

TOWN OF ELON
FINANCIAL STATEMENTS
June 30, 2022

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 Alderman
Town of Elon, North Carolina

Report on the Audit of the Financial Statements

Opinions

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, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Elon's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 as of June 30, 2022, and the respective changes in financial position, and cash flows (where applicable) 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Elon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Elon's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Elon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Elon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 is the responsibility of management and, although not a 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Elon's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. 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 January 31, 2023 on our consideration of the Town of Elon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 the effectiveness of the Town of Elon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Elon's internal control over financial reporting and compliance.

Cobb, Ezekiel, Loy & Company, P.A.

Cobb, Ezekiel, Loy & Company, P.A.

Certified Public Accountants

Graham, North Carolina

January 31, 2023

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, 2022. 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

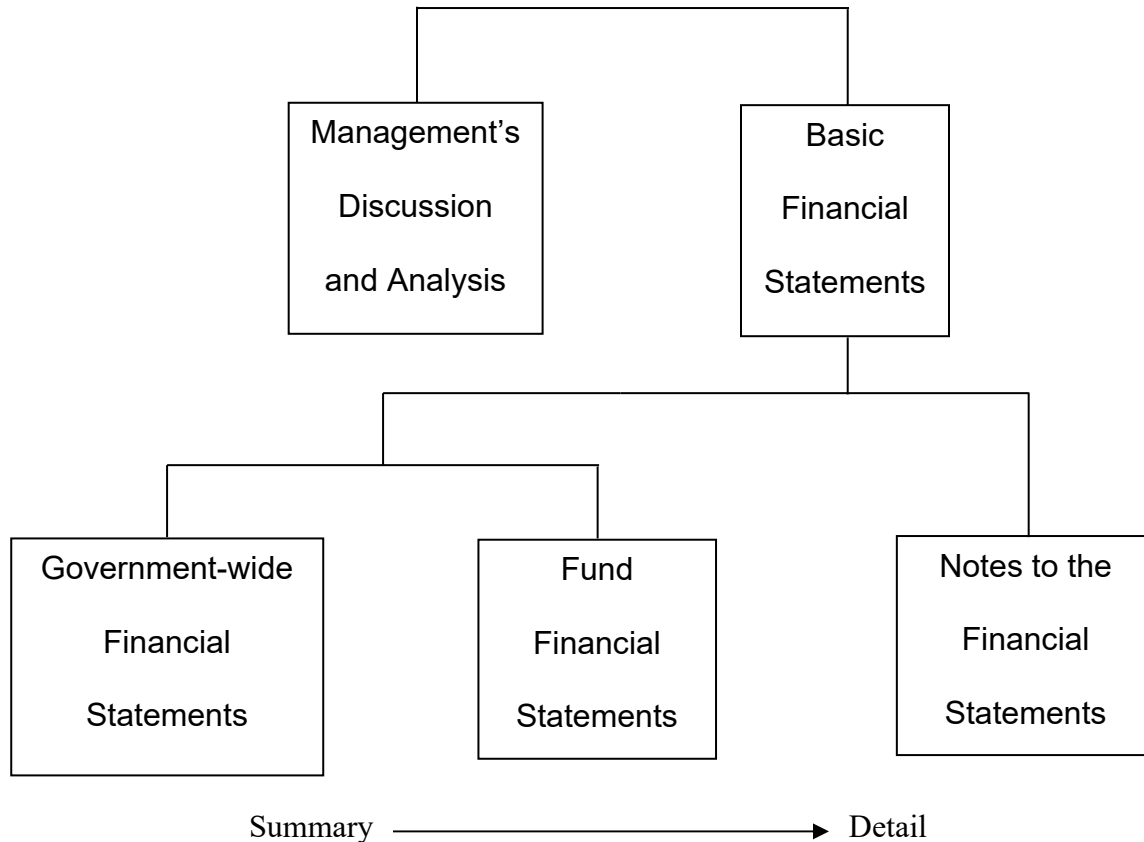
- The assets and deferred outflows of the **Town of Elon** exceeded its liabilities and deferred inflows at the close of the fiscal year by \$26,759,014 (**net position**).
- The government's total net position increased by \$2,718,887 primarily due to an increase of \$1,328,693 in the governmental-type activities and an increase of \$1,390,194 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 \$9,687,042 an increase of \$722,237 in comparison with the prior year. Approximately 15.05% of this total amount, or \$1,457,958 is non-spendable or restricted.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8,229,084 or 101.4% of the total General Fund expenditures for the fiscal year.
- The **Town of Elon's** total outstanding debt increased by \$978,345 during the current fiscal year. The key factor in this increase is due to the issuance of a revenue bond of \$1,964,000 for Water and Sewer improvements. The increase was offset by a decrease of \$1,037,560 in the net pension liability for the Local Government Employees Retirement System (LGERS); and planned debt service principal payments of \$7,257.

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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 11,765,737	\$ 9,161,685	\$ 6,520,740	\$ 4,805,043	\$ 18,286,477	\$ 13,966,728
Non-current assets	691,796	-	-	-	691,796	-
Capital assets	8,327,866	8,285,374	6,248,416	4,588,890	14,576,282	12,874,264
Deferred outflows of resources	1,231,962	1,210,032	99,717	26,450	1,331,679	1,236,482
Total assets and deferred outflows of resources	22,017,361	18,657,091	12,868,873	9,420,383	34,886,234	28,077,474
Long-term liabilities outstanding	2,111,141	3,016,726	1,997,504	258,576	4,108,645	3,275,302
Other liabilities	2,305,334	410,293	578,601	354,774	2,883,935	765,067
Deferred inflows of resources	1,037,934	111,395	96,706	1,165	1,134,640	112,560
Total liabilities and deferred inflows of resources	5,454,409	3,538,414	2,672,811	614,515	8,127,220	4,152,929
Net Position:						
Net investment in capital assets	7,711,190	7,527,697	4,226,359	4,523,576	11,937,549	12,051,273
Restricted	1,345,709	1,604,293	245,025	244,632	1,590,734	1,848,925
Unrestricted	7,506,053	5,986,687	5,724,678	4,037,660	13,230,731	10,024,347
Total net position	\$ 16,562,952	\$ 15,118,677	\$ 10,196,062	\$ 8,805,868	\$ 26,759,014	\$ 23,924,545

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 \$26,759,014 as of June 30, 2022. The Town of Elon's net position increased by \$2,718,887 for the fiscal year ended June 30, 2022. However, the largest portion (44.61%) 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, \$1,590,734, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,230,731 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 99.75%, which is comparable to the statewide average of 99.12%

Town of Elon Change in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 712,546	\$ 640,915	\$ 5,372,990	\$ 4,093,062	\$ 6,085,536	\$ 4,733,977
Operating grants and contributions	440,388	587,533	-	-	440,388	587,533
Capital Grants and contributions	106,000	56,000	-	-	106,000	56,000
General revenues:						
Property taxes	2,964,035	2,966,180	-	-	2,964,035	2,966,180
Other taxes	3,871,657	3,857,658	-	-	3,871,657	3,857,658
Grants and contributions not restricted to specific programs	507,103	542,076	-	-	507,103	542,076
Other	235,473	137,595	33,776	167,019	269,249	304,614
Total revenues	8,837,202	8,787,957	5,406,766	4,260,081	14,243,968	13,048,038
Expenses:						
General government	1,662,207	1,627,174	-	-	1,662,207	1,627,174
Public safety	4,143,121	4,028,837	-	-	4,143,121	4,028,837
Public works	1,364,633	1,254,713	-	-	1,364,633	1,254,713
Recreational	329,090	334,388	-	-	329,090	334,388
Interest	9,458	14,360	-	-	9,458	14,360
Storm Water	-	-	47,347	34,943	47,347	34,943
Water and sewer	-	-	3,969,225	3,718,627	3,969,225	3,718,627
Total expenses	7,508,509	7,259,472	4,016,572	3,753,570	11,525,081	11,013,042
Increase in net position before transfers	1,328,693	1,528,485	1,390,194	506,511	2,718,887	2,034,996
Transfers	-	-	-	-	-	-
Increase in net position	1,328,693	1,528,485	1,390,194	506,511	2,718,887	2,034,996
Net position, July 1	15,118,677	13,590,192	8,805,868	8,299,357	23,924,545	21,889,549
Restatement	115,582	-	-	-	115,582	-
Net position, July 1 - Restated	15,234,259	13,590,192	8,805,868	8,299,357	24,040,127	21,889,549
Net position, June 30	\$ 16,562,952	\$ 15,118,677	\$ 10,196,062	\$ 8,805,868	\$ 26,759,014	\$ 23,924,545

Governmental activities. Governmental activities increased the Town of Elon's net position by \$1,328,693. 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 \$1,390,194. 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 \$8,229,084 while total fund balance increased to \$9,687,042. 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 101.4% of total General Fund expenditures and the total fund balance represents 119.4% of total general fund expenditures.

