

TOWN OF ELON  
FINANCIAL STATEMENTS  
June 30, 2023

Elon, North Carolina

TOWN OF ELON  
NORTH CAROLINA

MAYOR  
Emily Sharpe

TOWN COUNCIL  
Mark Greene, Mayor Pro Tem

J. Quinn Ray  
Monti Allison  
Stephanie Bourland  
Randy Orwig

**TOWN OF ELON, NORTH CAROLINA**

**TABLE OF CONTENTS**

**June 30, 2023**

| <u>Exhibit</u> |  | <u>Page<br/>Number</u> |
|----------------|--|------------------------|
|                | <b>FINANCIAL SECTION:</b>  |                        |
|                | <b>Accountants Compilation Report</b>  | 3                      |
|                | <b>Management's Discussion and Analysis</b>  | 4                      |
|                | <b>Basic Financial Statements</b>  |                        |
|                | Government-Wide Financial Statements:  |                        |
| 1              | Statement of Net Position  | 16                     |
| 2              | Statement of Activities  | 17                     |
|                | Fund Financial Statements:   |                        |
| 3              | Balance Sheet - Governmental Funds   | 18                     |
| 3              | Reconciliation of the Government Funds Balance Sheet to the<br>Statement of Net Position   | 18                     |
| 4              | Statement of Revenues, Expenditures and Changes in Fund Balances<br>- Governmental Funds   | 19                     |
| 5              | Reconciliation of the Statement of Revenues, Expenditures, and<br>Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities | 20                     |
| 6              | Statement of Revenues, Expenditures, and Changes in Fund Balances<br>- Annual Budget and Actual - General Fund                                     | 21                     |
| 7              | Statement of Fund Net Position - Proprietary Funds   | 22                     |
| 8              | Statement of Revenues, Expenses, and Changes in Fund Net Position-<br>Proprietary Funds  | 23                     |
| 9              | Statement of Cash Flows - Proprietary Funds  | 24                     |
|                | Notes to the Financial Statements  | 26                     |
|                | <b>Required Supplemental Data</b>  |                        |
|                | Schedule of the Proportionate Share of the Net Pension<br>Asset - Local Government Employees' Retirement System                                    | 52                     |
|                | Schedule of Contributions - Local Government Employees'<br>Retirement System   | 53                     |
|                | Schedule of the Proportionate Share of the Net Pensions<br>Liability - Firefighters' and Rescue Squad Workers' Pension                             | 54                     |
|                | Schedule of Changes in Total Pension Liability - Law<br>Enforcement Officer' Special Separation Allowance  | 55                     |
|                | Schedule of Total Pension Liability as a Percentage of<br>Covered Payroll  | 56                     |
|                | <b>Individual Fund Statements and Schedules:</b>   |                        |
|                | Balance Sheet- General Fund  | 57                     |
|                | Schedule of Revenues, Expenditures, and Changes in Fund Balances-<br>Budget and Actual - General Fund  | 58                     |

**TOWN OF ELON, NORTH CAROLINA**

**TABLE OF CONTENTS**

| <u>Exhibit</u>  | <u>Page<br/>Number</u> |
|---|------------------------|
| Schedule of Revenues, Expenditures and Changes in Fund Balance-<br>Budget and Actual - Special Revenue Fund - American Rescue Plan Act (ARPA) | 64                     |
| <b>Enterprise Fund:</b>   |                        |
| Schedule of Revenues and Expenditures - Budget (Modified Accrual<br>Basis) and Actual:  |                        |
| Water and Sewer Fund  | 65                     |
| Storm Water Fund  | 68                     |
| Capital Reserve System Fee  | 69                     |
| Water & Sewer Capital Project - East Haggard Project Fund   | 70                     |
| <b>Other Schedules:</b>   |                        |
| Schedule of Ad Valorem Taxes Receivable   | 71                     |
| Analysis of Current Tax Levy  | 72                     |

## 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, 2023, 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, 2023, 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.

Elon's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Elon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Elon's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes

in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Elon's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the Town of Elon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Elon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Elon's internal control over financial reporting and compliance.

---

Certified Public Accountants  
Graham, North Carolina  
November 30, 2023

## Management's Discussion and Analysis

### Town of Elon

As management of the **Town of Elon**, we offer readers of the **Town of Elon's** financial statements this narrative overview and analysis of the financial activities of the **Town of Elon** for the fiscal year ended June 30, 2023. 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 \$28,198,110 (**net position**).
- The government's total net position increased by \$1,439,096 primarily due to an increase of \$698,652 in the governmental-type activities and an increase of \$740,444 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 \$10,520,731, an increase of \$832,786 in comparison with the prior year. Approximately 15.50% of this total amount, or \$1,631,654 is non-spendable or restricted.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8,886,350 or 104.5% of the total General Fund expenditures for the fiscal year.
- The **Town of Elon's** total outstanding debt increased by \$1,598,608 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 \$1,965,729. This was offset by a decrease of \$211,032 for the LEO Pension Liability and planned debt service principal payments of \$125,257.

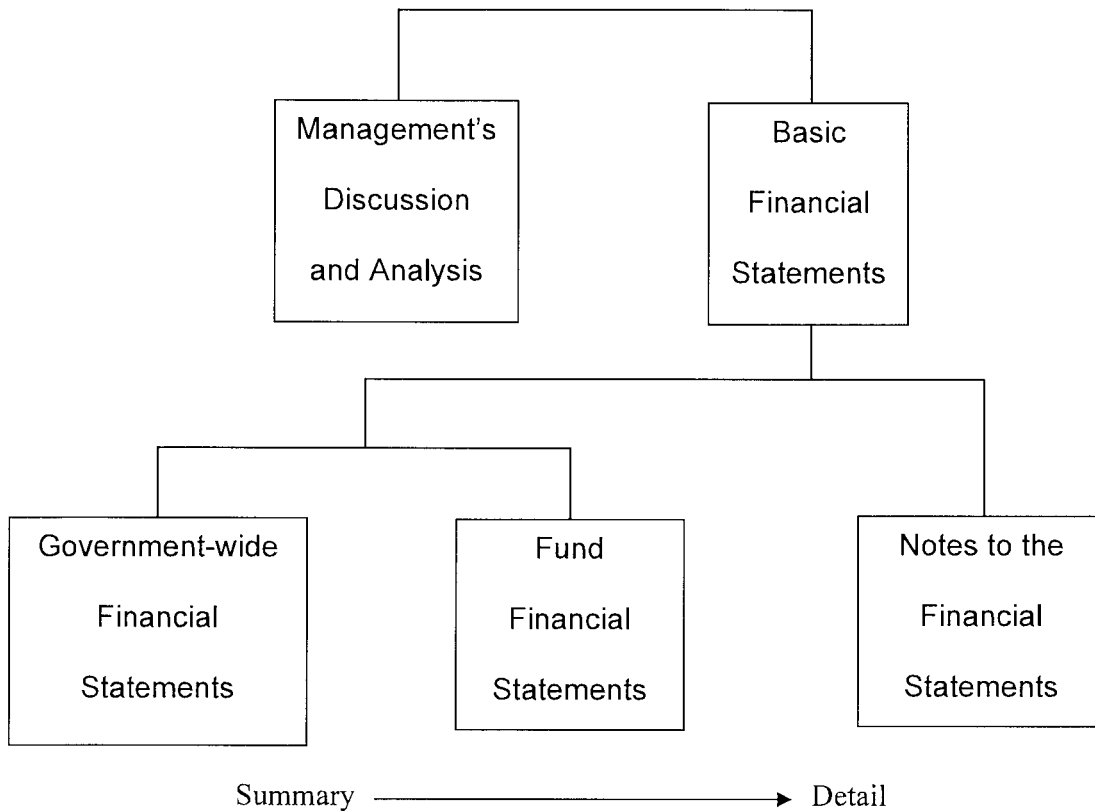
#### Overview of the Financial Statements

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 26-51 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 52 of this report.

## Government-Wide Financial Analysis

## Town of Elon's Net Position

Figure 2

|   | Governmental Activities |               | Business-Type Activities |               | Total         |               |
|---|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|   | 2023                    | 2022          | 2023                     | 2022          | 2023          | 2022          |
| Current and other assets                            | \$ 14,592,064           | \$ 11,765,737 | \$ 7,649,291             | \$ 6,520,740  | \$ 22,241,355 | \$ 18,286,477 |
| Capital assets                                      | 9,098,772               | 8,846,732     | 5,721,696                | 6,248,416     | 14,820,468    | 15,095,148    |
| Deferred outflows of resources                      | 1,773,337               | 1,231,962     | 158,830                  | 99,717        | 1,932,167     | 1,331,679     |
| Total assets and deferred outflows of resources     | 25,464,173              | 21,844,431    | 13,529,817               | 12,868,873    | 38,993,990    | 34,713,304    |
| Long-term liabilities outstanding                   | 3,624,346               | 2,100,818     | 2,052,889                | 1,997,504     | 5,677,235     | 4,098,322     |
| Other liabilities                                   | 4,328,387               | 2,308,641     | 536,850                  | 578,601       | 4,865,237     | 2,887,242     |
| Deferred inflows of resources                       | 249,836                 | 1,037,934     | 3,572                    | 96,706        | 253,408       | 1,134,640     |
| Total liabilities and deferred inflows of resources | 8,202,569               | 5,447,393     | 2,593,311                | 2,672,811     | 10,795,880    | 8,120,204     |
| Net Position:                                       |                         |               |                          |               |               |               |
| Net investment in capital assets                    | 8,506,709               | 8,230,056     | 3,814,607                | 4,226,359     | 12,321,316    | 12,456,415    |
| Restricted  | 1,519,349               | 1,345,709     | 297,522                  | 245,025       | 1,816,871     | 1,590,734     |
| Unrestricted  | 7,235,546               | 6,879,781     | 6,824,377                | 5,724,678     | 14,059,923    | 12,604,459    |
| Total net position                                  | \$ 17,261,604           | \$ 16,455,546 | \$ 10,936,506            | \$ 10,196,062 | \$ 28,198,110 | \$ 26,651,608 |

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 \$28,198,110 as of June 30, 2023. The Town of Elon's net position increased by \$1,439,096 for the fiscal year ended June 30, 2023. However, the largest portion (43.70%) reflects the Town of Elon's investment in capital assets (e.g. land, buildings, machinery, and equipment).

The Town of Elon uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Elon's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Elon's net position, \$1,816,871, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,059,923 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 99.86%, which is comparable to the statewide average of 98.96%

## Town of Elon Change in Net Position

Figure 3

|   | Governmental<br>Activities |               | Business-type<br>Activities |               | Total         |               |
|---|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|   | 2023                       | 2022          | 2023                        | 2022          | 2023          | 2022          |
| Revenues:   |                            |               |                             |               |               |               |
| Program revenues:   |                            |               |                             |               |               |               |
| Charges for services  | \$ 885,731                 | \$ 712,546    | \$ 5,699,558                | \$ 5,372,990  | \$ 6,585,289  | \$ 6,085,536  |
| Operating grants and contributions                              | 458,722                    | 440,388       | -                           | -             | 458,722       | 440,388       |
| Capital Grants and contributions                                | 56,000                     | 106,000       | (497,162)                   | -             | (441,162)     | 106,000       |
| General revenues:   |                            |               |                             |               |               |               |
| Property taxes  | 3,055,315                  | 2,964,035     | -                           | -             | 3,055,315     | 2,964,035     |
| Other taxes   | 3,939,790                  | 3,871,657     | -                           | -             | 3,939,790     | 3,871,657     |
| Grants and contributions not restricted<br>to specific programs | 529,366                    | 507,103       | -                           | -             | 529,366       | 507,103       |
| Other   | 559,849                    | 235,473       | 204,631                     | 33,776        | 764,480       | 269,249       |
| Total revenues  | 9,484,773                  | 8,837,202     | 5,407,027                   | 5,406,766     | 14,891,800    | 14,243,968    |
| Expenses:   |                            |               |                             |               |               |               |
| General government  | 1,892,912                  | 1,662,207     | -                           | -             | 1,892,912     | 1,662,207     |
| Public safety   | 4,826,886                  | 4,143,121     | -                           | -             | 4,826,886     | 4,143,121     |
| Public works  | 1,587,434                  | 1,364,633     | -                           | -             | 1,587,434     | 1,364,633     |
| Recreational  | 464,352                    | 329,090       | -                           | -             | 464,352       | 329,090       |
| Interest  | 14,537                     | 9,458         | -                           | -             | 14,537        | 9,458         |
| Storm Water   | -                          | -             | 29,084                      | 47,347        | 29,084        | 47,347        |
| Water and sewer   | -                          | -             | 4,637,499                   | 3,969,225     | 4,637,499     | 3,969,225     |
| Total expenses  | 8,786,121                  | 7,508,509     | 4,666,583                   | 4,016,572     | 13,452,704    | 11,525,081    |
| Increase in net position before transfers                       | 698,652                    | 1,328,693     | 740,444                     | 1,390,194     | 1,439,096     | 2,718,887     |
| Transfers   | -                          | -             | -                           | -             | -             | -             |
| Increase in net position  | 698,652                    | 1,328,693     | 740,444                     | 1,390,194     | 1,439,096     | 2,718,887     |
| Net position, July 1  | 16,562,952                 | 15,234,259    | 10,196,062                  | 8,805,868     | 26,759,014    | 24,040,127    |
| Net position, June 30   | \$ 17,261,604              | \$ 16,562,952 | \$ 10,936,506               | \$ 10,196,062 | \$ 28,198,110 | \$ 26,759,014 |

**Governmental activities.** Governmental activities increased the Town of Elon's net position by \$698,652. Key elements of this increase are as follows:

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

**Business-type activities.** Business-type activities increased the Town of Elon's net position by \$740,444. Key elements of this increase are as follows:

- Collections exceeded cost of services.

