

TOWN OF ELON
FINANCIAL STATEMENTS

June 30, 2024

Elon, North Carolina

TOWN OF ELON
NORTH CAROLINA

MAYOR
Emily Sharpe

TOWN COUNCIL
Monti Allison, Mayor Pro Tem

J. Quinn Ray
Michael Woods
Stephanie Bourland
Randy Orwig

TOWN OF ELON, NORTH CAROLINA

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Independent Auditor's Report

To the Honorable Mayor
And members of the Town Council
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, 2024, 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, 2024, 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 raise 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 as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act 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 November 26, 2024 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.



Certified Public Accountants
Graham, North Carolina
November 26, 2024

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, 2024. 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

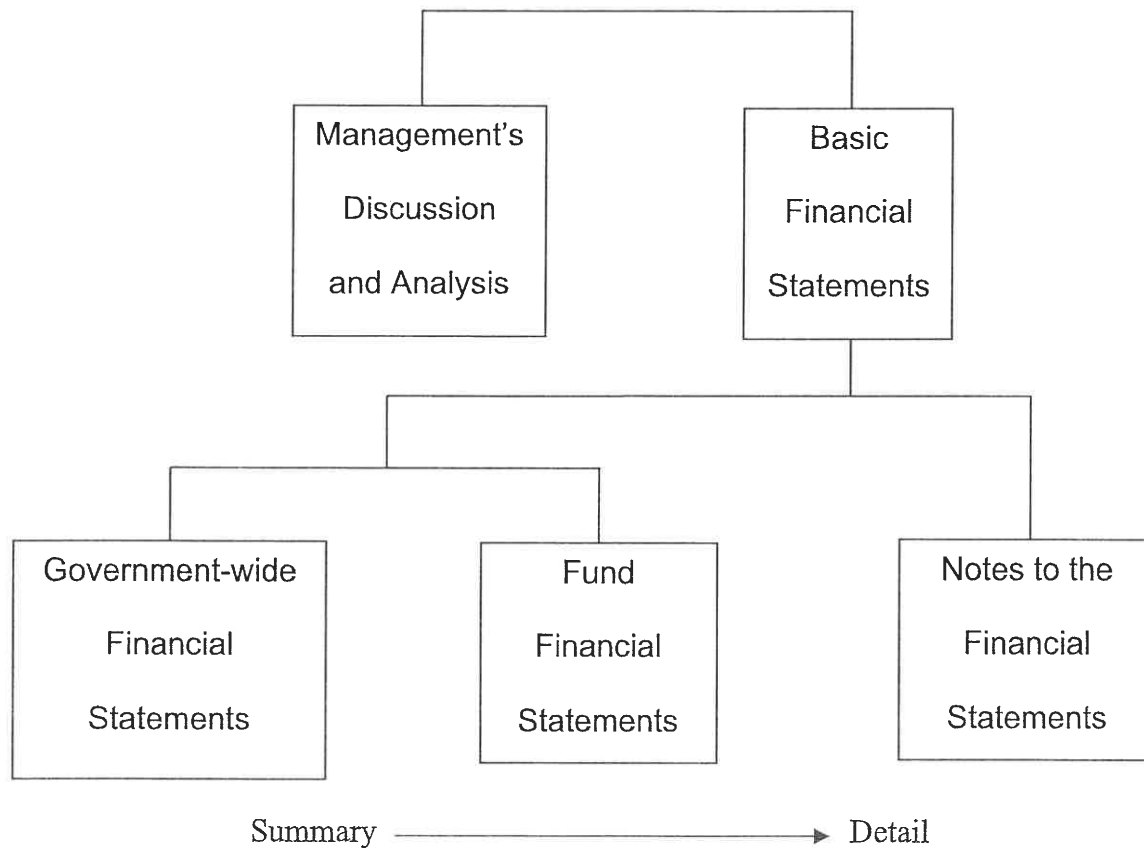
- The assets and deferred outflows of the **Town of Elon** exceeded its liabilities and deferred inflows at the close of the fiscal year by \$36,933,139 (**net position**).
- The government's total net position increased by \$8,735,029 primarily due to an increase of \$4,967,764 in the governmental-type activities and an increase of \$3,767,355 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 \$15,472,542, an increase of \$4,951,811 in comparison with the prior year. Approximately 23.24% of this total amount, or \$3,596,373, is non-spendable or restricted.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$11,871,488 or 122.30% of the total General Fund expenditures for the fiscal year.
- The **Town of Elon's** total outstanding debt increased by \$397,784 during the current fiscal year. The key factor in this increase is due to the increase in the net pension liability for the Local Government Employees Retirement System (LGERS) of \$498,184. This was offset by planned debt service principal payments of \$125,257.

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 for major governmental funds 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 Council 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 Council; (2) the final budget as amended by the Council; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges. 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 28-53 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 54 of this report.

Government-Wide Financial Analysis

Town of Elon's Net Position

Figure 2

	Activities		Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 15,779,188	\$ 14,592,064	\$ 10,096,382	\$ 7,649,291	\$ 25,875,570	\$ 22,241,355
Capital assets	9,363,457	9,098,772	7,607,088	5,721,696	16,970,545	14,820,468
Deferred outflows of resources	1,938,922	1,773,337	175,082	158,830	2,114,004	1,932,167
Total assets and deferred outflows of resources	27,081,567	25,464,173	17,878,552	13,529,817	44,960,119	38,993,990
Long-term liabilities outstanding	4,067,371	3,624,346	1,975,385	2,052,889	6,042,756	5,677,235
Other liabilities	587,093	4,328,387	1,056,531	536,850	1,643,624	4,865,237
Deferred inflows of resources	197,825	249,836	142,775	3,572	340,600	253,408
Total liabilities and deferred inflows of resources	4,852,289	8,202,569	3,174,691	2,593,311	8,026,980	10,795,880
Net Position:						
Net investment in capital assets	8,862,896	8,506,709	5,819,420	3,814,607	14,682,316	12,321,316
Restricted	1,819,018	1,519,349	311,165	297,522	2,130,183	1,816,871
Unrestricted	11,547,364	7,235,546	8,573,276	6,824,377	20,120,640	14,059,923
Total net position	\$ 22,229,278	\$ 17,261,604	\$ 14,703,861	\$ 10,936,506	\$ 36,933,139	\$ 28,198,110

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 \$36,933,139 as of June 30, 2024. The Town of Elon's net position increased by \$8,735,029 for the fiscal year ended June 30, 2024. However, the largest portion (39.75%) 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, \$2,130,183, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20,120,640 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 99.85%, which is comparable to the statewide average of 98.96%

Town of Elon Change in Net Position

Figure 3

	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 1,017,188	\$ 885,731	\$ 6,108,086	\$ 5,202,396	\$ 7,125,274	\$ 6,088,127
Operating grants and contributions	4,610,801	458,722	-	-	4,610,801	458,722
Capital Grants and contributions	86,000	56,000	2,217,244	-	2,303,244	56,000
General revenues:						
Property taxes	3,587,807	3,055,315	-	-	3,587,807	3,055,315
Other taxes	4,023,538	3,939,790	-	-	4,023,538	3,939,790
Grants and contributions not restricted to specific programs	547,349	529,366	-	-	547,349	529,366
Other	728,446	559,849	271,256	204,631	999,702	764,480
Total revenues	14,601,129	9,484,773	8,596,586	5,407,027	23,197,715	14,891,800
Expenses:						
General government	2,323,077	1,892,912	-	-	2,323,077	1,892,912
Public safety	5,626,500	4,826,886	-	-	5,626,500	4,826,886
Public works	1,298,722	1,587,434	-	-	1,298,722	1,587,434
Recreational	439,236	464,352	-	-	439,236	464,352
Interest	9,936	14,537	-	-	9,936	14,537
Storm Water	-	-	28,018	29,084	28,018	29,084
Water and sewer	-	-	4,737,197	4,637,499	4,737,197	4,637,499
Total expenses	9,697,471	8,786,121	4,765,215	4,666,583	14,462,686	13,452,704
Increase in net position before transfers	4,903,658	698,652	3,831,371	740,444	8,735,029	1,439,096
Transfers	64,016	-	(64,016)	-	-	-
Increase in net position	4,967,674	698,652	3,767,355	740,444	8,735,029	1,439,096
Net position, July 1	17,261,604	16,562,952	10,936,506	10,196,062	28,198,110	26,759,014
Net position, June 30	\$ 22,229,278	\$ 17,261,604	\$ 14,703,861	\$ 10,936,506	\$ 36,933,139	\$ 28,198,110

Governmental activities. Governmental activities increased the Town of Elon's net position by \$4,967,674. Key elements of this increase are as follows:

- Sales taxes and other smaller revenues increased during the budget year.
- Property taxes increased during the budget year.
- Recognition of ARPA funds

Business-type activities. Business-type activities increased the Town of Elon's net position by \$3,767,355. Key elements of this increase are as follows:

- Collections exceeded cost of services.
- Recognition of NCDEQ grant proceeds.

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 \$11,871,488 while total fund balance increased to \$15,467,861. 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 122.30% of total General Fund expenditures and the total fund balance represents 159.3% of total general fund expenditures.

