

TOWN OF ELON
FINANCIAL STATEMENTS

June 30, 2021

Elon, North Carolina

TOWN OF ELON
NORTH CAROLINA

MAYOR

Jerry R. Tolley

BOARD OF ALDERMEN

Davis Montgomery, Mayor Pro Tem

Emily Sharpe

Mark. H Greene

Monti Allison

J. Quinn Ray

TOWN OF ELON, NORTH CAROLINA

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Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Elon, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elon (the "Town"), North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as 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.

Auditor's 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 of 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 auditor's judgment, including the assessment of the risks 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.

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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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elon, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof 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, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our 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

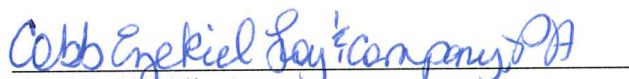
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Elon, North Carolina. The individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules, 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 the 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 prepare 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 by us. In our opinion, based on our audit, and the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of Town of Elon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Town of Elon's internal control over financial reporting and compliance.



Certified Public Accountants
Graham, North Carolina
October 29, 2021

Management's Discussion and Analysis

Town of Elon

As management of the **Town of Elon**, we offer readers of the **Town of Elon's** financial statements this narrative overview and analysis of the financial activities of the **Town of Elon** for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the town's financial statements, which follow this narrative.

Financial Highlights

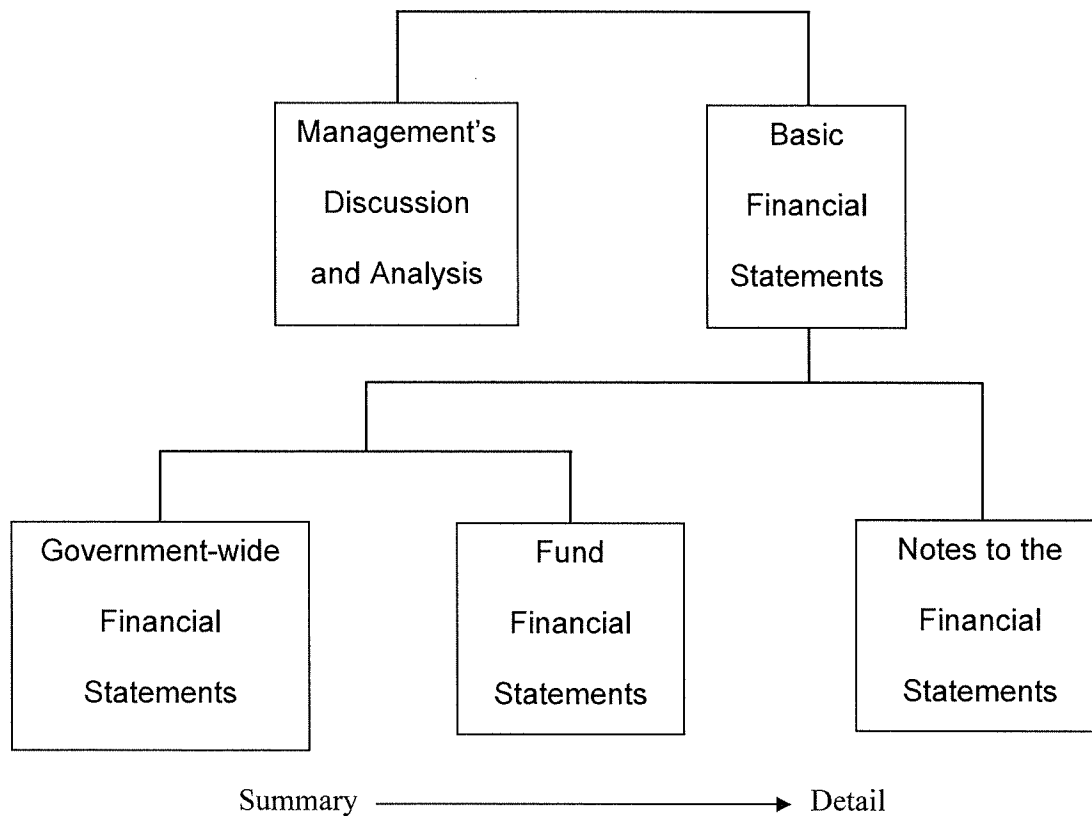
- The assets and deferred outflows of the **Town of Elon** exceeded its liabilities and deferred inflows at the close of the fiscal year by \$23,924,545 (**net position**).
- The government's total net position increased by \$2,034,996 primarily due to an increase of \$1,528,485 in the governmental-type activities and an increase of \$506,511 in the business-type activities net position.
- At the end of the current fiscal year, the **Town of Elon's** governmental funds reported combined ending fund balances of \$8,964,805 an increase of \$1,558,650 in comparison with the prior year. Approximately 19.15% of this total amount, or \$1,716,487 is non-spendable or restricted.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,248,318 or 102.2% of the total General Fund expenditures for the fiscal year.
- The **Town of Elon's** total outstanding debt decreased by \$77,257 due to payments during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the **Town of Elon's** basic financial statements. The **Town of Elon's** basic financial statements consist of three components: (1) Government-wide financial statements and (2) Fund financial statements, and (3) Notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town 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 **Town of Elon**.

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 Town's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: (1) the governmental funds statements and (2) the budgetary comparison statements and (3) the proprietary fund 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 Town's individual funds. Budgetary information required by the 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 Town'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 Town's financial status as a whole.

The two government-wide statements report the town's net position and how they have changed. Net position is the difference between the Town'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 town's financial condition.

The government-wide statements are divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town'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 Town charges customers to provide. These include the water and sewer activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town'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 Town, 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 General Statutes or the town's budget ordinance. All of the funds of Town of Elon can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the town'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* that 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 town'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 Town of Elon adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from Town of Elon citizens, Town of Elon management, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town of Elon to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town of Elon complied with the budget ordinance and whether or not the Town of Elon 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 legal budget document.

The statement shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Fund – The Town of Elon has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Elon uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26-49 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

Government-Wide Financial Analysis

Town of Elon's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 9,161,685	\$ 7,527,043	\$ 4,805,043	\$ 4,261,315	\$ 13,966,728	\$ 11,788,358
Capital assets	8,285,374	8,215,641	4,588,890	4,691,845	12,874,264	12,907,486
Deferred outflows of resources	1,210,032	805,763	26,450	24,974	1,236,482	830,737
Total assets and deferred outflows of resources	18,657,091	16,548,447	9,420,383	8,978,134	28,077,474	25,526,581
Long-term liabilities outstanding	3,016,726	2,450,459	258,576	243,218	3,275,302	2,693,677
Other liabilities	410,293	360,107	354,774	427,748	765,067	787,855
Deferred inflows of resources	111,395	147,689	1,165	7,811	112,560	155,500
Total liabilities and deferred inflows of resources	3,538,414	2,958,255	614,515	678,777	4,152,929	3,637,032
Net Position:						
Net investment in capital assets	7,527,697	7,357,866	4,523,576	4,600,299	12,051,273	11,958,165
Restricted	1,604,293	1,559,579	244,632	117,614	1,848,925	1,677,193
Unrestricted	5,986,687	4,672,747	4,037,660	3,581,444	10,024,347	8,254,191
Total net position	\$ 15,118,677	\$ 13,590,192	\$ 8,805,868	\$ 8,299,357	\$ 23,924,545	\$ 21,889,549

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town of Elon assets and deferred outflows exceeded liabilities and deferred inflows by \$23,924,545 as of June 30, 2021. The Town of Elon's net position increased by \$2,034,996 for the fiscal year ended June 30, 2021. However, the largest portion (50.20%) reflects the Town of Elon's investment in capital assets (e.g. land, buildings, machinery, and equipment).

The Town of Elon uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Elon's net investment in its 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 Town of Elon's net position, \$1,848,925, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,024,347 is unrestricted.