At June 30, 2022, the governmental funds of Town of Elon reported a combined fund balance of \$9,687,945 with a net increase in fund balance of \$723,140. 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 \$5,417,126, and for the Storm Water Fund, \$307,552. The total change in net position for the Water and Sewer and Storm Water Funds was \$1,286,118 and \$104,076, 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, 2022, totals \$14,576,282 (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 \$80,369
- Construction in progress for business-type activities assets of \$52,986
- No major demolitions were recorded this year.

Town of Elon's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,685,314	\$ 1,394,768	\$ -	\$ -	\$ 1,685,314	\$ 1,394,768
Construction in progress	80,369	97,064	52,986	-	133,355	97,064
Buildings and systems	452,773	372,855	5,900,861	4,263,098	6,353,634	4,635,953
Improvements other than buildings	53,643	24,933	-	-	53,643	24,933
Machinery and equipment	1,652,513	2,234,766	294,569	325,792	1,947,082	2,560,558
Infrastructure	4,403,254	4,160,988	-	-	4,403,254	4,160,988
Total	\$ 8,327,866	\$ 8,285,374	\$ 6,248,416	\$ 4,588,890	\$ 14,576,282	\$ 12,874,264

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, 2022, the Town of Elon had total outstanding bonds of \$1,964,000. The town's debt represents bonds secured solely by specific revenue sources (e.g. , revenue bonds).

As of June 30, 2022, the Town of Elon had installment obligations and capital leases outstanding of \$684,468.

**Outstanding Debt
Figure5**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital Leases	\$ -	\$ 687,677	\$ -	\$ -	\$ -	\$ 687,677
Revenue bond	-	-	1,964,000	-	1,964,000	-
Lease liability	684,468				684,468	-
Net pension liability (LGERS)	676,693	1,608,662	66,028	171,619	742,721	1,780,281
Total pension liability (LEO)	709,792	686,697			709,792	686,697
Compensated absences	266,002	238,277	69,353	57,802	335,355	296,079
Revolving Loans	-	-	58,057	65,314	58,057	65,314
Total	\$ 2,336,955	\$ 3,221,313	\$ 2,157,438	\$ 294,735	\$ 4,494,393	\$ 3,516,048

Town of Elon's Outstanding Debt

The Town of Elon's total debt increased by \$978,345 during the current fiscal year. The key factor in this increase is due to the issuance of a revenue bond of \$1,964,000 for Water and Sewer improvements. The increase was offset by a decrease of \$1,037,560 in the net pension liability for the Local Government Employees Retirement System (LGERS); and planned debt service principal payments of \$7,257.

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 \$49,928,568.

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 annual audit, we are asked to look ahead to the issues, trends, opportunities and threats that may affect the coming year. To fully understand what our future might look like, it is important to understand where we are, and how we got there.

Elon is a geographically small community, about 4 square miles. Much of the land within that 4-square miles is already developed, or owned by entities with long range growth plans (Twin Lake and Elon University). Together, these two non-profit members of our community control about 25% of the land in Elon, and generate little in the way of property tax revenue. Together, the small size of Elon and the non-profit ownership of such a large portion of the community, limits our economic development potential.

Our one area where we can grow, and develop is to the North, out Shallowford Church Road and out Manning. These areas are in Elon's Extraterritorial Jurisdiction – not in Elon, but subject to our zoning

rules. As parcels in this area are developed, and access our water and sewer system, they are annexed into Elon, and add to our property tax base. Most of these areas will be predominantly residential, with some areas of mixed uses and small commercial centers.

Key Indicators

There are several indicators that communities use to forecast future developments and finances. Together, these indicators paint a fairly positive picture for Elon.

Population – This past spring, the results of the 2020 were released. In 2010, Elon had a population of 9,419. In 2019, we had a State-estimated population of 12,186. However, with the 2020 census, we were only certified at 11,336. This change in our growth rate over the previous 10 years has resulted in Elon having a smaller percentage of the Alamance County population, which has a negative impact on our Sales Tax distribution, and on our Powell Bill distribution of road funding, both of which include a population factor.

Housing – During FY 22, we approved two new housing developments, totaling about 250 single family homes. One of those projects (45 units) has since been purchased and is not anticipated to be developed. The other project, 205 units, is under construction, but is now anticipated to be about 185-190 units. Another project has received a conditional zoning approval from the Town, and will include up to 200 single family homes, along with up to 200 multi-family units, as well as up to 100,000 s.f. of commercial space. It is anticipated that this last project will start construction in the spring of 2023. In addition, there have been multiple conversations with other developers about potential developments, although none have entered the review process at this time. In addition, a 90-unit apartment building at Twin Lakes has been approved, and is approaching construction.

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. In FY 22, 8 new single family homes were started.

Economic Development – Elon University and Twin Lakes continue to be the economic drivers for Elon. While neither entity pays much in property taxes, their development does provide support to other Elon businesses, and helps to generate sales taxes.

Sales tax receipts – Sales taxes collected in North Carolina are distributed to each County based on generation. In Alamance County, those sales tax receipts are further distributed to communities based on population. Due to our new Census numbers, Elon's share of sales tax receipts has dropped from 4.65% to 3.99%. While this is a small decrease, it does have a significant impact. With anticipated overall growth in sales tax receipts, combined with our lower percentage, it is anticipated that in Fiscal Year 2023, we will see no, or minimal increase in sales tax receipts. While the State projects sales tax generation to grow over the next year, there is always the concern about an economic downturn, which could ultimately reduce sales tax generation. In Elon, we take this into account by not budgeting all of our anticipated sales tax revenue, so that if numbers drop, we will have less of a negative impact to our budget.

Capital Investment – Elon has a policy of maintaining 40% of our annual budget in cash reserves, or Fund Balance. This helps us to manage any potential cash flow interruption, downturns in the economy or emergencies. Due to conservative revenue budgeting, judicial budgetary expenditures, and significant increases in sales tax revenues during COVID, our Fund Balance has grown beyond our desired level. The policy directs the Town to use these excess

funds to make capital purchases. With that in mind, in the FY 23 budget, we have planned to spend nearly \$1 million on essentially one-time capital purchases, of items that would have been purchased over the next couple of years. The expenditure will provide opportunities in the next couple of years to address other capital issues that have been identified as needs by the community.

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.

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

Issues to monitor

Inflation – Inflation has obviously hit all of hard over the past couple of years. Like each of you, we have seen the items we need to purchase go up in price and take longer to deliver. We have also seen wage increases in neighboring communities, which is causing us to evaluate wages and benefits for our employees, in an effort to stay competitive when it comes to retention of existing staff, and recruiting new employees.

Recession – this is something we continue to hear about, without it really having shown up yet. There is still concern that a downturn is in our future. To be prepared, we continue to be conservative in our estimates of revenue generation, planning for less revenue than we think and hope might come to pass. This way, if it doesn't show up, we will not face as great an impact.

Revaluation – Alamance County is nearing the end of a new property assessment process, which will result in changes to everyone's property values in 2023. We will not know the range of the changes until January of 2023 when the new values are released, nor will we know the impact on tax rates or our budget until then.

Growth – Elon works to create an environment where good growth is encouraged, particularly focused on downtown and our commercial areas. Residential development is also beginning to pick up, as Elon has been 'discovered' as a desirable location. Much of this demand is in anticipation of the new industrial development that is taking place all around us.