At June 30, 2024, the governmental funds of Town of Elon reported a combined fund balance of \$15,472,542 with a net increase in fund balance of \$4,951,811. 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 \$8,039,773, and for the Storm Water Fund, \$533,503. The total change in net position for the Water and Sewer and Storm Water Funds was \$3,655,505 and \$111,850, 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, 2024, totals \$16,970,545 (net of accumulated depreciation) an increase of 14.51%. These assets include buildings, infrastructure roads, land, machinery and equipment, park facilities, vehicles, and right to use assets.

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

- Construction in progress for governmental activities assets of \$117,534
- Construction in progress for business-type activities assets of \$2,133,796
- Capital assets being depreciated for governmental activities of \$979,494
- Disposal of governmental activities assets of \$268,561

Town of Elon's Capital Assets

Figure 4

(net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,837,584	\$ 1,837,584	\$ -	\$ -	\$ 1,837,584	\$ 1,837,584
Construction in progress	280,932	163,398	2,306,053	166,421	2,586,985	329,819
Buildings and systems	454,110	426,714	4,969,158	5,166,388	5,423,268	5,593,102
Improvements other than buildings	540,564	230,581	-	-	540,564	230,581
Machinery and equipment	1,728,998	1,842,143	331,877	388,887	2,060,875	2,231,030
Infrastructure	4,026,149	4,006,570	-	-	4,026,149	4,006,570
Right to use assets Leases	495,120	591,782	-	-	495,120	591,782
Total	\$ 9,363,457	\$ 9,098,772	\$ 7,607,088	\$ 5,721,696	\$ 16,970,545	\$ 14,820,468

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, 2024, the Town of Elon had total outstanding bonds of \$1,728,000. The town's debt represents bonds secured solely by specific revenue sources (e.g. , revenue bonds).

As of June 30, 2024, the Town of Elon had leases outstanding of \$500,561.

Outstanding Debt

Figure5

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Lease liability	\$ 500,561	\$ 592,063	\$ -	\$ -	\$ 500,561	\$ 592,063
Revenue bond	-	-	1,728,000	1,846,000	1,728,000	1,846,000
Net Pension liabilities (LGERS)	2,919,320	2,466,585	287,314	241,865	3,206,634	2,708,450
Total pension liability (LEO)	554,377	498,490	-	-	554,377	498,490
Compensated absences	370,100	318,235	87,570	78,963	457,670	397,198
Revolving loans	-	-	43,543	50,800	43,543	50,800
Total	\$ 4,344,358	\$ 3,875,373	\$ 2,146,427	\$ 2,217,628	\$ 6,490,785	\$ 6,093,001

Town of Elon's Outstanding Debt

The Town of Elon's total debt increased by \$397,784 (6.53% over the prior year) during the current fiscal year. The key factor in this increase is due to the increase of \$498,184 in the net pension liability for the Local Government Employees Retirement System (LGERS). The increase is offset by a decrease of planned debt service principal payments of \$125,257.

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 \$80,068,536.

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(s). 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 Lakes 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, even though they approach 40% of the total value of the town. 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 Drive. 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 is provided, 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, including population growth, housing development, general economic development investments and sales tax revenues. Together, these indicators paint a fairly positive picture for Elon.

Population – Elon's population in the 2020 Census was put at 11,336, an increase over the 2010 Census figure of 9,419. However, since the 2020 Census, our population has remained relatively flat. This will begin to change in the coming year, as the first of more than 1000 housing units that are in the approval pipeline begin to come on line. This growth will take place almost largely north of University Drive, with the exception of the new apartments at Twin Lakes, and a new project proposed for the southeast corner of the Williamson Avenue/University Drive intersection, just beyond the Schar Center.

This growth in population will benefit us when it comes to the State sharing sales tax revenue and Powell Bill funds, as population figures into the share that each community receives. It will also result in growth of our property tax bases, which will result in increase tax revenue, and utility revenues.

Population growth can also lead to higher costs, when it reaches a point where new or expanded services have to be provided.

Housing – Since 2021, Elon has approved several projects that will bring new housing units to town, including:

- Twin Lakes, Stockton Apartments – 84 units
- Wexford Subdivision – 185 units
- Parc Northwest – approximately 360 units
- Parc East – about 125 units.

A new project, Parc Village, is currently under review and it will bring nearly 600 additional dwelling units to Elon. All of these projects will come on line over the next 5-10 years.

Housing is generally a strong indicator of population growth, even as the national average for family size has declined. In FY 2018, Elon saw 41 new homes built, followed by 60 new homes in FY 2019. In FY 2021, we saw 17 new homes constructed. In FY 2022, 8 new single-family homes were started. In FY 2023 and FY 2024, we saw 3 new single-family dwellings permitted both years. Based on construction of two recently approved subdivisions, the number of new single-family permits should increase this next year, along with the new apartment units at Twin Lakes.

Economic Development – In addition to the housing already mentioned, those projects will also create in excess of 250,000 square feet. of non-residential space. Much of this will be a combination of retail, restaurant, office, or hospitality.

The other big drivers of economic development in Elon are Twin Lakes and Elon University. While both of these entities are non-profit, and therefore don't pay much in property taxes, they do provide daytime populations that support other businesses in Town. Both also contribute to the budget of the Town, focused on public safety and downtown.

Smaller impact economic development continues downtown, with the relocation of the University's Acorn Coffee shop to a campus location, and the infill of that space by Med Deli. The former Med Deli location on W. Haggard is slated to be filled by a new restaurant in the fall of 2024.

While we still hope for new investment downtown in the form of new construction, we are again showing zero vacancies in our downtown business district.

Sales tax receipts – The North Carolina Department of Revenue is responsible for collecting sales taxes generated across the State. A portion of these receipts are then distributed to each County based on where the taxes are generated. Alamance County then distributes those sales tax receipts to communities based on population. While our population continues to grow, it is growing more slowly than the rest of the County, resulting in lower growth rates for sales tax revenues. From Fiscal Year (FY) 2020 to FY 2021, our sales tax revenues grew by approximately \$390,000. FY 2022 saw an increase of \$170,000, while FY 2023 saw an increase of only \$60,000. In FY 2024, we saw another increase of about \$60,000. There are projections that state-wide receipts will grow by about 3% in FY 2025.

Our practice is to not budget for the total anticipated amount of sales taxes, as a hedge against economic changes. This has served us well, and helps us to maintain our Fund Balance in a healthy range. In 2024, the State Legislature approved legislation that allowed Elon, and other communities in Alamance County, to institute a local Occupancy Tax on hotel rooms. This became effective on July 1, 2024. The state has restricted the use of these revenues for tourism-related purposes, including marketing/advertising and related expenses.

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. During FY 2023 and FY 2024, we increased withdrawals from our Fund Balance to fund multiple one-time purchases. This will continue until we bring our Fund Balance down to the appropriate level. In the meantime, Elon will be able to make major investments in the community that have long been deferred.

Facilities – Our current municipal building was constructed in 1989 to house Town Hall and the Police Department. Both the PD and our Administrative staff have grown since 1989, making it necessary to find additional office space. This past year, we started a five-year lease for office space downtown to house our Downtown program, and ultimately our PD CARES program as well.

We also recognized that our facilities for the Police Department are no longer adequate, nor do they meet building standards for a Police Department. Likewise, as our Fire Department has grown, we are running into space issues at both Fire Stations. Lastly, our Public Works facilities are the oldest facilities we have, and are in need of upgrading. We are actively looking at options for upgrading and/or replacing our various facilities over the next 5-10 years.

Issues to monitor

Inflation – Inflation has not been kind to any of us over the past several years. While the rate of inflation has returned close to more normal times, the increases we have seen are with us to stay. This has affected the Town, just as it has affected homeowners and businesses. We have been forced to increase wages faster than any of us thought we would five years ago. This process has been necessary to keep us current with the market for employees. In 2024, we completed a compensation study that resulted in increases across the board, depending on the job classification. We hope that with normal inflation, annual Cost of Living Adjustments will keep us current with the market for several more years.

The same is true for our municipal costs. Gravel, pipe, insurance, copy paper, computers are all more expensive than they were five years ago. We continue to monitor our purchasing, in an attempt to get the best price for the materials we need to operate, and to minimize pressure on taxes.

Recession – Fears of a recession has dropped significantly over the past two years as inflation has dropped and hiring has continued. We are always conservative in our budgeting, staying on the low end for revenues, and trying to stay on the high end for expenditures. This helps to ensure that if there is a downturn in the economy, or a decrease in sales tax revenues, we can accommodate those shortfalls during the budget year.

Growth – Elon works to create an environment where good growth is encouraged, particularly focused on downtown and our commercial areas. Residential development is also picking 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 multiple necessary capital investments, including vehicles, equipment and facilities. A new ladder truck has been ordered at a cost of just over \$2 million, and will become available to us in 2026. In 2028 we will need to replace one or two of our older fire engines. We are developing a detailed capital improvement plan that will enable us to better plan for these types of large expenditures. This will include facility improvements, as well as facility replacements as needed. There is also much discussion about desires for new recreation space/facilities and new sidewalks.

In our utility budget, sewer and water systems are in constant need of maintenance, and replacement when the time comes. Our goal is to budget for these items in a fashion that creates a constant capital investment, rather than dramatic rises and falls to the budget.