One particular aspect of the Town of Elon's operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.94%, which is comparable to the statewide average of 98.96%

Town of Elon Change in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 640,915	\$ 625,517	\$ 4,093,062	\$ 3,920,110	\$ 4,733,977	\$ 4,545,627
Operating grants and contributions	587,533	496,017	-	-	587,533	496,017
Capital Grants and contributions	56,000	121,000	-	(5,274)	56,000	115,726
General revenues:						
Property taxes	2,966,180	2,764,102	-	-	2,966,180	2,764,102
Other taxes	3,857,658	3,300,878	-	-	3,857,658	3,300,878
Grants and contributions not restricted to specific programs	542,076	532,313	-	-	542,076	532,313
Other	137,595	190,862	167,019	99,561	304,614	290,423
Total revenues	8,787,957	8,030,689	4,260,081	4,014,397	13,048,038	12,045,086
Expenses:						
General government	1,627,174	1,577,568	-	-	1,627,174	1,577,568
Public safety	4,028,837	3,898,860	-	-	4,028,837	3,898,860
Public works	1,254,713	1,213,962	-	-	1,254,713	1,213,962
Recreational	334,388	295,103	-	-	334,388	295,103
Interest	14,360	16,629	-	-	14,360	16,629
Storm Water	-	-	34,943	33,483	34,943	33,483
Water and sewer	-	-	3,718,627	3,443,140	3,718,627	3,443,140
Total expenses	7,259,472	7,002,122	3,753,570	3,476,623	11,013,042	10,478,745
Increase in net position before transfers	1,528,485	1,028,567	506,511	537,774	2,034,996	1,566,341
Transfers	-	-	-	-	-	-
Increase in net position	1,528,485	1,028,567	506,511	537,774	2,034,996	1,566,341
Net position, July 1	13,590,192	12,561,625	8,299,357	7,892,464	21,889,549	20,454,089
Restatement	-	-	-	(130,881)	-	(130,881)
Net position, July 1 - Restated	13,590,192	12,561,625	8,299,357	7,761,583	21,889,549	20,323,208
Net position, June 30	\$ 15,118,677	\$ 13,590,192	\$ 8,805,868	\$ 8,299,357	\$ 23,924,545	\$ 21,889,549

Governmental activities. Governmental activities increased the Town of Elon's net position by \$1,528,485. Key elements of this increase are as follows:

- Sales taxes and other smaller revenues increased during the budget year.

Business-type activities. Business-type activities increased the Town of Elon's net position by \$506,511. Key elements of this increase are as follows:

- Collections exceeded cost of services.

Financial Analysis of the Town of Elon's Funds

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

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

The General Fund is the chief operating fund of the Town of Elon. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$7,248,318 while total fund balance increased to \$8,964,805. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 102.2% of total General Fund expenditures and the total fund balance represents 126.4% of total general fund expenditures.

At June 30, 2021, the governmental funds of Town of Elon reported a combined fund balance of \$8,964,805 with a net increase in fund balance of \$1,558,650. Included in this change in fund balance is an increase in fund balance of the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town of Elon 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.

Proprietary Funds. The Town of Elon's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,835,936, and for the Storm Water Fund, \$201,724. The total change in net position for the Water and Sewer and Storm Water Funds was \$400,982 and \$105,529, respectively. Other factors that concern the finances of this fund have already been addressed in the discussion of the Town of Elon's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Elon's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$12,874,264 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

- Construction in progress for governmental activities assets of \$97,064
- No major demolitions were recorded this year.

Town of Elon's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2020	2020	2021	2020
Land	\$ 1,394,768	\$ 1,394,768	\$ -	\$ -	\$ 1,394,768	\$ 1,394,768
Construction in progress	97,064	7,000	-	48,345	97,064	55,345
Buildings and systems	372,855	354,941	4,263,098	4,416,378	4,635,953	4,771,319
Improvements other than buildings	24,933	27,908	-	-	24,933	27,908
Machinery and equipment	2,234,766	2,430,753	325,792	227,122	2,560,558	2,657,875
Infrastructure	4,160,988	4,000,271	-	-	4,160,988	4,000,271
Total	<u>\$ 8,285,374</u>	<u>\$ 8,215,641</u>	<u>\$ 4,588,890</u>	<u>\$ 4,691,845</u>	<u>\$ 12,874,264</u>	<u>\$ 12,907,486</u>

Additional information on the Town of Elon's capital assets can be found in Note II.A.4. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Elon had no outstanding bonds.

As of June 30, 2021, the Town of Elon had installment obligations and capital leases outstanding of \$752,991.

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital Leases	\$ 687,677	\$ 757,677	\$ -	\$ -	\$ 687,677	\$ 757,677
Revolving Loans	-	-	65,314	72,571	65,314	72,571
Total	\$ 687,677	\$ 757,677	\$ 65,314	\$ 72,571	\$ 752,991	\$ 830,248

Town of Elon's Outstanding Debt

The Town of Elon's total debt decreased by \$77,257 due to during the fiscal year.

North Carolina general statutes limit the amount of general obligations debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Elon is \$52,183,831.

Additional information regarding the Town of Elon's long-term debt can be found in Note II.B.6.

Economic Factors and Next Year's Budgets and Rates

As part of the audit, each year the Town is asked to look ahead for upcoming issues, developing trends, opportunities and threats. To some extent, to have a better picture of the future, a fuller understanding of the past can be helpful.

Elon is a small town geographically, only about 4 square miles. Much of this land is already developed, leaving few opportunities for significant economic development, unless it is through redevelopment of existing areas, or annexation of additional parcels. We do have a few viable options for outward growth, most notably to the North. These areas will likely be predominantly residential in nature, perhaps with some small-scale commercial support businesses.

There are several key indicators that we follow to give us an idea of where we are headed:

Population – Population numbers are only official once every 10 years, following the US Census. In 2010, our certified population was 9,419. State and US Census estimates since then have shown a steady growth pattern in population, and current estimates are that Elon has approximately 12,186 residents. The growth over the past 10 years includes new subdivisions, as well as new homes at Twin Lakes and new students at Elon University.

Housing – Housing is generally a strong indicator of population growth, even as the national average for family size has declined. In FY 18, Elon saw 41 new homes built, followed by 60 new homes in

FY 19. In FY 21, we saw 17 new homes constructed. Elon University has constructed 309 beds in the East Campus Housing project, and Twin Lakes has built 28 individual cottages.

Looking forward, the Town has recently approved 250 new housing units in two different projects. After a slow year or two in growth at Elon University, we anticipate additional students being added annually in the future, with new residential structures being built, although there are no firm plans in place at this time. Twin Lakes has recently received approval for an 84-unit apartment building

Economic Growth – The two major drivers of economic activity in Elon are Twin Lakes and Elon University. While most development for these two entities is tax exempt, their growth does add to spin-off impacts locally, whether through local sales tax generation, employment, etc. In 2020, Elon University opened the Inn at Elon, which is a tax-paying venture. Based on its value, it is paying over \$118,000 in municipal property taxes annually. There continues to be discussion about downtown development proposals, although none are imminent.

Sales tax receipts – Elon receives a proportional amount of sales tax revenue generated within Alamance County. While the first couple of months of the COVID pandemic reduced sales tax revenue to the Town, every month after last May has seen an increase in revenue above the previous (non-COVID) year. This added revenue, while volatile and subject to economic variations, enables the Town to not increase its reliance on property tax revenues. Current projections are for continued growth in sales tax this next year.

Capital Investment - As with any homeowner, upgrades and replacement of major capital items is something the Town is continually faced with. The goal is to replace capital items before failure, to avoid disruption of service. New capital investment is intended to improve services and to facilitate broader community goals.

Recent and Upcoming major projects –

Automated Meter Reading system – this project was completed in 2020, and allows for digital reading of water meters, eliminating the need for personnel to read each meter individually. This system will also allow us to switch to monthly billing, which should help residents with budgeting issues. It is our hope that fewer customers will become delinquent, and fewer services will be cut off. Another benefit is that with monthly billing, water leaks can be detected sooner, saving residents money in the long run. With digital access to live data, our system can now alert us to abnormal water usage on a meter-by-meter basis, again, geared toward identifying leaks earlier.

Travis Creek Pump Station purchase – in 2019, the Board of Aldermen agreed to purchase an existing sanitary waste pump station from Gibsonville, as part of a negotiated Line of Agreement. This line of agreement defines where Elon can grow, and where Gibsonville can grow. In late 2021, this transaction will be completed. The \$2 million purchase price will be financed over 15 years. To pay for the debt service, we anticipate future increases in water and sewer rates, along with new growth (we have already approved 250 new housing units in this newly defined growth area). The first increase in rates took effect on July 1, 2021, with another similar increase planned for July 1, 2022.