## Financial Analysis of the Town of Elon's Funds

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

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

The General Fund is the chief operating fund of the Town of Elon. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,886,350 while total fund balance increased to \$10,518,004. 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 104.5% of total General Fund expenditures and the total fund balance represents 123.7% of total general fund expenditures.

At June 30, 2023, the governmental funds of Town of Elon reported a combined fund balance of \$10,520,731 with a net increase in fund balance of \$832,786. 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 \$10,477,231, and for the Storm Water Fund, \$459,275. The total change in net position for the Water and Sewer and Storm Water Funds was \$629,849 and \$110,595, 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, 2023, totals \$14,820,468 (net of accumulated depreciation) an increase of 1.68%. 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 \$163,398
- Construction in progress for business-type activities assets of \$156,132
- Right to use assets for governmental activities of \$591,782
- Disposal of governmental activities assets of \$774,658
- Disposal of business-type activities assets of \$2,868,751

## Town of Elon's Capital Assets

### Figure 4

(net of depreciation/amortization)

|                                      | Governmental<br>Activities |              | Business-type<br>Activities |              | Total         |               |
|--------------------------------------|----------------------------|--------------|-----------------------------|--------------|---------------|---------------|
|                                      | 2023                       | 2022         | 2023                        | 2022         | 2023          | 2022          |
| Land                                 | \$ 1,837,584               | \$ 1,685,314 | \$ -                        | \$ -         | \$ 1,837,584  | \$ 1,685,314  |
| Construction in progress             | 163,398                    | 80,369       | 166,421                     | 52,986       | 329,819       | 133,355       |
| Buildings and systems                | 426,714                    | 452,773      | 5,166,388                   | 5,900,861    | 5,593,102     | 6,353,634     |
| Improvements other than<br>buildings | 230,581                    | 53,643       | -                           | -            | 230,581       | 53,643        |
| Machinery and equipment              | 1,842,143                  | 1,652,513    | 388,887                     | 294,569      | 2,231,030     | 1,947,082     |
| Infrastructure                       | 4,006,570                  | 4,403,254    | -                           | -            | 4,006,570     | 4,403,254     |
| Right to use assets<br>Leases        | 591,782                    | -            | -                           | -            | 591,782       | -             |
| Total                                | \$ 9,098,772               | \$ 8,327,866 | \$ 5,721,696                | \$ 6,248,416 | \$ 14,820,468 | \$ 14,576,282 |

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, 2023, the Town of Elon had total outstanding bonds of \$1,846,000. The town's debt represents bonds secured solely by specific revenue sources (e.g. , revenue bonds).

As of June 30, 2023, the Town of Elon had leases outstanding of \$592,063.

## Outstanding Debt

### Figure 5

|                                      | Governmental<br>Activities |              | Business-type<br>Activities |              | Total        |              |
|--------------------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
|                                      | 2023                       | 2022         | 2023                        | 2022         | 2023         | 2022         |
| Lease liability                      | \$ 592,063                 | \$ 684,468   | \$ -                        | \$ -         | \$ 592,063   | \$ 684,468   |
| Revenue bond                         | -                          | -            | 1,846,000                   | 1,964,000    | 1,846,000    | 1,964,000    |
| Net Pension<br>liabilities<br>(LERS) | 2,466,585                  | 676,693      | 241,865                     | 66,028       | 2,708,450    | 742,721      |
| Total pension                        |                            |              |                             |              |              |              |
| liability (LEO)                      | 498,490                    | 709,792      | -                           | -            | 498,490      | 709,792      |
| Compensated<br>absences              | 318,235                    | 266,002      | 78,963                      | 69,353       | 397,198      | 335,355      |
| Revolving loans                      | -                          | -            | 50,800                      | 58,057       | 50,800       | 58,057       |
| Total                                | \$ 3,875,373               | \$ 2,336,955 | \$ 2,217,628                | \$ 2,157,438 | \$ 6,093,001 | \$ 4,494,393 |

## **Town of Elon's Outstanding Debt**

The Town of Elon's total debt increased by \$1,598,608 (35.57% over the prior year) during the current fiscal year. The key factor in this increase is due to the increase of \$1,965,729 in the net pension liability for the Local Government Employees Retirement System (LGERS). The increase is offset by a decrease of \$211,302 in Total Pension (LEO) and planned debt service principal payments of \$128,257.

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 \$51,713,199.

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

## **Economic Factors and Next Year's Budgets and Rates**

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

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

Our one area where we can grow, and develop is to the North, out Shallowford Church Road and out Manning. These areas are in Elon's Extraterritorial Jurisdiction – not in Elon, but subject to our zoning rules. As parcels in this area are developed, and access our water and sewer system, they are annexed into Elon, and add to our property tax base. Most of these areas will be predominantly residential, with some areas of mixed uses and small commercial centers.

### **Key Indicators**

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

**Population** – This past spring, the results of the 2020 were released. In 2010, Elon had a population of 9,419. In 2019, we had a State-estimated population of 12,186. However, with the 2020 census, we were only certified at 11,336. This change in our growth rate over the previous 10 years has resulted in Elon having a smaller percentage of the Alamance County population, which has a negative impact on our Sales Tax distribution, and on our Powell Bill distribution of road funding, both of which include a population factor. As of 2022, the Census Bureau has estimated our population to be 11,350, a small increase, but trending in the right direction.

**Housing** – Over the past four years, Elon has approved about 800 new dwelling units in three projects. Three of those projects are now under construction, including a new apartment facility in Twin Lakes. In addition, there have been multiple conversations with other developers about potential developments, although none have entered the review process at this time.



Housing is generally a strong indicator of population growth, even as the national average for family size has declined. In FY 18, Elon saw 41 new homes built, followed by 60 new homes in FY 19. In FY 21, we saw 17 new homes constructed. In FY 22, 8 new single family homes were started. In FY 23, we saw 3 new single-family dwellings permitted. 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 – Elon University and Twin Lakes continue to be the economic drivers for Elon. While neither entity pays much in property taxes, their development does provide support to other Elon businesses, and helps to generate sales taxes. For the first time in many years, we are seeing residential growth through new subdivisions obtaining approvals and moving into construction. Downtown continues to be an interesting facet of economic development in Elon. We have historically had near 100% occupancy of downtown space. With the closure of Med Deli on W. Haggard, we have experienced difficulties in filling that large space, and reluctance on the part of the owner to break it into smaller units. New construction in downtown has seen some interest, but no new projects are on the immediate horizon.

Sales tax receipts – Sales taxes collected in North Carolina are distributed to each County based on generation. Alamance County redistributes 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 21, our sales tax revenues grew by approximately \$390,000. FY 22 saw an increase of \$170,000, while FY 23 saw an increase of only \$60,000. For FY 24 we are budgeting for a small decrease. In Elon, we take this into account by not budgeting all of our anticipated sales tax revenue, so that if numbers drop, we will have less of a negative impact to our budget.

Capital Investment – Elon has a policy of maintaining 40% of our annual budget in cash reserves, or Fund Balance. This helps us to manage any potential cash flow interruption, downturns in the economy or emergencies. Due to conservative revenue budgeting, judicial budgetary expenditures, and significant increases in sales tax revenues during COVID, our Fund Balance has grown beyond our desired level. The policy directs the Town to use these excess funds to make capital purchases. During FY 23 and FY 24, 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.

Office space – Our current municipal building was constructed in 1989 to house Town Hall and the Police Department. Since then, we have grown as a community, and we have filled the available space in our current building. We have secured a lease of additional office space in our downtown starting in the spring of 2024. In addition, we are working on options for a new Police Station.

#### Issues to monitor

Inflation – Inflation hit us all hard during 2021 and 2022. In 2023, the rate of inflation dropped from 9% to about 3.5%, which makes all of our lives a bit easier. We have tried to keep wages/benefits at a competitive level, but other communities have exceeded what we have accomplished. This has resulted in the need to take a look at all of our wages and benefits. This

process will yield recommendations on compensation, which may be implemented toward the end of the current fiscal year, or into the upcoming fiscal year

**Recession** – Fears of a recession has dropped significantly over the past year, with a reduction in inflation, continued hiring, and continued economic growth. 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.

**Revaluation** – Alamance County announced new property values in January of 2023. The Council opted to adopt a budget that would improve our ability to invest in our community and its residents, and to provide the services that are requested. Elon's overall value grew by about 62%, but has shrunk some since January due to ongoing abatements that have been applied for.

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

**Capital needs** – Elon is facing multiple necessary capital investments. A new ladder truck has been ordered at a cost of just over \$2 million, and will become available to us in 2026. A new ladder truck to replace Engine 18 is also coming up in the near future. A new police station and expanded Town Hall facilities have already been mentioned. In addition, upgrades or replacement of our public works facility will be necessary, if for no other reason than to provide adequate storage for our fleet of vehicles. There is also much discussion about desires for new recreation space/facilities and new sidewalks. 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** – In early 2021, the US Government passed the American Rescue Plan Act (ARPA). This funding program provide funds directly to every community in the Country. Elon received \$3.9 million, which had to be spent on water/sewer projects or COVID response. However, after the final rules were published, we were able to document the use of these funds for past wages/benefits. By reimbursing ourselves for past expenses, we have more latitude on how to spend that \$3.9 million on capital investments, other than sewer and water. In the State's FY 23 budget, Elon was awarded \$2.4 million in funding for water and sewer projects, which is being used to pay for the replacement of the Haggard Ave. water line. With the re-classification of the ARPA funds, the Council will again look at our capital needs and make decision on how to spend those funds in the best interests of the community.

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

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

and sewer fees or State funds given to support our road network. The recent history of these approved budgets is below:

| Budget Year | General Fund | Enterprise Accounts | Total Budget |
|-------------|--------------|---------------------|--------------|
| FY 20       | \$8,371,070  | \$4,144,480         | \$12,515,550 |
| FY 21       | \$7,092,825  | \$4,765,533         | \$11,858,358 |
| FY 22       | \$8,764,950  | \$6,430,367         | \$15,195,317 |
| FY 23       | \$9,459,305  | \$8,658,583         | \$18,117,888 |
| FY 24       | \$10,296,808 | \$5,696,026         | \$16,608,458 |

The FY 20 budget included the cost of purchasing a new Engine 8 for the Fire Department. The FY 21 budget reduction reflected both eliminating the cost of Engine 8, and the anticipated impacts of the COVID pandemic. The FY 22 budget was affected by the purchase of the Travis Creek Pump Station (\$2 million) and the first installment of Federal ARPA funds. The FY 23 budget includes the remaining Federal ARPA funds and the State ARPA funds (totaling over \$3.5 million). The FY 24 is a more normal looking budget, without any of the large-scale one-time expenses, or the unanticipated influx of funds from other sources.

