,990</u>	<u>\$ 186,877</u>	<u>\$ 11,901,867</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 349,357	\$ -	\$ 349,357
Withholdings and accrued expenditures	403,700	-	403,700
Deposits	225,320	-	225,320
Total liabilities	<u>978,377</u>	<u>-</u>	<u>978,377</u>
Deferred inflows of resources:			
Unavailable revenues	94,775	-	94,775
Total deferred inflows of resources	<u>94,775</u>	<u>-</u>	<u>94,775</u>
Fund balances:			
Nonspendable:			
Inventory	39,993	-	39,993
Prepaid items	19,878	-	19,878
Restricted:			
Stabilization by state statute	1,881,641	-	1,881,641
Public safety	2,672	-	2,672
Committed:			
Cultural and recreation	-	186,877	186,877
Assigned:			
Subsequent year's expenditures	4,249,380	-	4,249,380
Unassigned	4,448,274	-	4,448,274
Total fund balances	<u>10,641,838</u>	<u>186,877</u>	<u>10,828,715</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,714,990</u>	<u>\$ 186,877</u>	<u>\$ 11,901,867</u>

The accompanying notes are an integral part of the financial statements.

Village of Pinehurst, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Exhibit 4

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

Total fund balance, governmental funds		\$ 10,828,715
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 44,414,148	
Accumulated depreciation	<u>(21,044,989)</u>	23,369,159
Deferred outflows of resources related to pensions are not reported in the funds		1,316,461
Liabilities for earned revenues considered deferred inflows of resources in the fund statements:		
Taxes receivable	27,858	
Other receivables	6,264	
Assessments receivable	<u>60,653</u>	94,775
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	(7,556)	
Compensated absences payable	(624,425)	
Net pension liability	(1,621,831)	
Total pension liability	(1,034,234)	
Installment purchases payable	<u>(737,569)</u>	(4,025,615)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(87,256)</u>
Net position of governmental activities		<u>\$ 31,496,239</u>

Village of Pinehurst, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

Exhibit 5

	Major Funds		Total Governmental Funds
	General Fund	Community Center Capital Project Fund	
Revenues			
Ad valorem taxes	\$ 10,142,650	\$ -	\$ 10,142,650
Golf cart licenses	2,475	-	2,475
Unrestricted intergovernmental	5,641,380	-	5,641,380
Restricted intergovernmental	517,964	-	517,964
Permits and fees	761,918	-	761,918
Sales and services	709,419	-	709,419
Investment earnings	145,657	619	146,276
Assessment income	31,607	-	31,607
Miscellaneous	214,839	-	214,839
	<u>18,167,909</u>	<u>619</u>	<u>18,168,528</u>
Expenditures			
Current:			
General government	2,288,440	-	2,288,440
Public safety	6,404,850	-	6,404,850
Transportation	3,590,267	-	3,590,267
Economic and physical development	700,149	-	700,149
Environmental protection	1,639,564	-	1,639,564
Cultural and recreation	2,878,036	157,742	3,035,778
Debt service:			
Principal	329,223	-	329,223
Interest and other charges	32,160	-	32,160
	<u>17,862,689</u>	<u>157,742</u>	<u>18,020,431</u>
Excess (deficiency) of revenues over expenditures	<u>305,220</u>	<u>(157,123)</u>	<u>148,097</u>
Other Financing Sources (Uses)			
Transfers to other funds	(344,000)	-	(344,000)
Transfers from other funds	-	344,000	344,000
Sales of capital assets	47,516	-	47,516
	<u>(296,484)</u>	<u>344,000</u>	<u>47,516</u>
Net change in fund balance	8,736	186,877	195,613
Fund balances, beginning	<u>10,633,102</u>	<u>-</u>	<u>10,633,102</u>
Fund balances, ending	<u>\$ 10,641,838</u>	<u>\$ 186,877</u>	<u>\$ 10,828,715</u>

The accompanying notes are an integral part of the financial statements.

Village of Pinehurst, North Carolina
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Exhibit 6

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

Net changes in fund balances - total governmental funds \$ 195,613

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	\$ 2,585,244	
Depreciation expense	(1,808,202)	777,042

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 514,302

Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities 38,004

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) in the current period:

Donated assets received	559,349	
Gain on disposal of assets	23,594	
Proceeds from disposal of assets	(38,417)	
Loss on disposal of assets	(64)	544,462

Revenues in the Statement of Activities that are not reported as revenues in the fund statements:

Special assessment payments	(31,607)	
Change in other deferred inflows	681	
Change in deferred tax inflows	1,290	(29,636)

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 329,223

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	3,227	
Compensated absences	30	
Pension expense	(617,450)	(614,193)

Total changes in net position of governmental activities \$ 1,754,817

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 10,052,000	\$ 10,126,000	\$ 10,142,650	\$ 16,650
Golf cart licenses	1,000	1,000	2,475	1,475
Unrestricted intergovernmental	5,606,100	5,636,100	5,641,380	5,280
Restricted intergovernmental	505,400	505,400	517,964	12,564
Permits and fees	676,800	676,800	761,918	85,118
Sales and services	709,100	685,100	709,419	24,319
Investment earnings	49,000	99,000	145,657	46,657
Assessments	28,400	28,400	31,607	3,207
Miscellaneous	196,780	211,730	214,839	3,109
Total revenues	17,824,580	17,969,530	18,167,909	198,379
Expenditures:				
Current:				
General government	2,459,967	2,466,267	2,288,440	177,827
Public safety	6,090,795	6,738,756	6,404,850	333,906
Transportation	3,963,083	3,793,086	3,590,267	202,819
Economic and physical development	986,416	962,416	700,149	262,267
Environmental protection	1,713,848	1,706,848	1,639,564	67,284
Cultural and recreation	3,218,471	3,300,298	2,878,036	422,262
Debt service:				
Principal retirement	329,212	329,224	329,223	1
Interest and fees	33,301	33,289	32,160	1,129
Total expenditures	18,795,093	19,330,184	17,862,689	1,467,495
Excess (deficiency) of revenues over (under) expenditures	(970,513)	(1,360,654)	305,220	1,665,874
Other Financing Sources (Uses):				
Sales of capital assets	30,000	50,000	47,516	(2,484)
Transfers to other funds	(344,000)	(344,000)	(344,000)	-
Total other financing sources	(314,000)	(294,000)	(296,484)	(2,484)
Fund balance appropriated	1,284,513	1,654,654	-	(1,654,654)
Net change in fund balances	\$ -	\$ -	8,736	\$ 8,736
Fund balances, beginning			10,633,102	
Fund balances, ending			<u>\$ 10,641,838</u>	

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018, 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.

The Village reports the following major governmental funds:

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, cultural and recreation, and general government services.

The **Community Center Capital Project Fund** is used to account for the design and construction of a new community center at Cannon Park. To enhance consistency and for ease of readability, we have elected to report this fund as a major fund in this initial period, as it will be classified as a major fund next fiscal year.

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. A project ordinance is adopted for the Community Center Capital Project Fund. 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 investment 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, 2017.

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 to 40
Buildings and improvements	20
Furniture and equipment	3 to 10
Vehicles	4 to 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 2018 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)].

Restricted for public safety - The portion of fund balance that is restricted through an equitable sharing agreement entered into between the Federal government, the Village's police department, and the governing body.

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.

Committed for cultural and recreation - The portion of fund balance that can only be used for the design and construction of the community center at Cannon Park.

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% to 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 liability, 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, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2. Deposits and Investments (Continued)

A. Deposits (Continued)

At June 30, 2018, the Village's deposits had a carrying amount of \$2,902,034. The cash balance in the bank at June 30, 2018 totaled \$3,004,766. Of the bank balance, \$750,000 was covered by federal depository insurance and \$2,254,766 was covered by collateral held under the Pooling Method. At June 30, 2018, the Village's petty cash fund totaled \$1,100.

B. Investments

At June 30, 2018, the Village's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$1,055,959	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	\$6,148,011	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 are 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, 2018. 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, 2018

Note 3. Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 are net of the following allowances for doubtful accounts:

	<u>General</u>
Other receivables:	
Planning and Inspections fines	\$ 1,316
Harness Track events	<u>1,484</u>
Total	<u>\$ 2,800</u>

Note 4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, 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	\$ 448,545	\$ -	\$ 6,232,258
Construction in progress	<u>165,209</u>	<u>178,832</u>	<u>(165,209)</u>	<u>178,832</u>
Total capital assets not being depreciated	<u>5,948,922</u>	<u>627,377</u>	<u>(165,209)</u>	<u>6,411,090</u>
Capital assets being depreciated:				
Right of ways	182,520	66,327	-	248,847
Buildings and improvements	20,806,636	877,377	-	21,684,013
Furniture and equipment	3,075,673	318,316	-	3,393,989
Vehicles	5,922,521	1,213,192	(518,026)	6,617,687
Infrastructure	<u>5,851,309</u>	<u>207,213</u>	<u>-</u>	<u>6,058,522</u>
Total	<u>35,838,659</u>	<u>2,682,425</u>	<u>(518,026)</u>	<u>38,003,058</u>
Less accumulated depreciation for:				
Right of ways	18,743	5,392	-	24,135
Buildings and improvements	13,011,257	964,871	-	13,976,128
Furniture and equipment	2,241,108	275,623	-	2,516,731
Vehicles	3,471,432	413,843	(503,139)	3,382,136
Infrastructure	<u>997,386</u>	<u>148,473</u>	<u>-</u>	<u>1,145,859</u>
Total	<u>19,739,926</u>	<u>1,808,202</u>	<u>(503,139)</u>	<u>21,044,989</u>
Total capital assets being depreciated, net	<u>16,098,733</u>	<u>874,223</u>	<u>(14,887)</u>	<u>16,958,069</u>
Governmental activity capital assets, net	<u>\$ 22,047,655</u>	<u>\$ 1,501,600</u>	<u>\$ (180,096)</u>	<u>\$ 23,369,159</u>

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

General government	\$ 365,329
Public safety	488,069
Transportation	388,339
Environmental protection	142,803
Cultural and recreation	<u>423,662</u>
Total depreciation expense	<u>\$ 1,808,202</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018. The projects include the design of the community center at Cannon Park and improvements to the Buildings & Grounds (B&G) Maintenance building. At June 30, 2018, the Village's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Community center design	\$ 131,850	\$ 161,150
B&G Maintenance building improvements	<u>21,090</u>	<u>21,150</u>
Total	<u>\$ 152,940</u>	<u>\$ 182,300</u>

Note 5. Pension Plan and Postemployment Obligations

A. Local Governmental 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, 2018

Note 5. Pension Plan and Postemployment Obligations (Continued)

A. Local Governmental 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, 2018, was 8.25% of compensation for law enforcement officers and 7.57% 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 \$514,302 for the year ended June 30, 2018.