Two additional capital projects over the next five years include replacing the existing water line in E. Haggard (undersized and in need of constant repair) and reducing infiltration of rain water and ground water into sewer lines. This latter project will reduce clean water from entering our sewerage flow into Burlington, which will help to limit our sewer treatment costs. It is hoped that

both of these projects can be funded in part by revenue from the Federal and State governments, as well as other outside sources, thereby reducing future increases in utility rates.

Downtown Parking – The FY 22 budget includes funding to construct the next section of parking along W. Lebanon along the railroad tracks.

Office space – Our current municipal building was constructed in 1989 to house Town Hall and the Police Department. Since then, we have grown as a community, and we have filled the available space in our current building. We are beginning the process of looking at alternatives, including expanding our existing building, constructing a new Police Station, constructing a new Town Hall, or leasing office space.

Longer range major capital expenses that have been identified include replacement of Engine 18, eventual replacement of our ladder truck, upgrades to aging utilities, improvements and extensions of sidewalks, and facility expansions.

Issues to monitor

Census – as noted, the US Census takes place every ten years. The current 2020 Census is scheduled to be completed in early 2021, with population figures to be released later in 2021. Changes to our population that are out of line with increases in other communities will affect our sales tax receipts, which will ultimately affect our reliance on property taxes to fund governmental operations.

Growth – creating an atmosphere for continued growth, or redevelopment downtown, will affect the Town's overall valuation, and therefore property tax revenues.

Capital needs – as noted, there are several major capital projects that will need to be addressed over the next 5-10 years, both general fund projects as well as utility projects.

American Rescue Plan – In early 2021, the US Government passed the American Rescue Plan Act, which provides funding directly to municipalities for a narrow range of projects. The funds cannot be used for general government, or to reduce taxes, but have to be used for certain types of projects, including sewer, water and stormwater capital costs. We are currently developing a plan for how to spend our ARP funds, which will total about \$3.9 million dollars. There is also the potential of receiving additional funds from the ARP through the State of North Carolina. These funds have been described as “generational”, as they will enable us to make major necessary improvements to our infrastructure, without impacts to our ratepayers.

Budget and Rates & Budget Highlights for the Fiscal Year Ending June 30, 2021

Elon has maintained a consistent tax rate of \$.45 per \$100 of property value since 2017. We have been fortunate to have seen new investment in the community that pays additional property taxes, as well as increases in sales tax revenues. Our FY 20 budget totaled \$12,515,550, which included all of our general government costs, as well as our water and sewer costs. This budget also included funds for our new Fire Engine. The FY 21 budget saw a reduction in the total budget to \$11,858,358, partially due to cut backs due to COVID, and partially due to not having to fund the Fire Engine. Our FY 22 budget year, which started on July 1, includes \$2 million to purchase the Travis Creek Pump Station, and totals \$15,195,317.

General Fund Budget

Elon's General Fund budget supports the day-to-day operations of most of our municipal departments, including Administration, Recreation and Parks, Police, Fire and Public Works. Our General Fund Budget for the year ending June 30, 2021 totaled \$7,092,825. The proposed General Fund Budget for FY 22 totals \$8,764,950. The tax rate for FY 22 remained the same as in FY 21, \$.45. The increases in expenditures are funded through anticipated increases in revenues.

Business-like Budgets

Our business-like budgets include programs that are fully funded by specific revenue streams. The programs include Powell Bill (funds from the State for road maintenance), Stormwater (funded by a stormwater fee paid by property owners), Water and Sewer (paid for by ratepayers on a per gallon basis), and Federal Asset Forfeitures (paid for by assets seized by the Federal government and shared with Elon). In FY 21, our total budget for these programs was \$3,753,570. For the FY 22 Budget year, the approved budget totaled \$6,543,210, which includes the \$2,000,000 purchase price for the Travis Creek Pump Station (which is matched by a \$2,000,000 revenue line for the bond issue).

Utility Rates – As noted, our capital needs forced us to raise utility rates by 10% as of July 1, 2021 (which includes a budgeted 1% increase from the City of Burlington). A forecast study prepared for the Town suggests a similar increase in 2022, to fully afford the debt service on the new pump station. This increase includes an estimated 2% increase from Burlington.

Fund Balance – Elon continues to maintain healthy reserve accounts. At the end of the FY 20 Fiscal Year, our General Fund Balance stood at \$5,734,439, approximately 70% of our annual budget, which is a very healthy financial indicator. At the end of the FY 21 Fiscal Year, our General Fund Balance stood at \$7,248,318, or 102% of operating costs. This level of fund balance is higher than we need to maintain, and the Board will be faced with decisions of what to do with this excess. Generally, excess Fund Balance is used to fund Capital Investments in the Town.

Requests for Information

This report is designed to provide an overview of the Town of Elon 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 the Town of Elon, Town Manager, Post Office Box 595; Elon, North Carolina 27244-0595.

BASIC FINANCIAL STATEMENTS

Town of Elon, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 7,425,779	\$ 3,749,653	\$ 11,175,432
Taxes receivables (net)	2,786	-	2,786
Accounts receivable (net)	924,835	764,195	1,689,030
Restricted Assets:			
Cash and cash equivalents	808,285	291,195	1,099,480
Total current assets	9,161,685	4,805,043	13,966,728
Non-current assets:			
Capital assets:			
Land, improvements, and construction in progress	1,491,832	-	1,491,832
Other capital assets, net of depreciation	6,793,542	4,588,890	11,382,432
Total capital assets	8,285,374	4,588,890	12,874,264
Total assets	17,447,059	9,393,933	26,840,992
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,210,032	26,450	1,236,482
Total deferred outflows of resources	1,210,032	26,450	1,236,482
LIABILITIES			
Current liabilities:			
Accounts payable	191,257	272,052	463,309
Customer deposits	-	46,563	46,563
Accrued interest payable	14,449	-	14,449
Due within one year	204,587	36,158	240,745
Total current liabilities	410,293	354,773	765,066
Long-term liabilities:			
Net pension liability - LGERS	1,608,662	171,619	1,780,281
Total pension liability - LEO	686,697	-	686,697
Due in more than one year	721,367	86,958	808,325
Total liabilities	3,427,019	613,350	4,040,369
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	108,558	1,165	109,723
Prepaid taxes	2,837	-	2,837
Total deferred inflows of resources	111,395	1,165	112,560
NET POSITION			
Net investment in capital assets	7,527,697	4,523,576	12,051,273
Restricted for:			
Stabilization by State Statute	924,835	-	924,835
Capital reserve	-	244,632	244,632
Public works	512,860	-	512,860
Public safety	166,598	-	166,598
Unrestricted	5,986,687	4,037,660	10,024,347
Total net position	\$ 15,118,677	\$ 8,805,868	\$ 23,924,545

The notes to the financial statements are an integral part of this statement.

Town of Elon, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
General government	\$ 1,627,174	\$ 30,895	\$ 141,577	\$ -	\$ (1,454,702)	\$ -	\$ (1,454,702)
Public safety	4,028,837	354,717	167,692	56,000	(3,450,428)	-	(3,450,428)
Public works	1,254,713	226,247	278,264	-	(750,202)	-	(750,202)
Recreational	334,388	29,056	-	-	(305,332)	-	(305,332)
Interest	14,360	-	-	-	(14,360)	-	(14,360)
Total governmental activities (See Note 1)	\$ 7,259,472	\$ 640,915	\$ 587,533	\$ 56,000	\$ (5,975,024)	\$ -	\$ (5,975,024)
Business-type activities:							
Storm water	34,943	140,472	-	-	-	105,529	105,529
Water and sewer	3,718,627	3,952,590	-	-	-	233,963	233,963
Total business-type activities	3,753,570	4,093,062	-	-	-	339,492	339,492
Total primary government	\$ 11,013,042	\$ 4,733,977	\$ 587,533	\$ 56,000	(5,975,024)	339,492	(5,635,532)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,966,180	-	2,966,180
Local option sales tax					3,848,185	-	3,848,185
Other taxes and licenses					9,473	-	9,473
Grants and contributions not restricted to specific programs					542,076	-	542,076
Unrestricted investment earnings					3,441	693	4,134
Miscellaneous					134,154	166,326	300,480
Transfers					-	-	-
Total general revenues, special items, and transfers					7,503,509	167,019	7,670,528
Change in net position					1,528,485	506,511	2,034,996
Net position, beginning					13,580,192	8,299,357	21,889,549
Net position - ending					\$ 15,118,677	\$ 8,805,868	\$ 23,924,545

The notes to the financial statements are an integral part of this statement.