Capital needs – Elon is facing a period of needed investment, including new fire vehicles (Engine 18 and our ladder truck) and upgraded municipal facilities. In addition, we hear regularly from residents about the need for more sidewalks, as well as additional recreational activities and facilities. This past year, we acquired a parcel of land for a new Police Station sometime in the next 4-5 years. As previously noted, we are also faced with numerous capital investments related to water and sewer, as many of our lines need replacing, or need to be upsized to conform to current development standards.

American Rescue Plan – In early 2021, the US Government passed the American Rescue Plan Act, which provides funding directly to states and 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 have

developed plans for investing these funds, totaling about \$3.9 million, into our water and sewer systems in the next several years. In addition, the 2022 State budget allocated \$2.4 million of the State's ARP funds to Elon for the replacement and upgrade of the E. Haggard water line, which should be under construction in 2023.

Budget Rates & Budget Highlights for the Fiscal Year Ending June 30, 2022

Elon has maintained its tax rate of \$.45 per \$100 of property value since 2017. We have been fortunate to have seen enough new investment in the community and increase sales tax receipts to cover the increased costs of our municipal services. The Town's budget is divided into two pieces. The General Fund Budget is funded through taxes and general revenues, and pays for things such as Administration, Recreation and Parks, Police, Fire and Public Works. The rest of our budget represents Enterprise accounts, which are Business-like activities, and are funded through dedicated revenues, such as water and sewer fees or State funds given to support our road network. The recent history of these approved budgets is below:

Budget Year	General Fund	Enterprise Accounts	Total Budget
FY 20	\$8,371,070	\$4,144,480	\$12,515,550
FY 21	\$7,092,825	\$4,765,533	\$11,858,358
FY 22	\$8,764,950	\$6,430,367	\$15,195,317
FY 23	\$9,459,305	\$8,658,583	\$18,117,888

The FY 20 included the cost of purchasing a new Engine 8 for the Fire Department. The FY 21 budget reduction reflected both eliminating the cost of Engine 8, and the anticipated impacts of the COVID pandemic. The FY 22 budget was affected by the purchase of the Travis Creek Pump Station (\$2 million) and the first installment of Federal ARPA funds. The FY 23 budget includes the remaining Federal ARPA funds and the State ARPA funds (totaling over \$3.5 million).

Utility Rates – As noted, the purchase of the Travis Creek Pump Station (which will open new areas for residential development in Elon) increased our annual capital costs, and resulted in a need 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 Fiscal Year 20, 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. By the end of FY 2022, our Fund Balance stood at \$8,229,084, approximately 101% of our general fund budget. This level of fund balance is higher than we need to maintain based on our adopted policy, and the Town Council has opted to spend some of this General Fund Balance, approximately \$1 million, on capital expenses, in accordance with our adopted policy.

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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 8,350,662	\$ 5,383,036	\$ 13,733,698
Taxes receivables (net)	6,408	-	6,408
Accounts receivable (net)	865,517	844,896	1,710,413
Restricted Assets:			
Cash and cash equivalents	2,543,150	292,808	2,835,958
Total current assets	11,765,737	6,520,740	18,286,477
Non-current assets:			
Right to use lease asset - net of amortization	691,796	-	691,796
Capital assets:			
Land, improvements, and construction in progress	1,765,683	52,986	1,818,669
Other capital assets, net of depreciation	6,562,183	6,195,430	12,757,613
Total capital assets	8,327,866	6,248,416	14,576,282
Total assets	20,785,399	12,769,156	33,554,555
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,231,962	99,717	1,331,679
Total deferred outflows of resources	1,231,962	99,717	1,331,679
LIABILITIES			
Current liabilities:			
Accounts payable	120,695	339,074	459,769
Customer deposits	-	47,783	47,783
Accrued interest payable	9,672	31,810	41,482
Liabilities to be paid from restricted assets	1,949,153	-	1,949,153
Due within one year	225,814	159,934	385,748
Total current liabilities	2,305,334	578,601	2,883,935
Long-term liabilities:			
Net pension liability - LGERS	676,693	66,028	742,721
Total pension liability - LEO	709,792	-	709,792
Due in more than one year	724,656	1,931,476	2,656,132
Total liabilities	4,416,475	2,576,105	6,992,580
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,036,398	96,706	1,133,104
Prepaid taxes	1,536	-	1,536
Total deferred inflows of resources	1,037,934	96,706	1,134,640
NET POSITION			
Net investment in capital assets	7,711,190	4,226,359	11,937,549
Restricted for:			
Stabilization by State Statute	865,517	-	865,517
Capital reserve	-	245,025	245,025
Public works	367,458	-	367,458
Public safety	112,734	-	112,734
Unrestricted	7,506,053	5,724,678	13,230,731
Total net position	\$ 16,562,952	\$ 10,196,062	\$ 26,759,014

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, 2022**

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	\$ 1,662,207	\$ 25,559	\$ -	\$ -	\$ (1,636,648)	\$ -	\$ (1,636,648)
Public safety	4,143,121	370,219	144,594	56,000	(3,572,308)	-	(3,572,308)
Public works	1,364,633	244,953	295,794	-	(823,886)	-	(823,886)
Recreational	329,090	71,815	-	50,000	(207,275)	-	(207,275)
Interest	9,458	-	-	-	(9,458)	-	(9,458)
Total governmental activities (See Note 1)	<u>\$ 7,508,509</u>	<u>\$ 712,546</u>	<u>\$ 440,388</u>	<u>\$ 106,000</u>	<u>\$ (6,249,575)</u>	<u>\$ -</u>	<u>\$ (6,249,575)</u>
Business-type activities:							
Storm water	47,347	151,423	-	-	-	104,076	104,076
Water and sewer	3,969,225	5,221,567	-	-	-	1,252,342	1,252,342
Total business-type activities	<u>4,016,572</u>	<u>5,372,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,356,418</u>	<u>1,356,418</u>
Total primary government	<u>\$ 11,525,081</u>	<u>\$ 6,085,536</u>	<u>\$ 440,388</u>	<u>\$ 106,000</u>	<u>(6,249,575)</u>	<u>1,356,418</u>	<u>(4,893,157)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,964,035	-	2,964,035
Local option sales tax					3,862,708	-	3,862,708
Other taxes and licenses					8,949	-	8,949
Grants and contributions not restricted to specific programs					507,103	-	507,103
Unrestricted investment earnings					15,665	6,845	22,510
Miscellaneous					219,808	26,931	246,739
Total general revenues, special items, and transfers					<u>7,578,268</u>	<u>33,776</u>	<u>7,612,044</u>
Change in net position					1,328,693	1,390,194	2,718,887
Net position, beginning					15,118,677	8,805,868	23,924,545
Restatement					115,582	-	115,582
Net position - restated					<u>15,234,259</u>	<u>8,805,868</u>	<u>24,040,127</u>
Net position - ending					<u><u>\$ 16,562,952</u></u>	<u><u>\$ 10,196,062</u></u>	<u><u>\$ 26,759,014</u></u>

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

**Town of Elon
Balance Sheet
Governmental Funds
June 30, 2022**

	MAJOR FUND		Total Governmental Funds
	General	ARPA Special Grant Fund	
ASSETS			
Cash and cash equivalents	\$ 8,350,662	\$ -	\$ 8,350,662
Receivables, net			
Taxes	6,408	-	6,408
Accounts	865,517	-	865,517
Restricted cash	593,094	1,950,056	2,543,150
Total assets	<u>\$ 9,815,681</u>	<u>\$ 1,950,056</u>	<u>\$ 11,765,737</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 120,695	\$ -	\$ 120,695
Unearned revenue	-	1,949,153	1,949,153
Due to other funds	-	-	-
Total liabilities	<u>120,695</u>	<u>1,949,153</u>	<u>2,069,848</u>
Deferred Inflows of Resources			
Unavailable revenues	6,408	-	6,408
Prepaid taxes	1,536	-	1,536
Total deferred inflows of resources	<u>7,944</u>	<u>-</u>	<u>7,944</u>
Fund balances:			
Restricted for:			
State Statute	865,517	-	865,517
Streets-Powell bill	367,458	-	367,458
Public safety	112,734	-	112,734
Unassigned, General Fund	8,229,084	903	8,229,987
Assigned			
Cemetery care	112,249	-	112,249
Total fund balances	<u>9,687,042</u>	<u>903</u>	<u>9,687,945</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,815,681</u>	<u>\$ 1,950,056</u>	