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, 2018, the Village reported a liability of \$1,621,831 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Village's proportion was 0.106%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of \$541,964. At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 93,432	\$ 45,909
Changes in assumptions	231,620	-
Net difference between projected and actual earnings on pension plan investments	393,782	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	5,421	28,542
Village contributions subsequent to the measurement date	<u>514,302</u>	<u>-</u>
Total	<u>\$ 1,238,557</u>	<u>\$ 74,451</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 5. Pension Plan and Postemployment Obligations (Continued)

A. Local Governmental Employees' Retirement System (Continued)

The \$514,302 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$	81,040
2020		462,618
2021		228,805
2022		(122,659)
2023		-
Thereafter		<u>-</u>
Total	\$	<u>649,804</u>

Actuarial assumptions - The total pension liability in the December 31, 2016 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	7.20 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, 2016 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, 2017 are summarized in the following table:

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 5. Pension Plan and Postemployment Obligations (Continued)

A. Local Governmental 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	6.0%	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 7.20%. 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 liability to changes in the discount rate - The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Village's proportionate share of the net pension liability (asset)	\$ 4,868,773	\$ 1,621,831	\$ (1,088,341)

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, 2016 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>25</u>
Total	<u><u>28</u></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, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2017.

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

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2016), the Municipal Bond Index Rate, on which the discount rate is based, was 3.86%. Since the Prior Measurement Date, the Municipal Bond Index Rate has decreased to 3.16% as of the Measurement Date (December 31, 2017). This resulted in a \$52,287 increase 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 \$47,333 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, 2018, the Village reported a total pension liability of \$1,034,234. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Village recognized pension expense of \$75,486.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,901	\$ -
Changes in assumptions	43,349	12,805
Benefit payments and plan administrative expense made subsequent to the measurement date	18,654	-
Total	<u>\$ 77,904</u>	<u>\$ 12,805</u>

The \$18,654 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ 8,898
2020	8,898
2021	8,898
2022	9,365
2023	10,386
Thereafter	-
Total	<u>\$ 46,445</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 3.16 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 (2.16 percent) or 1 percentage point higher (4.16 percent) than the current rate:

	<u>1% Decrease (2.16%)</u>	<u>Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Total pension liability	\$ 1,108,942	\$ 1,034,234	\$ 965,506

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

	<u>2018</u>
Beginning balance	\$ 943,908
Service Cost	30,672
Interest on the total pension liability	35,521
Differences between expected and actual experience in the measurement of the total pension liability	19,179
Changes of assumptions or other inputs	52,287
Benefit payments	<u>(47,333)</u>
Ending balance of the total pension liability	<u>\$ 1,034,234</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.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 5. Pension Plan and Postemployment Obligations (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

5. Contributions (Continued)

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

The following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 541,964	\$ 75,486	\$ 617,450
Pension liability	1,621,831	1,034,234	2,656,065
Proportionate share of the net pension liability	0.106%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	93,432	15,901	109,333
Changes of assumptions	231,620	43,349	274,969
Net difference between projected and actual earnings on plan investments	393,782	-	393,782
Changes in proportionate and differences between contributions and proportionate share of contributions	5,421	-	5,421
Benefit payments and administrative costs paid subsequent to the measurement date	514,302	18,654	532,956
Deferred Inflows of Resources			
Differences between expected and actual experience	45,909	-	45,909
Changes of assumptions	-	12,805	12,805
Changes in proportionate and differences between contributions and proportionate share of contributions	28,542	-	28,542

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, 2018 were \$97,037, which consisted of \$64,800 from the Village and \$32,237 from the law enforcement officers. Since the funds vest immediately, no amounts were forfeited.

Note 5. Pension Plan and Postemployment Obligations (Continued)

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, 2018 were \$541,304, which consisted of \$267,787 from the Village and \$273,517 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.

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, 2018, the Village made contributions to the State for death benefits of \$3,749. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.07% 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.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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	\$ 514,302
Benefit payments to LEOSSA recipients in the current fiscal year	18,654
Changes in proportion and differences between Village and proportionate share of contributions	5,421
Difference between actual and expected experience	109,333
Changes in assumptions	274,969
Net difference between projected and actual earnings on pension plan investments	<u>393,782</u>
Total	<u>\$ 1,316,461</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>
Taxes receivable, less penalties	\$ -	\$ 27,858
Other receivables	-	6,264
Special assessments receivable	-	60,653
Changes in assumptions	12,805	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	28,542	-
Differences between expected and actual experience	<u>45,909</u>	<u>-</u>
Total	<u>\$ 87,256</u>	<u>\$ 94,775</u>

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 to carry additional flood insurance coverage.

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7. Risk Management (Continued)

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, 2018, 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, 2018:

\$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	\$	333,333
\$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		200,000
\$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		<u>204,236</u>
	\$	<u>737,569</u>

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 297,282	\$ 22,878
2020	298,698	12,428
2021	91,589	4,353
2022	<u>50,000</u>	<u>1,725</u>
	<u>\$ 737,569</u>	<u>\$ 41,384</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9. Long-Term Obligations (Continued)

B. Changes in Long-Term Liabilities

At June 30, 2018, the Village had a legal debt margin of \$274,097,595.

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installation purchases	\$ 1,066,792	\$ -	\$ (329,223)	\$ 737,569	\$ 297,282
Compensated absences	624,455	381,256	(381,286)	624,425	381,268
Net pension liability (LGERS)	2,278,540	-	(656,709)	1,621,831	-
Total pension liability (LEO)	<u>943,908</u>	<u>90,326</u>	<u>-</u>	<u>1,034,234</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 4,913,695</u>	<u>\$ 471,582</u>	<u>\$ (1,367,218)</u>	<u>\$ 4,018,059</u>	<u>\$ 678,550</u>

Compensated absences and pension liabilities typically have been liquidated in the general fund.

Note 10. Interfund Activity

Transfers to/from other funds at June 30, 2018 consist of the following:

From the General Fund to the Community Center Capital Project Fund for capital project expenditures	<u>\$ 344,000</u>
--	-------------------

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During the 2018 fiscal year, the Village made a one-time transfer from the General Fund of \$344,000 to the Community Center Capital Project Fund for the design of the new community center at Cannon Park.

Note 11. Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 23,369,159
Less: Long-term debt	<u>(737,569)</u>
Net investment in capital assets	<u>\$ 22,631,590</u>

Village of Pinehurst, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 12. 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	\$ 10,641,838
Less:	
Inventories	39,993
Prepaid items	19,878
Stabilization by state statute	1,881,641
Public safety - equitable sharing	2,672
Appropriated fund balance in 2018 Budget	4,249,380
Fund balance policy minimum	<u>2,679,403</u>
Remaining fund balance	<u>\$ 1,768,871</u>

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, 2018, the General Fund's unassigned fund balance of \$4,448,274 represents 25% of General Fund actual expenditures which is well above the policy minimum. Total fund balance was 55% 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.

<u>Encumbrances</u>	<u>General Fund</u>	<u>Community Center Capital Project Fund</u>
	\$244,196	\$161,150

Note 13. 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 14. Significant Effects of Subsequent Events

None.

Note 15. 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 \$22,659 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2018. 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, 2018. 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.