American Rescue Plan – As part of the federal response to the COVID pandemic, the US Government adopted the American Rescue Plan Act (ARPA) in early 2021. This act provided the Town of Elon with \$3.9 million dollars, which we allocated in 2023 towards funds we spent during COVID on our emergency personnel. Since this was done after the fact, the \$3.9 million is now available to the Town for unrestricted uses. In 2023, the State allocated \$2.4 million of its ARPA to Elon for the replacement of the water line in E. Haggard, which was completed in the fall of 2024. In 2024, the State allocated an additional \$2 million of ARPA funds to Elon for additional water and sewer work.

Budget and Rates & Budget Highlights for the Fiscal Year Ending June 30, 2024

Elon has maintained its tax rate of \$0.45 per \$100 of property value since 2017. Following the recent revaluation, that tax rate was dropped to \$0.35. We have been fortunate to have seen enough new investment in the community and increases in 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
FY 24	\$10,296,808	\$5,696,026	\$15,992,834
FY 25	\$11,052,366	\$6,272,777	\$17,325,143

There are some items that are worth noting, as it affects the total budget. In FY 2020, we purchased a new Fire Engine for more than \$600,000, which did not reappear in FY 2021. In FY 2022, we purchased the Travis Creek Pump Station from Gibsonville for \$2 million, which we are paying off via a bond. In FY 2023, we allocated the \$3.9 million in ARPA funds from the Federal Government, which did not

appear in FY 2024. In FY 2025, we included the \$2.4 million from the State of NC. All of these provide variability to the budget totals, making them a bit difficult to follow, or to understand the fluctuations.

Utility Rates – As noted, the purchase of the Travis Creek Pump Station (which has opened 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. In FY 2024, our rates increased to reflect a 5% increase from the City of Burlington. In FY 2025, we again held our share of the utility rates flat, but had to increase rates to accommodate a Burlington increase in the costs we incur to purchase water and to have our sanitary wastes treated.

Fund Balance – The Fund Balance represents funds that have either been set aside for a specific purpose, called Restricted Funds, or are the result of revenues that exceeded expectations (such as sales taxes or ARPA funds) and/or expenses that were lower than expectations. Elon continues to maintain healthy reserve accounts. At the end of the Fiscal Year 2020, 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 2024 Fiscal Year, our General Fund Balance stood at approximately \$8.9 million, or 85% of our General Fund budget. In FY 2022, our Fund Balance was 102% of our budget. Over the past two years, we have made a concerted effort to bring our fund balance into compliance with the Council's policy of 40%. To do this, we have begun investing in our infrastructure, which has been deferred for many years. We have replaced some end vehicles, and begun extending sidewalks in areas where pedestrian traffic is highest. These investments will continue, as we work to reduce our Fund Balance to a more desirable position.

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, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 9,932,230	\$ 6,656,993	\$ 16,589,223
Taxes receivables (net)	5,111	-	5,111
Accounts receivable (net)	881,605	709,213	1,590,818
Grant receivable	-	2,217,244	2,217,244
Lease receivable	-	8,785	8,785
Accrued interest receivable - leases	-	1,073	1,073
Restricted Assets:			
Cash and cash equivalents	4,960,242	364,332	5,324,574
Total current assets	15,779,188	9,957,640	25,736,828
Non-current assets:			
Lease receivable	-	138,742	138,742
Capital assets:			
Land, improvements, and construction in progress	2,118,516	2,306,053	4,424,569
Right to use lease asset - net of amortization	495,120	-	495,120
Other capital assets, net of depreciation	6,749,821	5,301,035	12,050,856
Total capital assets	9,363,457	7,607,088	16,970,545
Total assets	25,142,645	17,703,470	42,846,115
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,938,922	175,082	2,114,004
Total deferred outflows of resources	1,938,922	175,082	2,114,004
LIABILITIES			
Current liabilities:			
Accounts payable	300,170	807,649	1,107,819
Customer deposits	-	53,167	53,167
Accrued interest payable	9,936	24,673	34,609
Liabilities to be paid from restricted assets	-	-	-
Due within one year	276,987	171,042	448,029
Total current liabilities	587,093	1,056,531	1,643,624
Long-term liabilities:			
Net pension liability - LGERS	2,919,320	287,314	3,206,634
Total pension liability - LEO	554,377	-	554,377
Due in more than one year	593,674	1,688,071	2,281,745
Total liabilities	4,654,464	3,031,916	7,686,380
DEFERRED INFLOWS OF RESOURCES			
Leases	-	140,397	140,397
Pension deferrals	196,460	2,378	198,838
Prepaid taxes	1,365	-	1,365
Total deferred inflows of resources	197,825	142,775	340,600
NET POSITION			
Net investment in capital assets	8,862,896	5,819,420	14,682,316
Restricted for:			
Stabilization by State Statute	881,606	-	881,606
Capital reserve	-	311,165	311,165
Public works	827,961	-	827,961
Public safety	109,451	-	109,451
Unrestricted	11,547,364	8,573,276	20,120,640
Total net position	\$ 22,229,278	\$ 14,703,861	\$ 36,933,139

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, 2024

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	\$ 2,323,077	\$ 53,395	\$ 3,898,307	\$ -	\$ 1,628,625	\$ -	\$ -	1,628,625
Public safety	5,626,500	490,974	391,204	56,000	(4,688,322)	-	-	(4,688,322)
Public works	1,298,722	398,772	321,290	-	(578,660)	-	-	(578,660)
Recreational	439,236	74,047	-	30,000	(335,189)	-	-	(335,189)
Interest	9,936	-	-	-	(9,936)	-	-	(9,936)
Total governmental activities (See Note 1)	\$ 9,697,471	\$ 1,017,188	\$ 4,610,801	\$ 86,000	\$ (3,983,482)	\$ -	\$ -	\$ (3,983,482)
Business-type activities:								
Storm water	28,018	139,868	-	-	-	111,850	-	111,850
Water and sewer	4,737,197	5,968,218	-	2,217,244	-	3,448,265	-	3,448,265
Total business-type activities	4,765,215	6,108,086	-	2,217,244	-	3,560,115	-	3,560,115
Total primary government	\$ 14,462,686	\$ 7,125,274	\$ 4,610,801	\$ 2,303,244	\$ (3,983,482)	\$ 3,560,115		\$ (423,367)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,587,807	-	-	3,587,807
Local option sales tax					4,014,556	-	-	4,014,556
Other taxes and licenses					8,982	-	-	8,982
Grants and contributions not restricted to specific programs					547,349	-	-	547,349
Unrestricted investment earnings					653,936	232,232	-	886,168
Miscellaneous					74,510	39,024	-	113,534
Transfers					64,016	(64,016)	-	-
Total general revenues, special items, and transfers					8,951,156	207,240	-	9,158,396
Change in net position					4,967,674	3,767,355	-	8,735,029
Net position, beginning					17,261,604	10,936,506	-	28,198,110
Net position - ending					\$ 22,229,278	\$ 14,703,861	\$ -	\$ 36,933,139

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

**Town of Elon
Balance Sheet
Governmental Funds
June 30, 2024**

	MAJOR FUND		Total Governmental Funds
	General	ARPA Special Grant Fund	
ASSETS			
Cash and cash equivalents	\$ 9,932,230	\$ -	\$ 9,932,230
Receivables, net			
Taxes	5,111	-	5,111
Accounts	881,605	-	881,605
Restricted cash	4,955,561	4,681	4,960,242
Total assets	<u>\$ 15,774,507</u>	<u>\$ 4,681</u>	<u>\$ 15,779,188</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 300,170	\$ -	\$ 300,170
Total liabilities	<u>300,170</u>	<u>-</u>	<u>300,170</u>
Deferred Inflows of Resources			
Unavailable revenues	5,111	-	5,111
Prepaid taxes	1,365	-	1,365
Total deferred inflows of resources	<u>6,476</u>	<u>-</u>	<u>6,476</u>
Fund balances:			
Restricted for:			
State Statute	881,606	-	881,606
Streets-Powell bill	827,961	-	827,961
Public safety	109,451	-	109,451
Unassigned, General Fund	11,871,488	4,681	11,876,169
Assigned			
Cemetery care	112,361	-	112,361
Subsequent year expenditures	1,664,994	-	1,664,994
Total fund balances	<u>15,467,861</u>	<u>4,681</u>	<u>15,472,542</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,774,507</u>	<u>\$ 4,681</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 - \$18,306,177 less accumulated depreciation - \$9,437,840)	8,868,337
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 - \$781,640 less accumulated amortization - \$286,520)	495,120
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,938,922
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	5,111
Pension related deferrals	(196,460)
Net pension liability - LGERS	(2,919,320)
Total pension liability - LEO	(554,377)
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 - \$370,100 , accrued interest - \$9,936 and lease - \$500,561	(880,597)
Net position of governmental activities	<u>\$ 22,229,278</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, 2024

