

Village of Pinehurst, North Carolina
Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2020

Prepared by
Financial Services Department

Brooke Hunter
Financial Services Director

Village of Pinehurst, North Carolina

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INTRODUCTORY SECTION



HISTORY, CHARM, AND SOUTHERN HOSPITALITY

LETTER OF TRANSMITTAL

October 27, 2020

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 for the fiscal year ended June 30, 2020. 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, 2020, 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 that there was a reasonable basis for rendering an unmodified ("clean") opinion that the Village's financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditors' report on the basic financial statements is located at the beginning of the financial section of this report.

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

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

Profile of the Village

"The Village of Pinehurst is a charming, vibrant community which reflects our rich history and traditions." This vision statement adopted by the Village Council is reflective of what we aspire to be as a community. Our mission is to "promote, enhance, and sustain the quality of life for residents, businesses, and visitors." The Village was incorporated in 1980 and is located in the Sandhills Region of North Carolina. The Village has a land area of approximately 17 square miles, and an estimated population of 17,100. Pinehurst is the largest of eleven municipalities in Moore County. The Village is empowered to levy a property tax on both real estate and personal properties located within its boundaries. It also is empowered, by state statute, to extend its corporate limits by annexation on a limited basis.

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

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

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

Local Economy

The Village is primarily a residential community with a historically strong growth rate in residential development. Over the past year, the Village saw continued strengthening of the local housing market. In fiscal year (FY) 2020, 189 new homes were constructed in the Village, which is a significant increase from the 122 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 \$563 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 1,500 people.

The Village also claims 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% to 40% of budgeted expenditures. At June 30, 2020, the General Fund's unassigned fund balance of \$7,305,222 represented 42% of General Fund actual expenditures and total fund balance was 51% of budgeted expenditures. Included in total fund balance this year is \$1 million returned to the Village from the Given Memorial Library capital campaign account.

In FY 2021, the Village adopted its eighth 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 financial forecast that incorporates 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 Council adopted nine organizational goals for the 2021 Strategic Operating Plan to achieve that mission. These overarching community goals are as follows: (1) safeguard the community, (2) promote high quality development and appearance, (3) promote a thriving business community, (4) promote transportation mobility and connectivity, (5) protect the environment, (6) promote active living and cultural opportunities, (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 2021 Strategic Operating Plan to address these goals include:

- Update the Pinehurst Development Ordinance
- Small area plan for the Village Place/Rattlesnake Trail corridor and Pinehurst South/Highway 5 commercial area
- Develop a comprehensive storm water master plan

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, 2019. This was the 27th 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 2020. We were awarded the Special Performance Measures Recognition in three of those years. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget document was 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

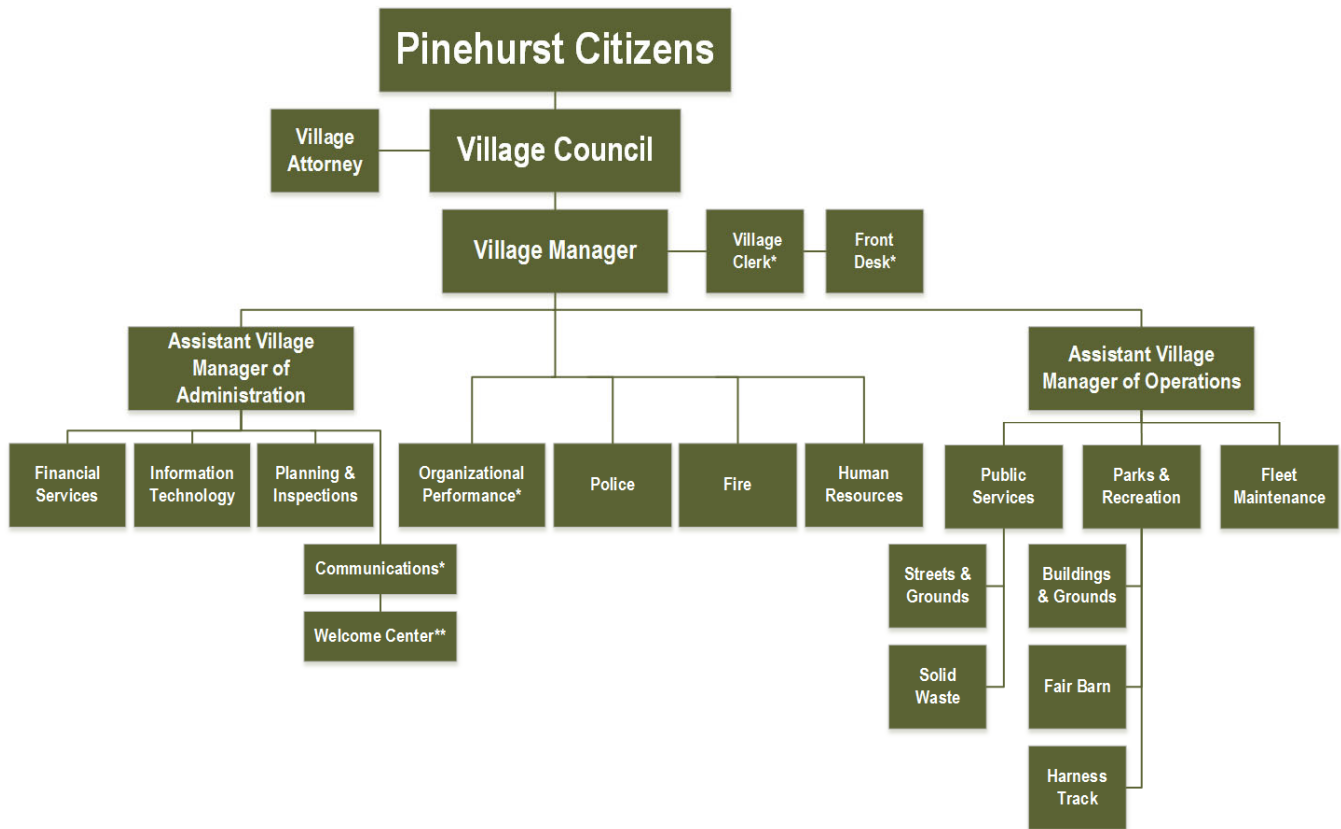
June 30, 2019

Christopher P. Morill

Executive Director/CEO

Village of Pinehurst, North Carolina

Organizational Chart June 30, 2020



* 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, 2020**

Elected Officials

John C. Strickland	Mayor
Judy Davis	Mayor Pro-Tem
Lydia Boesch	Treasurer
Kevin Drum	Council Member
Jane Hogeman	Council Member

Appointed Officials

Jeffrey M. Sanborn	Village Manager
Natalie Hawkins	Assistant Village Manager
Jeff Batton	Assistant Village Manager
Michael J. Newman	Village Attorney
Beth Dunn	Village Clerk
Brooke Hunter	Financial Services Director
Lauren Craig	Organizational Performance Director
Angela Kantor	Human Resources Director
Jason Whitaker	Chief Information Officer
Glen Webb	Interim Police Chief
Carlton Cole	Fire Chief
Darryn Burich	Planning & Inspections Director
Mike Apke	Public Services & Engineering 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 (“the Village”) as of and for the year ended June 30, 2020, 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, 2020, 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 44, Local Government Employees' Retirement System Schedule of Contributions on page 45, 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 46 and 47 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 27, 2020, 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 27, 2020**

Management's Discussion and Analysis

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, 2020. 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.

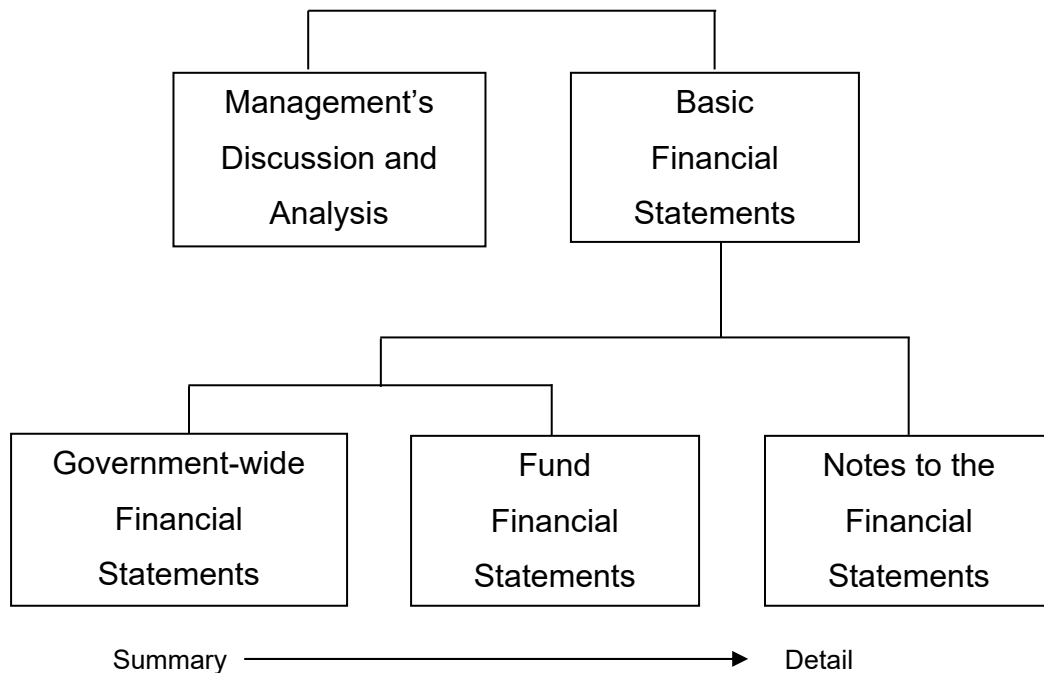
Financial Highlights

- 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 \$35,672,441 (*net position*).
- The Village's total net position increased by \$2,769,157 primarily due to the return of \$1 million previously contributed by the Village to the Given Memorial Library capital expansion campaign. These funds were returned due to the library's inability to meet fundraising efforts. Other factors contributing to this increase include 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 \$11,478,644, an increase of \$1,086,213 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$7,305,222, or 42% 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 to account for the design and construction of the new Cannon Park Community Center. Estimated design and construction costs were transferred from the General Fund in prior fiscal years. Ending committed fund balance in the Capital Project Fund was \$249,374, which will be used to complete the project.
- The Village's total debt decreased by \$298,687 (68%) during the current fiscal year. The decrease was due to scheduled principal payments on existing debt obligations. Total debt outstanding was \$141,600 at the 2020 fiscal year end.
- The Village had no general obligation bonded debt as of June 30, 2020.
- Throughout the year, the Village's deposits were insured or collateralized as required by State law. Total investment earnings were approximately \$171,964, which is equivalent to a return of approximately 1.38% on the average amount of cash and cash equivalents during the year. At fiscal year's end, 77% of the Village's cash and investments were invested with the North Carolina Capital Management Trust (NCCMT) Term Portfolio and 21% were invested with the NCCMT Government Portfolio.
- The COVID-19 coronavirus pandemic reached North Carolina in March 2020 and continues to affect our community. Several revenue sources have declined as a result of the pandemic, including local option sales tax revenues, investment income, facility rental revenues, and recreation and athletic programming fees.
- The Village has received the Certificate of Achievement for Excellence in Financial Reporting for 27 consecutive years. The Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.
- For the 2020 fiscal year, the Village received the Distinguished Budget Presentation Award for the 13th consecutive year from the Government Finance Officers Association for its annual budget. We have also been awarded the Special Performance Measures Recognition in three 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.

**Village of Pinehurst, North Carolina
Management's Discussion and Analysis
June 30, 2020**

The two government-wide statements report the Village's net position and how it has 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, 2020. The final category is the component unit. The Village does not have any component units as of June 30, 2020.

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 has taken 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 44 of this report.

**Village of Pinehurst, North Carolina
Management's Discussion and Analysis
June 30, 2020**

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

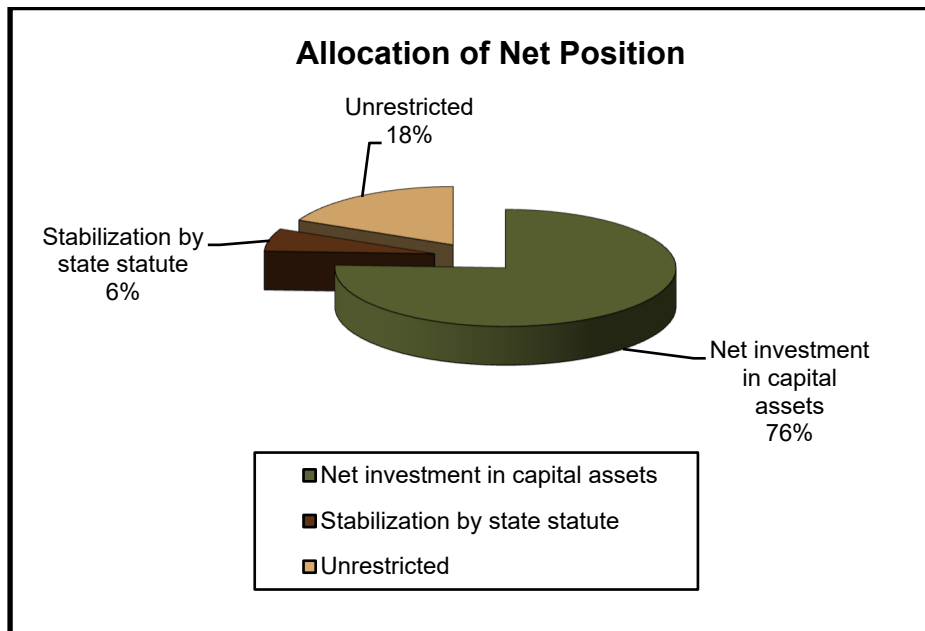
Net Position

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

**Village of Pinehurst's Net Position
Figure 2**

	Governmental Activities 2020	Governmental Activities 2019
Current and other assets	\$ 12,797,809	\$ 12,250,499
Capital assets	27,154,218	25,132,901
Total assets	<u>39,952,027</u>	<u>37,383,400</u>
Deferred outflows of resources	<u>1,941,830</u>	<u>2,017,676</u>
Long-term liabilities outstanding	4,845,103	4,603,521
Other liabilities	1,301,187	1,791,252
Total liabilities	<u>6,146,290</u>	<u>6,394,773</u>
Deferred inflows of resources	<u>75,126</u>	<u>103,019</u>
Net position:		
Net investment in capital assets	27,012,618	24,692,614
Restricted for:		
Stabilization by state statute	2,233,881	1,923,503
Public safety	-	10,943
Unrestricted	6,425,942	6,276,224
Total net position, ending	<u>\$ 35,672,441</u>	<u>\$ 32,903,284</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 \$35,672,441 as of June 30, 2020. The Village's net position increased by \$2,769,157 for the fiscal year ended June 30, 2020. The largest portion of net position, \$27,012,618 or 76%, reflects the Village's net investment in capital assets (e.g., land, right of ways, buildings, machinery and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village's net position, \$2,233,881, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,425,942 is unrestricted.



