

TOWN OF ELON
FINANCIAL STATEMENTS

June 30, 2019

Elon, North Carolina

TOWN OF ELON
NORTH CAROLINA

MAYOR

Jerry R. Tolley

BOARD OF ALDERMEN

Ronald A. Klepcyk, Mayor Pro-Tem

Emily Sharpe

Mark. H Greene

Davis E. Montgomery

John Peterson

TOWN OF ELON, NORTH CAROLINA

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**STOUT
STUART
McGOWEN
& KING LLP**

Independent Auditor's Report

*Certified
Public
Accountants*

*Advisors to
Management*

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elon, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Elon, North Carolina as of June 30, 2019, and the respective changes in financial position and the cash flows, where appropriate, thereof and respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 6-15, respectively, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 52 and 53, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 54, 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 on pages 55 and 56 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the Town of Elon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Elon's internal control over financial reporting and compliance.

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina

October 31, 2019

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, 2019. 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

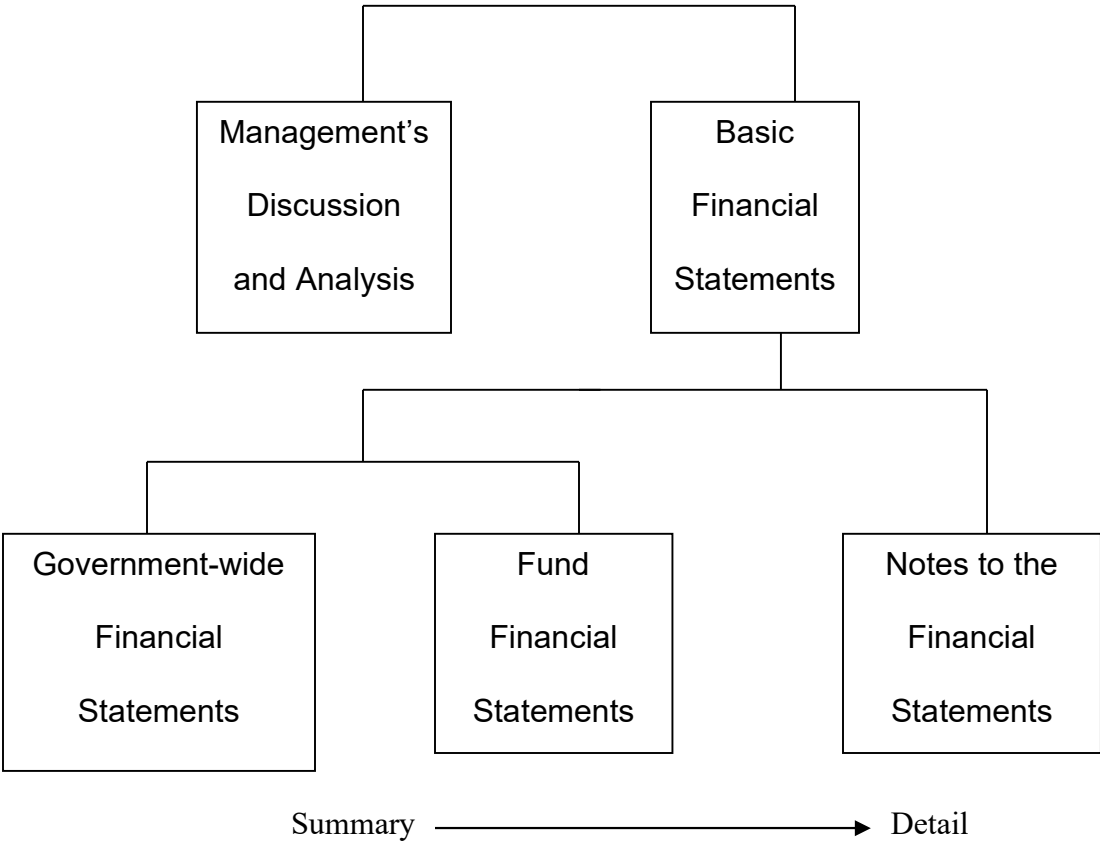
- The assets and deferred outflows of the **Town of Elon** exceeded its liabilities and deferred inflows at the close of the fiscal year by \$20,454,089 (**net position**).
- The government's total net position increased by \$1,251,917 primarily due to an increase of \$1,521,967 in the governmental-type activities and a decrease of \$270,050 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 \$6,706,378, a increase of \$1,076,264 in comparison with the prior year. Approximately 27.8% of this total amount, or \$1,865,315 is non-spendable or restricted.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,841,063 or 72.2% of the total General Fund expenditures for the fiscal year.
- The **Town of Elon's** total outstanding debt decreased by \$82,499 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the **Town of Elon's** basic financial statements. The **Town of Elon's** basic financial statements consist of three components: (1) Government-wide financial statements and (2) Fund financial statements, and (3) Notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the **Town of Elon**.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the town’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: (1) the governmental funds statements and (2) the budgetary comparison statements and (3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town’s individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the town's financial condition.

The government-wide statements are divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the town's budget ordinance. All of the funds of Town of Elon can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Elon adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from Town of Elon citizens, Town of Elon management, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town of Elon to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town of Elon complied with the budget ordinance and whether or not the Town of Elon succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

The statement shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-51 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,824,293	\$ 5,876,704	\$ 3,583,631	\$ 3,551,222	\$ 10,407,924	\$ 9,427,926
Capital assets	6,965,398	6,658,083	4,831,624	5,046,687	11,797,022	11,704,770
Deferred outflows of resources	893,392	584,645	33,391	42,017	926,783	626,662
Total assets and deferred outflows of resources	14,683,083	13,119,432	8,448,646	8,639,926	23,131,729	21,759,358
Long-term liabilities outstanding	1,841,590	1,767,977	261,516	182,217	2,103,106	1,950,194
Other liabilities	112,477	239,012	284,941	290,352	397,418	529,364
Deferred inflows of resources	167,391	72,785	9,725	4,843	177,116	77,628
Total liabilities and deferred inflows of resources	2,121,458	2,079,774	556,182	477,412	2,677,640	2,557,186
Net Position:						
Net investment in capital assets	6,828,854	6,449,858	4,751,796	4,959,602	11,580,650	11,409,460
Restricted	1,753,286	1,431,002	73,730	-	1,827,016	1,431,002
Unrestricted	3,979,485	3,158,798	3,066,938	3,202,912	7,046,423	6,361,710
Total net position	\$ 12,561,625	\$ 11,039,658	\$ 7,892,464	\$ 8,162,514	\$ 20,454,089	\$ 19,202,172