Utility Rates – As noted, the purchase of the Travis Creek Pump Station (which will open new areas for residential development in Elon) increased our annual capital costs, and resulted in a need to raise utility rates by 10% as of July 1, 2021 (which includes a budgeted 1% increase from the City of Burlington). A forecast study prepared for the Town suggests a similar increase in 2022, to fully afford the debt service on the new pump station. This increase includes an estimated 2% increase from Burlington. In FY 24, our rates increased to reflect a 5% increase from the City of Burlington.

Fund Balance – Elon continues to maintain healthy reserve accounts. At the end of the Fiscal Year 20, our General Fund Balance stood at \$5,734,439, approximately 70% of our annual budget, which is a very healthy financial indicator. At the end of the FY 21 Fiscal Year, our General Fund Balance stood at \$7,248,318, or 102% of operating costs. By the end of FY 2022, our Fund Balance stood at \$8,229,084, approximately 101% of our general fund budget, and at the end of FY 23, it stood at 119% of our General Fund budget. This dramatic increase is largely due to over \$6 million in funding received from the Federal Government and the State of North Carolina. While plans exist for the expenditure of these funds, they have not been spent yet.

### **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, 2023

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>ASSETS</b>                                       |                            |                             |               |
| Current Assets:                                     |                            |                             |               |
| Cash and cash equivalents                           | \$ 9,051,194               | \$ 6,668,437                | \$ 15,719,631 |
| Taxes receivables (net)                             | 4,294                      | -                           | 4,294         |
| Accounts receivable (net)                           | 882,441                    | 636,266                     | 1,518,707     |
| Restricted Assets:                                  |                            |                             |               |
| Cash and cash equivalents                           | 4,654,135                  | 344,588                     | 4,998,723     |
| Total current assets                                | 14,592,064                 | 7,649,291                   | 22,241,355    |
| Non-current assets:                                 |                            |                             |               |
| Capital assets:                                     |                            |                             |               |
| Land, improvements, and construction<br>in progress | 2,000,982                  | 166,421                     | 2,167,403     |
| Right to use lease asset - net of<br>amortization   | 591,782                    | -                           | 591,782       |
| Other capital assets, net of<br>depreciation        | 6,506,008                  | 5,555,275                   | 12,061,283    |
| Total capital assets                                | 9,098,772                  | 5,721,696                   | 14,820,468    |
| Total assets  | 23,690,836                 | 13,370,987                  | 37,061,823    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>               |                            |                             |               |
| Pension deferrals                                   | 1,773,337                  | 158,830                     | 1,932,167     |
| Total deferred outflows of resources                | 1,773,337                  | 158,830                     | 1,932,167     |
| <b>LIABILITIES</b>                                  |                            |                             |               |
| Current liabilities:                                |                            |                             |               |
| Accounts payable                                    | 167,585                    | 293,294                     | 460,879       |
| Customer deposits                                   | -                          | 47,066                      | 47,066        |
| Accrued interest payable                            | 11,468                     | 31,751                      | 43,219        |
| Liabilities to be paid from restricted assets       | 3,898,307                  | -                           | 3,898,307     |
| Due within one year                                 | 251,027                    | 164,739                     | 415,766       |
| Total current liabilities                           | 4,328,387                  | 536,850                     | 4,865,237     |
| Long-term liabilities:                              |                            |                             |               |
| Net pension liability - LGERS                       | 2,466,585                  | 241,865                     | 2,708,450     |
| Total pension liability - LEO                       | 498,490                    | -                           | 498,490       |
| Due in more than one year                           | 659,271                    | 1,811,024                   | 2,470,295     |
| Total liabilities                                   | 7,952,733                  | 2,589,739                   | 10,542,472    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |                            |                             |               |
| Pension deferrals                                   | 248,689                    | 3,572                       | 252,261       |
| Prepaid taxes                                       | 1,147                      | -                           | 1,147         |
| Total deferred inflows of resources                 | 249,836                    | 3,572                       | 253,408       |
| <b>NET POSITION</b>                                 |                            |                             |               |
| Net investment in capital assets                    | 8,506,709                  | 3,814,607                   | 12,321,316    |
| Restricted for:                                     |                            |                             |               |
| Stabilization by State Statute                      | 882,441                    | -                           | 882,441       |
| Capital reserve                                     | -                          | 297,522                     | 297,522       |
| Public works  | 506,895                    | -                           | 506,895       |
| Public safety                                       | 130,013                    | -                           | 130,013       |
| Unrestricted  | 7,235,546                  | 6,824,377                   | 14,059,923    |
| Total net position                                  | \$ 17,261,604              | \$ 10,936,506               | \$ 28,198,110 |

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, 2023

Exhibit 2

| Functions/Programs   | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Position |                          |                |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
|  | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                            |                          |                |
|  |                  |                      |                                    |                                  | Governmental Activities                       | Business-type Activities | Total          |
| Primary government:  |                  |                      |                                    |                                  |   |                          |                |
| General government   | \$ 1,892,912     | \$ 36,945            | \$ -                               | \$ -                             | \$ (1,855,967)                                | \$ -                     | \$ (1,855,967) |
| Public safety  | 4,826,886        | 446,388              | 169,384                            | 56,000                           | (4,155,114)                                   | -                        | (4,155,114)    |
| Public works   | 1,587,434        | 341,940              | 289,338                            | -                                | (956,156)                                     | -                        | (956,156)      |
| Recreational   | 464,352          | 60,458               | -                                  | -                                | (403,894)                                     | -                        | (403,894)      |
| Interest   | 14,537           | -                    | -                                  | -                                | (14,537)                                      | -                        | (14,537)       |
| Total governmental activities (See Note 1)                   | \$ 8,786,121     | \$ 885,731           | \$ 458,722                         | \$ 56,000                        | \$ (7,385,668)                                | \$ -                     | \$ (7,385,668) |
| Business-type activities:                                    |                  |                      |                                    |                                  |   |                          |                |
| Storm water  | 29,084           | 139,679              | -                                  | -                                | -   | 110,595                  | 110,595        |
| Water and sewer  | 4,637,499        | 5,062,717            | -                                  | -                                | -   | 425,218                  | 425,218        |
| Total business-type activities                               | 4,666,583        | 5,202,396            | -                                  | -                                | -   | 535,813                  | 535,813        |
| Total primary government                                     | \$ 13,452,704    | \$ 6,088,127         | \$ 458,722                         | \$ 56,000                        | (7,385,668)                                   | 535,813                  | (6,849,855)    |
| General revenues:  |                  |                      |                                    |                                  |   |                          |                |
| Taxes:   |                  |                      |                                    |                                  |   |                          |                |
| Property taxes, levied for general purpose                   |                  |                      |                                    |                                  | 3,055,315                                     | -                        | 3,055,315      |
| Local option sales tax                                       |                  |                      |                                    |                                  | 3,931,012                                     | -                        | 3,931,012      |
| Other taxes and licenses                                     |                  |                      |                                    |                                  | 8,778   | -                        | 8,778          |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |                                  | 529,366                                       | -                        | 529,366        |
| Unrestricted investment earnings                             |                  |                      |                                    |                                  | 382,740                                       | 147,860                  | 530,600        |
| Miscellaneous  |                  |                      |                                    |                                  | 177,109                                       | 58,771                   | 233,880        |
| Total general revenues, special items, and transfers         |                  |                      |                                    |                                  | 8,084,320                                     | 204,631                  | 8,288,951      |
| Change in net position                                       |                  |                      |                                    |                                  | 698,652                                       | 740,444                  | 1,439,096      |
| Net position, beginning                                      |                  |                      |                                    |                                  | 16,562,952                                    | 10,196,062               | 26,759,014     |
| Net position - ending  |                  |                      |                                    |                                  | \$ 17,261,604                                 | \$ 10,936,506            | \$ 28,198,110  |

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

Town of Elon  
Balance Sheet  
Governmental Funds  
June 30, 2023

|  | MAJOR FUND           |                            | Total Governmental Funds |
|--|----------------------|----------------------------|--------------------------|
|  | General              | ARPA<br>Special Grant Fund |                          |
| <b>ASSETS</b>  |                      |                            |                          |
| Cash and cash equivalents  | \$ 9,051,194         | \$ -                       | \$ 9,051,194             |
| Receivables, net   |                      |                            |                          |
| Taxes  | 4,294                | -                          | 4,294                    |
| Accounts   | 882,441              | -                          | 882,441                  |
| Restricted cash  | 753,101              | 3,901,034                  | 4,654,135                |
| Total assets   | <u>\$ 10,691,030</u> | <u>\$ 3,901,034</u>        | <u>\$ 14,592,064</u>     |
| <b>LIABILITIES AND FUND BALANCES</b>                               |                      |                            |                          |
| Liabilities:   |                      |                            |                          |
| Accounts payable and accrued liabilities                           | \$ 167,584           | \$ -                       | \$ 167,584               |
| Unearned revenue   | -                    | 3,898,307                  | 3,898,307                |
| Total liabilities  | <u>167,584</u>       | <u>3,898,307</u>           | <u>4,065,891</u>         |
| Deferred Inflows of Resources                                      |                      |                            |                          |
| Unavailable revenues   | 4,294                | -                          | 4,294                    |
| Prepaid taxes  | 1,148                | -                          | 1,148                    |
| Total deferred inflows of resources                                | <u>5,442</u>         | <u>-</u>                   | <u>5,442</u>             |
| Fund balances:   |                      |                            |                          |
| Restricted for:  |                      |                            |                          |
| State Statute  | 882,441              | -                          | 882,441                  |
| Streets-Powell bill  | 506,895              | -                          | 506,895                  |
| Public safety  | 130,013              | -                          | 130,013                  |
| Unassigned, General Fund   | 8,886,350            | 2,727                      | 8,889,077                |
| Assigned   |                      |                            |                          |
| Cemetery care  | 112,305              | -                          | 112,305                  |
| Total fund balances  | <u>10,518,004</u>    | <u>2,727</u>               | <u>10,520,731</u>        |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 10,691,030</u> | <u>\$ 3,901,034</u>        |                          |

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

|  |                      |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Gross capital assets - \$17,477,710 less accumulated depreciation - \$8,970,720)  | 8,506,990            |
| Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. ( Right to use asset - \$789,730 less accumulated amortization - \$197,948)  | 591,782              |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position   | 1,773,337            |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements.   | 4,294                |
| Pension related deferrals  | (248,689)            |
| Net pension liability - LGERS  | (498,490)            |
| Total pension liability - LEO  | (2,466,585)          |
| 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 - \$318,235 , accrued interest - \$11,468 and lease - \$592,063 | (921,766)            |
| Net position of governmental activities  | <u>\$ 17,261,604</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, 2023**

|  | Major Fund    |                            | Total                 |
|--|---------------|----------------------------|-----------------------|
|  | General Fund  | ARPA<br>Special Grant Fund | Governmental<br>Funds |
| <b>REVENUES</b>                                      |               |                            |                       |
| Ad valorem taxes                                     | \$ 3,057,429  | \$ -                       | \$ 3,057,429          |
| Other taxes and licenses                             | 3,940,330     | -                          | 3,940,330             |
| Unrestricted intergovernmental                       | 529,366       | -                          | 529,366               |
| Restricted intergovernmental                         | 663,689       | -                          | 663,689               |
| Sales and services                                   | 491,340       | -                          | 491,340               |
| Investment earnings                                  | 380,013       | 1,824                      | 381,837               |
| Miscellaneous  | 267,138       | -                          | 267,138               |
| Total revenues                                       | 9,329,305     | 1,824                      | 9,331,129             |
| <b>EXPENDITURES</b>                                  |               |                            |                       |
| Current:   |               |                            |                       |
| General government                                   | 1,803,430     | -                          | 1,803,430             |
| Public safety  | 4,275,987     | -                          | 4,275,987             |
| Public works   | 1,126,918     | -                          | 1,126,918             |
| Recreation   | 399,033       | -                          | 399,033               |
| Debt service:  |               |                            |                       |
| Principle  | 92,405        | -                          | 92,405                |
| Interest   | 13,038        | -                          | 13,038                |
| Capital outlay                                       | 790,117       | -                          | 790,117               |
| Total expenditures                                   | 8,500,928     | -                          | 8,500,928             |
| Excess (deficiency) of<br>revenues over expenditures | 828,377       | 1,824                      | 830,201               |
| <b>OTHER FINANCING SOURCES (USES)</b>                |               |                            |                       |
| Proceeds from installment financing                  | -             | -                          | -                     |
| Sale of capital assets                               | 2,585         | -                          | 2,585                 |
| Total other financing sources (uses)                 | 2,585         | -                          | 2,585                 |
| Net change in fund balance                           | 830,962       | 1,824                      | 832,786               |
| Fund balances-beginning                              | 9,687,042     | 903                        | 9,687,945             |
| Fund balances - ending                               | \$ 10,518,004 | \$ 2,727                   | \$ 10,520,731         |