**Town of Elon
Balance Sheet
Governmental Funds
June 30, 2021**

	MAJOR FUND			Total Non-Major Funds		Total Governmental Funds	
	General						
ASSETS							
Cash and cash equivalents	\$	7,425,779	\$	-	\$	7,425,779	
Receivables, net							
Taxes		2,786		-		2,786	
Accounts		924,835		-		924,835	
Restricted cash		808,285		-		808,285	
Total assets	\$	9,161,685	\$	-	\$	9,161,685	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$	191,257	\$	-	\$	191,257	
Due to other funds		-		-		-	
Total liabilities		191,257		-		191,257	
Deferred Inflows of Resources							
Unavailable revenues		2,786		-		2,786	
Prepaid taxes		2,837		-		2,837	
Total deferred inflows of resources		5,623		-		5,623	
Fund balances:							
Restricted for:							
State Statute		924,835		-		924,835	
Streets-Powell bill		512,860		-		512,860	
Public safety		166,598		-		166,598	
Unassigned, General Fund		7,248,318		-		7,248,318	
Assigned							
Cemetery care		112,194		-		112,194	
Total fund balances		8,964,805		-		8,964,805	
Total liabilities, deferred inflows of resources and fund balances	\$	9,161,685	\$	-			

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Gross capital assets - \$16,865,093 less accumulated depreciation - \$8,579,719) 8,285,374

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position 1,210,032

Liabilities for earned revenues considered deferred inflows of resources in fund statements. 2,786

Pension related deferrals (108,558)

Net pension liability - LGERS (1,608,662)
Total pension liability - LEO (686,697)

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (Installment purchases - \$687,677 compensated absences - \$238,277 and accrued interest - \$14,449) (940,403)

Net position of governmental activities \$ 15,118,677

The notes to the financial statements are an integral part of this statement.

Town of Elon
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,967,956	\$ -	\$ 2,967,956
Other taxes and licenses	3,857,778	-	3,857,778
Unrestricted intergovernmental	542,076	-	542,076
Restricted intergovernmental	645,327	141,202	786,529
Sales and services	300,247	-	300,247
Investment earnings	3,441	-	3,441
Miscellaneous	312,354	-	312,354
Total revenues	8,629,179	141,202	8,770,381
EXPENDITURES			
Current:			
General government	1,411,392	141,202	1,552,594
Public safety	3,634,708	-	3,634,708
Public works	1,044,217	-	1,044,217
Recreation	285,002	-	285,002
Debt service:			
Principle	83,966	-	83,966
Interest	15,455	-	15,455
Capital outlay	618,085	-	618,085
Total expenditures	7,092,825	141,202	7,234,027
Excess (deficiency) of revenues over expenditures	1,536,354	-	1,536,354
OTHER FINANCING SOURCES (USES)			
Proceeds from installment financing	-	-	-
Sale of capital assets	22,296	-	22,296
Total other financing sources (uses)	22,296	-	22,296
Net change in fund balance	1,558,650	-	1,558,650
Fund balances-beginning	7,406,155	-	7,406,155
Fund balances - ending	\$ 8,964,805	\$ -	\$ 8,964,805

The notes to the financial statements are an integral part of this statement.

Town of Elon
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total government funds	\$ 1,558,650
Governmental funds report capital outlay 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 outlay (\$618,085) exceeded depreciation in the current period (\$545,408).	72,677
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	362,638
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	47,339
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	(1,776)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Issuance of debt-\$), principal expenditures-\$83,966, changes in accrued interest-\$0	83,966
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.	
Compensated absences	52,634
Pension expense	(647,643)
Total changes in net position of governmental activities	<u>\$ 1,528,485</u>

The notes to the financial statements are an integral part of this statement.

**Town of Elon
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual
For the Year Ended June 30, 2021**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,910,400	\$ 2,933,500	\$ 2,967,956	\$ 34,456
Other taxes and licenses	2,700,000	3,409,000	3,857,778	448,778
Unrestricted intergovernmental	518,000	520,800	542,076	21,276
Restricted intergovernmental	611,750	631,394	645,327	13,933
Sales and services	322,500	274,000	300,247	26,247
Investment earnings	6,000	2,100	3,441	1,341
Miscellaneous	228,900	289,668	312,354	22,686
Total revenues	7,297,550	8,060,462	8,629,179	568,717
Expenditures:				
Current:				
General Government	1,691,830	1,906,834	1,440,893	465,941
Public Safety	4,037,918	4,140,492	3,798,869	341,623
Public Works	1,813,400	1,954,581	1,461,301	493,280
Recreation	322,150	338,145	292,341	45,804
Debt Service:				
Principle retirement	99,900	84,445	83,966	479
Interest and other charges	-	15,455	15,455	-
Total expenditures	7,965,198	8,439,952	7,092,825	1,347,127
Revenues over (under) expenditures	(667,648)	(379,490)	1,536,354	1,915,844
Other financing sources (uses):				
Sale of surplus items	5,000	22,000	22,296	296
Total other financing sources (uses):	5,000	22,000	22,296	296
Revenues and other financing sources over (under) expenditures and other financing uses	(662,648)	(357,490)	1,558,650	\$ 1,916,140
Fund balances, appropriated	662,648	357,490		
Fund balances, beginning as previously reported	\$ -	\$ -	7,406,155	
Fund balances, ending			\$ 8,964,805	

The notes to the financial statements are an integral part of this statement.

Town of Elon
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,547,595	\$ 202,058	\$ 3,749,653
Accounts receivable, net	764,195	-	764,195
Restricted cash	291,195	-	291,195
Total current assets	<u>4,602,985</u>	<u>202,058</u>	<u>4,805,043</u>
Noncurrent assets:			
Capital assets:			
Other capital assets, net of depreciation	4,546,010	42,880	4,588,890
Capital assets(net)	<u>4,546,010</u>	<u>42,880</u>	<u>4,588,890</u>
Total assets	<u>9,148,995</u>	<u>244,938</u>	<u>9,393,933</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	26,450	-	26,450
Total deferred outflows of resources	<u>26,450</u>	<u>-</u>	<u>26,450</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	271,718	334	272,052
Customer deposits	46,563	-	46,563
Compensated absences	28,901	-	28,901
Installment purchase payable - current	7,257	-	7,257
Total current liabilities	<u>354,439</u>	<u>334</u>	<u>354,773</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	28,901	-	28,901
Net pension liability	171,619	-	171,619
Installment purchase payable - noncurrent	58,057	-	58,057
Total noncurrent liabilities	<u>258,577</u>	<u>-</u>	<u>258,577</u>
Total liabilities	<u>613,016</u>	<u>334</u>	<u>613,350</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,165	-	1,165
Total deferred inflows of resources	<u>1,165</u>	<u>-</u>	<u>1,165</u>
NET POSITION			
Net investment in capital assets	4,480,696	42,880	4,523,576
Capital Reserve	244,632	-	244,632
Unrestricted	3,835,936	201,724	4,037,660
Net position of business-type activities	<u>\$ 8,561,264</u>	<u>\$ 244,604</u>	<u>\$ 8,805,868</u>

The notes to the financial statements are an integral part of this statement.