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 Five Fiscal Years*
Required Supplementary Information

Exhibit A-1

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pinehurst's proportion of the net pension liability (asset) (%)	0.1062%	0.1073%	0.1094%	0.1083%	0.1077%
Pinehurst's proportion of the net pension liability (asset) (\$)	\$ 1,621,831	\$ 2,278,539	\$ 490,982	\$ (638,460)	\$ 1,298,199
Pinehurst's covered-employee payroll	\$ 6,548,274	\$ 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	24.77%	35.71%	7.82%	(10.6%)	22.65%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	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 Five Fiscal Years*
Required Supplementary Information

Exhibit A-2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 514,302	\$ 489,064	\$ 424,359	\$ 445,138	\$ 434,315
Contributions in relation to the contractually required contribution	<u>514,302</u>	<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>	<u>\$ -</u>
Pinehurst's covered-employee payroll	\$ 6,610,895	\$ 6,548,274	\$ 6,380,220	\$ 6,280,547	\$ 6,025,207
Contributions as a percentage of covered-employee payroll	7.78%	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 - Last Two Fiscal Years*
Required Supplementary Information

Exhibit A-3

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 943,908	\$ 951,629
Service cost	30,672	33,042
Interest on the total pension liability	35,521	33,003
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	19,179	-
Changes of assumptions or other inputs	52,287	(19,441)
Benefit payments	(47,333)	(54,325)
Other changes	-	-
	<u>-</u>	<u>-</u>
Ending balance of the total pension liability **	<u>\$ 1,034,234</u>	<u>\$ 943,908</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 - Last Two Fiscal Years*
Required Supplementary Information

Exhibit A-4

	<u>2018</u>	<u>2017</u>
Total pension liability **	\$ 1,034,234	\$ 943,908
Covered payroll	1,269,779	1,313,290
Total pension liability as a percentage of covered payroll	81.45%	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 Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	
Revenues:				
Ad valorem taxes:				
Taxes	\$ 10,121,000	\$ 10,133,541	\$ 12,541	\$ 9,986,511
Penalties and interest	5,000	9,109	4,109	9,901
Total	10,126,000	10,142,650	16,650	9,996,412
Other taxes:				
Golf cart licenses	1,000	2,475	1,475	2,180
Total	1,000	2,475	1,475	2,180
Unrestricted intergovernmental:				
Local option sales tax	3,344,000	3,350,938	6,938	3,283,276
Telecommunications sales tax	98,000	86,083	(11,917)	88,866
Utilities sales tax	1,000,000	993,724	(6,276)	954,540
Video programming	300,000	294,671	(5,329)	296,032
Hold harmless reimbursements	822,000	844,706	22,706	783,237
Wine & beer tax	72,100	71,258	(842)	72,975
Total	5,636,100	5,641,380	5,280	5,478,926
Restricted intergovernmental:				
Powell Bill allocation	494,000	498,958	4,958	495,621
BAB interest rebates	-	-	-	255
Controlled substance tax	500	3,943	3,443	784
Other grants	-	4,124	4,124	95,956
Solid waste disposal tax	10,900	10,939	39	10,821
Total	505,400	517,964	12,564	603,437
Permits and fees:				
Building permits and inspection fees	310,000	361,646	51,646	444,435
Planning and zoning fees	60,000	70,464	10,464	70,300
Fire district	301,000	308,984	7,984	274,655
Other permits and fees	5,800	20,824	15,024	11,643
Total	676,800	761,918	85,118	801,033
Sales and services:				
Rents, concessions and fees	556,100	578,142	22,042	590,369
Recreation fees	129,000	131,277	2,277	129,687
Total	685,100	709,419	24,319	720,056
Investment earnings:				
Investment income	99,000	145,657	46,657	63,189
Assessments	28,400	31,607	3,207	39,102

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	
Miscellaneous:				
ABC revenue	\$ 134,800	\$ 145,220	\$ 10,420	\$ 130,965
Donations	29,430	30,545	1,115	30,050
Other revenues	47,500	39,074	(8,426)	36,405
Total	<u>211,730</u>	<u>214,839</u>	<u>3,109</u>	<u>197,420</u>
Total revenues	<u>17,969,530</u>	<u>18,167,909</u>	<u>198,379</u>	<u>17,901,755</u>
Expenditures:				
General government:				
Governing body:				
Operating expenditures	180,800	118,267	62,533	120,834
Total	<u>180,800</u>	<u>118,267</u>	<u>62,533</u>	<u>120,834</u>
Administration:				
Operating expenditures	1,158,235	1,111,542	46,693	1,082,562
Capital outlay	35,847	25,175	10,672	21,174
Total	<u>1,194,082</u>	<u>1,136,717</u>	<u>57,365</u>	<u>1,103,736</u>
Financial services:				
Operating expenditures	666,710	649,861	16,849	579,712
Capital outlay	1,425	1,104	321	1,819
Total	<u>668,135</u>	<u>650,965</u>	<u>17,170</u>	<u>581,531</u>
Human resources:				
Operating expenditures	422,110	381,608	40,502	356,084
Capital outlay	1,140	883	257	2,274
Total	<u>423,250</u>	<u>382,491</u>	<u>40,759</u>	<u>358,358</u>
Total general government	<u>2,466,267</u>	<u>2,288,440</u>	<u>177,827</u>	<u>2,164,459</u>
Public safety:				
Police:				
Operating expenditures	3,014,134	2,881,874	132,260	2,724,664
Capital outlay	116,419	105,881	10,538	71,702
Total	<u>3,130,553</u>	<u>2,987,755</u>	<u>142,798</u>	<u>2,796,366</u>
Fire:				
Operating expenditures	2,714,993	2,548,795	166,198	2,526,763
Capital outlay	674,650	662,843	11,807	35,979
Total	<u>3,389,643</u>	<u>3,211,638</u>	<u>178,005</u>	<u>2,562,742</u>

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	
Inspections:				
Operating expenditures	\$ 218,120	\$ 205,122	\$ 12,998	\$ 205,001
Capital outlay	440	335	105	869
Total	<u>218,560</u>	<u>205,457</u>	<u>13,103</u>	<u>205,870</u>
Total public safety	<u>6,738,756</u>	<u>6,404,850</u>	<u>333,906</u>	<u>5,564,978</u>
Transportation:				
Public services administration:				
Operating expenditures	459,581	414,142	45,439	361,503
Capital outlay	96,008	95,355	653	423,476
Total	<u>555,589</u>	<u>509,497</u>	<u>46,092</u>	<u>784,979</u>
Streets and grounds:				
Operating expenditures	1,476,679	1,386,549	90,130	1,220,143
Capital outlay	773,318	710,460	62,858	457,611
Total	<u>2,249,997</u>	<u>2,097,009</u>	<u>152,988</u>	<u>1,677,754</u>
Powell Bill:				
Operating expenditures	987,500	983,761	3,739	813,982
Total	<u>987,500</u>	<u>983,761</u>	<u>3,739</u>	<u>813,982</u>
Total transportation	<u>3,793,086</u>	<u>3,590,267</u>	<u>202,819</u>	<u>3,276,715</u>
Economic and physical development:				
Planning:				
Operating expenditures	698,260	521,361	176,899	557,734
Capital outlay	1,281	994	287	2,407
Total	<u>699,541</u>	<u>522,355</u>	<u>177,186</u>	<u>560,141</u>
Community development:				
Operating expenditures	262,590	177,573	85,017	195,089
Capital outlay	285	221	64	9,365
Total	<u>262,875</u>	<u>177,794</u>	<u>85,081</u>	<u>204,454</u>
Total economic and physical development	<u>962,416</u>	<u>700,149</u>	<u>262,267</u>	<u>764,595</u>
Environmental protection:				
Solid waste:				
Operating expenditures	1,380,900	1,314,960	65,940	1,309,558
Capital outlay	325,948	324,604	1,344	3,342
Total	<u>1,706,848</u>	<u>1,639,564</u>	<u>67,284</u>	<u>1,312,900</u>
Total environmental protection	<u>1,706,848</u>	<u>1,639,564</u>	<u>67,284</u>	<u>1,312,900</u>

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	
Cultural and recreation:				
Recreation:				
Operating expenditures	\$ 1,635,596	\$ 1,427,644	\$ 207,952	\$ 1,367,212
Capital outlay	335,414	287,187	48,227	589,494
Total	<u>1,971,010</u>	<u>1,714,831</u>	<u>256,179</u>	<u>1,956,706</u>
Library:				
Operating expenditures	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Harness Track:				
Operating expenditures	535,355	479,288	56,067	453,749
Capital outlay	124,287	91,135	33,152	223,108
Total	<u>659,642</u>	<u>570,423</u>	<u>89,219</u>	<u>676,857</u>
Fair Barn:				
Operating expenditures	343,597	271,457	72,140	266,441
Capital outlay	126,049	121,325	4,724	76,324
Total	<u>469,646</u>	<u>392,782</u>	<u>76,864</u>	<u>342,765</u>
Total cultural and recreation	<u>3,300,298</u>	<u>2,878,036</u>	<u>422,262</u>	<u>3,176,328</u>
Debt service:				
Principal retirement	329,224	329,223	1	368,531
Interest and fees	<u>33,289</u>	<u>32,160</u>	<u>1,129</u>	<u>43,717</u>
Total	<u>362,513</u>	<u>361,383</u>	<u>1,130</u>	<u>412,248</u>
Total expenditures	<u>19,330,184</u>	<u>17,862,689</u>	<u>1,467,495</u>	<u>16,672,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,360,654)</u>	<u>305,220</u>	<u>1,665,874</u>	<u>1,229,532</u>
Other Financing Sources (Uses):				
Sales of capital assets	50,000	47,516	(2,484)	78,226
Transfers to other funds:				
Capital Project Fund	<u>(344,000)</u>	<u>(344,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(294,000)</u>	<u>(296,484)</u>	<u>(2,484)</u>	<u>78,226</u>
Fund balance appropriated	<u>1,654,654</u>	<u>-</u>	<u>(1,654,654)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>8,736</u>	<u>\$ 8,736</u>	<u>1,307,758</u>
Fund balance, beginning		<u>10,633,102</u>		<u>9,325,344</u>
Fund balance, ending		<u>\$ 10,641,838</u>		<u>\$ 10,633,102</u>



Community Center Capital Project Fund

The Community Center Capital Project Fund is used to account for costs incurred in the design and construction of a community center at Cannon Park.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Center Capital Project Fund

Village of Pinehurst, North Carolina
 Capital Project Fund - Community Center
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2018

Exhibit C-1

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ -	\$ 619	\$ 619	\$ 619
Expenditures:					
Cultural and recreation:					
Design	344,000	-	157,742	157,742	186,258
Revenues over (under) expenditures	(344,000)	-	(157,123)	(157,123)	186,877
Other Financing Sources:					
Transfers from other funds:					
General Fund	344,000	-	344,000	344,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	186,877	<u>\$ 186,877</u>	<u>\$ 186,877</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 186,877</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, 2018