	Major Fund		Total
	General Fund	ARPA Special Grant Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,586,990	\$ -	\$ 3,586,990
Other taxes and licenses	4,024,078	-	4,024,078
Unrestricted intergovernmental	547,349	-	547,349
Restricted intergovernmental	721,171	3,898,307	4,619,478
Sales and services	566,972	-	566,972
Investment earnings	651,982	1,954	653,936
Miscellaneous	581,304	-	581,304
Total revenues	10,679,846	3,900,261	14,580,107
EXPENDITURES			
Current:			
General government	2,251,278	-	2,251,278
Public safety	5,036,542	-	5,036,542
Public works	1,026,116	-	1,026,116
Recreation	375,644	-	375,644
Debt service:			
Principle	93,480	-	93,480
Interest	11,254	-	11,254
Capital outlay	912,624	-	912,624
Total expenditures	9,706,938	-	9,706,938
Excess of revenues over expenditures	972,908	3,900,261	4,873,169
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	3,962,323	(3,898,307)	64,016
Sale of capital assets	14,626	-	14,626
Total other financing sources (uses)	3,976,949	(3,898,307)	78,642
Net change in fund balance	4,949,857	1,954	4,951,811
Fund balances-beginning	10,518,004	2,727	10,520,731
Fund balances - ending	\$ 15,467,861	\$ 4,681	\$ 15,472,542

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, 2024

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

Net changes in fund balances - total government funds	\$ 4,951,811
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 (\$912,624) exceeded depreciation in the current period (\$551,277).	361,347
Amortization expense for intangible assets	(96,662)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	548,270
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	25,665
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	817
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-\$0), principal expenditures-\$91,502, changes in accrued interest-\$1,532)	89,970
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(51,865)
Pension expense	(861,679)
Total changes in net position of governmental activities	\$ 4,967,674

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, 2024

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,495,500	\$ 3,495,500	\$ 3,586,990	\$ 91,490
Other taxes and licenses	3,459,550	3,459,550	4,024,078	564,528
Unrestricted intergovernmental	516,050	516,050	547,349	31,299
Restricted intergovernmental	753,375	651,875	721,171	69,296
Sales and services	485,000	541,000	566,972	25,972
Investment earnings	220,000	220,000	651,982	431,982
Miscellaneous	330,137	375,637	581,304	205,667
Total revenues	9,259,612	9,259,612	10,679,846	1,420,234
Expenditures:				
Current:				
General Government	2,314,496	2,910,681	2,314,805	595,876
Public Safety	5,579,373	5,833,032	5,338,375	494,657
Public Works	1,969,882	1,936,579	1,522,144	414,435
Recreation	800,782	748,276	426,880	321,396
Debt Service:				
Principle retirement	112,900	107,146	93,480	13,666
Interest and other charges	-	11,254	11,254	-
Total expenditures	10,777,433	11,546,968	9,706,938	1,840,030
Revenues over (under) expenditures	(1,517,821)	(2,287,356)	972,908	3,260,264
Other financing sources (uses):				
Transfers to other funds	-	(357,000)	-	357,000
Transfers from other funds	-	3,898,307	3,962,323	64,016
Sale of surplus items	5,000	5,000	14,626	9,626
Total other financing sources:	5,000	3,546,307	3,976,949	430,642
Revenues and other financing sources over (under) expenditures and other financing uses	(1,512,821)	1,258,951	4,949,857	\$ 3,690,906
Fund balances, appropriated	1,512,821	(1,258,951)		
Fund balances, beginning as previously reported	\$ -	\$ -	10,518,004	
Fund balances, ending			\$ 15,467,861	

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, 2024

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,134,551	\$ 522,442	\$ 6,656,993
Accounts receivable, net	709,211	2	709,213
Grant receivable	2,217,244	-	2,217,244
Lease receivable	8,785	-	8,785
Accrued interest receivable - lease	1,073	-	1,073
Restricted cash	364,332	-	364,332
Total current assets	<u>9,435,196</u>	<u>522,444</u>	<u>9,957,640</u>
Noncurrent assets:			
Lease receivable	138,742	-	138,742
Capital assets:			
Land and other non-depreciable assets	2,289,928	16,125	2,306,053
Other capital assets, net of depreciation	5,263,413	37,622	5,301,035
Capital assets(net)	<u>7,553,341</u>	<u>53,747</u>	<u>7,607,088</u>
Total assets	<u>17,127,279</u>	<u>576,191</u>	<u>17,703,470</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	175,082	-	175,082
Total deferred outflows of resources	<u>175,082</u>	<u>-</u>	<u>175,082</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	827,256	5,066	832,322
Customer deposits	53,167	-	53,167
Compensated absences	43,785	-	43,785
Revenue bond payable	120,000	-	120,000
Installment purchase payable - current	7,257	-	7,257
Total current liabilities	<u>1,051,465</u>	<u>5,066</u>	<u>1,056,531</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	43,785	-	43,785
Net pension liability	287,314	-	287,314
Revenue bond payable	1,608,000	-	1,608,000
Installment purchase payable - noncurrent	36,286	-	36,286
Total noncurrent liabilities	<u>1,975,385</u>	<u>-</u>	<u>1,975,385</u>
Total liabilities	<u>3,026,850</u>	<u>5,066</u>	<u>3,031,916</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	140,397	-	140,397
Pension deferrals	2,378	-	2,378
Total deferred inflows of resources	<u>142,775</u>	<u>-</u>	<u>142,775</u>
NET POSITION			
Net investment in capital assets	5,781,798	37,622	5,819,420
Capital Reserve	311,165	-	311,165
Unrestricted	8,039,773	533,503	8,573,276
Net position of business-type activities	<u>\$ 14,132,736</u>	<u>\$ 571,125</u>	<u>\$ 14,703,861</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, 2024

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 5,899,906	\$ 139,868	\$ 6,039,774
Water and sewer taps	51,533	-	51,533
Other operating revenues	16,779	-	16,779
Total operating revenues	5,968,218	139,868	6,108,086
OPERATING EXPENSES			
Salaries and employee benefits	637,196	-	637,196
Supplies	14,922	-	14,922
Equipment maintenance	8,751	-	8,751
System maintenance	24,000	-	24,000
Vehicle maintenance	7,480	-	7,480
Burlington sewer treatment	2,430,946	-	2,430,946
Gibsonville sewer treatment	31,198	-	31,198
Burlington water purchased	1,100,594	-	1,100,594
Contracted services	17,078	-	17,078
Engineering	-	20,731	20,731
Other operating expenditures	187,872	5,534	193,406
Depreciation	252,487	1,753	254,240
Total operating expenses	4,712,524	28,018	4,740,542
Operating income	1,255,694	111,850	1,367,544
NONOPERATING REVENUES (EXPENSES)			
Grant proceeds	2,217,244	-	2,217,244
Lease revenue	14,524	-	14,524
Investment earnings	232,232	-	232,232
Interest on long-term debt	(24,673)	-	(24,673)
System fees	24,500	-	24,500
	-	-	-
Total nonoperating revenues (expenses)	2,463,827	-	2,463,827
Income before contributions and transfers	3,719,521	111,850	3,831,371
Transfer to other funds	(64,016)	-	(64,016)
Change in net position	3,655,505	111,850	3,767,355
Total net position - beginning	10,477,231	459,275	10,936,506
Total net position, ending	\$ 14,132,736	\$ 571,125	\$ 14,703,861

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, 2024**

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 5,878,491	\$ 139,868	\$ 6,018,359
Cash paid for goods and services	(3,309,623)	(25,127)	(3,334,750)
Cash paid to or on behalf of employees for services	(600,586)	-	(600,586)
Net change in customer deposits	6,101	-	6,101
Other operating revenues	16,779	-	16,779
Net cash provided by operating activities	<u>1,991,162</u>	<u>114,741</u>	<u>2,105,903</u>
CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	<u>(64,016)</u>	<u>-</u>	<u>(64,016)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,133,796)	(5,836)	(2,139,632)
Principle paid on long-term debt	(125,257)	-	(125,257)
Cash received from a cell tower and license agreement	7,393	-	7,393
Other capital revenues	24,500	-	24,500
Interest and fees paid on debt maturities	<u>(31,751)</u>	<u>-</u>	<u>(31,751)</u>
Net cash used by capital and related financing activities	<u>(2,258,911)</u>	<u>(5,836)</u>	<u>(2,264,747)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES			
Interest and dividends	<u>231,159</u>	<u>-</u>	<u>231,159</u>
Net increase (decrease) in cash and cash equivalents	(100,606)	108,905	8,299
Balances, beginning	<u>6,599,489</u>	<u>413,536</u>	<u>7,013,025</u>
Balances, ending	<u>\$ 6,498,883</u>	<u>\$ 522,441</u>	<u>\$ 7,021,324</u>
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents - Current	\$ 6,134,551	\$ 522,442	\$ 6,656,993
Cash and cash equivalents - Restricted	<u>364,332</u>	<u>-</u>	<u>364,332</u>
	<u>\$ 6,498,883</u>	<u>\$ 522,442</u>	<u>\$ 7,021,325</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, 2024

	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	\$ 1,255,694	\$ 111,850	\$ 1,367,544
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	252,487	1,753	254,240
Changes in assets and liabilities:			
(Increase) in accounts receivable	(72,948)	-	(72,948)
Decrease in deferred inflows of resources for pensions	(1,194)	-	(1,194)
Increase in pension liability	45,449	-	45,449
Increase in accounts payable and accrued liabilities	513,218	1,138	514,356
Increase in customer deposits	6,101	-	6,101
(Increase) in deferred outflows of resources for pensions	(16,252)	-	(16,252)
Increase in accrued vacation pay	8,607	-	8,607
Total adjustments	735,468	2,891	738,359
Net cash provided by operating activities	<u>\$ 1,991,162</u>	<u>\$ 114,741</u>	<u>\$ 2,105,903</u>

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, 2024

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 Town Council. 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.