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 - \$17,309,980 less accumulated depreciation - \$8,982,114)	8,327,866
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Right to use asset - \$789,730 less accumulated amortization - \$97,934)	691,796
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,231,962
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	6,408
Pension related deferrals	(1,036,398)
Net pension liability - LGERS	(676,693)
Total pension liability - LEO	(709,792)
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 - \$0 compensated absences - \$266,002 , accrued interest - \$9,672 and lease - \$684,468	(960,142)
Net position of governmental activities	<u>\$ 16,562,952</u>

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, 2022

	Major Fund		Total
	General Fund	ARPA Special Grant Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,960,412	\$ -	\$ 2,960,412
Other taxes and licenses	3,872,227	-	3,872,227
Unrestricted intergovernmental	507,103	-	507,103
Restricted intergovernmental	633,463	-	633,463
Sales and services	334,553	-	334,553
Investment earnings	14,762	903	15,665
Miscellaneous	508,009	-	508,009
Total revenues	8,830,529	903	8,831,432
EXPENDITURES			
Current:			
General government	1,573,125	-	1,573,125
Public safety	3,859,309	-	3,859,309
Public works	1,164,266	-	1,164,266
Recreation	293,300	-	293,300
Debt service:			
Principle	85,882	-	85,882
Interest	14,235	-	14,235
Capital outlay	1,121,670	-	1,121,670
Total expenditures	8,111,787	-	8,111,787
Excess (deficiency) of revenues over expenditures	718,742	903	719,645
OTHER FINANCING SOURCES (USES)			
Proceeds from installment financing	-	-	-
Sale of capital assets	3,495	-	3,495
Total other financing sources (uses)	3,495	-	3,495
Net change in fund balance	722,237	903	723,140
Fund balances-beginning	8,964,805	-	8,964,805
Fund balances - ending	\$ 9,687,042	\$ 903	\$ 9,687,945

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, 2022

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

Net changes in fund balances - total government funds	\$	723,140
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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 (\$1,121,670) exceeded depreciation in the current period (\$492,633).		629,037
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		269,076
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		21,045
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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		785

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-\$85,882, changes in accrued interest-\$0		85,882
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Right to use leased asset		2,344
Compensated absences		(27,725)
Pension expense		(374,891)

Total changes in net position of governmental activities	\$	<u>1,328,693</u>
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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, 2022**

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,954,800	\$ 2,954,800	\$ 2,960,412	\$ 5,612
Other taxes and licenses	3,309,050	3,309,050	3,872,227	563,177
Unrestricted intergovernmental	515,400	515,400	507,103	(8,297)
Restricted intergovernmental	603,250	601,750	633,463	31,713
Sales and services	218,000	274,000	334,553	60,553
Investment earnings	5,250	5,250	14,762	9,512
Miscellaneous	264,500	260,000	508,009	248,009
Total revenues	7,870,250	7,920,250	8,830,529	910,279
Expenditures:				
Current:				
General Government	2,054,995	2,309,543	1,659,480	650,063
Public Safety	4,200,912	4,247,738	4,311,412	(63,674)
Public Works	1,712,450	1,980,750	1,659,656	321,094
Recreation	411,850	472,850	381,122	91,728
Debt Service:				
Principle retirement	100,900	86,665	85,882	783
Interest and other charges	-	14,235	14,235	-
Total expenditures	8,481,107	9,111,781	8,111,787	999,994
Revenues over (under) expenditures	(610,857)	(1,191,531)	718,742	1,910,273
Other financing sources (uses):				
Sale of surplus items	5,000	5,000	3,495	(1,505)
Total other financing sources (uses):	5,000	5,000	3,495	(1,505)
Revenues and other financing sources over (under) expenditures and other financing uses	(605,857)	(1,186,531)	722,237	\$ 1,908,768
Fund balances, appropriated	605,857	1,186,531		
Fund balances, beginning as previously reported	\$ -	\$ -	8,964,805	
Fund balances, ending			\$ 9,687,042	

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, 2022

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,069,533	\$ 313,503	\$ 5,383,036
Accounts receivable, net	844,893	3	844,896
Restricted cash	292,808	-	292,808
Total current assets	<u>6,207,234</u>	<u>313,506</u>	<u>6,520,740</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	52,986	-	52,986
Other capital assets, net of depreciation	<u>6,154,302</u>	<u>41,128</u>	<u>6,195,430</u>
Capital assets(net)	<u>6,207,288</u>	<u>41,128</u>	<u>6,248,416</u>
Total assets	<u>12,414,522</u>	<u>354,634</u>	<u>12,769,156</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	99,717	-	99,717
Total deferred outflows of resources	<u>99,717</u>	<u>-</u>	<u>99,717</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	364,930	5,954	370,884
Customer deposits	47,783	-	47,783
Compensated absences	34,677	-	34,677
Revenue bond payable	118,000	-	118,000
Installment purchase payable - current	<u>7,257</u>	<u>-</u>	<u>7,257</u>
Total current liabilities	<u>572,647</u>	<u>5,954</u>	<u>578,601</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	34,676	-	34,676
Net pension liability	66,028	-	66,028
Revenue bond payable	1,846,000	-	1,846,000
Installment purchase payable - noncurrent	<u>50,800</u>	<u>-</u>	<u>50,800</u>
Total noncurrent liabilities	<u>1,997,504</u>	<u>-</u>	<u>1,997,504</u>
Total liabilities	<u>2,570,151</u>	<u>5,954</u>	<u>2,576,105</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	96,706	-	96,706
Total deferred inflows of resources	<u>96,706</u>	<u>-</u>	<u>96,706</u>
NET POSITION			
Net investment in capital assets	4,185,231	41,128	4,226,359
Capital Reserve	245,025	-	245,025
Unrestricted	<u>5,417,126</u>	<u>307,552</u>	<u>5,724,678</u>
Net position of business-type activities	<u>\$ 9,847,382</u>	<u>\$ 348,680</u>	<u>\$ 10,196,062</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, 2022

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 5,151,004	\$ 151,423	\$ 5,302,427
Water and sewer taps	49,567	-	49,567
Other operating revenues	20,996	-	20,996
Total operating revenues	<u>5,221,567</u>	<u>151,423</u>	<u>5,372,990</u>
OPERATING EXPENSES			
Salaries and employee benefits	467,724	-	467,724
Supplies	16,160	-	16,160
Equipment maintenance	3,306	-	3,306
System maintenance	31,347	-	31,347
Vehicle maintenance	5,933	-	5,933
Burlington sewer treatment	1,395,339	-	1,395,339
Gibsonville sewer treatment	378,065	-	378,065
Burlington water purchased	1,108,425	-	1,108,425
Gibsonville water purchased	2,193	-	2,193
Contracted services	60,536	-	60,536
Engineering	-	29,139	29,139
Other operating expenditures	216,311	16,455	232,766
Depreciation	252,076	1,753	253,829
Total operating expenses	<u>3,937,415</u>	<u>47,347</u>	<u>3,984,762</u>
Operating income	<u>1,284,152</u>	<u>104,076</u>	<u>1,388,228</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	6,845	-	6,845
Interest on long-term debt	(31,810)	-	(31,810)
System fees	10,400	-	10,400
Antenna fee location	16,531	-	16,531
Total nonoperating revenues (expenses)	<u>1,966</u>	<u>-</u>	<u>1,966</u>
Income before contributions and transfers	1,286,118	104,076	1,390,194
Change in net position	1,286,118	104,076	1,390,194
Total net position - beginning	<u>8,561,264</u>	<u>244,604</u>	<u>8,805,868</u>
Total net position, ending	<u>\$ 9,847,382</u>	<u>\$ 348,680</u>	<u>\$ 10,196,062</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, 2022**