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 \$20,454,089 as of June 30, 2019. The Town of Elon's net position increased by \$1,251,917 for the fiscal year ended June 30, 2019. However, the largest portion (56.62%) 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, \$1,827,016, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,046,423 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 99.77%, which is comparable to the statewide average of 98.78%

Town of Elon Change in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 609,300	\$ 607,489	\$ 3,613,638	\$ 3,516,252	\$ 4,222,938	\$ 4,123,741
Operating grants and contributions	516,210	535,228	-	-	516,210	535,228
Capital Grants and contributions	56,000	56,000	-	-	56,000	56,000
General revenues:						
Property taxes	2,721,641	2,653,400	-	-	2,721,641	2,653,400
Other taxes	3,094,380	2,616,792	-	-	3,094,380	2,616,792
Grants and contributions not restricted to specific programs	549,832	524,925	-	-	549,832	524,925
Other	130,479	97,884	164,741	205,831	295,220	303,715
Total revenues	<u>7,677,842</u>	<u>7,091,718</u>	<u>3,778,379</u>	<u>3,722,083</u>	<u>11,456,221</u>	<u>10,813,801</u>
Expenses:						
General government	1,517,631	1,622,525	-	-	1,517,631	1,622,525
Public safety	3,412,327	3,268,254	-	-	3,412,327	3,268,254
Public works	889,447	1,017,560	-	-	889,447	1,017,560
Recreational	333,994	247,028	-	-	333,994	247,028
Interest	2,476	4,648	-	-	2,476	4,648
Storm Water	-	-	183,453	15,970	183,453	15,970
Water and sewer	-	-	3,864,976	3,395,967	3,864,976	3,395,967
Total expenses	<u>6,155,875</u>	<u>6,160,015</u>	<u>4,048,429</u>	<u>3,411,937</u>	<u>10,204,304</u>	<u>9,571,952</u>
Increase in net position before transfers	1,521,967	931,703	(270,050)	310,146	1,251,917	1,241,849
Transfers	-	-	-	-	-	-
Increase in net position	1,521,967	931,703	(270,050)	310,146	1,251,917	1,241,849
Net position, July 1	11,039,658	10,053,405	8,162,514	7,852,368	19,202,172	17,905,773
Net position, July 1 - Restated	-	10,107,955	-	7,852,368	-	17,960,323
Net position, June 30	<u>\$ 12,561,625</u>	<u>\$ 11,039,658</u>	<u>\$ 7,892,464</u>	<u>\$ 8,162,514</u>	<u>\$ 20,454,089</u>	<u>\$ 19,202,172</u>

Governmental activities. Governmental activities increased the Town of Elon's net position by \$1,521,967. 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 decreased the Town of Elon's net position by \$270,050. Key elements of this decrease are as follows:

- Cost of services exceeded collections.

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 \$4,841,063 while total fund balance increased to \$6,706,378. 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 72.2% of total General Fund expenditures.

At June 30, 2019, the governmental funds of Town of Elon reported a combined fund balance of \$6,706,378 with a net increase in fund balance of \$1,076,264. Included in this change in fund balance is an increase in fund balance of the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town of Elon revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town of Elon's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,027,533, and for the Storm Water Fund, \$39,405. The total change in net position for the Water and Sewer and Storm Water Funds was (\$176,856) and (\$93,194), 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, 2019, totals \$11,797,022 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

- Construction in progress for governmental activities assets of \$12,412
- No major demolitions were recorded this year.

Town of Elon's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,394,768	\$ 1,266,138	\$ -	\$ -	\$ 1,394,768	\$ 1,266,138
Construction in progress	12,412	59,634	-	-	12,412	59,634.00
Buildings and systems	359,052	343,816	4,612,682	4,809,030	4,971,734	5,152,846
Improvements other than buildings	31,910	35,912	-	-	31,910	35,912
Machinery and equipment	1,443,702	1,402,846	218,942	237,657	1,662,644	1,640,503
Infrastructure	3,723,554	3,549,737	-	-	3,723,554	3,549,737
Total	\$ 6,965,398	\$ 6,658,083	\$ 4,831,624	\$ 5,046,687	\$ 11,797,022	\$ 11,704,770

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

Long-term Debt. As of June 30, 2019, the Town of Elon had no outstanding bonds.

As of June 30, 2019, the Town of Elon had installment obligations and capital leases outstanding of \$212,811.

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital Leases	\$ 132,983	\$ 208,225	\$ -	\$ -	\$ 132,983	\$ 208,225
Revolving Loans	-	-	79,828	87,085	79,828	87,085
Total	\$ 132,983	\$ 208,225	\$ 79,828	\$ 87,085	\$ 212,811	\$ 295,310

Town of Elon's Outstanding Debt

The Town of Elon's total debt decreased by \$82,499 (39%) during the fiscal year.

North Carolina general statutes limit the amount of general obligations debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Elon is \$48,517,571.

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

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town of Elon.

- The town's estimated population has grown to 12,695.
- 60 single-family and mobile home building permits were issued from July 1, 2018 to June 30, 2019 compared to 41 from the previous year.
- The Inn at Elon, an 80-room hotel with an upscale restaurant and conference center will open in January 2020.
- The Twin Lakes community is building the last phase of new garden homes. This phase will be completed soon.

Budget and Rates

The General Fund FY20 Budget totals \$8,371,070 and the tax rate remains at \$0.45 per \$100 of valuation on taxable property. In addition to funding a two percent market adjustment, the Performance Review and Development Program, an increase in retirement contributions and employee health insurance, the FY20 budget contains funds to implement the Classification and Compensation Study. Funding is also included to hire an additional Police Officer. Other initiatives include landscape improvements at Magnolia Cemetery, continuing to rewrite the Land Development Ordinance and completing a Capital Improvement Plan.

The Water and Sewer Fund budget of \$3,619,480 includes an increase of three percent which is one percent above the City of Burlington's two percent increase. This increase will help fund the continued water meter replacement program and address capital needs.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities:

The FY19 Budget contained funds to finish the Comprehensive Land Use Plan and Recreation and Parks Master Plan; conduct a Pay and Compensation Study, start a Land Development Ordinance update and revise and codify the Code of Ordinances. Capital expenses included the purchase of a Public Works mower and truck, police vehicles, a rescue pumper for the Fire Department, and police and fire radios.