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

The Town reports the following non-major governmental fund:

Skatepark Capital Project. This fund is used to account for the transactions related to the construction of a skatepark for the Town.

Capital Reserve Fund. This fund is used to account for the transactions related to the ongoing maintenance, repair, and improvement of streets and sidewalks in the Town.

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/amortization 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 leases and IT subscriptions 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 and considers all cash and investments to be 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	\$ 834,137
Cemetery	112,311
Public Safety	110,806
ARPA	<u>3,902,988</u>
Total Governmental Activities	<u>\$ 4,960,242</u>

Business-type Activities

Water and Sewer Fund

Customer deposits	\$ 53,167
Capital Reserve	<u>311,165</u>
Total Business-type Activities	<u>\$ 364,332</u>

Total Restricted Cash \$ 5,324,574

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, 2022. 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. Leases Receivable

The Town's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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. If significant, the amount of inventory on hand at year end is reported in the balance sheet in the governmental funds. However, in the Government-wide Statement of Activities the cost of the inventories is expensed as the items are used.

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.

8. 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.

The Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

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

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 2024 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.

11. 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.

12. 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.

Lease Receivable, net – portion of fund balance that is not an available resource because it is not in spendable form. The reported amount is calculated by reducing the lease receivable by the related deferred inflow of 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.

Subsequent year's expenditures – portion of the fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the budget officer to modify the appropriations within funds without limitations. Any transfer between funds must be approved by the governing board in the budget ordinance as amended.

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.

13. 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, 2024, the Town's deposits had a carrying amount of \$5,025,261 and a bank balance of \$5,631,741. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance of \$5,381,741 was collateralized under the Pooling Method.

The Town had \$575 cash on hand at June 30, 2024.

2. Investments

At June 30, 2024, the Town of Elon had \$16,887,961 invested with the North Carolina Capital Management's Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's(S&P). 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>2024</u>
General Fund:	
Taxes receivable	\$ 6,151
Accounts receivable	<u>36,933</u>
Total General Fund	43,084
Enterprise Fund	<u>25,471</u>
Total	<u>\$ 68,555</u>

4. Leases Receivable

In a previous year, the Town entered into a lease agreement with New Cingular Wireless PCS, LLC (previously BellSouth Carolinas PCS, LP). The original lease agreement was for a 5-year term with the option to extend for two additional consecutive 5 year terms. The agreement is a cell tower license agreement with New Cingular Wireless, which allows them to install, maintain, and operate its communication service facilities tower at 214 Johnston Street. Under the current agreement, the Town receives a monthly payment of \$1,749.01. This agreement ends February 2029 and will automatically renew for another 5 year term. At the renewal date the monthly payment will increase 15% In fiscal year 2024, the Town recognized \$14,524 in lease revenue.

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2024 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,837,584	\$ -	\$ -	\$ 1,837,584
Construction in progress	163,398	597,526	479,992	280,932
Total capital assets not being depreciated	2,000,982	597,526	479,992	2,118,516
Capital assets being depreciated:				
Buildings	1,494,242	53,196	-	1,547,438
Equipment	6,553,508	235,994	84,157	6,705,345
Infrastructure	5,235,475	184,404	-	5,419,879
Land improvements	2,193,503	505,900	184,404	2,514,999
Total capital assets being depreciated	15,476,728	979,494	268,561	16,187,661
Less accumulated depreciation for:				
Buildings	1,067,528	25,800	-	1,093,328
Equipment	4,711,365	349,139	84,157	4,976,347
Infrastructure	1,228,905	164,825	-	1,393,730
Land improvements	1,962,922	11,513	-	1,974,435
Total accumulated depreciation	8,970,720	551,277	84,157	9,437,840
Total capital assets being depreciated, net	6,506,008	428,217	184,404	6,749,821
Capital assets being amortized:				
Right to use assets:				
Leased parking lot	24,000	-	-	24,000
Leased vehicle	712,449	-	-	712,449
Leased equipment	53,281	-	8,090	45,191
Total capital assets being amortized	789,730	-	8,090	781,640
Less accumulated amortization for:				
Right to use assets:				
Leased parking lot	12,000	6,000	-	18,000
Leased vehicle	158,322	79,161	-	237,483
Leased equipment	27,626	11,501	8,090	31,037
Total accumulated amortization	197,948	96,662	8,090	286,520
Total capital assets being amortized, net	591,782	(96,662)	-	495,120
Governmental activity capital assets, net	\$ 9,098,772	929,081	664,396	\$ 9,363,457

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

General government	\$ 24,970
Public safety	326,853
Public works	244,401
Recreation	51,715
Total depreciation expense	<u>\$ 647,939</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 156,132	\$ 2,133,796	\$ -	\$ 2,289,928
Total capital assets not being depreciated	156,132	2,133,796	-	2,289,928
Capital assets being depreciated:				
Plant and distribution system	8,803,937	-	-	8,803,937
Furniture and maintenance equipment	589,721	-	-	589,721
Vehicles	113,127	-	-	113,127
Total capital assets being depreciated	9,506,785	-	-	9,506,785
Less accumulated depreciation for:				
Plant and distribution system	3,676,924	195,477	-	3,872,401
Furniture and maintenance equipment	217,111	53,808	-	270,919
Vehicles	96,850	3,202	-	100,052
Total accumulated depreciation	3,990,885	252,487	-	4,243,372
Total capital assets being depreciated, net	5,515,900	(252,487)	-	5,263,413
Water and sewer fund capital assets, net	5,672,032	1,881,309	-	7,553,341
Storm Water Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 10,289	\$ 5,836	\$ -	\$ 16,125
Total capital assets not being depreciated	10,289	5,836	-	16,125
Capital assets being depreciated:				
Plant and distribution system	43,825	-	-	43,825
Less accumulated depreciation for:				
Plant and distribution system	4,450	1,753	-	6,203
Total accumulated depreciation	4,450	1,753	-	6,203
Total capital assets being depreciated, net	39,375	(1,753)	-	37,622
Storm water fund capital assets, net	49,664	4,083	-	53,747
Business-type activities capital assets, net	<u>\$ 5,721,696</u>	<u>1,885,392</u>	<u>-</u>	<u>\$ 7,607,088</u>

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, 2024, was 14.04% of compensation for law enforcement officers and 12.89% 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 \$602,230 for the year ended June 30, 2024.

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, 2024, the Town reported a liability of \$3,206,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), the Town's proportion was 0.04842%, which was an decrease of 0.00041% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$911,523. At June 30, 2024, 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	\$ 357,314	\$ 7,692
Changes of assumptions	136,263	-
Net difference between projected and actual earnings on pension plan investments	858,236	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	18,853
Town contributions subsequent to the measurement date	602,230	-
Total	<u>\$ 1,954,043</u>	<u>\$ 26,545</u>

\$602,230 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	\$ 476,191
2026	240,084
2027	572,703
2028	-36,291
2029	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2022 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 8.25, including inflation and productivity factor
Investment rate of return	6.50 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, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

The information above is based on 30-year expectations developed with an investment consulting firm's 2024 long term capital market assumptions. 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 2.38%. All rates of return and inflation are annualized figures. Source data provided in the 2023 Annual Comprehensive Financial Report published on website of the NC Office of State Controller.

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 liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability 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)	\$ 5,555,367	\$ 3,206,634	\$ 1,272,937

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	20
Total	<u>21</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, 2022 valuation. The total pension liability in the December 31, 2022 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	4.00 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, 2022.

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 \$23,784 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, 2024, the Town reported a total pension liability of \$554,377. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December

31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$49,006.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,587	\$ 104,812
Changes of assumptions	109,709	67,481
Benefit payments and plan administrative expenses made subsequent to the measurement date	<u>25,665</u>	
Total	<u>\$ 159,961</u>	<u>\$ 172,293</u>

\$25,665 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:

2025	\$ 2,538
2026	5,024
2027	(21,412)
2028	(27,875)
2029	3,728
Thereafter	-

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 4.00 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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	<u>\$ 600,781</u>	<u>\$ 554,377</u>	<u>\$ 512,529</u>

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

	2024
Beginning balance	\$ 498,490
Service Cost	34,926
Interest on the total pension liability	20,972
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	11,526
Changes of assumptions or other input	12,247
Benefit payments	(23,784)
Other changes	-
Ending balance of the total pension liability	<u>\$ 554,377</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, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 911,523	\$ 49,006	\$ 960,529
Pension Liability	3,206,634	554,377	3,761,011
Proportionate share of the net pension liability	0.04842%	n/a	-
Deferred of Outflows of Resources			
Differences between expected and actual experience	357,314	24,587	381,901
Changes in assumptions	136,263	109,709	245,972
Net differences between projected and actual earnings on plan investments	858,236	-	858,236
Changes in proportionate and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	602,230	25,665	627,895
Deferred of Inflow of Resources			
Differences between expected and actual experience	7,692	104,812	112,504
Changes in assumptions	-	67,481	67,481
Net differences between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,853	-	18,853

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, 2024 of \$123,564 which consisted of \$73,078 from the Town and \$50,486 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, 2024 were \$219,585 which consisted of \$152,893 from the Town and \$66,692 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, 2024, the State contributed \$19,702,208 to the plan. The Town of Elon's proportionate share of the State's contribution is \$11,384.