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 5,119,873	\$ 151,423	\$ 5,271,296
Cash paid for goods and services	(3,161,392)	(39,978)	(3,201,370)
Cash paid to or on behalf of employees for services	(502,499)	-	(502,499)
Net change in customer deposits	1,220	-	1,220
Other operating revenues	20,996	-	20,996
Net cash provided by operating activities	<u>1,478,198</u>	<u>111,445</u>	<u>1,589,643</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,913,356)	-	(1,913,356)
Principle paid on long-term debt	(7,257)	-	(7,257)
Revenue bond issuance	1,964,000	-	1,964,000
Other capital revenues	26,931	-	26,931
Interest and fees paid on debt maturities	(31,810)	-	(31,810)
Net cash provided (used) by capital and related financing activities	<u>38,508</u>	<u>-</u>	<u>38,508</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>6,845</u>	<u>-</u>	<u>6,845</u>
Net increase in cash and cash equivalents	1,523,551	111,445	1,634,996
Balances, beginning	<u>3,838,790</u>	<u>202,058</u>	<u>4,040,848</u>
Balances, ending	<u><u>\$ 5,362,341</u></u>	<u><u>\$ 313,503</u></u>	<u><u>\$ 5,675,844</u></u>
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents - Current	\$ 5,069,533	\$ 313,503	\$ 5,383,036
Cash and cash equivalents - Restricted	<u>292,808</u>	<u>-</u>	<u>292,808</u>
	<u><u>\$ 5,362,341</u></u>	<u><u>\$ 313,503</u></u>	<u><u>\$ 5,675,844</u></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, 2022

	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	\$ 1,284,152	\$ 104,076	\$ 1,388,228
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	252,076	1,753	253,829
Changes in assets and liabilities:			
(Increase) in accounts receivable	(80,696)	-	(80,696)
Increase in deferred inflows of resources for pensions	95,541	-	95,541
Decrease in pension liability	(105,591)	-	(105,591)
Increase in accounts payable and accrued liabilities	56,221	5,616	61,837
Increase in customer deposits	1,220	-	1,220
(Increase) in deferred outflows of resources for pensions	(36,276)	-	(36,276)
Increase in accrued vacation pay	11,551	-	11,551
Total adjustments	194,046	7,369	201,415
Net cash used by operating activities	\$ 1,478,198	\$ 111,445	\$ 1,589,643

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, 2022

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:

American Rescue Plan Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

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. 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	\$ 368,111
Cemetery	112,249
Public Safety	112,734
ARPA	<u>1,950,056</u>
Total Governmental Activities	<u>\$ 2,543,150</u>

Business-type Activities

Water and Sewer Fund

Customer deposits	\$ 47,783
Capital Reserve	<u>245,025</u>
Total Business-type Activities	<u>\$ 292,808</u>

Total Restricted Cash	<u>\$ 2,835,958</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, 2021. 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. Right to use assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

9. 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 2022 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.

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

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, 2022, the Town's deposits had a carrying amount of \$5,088,547 and a bank balance of \$5,427,732. Of the bank balance, \$531,684 was covered by federal depository insurance. The remaining bank balance of \$4,896,048 was collateralized under the Pooling Method.

The Town had \$575 cash on hand at June 30, 2022.

2. Investments

At June 30, 2022, the Town of Elon had \$11,480,534 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, 2022. 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>2022</u>
General Fund:	
Taxes receivable	\$ 7,614
Accounts receivable	22,763
Enterprise Fund	<u>33,985</u>
Total	<u><u>\$ 64,362</u></u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,394,768	\$ 290,546	\$ -	\$ 1,685,314
Construction in progress	97,064	501,238	517,933	80,369
Total capital assets not being depreciated	<u>1,491,832</u>	<u>791,784</u>	<u>517,933</u>	<u>1,765,683</u>
Capital assets being depreciated:				
Buildings	1,388,915	105,327	-	1,494,242
Equipment	6,667,855	298,871	676,782	6,289,944
Infrastructure	5,321,791	412,870	-	5,734,661
Land improvements	1,994,700	30,750	-	2,025,450
Total capital assets being depreciated	<u>15,373,261</u>	<u>847,818</u>	<u>676,782</u>	<u>15,544,297</u>
Less accumulated depreciation for:				
Buildings	1,016,060	25,409	-	1,041,469
Equipment	4,433,089	294,580	90,238	4,637,431
Infrastructure	1,160,803	170,604	-	1,331,407
Land improvements	1,969,767	2,040	-	1,971,807
Total capital assets being depreciated	<u>8,579,719</u>	<u>492,633</u>	<u>90,238</u>	<u>8,982,114</u>
Total capital assets being depreciated, net	<u>6,793,542</u>			<u>6,562,183</u>
Governmental activity capital assets, net	<u>\$ 8,285,374</u>			<u>\$ 8,327,866</u>

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

General government	\$ 23,718
Public safety	218,786
Public works	209,638
Recreation	<u>40,491</u>
Total depreciation expense	<u>\$ 492,633</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 52,986	\$ -	\$ 52,986
Total capital assets not being depreciated	-	52,986	-	52,986
Capital assets being depreciated:				
Plant and distribution system	9,604,746	1,845,869	-	11,450,615
Furniture and maintenance equipment	539,309	14,500	-	553,809
Vehicles	223,758	-	-	223,758
Total capital assets being depreciated	10,367,813	1,860,369		12,228,182
Less accumulated depreciation for:				
Plant and distribution system	5,341,648	208,106	-	5,549,754
Furniture and maintenance equipment	236,198	42,521		278,719
Vehicles	201,077	3,202		204,279
Total capital assets being depreciated	5,778,923	253,829	\$ -	6,032,752
Total capital assets being depreciated, net	4,588,890			6,195,430
Business-type activities capital assets, net	<u>\$ 4,588,890</u>			<u>\$ 6,248,416</u>

5. Right to Use Leased Assets

The town has recorded six right to use leased assets. The assets are a right to use asset for lease equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was an increase of \$789,730 less amortization of \$97,934 resulting in an ending balance of \$691,796.

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, 2022, was 12.04% of compensation for law enforcement officers and 11.39% 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 \$416,460 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$742,721 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the Town's proportion was 0.048%, which was an decrease of 0.002% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$306,880. At June 30, 2022, 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	\$ 236,286	\$ -
Changes of assumptions	466,618	-
Net difference between projected and actual earnings on pension plan investments	-	1,061,125
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,313	26,681
Town contributions subsequent to the measurement date	416,460	-
Total	<u>\$ 1,121,677</u>	<u>\$ 1,087,806</u>

\$416,460 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:

2023	\$ (29,184)
2024	(88,532)
2025	(324,711)
2026	-
2027	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2020 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, 2020 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 2020 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 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 2,883,179	\$ 742,721	\$ (1,018,753)

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, 2020, 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>20</u>
Total	<u><u>23</u></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 criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 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, 2020.

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, 2022, the Town reported a total pension liability of \$709,792. 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, 2022, the Town recognized pension expense of \$68,011.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,125
Changes of assumptions	188,957	19,173
Benefit payments and plan administrative expenses made subsequent to the measurement date	21,045	-
Total	<u>\$ 210,002</u>	<u>\$ 45,298</u>

\$21,045 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:

2023	\$ 16,572
2024	30,051
2025	39,481
2026	41,967
2027	15,531
Thereafter	57

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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 768,636	\$ 709,792	\$ 655,129

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

	2022
Beginning balance	\$ 686,697
Service Cost	46,145
Interest on the total pension liability	12,796
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	29,864
Changes of assumptions or other input	(18,371)
Benefit payments	(47,339)
Other changes	-
Ending balance of the total pension liability	<u>\$ 709,792</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, 2020 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	\$ 306,880	\$ 68,011	\$ 374,891
Pension Liability	742,721	709,792	1,452,513
Proportionate share of the net pension liability	0.048%	n/a	-
Deferred of Outflows of Resources			
Differences between expected and actual experience	236,286	-	236,286
Changes in assumptions	466,618	188,957	655,575
Net differences between projected and actual earnings on plan investments	-	-	-
Changes in proportionate and differences between contributions and proportionate share of contributions	2,313	-	2,313
Benefit payments and administrative costs paid subsequent to the measurement date	416,460	21,045	437,505
Deferred of Inflow of Resources			
Differences between expected and actual experience	-	26,125	26,125
Changes in assumptions	-	19,173	19,173
Net differences between projected and actual earnings on plan investments	1,061,125	-	1,061,125
Changes in proportion and differences between contributions and proportionate share of contributions	26,681	-	26,681

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, 2022 of \$85,131 which consisted of \$59,976 from the Town and \$25,155 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, 2022 were \$188,459 which consisted of \$119,421 from the Town and \$69,038 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, 2022, the State contributed \$19,002,000 to the plan. The Town of Elon's proportionate share of the State's contribution is \$8,318.