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, 2023**

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

|   |                   |
|---|-------------------|
| Net changes in fund balances - total government funds   | \$ 832,786        |
| 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 (\$790,117) exceeded depreciation in the current period (\$521,784).   | 268,333           |
| Amortization expense for intangible assets  | (100,014)         |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities  | 462,473           |
| Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities   | 9,960             |
| 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   | (2,114)           |
| Contributed Capital   | 152,270           |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Issuance of debt-(\$), principal expenditures-\$92,405, changes in accrued interest-\$1,796 | 94,201            |
| 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.   |                   |
| Loss on disposal of Fixed assets  | (241,479)         |
| Compensated absences  | (52,233)          |
| Pension expense   | (725,531)         |
| Total changes in net position of governmental activities  | <u>\$ 698,652</u> |

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

Town of Elon  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual  
For the Year Ended June 30, 2023

|  | General Fund |              |                      | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|--------------|--------------|----------------------|---|
|  | Original     | Final        | Actual Amounts       |   |
| Revenues:  |              |              |                      |   |
| Ad valorem taxes   | \$ 2,837,658 | \$ 2,837,658 | \$ 3,057,429         | \$ 219,771  |
| Other taxes and licenses   | 3,409,050    | 3,409,050    | 3,940,330            | 531,280   |
| Unrestricted intergovernmental   | 685,550      | 685,550      | 529,366              | (156,184)   |
| Restricted intergovernmental   | 606,250      | 604,750      | 663,689              | 58,939  |
| Sales and services   | 360,952      | 486,952      | 491,340              | 4,388   |
| Investment earnings  | 10,250       | 10,250       | 380,013              | 369,763   |
| Miscellaneous  | 300,936      | 300,936      | 267,138              | (33,798)  |
| Total revenues   | 8,210,646    | 8,335,146    | 9,329,305            | 994,159   |
| Expenditures:  |              |              |                      |   |
| Current:   |              |              |                      |   |
| General Government   | 2,517,483    | 2,675,135    | 1,803,430            | 871,705   |
| Public Safety  | 4,462,904    | 4,588,544    | 4,413,138            | 175,406   |
| Public Works   | 2,010,999    | 2,034,426    | 1,714,544            | 319,882   |
| Recreation   | 684,769      | 684,769      | 464,373              | 220,396   |
| Debt Service:  |              |              |                      |   |
| Principle retirement   | 100,900      | 93,362       | 92,405               | 957   |
| Interest and other charges   | -            | 13,038       | 13,038               | -   |
| Total expenditures   | 9,777,055    | 10,089,274   | 8,500,928            | 1,588,346   |
| Revenues over (under) expenditures   | (1,566,409)  | (1,754,128)  | 828,377              | 2,582,505   |
| Other financing sources (uses):  |              |              |                      |   |
| Sale of surplus items  | 5,000        | 5,000        | 2,585                | (2,415)   |
| Total other financing sources (uses):  | 5,000        | 5,000        | 2,585                | (2,415)   |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | (1,561,409)  | (1,749,128)  | 830,962              | <u>\$ 2,580,090</u>                                       |
| Fund balances, appropriated  | 1,561,409    | 1,749,128    |                      |   |
| Fund balances, beginning as previously<br>reported   | \$ -         | \$ -         | 9,687,042            |   |
| Fund balances, ending  |              |              | <u>\$ 10,518,004</u> |   |

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, 2023**

|   | Enterprise Fund         |                                  |                      |
|---|-------------------------|----------------------------------|----------------------|
|   | Water and<br>Sewer Fund | Non-Major<br>Storm Water<br>Fund | Total                |
| <b>ASSETS</b>                             |                         |                                  |                      |
| Current assets:                           |                         |                                  |                      |
| Cash and cash equivalents                 | \$ 6,254,901            | \$ 413,536                       | \$ 6,668,437         |
| Accounts receivable, net                  | 636,263                 | 3                                | 636,266              |
| Restricted cash                           | 344,588                 | -                                | 344,588              |
| Total current assets                      | <u>7,235,752</u>        | <u>413,539</u>                   | <u>7,649,291</u>     |
| Noncurrent assets:                        |                         |                                  |                      |
| Capital assets:                           |                         |                                  |                      |
| Land and other non-depreciable assets     | 156,132                 | 10,289                           | 166,421              |
| Other capital assets, net of depreciation | 5,515,900               | 39,375                           | 5,555,275            |
| Capital assets(net)                       | <u>5,672,032</u>        | <u>49,664</u>                    | <u>5,721,696</u>     |
| Total assets                              | <u>12,907,784</u>       | <u>463,203</u>                   | <u>13,370,987</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                         |                                  |                      |
| Pension deferrals                         | 158,830                 | -                                | 158,830              |
| Total deferred outflows of resources      | <u>158,830</u>          | <u>-</u>                         | <u>158,830</u>       |
| <b>LIABILITIES</b>                        |                         |                                  |                      |
| Current liabilities:                      |                         |                                  |                      |
| Accounts payable and accrued liabilities  | 321,117                 | 3,928                            | 325,045              |
| Customer deposits                         | 47,066                  | -                                | 47,066               |
| Compensated absences                      | 39,482                  | -                                | 39,482               |
| Revenue bond payable                      | 118,000                 | -                                | 118,000              |
| Installment purchase payable - current    | 7,257                   | -                                | 7,257                |
| Total current liabilities                 | <u>532,922</u>          | <u>3,928</u>                     | <u>536,850</u>       |
| Noncurrent liabilities:                   |                         |                                  |                      |
| Other noncurrent liabilities:             |                         |                                  |                      |
| Compensated absences                      | 39,481                  | -                                | 39,481               |
| Net pension liability                     | 241,865                 | -                                | 241,865              |
| Revenue bond payable                      | 1,728,000               | -                                | 1,728,000            |
| Installment purchase payable - noncurrent | 43,543                  | -                                | 43,543               |
| Total noncurrent liabilities              | <u>2,052,889</u>        | <u>-</u>                         | <u>2,052,889</u>     |
| Total liabilities                         | <u>2,585,811</u>        | <u>3,928</u>                     | <u>2,589,739</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                         |                                  |                      |
| Pension deferrals                         | 3,572                   | -                                | 3,572                |
| Total deferred inflows of resources       | <u>3,572</u>            | <u>-</u>                         | <u>3,572</u>         |
| <b>NET POSITION</b>                       |                         |                                  |                      |
| Net investment in capital assets          | 3,775,232               | 39,375                           | 3,814,607            |
| Capital Reserve                           | 297,522                 | -                                | 297,522              |
| Unrestricted                              | 6,404,477               | 419,900                          | 6,824,377            |
| Net position of business-type activities  | <u>\$ 10,477,231</u>    | <u>\$ 459,275</u>                | <u>\$ 10,936,506</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, 2023**

|   | Enterprise Fund         |                                  |                      |
|---|-------------------------|----------------------------------|----------------------|
|   | Water and<br>Sewer Fund | Non-Major<br>Storm Water<br>Fund | Total                |
| <b>OPERATING REVENUES</b>                 |                         |                                  |                      |
| Charges for services                      | \$ 5,498,643            | \$ 139,679                       | \$ 5,638,322         |
| Water and sewer taps                      | 43,040                  | -                                | 43,040               |
| Other operating revenues                  | 18,196                  | -                                | 18,196               |
| Total operating revenues                  | <u>5,559,879</u>        | <u>139,679</u>                   | <u>5,699,558</u>     |
| <b>OPERATING EXPENSES</b>                 |                         |                                  |                      |
| Salaries and employee benefits            | 672,282                 | -                                | 672,282              |
| Supplies                                  | 13,824                  | -                                | 13,824               |
| Equipment maintenance                     | 11,721                  | -                                | 11,721               |
| System maintenance                        | 20,716                  | -                                | 20,716               |
| Vehicle maintenance                       | 1,720                   | -                                | 1,720                |
| Burlington sewer treatment                | 2,209,055               | -                                | 2,209,055            |
| Gibsonville sewer treatment               | 30,619                  | -                                | 30,619               |
| Burlington water purchased                | 1,110,137               | -                                | 1,110,137            |
| Gibsonville water purchased               | 1,126                   | -                                | 1,126                |
| Contracted services                       | 21,099                  | -                                | 21,099               |
| Engineering                               | -                       | 22,313                           | 22,313               |
| Other operating expenditures              | 224,856                 | 5,018                            | 229,874              |
| Depreciation                              | 288,593                 | 1,753                            | 290,346              |
| Total operating expenses                  | <u>4,605,748</u>        | <u>29,084</u>                    | <u>4,634,832</u>     |
| Operating income                          | <u>954,131</u>          | <u>110,595</u>                   | <u>1,064,726</u>     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                         |                                  |                      |
| Investment earnings                       | 147,860                 | -                                | 147,860              |
| Interest on long-term debt                | (31,751)                | -                                | (31,751)             |
| System fees                               | 37,000                  | -                                | 37,000               |
| Antenna fee location                      | 19,771                  | -                                | 19,771               |
| Total nonoperating revenues (expenses)    | <u>172,880</u>          | <u>-</u>                         | <u>172,880</u>       |
| Income before contributions and transfers | 1,127,011               | 110,595                          | 1,237,606            |
| Loss on disposition                       | <u>(497,162)</u>        | <u>-</u>                         | <u>(497,162)</u>     |
| Change in net position                    | 629,849                 | 110,595                          | 740,444              |
| Total net position - beginning            | <u>9,847,382</u>        | <u>348,680</u>                   | <u>10,196,062</u>    |
| Total net position, ending                | <u>\$ 10,477,231</u>    | <u>\$ 459,275</u>                | <u>\$ 10,936,506</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, 2023**

|   | <b>Enterprise<br/>Fund</b>      |   |                            |
|---|---------------------------------|---|----------------------------|
|   | <b>Water and<br/>Sewer Fund</b> | <b>Non-Major<br/>Storm Water<br/>Fund</b> | <b>Total</b>               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                                 |   |                            |
| Cash received from customers  | \$ 5,613,126                    | \$ 139,679                                | \$ 5,752,805               |
| Cash paid for goods and services  | (3,679,732)                     | (29,357)                                  | (3,709,089)                |
| Cash paid to or on behalf of employees for services                     | (510,938)                       | -   | (510,938)                  |
| Net change in customer deposits   | (717)                           | -   | (717)                      |
| Other operating revenues  | 18,196                          | -   | 18,196                     |
| Net cash provided by operating activities                               | <u>1,439,935</u>                | <u>110,322</u>                            | <u>1,550,257</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>     |                                 |   |                            |
| Acquisition and construction of capital assets                          | (250,410)                       | (10,289)                                  | (260,699)                  |
| Principle paid on long-term debt  | (125,257)                       | -   | (125,257)                  |
| Other capital revenues  | 56,771                          | -   | 56,771                     |
| Interest and fees paid on debt maturities                               | (31,751)                        | -   | (31,751)                   |
| Net cash provided (used) by capital and related financing<br>activities | <u>(350,647)</u>                | <u>(10,289)</u>                           | <u>(360,936)</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                                 |   |                            |
| Interest and dividends  | <u>147,860</u>                  | <u>-</u>                                  | <u>147,860</u>             |
| Net increase in cash and cash equivalents                               | 1,237,148                       | 100,033                                   | 1,337,181                  |
| Balances, beginning   | <u>5,362,341</u>                | <u>313,503</u>                            | <u>5,675,844</u>           |
| Balances, ending  | <u><u>\$ 6,599,489</u></u>      | <u><u>\$ 413,536</u></u>                  | <u><u>\$ 7,013,025</u></u> |
| <b>Reconciliation of cash and cash equivalents:</b>                     |                                 |   |                            |
| Cash and cash equivalents - Current                                     | \$ 6,254,901                    | \$ 413,536                                | \$ 6,668,437               |
| Cash and cash equivalents - Restricted                                  | <u>344,588</u>                  | <u>-</u>                                  | <u>344,588</u>             |
|   | <u><u>\$ 6,599,489</u></u>      | <u><u>\$ 413,536</u></u>                  | <u><u>\$ 7,013,025</u></u> |

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

**Town of Elon**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

|   | <b>Enterprise<br/>Fund</b>      |   |                     |
|---|---------------------------------|---|---------------------|
|   | <b>Water and<br/>Sewer Fund</b> | <b>Non-Major<br/>Storm Water<br/>Fund</b> | <b>Total</b>        |
| Reconciliation of operating income to net cash provided by operating activities     |                                 |   |                     |
| Operating income  | \$ 954,131                      | \$ 110,595                                | \$ 1,064,726        |
| Adjustments to reconcile operating income to net cash used by operating activities: |                                 |   |                     |
| Depreciation  | 288,593                         | 1,753                                     | 290,346             |
| Changes in assets and liabilities:  |                                 |   |                     |
| Decrease in accounts receivable   | 71,445                          | -   | 71,445              |
| Decrease in deferred inflows of resources for pensions                              | (50,478)                        | -   | (50,478)            |
| Increase in pension liability   | 218,581                         | -   | 218,581             |
| (Decrease) in accounts payable and accrued liabilities                              | (34,861)                        | (2,026)                                   | (36,887)            |
| (Decrease) in customer deposits   | (717)                           | -   | (717)               |
| (Increase) in deferred outflows of resources for pensions                           | (16,369)                        | -   | (16,369)            |
| Increase in accrued vacation pay  | 9,610                           | -   | 9,610               |
| Total adjustments   | 485,804                         | (273)                                     | 485,531             |
| Net cash used by operating activities   | <u>\$ 1,439,935</u>             | <u>\$ 110,322</u>                         | <u>\$ 1,550,257</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, 2023

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.