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, 2024, 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 \$10,758. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, 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, 2024 and at June 30, 2023 was 0%.

For the year ended June 30, 2024, the Town recognized pension expense of \$5,578 and revenue of \$5,578 for support provided by the State. At June 30, 2024, 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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Not applicable
Investment rate of return	6.50 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 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.

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, 2024, the Town made contributions to the State for death benefits of \$3,278. 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.

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 from 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 \$1,000,000 bond.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2024, 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. An initial lease liability was recorded in the amount of \$16,209. The value of the lease liability is \$4,767 at June 30, 2024. The net book value of the right to use asset is \$4,767 at June 30, 2024.

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. An initial lease liability was recorded in the amount of \$712,449. The value of the lease liability is \$480,000 at June 30, 2024. The net book value of the right to use asset is \$474,966 at June 30, 2024.

The third agreement was executed on November 14, 2019, to lease copier equipment and requires 48 monthly payments of \$288.94. An initial lease liability was recorded in the amount of \$8,090. The value of the lease liability is \$0 at June 30, 2024. The net book value of the right to use asset is \$0 at June 30, 2024. This lease term ended in November 2023. The lease then became a monthly lease.

The fourth agreement was executed on January 31, 2020, to lease postal equipment and requires 60 monthly payments of \$136.33. An initial lease liability was recorded in the amount of \$6,135. The value of the lease liability is \$1,227 at June 30, 2024. The net book value of the right to use asset is \$1,227 at June 30, 2024.

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. An initial lease liability was recorded in the amount of \$24,000. The value of the lease liability is \$6,000 at June 30, 2024. The net book value of the right to use asset is \$6,000 at June 30, 2024.

The sixth agreement was executed on February 12, 2021, to lease copier equipment and requires 60 monthly payments of \$407.98. An initial lease liability was recorded in the amount of \$22,847. The value of the lease liability is \$8,567 at June 30, 2024. The net book value of the right to use asset is \$8,160 at June 30, 2024.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024 were as follows:

Year Ending June 30	Principal		Interest		Total
2025	\$	91,937	\$	9,936	\$ 101,873
2026		82,624		8,363	90,987
2027		79,000		6,748	85,748
2028		81,000		5,113	86,113
2029		82,000		3,436	85,436
2030		84,000		1,739	85,739
	\$	500,561	\$	35,335	\$ 535,896

At June 30, 2024, the Town of Elon had a legal debt margin of \$80,068,536.

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%

\$ 1,728,000

The future payments of the revenue bond are as follows:

Year Ending June 30	Principal	Interest
2025	\$ 120,000	\$ 29,722
2026	122,000	27,658
2027	124,000	25,559
2028	126,000	23,426
2029	128,000	21,259
2030	130,000	19,057
Thereafter	978,000	68,405
Total	<u>\$ 1,728,000</u>	<u>\$ 215,086</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 \$1,943,086 as of June 30, 2024. 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, 2024, is as follows:

Operating revenues	\$5,968,218
Operating expenses*	4,460,037
Operating income	1,508,181
Nonoperating revenues (expenses)**	<u>271,256</u>
Income available for debt service	1,779,437
Debt service, principal and interest paid (Revenue bond only)	\$ 149,751
Debt service coverage ratio	1,188%

* Per rate covenants, this does not include the depreciation expense of \$252,487

**Per rate covenants, this does not include revenue bond interest paid of \$24,673

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, 2023	Increases	Decreases	Balance June 30, 2024	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 318,235	\$ 172,475	\$ 120,610	\$ 370,100	\$ 185,050
Lease liability	592,063	-	91,502	500,561	91,937
Net pension liability (LGERS)	2,466,585	452,735	-	2,919,320	-
Total pension liability (LEO)	<u>498,490</u>	<u>55,887</u>	<u>-</u>	<u>554,377</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 3,875,373</u>	<u>\$ 681,097</u>	<u>\$ 212,112</u>	<u>\$ 4,344,358</u>	<u>\$ 276,987</u>
Business-type activities:					
Revolving loan	\$ 50,800	\$ -	\$ 7,257	\$ 43,543	\$ 7,257
Revenue bond	1,846,000	-	118,000	1,728,000	120,000
Net pension liability (LGERS)	241,865	45,449	-	287,314	-
Compensated absences	<u>78,963</u>	<u>55,992</u>	<u>47,385</u>	<u>87,570</u>	<u>43,785</u>
Business-type activities long-term liabilities	<u>\$ 2,217,628</u>	<u>\$ 101,441</u>	<u>\$ 172,642</u>	<u>\$ 2,146,427</u>	<u>\$ 171,042</u>

C. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$11,384 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2024. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

D. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2024, consist of the following:

From the American Rescue Plan Act (ARPA) Special Revenue Fund (SRF) to the:

General Fund \$ 3,898,307

During the 2024 fiscal year, the Town made a transfer from the ARPA SRF to the General Fund of \$3,898,307 for Revenue Replacement.

E. 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	\$ 15,467,861
Less:	
Stabilization by State Statute	881,606
Streets	827,961
Public safety	109,451
Committed:	
Cemetery Care - Assigned	112,361
Subsequent year expenditures	1,664,994
Remaining Capital/Fund Balance Policy	11,871,488
Remaining Fund Balance	<u>\$ -</u>

III. Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs

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

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

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020
Town of Elon's proportion of the net pension liability (asset) (%)	0.0484%	0.0480%	0.0480%	0.0050%	0.0050%
Town of Elon's proportion of the net pension liability (asset) (\$)	\$ 3,206,634	\$ 2,708,450	\$ 742,721	\$ 1,780,281	\$ 1,339,517
Town of Elon's covered-employee payroll	\$ 4,541,672	\$ 3,985,052	\$ 3,587,920	\$ 3,487,064	\$ 3,318,478
Town of Elon's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.60%	67.97%	20.70%	51.05%	40.37%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	84.14%	91.63%	92.60%	91.63%

	2019	2018	2017	2016	2015
Town of Elon's proportion of the net pension liability (asset) (%)	0.04783%	0.04764%	0.05044%	0.04504%	0.04504%
Town of Elon's proportion of the net pension liability (asset) (\$)	\$ 1,134,691	\$ 727,807	\$ 1,070,506	\$ 212,145	\$ (265,622)
Town of Elon's covered-employee payroll	\$ 3,149,372	\$ 2,854,694	\$ 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	36.03%	25.50%	42.59%	8.44%	-11.23%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	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 Ten Fiscal Years**

Local Government Employees' Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 602,230	\$ 495,334	\$ 416,460	\$ 362,638	\$ 301,803
Contributions in relation to the contractually required contribution	<u>602,230</u>	<u>495,334</u>	<u>416,460</u>	<u>362,638</u>	<u>301,803</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Elon's covered-employee payroll	\$ 4,541,672	\$ 3,985,052	\$ 3,587,920	\$ 3,487,064	\$ 3,318,478
Contributions as a percentage of covered-employee payroll	13.26%	12.43%	11.61%	10.40%	9.09%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 252,386	\$ 221,113	\$ 189,824	\$ 171,357	\$ 169,981
Contributions in relation to the contractually required contribution	<u>252,386</u>	<u>221,113</u>	<u>189,824</u>	<u>171,357</u>	<u>169,981</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Elon's covered-employee payroll	\$ 3,149,372	\$ 2,854,694	\$ 2,780,651	\$ 2,513,574	\$ 2,365,802
Contributions as a percentage of covered-employee payroll	8.01%	7.75%	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 Nine Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	2024	2023	2022	2021	2020
Town of Elon's proportionate share of the net pension liability (%)	0.00%	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	10,758	9,280	(12,227)	16,195	16,642
Total	<u>\$ 10,758</u>	<u>\$ 9,280</u>	<u>\$ (12,227)</u>	<u>\$ 16,195</u>	<u>\$ 16,642</u>
Town of Elon's covered-employee payroll	\$ 1,334,965	\$ 1,125,872	\$ 969,919	\$ 975,521	\$ 968,198
Town of Elon's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.81%	0.82%	-1.26%	1.66%	1.72%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.69%	89.69%	89.69%	89.35%

	2019	2018	2017	2016
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	23,012	20,573	12,736	12,644
Total	<u>\$ 23,012</u>	<u>\$ 20,573</u>	<u>\$ 12,736</u>	<u>\$ 12,644</u>
Town of Elon's covered-employee payroll	\$ 917,023	\$ 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	2.51%	2.42%	1.66%	1.86%
Plan fiduciary net position as a percentage of the total pension liability	84.94%	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 Eight Fiscal Years*