Governmental Activities

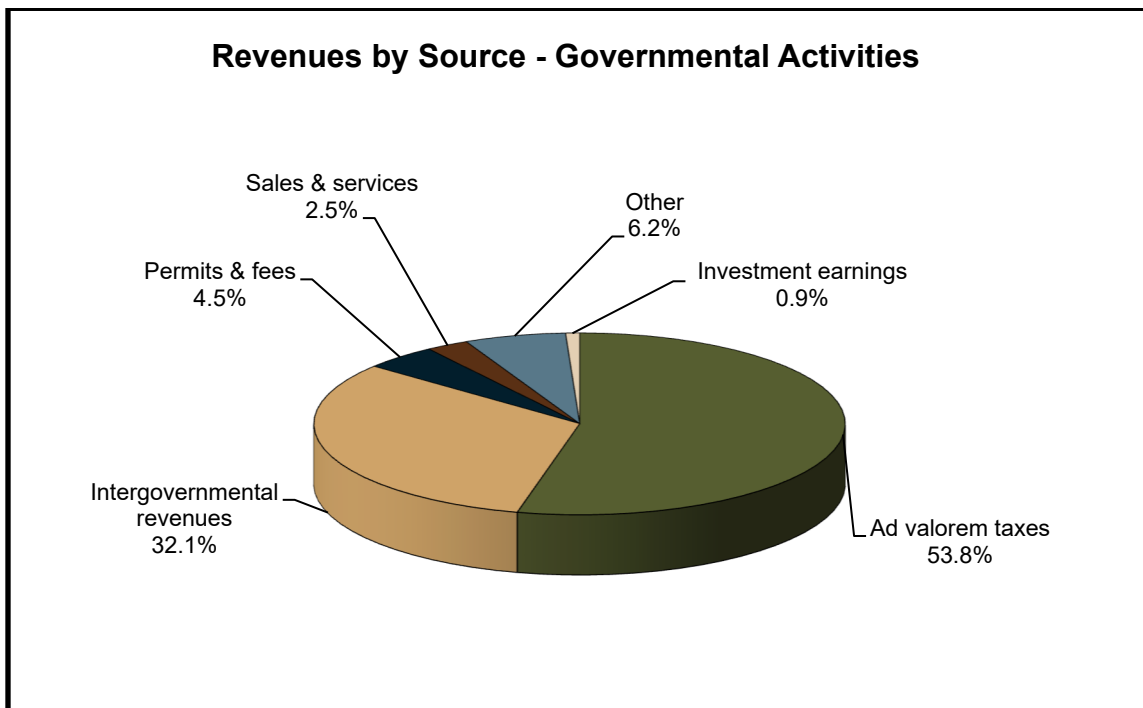
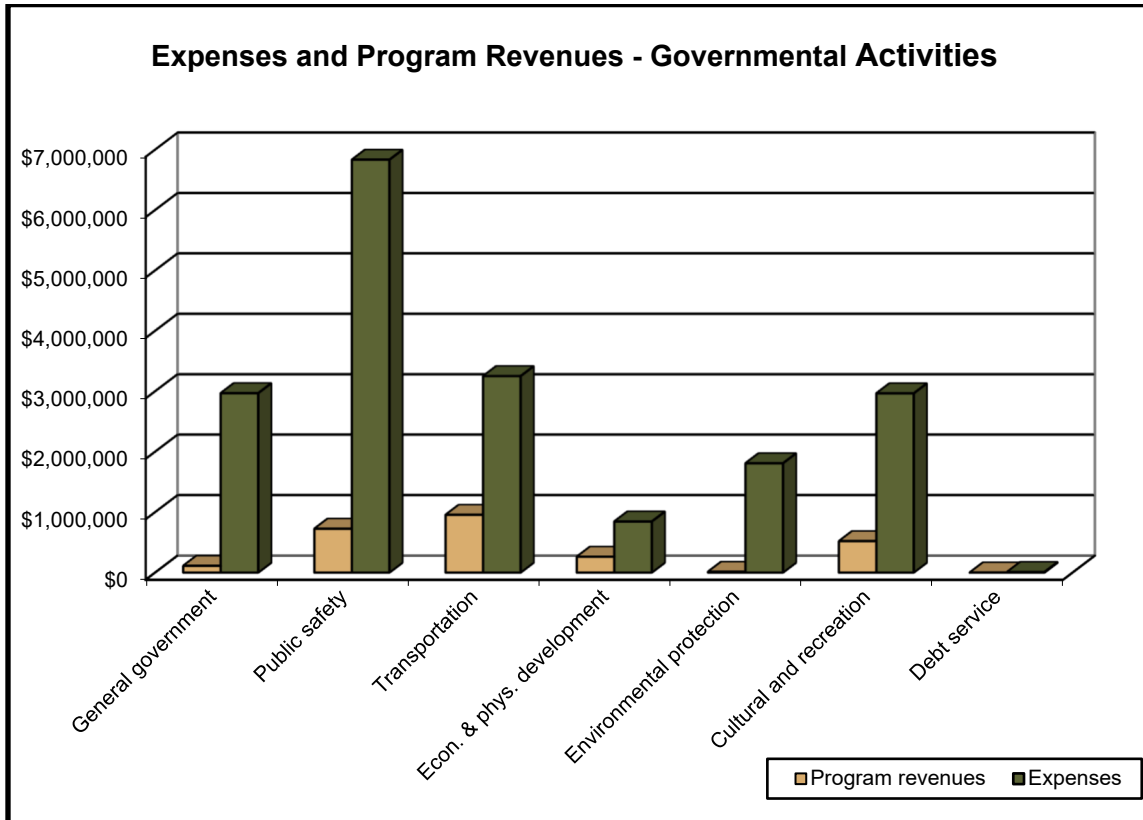
Governmental activities increased the Village's net position by \$2,769,157. Several aspects of the Village's financial operations influenced the positive change in total governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in the General Fund of 99.92%, which is higher than the statewide average in the Village's population peer group of 99.16%.
- Ad valorem tax revenues increased by \$903,000, or 9%, primarily due to an increase in property values in the 2019 revaluation and continued growth in new home construction.
- Miscellaneous revenues increased by \$953,000, or 286%, due primarily to the return of \$1 million previously contributed by the Village to the Given Memorial Library capital expansion campaign.
- Expenses net of program revenues increased by \$543,000, or 4%. This result was influenced by the following factors:
 - Program expenses were \$392,000, or 2%, higher than in the previous fiscal year. This was primarily due to salaries and operating expenses increasing by \$276,000, or 2%, compared to the previous fiscal year.
 - Charges for services remained stable and increased by only \$6,000.
 - Operating grants and contributions decreased \$277,000, or 32%, due to significant FEMA Public Assistance funding received for recovery efforts related to Hurricane Florence in the previous year. Minimal operating grant funding was received in the current year.
 - Capital grants and contributions increased by \$119,000, or 30%, due to the receipt of donated streets, right-of-ways, sidewalks, and land in the current fiscal year, while fewer 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 \$1,335,000.

**Village of Pinehurst, North Carolina
Management's Discussion and Analysis
June 30, 2020**

**Village of Pinehurst's Change in Net Position
Figure 3**

	Governmental Activities	Governmental Activities
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,487,262	\$ 1,481,113
Operating grants and contributions	581,759	859,123
Capital grants and contributions	516,976	397,249
General revenues:		
Property taxes	11,249,478	10,346,079
Grants and contributions not restricted to specific programs	6,151,373	6,013,374
Other	1,458,566	594,517
Total revenues	<u>21,445,414</u>	<u>19,691,455</u>
Expenses:		
General government	2,967,823	2,726,379
Public safety	6,832,478	6,528,824
Transportation	3,249,759	3,576,506
Economic and physical development	844,251	1,017,081
Environmental protection	1,808,078	1,661,991
Cultural and recreation	2,964,665	2,754,791
Interest on long-term debt	9,203	18,838
Total expenses	<u>18,676,257</u>	<u>18,284,410</u>
Increase in net position	2,769,157	1,407,045
Net position, July 1	32,903,284	31,496,239
Net position, June 30	<u>\$ 35,672,441</u>	<u>\$ 32,903,284</u>



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, 2020, the governmental funds of the Village reported a combined fund balance of \$11,478,644, an increase of \$1,086,213, or 10%, over last year. Included in this change in fund balance is a decrease in fund balance in the Community Center Capital Project Fund as a majority of construction was completed by the end of the year.

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 \$7,305,222, while total fund balance reached \$11,229,270. 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% to 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 42% of actual general fund expenditures, while total fund balance represents 51% of budgeted expenditures. The statewide average for total fund balance in the Village's population peer group is 56%.

Fund balance in the Village's General Fund increased by \$3,357,297 during the 2020 fiscal year. Key components of this change are as follows:

- Property tax revenue increased approximately \$912,000 from the prior year due to an increase in property values in the 2019 revaluation and adopting a greater than revenue-neutral property tax rate in FY 2020.
- Sales tax revenues increased \$129,000, or 4%, despite a decrease in growth from March through May as a result of the COVID-19 pandemic. This year-over-year growth was due to an increase in tourism, overall economic activity, and an increase in online sales tax collected statewide prior to the pandemic.
- Several other revenue sources decreased with the outbreak of the COVID-19 pandemic due to program cancellations and public facility closures. Fair Barn facility rental fees, recreation fees, and athletic program fees were \$131,000, or 35%, lower than the previous year.
- Investment income was also impacted by the pandemic as interest rates dropped near 0% by the end of March. This revenue source decreased by \$95,000 compared with the prior year.
- Miscellaneous revenue increased with the return of \$1 million previously contributed by the Village to the Given Memorial Library capital expansion campaign after required fundraising efforts were not met.
- Building permits & inspection fees and planning and zoning fees increased by \$130,000, or 29%, due to increased single-family home construction and overall development across the Village.
- Actual operating and capital expenditures were lower than expected.

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 \$131,000, or 0.6%. The primary revenues that came in above estimated budget amounts were ad valorem taxes, unrestricted intergovernmental revenues, and restricted intergovernmental revenues. Ad valorem taxes were \$75,000 above budget due to an increase in the property tax base. Unrestricted intergovernmental revenues were \$128,000 above budget, primarily due to increased local option sales taxes received before the impacts of COVID-19. Restricted intergovernmental revenues were \$66,000 above budget, due to a few unanticipated grants received this year. However, sales and services revenues were \$177,000 below budget due to program cancellations and facility closures resulting from the COVID-19 pandemic.

Total expenditures were \$3,988,000, or 18.5%, less than originally budgeted amounts. Expenditures were less than budgeted amounts for the following significant items: (1) a contingency appropriation of \$1 million was used as a budgetary technique to return the \$1 million from the Given Memorial Library capital campaign trust account to fund balance with no intentions of expending these funds in FY 2020, (2) contracted and professional services of \$501,000 were lower than expected, (3) salaries and benefits were \$866,000 lower due to employee vacancies related to turnover, and (4) capital expenditures were \$1,077,000 below budget due primarily to a rescue truck that was on order at year-end and funding planned for two parcels of land that were not purchased by year-end. Other smaller projects and capital items were delayed for various reasons. Several of these items have been reappropriated in fiscal year 2021.

As a result of the variances in revenues and expenditures outlined above, fund balance in the General Fund increased by \$3,357,297 at June 30, 2020. This resulted in the General Fund reporting fund balance of \$11,229,270, a 42.7% increase from the previous year. The two primary reasons for the increase in fund balance was the return of \$1 million from the Given Memorial Library capital campaign account and unfinished capital and operating items that were reappropriated in FY 2021. The amount reappropriated to complete these items was \$1,057,000, which included \$425,000 for a rescue truck that was on order at year end. Another contributing factor was reduced operating expenditures as a result of the COVID-19 pandemic. For example, special event, athletic program and recreation program cancellations resulted in lower operating and part-time staffing costs in the Recreation Department. In other departments, projects that were planned for the year simply did not occur due to difficulty obtaining vendors or other delays because of the pandemic.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets for its governmental activities as of June 30, 2020, totals \$27,154,218 (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.

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Management's Discussion and Analysis
June 30, 2020**

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

- Cannon Park Community Center construction in progress, including additional building design costs of \$33,000 and construction costs of \$2,257,000
- Automated solid waste vehicle replacement costing \$198,000
- Routine replacement of five Police vehicles costing \$189,000
- Donated streets, right-of-ways, and sidewalks of \$482,000

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

	Governmental Activities	Governmental Activities
	2020	2019
Land	\$ 6,264,298	\$ 6,232,258
Right of Ways	519,298	315,713
Buildings and Improvements	6,541,258	7,228,108
Furniture and Equipment	982,268	1,037,266
Vehicles	2,827,320	2,865,041
Infrastructure	5,294,416	5,042,825
Construction in Progress	4,725,360	2,411,690
Total	<u>\$ 27,154,218</u>	<u>\$ 25,132,901</u>

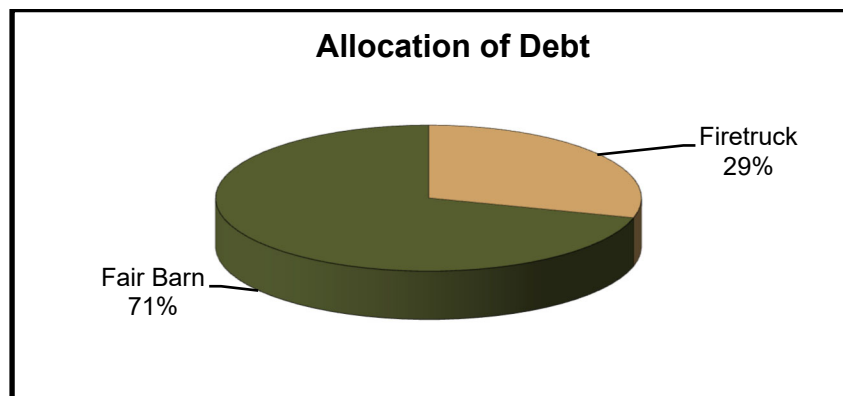
Additional information on the Village's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-Term Debt

As of June 30, 2020, the Village had total outstanding debt of \$141,600 in direct borrowing installment purchase agreements collateralized by the assets that are financed. During fiscal year 2020, the Village's total debt decreased by \$298,687, or 68%, due to principal payments as detailed in Note 9.

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

	Governmental Activities	Governmental Activities
	2020	2019
Direct Borrowing Installment Purchase Agreements		
Fire Station	\$ -	\$ 166,666
Fair Barn	100,000	150,000
Firetrucks	41,600	123,621
Total	<u>\$ 141,600</u>	<u>\$ 440,287</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 \$299,969,676.