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise funds:

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

The Town reports the following non-major enterprise fund:

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

#### C. Measurement Focus and Basis of Accounting

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.



Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/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                       | \$ 510,833          |
| Cemetery                      | 112,255             |
| Public Safety                 | 130,013             |
| ARPA                          | <u>3,901,034</u>    |
| Total Governmental Activities | <u>\$ 4,654,135</u> |

##### Business-type Activities

##### Water and Sewer Fund

|                                |                   |
|--------------------------------|-------------------|
| Customer deposits              | \$ 47,066         |
| Capital Reserve                | <u>297,522</u>    |
| Total Business-type Activities | <u>\$ 344,588</u> |

|                       |                     |
|-----------------------|---------------------|
| Total Restricted Cash | <u>\$ 4,998,723</u> |
|-----------------------|---------------------|

### 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 6<sup>th</sup>. 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. 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.

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all capital assets. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at their acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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:

| <u>Asset Class</u>      | <u>Estimated<br/>Useful Lives</u> |
|-------------------------|-----------------------------------|
| Infrastructure          | 50                                |
| Buildings               | 40                                |
| Improvements            | 25                                |
| Vehicles                | 10                                |
| Furniture and equipment | 10                                |
| Computer equipment      | 3                                 |

## 8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometime report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, deferrals made to the pension plan in the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

## 9. Long-Term Obligations

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

## 10. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11. Net Position/Fund Balances

### Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

## Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance**-This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

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

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

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

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

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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

## 12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Elon's employer contributions are recognized when due and the Town of Elon has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

## II. Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Town's deposits had a carrying amount of \$5,190,191 and a bank balance of \$5,202,565. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance of \$4,952,565 was collateralized under the Pooling Method.

The Town had \$575 cash on hand at June 30, 2023.

#### 2. Investments

At June 30, 2023, the Town of Elon had \$15,527,589 invested with the North Carolina Capital Management's Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. 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><br><u>2023</u> |
|---------------------|--------------------------------|
| General Fund:       |                                |
| Taxes receivable    | \$ 5,886                       |
| Accounts receivable | 32,272                         |
| Enterprise Fund     | 34,977                         |
| Total               | <u>\$ 73,135</u>               |



#### 4. Capital Assets

##### Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023 was as follows:

|  | Beginning<br>Balances | Increases        | Decreases      | Ending<br>Balances  |
|--|-----------------------|------------------|----------------|---------------------|
| <b>Governmental activities:</b>                  |                       |                  |                |                     |
| <b>Capital assets not being depreciated:</b>     |                       |                  |                |                     |
| Land   | \$ 1,685,314          | \$ 152,270       | \$ -           | \$ 1,837,584        |
| Construction in progress                         | 80,369                | 296,642          | 213,613        | 163,398             |
| Total capital assets not being depreciated       | 1,765,683             | 448,912          | 213,613        | 2,000,982           |
| <b>Capital assets being depreciated:</b>         |                       |                  |                |                     |
| Buildings  | 1,494,242             | -                | -              | 1,494,242           |
| Equipment  | 6,289,944             | 522,685          | 259,121        | 6,553,508           |
| Infrastructure                                   | 5,734,661             | -                | 499,186        | 5,235,475           |
| Land improvements                                | 2,025,450             | 184,404          | 16,351         | 2,193,503           |
| Total capital assets being depreciated           | 15,544,297            | 707,089          | 774,658        | 15,476,728          |
| <b>Less accumulated depreciation for:</b>        |                       |                  |                |                     |
| Buildings  | 1,041,469             | 26,059           | -              | 1,067,528           |
| Equipment  | 4,637,431             | 317,753          | 243,819        | 4,711,365           |
| Infrastructure                                   | 1,331,407             | 174,703          | 277,205        | 1,228,905           |
| Land improvements                                | 1,971,807             | 3,270            | 12,155         | 1,962,922           |
| Total accumulated depreciation                   | 8,982,114             | 521,785          | 533,179        | 8,970,720           |
| Total capital assets being depreciated, net      | 6,562,183             | 185,304          | 241,479        | 6,506,008           |
| <b>Capital assets being amortized:</b>           |                       |                  |                |                     |
| Right to use assets:                             |                       |                  |                |                     |
| Leased parking lot                               | -                     | 24,000           | -              | 24,000              |
| Leased vehicle                                   | -                     | 712,449          | -              | 712,449             |
| Leased equipment                                 | -                     | 53,281           | -              | 53,281              |
| Total capital assets being amortized             | -                     | 789,730          | -              | 789,730             |
| <b>Less accumulated amortization for:</b>        |                       |                  |                |                     |
| Right to use assets:                             |                       |                  |                |                     |
| Leased parking lot                               | -                     | 12,000           | -              | 12,000              |
| Leased vehicle                                   | -                     | 158,322          | -              | 158,322             |
| Leased equipment                                 | -                     | 27,626           | -              | 27,626              |
| Total accumulated amortization                   | -                     | 197,948          | -              | 197,948             |
| Total capital assets being amortized, net        | -                     | 591,782          | -              | 591,782             |
| <b>Governmental activity capital assets, net</b> | <b>\$ 8,327,866</b>   | <b>1,225,998</b> | <b>455,092</b> | <b>\$ 9,098,772</b> |

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

|                            |                   |
|----------------------------|-------------------|
| General government         | \$ 34,156         |
| Public safety              | 407,568           |
| Public works               | 221,826           |
| Recreation                 | 48,804            |
| Total depreciation expense | <u>\$ 712,354</u> |

|   | Beginning<br>Balances | Increases     | Decreases      | Ending<br>Balances  |
|---|-----------------------|---------------|----------------|---------------------|
| <b>Business-type activities:</b>                    |                       |               |                |                     |
| <b>Water and Sewer Fund</b>                         |                       |               |                |                     |
| <b>Capital assets not being depreciated:</b>        |                       |               |                |                     |
| Construction in progress                            | \$ 52,986             | \$ 103,146    | \$ -           | \$ 156,132          |
| Total capital assets not being depreciated          | 52,986                | 103,146       | -              | 156,132             |
| <b>Capital assets being depreciated:</b>            |                       |               |                |                     |
| Plant and distribution system                       | 11,450,615            | -             | 2,646,678      | 8,803,937           |
| Furniture and maintenance equipment                 | 553,809               | 147,354       | 111,442        | 589,721             |
| Vehicles  | 223,758               | -             | 110,631        | 113,127             |
| Total capital assets being depreciated              | 12,228,182            | 147,354       | 2,868,751      | 9,506,785           |
| <b>Less accumulated depreciation for:</b>           |                       |               |                |                     |
| Plant and distribution system                       | 5,549,754             | 237,204       | 2,110,034      | 3,676,924           |
| Furniture and maintenance equipment                 | 278,719               | 48,187        | 109,795        | 217,111             |
| Vehicles  | 204,279               | 3,202         | 110,631        | 96,850              |
| Total accumulated depreciation                      | 6,032,752             | 288,593       | 2,330,460      | 3,990,885           |
| Total capital assets being depreciated, net         | 6,195,430             | (141,239)     | 538,291        | 5,515,900           |
| Water and sewer fund capital assets, net            | 6,248,416             | (38,093)      | 538,291        | 5,672,032           |
| <b>Storm Water Fund</b>                             |                       |               |                |                     |
| <b>Capital assets not being depreciated:</b>        |                       |               |                |                     |
| Construction in progress                            | \$ -                  | \$ 10,289     | \$ -           | \$ 10,289           |
| Total capital assets not being depreciated          | -                     | 10,289        | -              | 10,289              |
| <b>Capital assets being depreciated:</b>            |                       |               |                |                     |
| Plant and distribution system                       | -                     | 43,825        | -              | 43,825              |
| <b>Less accumulated depreciation for:</b>           |                       |               |                |                     |
| Plant and distribution system                       | -                     | 4,450         | -              | 4,450               |
| Total accumulated depreciation                      | -                     | 4,450         | -              | 4,450               |
| Total capital assets being depreciated, net         | -                     | 39,375        | -              | 39,375              |
| Storm water fund capital assets, net                | -                     | 39,375        | -              | 39,375              |
| <b>Business-type activities capital assets, net</b> | <b>\$ 6,248,416</b>   | <b>11,571</b> | <b>538,291</b> | <b>\$ 5,721,696</b> |

## 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](http://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, 2023, was 13.04% of compensation for law enforcement officers and 12.14% 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 \$495,334 for the year ended June 30, 2023.

*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, 2023, the Town reported a liability of \$2,708,450 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the Town's proportion was 0.048%, which was an decrease of 0.00042% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$756,325. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 116,705                        | \$ 11,442                        |
| Changes of assumptions  | 270,243                           | -                                |
| Net difference between projected and actual earnings on pension plan investments                          | 895,171                           | -                                |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 1,155                             | 28,558                           |
| Town contributions subsequent to the measurement date   | 495,334                           | -                                |
| Total   | <u>\$ 1,778,608</u>               | <u>\$ 40,000</u>                 |

\$495,334 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |            |
|------------|------------|
| 2024       | \$ 389,514 |
| 2025       | 330,671    |
| 2026       | 96,611     |
| 2027       | 426,476    |
| 2028       | -          |
| Thereafter | -          |

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 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, 2021 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, 2022 are summarized in the following table:

| <b>Asset Class</b>   | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|----------------------|--------------------------|---|
| Fixed Income         | 33.0%                    | 0.9%  |
| Global Equity        | 38.0%                    | 6.5%  |
| Real Estate          | 8.0%                     | 5.9%  |
| Alternatives         | 8.0%                     | 8.2%  |
| Credit               | 7.0%                     | 5.0%  |
| Inflation Protection | 6.0%                     | 2.7%  |
| Total                | 100%                     |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

|   | <b>1%<br/>Decrease<br/>(5.50%)</b> | <b>Discount<br/>Rate<br/>(6.50%)</b> | <b>1%<br/>Increase<br/>(7.50%)</b> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 4,888,403                       | \$ 2,708,450                         | \$ 912,042                         |

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Elon administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

|  |           |
|--|-----------|
| Retirees receiving benefits  | 2         |
| Terminated plan members entitled to but not yet receiving benefits | -         |
| Active plan members  | 20        |
| Total  | <u>22</u> |

## 2. *Summary of Significant Accounting Policies.*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The separation allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

## 3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 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    | 4.31 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, 2021.

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 \$36,009 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, 2023, the Town reported a total pension liability of \$498,490. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$37,028.