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, 2022, 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 \$12,227. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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, 2022 and at June 30, 2021 was 0%.

For the year ended June 30, 2022, the Town recognized pension expense of \$1,347 and revenue of \$1,347 for support provided by the State. At June 30, 2022, 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, 2020 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, 2022, the Town made contributions to the State for death benefits of \$2,635. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.04% and 0.14% 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:

<u>Sources</u>	<u>Amount</u>
Differences between expected and actual experience	\$ 236,286
Changes in assumptions	655,575
Net difference between projected and actual earnings on plan investments	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,313
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	<u>437,505</u>
Total	<u>\$ 1,331,679</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 1,536	\$ 1,536
Taxes receivable, less penalties (General Fund)	-	6,408
Changes in assumptions	19,173	-
Differences between expected and actual experience	26,125	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	26,681	-
Net differences between projected and actual Earnings on plan investments	<u>1,061,125</u>	<u>-</u>
	<u>\$ 1,134,640</u>	<u>\$ 7,944</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, 2022, 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. Leases

The Town has entered into agreements to lease certain equipment and a parking lot. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 1, 2019, to lease copier equipment and requires 63 monthly payments of \$317.83. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$12,395 at June 30, 2022. The right to use asset is discussed in more detail in Section A-8 of this note.

The second agreement was executed on October 9, 2019, to lease a fire truck and requires 10 annual payments ranging from \$85,449 to 86,363. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$627,000 at June 30, 2022. The right to use asset is discussed in more detail in Section A-8 of this note.

The third agreement was executed on November 14, 2019, to lease copier equipment and requires 48 monthly payments of \$288.94. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$4,623 at June 30, 2022. The right to use asset is discussed in more detail in Section A-8 of this note.

The fourth agreement was executed on January 31, 2020, to lease postal equipment and requires 60 monthly payments of \$136.33. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$4,499 at June 30, 2022. The right to use asset is discussed in more detail in Section A-8 of this note.

The fifth agreement was executed on October 1, 2020, to lease a parcel of land for parking and requires 5 annual payments of \$6,000. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$18,000 at June 30, 2022. The right to use asset is discussed in more detail in Section A-8 of this note.

The sixth agreement was executed on February 12, 2021, to lease copier equipment and requires 60 monthly payments of \$407.98. As a result, the Town has recorded a right to use asset with a net book value of \$17,951 at June 30, 2022. The right to use asset is discussed in more detail in Section A-8 of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 92,813	\$ 12,979	\$ 105,792
2024	91,501	11,468	102,969
2025	91,938	9,936	101,873
2026	82,217	8,363	90,580
2027	79,000	6,748	85,748
Thereafter	247,000	10,288	257,288
	<u>\$ 684,468</u>	<u>\$ 59,782</u>	<u>\$ 744,520</u>

At June 30, 2022, the Town of Elon had a legal debt margin of \$49,928,568.

b. Revenue Bond

\$1,964,000 Enterprise Systems Revenue Bond, Series 2021,
issued for water and sewer system improvements. Principal
and interest installments are due annually on September 1,
at an annual rate of 1.72%

\$ 1,964,000

The future payments of the revenue bond are as follows:

Year Ending June 30	Principal	Interest
2023	\$ 118,000	\$ 31,810
2024	118,000	31,751
2025	120,000	29,722
2026	122,000	27,658
2027	124,000	25,559
2028	126,000	23,426
Thereafter	1,236,000	108,721
Total	<u>\$ 1,964,000</u>	<u>\$ 278,647</u>

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 6.6 of the Bond Order, authorizing the issuance of the Enterprise Systems Revenue Bond, Series 2021. The Town has pledged future water and sewer customer revenues, net of specified operating expenses, for repayment of \$1,964,000 in water and sewer system revenue bonds issue 2021. Proceeds from the bonds provided financing for purchase and upgrades to water and sewer infrastructure. The bonds are payable solely from water and sewer customer net revenues and are payable through 2037. The total principal and interest remaining to be

paid on the outstanding revenue bond is \$2,242,647 as of June 30, 2022. Section 6.6(a) of the Bond Order requires that the Town budget and collect revenues in the enterprise system sufficient enough to pay the principal and interest requirements and maintain unrestricted net position at a level that provides that 20% of unrestricted net position on the last day of the fiscal year added to Income Available for Debt Service will not be less than 120% of the long-term debt service requirement for parity indebtedness for such fiscal year.

The long-term debt service coverage ratio calculation for the year ended June 30, 2022, is as follows:

Operating revenues	\$ 5,221,567
Operating expenses*	4,189,491
Operating income	1,032,076
Nonoperating revenues (expenses)**	<u>33,776</u>
Income available for debt service	1,065,852
Debt service, principal and interest paid (Revenue bond only)	\$ -
Debt service coverage ratio	-%

* Per rate covenants, this does not include the depreciation expense of \$252,076

**Per rate covenants, this does not include revenue bond interest paid of \$ -

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, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental activities:					
Capitalized leases	\$ 687,677	\$ -	\$ 687,677	\$ -	\$ -
Compensated absences	238,277	115,072	87,347	266,002	133,001
Lease liability	-	789,730	105,262	684,468	92,813
Net pension liability (LGERS)	1,608,662	-	931,969	676,693	-
Total pension liability (LEO)	<u>686,697</u>	<u>23,095</u>	<u>-</u>	<u>709,792</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 3,221,313</u>	<u>\$ 927,897</u>	<u>\$ 1,812,255</u>	<u>\$ 2,336,955</u>	<u>\$ 225,814</u>
Business-type activities:					
Revolving loan	\$ 65,314	\$ -	\$ 7,257	\$ 58,057	\$ 7,257
Revenue bond	-	1,964,000	-	1,964,000	118,000
Net pension liability (LGERS)	171,619	-	105,591	66,028	-
Compensated absences	<u>57,802</u>	<u>36,190</u>	<u>24,639</u>	<u>69,353</u>	<u>34,677</u>
Business-type activities long-term liabilities	<u>\$ 294,735</u>	<u>\$2,000,190</u>	<u>\$ 137,487</u>	<u>\$ 2,157,438</u>	<u>\$ 159,934</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	\$ 9,687,042
Less:	
Stabilization by State Statute	865,517
Streets	367,458
Public safety	112,734
Committed:	
Cemetery Care - Assigned	112,249
Remaining Capital/Fund Balance Policy	8,229,084
Remaining Fund Balance	<u>\$ -</u>

D. Prior Period Adjustment

During the fiscal year ended June 30, 2022, the Town implemented GASB 87 – Leases. The implementation of this standard resulted in the reclassification of the Town’s capital lease from other capital assets, net of depreciation to a right to use lease asset, net of amortization in the governmental activities on the government wide statements. This reclassification resulted in an adjustment to the beginning net position for the governmental activities on the Statement of Activities. Beginning net position was increased by \$115,582.