Exhibit D-1

	<u>2018</u>	<u>2017</u>
Governmental funds capital assets:		
Land	\$ 6,232,258	\$ 5,783,713
Right of ways	248,847	182,520
Buildings and improvements	21,684,013	20,806,636
Furniture, equipment, and vehicles	10,011,676	8,996,194
Infrastructure	6,058,522	5,851,309
Construction in progress	<u>178,832</u>	<u>165,209</u>
Total governmental funds capital assets	<u>\$ 44,414,148</u>	<u>\$ 41,785,581</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 41,026,984	\$ 38,957,766
Donations	<u>3,387,164</u>	<u>2,827,815</u>
Total governmental funds capital assets	<u>\$ 44,414,148</u>	<u>\$ 41,785,581</u>

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2018

Exhibit D-2

	Land	Right of Ways	Buildings	Improvements Other than Buildings	Furniture, Equipment and Vehicles	Infrastructure	Construction In Progress	Total
Function and Activity:								
General government								
Governing body	\$ 3,763,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,763,181
Administration	-	-	4,259,809	-	239,180	-	-	4,498,989
Financial services	-	-	-	-	135,259	-	-	135,259
Human resources	-	-	-	-	21,300	-	-	21,300
Information technology	-	-	-	28,388	367,227	-	-	395,615
Buildings and grounds	-	-	436,666	704,711	312,026	29,476	-	1,482,879
Fleet maintenance	25,170	-	81,456	-	185,611	-	-	292,237
	<u>3,788,351</u>	<u>-</u>	<u>4,777,931</u>	<u>733,099</u>	<u>1,260,603</u>	<u>29,476</u>	<u>-</u>	<u>10,589,460</u>
Public safety								
Police	-	-	2,711,626	-	1,220,152	-	-	3,931,778
Fire	161,074	-	3,342,769	-	2,623,930	-	-	6,127,773
Inspections	-	-	-	-	39,865	-	-	39,865
	<u>161,074</u>	<u>-</u>	<u>6,054,395</u>	<u>-</u>	<u>3,883,947</u>	<u>-</u>	<u>-</u>	<u>10,099,416</u>
Transportation								
Public services	66,210	-	1,157,282	-	136,762	-	-	1,360,254
Streets and grounds	-	248,847	5,118	1,446,460	1,801,388	4,710,402	-	8,212,215
Powell Bill	-	-	-	45,713	209,212	21,115	-	276,040
	<u>66,210</u>	<u>248,847</u>	<u>1,162,400</u>	<u>1,492,173</u>	<u>2,147,362</u>	<u>4,731,517</u>	<u>-</u>	<u>9,848,509</u>
Environmental protection								
Solid waste	-	-	-	-	1,660,029	-	-	1,660,029
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,660,029</u>	<u>-</u>	<u>-</u>	<u>1,660,029</u>
Cultural and recreation								
Recreation	760,373	-	284,857	2,972,598	362,277	1,028,643	-	5,408,748
Harness track	1,456,250	-	1,308,368	309,772	581,987	268,886	-	3,925,263
Fair barn	-	-	2,319,486	268,934	74,534	-	-	2,662,954
	<u>2,216,623</u>	<u>-</u>	<u>3,912,711</u>	<u>3,551,304</u>	<u>1,018,798</u>	<u>1,297,529</u>	<u>-</u>	<u>11,996,965</u>
Economic and physical development								
Planning	-	-	-	-	40,937	-	-	40,937
Construction in progress								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,832</u>	<u>178,832</u>
	<u>\$ 6,232,258</u>	<u>\$ 248,847</u>	<u>\$ 15,907,437</u>	<u>\$ 5,776,576</u>	<u>\$ 10,011,676</u>	<u>\$ 6,058,522</u>	<u>\$ 178,832</u>	<u>\$ 44,414,148</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, 2018

Exhibit D-3

	<u>Capital Assets</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Capital Assets</u> <u>June 30, 2018</u>
Function and Activity					
General government					
Governing body	\$ 3,302,525	\$ 460,656	\$ -	\$ -	\$ 3,763,181
Administration	4,487,151	11,838	-	-	4,498,989
Financial services	135,259	-	-	-	135,259
Human resources	21,300	-	-	-	21,300
Information technology	373,537	22,078	-	-	395,615
Buildings and grounds maintenance	1,435,860	47,019	-	-	1,482,879
Fleet maintenance	292,237	-	-	-	292,237
	<u>10,047,869</u>	<u>541,591</u>	<u>-</u>	<u>-</u>	<u>10,589,460</u>
Public safety					
Police	3,837,935	93,843	-	-	3,931,778
Fire	5,770,529	654,979	(297,735)	-	6,127,773
Inspections	39,865	-	-	-	39,865
	<u>9,648,329</u>	<u>748,822</u>	<u>(297,735)</u>	<u>-</u>	<u>10,099,416</u>
Transportation					
Public services	1,281,353	78,901	-	-	1,360,254
Streets and grounds	7,178,998	868,008	-	165,209	8,212,215
Powell Bill	309,366	-	(33,326)	-	276,040
	<u>8,769,717</u>	<u>946,909</u>	<u>(33,326)</u>	<u>165,209</u>	<u>9,848,509</u>
Environmental protection					
Solid waste	1,440,661	323,870	(104,502)	-	1,660,029
Cultural and recreation					
Recreation	5,201,344	207,404	-	-	5,408,748
Harness track	3,923,824	83,902	(82,463)	-	3,925,263
Fair barn	2,549,691	113,263	-	-	2,662,954
	<u>11,674,859</u>	<u>404,569</u>	<u>(82,463)</u>	<u>-</u>	<u>11,996,965</u>
Economic and physical development					
Planning	40,937	-	-	-	40,937
Construction in progress					
	165,209	178,832	-	(165,209)	178,832
	<u>\$ 41,787,581</u>	<u>\$ 3,144,593</u>	<u>\$ (518,026)</u>	<u>\$ -</u>	<u>\$ 44,414,148</u>

Additional Financial Data

This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Village of Pinehurst, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2018

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 10,136,740	\$ 10,129,986	\$ 6,754
2016-2017	9,196	-	2,864	6,332
2015-2016	2,708	-	625	2,083
2014-2015	257	-	27	230
2013-2014	1,465	-	121	1,344
2012-2013	2,614	-	1,338	1,276
2011-2012	1,181	-	119	1,062
2010-2011	1,279	-	176	1,103
2009-2010	2,625	-	121	2,504
2008-2009	5,243	-	73	5,170
	<u>\$ 26,568</u>	<u>\$ 10,136,740</u>	<u>\$ 10,135,450</u>	<u>\$ 27,858</u>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	\$ 10,142,650
Reconciling items:	
Interest collected and refunds	(9,109)
Refunds/reliefs	<u>1,909</u>
	<u>(7,200)</u>
Total collections and credits	<u>\$ 10,135,450</u>

Village of Pinehurst, North Carolina
 Analysis of Current Tax Levy
 For the Fiscal Year Ended June 30, 2018

Exhibit E-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	\$ 3,434,726,035	\$ 0.295	\$ 10,133,100	\$ 9,507,278	\$ 625,822
Penalties	-		1,376	1,376	-
Total	<u>3,434,726,035</u>		<u>10,134,476</u>	<u>9,508,654</u>	<u>625,822</u>
Discoveries:					
Current year taxes	813,511	\$ 0.295	2,394	2,394	-
Penalties	-		165	165	-
Total	<u>813,511</u>		<u>2,559</u>	<u>2,559</u>	<u>-</u>
Abatements	<u>(100,000)</u>		<u>(295)</u>	<u>(295)</u>	<u>-</u>
Total property valuation	<u>\$ 3,435,439,546</u>				
Net levy			10,136,740	9,510,918	625,822
Uncollected taxes at June 30			<u>(6,754)</u>	<u>(6,754)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 10,129,986</u>	<u>\$ 9,504,164</u>	<u>\$ 625,822</u>
Current levy collection percentage			99.93%	99.93%	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.

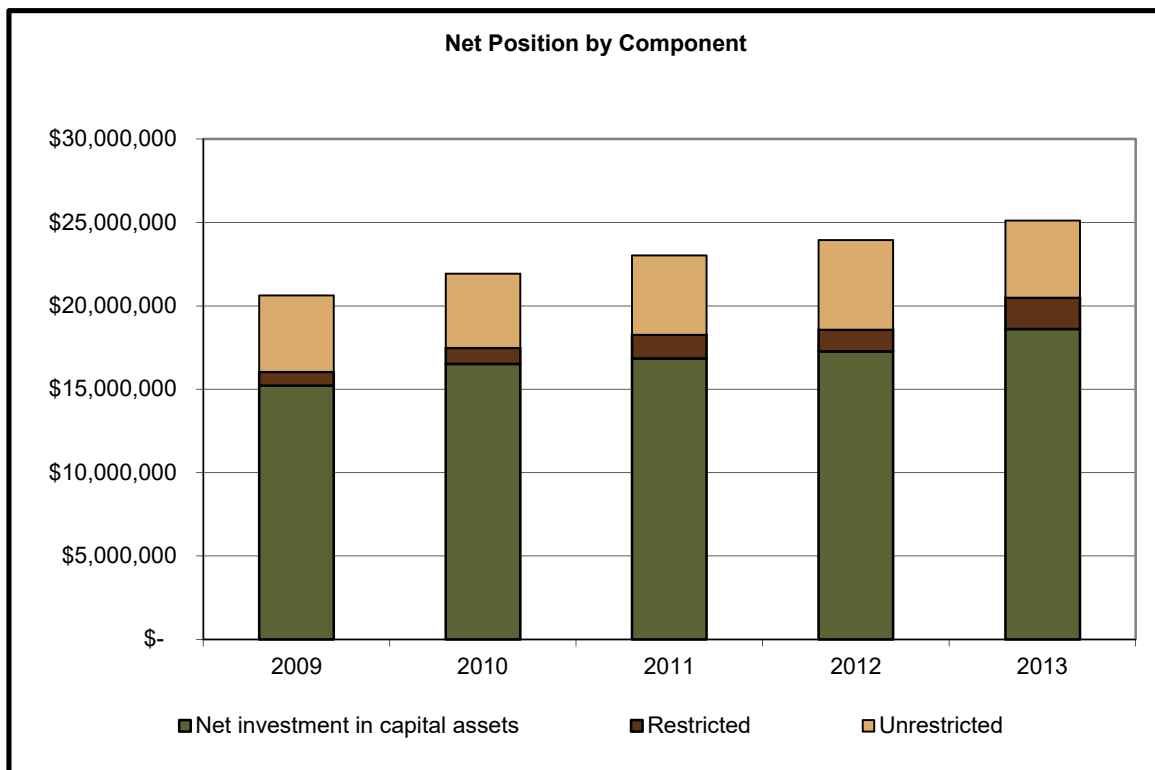
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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.