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ -  | \$ 125,264                                   |
| Changes of assumptions   | 143,599                                       | 86,997                                       |
| Benefit payments and plan administrative<br>expenses made subsequent to the measurement date | <u>9,960</u>                                  | <u>-</u>                                     |
| Total  | <u>\$ 153,559</u>                             | <u>\$ 212,261</u>                            |

\$9,960 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:**

|            |             |
|------------|-------------|
| 2024       | \$ (10,901) |
| 2025       | (1,471)     |
| 2026       | 1,015       |
| 2027       | (25,421)    |
| 2028       | (31,884)    |
| 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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

|                         | <b>1% Decrease<br/>(3.31%)</b> | <b>Discount Rate<br/>(4.31%)</b> | <b>1% Increase<br/>(5.31%)</b> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | <u>\$ 539,548</u>              | <u>\$ 498,490</u>                | <u>\$ 461,211</u>              |

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

|   | <b>2023</b>       |
|---|-------------------|
| Beginning balance   | \$ 709,792        |
| Service Cost  | 45,843            |
| Interest on the total pension liability   | 15,565            |
| Changes of benefit terms  | -                 |
| Differences between expected and actual experience in<br>the measurement of the total pension liability | (147,628)         |
| Changes of assumptions or other input   | (89,073)          |
| Benefit payments  | (36,009)          |
| Other changes   | -                 |
| Ending balance of the total pension liability   | <u>\$ 498,490</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, 2021 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   | \$ 756,325 | \$ 37,028 | \$ 793,353 |
| Pension Liability   | 2,708,450  | 498,490   | 3,206,940  |
| Proportionate share of the net pension liability  | 0.048%     | n/a       | -          |
| Deferred of Outflows of Resources   |            |           |            |
| Differences between expected and actual experience  | 116,705    | -         | 116,705    |
| Changes in assumptions  | 270,243    | 143,599   | 413,842    |
| Net differences between projected and actual earnings on plan investments                               | 895,171    | -         | 895,171    |
| Changes in proportionate and differences between contributions and proportionate share of contributions | 1,155      | -         | 1,155      |
| Benefit payments and administrative costs paid subsequent to the measurement date                       | 495,334    | 9,960     | 505,294    |
| Deferred of Inflow of Resources   |            |           |            |
| Differences between expected and actual experience  | 11,442     | 125,264   | 136,706    |
| Changes in assumptions  | -          | 86,997    | 86,997     |
| Net differences between projected and actual earnings on plan investments                               | -          | -         | -          |
| Changes in proportion and differences between contributions and proportionate share of contributions    | 28,558     | -         | 28,558     |

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, 2023 of \$99,032 which consisted of \$64,222 from the Town and \$34,810 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, 2023 were \$196,465 which consisted of \$134,065 from the Town and \$62,400 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](http://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, 2023, the State contributed \$19,352,000 to the plan. The Town of Elon's proportionate share of the State's contribution is \$9,134.

*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, 2023, 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 \$9,280. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2023 and at June 30, 2022 was 0%.

For the year ended June 30, 2023, the Town recognized pension expense of \$2,395 and revenue of \$2,395 for support provided by the State. At June 30, 2023, 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, 2021 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, 2023, the Town made contributions to the State for death benefits of \$2,878. 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 \$50,000 bond.

#### 5. Claims, Judgments and Contingent Liabilities

At June 30, 2023, 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 \$8,581 at June 30, 2023. The net book value of the right to use asset is \$8,581 at June 30, 2023.

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 \$554,000 at June 30, 2023. The net book value of the right to use asset is \$554,127 at June 30, 2023.

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 \$1,156 at June 30, 2023. The net book value of the right to use asset is \$1,156 at June 30, 2023.

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 \$2,863 at June 30, 2023. The net book value of the right to use asset is \$2,863 at June 30, 2023.

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 \$12,000 at June 30, 2023. The net book value of the right to use asset is \$12,000 at June 30, 2023.

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 \$13,463 at June 30, 2023. The net book value of the right to use asset is \$13,055 at June 30, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

| Year Ending<br>June 30 | Principal         | Interest         | Total             |
|------------------------|-------------------|------------------|-------------------|
| 2024                   | \$ 91,909         | \$ 11,468        | \$ 103,377        |
| 2025                   | 91,937            | 9,936            | 101,873           |
| 2026                   | 82,217            | 8,363            | 90,580            |
| 2027                   | 79,000            | 6,748            | 85,748            |
| 2028                   | 81,000            | 5,113            | 86,113            |
| Thereafter             | 166,000           | 5,175            | 171,175           |
|                        | <u>\$ 592,063</u> | <u>\$ 46,803</u> | <u>\$ 638,866</u> |

At June 30, 2023, the Town of Elon had a legal debt margin of \$51,713,199.

b. Revenue Bond

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

\$ 1,964,000

The future payments of the revenue bond are as follows:

| Year Ending June 30 | Principal           | Interest          |
|---------------------|---------------------|-------------------|
| 2024                | \$ 118,000          | \$ 31,751         |
| 2025                | 120,000             | 29,722            |
| 2026                | 122,000             | 27,658            |
| 2027                | 124,000             | 25,559            |
| 2028                | 126,000             | 23,426            |
| 2029                | 128,000             | 21,259            |
| Thereafter          | 1,108,000           | 87,462            |
| Total               | <u>\$ 1,846,000</u> | <u>\$ 246,837</u> |

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 6.6 of the Bond Order, authorizing the issuance of the Enterprise Systems Revenue Bond, Series 2021. The Town has pledged future water and sewer customer revenues, net of specified operating expenses, for repayment of \$1,964,000 in water and sewer system revenue bonds issue 2021. Proceeds from the bonds provided financing for purchase and upgrades to water and sewer infrastructure. The bonds are payable solely from water and sewer customer net revenues and are payable through 2037. The total principal and interest remaining to be paid on the outstanding revenue bond is \$2,092,837 as of June 30, 2023. 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, 2023, is as follows:

|  |                |
|--|----------------|
| Operating revenues   | \$ 5,559,879   |
| Operating expenses*  | 4,317,155      |
| Operating income   | 1,242,724      |
| Nonoperating revenues (expenses)**                               | <u>204,631</u> |
| Income available for debt service                                | 1,447,355      |
| Debt service, principal and interest paid<br>(Revenue bond only) | \$ 149,810     |
| Debt service coverage ratio                                      | 966%           |

\* Per rate covenants, this does not include the depreciation expense of \$288,593

\*\*Per rate covenants, this does not include revenue bond interest paid of \$31,810

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<br>July 1, 2022 | Increases          | Decreases         | Balance<br>June 30, 2023 | Current Portion<br>of Balance |
|---|-------------------------|--------------------|-------------------|--------------------------|-------------------------------|
| Governmental activities:                          |                         |                    |                   |                          |                               |
| Compensated absences                              | \$ 266,002              | \$ 165,624         | \$ 113,391        | \$ 318,235               | \$ 159,118                    |
| Lease liability                                   | 684,468                 | -                  | 92,405            | 592,063                  | 91,909                        |
| Net pension liability (LGERS)                     | 676,693                 | 1,789,892          | -                 | 2,466,585                | -                             |
| Total pension liability (LEO)                     | <u>709,792</u>          | <u>-</u>           | <u>211,302</u>    | <u>498,490</u>           | <u>-</u>                      |
| Governmental activity<br>long-term liabilities    | <u>\$ 2,336,955</u>     | <u>\$1,955,516</u> | <u>\$ 417,098</u> | <u>\$ 3,875,373</u>      | <u>\$ 251,027</u>             |
| Business-type activities:                         |                         |                    |                   |                          |                               |
| Revolving loan                                    | \$ 58,057               | \$ -               | \$ 7,257          | \$ 50,800                | \$ 7,257                      |
| Revenue bond                                      | 1,964,000               | -                  | 118,000           | 1,846,000                | 118,000                       |
| Net pension liability (LGERS)                     | 66,028                  | 175,837            | -                 | 241,865                  | -                             |
| Compensated absences                              | <u>69,353</u>           | <u>41,958</u>      | <u>32,348</u>     | <u>78,963</u>            | <u>39,482</u>                 |
| Business-type activities<br>long-term liabilities | <u>\$ 2,157,438</u>     | <u>\$ 217,795</u>  | <u>\$ 157,605</u> | <u>\$ 2,217,628</u>      | <u>\$ 164,739</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 \$9,134 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, 2023. 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. Fund Balance

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

|                                       |                  |
|---------------------------------------|------------------|
| Total fund balance-General Fund       | \$ 10,518,004    |
| Less:                                 |                  |
| Stabilization by State Statute        | 882,442          |
| Streets                               | 506,895          |
| Public safety                         | 130,013          |
| Committed:                            |                  |
| Cemetery Care - Assigned              | 112,305          |
| Remaining Capital/Fund Balance Policy | <u>8,886,349</u> |
| Remaining Fund Balance                | <u>\$ -</u>      |

### III. Summary Disclosure of Significant Contingencies:

#### Federal and State Assisted Programs

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



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

Local Government Employees' Retirement System

|  | 2023         | 2022         | 2021         | 2020         | 2019         |
|--|--------------|--------------|--------------|--------------|--------------|
| Town of Elon's proportion of the net pension liability (asset) (%)   | 0.0480%      | 0.0480%      | 0.0050%      | 0.0050%      | 0.04783%     |
| Town of Elon's proportion of the net pension liability (asset) (\$)  | \$ 2,708,450 | \$ 742,721   | \$ 1,780,281 | \$ 1,339,517 | \$ 1,134,691 |
| Town of Elon's covered-employee payroll  | \$ 3,985,052 | \$ 3,587,920 | \$ 3,487,064 | \$ 3,318,478 | \$ 3,149,372 |
| Town of Elon's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 67.97%       | 20.70%       | 51.05%       | 40.37%       | 36.03%       |
| Plan fiduciary net position as a percentage of the total pension liability**   | 84.14%       | 91.63%       | 92.60%       | 91.63%       | 94.18%       |

|  | 2018         | 2017         | 2016         | 2015         |
|--|--------------|--------------|--------------|--------------|
| Town of Elon's proportion of the net pension liability (asset) (%)   | 0.04764%     | 0.05044%     | 0.04504%     | 0.04504%     |
| Town of Elon's proportion of the net pension liability (asset) (\$)  | \$ 727,807   | \$ 1,070,506 | \$ 212,145   | \$ (265,622) |
| Town of Elon's covered-employee payroll  | \$ 2,854,694 | \$ 2,513,574 | \$ 2,513,574 | \$ 2,365,802 |
| Town of Elon's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 25.50%       | 42.59%       | 8.44%        | -11.23%      |
| Plan fiduciary net position as a percentage of the total pension liability**   | 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 Nine Fiscal Years**

**Local Government Employees' Retirement System**

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

Firefighters' and Rescue Squad Workers' Pension

|   | 2023             | 2022               | 2021             | 2020             |
|---|------------------|--------------------|------------------|------------------|
| 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                           | 9,280            | (12,227)           | 16,195           | 16,642           |
| Total   | <u>\$ 9,280</u>  | <u>\$ (12,227)</u> | <u>\$ 16,195</u> | <u>\$ 16,642</u> |
| Town of Elon's covered-employee payroll   | \$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 | 0.82%            | -1.26%             | 1.66%            | 1.72%            |
| Plan fiduciary net position as a percentage of the total pension liability                                      | 89.69%           | 89.69%             | 89.69%           | 89.35%           |
|   | 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 Seven Fiscal Years\*

|  | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance  | \$ 709,792        | \$ 686,697        | \$ 443,231        | \$ 482,453        | \$ 652,976        |
| Service cost   | 45,843            | 46,145            | 23,136            | 17,823            | 20,594            |
| Interest on total pension liability  | 15,565            | 12,796            | 13,678            | 16,700            | 17,966            |
| Change of benefit terms  | -                 | -                 | -                 | -                 | -                 |
| Difference between expected and actuarial experience<br>in the measurement | (147,628)         | 29,864            | (12,869)          | (37,342)          | (85,979)          |
| Changes of assumptions and other inputs                                    | (89,073)          | (18,371)          | 266,860           | 10,936            | (15,013)          |
| Benefits payments  | (36,009)          | (47,339)          | (47,339)          | (47,339)          | (47,339)          |
| Other  | -                 | -                 | -                 | -                 | (60,752)          |
| Ending balance of the total pension liability                              | <u>\$ 498,490</u> | <u>\$ 709,792</u> | <u>\$ 686,697</u> | <u>\$ 443,231</u> | <u>\$ 482,453</u> |