Downtown Elon

During FY19, the Town continued to work with the UNC School of Government Development Finance Initiative to attract private investment in the Downtown. Funding was also included to construct 29 public parking spaces on W. Lebanon Avenue along the rail line.

Business – type Activities: The FY19 budget contained a water and sewer increase of a three percent increase for water and sewer which was one percent more than the City of Burlington's two percent increase to ensure funding is available to maintain the system.

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, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,063,543	\$ 2,575,402	\$ 7,638,945
Taxes receivables (net)	6,862	-	6,862
Accounts receivable (net)	828,909	890,476	1,719,385
Due from business type activities	-	-	-
Inventories	-	-	-
Restricted Assets:			
Cash and cash equivalents	924,979	117,753	1,042,732
Total current assets	6,824,293	3,583,631	10,407,924
Non-current assets:			
Capital assets:			
Land, improvements, and construction in progress	1,407,180	-	1,407,180
Other capital assets, net of depreciation	5,558,218	4,831,624	10,389,842
Total capital assets	6,965,398	4,831,624	11,797,022
Total assets	13,789,691	8,415,255	22,204,946
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	893,392	33,391	926,783
Total deferred outflows of resources	893,392	33,391	926,783
LIABILITIES			
Current liabilities:			
Accounts payable	110,001	240,918	350,919
Customer deposits	-	44,023	44,023
Accrued interest payable	2,476	-	2,476
Due to governmental activities	-	-	-
Due within one year	191,633	31,427	223,060
Total current liabilities	304,110	316,368	620,478
Long-term liabilities:			
Net pension liability - LGERS	1,001,343	133,348	1,134,691
Total pension liability - LEO	482,453	-	482,453
Due in more than one year	166,161	96,741	262,902
Total liabilities	1,954,067	546,457	2,500,524
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	166,339	9,725	176,064
Prepaid taxes	1,052	-	1,052
Total deferred inflows of resources	167,391	9,725	177,116
NET POSITION			
Net investment in capital assets	6,828,854	4,751,796	11,580,650
Restricted for:			
Stabilization by State Statute	828,912	-	828,912
Capital reserve	-	73,730	73,730
Public works	745,273	-	745,273
Public safety	179,101	-	179,101
Unrestricted	3,979,485	3,066,938	7,046,423
Total net position	\$ 12,561,625	\$ 7,892,464	\$ 20,454,089

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, 2019

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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
General government	\$ 1,517,631	\$ 25,432	\$ 2,612	\$ -	\$ (1,489,587)	\$ -	\$ (1,489,587)
Public safety	3,412,327	336,644	211,069	56,000	(2,808,614)	-	(2,808,614)
Public works	889,447	195,464	302,529	-	(391,454)	-	(391,454)
Recreational	333,994	51,760	-	-	(282,234)	-	(282,234)
Interest	2,476	-	-	-	(2,476)	-	(2,476)
Total governmental activities (See Note 1)	\$ 6,155,875	\$ 609,300	\$ 516,210	\$ 56,000	\$ (4,974,365)	\$ -	\$ (4,974,365)
Business-type activities:							
Storm water	183,453	90,259	-	-	-	(93,194)	(93,194)
Water and sewer	3,864,976	3,523,379	-	-	-	(341,597)	(341,597)
Total business-type activities	4,048,429	3,613,638	-	-	-	(434,791)	(434,791)
Total primary government	\$ 10,204,304	\$ 4,222,938	\$ 516,210	\$ 56,000	(4,974,365)	(434,791)	(5,409,156)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,721,641	-	2,721,641
Local option sales tax					3,086,086	-	3,086,086
Other taxes and licenses					8,294	-	8,294
Grants and contributions not restricted to specific programs					549,832	-	549,832
Unrestricted investment earnings					123,255	55,802	179,057
Miscellaneous					7,224	108,939	116,163
Transfers					-	-	-
Total general revenues, special items, and transfers					6,496,332	164,741	6,661,073
Change in net position					1,521,967	(270,050)	1,251,917
Net position, beginning					11,039,658	8,162,514	19,202,172
Net position - ending					\$ 12,561,625	\$ 7,892,464	\$ 20,454,089

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

**Town of Elon
Balance Sheet
Governmental Funds
June 30, 2019**

	MAJOR FUND		
	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,063,543	\$ -	\$ 5,063,543
Receivables, net			
Taxes	6,862	-	6,862
Accounts	828,909	-	828,909
Restricted cash	924,979	-	924,979
Total assets	<u>\$ 6,824,293</u>	<u>\$ -</u>	<u>\$ 6,824,293</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 110,001	\$ -	\$ 110,001
Due to other funds	-	-	-
Total liabilities	<u>110,001</u>	<u>-</u>	<u>110,001</u>
Deferred Inflows of Resources			
Unavailable revenues	6,862	-	6,862
Prepaid taxes	1,052	-	1,052
Total deferred inflows of resources	<u>7,914</u>	<u>-</u>	<u>7,914</u>
Fund balances:			
Restricted for:			
State Statute	828,912	-	828,912
Streets-Powell bill	745,273	-	745,273
Public safety	179,101	-	179,101
Unassigned, General Fund	4,841,063	-	4,841,063
Assigned			
Cemetery care	112,029	-	112,029
Total fund balances	<u>6,706,378</u>	<u>-</u>	<u>6,706,378</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,824,293</u>	<u>\$ -</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 - \$14,988,938 less accumulated depreciation - \$8,023,540)

6,965,398

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

893,392

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

6,862

Pension related deferrals

(166,339)

Net pension liability - LGERS

(1,001,343)

Total pension liability - LEO

(482,453)

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 - \$132,983 compensated absences - \$224,811 and accrued interest - \$2,476)

(360,270)