	2024	2023	2022	2021	2020
Beginning balance	\$ 498,490	\$ 709,792	\$ 686,697	\$ 443,231	\$ 482,453
Service cost	34,926	45,843	46,145	23,136	17,823
Interest on total pension liability	20,972	15,565	12,796	13,678	16,700
Change of benefit terms	-	-	-	-	-
Difference between expected and actuarial experience in the measurement	11,526	(147,628)	29,864	(12,869)	(37,342)
Changes of assumptions and other inputs	12,247	(89,073)	(18,371)	266,860	10,936
Benefits payments	(23,784)	(36,009)	(47,339)	(47,339)	(47,339)
Other	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 554,377</u>	<u>\$ 498,490</u>	<u>\$ 709,792</u>	<u>\$ 686,697</u>	<u>\$ 443,231</u>

	2019	2018	2017
Beginning balance	\$ 652,976	\$ 652,976	\$ 687,829
Service cost	20,594	-	21,879
Interest on total pension liability	17,966	-	23,359
Change of benefit terms	-	-	-
Difference between expected and actuarial experience in the measurement	(85,979)	-	-
Changes of assumptions and other inputs	(15,013)	-	(13,066)
Benefits payments	(47,339)	-	(67,025)
Other	(60,752)	-	-
Ending balance of the total pension liability	<u>\$ 482,453</u>	<u>\$ 652,976</u>	<u>\$ 652,976</u>

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 554,377	\$ 498,490	\$ 709,792	\$ 686,697	\$ 443,231
Covered payroll	1,461,550	1,284,430	1,175,056	1,090,664	934,958
Total pension liability as a percentage of covered payroll	37.93%	38.81%	60.40%	62.96%	47.41%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Total pension liability	\$ 482,453	\$ 592,224	\$ 652,976		
Covered payroll	996,380	942,917	1,076,303		
Total pension liability as a percentage of covered payroll	48.42%	62.81%	60.67%		

Notes to the schedules:

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

**TOWN OF ELON, NORTH CAROLINA
GENERAL FUND
BALANCE SHEET
June 30, 2024**

June 30,
2024

ASSETS

Cash and cash equivalents	\$ 9,932,230
Receivables (net):	
Taxes	5,111
Accounts	881,605
Restricted cash	<u>4,955,561</u>
Total Assets	<u><u>\$ 15,774,507</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable and accrued liabilities	\$ 300,170
Unavailable revenues	<u>6,476</u>
Total Liabilities	<u>306,646</u>

FUND BALANCES:

Restricted:

Stabilization by State Statute	881,606
Powell Bill	827,961
Public Safety	109,451

Assigned:

Cemetery Care	112,361
Subsequent year expenditures	1,664,994

Unassigned	<u>11,871,488</u>
Total Fund Balances	<u>15,467,861</u>
Total Liabilities and Fund Balances	<u><u>\$ 15,774,507</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, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 3,580,149	
Penalties and interest		6,841	
Total	\$ 3,495,500	3,586,990	\$ 91,490
Other taxes and licenses:			
Local option sales tax		4,014,556	
Solid waste tax		8,982	
Privilege licenses		540	
Total	3,459,550	4,024,078	564,528
Unrestricted intergovernmental:			
Payment in lieu of taxes		7,800	
Utility franchise tax		483,084	
Beer and wine tax		55,342	
Tax refunds		1,123	
Total	516,050	547,349	31,299
Restricted intergovernmental:			
On-behalf of payments - Fire		11,384	
Federal asset foreclosure		5,040	
State drug funds		3,770	
Fire District Tax		379,687	
Powell Bill allocation		321,290	
Total	651,875	721,171	69,296

(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, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:(continued)			
Sales and services:			
Donation - Fire Department - Twin Lakes		56,000	
ABSS SRO Contract		75,000	
Cemetery		37,200	
Solid waste		398,772	
	541,000	566,972	25,972
Investment earnings:			
Investment earnings		602,920	
Investment earnings - state street aid		49,062	
Total	220,000	651,982	431,982
Miscellaneous:			
Parking violation penalties		24,903	
Recreation fees		36,847	
Planning/Zoning Fees		53,195	
Code Enforcement Fees		10,120	
Miscellaneous		49,423	
Impact Alamance Grant		30,000	
Donation - Elon University		376,816	
Total	375,637	581,304	205,667
Total revenues	9,259,612	10,679,846	1,420,234
			(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, 2024

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Administration:			
Salaries and employee benefits		553,936	
Other operating expenditures		536,557	
Capital outlay		2,231	
Total		1,092,724	
Other general government:			
Other operating expenditures		122,201	
Total		122,201	
Downtown Development			
Salaries and employee benefits		112,449	
Other operating expenditures		182,696	
Capital outlay		390,912	
Total		686,057	
Planning			
Salaries and employee benefits		196,871	
Other operating expenditures		216,952	
Total		413,823	
 Total general government	2,910,681	2,314,805	595,876
 Public Safety:			
Police:			
Salaries and employee benefits		2,341,639	
Vehicle maintenance		30,076	
Other operating expenditures		392,933	
Capital outlay		186,777	
Total		2,951,425	

(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, 2024**

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public Safety:(continued)			
Fire:			
Salaries and employee benefits		1,995,045	
Vehicle maintenance		71,172	
Contracted services		8,237	
Other operating expenditures		191,765	
Capital outlay		120,731	
Total		2,386,950	
Total public safety	5,833,032	5,338,375	494,657
Public works:			
Public works department:			
Salaries and employee benefits		570,795	
Building maintenance		22,214	
Equipment maintenance		17,220	
Street maintenance		666	
Vehicle maintenance		50,859	
Street lights		78,086	
Garbage removal		283,653	
Trash removal		14,145	
Tipping fees		65,725	
Cemetery maintenance		34,347	
Solid waste program		175,002	
Yard waste disposal		19,379	
Other operating expenditures		96,250	
Capital outlay		43,394	
Total		1,471,735	

(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, 2024

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public works:(continued)			
State Street Aid Allocation:			
Equipment maintenance		17,615	
Other operating expenditures		17,816	
Capital outlay		14,978	
Total		50,409	
Total public works	1,936,579	1,522,144	414,435
Recreational:			
Recreation:			
Salaries and employee benefits		248,497	
Buildings maintenance		1,272	
Grounds maintenance		32,693	
Other programs		45,085	
Other operating expenditures		38,097	
Capital outlay		61,236	
Total recreational	748,276	426,880	321,396
Debt Service:			
Principle - capital leases		93,480	
Interest - capital leases		11,254	
Total debt service	118,400	104,734	13,666
Total expenditures	11,546,968	9,706,938	1,840,030
Revenues over (under) expenditures	(2,287,356)	972,908	3,260,264

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, 2024

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer from other funds:			
ARPA Fund		3,898,307	
Water and Sewer Fund		64,016	
Sale of capital assets		14,626	
Total other financing sources (uses)	3,546,307	3,976,949	430,642
Revenues Over other Sources Over (Under)			
Expenditures and Other Uses	1,258,951	4,949,857	\$ 3,690,906
Fund balance appropriated	(1,258,951)		
Net change in fund balance	\$ -		
Fund balances, beginning		10,518,004	
Fund balances, ending		\$ 15,467,861	

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, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
ARPA state allocation		3,898,307	
Investment earnings		1,954	
Total	3,898,307	3,900,261	\$ 1,954
 Total revenues	 3,898,307	 3,900,261	 1,954
 Revenues over (under) expenditures	 3,898,307	 3,900,261	 1,954
Other financing sources (uses):			
Transfer to General Fund		(3,898,307)	
Total other financing sources (uses)	(3,898,307)	(3,898,307)	-
Revenues and other sources over (under) expenditures	-	\$ 1,954	\$ 1,954
 Fund Equity Appropriated	 -		
	<u>\$ -</u>		
 Fund balances, beginning		<u>2,727</u>	
 Fund balances, ending		<u>\$ 4,681</u>	

Town of Elon, North Carolina
Capital Project - Capital Reserve Project Fund
Schedule of Revenues and Expenditures-
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Capital outlay	\$ 112,000	\$ -	\$ -	\$ -	\$ 112,000
Total Expenditures	112,000	-	-	-	112,000
Revenues under expenditures	(112,000)	-	-	-	112,000
Other financing sources (uses)					
Transfer from General Fund	112,000	-	-	-	(112,000)
Total Other financing Sources (Uses)	112,000	-	-	-	(112,000)
Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Elon, North Carolina
Capital Project - Skatepark Project Fund
Schedule of Revenues and Expenditures-
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Capital outlay	\$ 245,000	\$ -	\$ -	\$ -	\$ 245,000
Total Expenditures	<u>245,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,000</u>
Revenues under expenditures	<u>(245,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,000</u>
Other financing sources (uses)					
Transfer from General Fund	<u>245,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,000)</u>
Total Other financing Sources (Uses)	<u>245,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,000)</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales		\$ 1,857,843	
Sewer sales		3,046,268	
Water and sewer taps		51,533	
Gibsonville reimbursement		995,795	
Total	\$ 5,586,026	5,951,439	\$ 365,413
Other operating revenues	17,000	16,779	(221)
Total operating revenues	5,603,026	5,968,218	365,192
Nonoperating revenues			
Investment earnings		217,517	
System fees		24,500	
Lease revenue		7,393	
Total nonoperating revenues	393,000	249,410	(143,590)
Total revenues	5,996,026	6,217,628	221,602
Expenditures:			
Salaries and employee benefits		600,586	
Supplies		14,922	
Equipment maintenance		8,751	
System maintenance		24,000	
Vehicle maintenance		7,480	
Burlington sewer treatment		2,430,946	
Gibsonville sewer treatment		31,198	
Burlington water purchased		1,100,594	
Contracted services		70,059	
Other operating expenditures		196,485	
Total	5,780,157	4,485,021	1,295,136