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:

- **COVID-19 pandemic:** The COVID-19 coronavirus pandemic reached North Carolina in March 2020 and continues to affect our community. Several revenue sources have declined as a result of the pandemic, including local option sales tax revenues, investment income as the Federal Reserve reduced interest rates to near 0%, facility rental revenues as reduced gathering sizes prevent large events, and recreation and athletic programming fees also due to gathering restrictions. We have anticipated some continued revenue decreases in the upcoming budget year; however, in some cases, these revenue reductions will be offset by a decrease in related expenditures. Also, in preparing the FY 2021 Budget this year, Village Council identified several projects to defer by at least one quarter until the financial impact of COVID-19 is clearer.
- **Sales tax revenues:** Sales tax distributions decreased in March through May 2020 due to the impacts of COVID-19. North Carolina's Governor issued a statewide stay-at-home order in March, which lasted two months. However, once the orders began to lift, the economy saw increases in consumer spending, and June's sales tax collections were significantly higher than last year. Despite the decreases from March to May, overall annual sales tax revenues increased for the fiscal year, and we are anticipating stable sales tax revenue for the upcoming budget year.
- **New home construction:** The Village added 189 new homes in FY 2020 compared to 122 and 144 in fiscal years 2019 and 2018, respectively. This is the highest number of new homes we have seen since the Great Recession. We project approximately 100 homes to be built in FY 2021 due to the depletion of buildable lots within Village limits and the unknown economic effects of the pandemic on new construction. The steady growth experienced over the past three 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 three years.
- **Growth and development:** With population increasing and development continuing, the Village is focusing more resources to address the regulatory and infrastructure needs of the community, including investing in stormwater maintenance projects. Also, the newly adopted 2019 Comprehensive Plan recommended many strategies to address current and projected growth in the Village. These strategies were integrated into the Village's Strategic Operating Plan process. In the FY 2021 Budget, funding was incorporated for the development of a small area plan for the Village Place/Rattlesnake Trail corridor and Pinehurst South/Highway 5 commercial area. Funding for a new Transportation Planner, who will provide consolidated transportation planning services for the Village was also included.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities

Revenues of the Village are expected to decrease by 5.6% overall for FY 2021. This is primarily due to the one-time return of \$1 million from the Given Memorial Library capital campaign in FY 2020. Property tax revenues are expected to increase by 1.9% due to tax base growth. For FY 2021, the Village adopted an ad valorem tax rate of \$0.30 per \$100 valuation, the same as the previous year.

Budgeted expenditures in the General Fund are estimated to be \$21,261,917, a decrease of 2.8%. This decrease is due to the \$1 million contingency funding appropriation in FY 2020 that was used as a budgetary technique to return the \$1 million from the library capital campaign to fund balance. Debt service expenditures also continue to decrease as the Village pays down its remaining debt obligations.

In fiscal year 2021, the Village adopted its eighth 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 financial forecast that is inclusive of 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 2021 Strategic Operating Plan to achieve that mission. The goals are as follows: (1) safeguard the community, (2) promote high quality development and appearance, (3) promote a thriving business community, (4) promote transportation mobility and connectivity, (5) protect the environment, (6) promote active living and cultural opportunities, (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 2021 Strategic Operating Plan to address these goals include:

- Update the Pinehurst Development Ordinance
- Small area plan for Village Place/Rattlesnake Trail corridor and Pinehurst South/Highway 5 commercial area
- Develop a comprehensive storm water master plan

Total capital outlays of \$2,223,200 are up 20% compared to the previous fiscal year. The significant capital items included for FY 2021 are as follows:

- Fire pumper tanker replacement (\$625,000)
- Three police vehicle replacements (\$120,000)
- Stormwater drainage projects (\$170,000)
- Construction of pedestrian facilities (\$250,000)
- Magnolia Road streetscape improvements (\$250,000)
- Garbage truck replacement (\$210,000)

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.

BASIC FINANCIAL STATEMENTS

Village of Pinehurst, North Carolina
Statement of Net Position
June 30, 2020

Exhibit 1

Assets	Governmental Activities
Current assets:	
Cash and cash equivalents	\$ 10,856,052
Taxes receivables (net)	12,663
Special assessments receivable	5,179
Other receivables	21,585
Due from other governments	1,815,630
Inventories	44,098
Prepaid items	42,602
Total unrestricted current assets	<u>12,797,809</u>
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land and non-depreciable improvements	6,264,298
Construction in progress	4,725,360
Right of ways	519,298
Buildings and improvements	6,541,258
Furniture and equipment	982,268
Vehicles	2,827,320
Infrastructure	5,294,416
Total capital assets	<u>27,154,218</u>
Total assets	<u>39,952,027</u>
Deferred Outflows of Resources	
Pension deferrals	1,941,830
Total deferred outflows of resources	<u>1,941,830</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	1,299,506
Accrued interest payable	1,681
Long-term liabilities due within one year	534,119
Total current liabilities	<u>1,835,306</u>
Long-term liabilities:	
Long-term liabilities due in more than one year	4,310,984
Total liabilities	<u>6,146,290</u>
Deferred Inflows of Resources	
Pension deferrals	75,126
Total deferred inflows of resources	<u>75,126</u>
Net Position	
Net investment in capital assets	27,012,618
Restricted for:	
Stabilization by state statute	2,233,881
Unrestricted	6,425,942
Total net position	<u>\$ 35,672,441</u>

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

Village of Pinehurst, North Carolina
Statement of Activities
Fiscal Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 2,967,823	\$ 22,036	\$ 19,293	\$ 69,924	\$ (2,856,570)
Public safety	6,832,478	683,710	41,474	-	(6,107,294)
Transportation	3,249,759	-	508,052	447,052	(2,294,655)
Economic and physical development	844,251	261,564	-	-	(582,687)
Environmental protection	1,808,078	-	12,940	-	(1,795,138)
Cultural and recreation	2,964,665	519,952	-	-	(2,444,713)
Interest on long-term debt	9,203	-	-	-	(9,203)
Total governmental activities	\$ 18,676,257	\$ 1,487,262	\$ 581,759	\$ 516,976	(16,090,260)
General revenues:					
					11,249,478
Ad valorem taxes					6,151,373
Unrestricted intergovernmental					171,964
Investment earnings					1,286,602
Miscellaneous					
					<u>18,859,417</u>
					<u>2,769,157</u>
					32,903,284
					<u>\$ 35,672,441</u>

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

Village of Pinehurst, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3

	Major Funds		Total Governmental Funds
	General Fund	Community Center Capital Project Fund	
Assets			
Cash and cash equivalents	\$ 10,480,331	\$ 375,721	\$ 10,856,052
Receivables, net:			
Taxes	12,663	-	12,663
Special assessments	5,179	-	5,179
Other	21,585	-	21,585
Due from other governments	1,815,630	-	1,815,630
Inventories	44,098	-	44,098
Prepaid items	42,602	-	42,602
	<u>12,422,088</u>	<u>375,721</u>	<u>12,797,809</u>
Total assets	<u>\$ 12,422,088</u>	<u>\$ 375,721</u>	<u>\$ 12,797,809</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 425,416	\$ 126,347	\$ 551,763
Withholdings and accrued expenditures	479,087	-	479,087
Deposits	268,656	-	268,656
	<u>1,173,159</u>	<u>126,347</u>	<u>1,299,506</u>
Total liabilities	<u>1,173,159</u>	<u>126,347</u>	<u>1,299,506</u>
Deferred inflows of resources:			
Unavailable revenues	19,659	-	19,659
	<u>19,659</u>	<u>-</u>	<u>19,659</u>
Total deferred inflows of resources	<u>19,659</u>	<u>-</u>	<u>19,659</u>
Fund balances:			
Nonspendable:			
Inventory	44,098	-	44,098
Prepaid items	42,602	-	42,602
Restricted:			
Stabilization by state statute	2,233,881	-	2,233,881
Committed:			
Cultural and recreation	-	249,374	249,374
Assigned:			
Subsequent year's expenditures	1,603,467	-	1,603,467
Unassigned	7,305,222	-	7,305,222
	<u>11,229,270</u>	<u>249,374</u>	<u>11,478,644</u>
Total fund balances	<u>11,229,270</u>	<u>249,374</u>	<u>11,478,644</u>
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 12,422,088</u>	<u>\$ 375,721</u>	<u>\$ 12,797,809</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, 2020

Exhibit 4

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

Total fund balance, governmental funds		\$ 11,478,644
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 51,202,629	
Accumulated depreciation	<u>(24,048,411)</u>	27,154,218
Deferred outflows of resources related to pensions are not reported in the funds		1,941,830
Liabilities for earned revenues considered deferred inflows of resources in the fund statements:		
Taxes receivable	12,663	
Other receivables	1,817	
Assessments receivable	<u>5,179</u>	19,659
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	(1,681)	
Compensated absences payable	(703,285)	
Net pension liability	(2,756,320)	
Total pension liability	(1,243,898)	
Installment purchases payable	<u>(141,600)</u>	(4,846,784)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(75,126)</u>
Net position of governmental activities		<u>\$ 35,672,441</u>

Village of Pinehurst, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2020

Exhibit 5

	Major Funds		Total Governmental Funds
	General Fund	Community Center Capital Project Fund	
Revenues			
Ad valorem taxes	\$ 11,261,143	\$ -	\$ 11,261,143
Golf cart licenses	3,215	-	3,215
Unrestricted intergovernmental	6,151,373	-	6,151,373
Restricted intergovernmental	577,505	-	577,505
Permits and fees	938,780	-	938,780
Sales and services	543,264	-	543,264
Investment earnings	159,539	19,679	179,218
Assessment income	26,103	-	26,103
Miscellaneous	1,267,184	-	1,267,184
Total revenues	<u>20,928,106</u>	<u>19,679</u>	<u>20,947,785</u>
Expenditures			
Current:			
General government	2,511,205	-	2,511,205
Public safety	6,386,218	-	6,386,218
Transportation	3,129,937	-	3,129,937
Economic and physical development	813,014	-	813,014
Environmental protection	1,828,660	-	1,828,660
Cultural and recreation	2,610,360	2,290,763	4,901,123
Debt service:			
Principal	298,687	-	298,687
Interest and other charges	12,146	-	12,146
Total expenditures	<u>17,590,227</u>	<u>2,290,763</u>	<u>19,880,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,337,879</u>	<u>(2,271,084)</u>	<u>1,066,795</u>
Other Financing Sources			
Sales of capital assets	19,418	-	19,418
Total other financing sources	<u>19,418</u>	<u>-</u>	<u>19,418</u>
Net change in fund balance	3,357,297	(2,271,084)	1,086,213
Fund balances, beginning	<u>7,871,973</u>	<u>2,520,458</u>	<u>10,392,431</u>
Fund balances, ending	<u>\$ 11,229,270</u>	<u>\$ 249,374</u>	<u>\$ 11,478,644</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, 2020

Exhibit 6

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

Net changes in fund balances - total governmental funds	\$	1,086,213
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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	\$ 3,233,696	
Depreciation expense	<u>(1,726,355)</u>	1,507,341

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	671,779
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Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities	105,584
--	---------

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

Donated assets received	513,976	
Gain on disposal of assets	19,418	
Proceeds from disposal of assets	<u>(19,418)</u>	513,976

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

Special assessment payments	(26,103)	
Change in other deferred inflows	2,003	
Change in deferred tax inflows	<u>(11,665)</u>	(35,765)

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	298,687
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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	2,943	
Compensated absences	(46,497)	
Pension expense	<u>(1,335,104)</u>	<u>(1,378,658)</u>

Total changes in net position of governmental activities	<u>\$ 2,769,157</u>
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General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
Year Ended June 30, 2020

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 11,186,000	\$ 11,281,000	\$ 11,261,143	\$ (19,857)
Golf cart licenses	1,500	1,500	3,215	1,715
Unrestricted intergovernmental	6,023,300	6,313,300	6,151,373	(161,927)
Restricted intergovernmental	511,100	546,099	577,505	31,406
Permits and fees	925,700	911,700	938,780	27,080
Sales and services	720,700	675,700	543,264	(132,436)
Investment earnings	180,000	189,000	159,539	(29,461)
Assessments	24,200	24,200	26,103	1,903
Miscellaneous	1,224,880	1,237,205	1,267,184	29,979
Total revenues	20,797,380	21,179,704	20,928,106	(251,598)
Expenditures:				
Current:				
General government	2,759,362	2,733,922	2,511,205	222,717
Public safety	7,512,012	7,642,606	6,386,218	1,256,388
Transportation	3,724,845	3,788,485	3,129,937	658,548
Economic and physical development	1,170,688	1,205,308	813,014	392,294
Environmental protection	1,931,473	1,953,973	1,828,660	125,313
Cultural and recreation	3,167,840	3,252,700	2,610,360	642,340
Contingency	1,000,000	1,000,000	-	1,000,000
Debt service:				
Principal retirement	298,699	298,699	298,687	12
Interest and fees	13,428	13,428	12,146	1,282
Total expenditures	21,578,347	21,889,121	17,590,227	4,298,894
Excess (deficiency) of revenues over (under) expenditures	(780,967)	(709,417)	3,337,879	4,047,296
Other Financing Sources (Uses):				
Sales of capital assets	25,000	25,000	19,418	(5,582)
Total other financing sources	25,000	25,000	19,418	(5,582)
Fund balance appropriated	755,967	684,417	-	(684,417)
Net change in fund balances	\$ -	\$ -	3,357,297	\$ 3,357,297
Fund balances, beginning			7,871,973	
Fund balances, ending			\$ 11,229,270	

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Village of Pinehurst is a municipal corporation that 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, 2020, 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.

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

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.

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

Expenditures may not legally exceed appropriations at the object level for the General Fund (e.g. operating expenditures and capital outlay) and the object level for the capital project fund. 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. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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.

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, 2019.

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

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. 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</u>
Right of ways	40 years
Infrastructure	20 to 40 years
Buildings and improvements	20 years
Furniture and equipment	3 to 10 years
Vehicles	4 to 20 years

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 one item that meets this criterion: pension deferrals for the 2020 fiscal year.

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

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.

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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 Cannon Park Community Center.

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.

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.

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 collateralizes 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.

At June 30, 2020, the Village's deposits had a carrying amount of \$194,853. The cash balance in the bank at June 30, 2020 totaled \$246,224. All of the bank balance was covered by federal depository insurance, thus none was covered by collateral held under the Pooling Method. At June 30, 2020, the Village's petty cash fund totaled \$1,250.

B. Investments

At June 30, 2020, the Village's investment balances were as follows:

	<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust	Government Portfolio	Fair Value Level 1	\$ 2,320,080	N/A	AAAm
NC Capital Management Trust	Term Portfolio	Fair Value Level 1	<u>8,339,869</u>	0.15 years	Unrated
Total			<u>\$ 10,659,949</u>		

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

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, 2020. 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.

3. Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

	<u>General</u>
Other receivables:	
Harness Track stall rent	\$ 1,458
Harness Track events	288
Planning and Inspections fines	<u>54</u>
Total	<u>\$ 1,800</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, 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	\$ 6,232,258	\$ 35,920	\$ (3,880)	\$ 6,264,298
Construction in progress	<u>2,411,690</u>	<u>2,324,670</u>	<u>(11,000)</u>	<u>4,725,360</u>
Total capital assets not being depreciated	<u>8,643,948</u>	<u>2,360,590</u>	<u>(14,880)</u>	<u>10,989,658</u>
Capital assets being depreciated:				
Right of ways	347,300	214,955	-	562,255
Buildings and improvements	22,203,135	155,698	-	22,358,833
Furniture and equipment	3,652,043	212,220	(43,030)	3,821,233
Vehicles	6,427,230	404,128	(118,976)	6,712,382
Infrastructure	<u>6,343,307</u>	<u>414,961</u>	<u>-</u>	<u>6,758,268</u>
Total	<u>38,973,015</u>	<u>1,401,962</u>	<u>(162,006)</u>	<u>40,212,971</u>

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Right of ways	\$ 31,587	\$ 11,370	\$ -	\$ 42,957
Buildings and improvements	14,975,027	842,548	-	15,817,575
Furniture and equipment	2,614,777	267,218	(43,030)	2,838,965
Vehicles	3,562,189	441,849	(118,976)	3,885,062
Infrastructure	<u>1,300,482</u>	<u>163,370</u>	<u>-</u>	<u>1,463,852</u>
Total	<u>22,484,062</u>	<u>1,726,355</u>	<u>(162,006)</u>	<u>24,048,411</u>
Total capital assets being depreciated, net	<u>16,488,953</u>	<u>(324,393)</u>	<u>-</u>	<u>16,164,560</u>
Governmental activity capital assets, net	<u>\$ 25,132,901</u>	<u>\$ 2,036,197</u>	<u>\$ (14,880)</u>	<u>\$ 27,154,218</u>

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

General government	\$ 267,381
Public safety	444,573
Transportation	409,715
Environmental protection	151,388
Cultural and recreation	<u>453,298</u>
Total depreciation expense	<u>\$ 1,726,355</u>

Construction and Other Capital-Related Commitments. The Village has active construction projects and other capital related commitments as of June 30, 2020. The projects include the construction of the Cannon Park Community Center and the purchase of a replacement rescue truck. At June 30, 2020, the Village's commitments with contractors and vendors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Community center construction	\$ 4,241,331	\$ 54,502
Rescue truck	<u>-</u>	<u>398,483</u>
Total	<u>\$ 4,241,331</u>	<u>\$ 452,985</u>

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

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.

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, 2020, was 9.70% of compensation for law enforcement officers and 9.01% 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 \$671,779 for the year ended June 30, 2020.

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the Village reported a liability of \$2,756,320 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Village's proportion was 0.101%, which was a decrease of 0.004% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Village recognized pension expense of \$1,217,618. At June 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 471,952	\$ -
Changes in assumptions	449,234	-
Net difference between projected and actual earnings on pension plan investments	67,231	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	-	45,454
Village contributions subsequent to the measurement date	<u>671,779</u>	<u>-</u>
Total	<u>\$ 1,660,196</u>	<u>\$ 45,454</u>

The \$671,779 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, 2021. 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:

2021	\$ 474,483
2022	140,653
2023	257,356
2024	70,471
2025	-
Thereafter	<u>-</u>
Total	<u>\$ 942,963</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

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, 2018 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, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 7.00%. 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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Village's proportionate share of the net pension liability (asset)	\$ 6,304,207	\$ 2,756,320	\$ (192,694)

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.

B. Law Enforcement Officers Special Separation Allowance

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, 2018 Valuation Date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>25</u>
Total	<u><u>29</u></u>

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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 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, 2019.

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

Change in Actuarial Assumptions. On the Prior Measurement Date (December 31, 2018), the Municipal Bond Index Rate, on which the discount rate is based, was 3.64%. Since the Prior Measurement Date, the Municipal Bond Index Rate has decreased to 3.26% as of the Measurement Date (December 31, 2019). This resulted in a \$32,858 increase in the Total Pension Liability.

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 \$85,851 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, 2020, the Village reported a total pension liability of \$1,243,898. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Village recognized pension expense of \$117,486.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 171,786	\$ 1,064
Changes in assumptions	52,577	28,608
Benefit payments and plan administrative expense made subsequent to the measurement date	57,271	-
Total	<u>\$ 281,634</u>	<u>\$ 29,672</u>

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

The \$57,271 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, 2021. 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:

2021	\$	43,036
2022		43,503
2023		44,524
2024		35,055
2025		28,573
Thereafter		-
Total	\$	<u>194,691</u>

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 3.26 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 (2.26 percent) or 1 percentage point higher (4.26 percent) than the current rate:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension liability	<u>\$ 1,335,796</u>	<u>\$ 1,243,898</u>	<u>\$ 1,159,770</u>

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

	<u>2020</u>
Beginning balance	\$ 1,025,925
Service Cost	38,255
Interest on the total pension liability	35,781
Differences between expected and actual experience in the measurement of the total pension liability	196,930
Changes of assumptions or other inputs	32,858
Benefit payments	<u>(85,851)</u>
Ending balance of the total pension liability	<u>\$ 1,243,898</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, 2018 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 Financial Statements
June 30, 2020

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	\$ 1,217,618	\$ 117,486	\$ 1,335,104
Pension liability	2,756,320	1,243,898	4,000,218
Proportionate share of the net pension liability	0.101%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	471,952	171,786	643,738
Changes in assumptions	449,234	52,577	501,811
Net difference between projected and actual earnings on plan investments	67,231	-	67,231
Benefit payments and administrative costs paid subsequent to the measurement date	671,779	57,271	729,050
Deferred Inflows of Resources			
Differences between expected and actual experience	-	1,064	1,064
Changes of assumptions	-	28,608	28,608
Changes in proportionate and differences between contributions and proportionate share of contributions	45,454	-	45,454

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, 2020 were \$131,006, which consisted of \$66,255 from the Village and \$64,751 from the law enforcement officers. Since the funds vest immediately, no amounts were forfeited.

D. Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan, available to all Village employees, permits them to defer a portion of their salary until future years. The Village established the plan and may amend it at its discretion. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Village currently contributes five percent for all regular employees to the plan. Contributions for the year ended June 30, 2020 were \$651,593, which consisted of \$295,762 from the Village and \$355,831 in voluntary contributions from employees. Since the funds vest immediately, no amounts were forfeited.

Village of Pinehurst, North Carolina
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June 30, 2020

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, 2020, the Village made contributions to the State for death benefits of \$3,550. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.06% 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.

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	\$ 671,779
Benefit payments to LEOSSA recipients in the current fiscal year	57,271
Difference between actual and expected experience	643,738
Changes in assumptions	501,811
Net difference between projected and actual earnings on pension plan investments	<u>67,231</u>
Total	<u>\$ 1,941,830</u>

Village of Pinehurst, North Carolina
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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	\$ -	\$ 12,663
Other receivables	-	1,817
Special assessments receivable	-	5,179
Changes in assumptions	28,608	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	45,454	-
Differences between expected and actual experience	<u>1,064</u>	<u>-</u>
Total	<u>\$ 75,126</u>	<u>\$ 19,659</u>

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 \$5 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.

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.

8. Claims, Judgments and Contingent Liabilities

At June 30, 2020, 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.

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

9. Long-Term Obligations

A. Installment Purchase

Long-term debt obligations of the Village consisted of the following at June 30, 2020:

\$1,000,000 direct borrowing 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	\$	100,000
\$550,000 direct borrowing 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>41,600</u>
	\$	<u>141,600</u>

Each of the direct borrowing installment purchases contracts related to the Fair Barn building and fire truck contain a provision that in an event of default, outstanding amounts become immediately due if the Village is unable to make payment. The direct borrowing installment purchase related to the fire truck also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire remaining debt to become immediately due if the lender determines that a material adverse change occurs in the Village's financial condition.

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 91,600	\$ 4,842
2022	<u>50,000</u>	<u>1,725</u>
	<u>\$ 141,600</u>	<u>\$ 6,567</u>

B. Changes in Long-Term Liabilities

At June 30, 2020, the Village had a legal debt margin of \$299,969,676.

The following is a summary of changes in the Village's long-term obligations for the fiscal year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Direct borrowing					
installment purchases	\$ 440,287	\$ -	\$ (298,687)	\$ 141,600	\$ 91,600
Compensated absences	656,788	459,759	(413,262)	703,285	442,519
Net pension liability (LGERS)	2,480,521	275,799	-	2,756,320	-
Total pension liability (LEO)	<u>1,025,925</u>	<u>217,973</u>	<u>-</u>	<u>1,243,898</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>\$ 4,603,521</u>	<u>\$ 953,531</u>	<u>\$ (711,949)</u>	<u>\$ 4,845,103</u>	<u>\$ 534,119</u>

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

Village of Pinehurst, North Carolina
Notes to Financial Statements
June 30, 2020

10. Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 27,154,218
Less: Long-term debt	<u>(141,600)</u>
Net investment in capital assets	<u>\$ 27,012,618</u>

11. Fund Balance

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

Total fund balance - General Fund	\$ 11,229,270
Less:	
Inventories	44,098
Prepaid items	42,602
Stabilization by state statute	2,233,881
Appropriated fund balance in 2021 Budget	1,603,467
Fund balance policy minimum	<u>2,638,534</u>
Remaining fund balance	<u>\$ 4,666,688</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, 2020, the General Fund's unassigned fund balance of \$7,305,222 represents 42% of General Fund actual expenditures which is well above the policy minimum. Total fund balance was 51% 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>
	\$398,483	\$54,502

12. Summary Disclosure of Significant Contingencies

A. Employment Security Benefits

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

B. Federal and State-Assisted Programs

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

13. Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic. The extent of the impact on operating and financial performance will depend on certain developments, including the duration and spread of the outbreak. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

14. Joint Ventures

The Village and the members of the Village's fire department each appoint two members to the five-member local board of trustees for the Firefighters' Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighters' Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighters' Relief Fund. These distributions are used to assist fire fighters in various ways. The local board of the Firefighters' Relief Fund received a distribution of \$22,264 from the State Insurance Commissioner's office for the fiscal year ended June 30, 2020. 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, 2020. 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

Required Supplementary Information (“RSI”) is not a required part of the basic financial statements but is information required by the Governmental Accounting Standards Board.

- Schedule of the Proportionate Share of the 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

Management’s Discussion and Analysis is also RSI. It is presented immediately before the basic financial statements.

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

RSI-1

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pinehurst's proportion of the net pension liability (asset) (%)	0.1009%	0.1046%	0.1062%	0.1073%	0.1094%	0.1083%	0.1077%
Pinehurst's proportion of the net pension liability (asset) (\$)	\$ 2,756,320	\$ 2,480,521	\$ 1,621,831	\$ 2,278,539	\$ 490,982	\$ (638,460)	\$ 1,298,199
Pinehurst's covered payroll	\$ 6,857,080	\$ 6,610,895	\$ 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 payroll	40.20%	37.52%	24.77%	35.71%	7.82%	(10.6%)	22.65%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	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 Seven Fiscal Years*

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 671,779	\$ 549,872	\$ 514,302	\$ 489,064	\$ 424,359	\$ 445,138	\$ 434,315
Contributions in relation to the contractually required contribution	<u>671,779</u>	<u>549,872</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Pinehurst's covered payroll	\$ 7,275,196	\$ 6,857,080	\$ 6,610,895	\$ 6,548,274	\$ 6,380,220	\$ 6,280,547	\$ 6,025,207
Contributions as a percentage of covered payroll	9.23%	8.02%	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

RSI-3

Law Enforcement Officers' Special Separation Allowance - Last Four Fiscal Years*
Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,025,925	\$ 1,034,234	\$ 943,908	\$ 951,629
Service cost	38,255	38,687	30,672	33,042
Interest on the total pension liability	35,781	31,998	35,521	33,003
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	196,930	(1,618)	19,179	-
Changes of assumptions or other inputs	32,858	(34,095)	52,287	(19,441)
Benefit payments	(85,851)	(43,281)	(47,333)	(54,325)
Other changes	-	-	-	-
Ending balance of the total pension liability **	<u>\$ 1,243,898</u>	<u>\$ 1,025,925</u>	<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.

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officers' Special Separation Allowance - Last Four Fiscal Years*

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability **	\$ 1,243,898	\$ 1,025,925	\$ 1,034,234	\$ 943,908
Covered payroll	1,384,357	1,336,348	1,269,779	1,313,290
Total pension liability as a percentage of covered payroll	89.85%	76.77%	81.45%	71.87%

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

** 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 Balance - Budget and Actual - General Fund
-

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Fiscal Year Ended June 30, 2020 with Comparative Actual Amounts
for Fiscal Year Ended June 30, 2019

Schedule 1
(4 pages)

	2020		Variance Positive (Negative)	2019
	Final Budget	Actual		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 11,276,000	\$ 11,251,875	\$ (24,125)	\$ 10,335,802
Penalties and interest	5,000	9,268	4,268	13,807
	<u>11,281,000</u>	<u>11,261,143</u>	<u>(19,857)</u>	<u>10,349,609</u>
Other licenses:				
Golf cart licenses	1,500	3,215	1,715	2,850
Total	<u>1,500</u>	<u>3,215</u>	<u>1,715</u>	<u>2,850</u>
Unrestricted intergovernmental:				
Local option sales tax	3,882,000	3,762,600	(119,400)	3,634,067
Telecommunications sales tax	78,000	70,147	(7,853)	80,296
Utilities sales tax	1,044,000	1,038,805	(5,195)	1,044,491
Video programming	283,000	263,094	(19,906)	282,850
Hold harmless reimbursements	953,000	943,179	(9,821)	899,279
Wine and beer tax	73,300	73,548	248	72,391
Total	<u>6,313,300</u>	<u>6,151,373</u>	<u>(161,927)</u>	<u>6,013,374</u>
Restricted intergovernmental:				
Powell Bill allocation	498,000	501,098	3,098	498,488
Controlled substance tax	1,500	1,390	(110)	3,843
Highway safety grant	34,999	34,999	-	-
FEMA disaster relief grant	-	-	-	332,164
Coronavirus relief funds	-	17,793	17,793	-
Other grants	-	9,285	9,285	11,186
Solid waste disposal tax	11,600	12,940	1,340	12,448
Total	<u>546,099</u>	<u>577,505</u>	<u>31,406</u>	<u>858,129</u>
Permits and fees:				
Building permits and inspection fees	250,000	313,305	63,305	372,950
Planning and zoning fees	300,000	261,167	(38,833)	71,933
Fire district	360,000	360,065	65	338,612
Other permits and fees	1,700	4,243	2,543	11,275
Total	<u>911,700</u>	<u>938,780</u>	<u>27,080</u>	<u>794,770</u>
Sales and services:				
Rents, concessions and fees	513,200	456,110	(57,090)	547,250
Recreation fees	162,500	87,154	(75,346)	142,693
Total	<u>675,700</u>	<u>543,264</u>	<u>(132,436)</u>	<u>689,943</u>
Investment earnings:				
Investment income	189,000	159,539	(29,461)	254,921
Assessments	24,200	26,103	1,903	29,371

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Fiscal Year Ended June 30, 2020 with Comparative Actual Amounts
for Fiscal Year Ended June 30, 2019

Schedule 1
(4 pages)