Net position of governmental activities

\$ 12,561,625

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, 2019

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,721,883	\$ -	\$ 2,721,883
Other taxes and licenses	3,094,995	-	3,094,995
Unrestricted intergovernmental	549,832	-	549,832
Restricted intergovernmental	690,088	-	690,088
Sales and services	285,978	-	285,978
Investment earnings	123,255	-	123,255
Miscellaneous	209,421	-	209,421
Total revenues	7,675,452	-	7,675,452
EXPENDITURES			
Current:			
General government	1,510,042	-	1,510,042
Public safety	3,240,404	-	3,240,404
Public works	767,418	-	767,418
Recreation	295,742	-	295,742
Debt service:			
Principle	82,043	-	82,043
Interest	3,840	-	3,840
Capital outlay	702,329	-	702,329
Total expenditures	6,601,818	-	6,601,818
Excess (deficiency) of revenues over expenditures	1,073,634	-	1,073,634
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	2,630	-	2,630
Total other financing sources (uses)	2,630	-	2,630
Net change in fund balance	1,076,264	-	1,076,264
Fund balances-beginning	5,630,114	-	5,630,114
Fund balances - ending	\$ 6,706,378	\$ -	\$ 6,706,378

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, 2019

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

Net changes in fund balances - total government funds	\$ 1,076,264
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 (\$702,329) exceeded depreciation in the current period (\$395,014).	307,315
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	295,738
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	47,339
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	(242)
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-\$82,043, changes in accrued interest-\$1,364	83,407
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	10,403
Pension expense	(298,257)
Total changes in net position of governmental activities	<u>\$ 1,521,967</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, 2019**

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,665,500	\$ 2,665,500	\$ 2,721,883	\$ 56,383
Other taxes and licenses	2,550,000	2,874,400	3,094,995	220,595
Unrestricted intergovernmental	511,200	521,549	549,832	28,283
Restricted intergovernmental	535,250	649,250	690,088	40,838
Sales and services	227,000	251,516	285,978	34,462
Investment earnings	36,000	70,000	123,255	53,255
Miscellaneous	238,285	211,800	209,421	(2,379)
Total revenues	6,763,235	7,244,015	7,675,452	431,437
Expenditures:				
Current:				
General Government	1,678,054	1,708,054	1,527,454	180,600
Public Safety	4,280,410	3,612,226	3,436,896	175,330
Public Works	1,669,420	1,700,445	1,127,213	573,232
Recreation	317,400	459,124	424,372	34,752
Debt Service:				
Principle retirement	109,766	84,926	82,043	2,883
Interest and other charges	-	3,840	3,840	-
Total expenditures	8,055,050	7,568,615	6,601,818	966,797
Revenues over (under) expenditures	(1,291,815)	(324,600)	1,073,634	1,398,234
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Transfer from other funds	-	-	-	-
Sale of surplus items	50,000	2,500	2,630	130
Total other financing sources (uses):	50,000	2,500	2,630	130
Revenues and other financing sources over (under) expenditures and other financing uses	(1,241,815)	(322,100)	1,076,264	\$ 1,398,364
Fund balances, appropriated	416,100	322,100		
Fund balances, beginning as previously reported	\$ (825,715)	\$ -	5,630,114	
Fund balances, ending			\$ 6,706,378	

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, 2019**

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,535,997	\$ 39,405	\$ 2,575,402
Accounts receivable, net	890,476	-	890,476
Inventories	-	-	-
Restricted cash	117,753	-	117,753
Total current assets	<u>3,544,226</u>	<u>39,405</u>	<u>\$ 3,583,631</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	-	-	-
Other capital assets, net of depreciation	4,831,624	-	4,831,624
Capital assets(net)	<u>4,831,624</u>	<u>-</u>	<u>4,831,624</u>
Total assets	<u>\$ 8,375,850</u>	<u>\$ 39,405</u>	<u>\$ 8,415,255</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	\$ 33,391	\$ -	\$ 33,391
Total deferred outflows of resources	<u>\$ 33,391</u>	<u>\$ -</u>	<u>\$ 33,391</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 240,918	\$ -	\$ 240,918
Due to other funds	-	-	-
Customer deposits	44,023	-	44,023
Compensated absences	24,170	-	24,170
Installment purchase payable - current	7,257	-	7,257
Total current liabilities	<u>316,368</u>	<u>-</u>	<u>\$ 316,368</u>
Noncurrent liabilities:			
Other noncurrent liabilities:			
Compensated absences	24,170	-	24,170
Net pension liability	133,348	-	133,348
Installment purchase payable - noncurrent	72,571	-	72,571
Total noncurrent liabilities	<u>230,089</u>	<u>-</u>	<u>230,089</u>
Total liabilities	<u>546,457</u>	<u>-</u>	<u>546,457</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	\$ 9,725	\$ -	\$ 9,725
Total deferred inflows of resources	<u>\$ 9,725</u>	<u>\$ -</u>	<u>\$ 9,725</u>
NET POSITION			
Net investment in capital assets	4,751,796	-	4,751,796
Capital Reserve	73,730	-	73,730
Unrestricted	3,027,533	39,405	3,066,938
Net position of business-type activities	<u>\$ 7,853,059</u>	<u>\$ 39,405</u>	<u>\$ 7,892,464</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, 2019

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 3,459,766	\$ 90,259	\$ 3,550,025
Water and sewer taps	32,409	-	32,409
Other operating revenues	31,204	-	31,204
Total operating revenues	<u>3,523,379</u>	<u>90,259</u>	<u>\$ 3,613,638</u>
OPERATING EXPENSES			
Salaries and employee benefits	361,055	-	361,055
Supplies	10,156	-	10,156
Equipment maintenance	11,128	-	11,128
System maintenance	18,003	-	18,003
Vehicle maintenance	4,875	-	4,875
Burlington sewer treatment	1,471,836	-	1,471,836
Gibsonville sewer treatment	585,743	-	585,743
Burlington water purchased	828,172	-	828,172
Gibsonville water purchased	2,506	-	2,506
Contracted services	37,487	-	37,487
Engineering	-	35,467	35,467
Other operating expenditures	286,930	147,986	434,916
Depreciation	247,085	-	247,085
Total operating expenses	<u>3,864,976</u>	<u>183,453</u>	<u>4,048,429</u>
Operating loss	<u>(341,597)</u>	<u>(93,194)</u>	<u>(434,791)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	55,802	-	55,802
Interest on long-term debt	-	-	-
System fees	73,730	-	73,730
Antenna fee location	16,606	-	16,606
Other nonoperating revenue	18,603	-	18,603
Total nonoperating revenues (expenses)	<u>164,741</u>	<u>-</u>	<u>164,741</u>
Loss before contributions and transfers	<u>(176,856)</u>	<u>(93,194)</u>	<u>(270,050)</u>
Contributed capital	-	-	-
Transfer to other funds	-	-	-
Change in net position	<u>(176,856)</u>	<u>(93,194)</u>	<u>(270,050)</u>
Total net position - previously reported	<u>8,029,915</u>	<u>132,599</u>	<u>8,162,514</u>
Total net position, ending	<u>\$ 7,853,059</u>	<u>39,405</u>	<u>7,892,464</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, 2019**