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 Eight Fiscal Years *

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018
Town of Elon's proportion of the net pension liability (asset) (%)	0.0480%	0.0050%	0.0050%	0.04783%	0.04764%
Town of Elon's proportion of the net pension liability (asset) (\$)	\$ 742,721	\$ 1,780,281	\$ 1,339,517	\$ 1,134,691	\$ 727,807
Town of Elon's covered-employee payroll	\$ 3,587,920	\$ 3,487,064	\$ 3,318,478	\$ 3,149,372	\$ 2,854,694
Town of Elon's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.70%	51.05%	40.37%	36.03%	25.50%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	92.60%	91.63%	94.18%	91.47%

	2017	2016	2015
Town of Elon's proportion of the net pension liability (asset) (%)	0.05044%	0.04504%	0.04504%
Town of Elon's proportion of the net pension liability (asset) (\$)	\$ 1,070,506	\$ 212,145	\$ (265,622)
Town of Elon's covered-employee payroll	\$ 2,513,574	\$ 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	42.59%	8.44%	-11.23%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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 Eight Fiscal Years**

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 416,460	\$ 362,638	\$ 301,803	\$ 252,386	\$ 221,113
Contributions in relation to the contractually required contribution	416,460	362,638	301,803	252,386	221,113
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Elon's covered-employee payroll	\$ 3,587,920	\$ 3,487,064	\$ 3,318,478	\$ 3,149,372	\$ 2,854,694
Contributions as a percentage of covered-employee payroll	11.61%	10.40%	9.09%	8.01%	7.75%
	2017	2016	2015		
Contractually required contribution	\$ 189,824	\$ 171,357	\$ 169,981		
Contributions in relation to the contractually required contribution	189,824	171,357	169,981		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Town of Elon's covered-employee payroll	\$ 2,780,651	\$ 2,513,574	\$ 2,365,802		
Contributions as a percentage of covered-employee payroll	6.83%	6.82%	7.18%		

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

Firefighters' and Rescue Squad Workers' Pension

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</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>(12,227)</u>	<u>16,195</u>	<u>16,642</u>	<u>23,012</u>
Total	<u><u>\$ (12,227)</u></u>	<u><u>\$ 16,195</u></u>	<u><u>\$ 16,642</u></u>	<u><u>\$ 23,012</u></u>
Town of Elon's covered-employee payroll	\$969,919	\$975,521	\$968,198	\$917,023
Town of Elon's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-1.26%	1.66%	1.72%	2.51%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.69%	89.35%	84.94%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
Town of Elon's proportionate share of the net pension liability (%)	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>20,573</u>	<u>12,736</u>	<u>12,644</u>	
Total	<u><u>\$ 20,573</u></u>	<u><u>\$ 12,736</u></u>	<u><u>\$ 12,644</u></u>	
Town of Elon's covered-employee payroll	\$849,259	\$769,206	\$680,531	
Town of Elon's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.42%	1.66%	1.86%	
Plan fiduciary net position as a percentage of the total pension liability	91.40%	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 Six Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 686,697	\$ 443,231	\$ 482,453	\$ 652,976	\$ 652,976
Service cost	46,145	23,136	17,823	20,594	-
Interest on total pension liability	12,796	13,678	16,700	17,966	-
Change of benefit terms	-	-	-	-	-
Difference between expected and actuarial experience in the measurement	29,864	(12,869)	(37,342)	(85,979)	-
Changes of assumptions and other inputs	(18,371)	266,860	10,936	(15,013)	-
Benefits payments	(47,339)	(47,339)	(47,339)	(47,339)	-
Other	-	-	-	(60,752)	-
Ending balance of the total pension liability	<u>\$ 709,792</u>	<u>\$ 686,697</u>	<u>\$ 443,231</u>	<u>\$ 482,453</u>	<u>\$ 652,976</u>

	<u>2017</u>
Beginning balance	\$ 687,829
Service cost	21,879
Interest on total pension liability	23,359
Change of benefit terms	-
Difference between expected and actuarial experience in the measurement	-
Changes of assumptions and other inputs	(13,066)
Benefits payments	(67,025)
Other	-
Ending balance of the total pension liability	<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 Six Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 709,792	\$ 686,697	\$ 443,231	\$ 482,453	\$ 592,224
Covered payroll	1,175,056	1,090,664	934,958	996,380	942,917
Total pension liability as a percentage of covered payroll	60.40%	62.96%	47.41%	48.42%	62.81%
	<u>2017</u>				
Total pension liability	\$ 652,976				
Covered payroll	1,076,303				
Total pension liability as a percentage of covered payroll	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, 2022**

June 30,
2022

ASSETS

Cash and cash equivalents	\$ 8,350,662
Receivables (net):	
Taxes	6,408
Accounts	865,517
Restricted cash	<u>593,094</u>
Total Assets	<u><u>\$ 9,815,681</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES:	
Accounts payable and accrued liabilities	\$ 120,695
Unavailable revenues	<u>7,944</u>
Total Liabilities	<u>128,639</u>
FUND BALANCES:	
Restricted:	
Stabilization by State Statute	865,517
Powell Bill	367,458
Public Safety	112,734
Assigned:	
Cemetery Care	112,249
Unassigned	<u>8,229,084</u>
Total Fund Balances	<u>9,687,042</u>
Total Liabilities and Fund Balances	<u><u>\$ 9,815,681</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, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 2,929,532	
Penalties and interest		30,880	
Total	\$ 2,954,800	2,960,412	\$ 5,612
Other taxes and licenses:			
Local option sales tax		3,862,708	
Solid waste tax		8,949	
Privilege licenses		570	
Total	3,309,050	3,872,227	563,177
Unrestricted intergovernmental:			
Utility franchise tax		459,373	
Beer and wine tax		45,082	
Tax refunds		2,648	
Total	515,400	507,103	(8,297)
Restricted intergovernmental:			
On-behalf of payments - Fire		8,318	
Federal asset forfeiture		3,125	
State drug funds		328	
Fire District Tax		325,898	
Powell Bill allocation		295,794	
Total	601,750	633,463	31,713

(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, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:(continued)			
Sales and services:			
Donation - Fire Department - Twin Lakes		56,000	
Cemetery		33,600	
Solid waste		244,953	
	<u>274,000</u>	<u>334,553</u>	<u>60,553</u>
Investment earnings:			
Investment earnings		14,124	
Investment earnings - state street aid		638	
Total	<u>5,250</u>	<u>14,762</u>	<u>9,512</u>
Miscellaneous:			
Parking violation penalties		36,003	
Recreation fees		38,215	
Planning/Zoning Fees		207,739	
Code Enforcement Fees		8,575	
Miscellaneous		24,989	
Impact Alamance Grant		50,000	
Donation - Elon University		142,488	
Total	<u>260,000</u>	<u>508,009</u>	<u>248,009</u>
Total revenues	<u>7,920,250</u>	<u>8,830,529</u>	<u>910,279</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, 2022**

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Administration:			
Salaries and employee benefits		513,564	
Other operating expenditures		404,107	
Capital outlay		71,990	
Total		<u>989,661</u>	
Other general government:			
Other operating expenditures		88,169	
Total		<u>88,169</u>	
Downtown Development			
Salaries and employee benefits		72,197	
Other operating expenditures		61,812	
Capital outlay		4,306	
Total		<u>138,315</u>	
Planning			
Salaries and employee benefits		159,806	
Other operating expenditures		283,529	
Total		<u>443,335</u>	
 Total general government	 <u>2,309,543</u>	 <u>1,659,480</u>	 <u>650,063</u>
 Public Safety:			
Police:			
Salaries and employee benefits		1,798,212	
Vehicle maintenance		18,525	
Other operating expenditures		391,115	
Capital outlay		421,564	
Total		<u>2,629,416</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, 2022**

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public Safety:(continued)			
Fire:			
Salaries and employee benefits		1,427,504	
Vehicle maintenance		36,053	
Contracted services		5,917	
Other operating expenditures		154,703	
Capital outlay		57,819	
Total		1,681,996	
Total public safety	4,247,738	4,311,412	(63,674)
Public works:			
Public works department:			
Salaries and employee benefits		474,604	
Building maintenance		25,070	
Equipment maintenance		17,613	
Vehicle maintenance		21,266	
Street lights		49,182	
Garbage removal		292,037	
Trash removal		14,082	
Tipping fees		63,828	
Cemetery maintenance		13,281	
Solid waste program		31,548	
Yard waste disposal		20,726	
Other operating expenditures		96,097	
Capital outlay		95,839	
Total		1,215,173	

(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, 2022

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public works:(continued)			
State Street Aid Allocation:			
Equipment maintenance		3,401	
Street maintenance		17,546	
Other operating expenditures		21,553	
Capital outlay		401,983	
Total		444,483	
Total public works	1,980,750	1,659,656	321,094
Recreational:			
Recreation:			
Salaries and employee benefits		213,501	
Buildings maintenance		7,830	
Grounds maintenance		22,060	
Other programs		15,560	
Other operating expenditures		34,349	
Capital outlay		87,822	
Total recreational	472,850	381,122	91,728
Debt Service:			
Principle - capital leases		85,882	
Interest - capital leases		14,235	
Total debt service	100,900	100,117	783
 Total expenditures	9,111,781	8,111,787	999,994
Revenues over (under) expenditures	(1,191,531)	718,742	1,910,273