	2020		Variance Positive (Negative)	2019
	Final Budget	Actual		
Miscellaneous:				
ABC revenue	\$ 157,700	\$ 159,430	\$ 1,730	\$ 166,697
Library Contribution	1,006,000	1,006,803	803	-
Donations	28,180	32,585	4,405	69,310
Other revenues	45,325	68,366	23,041	46,738
Total	<u>1,237,205</u>	<u>1,267,184</u>	<u>29,979</u>	<u>282,745</u>
Total revenues	<u>21,179,704</u>	<u>20,928,106</u>	<u>(251,598)</u>	<u>19,275,712</u>
Expenditures:				
General government:				
Governing body:				
Operating expenditures	147,150	119,681	27,469	107,832
Total	<u>147,150</u>	<u>119,681</u>	<u>27,469</u>	<u>107,832</u>
Administration:				
Operating expenditures	1,389,840	1,293,102	96,738	1,157,493
Capital outlay	21,792	19,193	2,599	66,124
Total	<u>1,411,632</u>	<u>1,312,295</u>	<u>99,337</u>	<u>1,223,617</u>
Financial services:				
Operating expenditures	684,180	662,076	22,104	591,301
Capital outlay	880	794	86	1,680
Total	<u>685,060</u>	<u>662,870</u>	<u>22,190</u>	<u>592,981</u>
Human resources:				
Operating expenditures	488,980	415,366	73,614	404,535
Capital outlay	1,100	993	107	2,940
Total	<u>490,080</u>	<u>416,359</u>	<u>73,721</u>	<u>407,475</u>
Total general government	<u>2,733,922</u>	<u>2,511,205</u>	<u>222,717</u>	<u>2,331,905</u>
Public safety:				
Police:				
Operating expenditures	3,362,147	3,039,289	322,858	3,007,772
Capital outlay	242,397	224,548	17,849	75,265
Total	<u>3,604,544</u>	<u>3,263,837</u>	<u>340,707</u>	<u>3,083,037</u>
Fire:				
Operating expenditures	3,083,177	2,794,949	288,228	2,657,857
Capital outlay	636,423	26,009	610,414	86,374
Total	<u>3,719,600</u>	<u>2,820,958</u>	<u>898,642</u>	<u>2,744,231</u>
Inspections:				
Operating expenditures	317,890	300,904	16,986	224,666
Capital outlay	572	519	53	1,058
Total	<u>318,462</u>	<u>301,423</u>	<u>17,039</u>	<u>225,724</u>
Total public safety	<u>7,642,606</u>	<u>6,386,218</u>	<u>1,256,388</u>	<u>6,052,992</u>

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Fiscal Year Ended June 30, 2020 with Comparative Actual Amounts
for Fiscal Year Ended June 30, 2019

Schedule 1
(4 pages)

	2020		Variance Positive (Negative)	2019
	Final Budget	Actual		
Transportation:				
Public services administration:				
Operating expenditures	\$ 561,270	\$ 520,334	\$ 40,936	\$ 414,064
Capital outlay	73,781	49,451	24,330	53,454
Total	<u>635,051</u>	<u>569,785</u>	<u>65,266</u>	<u>467,518</u>
Streets and grounds:				
Operating expenditures	1,561,000	1,283,397	277,603	1,707,489
Capital outlay	420,309	268,372	151,937	350,416
Total	<u>1,981,309</u>	<u>1,551,769</u>	<u>429,540</u>	<u>2,057,905</u>
Powell Bill:				
Operating expenditures	1,172,125	1,008,383	163,742	1,099,936
Total	<u>1,172,125</u>	<u>1,008,383</u>	<u>163,742</u>	<u>1,099,936</u>
Total transportation	<u>3,788,485</u>	<u>3,129,937</u>	<u>658,548</u>	<u>3,625,359</u>
Economic and physical development:				
Planning:				
Operating expenditures	835,730	685,781	149,949	825,546
Capital outlay	928	843	85	2,331
Total	<u>836,658</u>	<u>686,624</u>	<u>150,034</u>	<u>827,877</u>
Community development:				
Operating expenditures	168,430	126,191	42,239	182,478
Capital outlay	200,220	199	200,021	420
Total	<u>368,650</u>	<u>126,390</u>	<u>242,260</u>	<u>182,898</u>
Total economic and physical development	<u>1,205,308</u>	<u>813,014</u>	<u>392,294</u>	<u>1,010,775</u>
Environmental protection:				
Solid waste:				
Operating expenditures	1,747,030	1,624,072	122,958	1,503,478
Capital outlay	206,943	204,588	2,355	7,457
Total	<u>1,953,973</u>	<u>1,828,660</u>	<u>125,313</u>	<u>1,510,935</u>
Total environmental protection	<u>1,953,973</u>	<u>1,828,660</u>	<u>125,313</u>	<u>1,510,935</u>
Cultural and recreation:				
Recreation:				
Operating expenditures	1,883,518	1,536,682	346,836	1,412,762
Capital outlay	53,431	46,489	6,942	190,273
Total	<u>1,936,949</u>	<u>1,583,171</u>	<u>353,778</u>	<u>1,603,035</u>

Village of Pinehurst, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Fiscal Year Ended June 30, 2020 with Comparative Actual Amounts
for Fiscal Year Ended June 30, 2019

Schedule 1
(4 pages)

	2020		Variance Positive (Negative)	2019
	Final Budget	Actual		
Library:				
Operating expenditures	\$ 195,000	\$ 179,290	\$ 15,710	\$ 125,000
Total	195,000	179,290	15,710	125,000
Harness track:				
Operating expenditures	583,600	439,306	144,294	508,837
Capital outlay	98,798	80,576	18,222	96,188
Total	682,398	519,882	162,516	605,025
Fair barn:				
Operating expenditures	375,790	307,658	68,132	288,542
Capital outlay	62,563	20,359	42,204	54,273
Total	438,353	328,017	110,336	342,815
Total cultural and recreation	3,252,700	2,610,360	642,340	2,675,875
Contingency:				
Operating expenditures	1,000,000	-	1,000,000	-
Debt service:				
Principal retirement	298,699	298,687	12	297,282
Interest and fees	13,428	12,146	1,282	21,770
Total	312,127	310,833	1,294	319,052
Total expenditures	21,889,121	17,590,227	4,298,894	17,526,893
Excess (deficiency) of revenues over (under) expenditures	(709,417)	3,337,879	4,047,296	1,748,819
Other financing sources (uses):				
Sales of capital assets	25,000	19,418	(5,582)	50,481
Transfers to other funds:				
Capital Project Fund	-	-	-	(4,569,165)
Total other financing sources	25,000	19,418	(5,582)	(4,518,684)
Fund balance appropriated	684,417	-	(684,417)	-
Net change in fund balance	\$ -	3,357,297	\$ 3,357,297	(2,769,865)
Fund balance, beginning		7,871,973		10,641,838
Fund balance, ending		\$ 11,229,270		\$ 7,871,973

COMMUNITY CENTER CAPITAL PROJECT FUND

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

- Schedule of Revenues, Expenditures, and Changes in Fund Balance – 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, 2020

Schedule 2

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Investment earnings	\$ -	\$ 7,983	\$ 19,679	\$ 27,662	\$ 27,662
Expenditures:					
Cultural and recreation:					
Design	344,000	293,694	33,301	326,995	17,005
Construction	4,569,165	2,106,996	2,257,462	4,364,458	204,707
Total expenditures	4,913,165	2,400,690	2,290,763	4,691,453	221,712
Revenues over (under) expenditures	(4,913,165)	(2,392,707)	(2,271,084)	(4,663,791)	249,374
Other Financing Sources:					
Transfers from other funds:					
General Fund	4,913,165	4,913,165	-	4,913,165	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,520,458</u>	(2,271,084)	<u>\$ 249,374</u>	<u>\$ 249,374</u>
Fund balance, beginning			2,520,458		
Fund balance, ending			<u>\$ 249,374</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, 2020

Schedule 3

	<u>2020</u>	<u>2019</u>
Governmental funds capital assets:		
Land	\$ 6,264,298	\$ 6,232,258
Right of ways	562,255	347,300
Buildings and improvements	22,358,833	22,203,135
Furniture, equipment, and vehicles	10,533,615	10,079,273
Infrastructure	6,758,268	6,343,307
Construction in progress	4,725,360	2,411,690
	<u>51,202,629</u>	<u>47,616,963</u>
Total governmental funds capital assets	<u>\$ 51,202,629</u>	<u>\$ 47,616,963</u>
Investment in governmental funds capital assets		
by source:		
General Fund	\$ 46,904,240	\$ 43,832,550
Donations	4,298,389	3,784,413
	<u>51,202,629</u>	<u>47,616,963</u>
Total governmental funds capital assets	<u>\$ 51,202,629</u>	<u>\$ 47,616,963</u>

Village of Pinehurst, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2020

Schedule 4

	<u>Land</u>	<u>Right of Ways</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Furniture, Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:								
General government								
Governing body	\$ 3,795,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,795,221
Administration	-	-	4,259,809	-	306,583	-	-	4,566,392
Financial services	-	-	-	-	135,259	-	-	135,259
Human resources	-	-	-	-	21,300	-	-	21,300
Information technology	-	-	-	28,388	349,027	-	-	377,415
Buildings and grounds	-	-	436,666	704,711	336,421	29,476	-	1,507,274
Fleet maintenance	25,170	-	81,456	-	246,093	-	-	352,719
	<u>3,820,391</u>	<u>-</u>	<u>4,777,931</u>	<u>733,099</u>	<u>1,394,683</u>	<u>29,476</u>	<u>-</u>	<u>10,755,580</u>
Public safety								
Police	-	-	2,718,612	-	1,247,778	-	-	3,966,390
Fire	161,074	-	3,342,769	-	2,718,676	-	-	6,222,519
Inspections	-	-	-	-	59,554	-	-	59,554
	<u>161,074</u>	<u>-</u>	<u>6,061,381</u>	<u>-</u>	<u>4,026,008</u>	<u>-</u>	<u>-</u>	<u>10,248,463</u>
Transportation								
Public services	66,210	-	1,204,792	-	158,790	-	-	1,429,792
Streets and grounds	-	562,255	5,118	1,588,228	2,023,367	5,410,148	-	9,589,116
Powell Bill	-	-	-	45,713	140,354	21,115	-	207,182
	<u>66,210</u>	<u>562,255</u>	<u>1,209,910</u>	<u>1,633,941</u>	<u>2,322,511</u>	<u>5,431,263</u>	<u>-</u>	<u>11,226,090</u>
Environmental protection								
Solid waste	-	-	-	-	1,611,527	-	-	1,611,527
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,611,527</u>	<u>-</u>	<u>-</u>	<u>1,611,527</u>
Cultural and recreation								
Recreation	760,373	-	327,098	3,233,926	544,580	1,028,643	-	5,894,620
Harness track	1,456,250	-	1,400,130	353,360	526,596	268,886	-	4,005,222
Fair barn	-	-	2,359,123	268,934	90,321	-	-	2,718,378
	<u>2,216,623</u>	<u>-</u>	<u>4,086,351</u>	<u>3,856,220</u>	<u>1,161,497</u>	<u>1,297,529</u>	<u>-</u>	<u>12,618,220</u>
Economic and physical development								
Planning	-	-	-	-	17,389	-	-	17,389
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,389</u>	<u>-</u>	<u>-</u>	<u>17,389</u>
Construction in progress								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,725,360</u>	<u>4,725,360</u>
	<u>\$ 6,264,298</u>	<u>\$ 562,255</u>	<u>\$ 16,135,573</u>	<u>\$ 6,223,260</u>	<u>\$ 10,533,615</u>	<u>\$ 6,758,268</u>	<u>\$ 4,725,360</u>	<u>\$ 51,202,629</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, 2020

Schedule 5

	<u>Capital Assets June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Capital Assets June 30, 2020</u>
Function and Activity					
General government					
Governing body	\$ 3,763,181	\$ 35,920	\$ (3,880)	\$ -	\$ 3,795,221
Administration	4,550,175	16,217	-	-	4,566,392
Financial services	135,259	-	-	-	135,259
Human resources	21,300	-	-	-	21,300
Information technology	357,558	19,857	-	-	377,415
Buildings and grounds maintenance	1,507,274	-	-	-	1,507,274
Fleet maintenance	335,282	17,437	-	-	352,719
	<u>10,670,029</u>	<u>89,431</u>	<u>(3,880)</u>	<u>-</u>	<u>10,755,580</u>
Public safety					
Police	3,869,436	213,304	(64,543)	(51,807)	3,966,390
Fire	6,201,078	21,441	-	-	6,222,519
Inspections	59,554	-	-	-	59,554
	<u>10,130,068</u>	<u>234,745</u>	<u>(64,543)</u>	<u>(51,807)</u>	<u>10,248,463</u>
Transportation					
Public services	1,381,315	48,477	-	-	1,429,792
Streets and grounds	8,876,523	712,593	-	-	9,589,116
Powell Bill	219,637	-	(12,455)	-	207,182
	<u>10,477,475</u>	<u>761,070</u>	<u>(12,455)</u>	<u>-</u>	<u>11,226,090</u>
Environmental protection					
Solid waste	1,468,029	197,931	(54,433)	-	1,611,527
	<u>1,468,029</u>	<u>197,931</u>	<u>(54,433)</u>	<u>-</u>	<u>1,611,527</u>
Cultural and recreation					
Recreation	5,794,945	44,868	-	54,807	5,894,620
Harness track	3,938,808	79,014	(12,600)	-	4,005,222
Fair barn	2,690,555	19,823	-	8,000	2,718,378
	<u>12,424,308</u>	<u>143,705</u>	<u>(12,600)</u>	<u>62,807</u>	<u>12,618,220</u>
Economic and physical development					
Planning	35,364	-	(17,975)	-	17,389
	<u>35,364</u>	<u>-</u>	<u>(17,975)</u>	<u>-</u>	<u>17,389</u>
Construction in progress	2,411,690	2,324,670	-	(11,000)	4,725,360
	<u>\$ 47,616,963</u>	<u>\$ 3,751,552</u>	<u>\$ (165,886)</u>	<u>\$ -</u>	<u>\$ 51,202,629</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, 2020

Schedule 6

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 11,256,701	\$ 11,247,972	\$ 8,729
2018 - 2019	10,853	-	8,713	2,140
2017 - 2018	2,129	-	1,331	798
2016 - 2017	79	-	-	79
2015 - 2016	87	-	-	87
2014 - 2015	199	-	-	199
2013 - 2014	1,166	-	1,112	54
2012 - 2013	708	-	637	71
2011 - 2012	814	-	731	83
2010 - 2011	8,293	-	7,870	423
	<u>\$ 24,328</u>	<u>\$ 11,256,701</u>	<u>\$ 11,268,366</u>	<u>\$ 12,663</u>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	<u>\$ 11,261,143</u>
Reconciling items:	
Interest collected and refunds	(9,268)
Refunds/reliefs	<u>16,491</u>
	<u>7,223</u>
Total collections and credits	<u>\$ 11,268,366</u>

Village of Pinehurst, North Carolina
Analysis of Current Tax Levy
June 30, 2020

Schedule 7

	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	\$ 3,744,461,146	\$ 0.300	\$ 11,229,838	\$ 10,530,257	\$ 699,581
Penalties	-		1,322	1,322	-
Total	<u>3,744,461,146</u>		<u>11,231,160</u>	<u>10,531,579</u>	<u>699,581</u>
Discoveries:					
Current year taxes	9,369,802	Various	26,295	26,295	-
Penalties	-		6,566	6,566	-
Total	<u>9,369,802</u>		<u>32,861</u>	<u>32,861</u>	<u>-</u>
Abatements	<u>(2,440,000)</u>		<u>(7,320)</u>	<u>(7,320)</u>	<u>-</u>
Total property valuation	<u><u>\$ 3,751,390,948</u></u>				
Net levy			11,256,701	10,557,120	699,581
Uncollected taxes at June 30			<u>(8,729)</u>	<u>(8,729)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 11,247,972</u>	<u>\$ 10,548,391</u>	<u>\$ 699,581</u>
Current levy collection percentage			99.92%	99.92%	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.