Exhibit 9

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,468,168	\$ 90,259	\$ 3,558,427
Cash paid for goods and services	(3,256,779)	(184,092)	(3,440,871)
Cash paid to or on behalf of employees for services	(260,991)		(260,991)
Net change in customer deposits	(4,829)		(4,829)
Other operating revenues	31,204		31,204
Net cash provided (used) by operating activities	<u>(23,227)</u>	<u>(93,833)</u>	<u>(117,060)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in interfund payables	-	-	-
Total cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(32,022)	-	(32,022)
Principle paid on long-term debt	(7,257)	-	(7,257)
Other capital revenues	108,939	-	108,939
Interest and fees paid on debt maturities	-	-	-
Net cash provided (used) by capital and related financing activities	<u>69,660</u>	<u>-</u>	<u>69,660</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>55,802</u>	<u>-</u>	<u>55,802</u>
Net increase (decrease) in cash and cash equivalents	102,235	(93,833)	8,402
Balances, beginning	<u>2,551,515</u>	<u>133,238</u>	<u>2,684,753</u>
Balances, ending	<u><u>\$ 2,653,750</u></u>	<u><u>\$ 39,405</u></u>	<u><u>\$ 2,693,155</u></u>
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents - Current	\$ 2,535,997	\$ 39,405	\$ 2,575,402
Cash and cash equivalents - Restricted	<u>117,753</u>	<u>-</u>	<u>117,753</u>
	<u><u>\$ 2,653,750</u></u>	<u><u>\$ 39,405</u></u>	<u><u>\$ 2,693,155</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, 2019**

	Enterprise Fund		
	Water and Sewer Fund	Non-Major Storm Water Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (341,597)	\$ (93,194)	\$ (434,791)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	247,085	-	247,085
Changes in assets and liabilities:			
(Increase) in accounts receivable	(24,006)	-	(24,006)
Increase in deferred inflows of resources for pensions	4,882	-	4,882
Increase in pension liability	77,103	-	77,103
Increase in accounts payable and accrued liabilities	57	(639)	(582)
(Decrease) in accounts payable and accrued	(4,829)	-	(4,829)
Decrease in deferred outflows of resources for pensions	8,626	-	8,626
Increase in accrued vacation pay	9,452	-	9,452
Total adjustments	318,370	(639)	317,731
Net cash used by operating activities	<u>\$ (23,227)</u>	<u>\$ (93,833)</u>	<u>\$ (117,060)</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, 2019

I. Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The 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 major enterprise funds:

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

The Town reports the following non-major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Government Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principle and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Elon because the tax is levied by Alamance County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost –reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund and the Water and Sewer Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Elon Restricted Cash

Governmental Activities

General Fund

Streets	\$ 745,878
Public Safety	<u>179,101</u>
Total Governmental Activities	<u>\$ 924,979</u>

Business-type Activities

Water and Sewer Fund

Customer deposits	\$ 44,023
Capital Reserve	<u>73,730</u>
Total Business-type Activities	<u>\$ 117,753</u>

Total Restricted Cash	<u>\$ 1,042,732</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. 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

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

The inventories of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than when purchased.

7. Capital Assets

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometime report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, deferrals made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State statute-North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designated to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities,*

encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$1,151,564 and a bank balance of \$1,619,767. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance of \$1,369,767 was collateralized under the Pooling Method.

The Town had \$575 cash on hand at June 30, 2019.

2. Investments

At June 30, 2019, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value At 6/30/2019	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$4,519,677	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level I	\$3,009,861	0.11 years ^a	Unrated
Total:		\$7,529,538		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the Town's investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

^a This is the duration for the Term Portfolio

3. Receivables - Allowances for Doubtful Accounts

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

<u>Funds</u>	<u>June 30,</u> <u>2019</u>
General Fund:	
Taxes receivable	\$ 11,416
Enterprise Fund	<u>40,453</u>
Total	<u>\$ 51,869</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,266,138	\$ 128,630	\$ -	\$ 1,394,768
Construction in progress	59,634	181,451	228,673	12,412
Total capital assets not being depreciated	<u>1,325,772</u>	<u>310,081</u>	<u>228,673</u>	<u>1,407,180</u>
Capital assets being depreciated:				
Buildings	1,296,635	35,323	-	1,331,958
Equipment	5,399,033	281,930	-	5,680,963
Infrastructure	4,270,469	303,668	-	4,574,137
Land improvements	1,994,700	-	-	1,994,700
Total capital assets being depreciated	<u>12,960,837</u>	<u>620,921</u>	<u>-</u>	<u>13,581,758</u>
Less accumulated depreciation for:				
Buildings	952,819	20,087	-	972,906
Equipment	3,996,187	241,074	-	4,237,261
Infrastructure	720,732	129,851	-	850,583
Land improvements	1,958,788	4,002	-	1,962,790
Total capital assets being depreciated	<u>7,628,526</u>	<u>395,014</u>	<u>-</u>	<u>8,023,540</u>
Total capital assets being depreciated, net	<u>5,332,311</u>			<u>5,558,218</u>
Governmental activity capital assets, net	<u>\$ 6,658,083</u>			<u>\$ 6,965,398</u>