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| Beginning balance  | \$ 652,976        | \$ 687,829        |
| Service cost   | -                 | 21,879            |
| Interest on total pension liability  | -                 | 23,359            |
| Change of benefit terms  | -                 | -                 |
| Difference between expected and actuarial experience<br>in the measurement | -                 | -                 |
| Changes of assumptions and other inputs                                    | -                 | (13,066)          |
| Benefits payments  | -                 | (67,025)          |
| Other  | -                 | -                 |
| Ending balance of the total pension liability                              | <u>\$ 652,976</u> | <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>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Total pension liability                                       | \$ 498,490  | \$ 709,792  | \$ 686,697  | \$ 443,231  | \$ 482,453  |
| Covered payroll   | 1,284,430   | 1,175,056   | 1,090,664   | 934,958     | 996,380     |
| Total pension liability as a<br>percentage of covered payroll | 38.81%      | 60.40%      | 62.96%      | 47.41%      | 48.42%      |
|   |             |             |             |             |             |
|   | <u>2018</u> | <u>2017</u> |             |             |             |
| Total pension liability                                       | \$ 592,224  | \$ 652,976  |             |             |             |
| Covered payroll   | 942,917     | 1,076,303   |             |             |             |
| Total pension liability as a<br>percentage of covered payroll | 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, 2023**

June 30,  
2023

ASSETS

|                           |                             |
|---------------------------|-----------------------------|
| Cash and cash equivalents | \$ 9,051,194                |
| Receivables (net):        |                             |
| Taxes                     | 4,294                       |
| Accounts                  | 882,441                     |
| Restricted cash           | <u>753,101</u>              |
| Total Assets              | <u><u>\$ 10,691,030</u></u> |

LIABILITIES AND FUND BALANCES

LIABILITIES:

|  |                |
|--|----------------|
| Accounts payable and accrued liabilities | \$ 167,584     |
| Unavailable revenues                     | <u>5,442</u>   |
| Total Liabilities                        | <u>173,026</u> |

FUND BALANCES:

Restricted:

|                                |         |
|--------------------------------|---------|
| Stabilization by State Statute | 882,441 |
| Powell Bill                    | 506,895 |
| Public Safety                  | 130,013 |

Assigned:

|               |         |
|---------------|---------|
| Cemetery Care | 112,305 |
|---------------|---------|

|            |                  |
|------------|------------------|
| Unassigned | <u>8,886,350</u> |
|------------|------------------|

|                     |                   |
|---------------------|-------------------|
| Total Fund Balances | <u>10,518,004</u> |
|---------------------|-------------------|

|                                     |                             |
|-------------------------------------|-----------------------------|
| Total Liabilities and Fund Balances | <u><u>\$ 10,691,030</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, 2023**

|                                 | Budget       | Actual       | Variance<br>Positive<br>(Negative) |
|---------------------------------|--------------|--------------|------------------------------------|
| Revenues:                       |              |              |                                    |
| Ad valorem taxes:               |              |              |                                    |
| Taxes                           |              | \$ 3,050,784 |                                    |
| Penalties and interest          |              | 6,645        |                                    |
| Total                           | \$ 2,837,658 | 3,057,429    | \$ 219,771                         |
| Other taxes and licenses:       |              |              |                                    |
| Local option sales tax          |              | 3,931,012    |                                    |
| Solid waste tax                 |              | 8,778        |                                    |
| Privilege licenses              |              | 540          |                                    |
| Total                           | 3,409,050    | 3,940,330    | 531,280                            |
| Unrestricted intergovernmental: |              |              |                                    |
| Payment in lieu of taxes        |              | 7,650        |                                    |
| Utility franchise tax           |              | 469,287      |                                    |
| Beer and wine tax               |              | 50,862       |                                    |
| Tax refunds                     |              | 1,567        |                                    |
| Total                           | 685,550      | 529,366      | (156,184)                          |
| Restricted intergovernmental:   |              |              |                                    |
| On-behalf of payments - Fire    |              | 9,134        |                                    |
| Federal asset foreclosure       |              | 24,028       |                                    |
| State drug funds                |              | 836          |                                    |
| Fire District Tax               |              | 340,353      |                                    |
| Powell Bill allocation          |              | 289,338      |                                    |
| Total                           | 604,750      | 663,689      | 58,939                             |

(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, 2023**

|   | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|---|------------------|------------------|------------------------------------|
| Revenues:(continued)                      |                  |                  |                                    |
| Sales and services:                       |                  |                  |                                    |
| Donation - Fire Department - Twin Lakes   |                  | 56,000           |                                    |
| ABSS SRO Contract                         |                  | 70,000           |                                    |
| Cemetery                                  |                  | 23,400           |                                    |
| Solid waste                               |                  | 341,940          |                                    |
|   | <u>486,952</u>   | <u>491,340</u>   | <u>4,388</u>                       |
| Investment earnings:                      |                  |                  |                                    |
| Investment earnings                       |                  | 356,867          |                                    |
| Investment earnings -<br>state street aid |                  | 23,146           |                                    |
| Total                                     | <u>10,250</u>    | <u>380,013</u>   | <u>369,763</u>                     |
| Miscellaneous:                            |                  |                  |                                    |
| Parking violation penalties               |                  | 26,901           |                                    |
| Recreation fees                           |                  | 37,058           |                                    |
| Planning/Zoning Fees                      |                  | 14,684           |                                    |
| Code Enforcement Fees                     |                  | 10,550           |                                    |
| Miscellaneous                             |                  | 33,425           |                                    |
| Donation - Elon University                |                  | 144,520          |                                    |
| Total                                     | <u>300,936</u>   | <u>267,138</u>   | <u>(33,798)</u>                    |
| Total revenues                            | <u>8,335,146</u> | <u>9,329,305</u> | <u>994,159</u><br>(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, 2023**

|                                | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|--------------------------------|------------------|------------------|------------------------------------|
| Expenditures:                  |                  |                  |                                    |
| General Government:            |                  |                  |                                    |
| Administration:                |                  |                  |                                    |
| Salaries and employee benefits |                  | 579,741          |                                    |
| Other operating expenditures   |                  | 464,735          |                                    |
| Capital outlay                 |                  | 1,753            |                                    |
| Total                          |                  | <u>1,046,229</u> |                                    |
| Other general government:      |                  |                  |                                    |
| Other operating expenditures   |                  | 57,853           |                                    |
| Total                          |                  | <u>57,853</u>    |                                    |
| Downtown Development           |                  |                  |                                    |
| Salaries and employee benefits |                  | 89,853           |                                    |
| Other operating expenditures   |                  | 132,084          |                                    |
| Capital outlay                 |                  | 47,398           |                                    |
| Total                          |                  | <u>269,335</u>   |                                    |
| Planning                       |                  |                  |                                    |
| Salaries and employee benefits |                  | 200,740          |                                    |
| Other operating expenditures   |                  | 229,273          |                                    |
| Total                          |                  | <u>430,013</u>   |                                    |
| <br>Total general government   | <u>2,675,135</u> | <u>1,803,430</u> | <u>871,705</u>                     |
| <br>Public Safety:             |                  |                  |                                    |
| Police:                        |                  |                  |                                    |
| Salaries and employee benefits |                  | 1,953,987        |                                    |
| Vehicle maintenance            |                  | 27,913           |                                    |
| Other operating expenditures   |                  | 364,426          |                                    |
| Capital outlay                 |                  | 43,047           |                                    |
| Total                          |                  | <u>2,389,373</u> |                                    |

(continued)

**Town of Elon, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For The Year Ended June 30, 2023**

|                                | Budget    | Actual    | Variance<br>Positive<br>(Negative) |
|--------------------------------|-----------|-----------|------------------------------------|
| Expenditures:(continued)       |           |           |                                    |
| Public Safety:(continued)      |           |           |                                    |
| Fire:                          |           |           |                                    |
| Salaries and employee benefits |           | 1,655,404 |                                    |
| Vehicle maintenance            |           | 55,457    |                                    |
| Contracted services            |           | 6,946     |                                    |
| Other operating expenditures   |           | 179,203   |                                    |
| Capital outlay                 |           | 126,755   |                                    |
| Total                          |           | 2,023,765 |                                    |
| Total public safety            | 4,588,544 | 4,413,138 | 175,406                            |
| Public works:                  |           |           |                                    |
| Public works department:       |           |           |                                    |
| Salaries and employee benefits |           | 486,413   |                                    |
| Building maintenance           |           | 22,206    |                                    |
| Equipment maintenance          |           | 8,303     |                                    |
| Street maintenance             |           | 221       |                                    |
| Vehicle maintenance            |           | 25,018    |                                    |
| Street lights                  |           | 58,419    |                                    |
| Garbage removal                |           | 270,598   |                                    |
| Trash removal                  |           | 14,419    |                                    |
| Tipping fees                   |           | 65,640    |                                    |
| Cemetary maintenance           |           | 12,845    |                                    |
| Solid waste program            |           | 154,257   |                                    |
| Yard waste disposal            |           | 21,831    |                                    |
| Other operating expenditures   |           | 95,486    |                                    |
| Capital outlay                 |           | 305,841   |                                    |
| Total                          |           | 1,541,497 |                                    |

(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, 2023

|                                    | Budget      | Actual    | Variance<br>Positive<br>(Negative) |
|------------------------------------|-------------|-----------|------------------------------------|
| Expenditures:(continued)           |             |           |                                    |
| Public works:(continued)           |             |           |                                    |
| State Street Aid Allocation:       |             |           |                                    |
| Equipment maintenance              |             | 1,327     |                                    |
| Street maintenance                 |             | 22,828    |                                    |
| Other operating expenditures       |             | 6,008     |                                    |
| Capital outlay                     |             | 142,884   |                                    |
| Total                              |             | 173,047   |                                    |
| Total public works                 | 2,034,426   | 1,714,544 | 319,882                            |
| Recreational:                      |             |           |                                    |
| Recreation:                        |             |           |                                    |
| Salaries and employee benefits     |             | 262,209   |                                    |
| Buildings maintenance              |             | 6,325     |                                    |
| Grounds maintenance                |             | 80,835    |                                    |
| Other programs                     |             | 21,023    |                                    |
| Other operating expenditures       |             | 35,572    |                                    |
| Capital outlay                     |             | 58,409    |                                    |
| Total recreational                 | 684,769     | 464,373   | 220,396                            |
| Debt Service:                      |             |           |                                    |
| Principle - capital leases         |             | 92,405    |                                    |
| Interest - capital leases          |             | 13,038    |                                    |
| Total debt service                 | 106,400     | 105,443   | 957                                |
| Total expenditures                 | 10,089,274  | 8,500,928 | 1,588,346                          |
| Revenues over (under) expenditures | (1,754,128) | 828,377   | 2,582,505                          |

**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, 2023**

|  | Budget      | Actual               | Variance<br>Positive<br>(Negative) |
|--|-------------|----------------------|------------------------------------|
| Other financing sources (uses):          |             |                      |                                    |
| Sale of capital assets                   |             | 2,585                |                                    |
| Total other financing sources (uses)     | 5,000       | 2,585                | (2,415)                            |
| Revenues Over other Sources Over (Under) |             |                      |                                    |
| Expenditures and Other Uses              | (1,749,128) | 830,962              | <u>\$ 2,580,090</u>                |
| Fund balance appropriated                | 1,749,128   |                      |                                    |
| Net change in fund balance               | <u>\$ -</u> |                      |                                    |
| Fund balances, beginning                 |             | 9,687,042            |                                    |
| Fund balances, ending                    |             | <u>\$ 10,518,004</u> |                                    |

**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, 2023**

|  | Budget | Actual   | Variance<br>Positive<br>(Negative) |
|--|--------|----------|------------------------------------|
| Revenues:  |        |          |                                    |
| Investment earnings                                  |        | 1,824    |                                    |
| Total  | \$ -   | 1,824    | \$ 1,824                           |
| Total revenues                                       | -      | 1,824    | 1,824                              |
| Revenues over (under) expenditures                   | -      | 1,824    | 1,824                              |
| Revenues and other sources over (under) expenditures | -      | \$ 1,824 | \$ 1,824                           |
| Fund Equity Appropriated                             | -      |          |                                    |
|  | \$ -   |          |                                    |
| Fund balances, beginning                             |        | 903      |                                    |
| Fund balances, ending                                |        | \$ 2,727 |                                    |