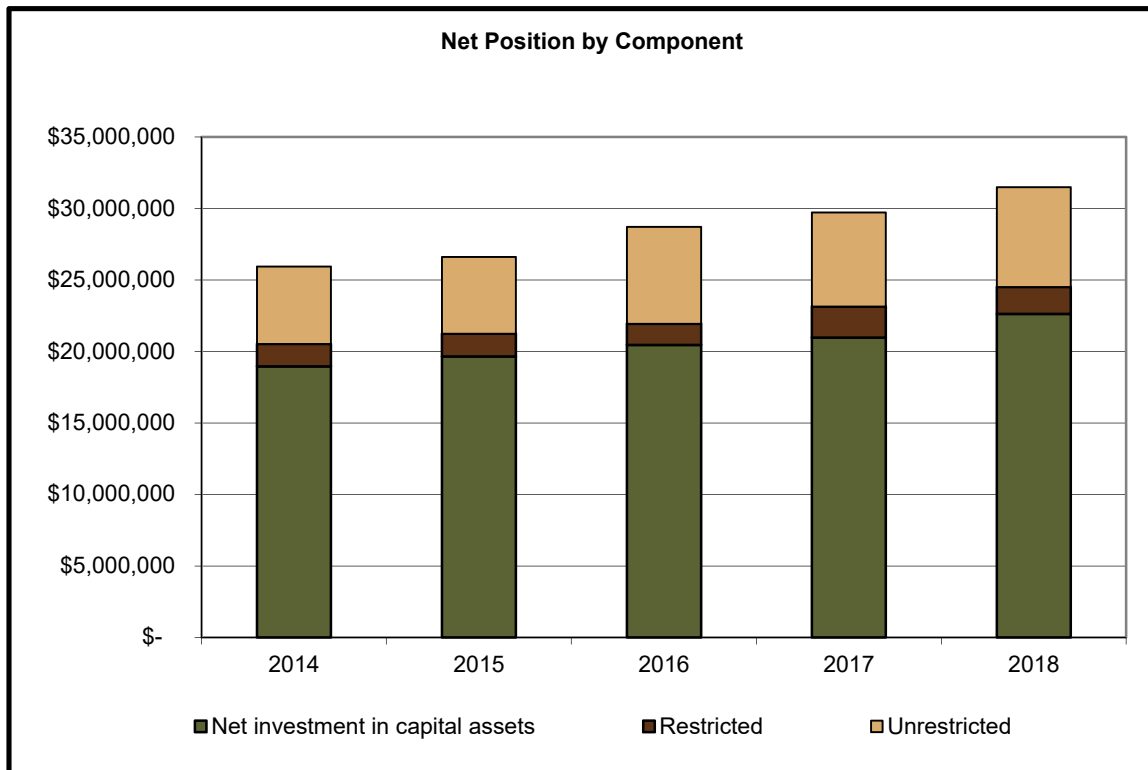
Village of Pinehurst, North Carolina
 Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 15,216,054	\$ 16,520,624	\$ 16,842,082	\$ 17,271,349	\$ 18,615,943
Restricted for:					
Stabilization by state statute	814,222	940,483	1,422,691	1,291,963	1,882,835
Public Safety	-	-	-	-	-
Municipal Service District	12,116	13,070	14,084	14,354	-
Unrestricted	4,582,009	4,457,047	4,756,832	5,372,934	4,631,746
Total net position, previously reported	20,624,401	21,931,224	23,035,689	23,950,600	25,130,524
Retatement	-	-	-	-	-
Total governmental activities net position	<u>\$ 20,624,401</u>	<u>\$ 21,931,224</u>	<u>\$ 23,035,689</u>	<u>\$ 23,950,600</u>	<u>\$ 25,130,524</u>



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

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$ 18,953,996	\$ 19,648,800	\$ 20,467,990	\$ 20,980,863	\$ 22,631,590
Restricted for:					
Stabilization by state statute	1,568,981	1,601,410	1,474,901	2,165,724	1,881,641
Public Safety	-	-	-	-	2,672
Municipal Service District	-	-	-	-	-
Unrestricted	5,417,136	5,381,405	6,777,854	6,594,835	6,980,336
Total net position, previously reported	25,940,113	26,631,615	28,720,745	29,741,422	31,496,239
Retatement	-	-	(628,284)	-	-
Total governmental activities net position	\$ 25,940,113	\$ 26,631,615	\$ 28,092,461	\$ 29,741,422	\$ 31,496,239



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

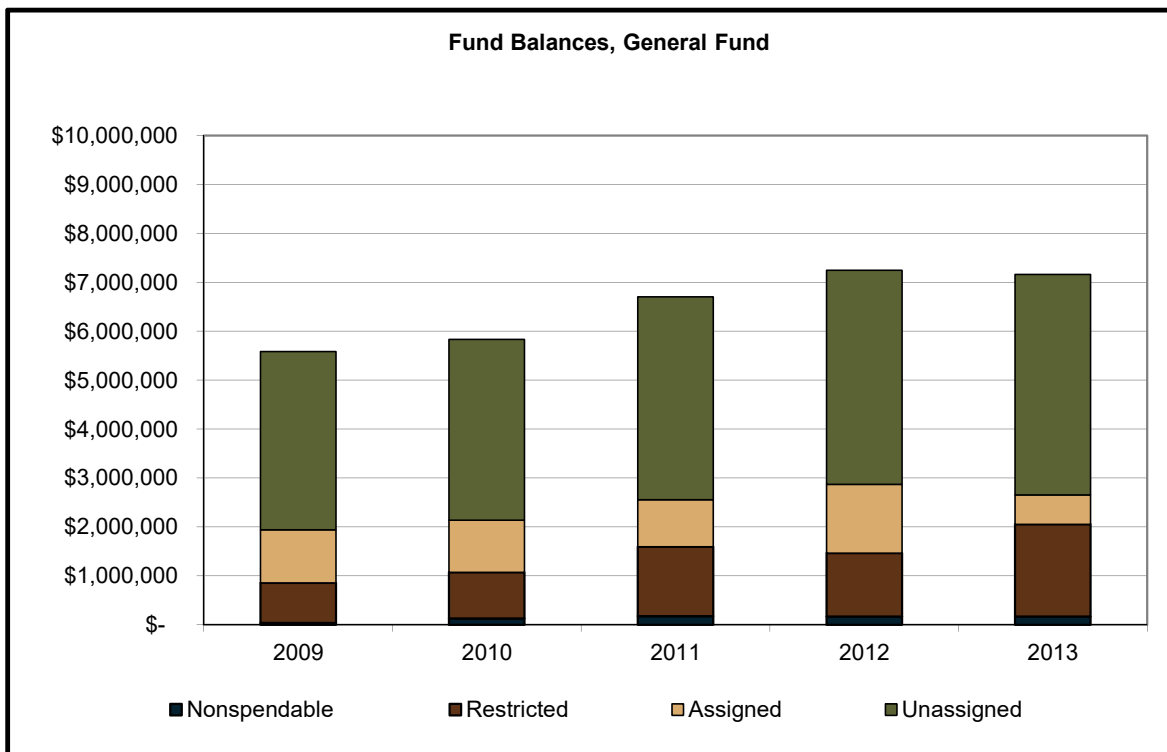
	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 2,410,048	\$ 2,103,062	\$ 2,001,438	\$ 2,144,319	\$ 1,611,659
Public safety	5,059,957	5,284,615	5,415,839	5,454,487	5,582,355
Transportation	1,954,325	1,672,394	2,460,277	2,511,804	2,475,382
Economic and physical development	1,119,970	1,209,264	1,422,329	1,250,263	1,542,829
Environmental protection	945,601	1,050,620	1,352,912	1,337,891	1,275,525
Cultural and recreation	1,443,256	1,854,910	1,795,985	1,919,013	2,100,673
Non-departmental	48,615	-	-	-	-
Interest on long-term debt	212,761	166,794	141,320	108,919	88,541
Total governmental activities expenses	\$ 13,194,533	\$ 13,341,659	\$ 14,590,100	\$ 14,726,696	\$ 14,676,964
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	905,229	842,700	398,609	422,878	469,345
Transportation	20,000	9,000	10,000	10,000	10,500
Economic and physical development	143,074	66,201	25,615	49,827	57,745
Cultural and recreation	399,999	468,469	497,313	510,856	509,113
Operating grants and contributions	670,345	513,020	957,837	827,939	533,380
Capital grants and contributions	44,592	1,099,183	-	-	207,252
Total governmental activities program revenue	\$ 2,183,239	\$ 2,998,573	\$ 1,889,374	\$ 1,821,500	\$ 1,787,335
Total governmental activities net expense	\$ (11,011,294)	\$ (10,343,086)	\$ (12,700,726)	\$ (12,905,196)	\$ (12,889,629)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 7,782,933	\$ 8,070,832	\$ 9,615,930	\$ 9,483,953	\$ 9,567,944
Franchise taxes	33,628	43,191	44,913	-	-
Golf cart licenses	-	-	-	1,740	1,775
Unrestricted intergovernmental	3,462,583	3,233,572	3,892,476	4,071,702	4,162,616
Investment earnings	284,129	35,001	23,665	27,125	12,947
Miscellaneous	174,266	267,313	228,207	235,587	324,271
Total governmental activities general revenue	\$ 11,737,539	\$ 11,649,909	\$ 13,805,191	\$ 13,820,107	\$ 14,069,553
Change in Governmental Activities Net Position	\$ 726,245	\$ 1,306,823	\$ 1,104,465	\$ 914,911	\$ 1,179,924