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, 2022

			Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Sale of capital assets		3,495	
Total other financing sources (uses)	5,000	3,495	(1,505)
Revenues Over other Sources Over (Under)			
Expenditures and Other Uses	(1,186,531)	722,237	\$ 1,908,768
Fund balance appropriated	1,186,531		
Net change in fund balance	\$ -		
Fund balances, beginning		8,964,805	
Fund balances, ending		\$ 9,687,042	

Town of Elon, North Carolina
Special Revenue Fund - American Rescue Plan Act (ARPA)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings		903	
Total	\$ -	903	\$ 903
Total revenues	-	903	903
Revenues over (under) expenditures	-	903	903
Revenues and other sources over (under) expenditures	-	\$ 903	\$ 903
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, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales		\$ 1,800,104	
Sewer sales		2,944,330	
Water and sewer taps		49,567	
Gibsonville reimbursement		406,570	
Total	<u>\$ 4,356,928</u>	<u>5,200,571</u>	<u>\$ 843,643</u>
Other operating revenues	<u>17,000</u>	<u>20,996</u>	<u>3,996</u>
Total operating revenues	<u>4,373,928</u>	<u>5,221,567</u>	<u>847,639</u>
Nonoperating revenues			
Investment earnings		6,452	
System fees		10,400	
Antenna location fee		16,531	
Total nonoperating revenues	<u>19,500</u>	<u>33,383</u>	<u>13,883</u>
Total revenues	<u>4,393,428</u>	<u>5,254,950</u>	<u>861,522</u>
Expenditures:			
Salaries and employee benefits		502,499	
Supplies		16,160	
Equipment maintenance		3,306	
System maintenance		31,347	
Vehicle maintenance		5,933	
Burlington sewer treatment		1,395,339	
Gibsonville sewer treatment		378,065	
Burlington water purchased		1,108,425	
Gibsonville water purchased		2,193	
Contracted services		60,536	
Other operating expenditures		121,856	
Total	<u>4,365,651</u>	<u>3,625,659</u>	<u>739,992</u>

(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, 2022**

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Interest		-	
Principal retirement		7,257	
Total debt service	<u>7,260</u>	<u>7,257</u>	<u>3</u>
Capital outlay:			
Equipment		14,500	
Water and sewer lines		1,940,325	
Total capital outlay	<u>2,183,000</u>	<u>1,954,825</u>	<u>228,175</u>
Total expenditures	<u>6,555,911</u>	<u>5,587,741</u>	<u>968,170</u>
Revenues over (under) expenditures	<u>(2,162,483)</u>	<u>(332,791)</u>	<u>1,829,692</u>
Other financing sources (uses):			
Revenue bond		1,964,000	
Total other financing sources (uses)	<u>2,000,000</u>	<u>1,964,000</u>	<u>(36,000)</u>
Revenues and other sources over (under) expenditures	<u>\$ (162,483)</u>	<u>1,631,209</u>	<u>\$ 1,793,692</u>
Fund Equity Appropriated	<u>162,483</u>		
	<u>\$ -</u>		

(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, 2022

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures		\$ 1,631,209	
Reconciling items:			
Capital outlay		1,860,370	
Revenue bond issuance		(1,964,000)	
Increase in accrued vacation pay		(11,551)	
Increase in accrued interest payable		(31,810)	
Decrease in net pension liability		105,591	
Increase in deferred outflows of resources for pensions		36,276	
Increase in deferred inflows of resources for pensions		(95,541)	
Depreciation		(252,076)	
Capital project revenue		393	
Principal Retirement		7,257	
Total reconciling items		<u>(345,091)</u>	
Net Income		<u><u>\$ 1,286,118</u></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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Storm water fees		\$ 151,423	
Total	\$ 135,000	151,423	\$ 16,423
Total revenues	135,000	151,423	16,423
Expenditures:			
Engineering		29,139	
Other operating expenditures		16,455	
Total	171,000	45,594	125,406
Total expenditures	171,000	45,594	125,406
Revenues over (under) expenditures	(36,000)	105,829	141,829
Revenues and other sources over (under) expenditures	(36,000)	105,829	\$ 141,829
Fund Equity Appropriated	36,000		
	\$ -		
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures		\$ 105,829	
Reconciling items:			
Depreciation		(1,753)	
Net Income		\$ 104,076	

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, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Investment earnings	\$ -	\$ 728	\$ 393	\$ 1,121	\$ 1,121
Revenues under expenditures	-	728	393	1,121	1,121
Other financing sources (uses)					
Transfer from water and sewer fund	-	243,905	-	243,905	243,905
Total other financing sources (uses)	-	243,905	-	243,905	243,905
Revenues and other sources over (under) expenditures	\$ -	\$ 244,633	\$ 393	\$ 245,026	\$ 245,026

Town of Elon, North Carolina
Water and Sewer Capital Project - East Haggard Project Fund
Schedule of Revenues and Expenditures-
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Engineering services	\$ -	\$ -	\$ 52,986	\$ 52,986	\$ 52,986
Total Expenditures	<u>-</u>	<u>-</u>	<u>52,986</u>	<u>52,986</u>	<u>52,986</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>(52,986)</u>	<u>(52,986)</u>	<u>(52,986)</u>
Revenues and Other Sources					
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,986)</u>	<u>\$ (52,986)</u>	<u>\$ (52,986)</u>

Town of Elon, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections And Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 2,960,724	\$ 2,953,348	\$ 7,376
2020-2021	1,790	-	573	1,217
2019-2020	1,087	-	469	618
2018-2019	1,378	-	330	1,048
2017-2018	152	-	-	152
2016-2017	170	-	-	170
2015-2016	196	-	-	196
2014-2015	280	-	-	280
2013-2014	1,159	-	84	1,075
2012-2013	1,904	-	14	1,890
2011-2012	1,069	-	1,069	-
	<u>\$ 9,185</u>	<u>\$ 2,960,724</u>	<u>\$ 2,955,887</u>	<u>14,022</u>
Less: allowance for uncollectible accounts General Fund				<u>(7,614)</u>
Ad valorem taxes receivable - net				<u>\$ 6,408</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,960,412
Reconciling items:				
Penalties and interest collected				(30,880)
Discounts allowed				9,720
Tax releases and adjustments				<u>20,007</u>
Total collections and credits				<u>\$ 2,959,259</u>

**Town of Elon, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2022**

				Total Levy	
	Town - Wide		Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate			
Original Levy:					
Property taxed at current year's rate	\$ 648,094,222	.45	\$ 2,916,424	\$ 2,593,343	\$ 323,081
Total	<u>648,094,222</u>		<u>2,916,424</u>	<u>2,593,343</u>	<u>323,081</u>
Discoveries:					
Current year taxes	<u>10,593,556</u>	.45	<u>47,671</u>	<u>47,671</u>	<u>-</u>
Abatements	<u>(749,111)</u>	.45	<u>(3,371)</u>	<u>(3,371)</u>	<u>-</u>
Total property valuation	<u><u>\$ 657,938,667</u></u>				
Net Levy			2,960,724	2,637,643	323,081
Unpaid (by taxpayers) taxes at June 30, 2022			<u>7,376</u>	<u>5,589</u>	<u>1,787</u>
Current year's taxes collected			<u><u>\$ 2,953,348</u></u>	<u><u>\$ 2,632,054</u></u>	<u><u>\$ 321,294</u></u>
Current levy collection percentage			<u><u>99.75%</u></u>	<u><u>99.79%</u></u>	<u><u>99.45%</u></u>

COMPLIANCE SECTION



**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, 2022, 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 January 31, 2023.

Report on 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) as a basis for designing 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:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • AICPA PRIVATE COMPANIES PRACTICE SECTION • NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Report on 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.

Cobb, Ezekiel, Loy & Company, P.A.

Cobb, Ezekiel, Loy & Company, P.A.

Certified Public Accountants

Graham, North Carolina

January 31, 2023