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

General government	\$ 19,822
Public safety	202,304
Public works	132,166
Recreation	<u>40,722</u>
Total depreciation expense	<u>\$ 395,014</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant and distribution system	9,560,921	-	-	9,560,921
Furniture and maintenance equipment	372,969	-	13,000	359,969
Vehicles	242,965	32,022	-	274,987
Total capital assets being depreciated	10,176,855	32,022	13,000	10,195,877
Less accumulated depreciation for:				
Plant and distribution system	4,751,891	196,348	-	4,948,239
Furniture and maintenance equipment	177,415	28,471	13,000	192,886
Vehicles	200,862	22,266	-	223,128
Total capital assets being depreciated	5,130,168	247,085	\$ 13,000	5,364,253
Total capital assets being depreciated, net	5,046,687			4,831,624
Business-type activities capital assets, net	<u>\$ 5,046,687</u>			<u>\$ 4,831,624</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Elon is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating governmental entities. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$252,386 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$1,134,691 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.048%, which was an increase of 0.002% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$298,257. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 175,056	\$ 5,874
Changes of assumptions	301,103	-
Net difference between projected and actual earnings on pension plan investments	155,759	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	36,391
Town contributions subsequent to the measurement date	252,386	-
Total	<u>\$ 884,304</u>	<u>\$ 42,265</u>

\$252,386 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 289,785
2021	185,543
2022	26,442
2023	87,883
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,725,627	\$ 1,134,691	\$ (194,719)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>17</u>
Total	<u><u>20</u></u>

2. *Summary of Significant Accounting Policies.*

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

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment rate of return	3.64 percent, net of investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality tables projected to the valuation data using MP-2015.

3. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$47,339 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$482,453. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$8,993.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ -	\$ 115,771
Changes of assumptions	18,809	18,028
Benefit payments and plan administrative expenses made subsequent to the measurement date	<u>23,670</u>	<u>-</u>
Total	<u>\$ 42,479</u>	<u>\$ 133,799</u>

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

Year ended June 30:

2020	\$ 35,408
2021	35,408
2022	33,954
2023	21,897
2024	7,132
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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 514,315	\$ 482,453	\$ 452,812

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

	2019
Beginning balance	\$ 592,224
Service Cost	20,594
Interest on the total pension liability	17,966
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(85,979)
Changes of assumptions or other inputs	(15,013)
Benefit payments	(47,339)
Other changes	-
Ending balance of the total pension liability	\$ 482,453

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 298,257	\$ 8,993	\$ 307,250
Pension Liability	1,134,691	482,453	1,617,144
Proportionate share of the net pension liability	0.04800%	n/a	-
Deferred of Outflows of Resources			
Differences between expected and actual experience	17,056	-	17,056
Changes in assumptions	301,103	18,809	319,912
Net differences between projected and actual earnings on plan investments	155,759	-	155,759
Changes in proportionate and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	252,386	23,670	276,056
Deferred of Inflow of Resources			
Differences between expected and actual experience	5,874	115,771	121,645
Changes in assumptions	-	18,028	18,028
Net differences between projected and actual earnings on plan investments	36,391	-	36,391
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the 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, 2019 of \$76,267 which consisted of \$49,647 from the Town and \$26,620 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, 2019 were \$157,473 which consisted of \$107,822 from the Town and \$49,651 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 (Fund), 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2018, the State contributed \$17,952,000 to the plan. The Town of Elon's proportionate share of the State's contribution is \$6,544.

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, 2018, 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 \$23,012. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2019, the Town recognized pension expense of \$6,544 and revenue of \$6,544 for support provided by the State. At June 30, 2019, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$863. The Town's required contributions for employees not engaged in law

enforcement and for law enforcement officers represented 0.040% and 0.00% of covered payroll, respectively.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Sources</u>	<u>Amount</u>
Differences between expected and actual experience	\$ 175,056
Changes in assumptions	319,912
Net difference between projected and actual earnings on plan investments	155,759
Changes in porportion and differences between contributions and porportionate share of contributions	-
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	<u>276,056</u>
Total	<u><u>\$ 926,783</u></u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 1,052	\$ 1,052
Taxes receivable, less penalties (General Fund)	-	6,862
Changes in assumptions	18,028	-
Differences between expected and actual experience	121,645	-
Net differences between projected and actual earnings on plan investments	<u>36,391</u>	<u>-</u>
	<u>\$ 177,116</u>	<u>\$ 7,914</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for these risks of loss. There have been no significant reductions in insurance coverage in the prior year, and, settled claims have not exceeded insurance coverage in any of the past three fiscal years.

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Capital Leases

The Town has entered into agreements to lease police vehicles, computer equipment and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

One agreement was executed on October 10, 2013 and requires 7 payments of \$21,766. Title passes to the Town at the end of the lease term. A second agreement was executed on September 23, 2014 and requires 7 payments of \$57,317. Title passes to the town at the end of the lease term agreement.

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 522,504	\$ 324,500	\$ 198,004
Total	\$ 522,504	\$ 324,500	\$ 198,004

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

Year Ending June 30,	Governmental Long-Term Debt
2020	\$ 79,227
2021	57,317
Total minimum lease payments	\$ 136,544
Less: Amount representing interest	3,561
Present value of minimum lease payments	<u>\$ 132,983</u>

At June 30, 2019, the Town of Elon had a legal debt margin of \$48,517,571.

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

	Restated Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Capitalized leases	\$ 208,225	\$ -	\$ 75,242	\$ 132,983	\$ 79,227
Compensated absences	235,214	81,046	91,449	224,811	112,406
Net pension liability (LGERS)	671,562	329,781	-	1,001,343	-
Total pension liability (LEO)	<u>652,976</u>	<u>-</u>	<u>170,523</u>	<u>482,453</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 1,767,977</u>	<u>\$ 410,827</u>	<u>\$ 337,214</u>	<u>\$ 1,841,590</u>	<u>\$ 191,633</u>
Business-type activities:					
Revolving loan	\$ 87,085	\$ -	\$ 7,257	\$ 79,828	\$ 7,257
Net pension liability (LGERS)	56,245	77,103	-	133,348	-
Compensated absences	<u>38,887</u>	<u>33,369</u>	<u>23,916</u>	<u>48,340</u>	<u>24,170</u>
Business-type activities long-term liabilities	<u>\$ 182,217</u>	<u>\$ 110,472</u>	<u>\$ 31,173</u>	<u>\$ 261,516</u>	<u>\$ 31,427</u>

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	\$ 6,706,378
Less:	
Stabilization by State Statute	828,912
Streets	745,273
Public safety	179,101
Committed:	
Cemetery Care - Assigned	112,029
Remaining Capital/Fund Balance Policy	<u>4,841,063</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 Four Fiscal Years*