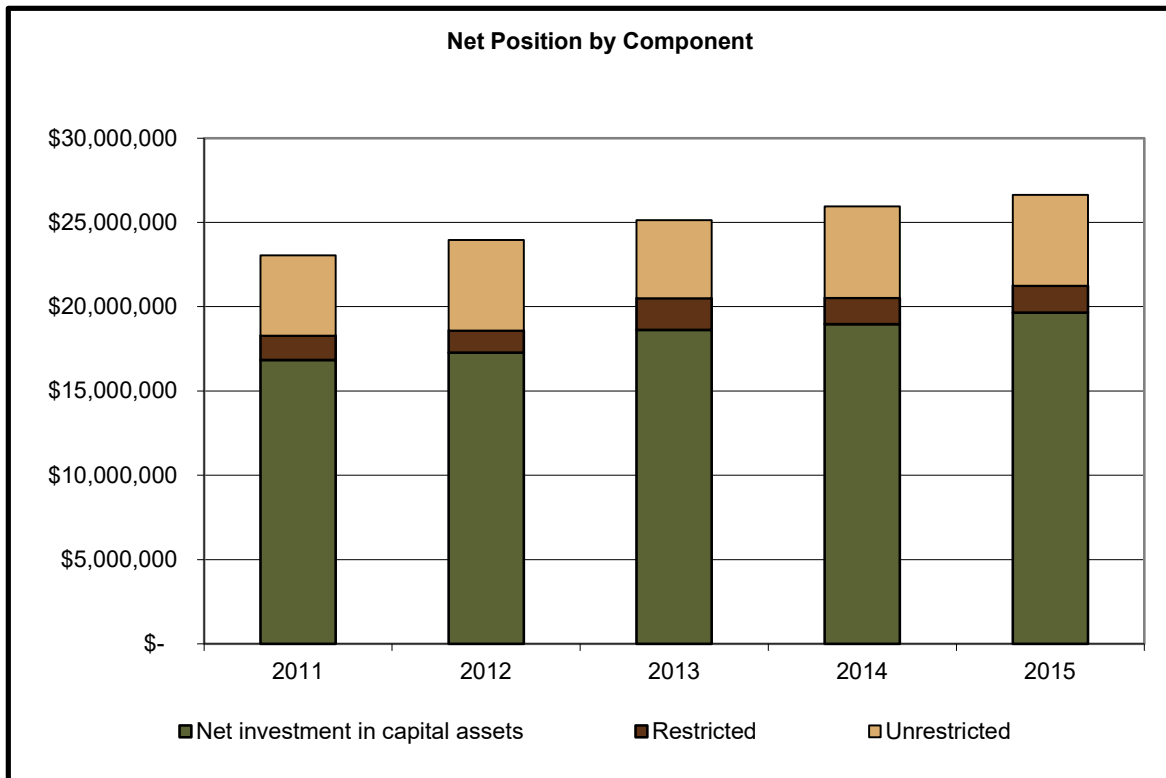
- **Financial Trends**
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.
- **Revenue Capacity**
These schedules contain information to help the reader assess the government's most significant local 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)**

**Table 1
(2 pages)**

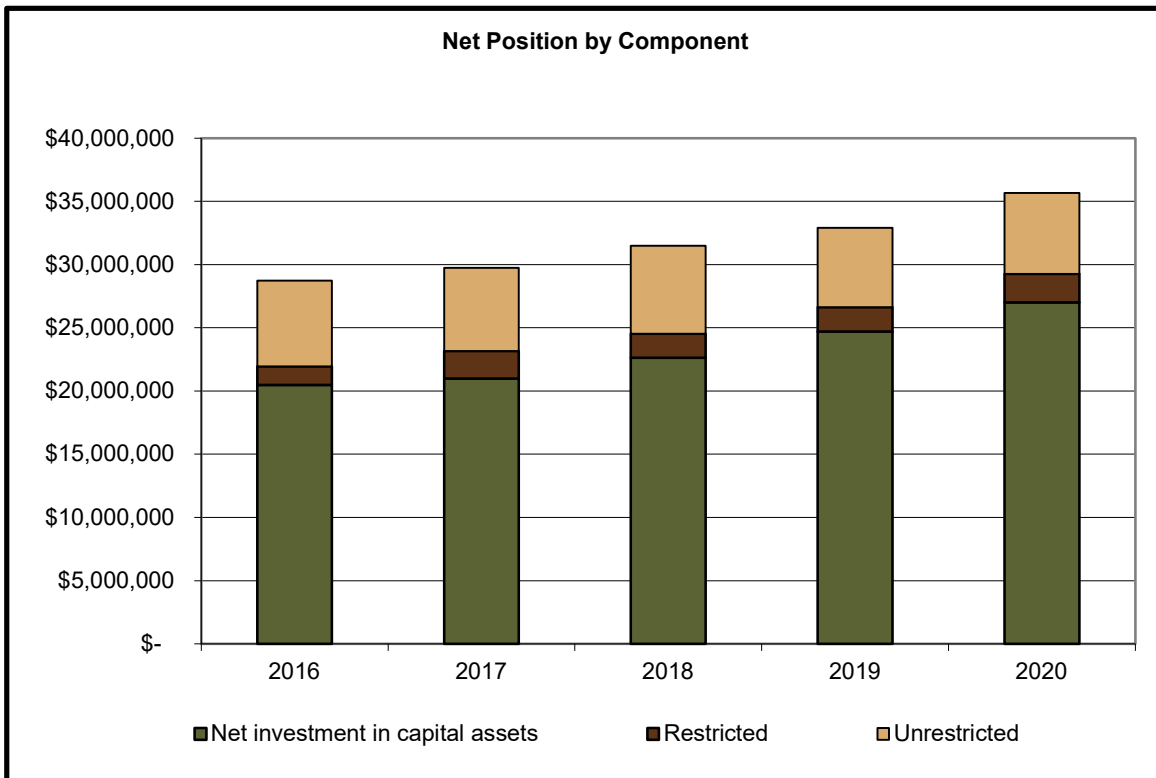
	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities					
Net investment in capital assets	\$ 16,842,082	\$ 17,271,349	\$ 18,615,943	\$ 18,953,996	\$ 19,648,800
Restricted for:					
Stabilization by state statute	1,422,691	1,291,963	1,882,835	1,568,981	1,601,410
Public Safety	-	-	-	-	-
Municipal Service District	14,084	14,354	-	-	-
Unrestricted	4,756,832	5,372,934	4,631,746	5,417,136	5,381,405
Total net position, previously reported	23,035,689	23,950,600	25,130,524	25,940,113	26,631,615
Restatement	-	-	-	-	-
Total governmental activities net position	<u>\$ 23,035,689</u>	<u>\$ 23,950,600</u>	<u>\$ 25,130,524</u>	<u>\$ 25,940,113</u>	<u>\$ 26,631,615</u>



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

**Table 1
(2 pages)**

	Fiscal Year				
	2016	2017	2018	2019	2020
Governmental activities					
Net investment in capital assets	\$ 20,467,990	\$ 20,980,863	\$ 22,631,590	\$ 24,692,614	\$ 27,012,618
Restricted for:					
Stabilization by state statute	1,474,901	2,165,724	1,881,641	1,923,503	2,233,881
Public Safety	-	-	2,672	10,943	-
Municipal Service District	-	-	-	-	-
Unrestricted	6,777,854	6,594,835	6,980,336	6,276,224	6,425,942
Total net position, previously reported	28,720,745	29,741,422	31,496,239	32,903,284	35,672,441
Restatement	(628,284)	-	-	-	-
Total governmental activities net position	<u>\$ 28,092,461</u>	<u>\$ 29,741,422</u>	<u>\$ 31,496,239</u>	<u>\$ 32,903,284</u>	<u>\$ 35,672,441</u>



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

Table 2
(2 pages)

	Fiscal Year				
	2011	2012	2013	2014	2015
Expenses					
Governmental activities:					
General government	\$ 2,001,438	\$ 2,144,319	\$ 1,611,659	\$ 2,168,794	\$ 2,220,764
Public safety	5,415,839	5,454,487	5,582,355	5,803,531	5,653,753
Transportation	2,460,277	2,511,804	2,475,382	2,369,495	2,325,248
Economic and physical development	1,422,329	1,250,263	1,542,829	1,566,159	1,567,788
Environmental protection	1,352,912	1,337,891	1,275,525	1,402,623	1,526,924
Cultural and recreation	1,795,985	1,919,013	2,100,673	2,746,748	2,647,805
Interest on long-term debt	141,320	108,919	88,541	82,192	69,243
	<u>141,320</u>	<u>108,919</u>	<u>88,541</u>	<u>82,192</u>	<u>69,243</u>
Total governmental activities expenses	<u>\$ 14,590,100</u>	<u>\$ 14,726,696</u>	<u>\$ 14,676,964</u>	<u>\$ 16,139,542</u>	<u>\$ 16,011,525</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ 1,740	\$ 1,775	\$ 2,230	\$ 2,045
Public safety	398,609	422,878	469,345	490,364	507,962
Transportation	10,000	10,000	10,500	19,000	17,000
Economic and physical development	25,615	49,827	57,745	39,567	51,363
Cultural and recreation	497,313	510,856	509,113	1,268,417	672,851
Operating grants and contributions	957,837	827,939	533,380	546,089	1,025,870
Capital grants and contributions	-	-	207,252	42,563	320,235
	<u>-</u>	<u>-</u>	<u>207,252</u>	<u>42,563</u>	<u>320,235</u>
Total governmental activities program revenue	<u>\$ 1,889,374</u>	<u>\$ 1,823,240</u>	<u>\$ 1,789,110</u>	<u>\$ 2,408,230</u>	<u>\$ 2,597,326</u>
	<u>\$ (12,700,726)</u>	<u>\$ (12,903,456)</u>	<u>\$ (12,887,854)</u>	<u>\$ (13,731,312)</u>	<u>\$ (13,414,199)</u>
General Revenues and Other					
Changes in Net Position					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 9,615,930	\$ 9,483,953	\$ 9,567,944	\$ 9,763,042	\$ 9,785,054
Franchise taxes	44,913	-	-	-	-
Unrestricted intergovernmental	3,892,476	4,071,702	4,162,616	4,271,703	4,979,172
Investment earnings	23,665	27,125	12,947	10,424	9,796
Miscellaneous	228,207	235,587	324,271	495,732	197,599
	<u>228,207</u>	<u>235,587</u>	<u>324,271</u>	<u>495,732</u>	<u>197,599</u>
Total governmental activities general revenue	<u>\$ 13,805,191</u>	<u>\$ 13,818,367</u>	<u>\$ 14,067,778</u>	<u>\$ 14,540,901</u>	<u>\$ 14,971,621</u>
	<u>\$ 1,104,465</u>	<u>\$ 914,911</u>	<u>\$ 1,179,924</u>	<u>\$ 809,589</u>	<u>\$ 1,557,422</u>

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

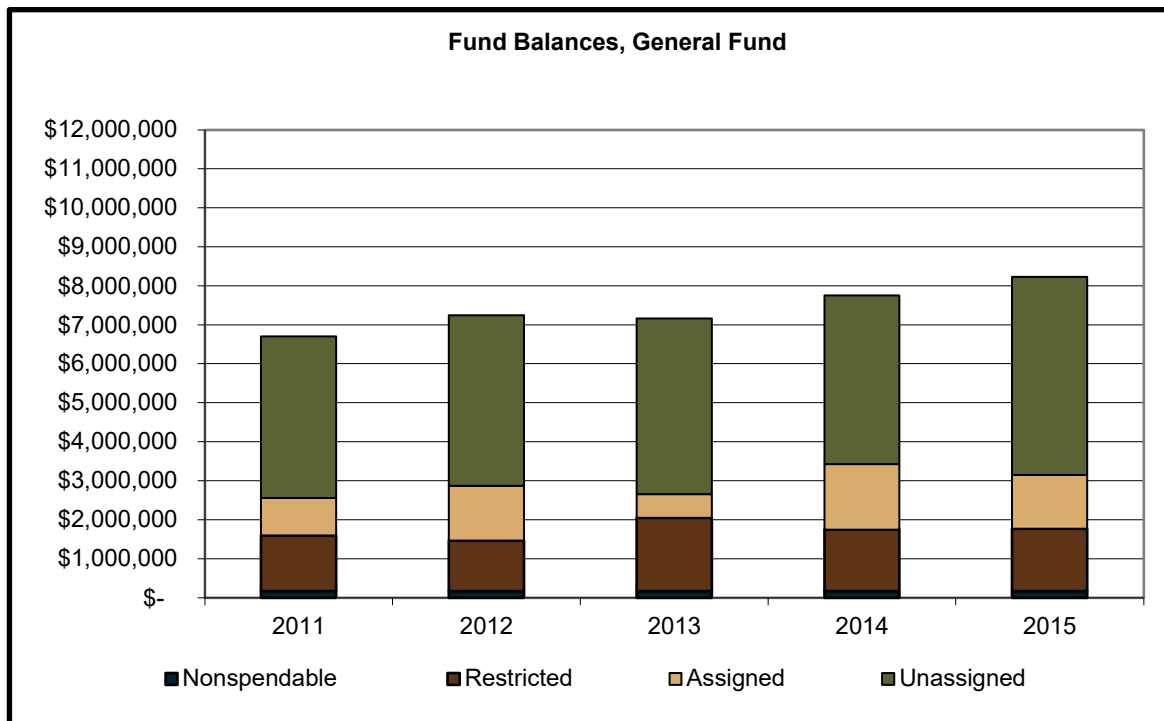
Table 2
(2 pages)

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses					
Governmental activities:					
General government	\$ 2,501,748	\$ 2,495,248	\$ 2,507,278	\$ 2,726,379	\$ 2,967,823
Public safety	5,684,375	6,070,685	6,207,724	6,528,824	6,832,478
Transportation	2,481,039	2,755,861	3,185,140	3,576,506	3,249,759
Economic and physical development	677,747	765,422	700,647	1,017,081	844,251
Environmental protection	1,399,842	1,453,148	1,470,406	1,661,991	1,808,078
Cultural and recreation	2,527,443	2,700,389	2,875,926	2,754,791	2,964,665
Interest on long-term debt	54,120	40,296	28,933	18,838	9,203
	<u>\$ 15,326,314</u>	<u>\$ 16,281,049</u>	<u>\$ 16,976,054</u>	<u>\$ 18,284,410</u>	<u>\$ 18,676,257</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 8,836	\$ 3,943	\$ 10,140	\$ 24,541	\$ 22,036
Public safety	569,814	722,337	677,954	718,467	683,710
Transportation	-	-	-	-	-
Economic and physical development	59,368	83,562	85,317	77,246	261,564
Cultural and recreation	730,300	716,909	701,082	660,859	519,952
Operating grants and contributions	509,304	603,714	518,202	859,123	581,759
Capital grants and contributions	230,788	-	559,349	397,249	516,976
	<u>\$ 2,108,410</u>	<u>\$ 2,130,465</u>	<u>\$ 2,552,044</u>	<u>\$ 2,737,485</u>	<u>\$ 2,585,997</u>
Total governmental activities program revenue	<u>\$ 2,108,410</u>	<u>\$ 2,130,465</u>	<u>\$ 2,552,044</u>	<u>\$ 2,737,485</u>	<u>\$ 2,585,997</u>
Total governmental activities net expense	<u>\$ (13,217,904)</u>	<u>\$ (14,150,584)</u>	<u>\$ (14,424,010)</u>	<u>\$ (15,546,925)</u>	<u>\$ (16,090,260)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Ad valorem taxes	\$ 9,699,296	\$ 9,998,398	\$ 10,143,940	\$ 10,346,079	\$ 11,249,478
Franchise taxes	-	-	-	-	-
Unrestricted intergovernmental	5,328,610	5,478,926	5,641,380	6,013,374	6,151,373
Investment earnings	25,872	62,911	146,038	261,291	171,964
Miscellaneous	253,256	259,310	247,469	333,226	1,286,602
	<u>\$ 15,307,034</u>	<u>\$ 15,799,545</u>	<u>\$ 16,178,827</u>	<u>\$ 16,953,970</u>	<u>\$ 18,859,417</u>
Total governmental activities general revenue	<u>\$ 15,307,034</u>	<u>\$ 15,799,545</u>	<u>\$ 16,178,827</u>	<u>\$ 16,953,970</u>	<u>\$ 18,859,417</u>
Change in Governmental Activities Net Position	<u>\$ 2,089,130</u>	<u>\$ 1,648,961</u>	<u>\$ 1,754,817</u>	<u>\$ 1,407,045</u>	<u>\$ 2,769,157</u>