Town of Elon
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 3,905,341	\$ 140,472	\$ 4,045,813
Water and sewer taps	32,699	-	32,699
Other operating revenues	14,550	-	14,550
Total operating revenues	<u>3,952,590</u>	<u>140,472</u>	<u>4,093,062</u>
OPERATING EXPENSES			
Salaries and employee benefits	483,176	-	483,176
Supplies	11,693	-	11,693
Equipment maintenance	2,677	-	2,677
System maintenance	29,890	-	29,890
Vehicle maintenance	872	-	872
Burlington sewer treatment	1,295,983	-	1,295,983
Gibsonville sewer treatment	536,691	-	536,691
Burlington water purchased	881,317	-	881,317
Gibsonville water purchased	2,032	-	2,032
Contracted services	58,493	-	58,493
Engineering	-	23,000	23,000
Other operating expenditures	175,471	10,999	186,470
Depreciation	240,332	944	241,276
Total operating expenses	<u>3,718,627</u>	<u>34,943</u>	<u>3,753,570</u>
Operating income	<u>233,963</u>	<u>105,529</u>	<u>339,492</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	693	-	693
System fees	127,000	-	127,000
Antenna fee location	18,251	-	18,251
Other nonoperating revenue	-	-	-
Total nonoperating revenues (expenses)	<u>145,944</u>	<u>-</u>	<u>145,944</u>
Income before contributions and transfers	379,907	105,529	485,436
Gain on disposition	21,075	-	21,075
Change in net position	400,982	105,529	506,511
Total net position - beginning	<u>8,160,282</u>	<u>139,075</u>	<u>8,299,357</u>
Total net position, ending	<u>\$ 8,561,264</u>	<u>\$ 244,604</u>	<u>\$ 8,805,868</u>

The notes to the financial statements are an integral part of this statement.

Town of Elon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,802,946	\$ 140,472	\$ 3,943,418
Cash paid for goods and services	(2,913,073)	(54,303)	(2,967,376)
Cash paid to or on behalf of employees for services	(467,838)	-	(467,838)
Net change in customer deposits	(2,224)	-	(2,224)
Other operating revenues	14,550	-	14,550
Net cash provided by operating activities	<u>434,361</u>	<u>86,169</u>	<u>520,530</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(111,955)	(24,850)	(136,805)
Principle paid on long-term debt	(7,258)	-	(7,258)
Other capital revenues	172,482	-	172,482
Net cash provided (used) by capital and related financing activities	<u>53,269</u>	<u>(24,850)</u>	<u>28,419</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	693	-	693
Net increase in cash and cash equivalents	488,323	61,319	549,642
Balances, beginning	<u>3,350,467</u>	<u>140,739</u>	<u>3,491,206</u>
Balances, ending	<u>\$ 3,838,790</u>	<u>\$ 202,058</u>	<u>\$ 4,040,848</u>
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents - Current	\$ 3,547,595	\$ 202,058	\$ 3,749,653
Cash and cash equivalents - Restricted	291,195	-	291,195
	<u>\$ 3,838,790</u>	<u>\$ 202,058</u>	<u>\$ 4,040,848</u>

The notes to the financial statements are an integral part of this statement.

Town of Elon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 233,963	\$ 105,529	\$ 339,492
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	240,330	944	241,274
Changes in assets and liabilities:			
(Increase) in accounts receivable	(135,092)	-	(135,092)
Increase in prepaid expense	(3,821)	-	(3,821)
Decrease in deferred inflows of resources for pensions	(6,646)	-	(6,646)
Increase in pension liability	21,742	-	21,742
Increase in accounts payable and accrued liabilities	85,867	(20,304)	65,563
(Decrease) in customer deposits	(2,224)	-	(2,224)
(Increase) in deferred outflows of resources for pensions	(1,505)	-	(1,505)
Increase in accrued vacation pay	1,747	-	1,747
Total adjustments	200,398	(19,360)	181,038
Net cash used by operating activities	\$ 434,361	\$ 86,169	\$ 520,530

The notes to the financial statements are an integral part of this statement.

TOWN OF ELON, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies:

The accounting policies of the Town of Elon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Elon is a municipal corporation which is governed by an elected mayor and a five-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present all funds and account groups of the Town of Elon.

B. Basis of Presentation - Fund Accounting

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. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town'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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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 Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary services such as investment earnings.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

Coronavirus Relief Fund. This fund is used to account for the Cares Act revenue funds distributed by the Federal Government in response to the COVID-19 pandemic.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. This fund also covers acquisition and/or construction of infrastructure projects, sewer projects and utility capital reserve.

The Town reports the following non-major enterprise fund:

Storm Water Fund. This fund is used to account for the federally mandated program of storm water system management, which is supported by a town-wide storm water fee.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund 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. Non-exchange transactions, in which the Town 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Government 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 principle 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 Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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 franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Elon because the tax is levied by Alamance County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town 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. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund and the Water and Sewer Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were 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.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 Town 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 Town's investments are generally reported at fair value. Non-participating interest earning contracts are accounted for at cost. 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 .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose outlined in G. S. 136-41.1 through 136-41.4.

Town of Elon Restricted Cash

Governmental Activities

General Fund

Streets	\$ 529,494
Cemetery	112,193
Public Safety	<u>166,598</u>
Total Governmental Activities	<u>\$ 808,285</u>

Business-type Activities

Water and Sewer Fund

Customer deposits	\$ 46,563
Capital Reserve	<u>244,632</u>
Total Business-type Activities	<u>\$ 291,195</u>

Total Restricted Cash	<u>\$ 1,099,480</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

The inventories of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of these inventories are expensed 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 items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all capital assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at their acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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:

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	40
Improvements	25
Vehicles	10
Furniture and equipment	10
Computer equipment	3

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometime 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 Town has one item that meets this criterion, deferrals made to the pension plan in the 2021 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 Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days, the equivalent to 240 hours earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town'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 Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent 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 can 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 - 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.

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

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 designated 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.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

Assigned fund balance - portion of fund balance that the Town intends to use for a specific purpose.

Assigned for Cemetery Care - portion of fund balance that has been budgeted by the Board for care of the Cemetery.

Unassigned fund balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes 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 Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Elon has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 35% of budgeted expenditures. Any portion of the general fund balance in excess of 40% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

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 Town of Elon’s employer

contributions are recognized when due and the Town of Elon 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town'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 Town, these deposits are considered to be held by the Town's agent in the Town'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 Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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 of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial 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 Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,368,185 and a bank balance of \$2,601,080. Of the bank balance, \$750,000 was covered by federal depository insurance. The remaining bank balance of \$1,851,080 was collateralized under the Pooling Method.

The Town had \$575 cash on hand at June 30, 2021.

2. Investments

At June 30, 2021, the Town of Elon had \$9,906,151 invested with the North Carolina Capital Management's Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investor services as of June 30, 2021. The Town has no policy regarding credit risk. The Town also does not have a formal investment policy.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in Exhibit 1, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

<u>Funds</u>	<u>June 30,</u> <u>2021</u>
General Fund:	
Taxes receivable	\$ 6,399
Accounts receivable	39,150
Enterprise Fund	<u>27,144</u>
Total	<u>\$ 72,693</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,394,768	\$ -	\$ -	\$ 1,394,768
Construction in progress	7,000	90,064	-	97,064
Total capital assets not being depreciated	<u>1,401,768</u>	<u>90,064</u>	<u>-</u>	<u>1,491,832</u>
Capital assets being depreciated:				
Buildings	1,349,165	39,750	-	1,388,915
Equipment	6,566,698	166,020	64,863	6,667,855
Infrastructure	4,999,540	322,251	-	5,321,791
Land improvements	1,994,700	-	-	1,994,700
Total capital assets being depreciated	<u>14,910,103</u>	<u>528,021</u>	<u>64,863</u>	<u>15,373,261</u>
Less accumulated depreciation for:				
Buildings	994,224	21,836	-	1,016,060
Equipment	4,135,945	359,063	61,919	4,433,089
Infrastructure	999,269	161,534	-	1,160,803
Land improvements	1,966,792	2,975	-	1,969,767
Total capital assets being depreciated	<u>8,096,230</u>	<u>545,408</u>	<u>61,919</u>	<u>8,579,719</u>
Total capital assets being depreciated, net	<u>6,813,873</u>			<u>6,793,542</u>
Governmental activity capital assets, net	<u>\$ 8,215,641</u>			<u>\$ 8,285,374</u>