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses					
Governmental Activities:					
General government	\$ 2,168,794	\$ 2,220,764	\$ 2,501,748	\$ 2,495,248	\$ 2,507,278
Public safety	5,803,531	5,653,753	5,684,375	6,070,685	6,207,724
Transportation	2,369,495	2,325,248	2,481,039	2,755,861	3,185,140
Economic and physical development	1,566,159	1,567,788	677,747	765,422	700,647
Environmental protection	1,402,623	1,526,924	1,399,842	1,453,148	1,470,406
Cultural and recreation	2,746,748	2,647,805	2,527,443	2,700,389	2,875,926
Non-departmental	-	-	-	-	-
Interest on long-term debt	82,192	69,243	54,120	40,296	28,933
	<u>\$ 16,139,542</u>	<u>\$ 16,011,525</u>	<u>\$ 15,326,314</u>	<u>\$ 16,281,049</u>	<u>\$ 16,976,054</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ 35	\$ 91	\$ 1,763	\$ 7,665
Public safety	490,364	507,962	569,814	722,337	677,954
Transportation	19,000	17,000	-	-	-
Economic and physical development	39,567	51,363	59,368	83,562	85,317
Cultural and recreation	1,268,417	672,851	730,300	716,909	701,082
Operating grants and contributions	546,089	1,025,870	509,304	603,714	518,202
Capital grants and contributions	42,563	320,235	230,788	-	559,349
	<u>\$ 2,406,000</u>	<u>\$ 2,595,316</u>	<u>\$ 2,099,665</u>	<u>\$ 2,128,285</u>	<u>\$ 2,549,569</u>
	<u>\$ (13,733,542)</u>	<u>\$ (13,416,209)</u>	<u>\$ (13,226,649)</u>	<u>\$ (14,152,764)</u>	<u>\$ (14,426,485)</u>
General Revenues and Other					
Changes in Net Position					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 9,763,042	\$ 9,785,054	\$ 9,699,296	\$ 9,998,398	\$ 10,143,940
Franchise taxes	-	-	-	-	-
Golf cart licenses	2,230	2,010	8,745	2,180	2,475
Unrestricted intergovernmental	4,271,703	4,979,172	5,328,610	5,478,926	5,641,380
Investment earnings	10,424	9,796	25,872	62,911	146,038
Miscellaneous	495,732	197,599	253,256	259,310	247,469
	<u>\$ 14,543,131</u>	<u>\$ 14,973,631</u>	<u>\$ 15,315,779</u>	<u>\$ 15,801,725</u>	<u>\$ 16,181,302</u>
	<u>\$ 809,589</u>	<u>\$ 1,557,422</u>	<u>\$ 2,089,130</u>	<u>\$ 1,648,961</u>	<u>\$ 1,754,817</u>

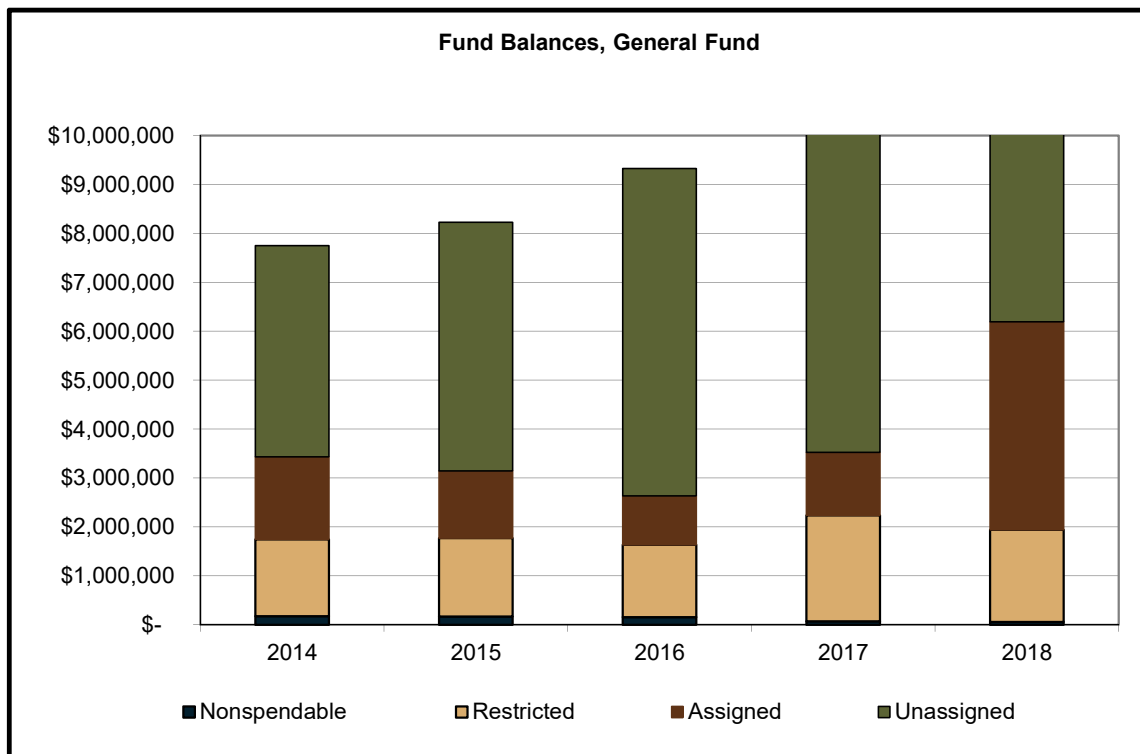
Village of Pinehurst, North Carolina
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Nonspendable:					
Inventory	\$ 36,722	\$ 36,180	\$ 46,747	\$ 48,745	\$ 43,640
Prepaid items	5,300	97,922	128,567	124,714	127,308
Restricted:					
Stabilization by state statute	814,222	940,483	1,422,691	1,291,963	1,882,835
Public safety	-	-	-	-	-
Assigned:					
Subsequent year's expenditures	1,086,707	1,066,859	959,020	1,405,864	601,175
Unassigned	<u>3,642,545</u>	<u>3,691,852</u>	<u>4,145,184</u>	<u>4,373,169</u>	<u>4,506,790</u>
Total general fund	<u>\$ 5,585,496</u>	<u>\$ 5,833,296</u>	<u>\$ 6,702,209</u>	<u>\$ 7,244,455</u>	<u>\$ 7,161,748</u>
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ 12,116	\$ 13,070	\$ 14,084	\$ 14,354	\$ -
Committed:					
General government	163,770	40,975	25,892	24,982	
Environmental protection	7,216	-	-	-	-
Cultural and recreation	16,077	8,657	8,657	-	-
Special revenue fund expenditures	<u>94,465</u>	<u>10,140</u>	<u>10,218</u>	<u>10,642</u>	<u>10,755</u>
Total all other governmental funds	<u>\$ 293,644</u>	<u>\$ 72,842</u>	<u>\$ 58,851</u>	<u>\$ 49,978</u>	<u>\$ 10,755</u>



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

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund					
Nonspendable:					
Inventory	\$ 44,071	\$ 44,494	\$ 39,799	\$ 36,653	\$ 39,993
Prepaid items	130,586	124,296	118,979	35,236	19,878
Restricted:					
Stabilization by state statute	1,568,980	1,601,410	1,474,901	2,165,724	1,881,641
Public safety	-	-	-	-	2,672
Assigned:					
Subsequent year's expenditures	1,687,710	1,375,639	1,001,685	1,284,513	4,249,380
Unassigned	4,317,497	5,079,263	6,689,980	7,110,976	4,448,274
Total general fund	\$ 7,748,844	\$ 8,225,102	\$ 9,325,344	\$ 10,633,102	\$ 10,641,838
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ -	\$ -	\$ -	\$ -	\$ -
Committed:					
General government	-	-	-	-	-
Environmental protection	-	-	-	-	-
Cultural and recreation	-	-	-	-	186,877
Special revenue fund expenditures	2,894	-	-	-	-
Total all other governmental funds	\$ 2,894	\$ -	\$ -	\$ -	\$ 186,877