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

**Table 3
(2 pages)**

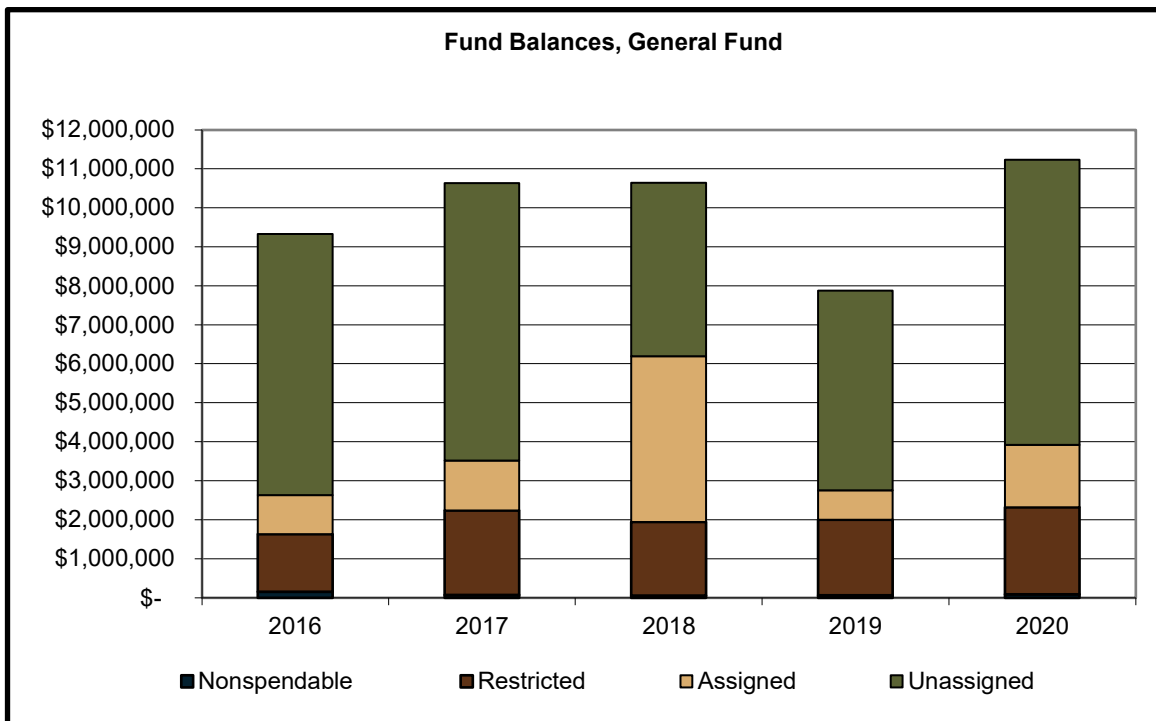
	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable:					
Inventory	\$ 46,747	\$ 48,745	\$ 43,640	\$ 44,071	\$ 44,494
Prepaid items	128,567	124,714	127,308	130,586	124,296
Restricted:					
Stabilization by state statute	1,422,691	1,291,963	1,882,835	1,568,980	1,601,410
Public safety	-	-	-	-	-
Assigned:					
Subsequent year's expenditures	959,020	1,405,864	601,175	1,687,710	1,375,639
Unassigned	4,145,184	4,373,169	4,506,790	4,317,497	5,079,263
Total general fund	<u>\$ 6,702,209</u>	<u>\$ 7,244,455</u>	<u>\$ 7,161,748</u>	<u>\$ 7,748,844</u>	<u>\$ 8,225,102</u>
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ 14,084	\$ 14,354	\$ -	\$ -	\$ -
Committed:					
General government	25,892	24,982	-	-	-
Cultural and recreation	8,657	-	-	-	-
Special revenue fund expenditures	10,218	10,642	10,755	2,894	-
Total all other governmental funds	<u>\$ 58,851</u>	<u>\$ 49,978</u>	<u>\$ 10,755</u>	<u>\$ 2,894</u>	<u>\$ -</u>



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

**Table 3
(2 pages)**

	Fiscal Year				
	2016	2017	2018	2019	2020
General Fund					
Nonspendable:					
Inventory	\$ 39,799	\$ 36,653	\$ 39,993	\$ 48,427	\$ 44,098
Prepaid items	118,979	35,236	19,878	20,135	42,602
Restricted:					
Stabilization by state statute	1,474,901	2,165,724	1,881,641	1,923,503	2,233,881
Public safety	-	-	2,672	10,943	-
Assigned:					
Subsequent year's expenditures	1,001,685	1,284,513	4,249,380	755,967	1,603,467
Unassigned	6,689,980	7,110,976	4,448,274	5,112,998	7,305,222
Total general fund	<u>\$ 9,325,344</u>	<u>\$ 10,633,102</u>	<u>\$ 10,641,838</u>	<u>\$ 7,871,973</u>	<u>\$ 11,229,270</u>
All Other Governmental Funds					
Restricted:					
Municipal Service District	\$ -	\$ -	\$ -	\$ -	\$ -
Committed:					
General government	-	-	-	-	-
Cultural and recreation	-	-	186,877	2,520,458	249,374
Special revenue fund expenditures	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,877</u>	<u>\$ 2,520,458</u>	<u>\$ 249,374</u>



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

Table 4
(2 pages)

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues					
Ad valorem taxes	\$ 9,609,611	\$ 9,486,491	\$ 9,561,126	\$ 9,771,682	\$ 9,792,365
Other taxes and licenses	42,976	1,740	1,775	2,230	2,010
Unrestricted intergovernmental	3,894,413	4,071,702	4,162,616	4,271,703	4,979,172
Restricted intergovernmental	957,549	826,718	532,860	548,073	1,069,055
Permits and fees	446,838	480,999	535,247	1,252,453	578,554
Sales and services	497,714	501,690	517,744	564,975	629,899
Investment earnings	23,951	28,345	13,468	10,714	9,836
Assessments	34,648	25,460	12,412	11,791	20,116
Miscellaneous	167,838	221,513	265,399	266,641	182,310
Total revenues	<u>15,675,538</u>	<u>15,644,658</u>	<u>15,602,647</u>	<u>16,700,262</u>	<u>17,263,317</u>
Expenditures					
General government	1,840,989	1,933,779	2,106,278	2,196,930	2,133,743
Public safety	5,049,620	5,053,316	5,197,380	5,856,007	5,543,484
Transportation	2,382,430	2,558,524	2,178,585	2,792,152	2,789,063
Economic and physical development	1,472,447	1,455,559	2,160,239	1,454,418	1,624,275
Environmental protection	1,268,744	1,468,031	1,350,737	1,456,374	1,586,800
Cultural and recreation	1,781,382	1,809,654	2,280,905	2,694,676	2,633,384
Debt service:					
Principal	891,764	748,878	478,298	378,829	420,917
Interest and other charges	150,635	116,592	91,151	83,098	73,615
Capital outlay	15,083	910	-	-	-
Total expenditures	<u>14,853,094</u>	<u>15,145,243</u>	<u>15,843,573</u>	<u>16,912,484</u>	<u>16,805,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>822,444</u>	<u>499,415</u>	<u>(240,926)</u>	<u>(212,222)</u>	<u>458,036</u>
Other Financing Sources (Uses)					
Transfers to other funds	(34,648)	(34,117)	(52,380)	(7,933)	(2,897)
Transfers from other funds	34,648	34,117	52,380	7,933	2,897
Sales of capital assets	32,478	33,958	59,493	241,457	15,328
Issuance of debt	-	-	59,503	550,000	-
Total other financing sources (uses)	<u>32,478</u>	<u>33,958</u>	<u>118,996</u>	<u>791,457</u>	<u>15,328</u>
Net change in fund balances	854,922	533,373	(121,930)	579,235	473,364
Fund balances, beginning	5,906,138	6,761,060	7,294,433	7,172,503	7,751,738
Fund balances, ending	<u>\$ 6,761,060</u>	<u>\$ 7,294,433</u>	<u>\$ 7,172,503</u>	<u>\$ 7,751,738</u>	<u>\$ 8,225,102</u>
Debt service as a percentage of noncapital expenditures	7.4%	6.2%	4.3%	3.1%	3.2%

Notes:

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

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

Table 4
(2 pages)

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Ad valorem taxes	\$ 9,697,697	\$ 9,996,412	\$ 10,142,650	\$ 10,349,609	\$ 11,261,143
Other taxes and licenses	8,745	2,180	2,475	2,850	3,215
Unrestricted intergovernmental	5,328,610	5,478,926	5,641,380	6,013,374	6,151,373
Restricted intergovernmental	509,245	603,437	517,964	858,129	577,505
Permits and fees	632,033	801,574	761,918	794,770	938,780
Sales and services	729,626	719,515	709,419	689,943	543,264
Investment earnings	25,932	63,189	146,276	262,285	179,218
Assessments	45,741	39,102	31,607	29,371	26,103
Miscellaneous	195,642	197,420	214,839	282,745	1,267,184
Total revenues	<u>17,173,271</u>	<u>17,901,755</u>	<u>18,168,528</u>	<u>19,283,076</u>	<u>20,947,785</u>
Expenditures					
General government	2,142,750	2,164,459	2,288,440	2,331,905	2,511,205
Public safety	5,443,314	5,564,978	6,404,850	6,052,992	6,386,218
Transportation	2,774,071	3,276,715	3,590,267	3,625,359	3,129,937
Economic and physical development	874,566	764,595	700,149	1,010,775	813,014
Environmental protection	1,576,998	1,312,900	1,639,564	1,510,935	1,828,660
Cultural and recreation	2,854,719	3,176,328	3,035,778	4,918,823	4,901,123
Debt service:					
Principal	406,502	368,531	329,223	297,282	298,687
Interest and other charges	57,721	43,717	32,160	21,770	12,146
Capital outlay	-	-	-	-	-
Total expenditures	<u>16,130,641</u>	<u>16,672,223</u>	<u>18,020,431</u>	<u>19,769,841</u>	<u>19,880,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,042,630</u>	<u>1,229,532</u>	<u>148,097</u>	<u>(486,765)</u>	<u>1,066,795</u>
Other Financing Sources (Uses)					
Transfers to other funds	-	-	(344,000)	(4,569,165)	-
Transfers from other funds	-	-	344,000	4,569,165	-
Sales of capital assets	57,612	78,226	47,516	50,481	19,418
Issuance of debt	-	-	-	-	-
Total other financing sources (uses)	<u>57,612</u>	<u>78,226</u>	<u>47,516</u>	<u>50,481</u>	<u>19,418</u>
Net change in fund balances	1,100,242	1,307,758	195,613	(436,284)	1,086,213
Fund balances, beginning	8,225,102	9,325,344	10,633,102	10,828,715	10,392,431
Fund balances, ending	<u>\$ 9,325,344</u>	<u>\$ 10,633,102</u>	<u>\$ 10,828,715</u>	<u>\$ 10,392,431</u>	<u>\$ 11,478,644</u>
Debt service as a percentage of noncapital expenditures	3.3%	2.8%	2.3%	1.9%	1.9%

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

Table 5

Fiscal Year	Tax Year	Residential Property	Commercial Property	Industrial Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2011	2010	\$ 3,312,056,948	\$ 339,862,923	\$ 16,599,447	\$ 309,316,950	\$ 3,359,202,368	0.280	\$ 3,325,942,939
2012	2011	3,333,807,236	348,341,880	17,750,788	309,216,950	3,390,682,954	0.280	3,377,174,257
2013	2012	3,368,430,240	346,142,700	17,669,146	312,873,330	3,419,368,756	0.280	3,398,974,907
2014	2013	3,433,539,072	346,239,540	17,443,205	314,499,090	3,482,722,727	0.280	3,474,384,205
2015	2014	3,433,872,218	357,593,290	16,969,593	316,220,133	3,492,214,968	0.280	3,481,769,659
2016	2015	3,352,781,389	375,083,970	19,365,934	404,357,860	3,342,873,433	0.290	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
2019	2018	3,495,942,470	391,820,521	20,871,399	405,458,520	3,503,175,870	0.295	3,432,467,049
2020	2019	3,737,721,744	427,481,221	23,759,023	437,571,040	3,751,390,948	0.300	3,738,306,874

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 2020.