**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, 2023**

|                                | Budget       | Actual       | Variance<br>Positive<br>(Negative) |
|--------------------------------|--------------|--------------|------------------------------------|
| Revenues:                      |              |              |                                    |
| Water sales                    |              | \$ 1,757,288 |                                    |
| Sewer sales                    |              | 2,886,233    |                                    |
| Water and sewer taps           |              | 43,040       |                                    |
| Gibsonville reimbursement      |              | 855,122      |                                    |
| Total                          | \$ 5,331,834 | 5,541,683    | \$ 209,849                         |
| Other operating revenues       | 17,000       | 18,196       | 1,196                              |
| Total operating revenues       | 5,348,834    | 5,559,879    | 211,045                            |
| Nonoperating revenues          |              |              |                                    |
| Investment earnings            |              | 138,663      |                                    |
| System fees                    |              | 37,000       |                                    |
| Antenna location fee           |              | 19,771       |                                    |
| Total nonoperating revenues    | 3,369,499    | 195,434      | (3,174,065)                        |
| Total revenues                 | 8,718,333    | 5,755,313    | (2,963,020)                        |
| Expenditures:                  |              |              |                                    |
| Salaries and employee benefits |              | 510,938      |                                    |
| Supplies                       |              | 13,824       |                                    |
| Equipment maintenance          |              | 11,721       |                                    |
| System maintenance             |              | 20,716       |                                    |
| Vehicle maintenance            |              | 1,720        |                                    |
| Burlington sewer treatment     |              | 2,209,055    |                                    |
| Gibsonville sewer treatment    |              | 30,619       |                                    |
| Burlington water purchased     |              | 1,110,137    |                                    |
| Gibsonville water purchased    |              | 1,126        |                                    |
| Contracted services            |              | 21,099       |                                    |
| Other operating expenditures   |              | 228,663      |                                    |
| Total                          | 5,058,761    | 4,159,618    | 899,143                            |

(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, 2023**

|  | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------------------------|
| Debt Service:  |                  |                  |                                    |
| Interest   |                  | 31,810           |                                    |
| Principal retirement                                 |                  | 125,257          |                                    |
| Total debt service                                   | <u>159,572</u>   | <u>157,067</u>   | <u>2,505</u>                       |
| Capital outlay:                                      |                  |                  |                                    |
| Equipment  |                  | 143,547          |                                    |
| Water and sewer lines                                |                  | -                |                                    |
| Total capital outlay                                 | <u>3,500,000</u> | <u>143,547</u>   | <u>3,356,453</u>                   |
| Total expenditures                                   | <u>8,718,333</u> | <u>4,460,232</u> | <u>4,258,101</u>                   |
| Revenues over (under) expenditures                   | <u>-</u>         | <u>1,295,081</u> | <u>1,295,081</u>                   |
| Other financing sources (uses):                      |                  |                  |                                    |
| Transfer to other funds:                             |                  |                  |                                    |
| East Haggard Waerline Project                        |                  | (37,564)         |                                    |
| Capital System Development Fees                      |                  | (43,300)         |                                    |
| Total other financing sources (uses)                 | <u>-</u>         | <u>(80,864)</u>  | <u>(80,864)</u>                    |
| Revenues and other sources over (under) expenditures | <u>\$ -</u>      | <u>1,214,217</u> | <u>\$ 1,214,217</u>                |
| Fund Equity Appropriated                             | <u>-</u>         |                  |                                    |
|  | <u>\$ -</u>      |                  |                                    |

(continued)

**Town of Elon, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2023**

|  | Budget | Actual            | Variance<br>Positive<br>(Negative) |
|--|--------|-------------------|------------------------------------|
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |        |                   |                                    |
| Revenues and other sources over (under)<br>expenditures                            |        | \$ 1,214,217      |                                    |
| Reconciling items:   |        |                   |                                    |
| Capital outlay   |        | 147,354           |                                    |
| Operating transfer (in)out   |        | 80,864            |                                    |
| Increase in accrued vacation pay   |        | (9,610)           |                                    |
| Decrease in accrued interest payable   |        | 59                |                                    |
| Increase in net pension liability  |        | (218,581)         |                                    |
| Increase in deferred outflows of resources for pensions                            |        | 16,369            |                                    |
| Decrease in deferred inflows of resources for pensions                             |        | 50,478            |                                    |
| Depreciation   |        | (288,593)         |                                    |
| Loss on disposal of fixed assets   |        | (497,162)         |                                    |
| Capital project revenue  |        | 9,197             |                                    |
| Principal Retirement   |        | 125,257           |                                    |
| Total reconciling items  |        | <u>(584,368)</u>  |                                    |
| Net Income   |        | <u>\$ 629,849</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, 2023**

|  | Budget     | Actual     | Variance<br>Positive<br>(Negative) |
|--|------------|------------|------------------------------------|
| Revenues:  |            |            |                                    |
| Storm water fees   |            | \$ 139,679 |                                    |
| Total  | \$ 135,000 | 139,679    | \$ 4,679                           |
| Total revenues   | 135,000    | 139,679    | 4,679                              |
| Expenditures:  |            |            |                                    |
| Engineering  |            | 22,313     |                                    |
| Capital improvements   |            | 10,289     |                                    |
| Other operating expenditures   |            | 5,018      |                                    |
| Total  | 135,000    | 37,620     | 97,380                             |
| Total expenditures   | 135,000    | 37,620     | 97,380                             |
| Revenues over (under) expenditures   | -          | 102,059    | 102,059                            |
| Revenues and other sources over (under)<br>expenditures                            | -          | 102,059    | \$ 102,059                         |
| Fund Equity Appropriated   | -          |            |                                    |
|  | \$ -       |            |                                    |
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |            |            |                                    |
| Revenues and other sources over<br>expenditures                                    |            | \$ 102,059 |                                    |
| Reconciling items:   |            |            |                                    |
| Capital outlay   |            | 10,289     |                                    |
| Depreciation   |            | (1,753)    |                                    |
| Net Income   |            | \$ 110,595 |                                    |

**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, 2023**

|   | Project<br>Author -<br>ization | Prior<br>Year | Actual<br>Current<br>Year | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|---|--------------------------------|---------------|---------------------------|------------------|------------------------------------|
| Revenue   |                                |               |                           |                  |                                    |
| Investment earnings                                     | \$ -                           | \$ 1,121      | \$ 9,197                  | \$ 10,318        | \$ 10,318                          |
| Revenues under expenditures                             | -                              | 1,121         | 9,197                     | 10,318           | 10,318                             |
| Other financing sources (uses)                          |                                |               |                           |                  |                                    |
| Transfer from water<br>and sewer fund                   | -                              | 243,905       | 43,300                    | 287,205          | 287,205                            |
| Total other financing<br>sources (uses)                 | -                              | 243,905       | 43,300                    | 287,205          | 287,205                            |
| Revenues and other sources<br>over (under) expenditures | \$ -                           | \$ 245,026    | \$ 52,497                 | \$ 297,523       | \$ 297,523                         |

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, 2023

|   | Project<br>Author -<br>ization | Prior<br>Year | Actual<br>Current<br>Year | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|---|--------------------------------|---------------|---------------------------|------------------|------------------------------------|
| Expenditures:   |                                |               |                           |                  |                                    |
| Engineering services                                    | \$ -                           | 52,986        | \$ 103,146                | \$ 156,132       | \$ 156,132                         |
| Total Expenditures                                      | -                              | 52,986        | 103,146                   | 156,132          | 156,132                            |
| Revenues under expenditures                             | -                              | (52,986)      | (103,146)                 | (156,132)        | (156,132)                          |
| Other financing sources (uses)                          |                                |               |                           |                  |                                    |
| Transfer from Water<br>and Sewer Fund                   | -                              | -             | 37,564                    | 37,564           | 37,564                             |
| Total Other financing<br>Sources (Uses)                 | -                              | -             | 37,564                    | 37,564           | 37,564                             |
| Revenues and Other Sources<br>Over (Under) Expenditures | \$ -                           | \$ (52,986)   | \$ (65,582)               | \$ (118,568)     | \$ (118,568)                       |

Town of Elon, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2023

| Fiscal Year  | Uncollected<br>Balance<br>June 30, 2022 | Additions           | Collections<br>And Credits | Uncollected<br>Balance<br>June 30, 2023 |
|--|---|---------------------|----------------------------|---|
| 2022-2023  | \$ -                                    | \$ 3,048,866        | \$ 3,044,597               | \$ 4,269                                |
| 2021-2022  | 7,376                                   | -                   | 5,370                      | 2,006                                   |
| 2020-2021  | 1,217                                   | -                   | 134                        | 1,083                                   |
| 2019-2020  | 618                                     | -                   | 92                         | 526                                     |
| 2018-2019  | 1,048                                   | -                   | 135                        | 913                                     |
| 2017-2018  | 152                                     | -                   | 92                         | 60                                      |
| 2016-2017  | 170                                     | -                   | 78                         | 92                                      |
| 2015-2016  | 196                                     | -                   | 78                         | 118                                     |
| 2014-2015  | 280                                     | -                   | 78                         | 202                                     |
| 2013-2014  | 1,075                                   | -                   | 164                        | 911                                     |
| 2012-2013  | 1,890                                   | -                   | 1,890                      | -                                       |
|  | <u>\$ 14,022</u>                        | <u>\$ 3,048,866</u> | <u>\$ 3,052,708</u>        | 10,180                                  |
| Less: allowance for uncollectible accounts<br>General Fund |   |                     |                            | <u>(5,886)</u>                          |
| Ad valorem taxes receivable - net                          |   |                     |                            | <u>\$ 4,294</u>                         |
| <u>Reconciliation with revenues:</u>                       |   |                     |                            |   |
| Ad valorem taxes - General Fund                            |   |                     |                            | \$ 3,057,429                            |
| Reconciling items:   |   |                     |                            |   |
| Penalties and interest collected                           |   |                     |                            | (6,645)                                 |
| Discounts allowed  |   |                     |                            | 9,853                                   |
| Refunds and other adjustments                              |   |                     |                            | <u>(7,929)</u>                          |
| Total collections and credits                              |   |                     |                            | <u>\$ 3,052,708</u>                     |

**Town of Elon, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**June 30, 2023**

|  | Town - Wide                  |      |                            | Total Levy   |                                 |
|--|------------------------------|------|----------------------------|--|---------------------------------|
|  | Property<br>Valuation        | Rate | Total<br>Levy              | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original Levy:                               |                              |      |                            |  |                                 |
| Property taxed at current<br>year's rate     | \$ 660,030,000               | .45  | \$ 2,970,135               | \$ 2,633,445   | \$ 336,690                      |
| Total  | <u>660,030,000</u>           |      | <u>2,970,135</u>           | <u>2,633,445</u>   | <u>336,690</u>                  |
| Discoveries:                                 |                              |      |                            |  |                                 |
| Current year taxes                           | <u>27,230,222</u>            | .45  | <u>122,536</u>             | <u>122,536</u>   | <u>-</u>                        |
| Abatements                                   | <u>(9,734,444)</u>           | .45  | <u>(43,805)</u>            | <u>(43,805)</u>  | <u>-</u>                        |
| Total property valuation                     | <u><u>\$ 677,525,778</u></u> |      |                            |  |                                 |
| Net Levy                                     |                              |      | 3,048,866                  | 2,712,176  | 336,690                         |
| Unpaid (by taxpayers) taxes at June 30, 2023 |                              |      | <u>4,269</u>               | <u>1,375</u>   | <u>2,894</u>                    |
| Current year's taxes collected               |                              |      | <u><u>\$ 3,044,597</u></u> | <u><u>\$ 2,710,801</u></u>                               | <u><u>\$ 333,796</u></u>        |
| Current levy collection percentage           |                              |      | <u><u>99.86%</u></u>       | <u><u>99.95%</u></u>                                     | <u><u>99.14%</u></u>            |

**Report On Internal Control Over Financial Reporting And On Compliance and Other  
Matters Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards***

Independent Auditor's Report

To the Honorable Mayor and  
Members of the 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, 2023, 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 30, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Elon's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Elon's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town 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.

**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. 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 30, 2023