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

General government	\$ 29,076
Public safety	284,406
Public works	191,094
Recreation	<u>40,832</u>
Total depreciation expense	<u>\$ 545,408</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 48,345	\$ 111,955	\$ 160,300	\$ -
Total capital assets not being depreciated	48,345	111,955	160,300	-
Capital assets being depreciated:				
Plant and distribution system	9,560,921	43,825	-	9,604,746
Furniture and maintenance equipment	400,801	141,325	2,817	539,309
Vehicles	264,987	-	41,229	223,758
Total capital assets being depreciated	10,226,709	185,150	44,046	10,367,813
Less accumulated depreciation for:				
Plant and distribution system	5,144,543	197,105	-	5,341,648
Furniture and maintenance equipment	203,307	37,224	4,333	236,198
Vehicles	235,359	6,947	41,229	201,077
Total capital assets being depreciated	5,583,209	241,276	\$ 45,562	5,778,923
Total capital assets being depreciated, net	4,643,500			4,588,890
Business-type activities capital assets, net	\$ 4,691,845			\$ 4,588,890

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Elon 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 governmental entities. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, or 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. Town of Elon employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Elon's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% 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 Town of Elon were \$362,638 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$1,780,281 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town'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 (measurement date), the Town's proportion was 0.050%, which was an increase of 0.001% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$602,924. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 224,818	\$ -
Changes of assumptions	132,488	-
Net difference between projected and actual earnings on pension plan investments	250,527	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,471	12,089
Town contributions subsequent to the measurement date	362,638	-
Total	<u>\$ 973,942</u>	<u>\$ 12,089</u>

\$362,638 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 163,104
2023	226,810
2024	135,159
2025	74,143
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town'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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 3,611,996	\$ 1,780,281	\$ 257,997

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Elon administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. 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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>19</u>
Total	<u>22</u>

2. *Summary of Significant Accounting Policies.*

Basis of Accounting. The Town 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 and refunds 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 following criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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-2010 Mortality tables with adjustments for mortality improvements based on Scale MP-2019.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$47,339 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, 2021, the Town reported a total pension liability of \$686,697. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$47,339.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ -	\$ 90,028
Changes of assumptions	238,870	7,606
Benefit payments and plan administrative expenses made subsequent to the measurement date	<u>23,670</u>	<u>-</u>
Total	<u>\$ 262,540</u>	<u>\$ 97,634</u>

\$23,670 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amount reported as deferred outflows and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 7,164
2023	14,666
2024	28,145
2025	37,575
2026	40,061
Thereafter	13,625

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	\$ 743,668	\$ 686,697	\$ 633,913

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

	2021
Beginning balance	\$ 443,231
Service Cost	23,136
Interest on the total pension liability	13,678
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,869)
Changes of assumptions or other input	266,860
Benefit payments	(47,339)
Other changes	-
Ending balance of the total pension liability	<u>\$ 686,697</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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 602,924	\$ 47,339	\$ 650,263
Pension Liability	1,780,281	686,697	2,466,978
Proportionate share of the net pension liability	0.05000%	n/a	-
Deferred of Outflows of Resources			
Differences between expected and actual experience	224,818	-	224,818
Changes in assumptions	132,488	238,870	371,358
Net differences between projected and actual earnings on plan investments	250,527	-	250,527
Changes in proportionate and differences between contributions and proportionate share of contributions	3,471	-	3,471
Benefit payments and administrative costs paid subsequent to the measurement date	362,638	23,670	386,308
Deferred of Inflow of Resources			
Differences between expected and actual experience	-	90,028	90,028
Changes in assumptions	-	7,606	7,606
Net differences between projected and actual earnings on plan investments	12,089	-	12,089
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town 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 Town. 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 Town 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.

The Town made contributions for the year ended June 30, 2021 of \$81,284 which consisted of \$56,194 from the Town and \$25,090 from the law enforcement officers. The Town also contributed to the Supplemental Retirement Income Plan for its general employees. The general employees also made voluntary contributions to the plan. Contributions for general employees for the year ended June 30, 2021 were \$184,151 which consisted of \$118,160 from the Town and \$65,991 from the general employees.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Elon, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Fund. 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, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefits at age 55 with 20 years of creditable service as a firefighter or rescue squad worker and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefits will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,652,000 to the plan. The Town of Elon's proportionate share of the State's contribution is \$8,348.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2021, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$16,195. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the Town recognized pension expense of \$6,483 and revenue of \$6,483 for support provided by the State. At June 30, 2021, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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.

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

2. Other Employment Benefits

The Town has 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the 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 payroll 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 Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2021, the Town made contributions to the State for death benefits of \$2,519. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.14% and 0.04% of covered payroll, respectively.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Sources	Amount
Differences between expected and actual experience	\$ 224,818
Changes in assumptions	371,358
Net difference between projected and actual earnings on plan investments	250,527
Changes in porportion and differences between contributions and porportionate share of contributions	3,471
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	<u>386,308</u>
Total	<u>\$ 1,236,482</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 2,837	\$ 2,837
Taxes receivable, less penalties (General Fund)	-	2,786
Changes in assumptions	7,606	-
Differences between expected and actual experience	90,028	-
Net differences between projected and actual earnings on plan investments	<u>12,089</u>	<u>-</u>
	<u>\$ 112,560</u>	<u>\$ 5,623</u>

4. Risk Management

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The employees that have access to funds are each bonded with a separate \$10,000 bond and the finance officer is bonded with a separate \$50,000 bond.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Capital Leases

The Town has entered into agreements to lease a fire truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreement was executed on October 9, 2019 and requires 10 annual payments ranging from \$85,544 to \$85,739. Title passes to the Town at the end of the lease term agreement.

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 676,782	\$ 90,238	\$ 586,544
Total	\$ 676,782	\$ 90,238	\$ 586,544

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Year Ending June 30,	Governmental Long-Term Debt
2022	\$ 85,449
2023	85,979
2024	85,468
2025	85,936
2026	86,363
Therefore	<u>343,036</u>
Total minimum lease payments	\$ 772,231
Less: Amount representing interest	<u>84,554</u>
Present value of minimum lease payments	<u>\$ 687,677</u>

At June 30, 2021, the Town of Elon had a legal debt margin of \$52,183,831.

b. Revolving Loan

The Town entered into an agreement with the Department of Environment and Natural resources for an ARRA loan for \$290,583. The term of the loan shall not exceed 20 years at an interest rate of zero percent per annum. Principal equivalent to 1/2 of the total project cost of \$145,291 were forgiven. Payment is \$7,257 for 20 years.

c. Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Capitalized leases	\$ 757,677	\$ -	\$ 70,000	\$ 687,677	\$ 85,449
Compensated absences	290,911	40,093	92,727	238,277	119,138
Net pension liability (LGERS)	1,189,640	419,022	-	1,608,662	-
Total pension liability (LEO)	<u>443,231</u>	<u>243,466</u>	<u>-</u>	<u>686,697</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 2,681,459</u>	<u>\$ 702,581</u>	<u>\$ 162,727</u>	<u>\$ 3,221,313</u>	<u>\$ 204,587</u>
Business-type activities:					
Revolving loan	\$ 72,571	\$ -	\$ 7,257	\$ 65,314	\$ 7,257
Net pension liability (LGERS)	149,877	21,742	-	171,619	-
Compensated absences	<u>56,054</u>	<u>32,502</u>	<u>30,754</u>	<u>57,802</u>	<u>28,901</u>
Business-type activities long-term liabilities	<u>\$ 278,502</u>	<u>\$ 54,244</u>	<u>\$ 38,011</u>	<u>\$ 294,735</u>	<u>\$ 36,158</u>

C. 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	\$ 8,964,805
Less:	
Stabilization by State Statute	924,835
Streets	512,860
Public safety	166,598
Committed:	
Cemetery Care - Assigned	112,194
Remaining Capital/Fund Balance Policy	<u>7,248,318</u>
Remaining Fund Balance	<u>\$ -</u>

III. Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs

The Town has received proceeds from 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 monies 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.