(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, 2024

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Interest		31,751	
Principal retirement		125,257	
Total debt service	157,067	157,008	59
Capital outlay:			
Water and sewer lines		20,596	
Total capital outlay	461,521	20,596	440,925
Total expenditures	6,398,745	4,662,625	1,736,120
Revenues over (under) expenditures	(402,719)	1,555,003	1,957,722
Other financing sources (uses):			
Transfer to other funds:			
General Fund		(64,016)	
Total other financing sources (uses)	(220,596)	(64,016)	156,580
Revenues and other sources over (under) expenditures	\$ (623,315)	1,490,987	\$ 2,114,302
Fund Equity Appropriated	623,315		
	-		

(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, 2024

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures		\$ 1,490,987	
Reconciling items:			
Capital outlay		73,577	
Operating transfer (in)out			
Increase in accrued vacation pay		(8,607)	
Decrease in accrued interest payable		7,078	
Increase in accrued interest receivable		1,073	
Increase in net pension liability		(45,449)	
Increase in deferred outflows of resources for pensions		16,252	
Decrease in deferred inflows of resources for pensions		1,194	
Decrease in allowance for doubtful accounts		9,506	
Decrease in deferred inflows of resources for leases		7,131	
Depreciation		(252,487)	
Capital project grant proceeds		2,217,244	
Capital project investment earnings		13,642	
Capital project expenditures		(893)	
Principal Retirement		125,257	
Total reconciling items		<u>2,164,518</u>	
Net Income		<u>\$ 3,655,505</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, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Storm water fees		\$ 139,868	
Total	\$ 135,000	139,868	\$ 4,868
Total revenues	135,000	139,868	4,868
Expenditures:			
Engineering		20,731	
Capital improvements		5,836	
Other operating expenditures		5,534	
Total	144,711	32,101	112,610
Total expenditures	144,711	32,101	112,610
Revenues over (under) expenditures	(9,711)	107,767	117,478
Revenues and other sources over (under) expenditures	(9,711)	107,767	\$ 117,478
Fund Equity Appropriated	9,711		
	<u>\$ -</u>		
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures		\$ 107,767	
Reconciling items:			
Capital outlay		5,836	
Depreciation		(1,753)	
Net Income		<u>\$ 111,850</u>	

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, 2024

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Investment earnings	\$ -	\$ 10,318	13,642	23,960	\$ 23,960
Revenues under expenditures	-	10,318	13,642	23,960	23,960
Other financing sources (uses)					
Transfer from water and sewer fund	-	287,205	-	287,205	287,205
Total other financing sources (uses)	-	287,205	-	287,205	287,205
Revenues and other sources over (under) expenditures	\$ -	\$ 297,523	\$ 13,642	\$ 311,165	\$ 311,165

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, 2024

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
NCDEQ grant	\$ 2,400,000	\$ -	\$ 2,217,244	\$ 2,217,244	\$ (182,756)
Expenditures:					
Engineering services	310,596	156,132	67,563	223,695	86,901
Construction	2,596,001	-	1,993,549	1,993,549	602,452
Contingency	103,999	-	-	-	103,999
Total Expenditures	3,010,596	156,132	2,061,112	2,217,244	793,352
Revenues under expenditures	(610,596)	(156,132)	156,132	-	610,596
Other financing sources (uses)					
Transfer from General Fund	500,000	-	-	-	(500,000)
Transfer from Water and Sewer Fund	110,596	37,564	-	37,564	(73,032)
Total Other financing Sources (Uses)	610,596	37,564	-	37,564	(573,032)
Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ (118,568)	\$ 156,132	\$ 37,564	\$ 37,564

Town of Elon, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2024

Fiscal Year	Uncollected Balance June 30, 2023	Additions	Collections And Credits	Uncollected Balance June 30, 2024
2023-2024	\$ -	\$ 3,602,403	\$ 3,596,994	\$ 5,409
2022-2023	4,269	-	1,764	2,505
2021-2022	2,006	-	1,067	939
2020-2021	1,083	-	418	665
2019-2020	526	-	88	438
2018-2019	913	-	81	832
2017-2018	60	-	-	60
2016-2017	92	-	-	92
2015-2016	118	-	-	118
2014-2015	202	-	-	202
2013-2014	911	-	911	-
	<u>\$ 10,180</u>	<u>\$ 3,602,403</u>	<u>\$ 3,601,323</u>	<u>11,260</u>
Less: allowance for uncollectible accounts General Fund				<u>(6,151)</u>
Ad valorem taxes receivable - net				<u>\$ 5,109</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,586,990
Reconciling items:				
Penalties and interest collected				(6,841)
Discounts allowed				10,914
Refunds and other adjustments				<u>10,260</u>
Total collections and credits				<u>\$ 3,601,323</u>

Town of Elon, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2024

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,023,585,714	.35	\$ 3,582,550	\$ 3,294,487	\$ 288,063
Total	<u>1,023,585,714</u>		<u>3,582,550</u>	<u>3,294,487</u>	<u>288,063</u>
Discoveries:					
Current year taxes	<u>16,921,143</u>	.35	<u>59,224</u>	<u>59,224</u>	<u>-</u>
Abatements	<u>(11,248,857)</u>	.35	<u>(39,371)</u>	<u>(39,371)</u>	<u>-</u>
Total property valuation	<u>\$ 1,029,258,000</u>				
Net Levy			3,602,403	3,314,340	288,063
Unpaid (by taxpayers) taxes at June 30, 2024			<u>5,409</u>	<u>3,349</u>	<u>2,060</u>
Current year's taxes collected			<u>\$ 3,596,994</u>	<u>\$ 3,310,991</u>	<u>\$ 286,003</u>
Current levy collection percentage			<u>99.85%</u>	<u>99.90%</u>	<u>99.28%</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 Town Council
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 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, 2024, 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 November 26, 2024.

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 of Elon'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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

MEMBER OF:

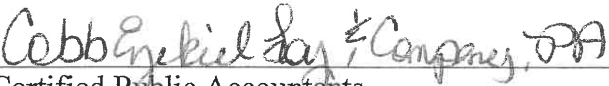
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Report on Compliance and Other Matters

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.



Certified Public Accountants
Graham, North Carolina
November 26, 2024



Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Mayor and Town Council
Town of Elon
Elon, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Elon, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Elon's major federal programs for the year ended June 30, 2024. The Town of Elon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Elon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does

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not provide a legal determination of the Town of Elon's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Elon federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Elon's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Elon's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Town of Elon's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Elon's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Elon's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

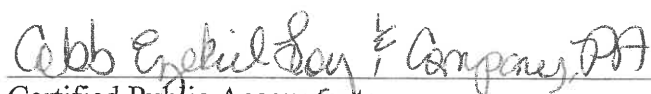
Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Certified Public Accountants

Graham, North Carolina

November 26, 2024

Town of Elon, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____yes	_____X_____no
Significant Deficiency(s)?	_____yes	_____X_____none reported

Noncompliance material to financial statements noted?

_____yes	_____X_____no
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified	_____yes	_____X_____no
Significant deficiency(s)?	_____yes	_____X_____none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

_____yes	_____X_____no
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Identification of major federal programs:

Federal Assistance Listing No.
21.027

Names of Federal Program or Cluster
Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____yes	_____X_____no
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Section II. Financial Statement Findings

None reported.

Section III. Federal Awards Findings and Questioned Costs

None reported.

**Town of Elon, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024**

Summary Schedule of Prior Years Audit Findings

None.

TOWN OF ELON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State Pass-through Grantor's Number	Federal (Direct and Pass Through) Expenditures	State Expenditures
Federal Grants				
Cash Programs				
<u>U.S. Department of Justice</u>				
Direct Program:				
Office of Justice:				
Federal Asset Forfeiture Funds	16.005		\$ 29,373	\$ -
<u>U.S. Department of Treasury</u>				
Passed-through the Office of State Budget And Management:				
NC Pandemic Recovery Office				
Coronavirus State and Local Fiscal Recovery Fund – Revenue Replacement				
	21.027		3,898,307	-
<u>U.S. Department of Treasury</u>				
Passed-through the NC Department of Environmental Quality – Division of Water Infrastructure				
NC Pandemic Recovery Office				
Coronavirus State and Local Fiscal Recovery Fund				
	21.027		2,061,112	-
State Grants				
Cash Assistance				
<u>N.C. Department of Transportation:</u>				
Powell Bill				
			-	50,409
Total assistance			<u>\$ 5,988,792</u>	<u>\$ 50,409</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Elon under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Elon, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Elon.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