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)**

Table 6

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Direct Rates</u>	<u>Overlapping Rates</u>	
		<u>Total Direct Rate</u>	<u>Village of Pinehurst Municipal Service District</u>	<u>Moore County (1)</u>
2011	2010	0.280	0.05	0.485
2012	2011	0.280	0.05	0.485
2013	2012	0.280	0.05	0.485
2014	2013	0.280	-	0.485
2015	2014	0.280	-	0.485
2016	2015	0.290	-	0.495
2017	2016	0.295	-	0.495
2018	2017	0.295	-	0.495
2019	2018	0.295	-	0.505
2020	2019	0.300	-	0.550

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**

Table 7

Taxpayer	2020		2011	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pinehurst LLC	\$ 182,417,845	4.86%	\$ 163,446,800	4.87%
Pinehurst Surgical Clinic	28,766,340	0.77%	27,156,035	0.81%
Pinehurst Medical	26,747,410	0.71%	17,975,290	0.54%
Country Club of North Carolina	18,987,520	0.51%	32,020,713	0.95%
Duke Energy Progress, Inc.	17,295,922	0.46%	11,327,060	0.34%
The Greens at Arboretum LLC	12,449,190	0.33%	-	-
Quail Haven Properties of Pinehurst, LLC	10,218,540	0.27%	-	-
MTMM Associates (Carolina Eye Assoc.)	9,302,210	0.25%	10,289,611	0.31%
Pinewild Project Limited PTNS	9,248,079	0.25%	28,826,969	0.86%
Pinehurst Senior Apartments, LLC	6,491,750	0.17%	-	-
SCOP (Surgery Center of Pinehurst)	-	-	7,377,562	0.22%
Branch Banking and Trust Co.	-	-	6,011,662	0.18%
Francis Maser	-	-	5,613,400	0.17%
Total	\$ 321,924,806	8.58%	\$ 310,045,102	9.23%

Sources:

Moore County Tax Department

Notes:

FY 2020 and FY 2011 data are for tax years 2019 and 2010 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**

Table 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)
2011	2010	\$ 9,606,203	\$ 9,588,105	99.81%	\$ 14,103	\$ 9,602,208	99.96%
2012	2011	9,477,624	9,463,405	99.85%	14,136	9,477,541	100.00%
2013	2012	9,558,275	9,538,561	99.79%	19,643	9,558,204	100.00%
2014	2013	9,756,980	9,748,024	99.91%	8,902	9,756,926	100.00%
2015	2014	9,774,886	9,772,350	99.97%	2,337	9,774,687	100.00%
2016	2015	9,692,375	9,686,105	99.94%	6,183	9,692,288	100.00%
2017	2016	9,992,459	9,983,263	99.91%	9,117	9,992,380	100.00%
2018	2017	10,136,740	10,129,986	99.93%	5,956	10,135,942	99.99%
2019	2018	10,334,013	10,323,160	99.89%	8,713	10,331,873	99.98%
2020	2019	11,256,701	11,247,972	99.92%	-	11,247,972	99.92%

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**

Table 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>
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
2019	2018	440,287	0.06%	26
2020	2019	141,600	0.02%	8

Notes:

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

(2) See Table 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, 2020

Table 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	\$ 136,950,000	27.36%	\$ 37,474,288
Other debt:			
Moore County LOB	13,418,000	27.36%	3,671,632
Capital lease	365,767	27.36%	100,087
Moore County installment loans	42,922,000	27.36%	11,744,953
Subtotal, overlapping debt			52,990,960
Village of Pinehurst direct debt			141,600
Total direct and overlapping debt			\$ 53,132,560

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, 2019 were used to determine the overlapping debt percentage.

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

Table 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>
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%
2019	280,254,070	440,287	279,813,783	99.84%
2020	300,111,276	141,600	299,969,676	99.95%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed valuation	\$ 3,751,390,948	
	x 0.08	
Debt limit - 8.0% of assessed value		\$ 300,111,276
Gross debt:		
Capital leases	-	
Authorized and unissued bonds	-	
Installment purchase agreements	141,600	
Total gross debt	141,600	
Less: statutory deductions	-	
Total amount of debt applicable to debt limit (net debt)		141,600
Legal debt margin		\$ 299,969,676

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

Table 12

Fiscal Year	Calendar Year	Population (1)	Personal Income	Per Capita Income (2)	Median Age (2)	Unemployment Rate (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%
2019	2018	16,754	771,907,042	46,073	59.3	4.5%
2020	2019	17,100	824,117,400	48,194	61.2	7.3%

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.

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

Table 13

<u>Employer</u>	<u>2020</u>		<u>2011</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)	3,600	54.42%	2,585	44.72%
Pinehurst, LLC (2)	1,499	22.66%	1,105	19.12%
Total		<u>77.08%</u>		<u>63.84%</u>

Sources:

- (1) Human Resources Department at First Health of the Carolinas.
- (2) Human Resources Department at Pinehurst, LLC f/n/a Resorts of Pinehurst Inc.

Notes:

2020 employment is based on calendar year 2019.

GASB 44 requires comparative data for the current calendar year and nine years prior. 2010 adjusted Census Data was used for 2011 and 2020 to estimate the percentage of total employment.

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

Table 14

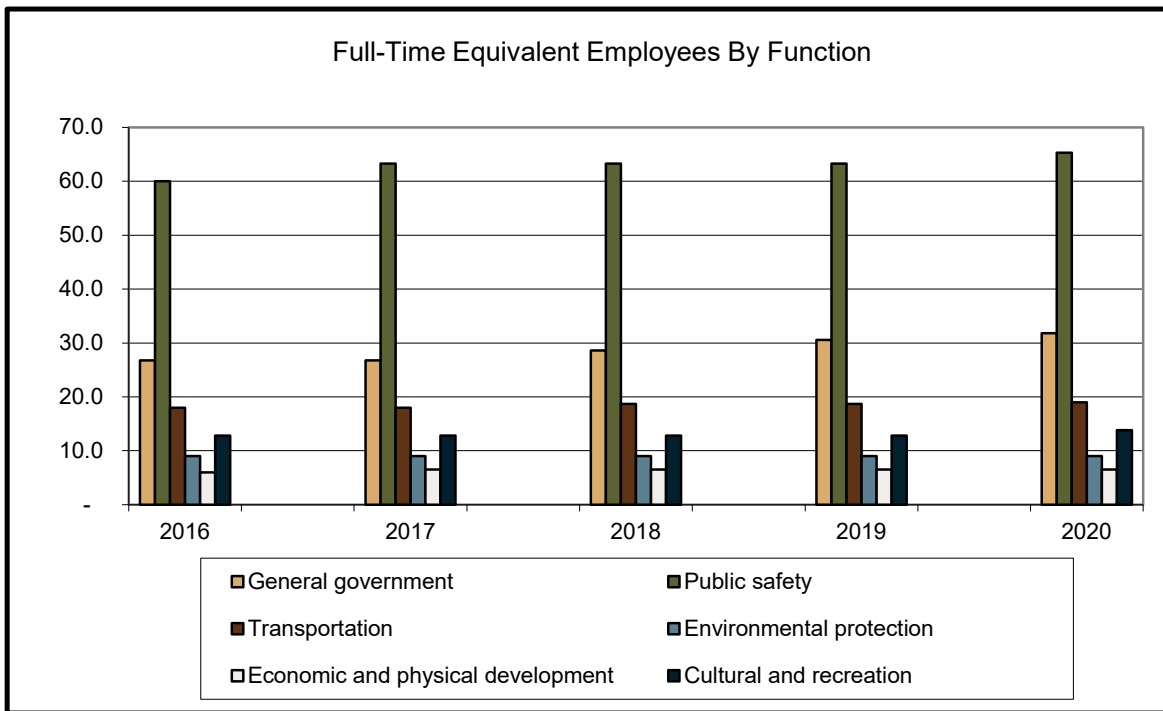
Function	Full-Time Equivalent Employees as of June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	24.5	24.5	26.0	26.8	26.8	26.8	26.8	28.6	30.6	31.8
Public safety	60.0	60.0	60.0	60.0	60.0	60.0	63.3	63.3	63.3	65.3
Transportation	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.7	18.7	19.0
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	7.5	6.5	6.0	6.0	6.0	6.0	6.5	6.5	6.5	6.5
Cultural and recreation	11.1	10.8	11.8	11.8	12.1	12.8	12.8	12.8	12.8	13.8
Total	129.1	128.8	130.8	131.6	131.9	132.6	136.4	138.9	140.9	145.4

Source:

Village of Pinehurst Human Resources Department

Notes:

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



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

Table 15
(2 pages)

Function	Fiscal Year				
	2011	2012	2013	2014	2015
General Government					
Financial services:					
Purchase orders issued	295	269	299	338	297
Vendor checks issued	2,444	2,365	1,840	1,641	1,509
Vendor EFTs issued	-	401	620	998	1,009
Human resources:					
Workers' compensation lost time (days)	425	33	74	144	39
Employee turnover rate	8.5%	10.7%	11.4%	7.9%	14.3%
Fleet maintenance:					
Vehicles maintained	(2)	(2)	(2)	99	97
Equipment maintained	(2)	(2)	(2)	69	61
Preventative maintenance completed	254	297	269	218	240
Public Safety					
Fire protection:					
Public fire & life safety classes	176	191	254	307	342
Incident calls	1,031	865	982	993	1,052
Structure fires	58	35	43	28	14
Inspections (1)	784	1,174	950	1,898	756
Child passenger seat inspections	228	120	182	170	170
Police protection:					
Physical arrests	233	165	184	239	575
Citations issued	3,053	1,908	1,208	2,082	1,757
Response to calls/officer initiated activity	14,362	13,364	10,901	13,041	11,742
Traffic accidents	476	414	447	422	433
Inspections:					
Building inspections conducted (1)	4,370	3,832	4,608	7,540	5,469
Certificates of occupancy issued	197	48	68	79	116
Transportation					
Street resurfacing (miles)	6.4	4.5	3.6	5.0	4.5
Environmental Protection					
Refuse collected (tons annually)	4,124	3,808	3,856	3,988	3,973
Homes receiving service	7,736	7,812	7,877	7,955	8,107
Recyclables collected (tons annually)	1,734	1,807	1,913	2,025	2,115
Economic and Physical Development					
Building permits issued	239	287	275	313	289
Code compliance investigations	501	577	596	522	639
Cultural and Recreation					
Recreation:					
Program participants	1,739	1,748	1,591	1,807	1,986
Athletics participants	2,296	1,934	1,838	1,442	1,736
Harness track:					
Standardbred stalls leased	276	259	223	240	236
Facilities reserved (days)	32	32	103	125	38
Fair barn:					
Events	113	113	102	122	133
Rental days	120	113	112	199	205

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**

**Table 15
(2 pages)**

Function	Fiscal Year				
	2016	2017	2018	2019	2020
General Government					
Financial services:					
Purchase orders issued	323	384	401	378	432
Vendor checks issued	1,490	1,377	1,415	1,289	1,554
Vendor EFTs issued	1,070	1,071	972	1,046	974
Human resources:					
Workers' compensation lost time (days)	8	8	5	1	80
Employee turnover rate	12.6%	13.1%	8.3%	12.2%	15.7%
Fleet maintenance:					
Vehicles maintained	98	103	100	101	102
Equipment maintained	62	62	67	59	77
Preventative maintenance completed	228	234	236	248	231
Public Safety					
Fire protection:					
Public fire & life safety classes	438	563	617	606	381
Incident calls	1,245	1,754	1,670	1,891	1,686
Structure fires	4	10	7	5	1
Inspections	184	186	257	204	169
Child passenger seat inspections	183	136	104	104	60
Police protection:					
Physical arrests	651	739	296	392	330
Citations issued	2,603	2,750	3,368	3,770	2,990
Response to calls/officer initiated activity	14,923	16,613	16,809	18,103	17,547
Traffic accidents	635	654	658	652	578
Inspections:					
Building inspections conducted	5,656	6,633	7,614	7,008	7,642
Certificates of occupancy issued	91	130	216	240	260
Transportation					
Street resurfacing (miles)	2.1	3.1	5.7	3.9	4.5
Environmental Protection					
Refuse collected (tons annually)	4,106	4,062	3,962	4,522	5,018
Homes receiving service	8,196	8,326	8,467	8,531	8,562
Recyclables collected (tons annually)	1,935	2,060	2,066	1,702	1,208
Economic and Physical Development					
Building permits issued	315	347	348	337	362
Code compliance investigations	774	1,251	1,156	1,045	1,372
Cultural and Recreation					
Recreation:					
Program participants	2,634	2,950	3,061	2,678	1,600
Athletics participants	1,699	1,922	1,847	1,665	1,792
Harness track:					
Standardbred stalls leased	256	252	215	193	172
Facilities reserved (days)	52	40	39	38	62
Fair barn:					
Events	112	121	124	104	83
Rental days	177	159	150	107	102

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**

**Table 16
(2 pages)**

Function	Fiscal Year				
	2011	2012	2013	2014	2015
Public safety:					
Fire protection:					
Stations	2	2	2	2	2
Fire trucks	6	6	6	7	6
Police protection:					
Stations	1	1	1	1	1
Police vehicles	21	22	23	24	26
Transportation:					
Miles of streets	105.57	105.57	105.90	105.66	106.08
Maintenance vehicles	23	25	24	25	25
Sidewalks, greenways and bike paths (lf)	45,258	47,898	49,482	68,313	68,653
Environmental protection:					
Refuse collection trucks	17	15	15	15	16
Economic and physical development:					
Storm water drainage areas	29	38	48	57	66
Cultural and recreation:					
Number of parks	4	4	4	5	5
Park acreage	294	294	294	294	294
Greenway trails (miles)	6.3	6.3	6.8	6.8	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**

**Table 16
(2 pages)**

Function	Fiscal Year				
	2016	2017	2018	2019	2020
Public safety:					
Fire protection:					
Stations	2	2	2	2	2
Fire trucks	6	6	6	6	6
Police protection:					
Stations	1	1	1	1	1
Police vehicles	29	26	29	27	29
Transportation:					
Miles of streets	106.35	106.35	106.75	106.98	107.40
Maintenance vehicles	23	25	24	22	22
Sidewalks, greenways and bike paths (lf)	71,663	79,272	82,757	83,179	85,344
Environmental protection:					
Refuse collection trucks	17	13	14	12	12
Economic and physical development:					
Storm water drainage areas	80	84	92	106	116
Cultural and recreation:					
Number of parks	5	5	5	5	5
Park acreage	294	294	294	294	294
Greenway trails (miles)	7.1	7.6	7.6	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***
 - **Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance Required by the Uniform Guidance and State Single Audit Implementation Act**
 - Schedule of Findings and Questioned Costs
 - Schedule of Expenditures of Federal and State Awards
-

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Pinehurst, North Carolina ("Village"), as of and for the year ended June 30, 2020, 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 27, 2020.

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) as a basis for designing 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 27, 2020**

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

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

Report on Compliance for the Major State Program

We have audited Village of Pinehurst, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on its major state program for the year ended June 30, 2020. The Village of Pinehurst's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major State Program

In our opinion, the Village of Pinehurst complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Dixon Hughes Goodman LLP

**High Point, North Carolina
October 27, 2020**

Schedule of Findings and Questioned Costs

1. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

State Awards

Internal control over major state programs:

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

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

Unmodified

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

Yes No

Identification of major state program:

Powell Bill

2. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2020.

3. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2020.

4. Prior Year Audit Findings

There were no prior year audit findings.

Village of Pinehurst, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Schedule 9

<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	\$ 3,535	\$ -	\$ 3,535
<u>U.S. Department of the Treasury</u>					
Equitable Sharing Program - Federal Forfeiture Passed through NC Office of State Budget and Management NC Pandemic Recovery Office:	21.016	Direct	11,093	-	-
Passed through Moore County Coronavirus Relief Fund	21.019	S.L. 2020-80	17,793	-	-
<u>U.S. Department of Transportation</u>					
Passed through N.C. Department of Transportation:					
Governor's Highway Safety Program	20.600	PT-2019-06-28	34,999	-	34,999
Highway Planning and Construction Program	20.205-1CL	DOT-18	2,700	300	-
Total federal awards			<u>70,120</u>	<u>300</u>	<u>38,534</u>
State awards:					
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4	-	501,098	-
Total state awards			<u>-</u>	<u>501,098</u>	<u>-</u>
Total federal and state awards			<u>\$ 70,120</u>	<u>\$ 501,398</u>	<u>\$ 38,534</u>

Notes to the Schedule of Expenditures of Federal and State Awards

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, 2020. 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.

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.

3. Coronavirus Relief Funds

The Village received \$17,793 of funding from the Coronavirus Relief Fund (CRF) (21.019) from Moore County in FY 2020. The Village has a plan to spend these funds approved by the Office of State Budget and Management. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period of March 1, 2020 to December 30, 2020.