Town of Elon, North Carolina
Town of Elon's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years *

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town of Elon's proportion of the net pension liability (asset) (%)	0.0050%	0.0050%	0.04783%	0.04764%	0.05044%
Town of Elon's proportion of the net pension liability (asset) (\$)	\$ 1,780,281	\$ 1,339,517	\$ 1,134,691	\$ 727,807	\$ 1,070,506
Town of Elon's covered-employee payroll	\$ 3,487,064	\$ 3,318,478	\$ 3,149,372	\$ 2,854,694	\$ 2,513,574
Town of Elon's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.05%	40.37%	36.03%	25.50%	42.59%
Plan fiduciary net position as a percentage of the total pension liability**	92.60%	91.63%	94.18%	91.47%	98.09%
	<u>2016</u>	<u>2015</u>			
Town of Elon's proportion of the net pension liability (asset) (%)	0.04504%	0.04504%			
Town of Elon's proportion of the net pension liability (asset) (\$)	\$ 212,145	\$ (265,622)			
Town of Elon's covered-employee payroll	\$ 2,513,574	\$ 2,365,802			
Town of Elon's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.44%	-11.23%			
Plan fiduciary net position as a percentage of the total pension liability**	99.07%	102.64%			

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

**Town of Elon, North Carolina
Town of Elon's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 362,638	\$ 301,803	\$ 252,386	\$ 221,113	\$ 189,824
Contributions in relation to the contractually required contribution	<u>362,638</u>	<u>301,803</u>	<u>252,386</u>	<u>221,113</u>	<u>189,824</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Elon's covered-employee payroll	\$ 3,487,064	\$ 3,318,478	\$ 3,149,372	\$ 2,854,694	\$ 2,780,651
Contributions as a percentage of covered-employee payroll	10.40%	9.09%	8.01%	7.75%	6.83%
	<u>2016</u>	<u>2015</u>			
Contractually required contribution	\$ 171,357	\$ 169,981			
Contributions in relation to the contractually required contribution	<u>171,357</u>	<u>169,981</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Town of Elon's covered-employee payroll	\$ 2,513,574	\$ 2,365,802			
Contributions as a percentage of covered-employee payroll	6.82%	7.18%			

Town of Elon, North Carolina
Town of Elon's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Six Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town of Elon's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%
Town of Elon's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Elon	<u>16,195</u>	<u>16,642</u>	<u>23,012</u>	<u>20,573</u>
Total	<u>\$ 16,195</u>	<u>\$ 16,642</u>	<u>\$ 23,012</u>	<u>\$ 20,573</u>
Town of Elon's covered-employee payroll	\$975,521	\$968,198	\$917,023	\$849,259
Town of Elon's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.66%	1.72%	2.51%	2.42%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%
	<u>2017</u>	<u>2016</u>		
Town of Elon's proportionate share of the net pension liability (%)	0.00%	0.00%		
Town of Elon's proportionate share of the net pension liability (\$)	\$ -	\$ -		
State's proportionate share of the net pension liability associated with Town of Elon	<u>12,736</u>	<u>12,644</u>		
Total	<u>\$ 12,736</u>	<u>\$ 12,644</u>		
Town of Elon's covered-employee payroll	\$769,206	\$680,531		
Town of Elon's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.66%	1.86%		
Plan fiduciary net position as a percentage of the total pension liability	93.42%	92.76%		

* The amounts presented for the prior fiscal year.

TOWN OF ELON, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
Last Five Fiscal Years*

	2021	2020	2019	2018	2017
Beginning balance	\$ 443,231	\$ 482,453	\$ 652,976	\$ 652,976	\$ 687,829
Service cost	23,136	17,823	20,594	-	21,879
Interest on total pension liability	13,678	16,700	17,966	-	23,359
Change of benefit terms	-	-	-	-	-
Difference between expected and actuarial experience in the measurement	(12,869)	(37,342)	(85,979)	-	-
Changes of assumptions and other inputs	266,860	10,936	(15,013)	-	(13,066)
Benefits payments	(47,339)	(47,339)	(47,339)	-	(67,025)
Other	-	-	(60,752)	-	-
Ending balance of the total pension liability	<u>\$ 686,697</u>	<u>\$ 443,231</u>	<u>\$ 482,453</u>	<u>\$ 652,976</u>	<u>\$ 652,976</u>

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

TOWN OF ELON, NORTH CAROLINA
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 Last Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 686,697	\$ 443,231	\$ 482,453	\$ 592,224	\$ 652,976
Covered payroll	1,090,664	934,958	996,380	942,917	1,076,303
Total pension liability as a percentage of covered payroll	62.96%	47.41%	48.42%	62.81%	60.67%

Notes to the schedules:

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

**TOWN OF ELON, NORTH CAROLINA
GENERAL FUND
BALANCE SHEET
June 30, 2021**

June 30,
2021

ASSETS

Cash and cash equivalents	\$ 7,425,779
Prepaid expenses	-
Receivables (net):	
Taxes	2,786
Accounts	924,835
Restricted cash	<u>808,285</u>
Total Assets	<u><u>\$ 9,161,685</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable and accrued liabilities	\$ 191,257
Unavailable revenues	<u>5,623</u>
Total Liabilities	<u>196,880</u>

FUND BALANCES:

Restricted:	
Stabilization by State Statute	924,835
Powell Bill	512,860
Public Safety	166,598
Assigned:	
Cemetery Care	112,194
Unassigned	<u>7,248,318</u>
Total Fund Balances	<u>8,964,805</u>
Total Liabilities and Fund Balances	<u><u>\$ 9,161,685</u></u>

Town of Elon, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 2,962,878	
Penalties and interest		5,078	
Total	\$ 2,933,500	2,967,956	\$ 34,456
Other taxes and licenses:			
Local option sales tax		3,848,185	
Solid waste tax		9,473	
Privilege licenses		120	
Total	3,409,000	3,857,778	448,778
Unrestricted intergovernmental:			
Payment in lieu of taxes		7,500	
Utility franchise tax		466,163	
Beer and wine tax		53,259	
Tax refunds		15,154	
Total	520,800	542,076	21,276
Restricted intergovernmental:			
On-behalf of payments - Fire		8,348	
Federal asset foreclosure		26,916	
State drug funds		904	
Department of justice		1,329	
Fire District Tax		329,566	
Powell Bill allocation		278,264	
Total	631,394	645,327	13,933

(continued)

Town of Elon, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:(continued)			
Sales and services:			
Donation - Fire Department - Twin Lakes		56,000	
Cemetery		18,000	
Solid waste		226,247	
	<u>274,000</u>	<u>300,247</u>	<u>26,247</u>
Investment earnings:			
Investment earnings		3,330	
Investment earnings - state street aid		111	
Total	<u>2,100</u>	<u>3,441</u>	<u>1,341</u>
Miscellaneous:			
Parking violation penalties		16,803	
Recreation fees		11,056	
Planning/Zoning Fees		109,627	
Code Enforcement Fees		5,175	
Miscellaneous		30,775	
Court awarded special fund		375	
Donation - Elon University		138,543	
Total	<u>289,668</u>	<u>312,354</u>	<u>22,686</u>
Total revenues	<u>8,060,462</u>	<u>8,629,179</u>	<u>568,717</u>

(continued)

Town of Elon, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Administration:			
Salaries and employee benefits		546,680	
Other operating expenditures		320,217	
Capital outlay		14,765	
Total		881,662	
Other general government:			
Other operating expenditures		56,527	
Total		56,527	
Downtown Development			
Salaries and employee benefits		88,167	
Other operating expenditures		39,210	
Capital outlay		19,501	
Total		146,878	
Planning			
Salaries and employee benefits		127,198	
Other operating expenditures		228,628	
Total		355,826	
 Total general government	 1,906,834	 1,440,893	 465,941
 Public Safety:			
Police:			
Salaries and employee benefits		1,703,457	
Vehicle maintenance		21,375	
Other operating expenditures		352,507	
Capital outlay		131,063	
Total		2,208,402	

(continued)

Town of Elon, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public Safety:(continued)			
Fire:			
Salaries and employee benefits		1,328,277	
Vehicle maintenance		33,655	
Contracted services		6,866	
Other operating expenditures		118,577	
Capital outlay		103,092	
Total		1,590,467	
Total public safety	4,140,492	3,798,869	341,623
Public works:			
Public works department:			
Salaries and employee benefits		444,895	
Building maintenance		11,892	
Equipment maintenance		7,938	
Vehicle maintenance		12,730	
Street lights		41,957	
Garbage removal		282,404	
Trash removal		14,187	
Tipping fees		51,915	
Cemetary maintenance		23,772	
Solid waste program		30,469	
Yard waste disposal		18,867	
Other operating expenditures		85,534	
Capital outlay		55,471	
Total		1,082,031	