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015
Town of Elon's proportion of the net pension liability (asset) (%)	.04783	.04764	.05044%	.04727%	.04504%
Town of Elon's proportion of the net pension liability (asset) (\$)	\$1,134,691	\$727,807	\$1,070,506	\$ 212,145	\$(265,622)
Town of Elon's covered-employee payroll	\$3,149,372	\$2,854,694	\$2,513,574	\$2,513,574	\$2,365,802
Elon's proportionate share of the net pension liability	36.03%	25.49%	42.59%	8.44%	(11.23%)
Plan fiduciary net position as a percentage of the total Pension liability **	91.63%	94.18%	91.47%	98.09%	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 Four Fiscal Years

Local Government Employees' Retirement System

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

TOWN OF ELON, NORTH CAROLINA
TOWN OF ELON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS

Firefighters' and Rescue Squad Workers' Pension

	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 the Town of Elon	20,573	20,573	12,736	12,644
Total	\$ 20,573	\$ 20,573	\$ 12,736	\$ 12,644
Town of Elon's covered-employee payroll	\$ 849,259	\$ 849,259	\$ 769,206	\$ 680,531
Town of Elon's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.42%	2.42%	1.66%	1.86%
Plan fiduciary net position as a percentage of the total pension liability	89.35%	89.35%	84.94%	91.40%

*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
JUNE 30, 2019

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

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
 JUNE 30, 2019

	2019		2018		2017	
Total pension liability	\$	482,453	\$	652,976	\$	652,976
Covered payroll		992,936		907,289		907,289
Total pension liability as a percentage of covered payroll		48.59%		71.97%		71.97%

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, 2019

June 30,
2019

ASSETS

Cash and cash equivalents	\$ 5,063,543
Receivables (net):	
Taxes	6,862
Accounts	828,909
Restricted cash	<u>924,979</u>
Total Assets	<u><u>\$ 6,824,293</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES:	
Accounts payable and accrued liabilities	\$ 110,001
Unavailable revenues	<u>7,914</u>
Total Liabilities	<u>117,915</u>
FUND BALANCES:	
Restricted:	
Stabilization by State Statute	828,912
Powell Bill	745,273
Public Safety	179,101
Assigned:	
Cemetery Care	112,029
Unassigned	<u>4,841,063</u>
Total Fund Balances	<u>6,706,378</u>
Total Liabilities and Fund Balances	<u><u>\$ 6,824,293</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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 2,719,139	
Penalties and interest		2,744	
Total	2,665,500	2,721,883	56,383
Other taxes and licenses:			
Local option sales tax		3,086,086	
Solid waste tax		8,294	
Privilege licenses		615	
Total	2,874,400	3,094,995	220,595
Unrestricted intergovernmental:			
Payment in lieu of taxes		6,500	
Utility franchise tax		488,314	
Beer and wine tax		52,641	
Tax refunds		2,377	
Total	521,549	549,832	28,283
Restricted intergovernmental:			
On-behalf of payments - Fire		6,544	
Federal asset foreclosure		82,049	
FEMA		20,365	
Fire District Tax		298,966	
Powell Bill allocation		282,164	
Total	649,250	690,088	40,838

(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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:(continued)			
Sales and services:			
Donation - Fire Department - Twin Lakes		56,000	
ABSS SRO Contract		11,114	
Cemetery		23,400	
Solid waste		195,464	
	<u>251,516</u>	<u>285,978</u>	<u>34,462</u>
Investment earnings:			
Investment earnings		108,968	
Investment earnings - state street aid		14,287	
Total	<u>70,000</u>	<u>123,255</u>	<u>53,255</u>
Miscellaneous:			
Parking violation penalties		20,020	
Contractor Settlement		-	
Recreation fees		28,360	
Plan view fee		4,594	
Miscellaneous		24,815	
Court awarded special fund		2,612	
Donation - Elon University		129,020	
Total	<u>211,800</u>	<u>209,421</u>	<u>(2,379)</u>
Total revenues	<u>7,244,015</u>	<u>7,675,452</u>	<u>431,437</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Administration:			
Salaries and employee benefits		687,337	
Other operating expenditures		311,984	
Capital outlay		11,967	
Total		<u>1,011,288</u>	
Other general government:			
Animal control program		73,500	
GIS project		28,417	
Other operating expenditures		193,737	
Total		<u>295,654</u>	
Downtown Development			
Salaries and employee benefits		79,083	
Other operating expenditures		32,931	
Capital outlay		108,498	
Total		<u>220,512</u>	
Total general government	<u>1,708,054</u>	<u>1,527,454</u>	<u>180,600</u>
Public Safety:			
Police:			
Salaries and employee benefits		1,459,900	
Vehicle maintenance		22,870	
Other operating expenditures		204,937	
Capital outlay		161,743	
Total		<u>1,849,450</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, 2019

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public Safety:(continued)			
Fire:			
Salaries and employee benefits		1,298,079	
Vehicle maintenance		30,840	
Contracted services		7,387	
Other operating expenditures		175,159	
Capital outlay		75,981	
Total		1,587,446	
Total public safety	3,612,226	3,436,896	175,330
Public works:			
Public works department:			
Salaries and employee benefits		356,628	
Building maintenance		23,962	
Equipment maintenance		8,281	
Street maintenance		162	
Vehicle maintenance		13,641	
Street lights		53,546	
Garbage removal		235,412	
Trash removal		32,019	
Tipping fees		65,151	
Cemetery maintenance		13,070	
Solid waste program		28,893	
Yard waste disposal		-	
Other operating expenditures		134,330	
Capital outlay		72,897	
Total		1,037,992	
			(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, 2019

	Budget	Actual	Variance Positive (Negative)
Expenditures:(continued)			
Public works:(continued)			
State Street Aid Allocation:			
Equipment maintenance		4,711	
Street maintenance		23,680	
Vehicle maintenance		274	
Other operating expenditures		20,281	
Capital outlay		40,275	
Total		89,221	
Total public works	1,700,445	1,127,213	573,232
Recreational:			
Recreation:			
Salaries and employee benefits		172,310	
Buildings maintenance		12,664	
Grounds maintenance		24,287	
Other programs		10,876	
Other operating expenditures		75,605	
Capital outlay		128,630	
Total recreational	459,124	424,372	34,752
Debt Service:			
Principle - capital leases		82,043	
Interest - capital leases		3,840	
Total debt service	88,766	85,883	2,883
Total expenditures	7,568,615	6,601,818	966,797
Revenues over (under) expenditures	(324,600)	1,073,634	1,398,234