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

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Ad valorem taxes	\$ 7,909,217	\$ 8,070,137	\$ 9,609,611	\$ 9,486,491	\$ 9,561,126
Other taxes and licenses	38,073	43,191	42,976	1,740	1,775
Unrestricted intergovernmental	3,367,519	3,233,572	3,894,413	4,071,702	4,162,616
Restricted intergovernmental	1,272,350	510,604	957,549	826,718	532,860
Permits and fees	1,059,147	914,383	446,838	480,999	535,247
Sales and services	453,201	468,903	497,714	501,690	517,744
Investment earnings	137,479	37,416	23,951	28,345	13,468
Assessments	38,699	15,619	34,648	25,460	12,412
Miscellaneous	165,488	170,051	167,838	221,513	265,399
Total revenues	<u>14,441,173</u>	<u>13,463,876</u>	<u>15,675,538</u>	<u>15,644,658</u>	<u>15,602,647</u>
Expenditures					
General government	1,827,508	1,863,768	1,840,989	1,933,779	2,106,278
Public safety	4,829,228	5,365,546	5,049,620	5,053,316	5,197,380
Transportation	1,727,241	1,580,763	2,382,430	2,558,524	2,178,585
Economic and physical development	1,891,282	1,271,268	1,472,447	1,455,559	2,160,239
Environmental protection	974,767	1,041,943	1,268,744	1,468,031	1,350,737
Cultural and recreation	1,802,697	1,706,863	1,781,382	1,809,654	2,280,905
Non-departmental	62,907	-	-	-	-
Debt service:					
Principal	808,993	836,473	891,764	748,878	478,298
Interest and other charges	191,418	173,226	150,635	116,592	91,151
Capital outlay	329,892	130,215	15,083	910	-
Total expenditures	<u>14,445,933</u>	<u>13,970,065</u>	<u>14,853,094</u>	<u>15,145,243</u>	<u>15,843,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,760)</u>	<u>(506,189)</u>	<u>822,444</u>	<u>499,415</u>	<u>(240,926)</u>
Other Financing Sources (Uses)					
Transfers to other funds	(1,074,544)	(1,760,662)	(34,648)	(34,117)	(52,380)
Transfers from other funds	1,074,544	1,760,662	34,648	34,117	52,380
Sales of capital assets	33,942	33,187	32,478	33,958	59,493
Issuance of debt	-	500,000	-	-	59,503
Total other financing sources (uses)	<u>33,942</u>	<u>533,187</u>	<u>32,478</u>	<u>33,958</u>	<u>118,996</u>
Net change in fund balances	29,182	26,998	854,922	533,373	(121,930)
Fund balances, beginning	5,849,958	5,879,140	5,906,138	6,761,060	7,294,433
Fund balances, ending	<u>\$ 5,879,140</u>	<u>\$ 5,906,138</u>	<u>\$ 6,761,060</u>	<u>\$ 7,294,433</u>	<u>\$ 7,172,503</u>
Debt service as a percentage of noncapital expenditures	7.7%	7.9%	7.4%	6.2%	4.3%

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				
	2014	2015	2016	2017	2018
Revenues					
Ad valorem taxes	\$ 9,771,682	\$ 9,792,365	\$ 9,697,697	\$ 9,996,412	\$ 10,142,650
Other taxes and licenses	2,230	2,010	8,745	2,180	2,475
Unrestricted intergovernmental	4,271,703	4,979,172	5,328,610	5,478,926	5,641,380
Restricted intergovernmental	548,073	1,069,055	509,245	603,437	517,964
Permits and fees	1,252,453	578,554	632,033	801,574	761,918
Sales and services	564,975	629,899	729,626	719,515	709,419
Investment earnings	10,714	9,836	25,932	63,189	146,276
Assessments	11,791	20,116	45,741	39,102	31,607
Miscellaneous	266,641	182,310	195,642	197,420	214,839
Total revenues	<u>16,700,262</u>	<u>17,263,317</u>	<u>17,173,271</u>	<u>17,901,755</u>	<u>18,168,528</u>
Expenditures					
General government	2,196,930	2,133,743	2,142,750	2,164,459	2,288,440
Public safety	5,856,007	5,543,484	5,443,314	5,564,978	6,404,850
Transportation	2,792,152	2,789,063	2,774,071	3,276,715	3,590,267
Economic and physical development	1,454,418	1,624,275	874,566	764,595	700,149
Environmental protection	1,456,374	1,586,800	1,576,998	1,312,900	1,639,564
Cultural and recreation	2,694,676	2,633,384	2,854,719	3,176,328	3,035,778
Non-departmental	-	-	-	-	-
Debt service:					
Principal	378,829	420,917	406,502	368,531	329,223
Interest and other charges	83,098	73,615	57,721	43,717	32,160
Capital outlay	-	-	-	-	-
Total expenditures	<u>16,912,484</u>	<u>16,805,281</u>	<u>16,130,641</u>	<u>16,672,223</u>	<u>18,020,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(212,222)</u>	<u>458,036</u>	<u>1,042,630</u>	<u>1,229,532</u>	<u>148,097</u>
Other Financing Sources (Uses)					
Transfers to other funds	(7,933)	(2,897)	-	-	(344,000)
Transfers from other funds	7,933	2,897	-	-	344,000
Sales of capital assets	241,457	15,328	57,612	78,226	47,516
Issuance of debt	550,000	-	-	-	-
Total other financing sources (uses)	<u>791,457</u>	<u>15,328</u>	<u>57,612</u>	<u>78,226</u>	<u>47,516</u>
Net change in fund balances	579,235	473,364	1,100,242	1,307,758	195,613
Fund balances, beginning	<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>
Fund balances, ending	<u>\$ 7,751,738</u>	<u>\$ 8,225,102</u>	<u>\$ 9,325,344</u>	<u>\$ 10,633,102</u>	<u>\$ 10,828,715</u>
Debt service as a percentage of noncapital expenditures	3.1%	3.2%	3.3%	2.8%	2.3%

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
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	3,398,349,498	375,641,253	19,308,922	405,681,620	3,387,618,053	0.295	3,379,844,411
2018	2017	3,438,503,505	382,281,151	20,624,370	405,969,480	3,435,439,546	0.295	3,357,544,513

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)
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
2018	2017	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	2018		2009	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pinehurst LLC	\$ 171,907,330	5.00%	\$ 172,112,067	6.20%
Pinehurst Surgical Clinic	25,473,350	0.74%	26,866,110	0.97%
Pinehurst Medical	24,811,310	0.72%	17,765,969	0.64%
Country Club of North Carolina	18,424,350	0.54%	27,056,122	0.97%
Duke Energy Progress, Inc.	13,712,144	0.40%	11,665,532	0.42%
Pinewild Project Limited PTNS	10,027,007	0.29%	-	-
Quail Haven Properties of Pinehurst, LLC	10,020,530	0.29%	-	-
MTMM Associates (Carolina Eye Assoc.)	8,888,030	0.26%	9,651,451	0.35%
Pinehurst Nursing Center	5,635,642	0.16%	4,262,238	0.15%
SCOP (Surgery Center of Pinehurst)	5,622,480	0.16%	-	-
Francis Maser	-	-	5,613,400	0.20%
Carolina Telephone and Telegraph	-	-	5,179,826	0.19%
Branch Banking and Trust Co.	-	-	4,723,730	0.17%
Total	\$ 294,522,173	8.57%	\$ 284,896,445	10.26%

Sources:

Moore County Tax Department

Notes:

FY2018 and FY2009 data are for tax years 2017 and 2008 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)
2009	2008	\$ 7,914,052	\$ 7,889,733	99.69%	\$ 11,663	\$ 7,901,396	99.84%
2010	2009	8,077,656	8,050,348	99.66%	12,349	8,062,697	99.81%
2011	2010	9,606,203	9,588,105	99.81%	13,116	9,601,221	99.95%
2012	2011	9,477,624	9,463,405	99.85%	13,157	9,476,562	99.99%
2013	2012	9,558,275	9,538,561	99.79%	18,438	9,556,999	99.99%
2014	2013	9,756,980	9,748,024	99.91%	7,612	9,755,636	99.99%
2015	2014	9,774,886	9,772,350	99.97%	2,306	9,774,656	100.00%
2016	2015	9,692,375	9,686,105	99.94%	4,187	9,690,292	99.98%
2017	2016	9,992,459	9,983,263	99.91%	2,864	9,986,127	99.94%
2018	2017	10,136,740	10,129,986	99.93%	-	10,129,986	99.93%

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>
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
2018	2017	737,569	0.10%	45

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, 2018

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	\$ 43,350,000	27.67%	\$ 11,996,077
Other debt:			
Moore County LOB	17,080,000	27.67%	4,726,482
Capital lease	205,261	27.67%	56,801
Moore County installment loans	31,000,000	27.67%	8,578,510
			25,357,870
			Subtotal, overlapping debt
			25,357,870
Village of Pinehurst direct debt			737,569
			Total direct and overlapping debt
			\$ 26,095,439

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, 2017 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>
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	271,009,444	1,066,792	269,942,652	99.61%
2018	274,835,164	737,569	274,097,595	99.73%

Legal debt margin calculation for Fiscal Year 2018

Assessed valuation	\$ 3,435,439,546	
	x 0.08	
Debt limit - 8.0% of assessed value		\$ 274,835,164
Gross debt:		
Capital leases	-	
Authorized and unissued bonds	-	
Installment purchase agreements	737,569	
Total gross debt	737,569	
Less: statutory deductions	-	
Total amount of debt applicable to debt limit (net debt)		737,569
Legal debt margin		\$ 274,097,595

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>
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%
2018	2017	16,452	729,679,104	44,352	60.1	4.2%

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>2018</u>		<u>2009</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)	3,645	62.84%	2,571	55.53%
Pinehurst, LLC (2)	1,366	23.55%	1,225	26.46%
Total		86.40%		81.99%

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:

2018 employment is based on calendar year 2017.