(continued)

Town of Elon, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public works:(continued)			
State Street Aid Allocation:			
Equipment maintenance		1,059	
Street maintenance		10,880	
Other operating expenditures		13,854	
Capital outlay		353,477	
Total		379,270	
Total public works	1,954,581	1,461,301	493,280
Recreational:			
Recreation:			
Salaries and employee benefits		166,953	
Buildings maintenance		4,740	
Grounds maintenance		31,583	
Other programs		9,397	
Other operating expenditures		44,981	
Capital outlay		34,687	
Total recreational	338,145	292,341	45,804
Debt Service:			
Principle - capital leases		83,966	
Interest - capital leases		15,455	
Total debt service	99,900	99,421	479
Total expenditures	8,439,952	7,092,825	1,347,127
Revenues over (under) expenditures	(379,490)	1,536,354	1,915,844

Town of Elon, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Proceeds from installment financing		-	
Sale of capital assets		22,296	
Total other financing sources (uses)	22,000	22,296	296
Revenues Over other Sources Over (Under)			
Expenditures and Other Uses	(357,490)	1,558,650	\$ 1,916,140
Fund balance appropriated	357,490		
Net change in fund balance	\$ -		
Fund balances, beginning		7,406,155	
Fund balances, ending		\$ 8,964,805	

Town of Elon, North Carolina
Special Revenue Fund - Coronavirus Relief Fund (CRF)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
CRF revenue		\$ 141,202	
Total	\$ 141,202	141,202	\$ -
Total revenues	141,202	141,202	-
Expenditures:			
Cat 2 expenditures		16,996	
Cat 3 expenditures		88,037	
Cat 4 expenditures		36,169	
Total	141,202	141,202	-
Total expenditures	141,202	141,202	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	\$ -	\$ -
Fund Equity Appropriated	-		
	\$ -		

Town of Elon, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales		\$ 1,354,939	
Sewer sales		2,289,677	
Water and sewer taps		32,699	
Gibsonville reimbursement		260,725	
Total	\$ 3,832,000	3,938,040	\$ 106,040
Other operating revenues	12,500	9,835	(2,665)
Total operating revenues	3,844,500	3,947,875	103,375
Nonoperating revenues			
Investment earnings		675	
Water and sewer assessments		4,715	
System fees		127,000	
Antenna location fee		18,251	
Total nonoperating revenues	163,700	150,641	(13,059)
Total revenues	4,008,200	4,098,516	90,316
Expenditures:			
Salaries and employee benefits		467,838	
Supplies		11,693	
Equipment maintenance		2,677	
System maintenance		29,890	
Vehicle maintenance		872	
Burlington sewer treatment		1,295,983	
Gibsonville sewer treatment		536,691	
Burlington water purchased		881,317	
Gibsonville water purchased		2,032	
Contracted services		58,493	
Other operating expenditures		175,471	
Total	3,603,542	3,462,957	140,585

(continued)

Town of Elon, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Interest		-	
Principal retirement		7,257	
Total debt service	7,260	7,257	3
Capital outlay:			
Building		111,955	
Total capital outlay	270,398	111,955	158,443
Total expenditures	3,881,200	3,582,169	299,031
Revenues over (under) expenditures	127,000	516,347	389,347
Other financing sources (uses):			
Sale of fixed assets		19,559	
Transfer to other funds:			
Capital System Development Fees		(127,000)	
Total other financing sources (uses)	(127,000)	(107,441)	19,559
Revenues and other sources over (under) expenditures	\$ -	408,906	\$ 408,906
Fund Equity Appropriated	-		
	\$ -		

(continued)

Town of Elon, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures		\$ 408,906	
Reconciling items:			
Capital outlay		111,955	
Gain on disposal of asset		1,516	
Operating transfer (in) out		127,000	
Increase in accrued vacation pay		(1,747)	
Increase in net pension liability		(21,742)	
Increase in deferred outflows of resources for pensions		1,505	
Decrease in deferred inflows of resources for pensions		6,646	
Depreciation		(240,332)	
Capital project revenue		18	
Principal Retirement		7,257	
Total reconciling items		<u>(7,924)</u>	
Net Income		<u>\$ 400,982</u>	

Town of Elon, North Carolina
Storm Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Storm water fees		\$ 140,472	
Sales tax refund		-	
Total	\$ 139,000	140,472	\$ 1,472
Total revenues	139,000	140,472	1,472
Expenditures:			
Engineering		23,000	
Capital improvements		24,850	
Other operating expenditures		10,999	
Total	139,000	58,849	80,151
Total expenditures	139,000	58,849	80,151
Revenues over (under) expenditures	-	81,623	81,623
Other financing sources (uses):			
	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	81,623	\$ 81,623
Fund Equity Appropriated	-		
	\$ -		
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures		\$ 81,623	
Reconciling items:			
Capital outlay		24,850	
Depreciation		(944)	
Net Income		\$ 105,529	

Town of Elon, North Carolina
Water and Sewer Capital Project - Capital Reserve System Fee
Schedule of Revenues and Expenditures-
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Investment earnings	\$ -	\$ 710	\$ 18	\$ 728	\$ 728
Expenditures:					
Contingency	127,000	-	-	-	127,000
Total expenditures	127,000	-	-	-	127,000
Revenues under expenditures	(127,000)	710	18	728	127,728
Other financing sources (uses)					
Transfer from water and sewer fund	127,000	116,905	127,000	243,905	116,905
Total other financing sources (uses)	127,000	116,905	127,000	243,905	116,905
Revenues and other sources over (under) expenditures	\$ -	\$ 117,615	\$ 127,018	\$ 244,633	\$ 244,633

Town of Elon, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 2,977,640	\$ 2,975,850	\$ 1,790
2019-2020	2,694	-	1,607	1,087
2018-2019	2,368	-	990	1,378
2017-2018	1,006	-	854	152
2016-2017	949	-	779	170
2015-2016	847	-	651	196
2014-2015	896	-	616	280
2013-2014	1,848	-	689	1,159
2012-2013	2,078	-	174	1,904
2011-2012	1,093	-	24	1,069
2010-2011	931	-	931	-
	<u>\$ 14,710</u>	<u>\$ 2,977,640</u>	<u>\$ 2,983,165</u>	<u>9,185</u>
Less: allowance for uncollectible accounts General Fund				<u>(6,399)</u>
Ad valorem taxes receivable - net				<u>\$ 2,786</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,967,956
Reconciling items:				
Penalties and interest collected				(5,078)
Discounts allowed				8,925
Tax releases and adjustments				<u>11,362</u>
Total collections and credits				<u>\$ 2,983,165</u>

Town of Elon, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 650,124,000	.45	\$ 2,925,558	\$ 2,594,966	\$ 330,592
Total	<u>650,124,000</u>		<u>2,925,558</u>	<u>2,594,966</u>	<u>330,592</u>
Discoveries:					
Current year taxes	<u>11,965,556</u>	.45	<u>53,845</u>	<u>53,845</u>	<u>-</u>
Abatements	<u>(391,778)</u>	.45	<u>(1,763)</u>	<u>(1,763)</u>	<u>-</u>
Total property valuation	<u>\$ 661,697,778</u>				
Net Levy			2,977,640	2,647,048	330,592
Unpaid (by taxpayers) taxes at June 30, 2021			<u>1,790</u>	<u>906</u>	<u>884</u>
Current year's taxes collected			<u>\$ 2,975,850</u>	<u>\$ 2,646,142</u>	<u>\$ 329,708</u>
Current levy collection percentage			<u>99.94%</u>	<u>99.97%</u>	<u>99.73%</u>



**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 Auditor's Report

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Elon, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elon, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Elon's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Elon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Elon's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 material weaknesses. However, material weaknesses may exist that have not been identified.

MEMBER OF:

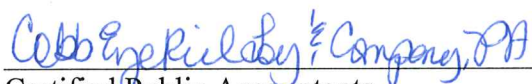
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Elon's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cobb Engineering & Company, PA". The signature is written in a cursive, flowing style.

Certified Public Accountants

Graham, North Carolina

October 29, 2021