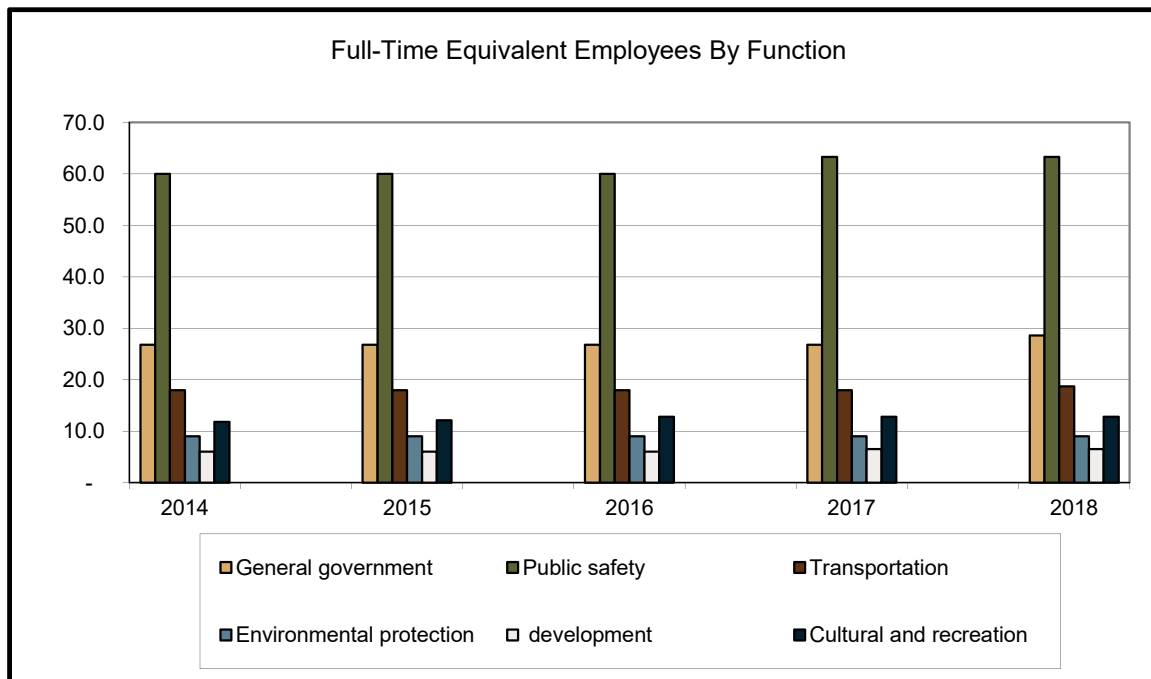
GASB 44 requires comparative data for the current calendar year and nine years prior. 2010 adjusted Census Data was used for 2009 and 2018 to estimate the percentage of total employment.

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

Function	Full-time Equivalent Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	25.0	24.5	24.5	24.5	26.0	26.8	26.8	26.8	26.8	28.6
Public safety	63.2	61.0	60.0	60.0	60.0	60.0	60.0	60.0	63.3	63.3
Transportation	18.0	16.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.7
Environmental protection	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Economic and physical development	9.0	8.5	7.5	6.5	6.0	6.0	6.0	6.0	6.5	6.5
Cultural and recreation	11.2	12.0	11.1	10.8	11.8	11.8	12.1	12.8	12.8	12.8
Total	135.4	131.0	129.1	128.8	130.8	131.6	131.9	132.6	136.4	138.9

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				
	2009	2010	2011	2012	2013
General Government					
Financial services:					
Purchase orders issued	260	280	295	269	299
Vendor checks issued	2,333	2,471	2,444	2,365	1,840
Vendor EFTs issued	-	-	-	401	620
Human resources:					
Workers' compensation lost time (days)	446	32	425	33	74
Employee turnover rate	7.9%	9.2%	8.5%	10.7%	11.4%
Fleet maintenance:					
Vehicles maintained	(2)	(2)	(2)	(2)	(2)
Equipment maintained	(2)	(2)	(2)	(2)	(2)
Preventative maintenance completed	132	151	254	297	269
Public Safety					
Fire protection:					
Public fire & life safety classes	159	170	176	191	254
Incident calls	855	884	1,031	865	982
Structure fires	44	55	58	35	43
Inspections	620	423	784	1,174	950
Child passenger seat inspections	173	222	228	120	182
Police protection:					
Physical arrests	444	445	233	165	184
Citations issued	3,993	2,970	3,053	1,908	1,208
Response to calls/officer initiated activity	13,640	14,495	14,362	13,364	10,901
Traffic accidents	474	418	476	414	447
Inspections:					
Building inspections conducted	5,409	4,281	4,370	3,832	4,608
Certificates of occupancy issued	181	156	197	48	68
Transportation					
Street resurfacing (miles)	4.8	3.2	6.4	4.5	3.6
Environmental Protection					
Refuse collected (tons annually)	3,948	3,849	4,124	3,808	3,856
Homes receiving service	6,862	7,686	7,736	7,812	7,877
Recyclables collected (tons annually)	966	1,473	1,734	1,807	1,913
Economic and Physical Development					
Building permits issued	278	259	239	287	275
Code compliance investigations	624	475	501	577	596
Cultural and Recreation					
Recreation:					
Program participants	939	1,065	1,739	1,748	1,591
Athletics participants	2,323	2,287	2,296	1,934	1,838
Harness track:					
Standardbred stalls leased	281	251	276	259	223
Facilities reserved (days)	20	30	32	32	103
Fair barn:					
Events	80	88	113	113	102
Rental days	98	96	120	113	112

Sources:

Various Village departments

Notes:

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

(2) Information is not available

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

Function	Fiscal Year				
	2014	2015	2016	2017	2018
General Government					
Financial services:					
Purchase orders issued	338	297	323	384	401
Vendor checks issued	1,641	1,509	1,490	1,377	1,415
Vendor EFTs issued	998	1,009	1,070	1,071	972
Human resources:					
Workers' compensation lost time (days)	144	39	8	8	5
Employee turnover rate	7.9%	14.3%	12.6%	13.1%	8.3%
Fleet maintenance:					
Vehicles maintained	99	97	98	103	100
Equipment maintained	69	61	62	62	67
Preventative maintenance completed	218	240	228	234	236
Public Safety					
Fire protection:					
Public fire & life safety classes	307	342	438	563	617
Incident calls	993	1,052	1,245	1,754	1,670
Structure fires	28	14	4	10	7
Inspections (1)	1,898	756	184	186	257
Child passenger seat inspections	170	170	183	136	104
Police protection:					
Physical arrests	239	575	651	739	296
Citations issued	2,082	1,757	2,603	2,750	3,368
Response to calls/officer initiated activity	13,041	11,742	14,923	16,613	16,809
Traffic accidents	422	433	635	654	658
Inspections:					
Building inspections conducted (1)	7,540	5,469	5,656	6,633	7,614
Certificates of occupancy issued	79	116	91	130	216
Transportation					
Street resurfacing (miles)	5.0	4.5	2.1	3.1	5.7
Environmental Protection					
Refuse collected (tons annually)	3,988	3,973	4,106	4,062	3,962
Homes receiving service	7,955	8,107	8,196	8,326	8,467
Recyclables collected (tons annually)	2,025	2,115	1,935	2,060	2,066
Economic and Physical Development					
Building permits issued	313	289	315	347	348
Code compliance investigations	522	639	774	1,251	1,156
Cultural and Recreation					
Recreation:					
Program participants	1,807	1,986	2,634	2,950	3,061
Athletics participants	1,442	1,736	1,699	1,922	1,847
Harness track:					
Standardbred stalls leased	240	236	256	252	215
Facilities reserved (days)	125	38	52	40	39
Fair barn:					
Events	122	133	112	121	124
Rental days	199	205	177	159	150

Sources:

Various Village departments

Notes:

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

(2) Information is not available

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Function					
Public safety					
Fire protection					
Stations	2	2	2	2	2
Fire trucks	5	6	6	6	6
Police protection					
Stations	1	1	1	1	1
Police vehicles	20	20	21	22	23
Transportation					
Miles of streets	104.65	105.57	105.57	105.57	105.90
Maintenance vehicles	22	22	23	25	24
Sidewalks, greenways and bike paths (lf)	34,698	45,258	45,258	47,898	49,482
Environmental protection					
Refuse collection trucks	20	17	17	15	15
Economic and physical development					
Storm water drainage areas	10	16	29	38	48
Cultural and recreation					
Number of parks	4	4	4	4	4
Park acreage	294	294	294	294	294
Greenway trails (miles)	5.8	5.8	6.3	6.3	6.8
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

	Fiscal Year				
	2014	2015	2016	2017	2018
Function					
Public safety					
Fire protection:					
Stations	2	2	2	2	2
Fire trucks	7	6	6	6	6
Police protection:					
Stations	1	1	1	1	1
Police vehicles	24	26	29	26	29
Transportation					
Miles of streets	105.66	106.08	106.35	106.35	106.75
Maintenance vehicles	25	25	23	25	24
Sidewalks, greenways and bike paths (lf)	68,313	68,653	71,663	79,272	82,757
Environmental protection					
Refuse collection trucks	15	16	17	13	14
Economic and physical development					
Storm water drainage areas	57	66	80	84	92
Cultural and recreation					
Number of parks	5	5	5	5	5
Park acreage	294	294	294	294	294
Greenway trails (miles)	6.8	6.8	7.1	7.6	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.

**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***

**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, 2018, and the related notes to the financial statements, which collectively comprises the Village's basic financial statements, and have issued our report thereon dated October 25, 2018.

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
October 25, 2018**

Village of Pinehurst, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<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 Justice</u> Bullet Proof Vest Partnership Program	16.607	Direct	\$ 1,483	\$ -	\$ 1,483
Total Federal Awards			1,483	-	1,483
State Awards					
<u>N.C. Department of Transportation</u> Powell Bill			-	498,958	-
Total State Awards			-	498,958	-
Total Federal and State Awards			\$ 1,483	\$ 498,958	\$ 1,483

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, 2018. 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 Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

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.