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, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Sale of capital assets		2,630	
Total other financing sources (uses)	2,500	2,630	130
Revenues Over other Sources Over (Under)			
Expenditures and Other Uses	(322,100)	1,076,264	<u>\$ 1,398,364</u>
Fund balance appropriated	322,100		
Net change in fund balance	<u>-</u>		
Fund balances, beginning		5,630,114	
Fund balances, ending		<u>\$ 6,706,378</u>	

Town of Elon, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales		\$ 1,215,900	
Sewer sales		2,049,561	
Water and sewer taps		32,409	
Gibsonville reimbursement		194,305	
Total	\$ 3,453,500	3,492,175	\$ 38,675
Other operating revenues	26,400	27,454	1,054
Total operating revenues	3,479,900	3,519,629	39,729
Nonoperating revenues			
Investment earnings		55,802	
Sales tax refund		5,998	
Water and sewer assessments		3,750	
System fees		73,730	
Antenna location fee		16,606	
Total nonoperating revenues	139,150	155,886	16,736
Total revenues	3,619,050	3,675,515	56,465
Expenditures:			
Salaries and employee benefits		342,143	
Supplies		10,156	
Equipment maintenance		11,128	
System maintenance		18,003	
Vehicle maintenance		4,875	
Burlington sewer treatment		1,471,836	
Gibsonville sewer treatment		585,743	
Burlington water purchased		828,172	
Gibsonville water purchased		2,506	
Contracted services		37,487	
Other operating expenditures		286,930	
Total	3,595,465	3,598,979	(3,514)

(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, 2019

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Interest		-	
Principal retirement		7,257	
Total debt service	7,260	7,257	3
Capital outlay:			
Vehicles		32,022	
Water and sewer lines		-	
Total capital outlay	32,025	32,022	3
Total expenditures	3,634,750	3,638,258	(3,508)
Revenues over (under) expenditures	(15,700)	37,257	52,957
Other financing sources (uses):			
Sale of fixed assets		12,605	
Transfer to other funds:			
Capital System Development Fees		(73,730)	
Total other financing sources (uses)	(55,930)	(61,125)	(5,195)
Revenues and other sources over (under) expenditures	\$ (71,630)	(23,868)	\$ 47,762
Fund Equity Appropriated	71,630		
	\$ -		

(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, 2019

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures		\$ (23,868)	
Reconciling items:			
Capital outlay		32,022	
Operating transfer (in) out		73,730	
Increase in accrued vacation pay		(9,452)	
Increase in net pension liability		(77,103)	
Decrease in deferred outflows of resources for pensions		72,525	
Increase in deferred inflows of resources for pensions		(4,882)	
Depreciation		(247,085)	
Principal Retirement		7,257	
Total reconciling items		<u>(152,988)</u>	
Net Income		<u>\$ (176,856)</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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Storm water fees		\$ 90,259	
Total	\$ 88,500	90,259	\$ 1,759
Total revenues	88,500	90,259	1,759
Expenditures:			
Engineering		35,467	
Capital improvements		140,800	
Other operating expenditures		7,186	
Total	184,500	183,453	1,047
Total expenditures	184,500	183,453	1,047
Revenues over (under) expenditures	(96,000)	(93,194)	2,806
Other financing sources (uses):			
	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	\$ (96,000)	(93,194)	\$ 2,806
Fund Equity Appropriated	96,000		
	\$ -		
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures		\$ (93,194)	
Net Income		\$ (93,194)	

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, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Contingency	\$ 68,530	\$ -	\$ -	\$ -	\$ 68,530
Total expenditures	68,530	-	-	-	68,530
Revenues under expenditures	(68,530)	-	-	-	68,530
Other financing sources (uses)					
Transfer from water and sewer fund	68,530	-	73,730	73,730	5,200
Total other financing sources (uses)	68,530	-	73,730	73,730	5,200
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 73,730	\$ 73,730	\$ 73,730

**Town of Elon, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019**

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 2,745,822	\$ 2,739,401	\$ 6,421
2017-2018	4,199	-	2,628	1,571
2016-2017	5,918	-	4,812	1,106
2015-2016	1,048	-	44	1,004
2014-2015	1,111	-	135	976
2013-2014	2,282	-	355	1,927
2012-2013	2,473	-	278	2,195
2011-2012	1,278	-	176	1,102
2010-2011	1,056	-	102	954
2009-2010	1,207	-	187	1,020
2008-2009	1,199	-	1,199	-
	<u>\$ 21,771</u>	<u>\$ 2,745,822</u>	<u>\$ 2,749,317</u>	<u>\$ 18,276</u>
Less: allowance for uncollectible accounts General Fund				<u>(14,669)</u>
Ad valorem taxes receivable - net				<u>\$ 3,607</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,721,883
Reconciling items:				
Penalties and interest collected				(2,744)
Discounts allowed				8,590
Tax releases and adjustments				<u>21,588</u>
Total collections and credits				<u>\$ 2,749,317</u>

Town of Elon, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2019

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original Levy:					
Property taxed at current year's rate	\$ 596,331,111	.45	\$ 2,683,490	\$ 2,411,780	\$ 271,710
Total	<u>\$ 596,331,111</u>		<u>\$ 2,683,490</u>	<u>\$ 2,411,780</u>	<u>\$ 271,710</u>
Discoveries:					
Current year taxes	\$ 13,851,556	.45	\$ 62,332	\$ 62,332	\$ -
Abatements	\$ (1,052,889)	.45	\$ (4,738)	\$ (4,738)	\$ -
Total property valuation	<u>\$ 609,129,778</u>				
Net Levy			\$ 2,741,084	\$ 2,469,374	\$ 271,710
Unpaid (by taxpayers) taxes at June 30, 2019			<u>6,421</u>	<u>5,765</u>	<u>656</u>
Current year's taxes collected			<u>\$ 2,734,663</u>	<u>\$ 2,463,609</u>	<u>\$ 271,054</u>
Current levy collection percentage			<u>99.77%</u>	<u>99.77%</u>	<u>99.76%</u>

COMPLIANCE SECTION



**STOUT
STUART
McGOWEN
& KING LLP**

*Certified
Public
Accountants*

*Advisors to
Management*

*Member of PCPS,
the AICPA Alliance
For CPA Firms*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Elon, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Elon's basic financial statements and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weakness. However, material weakness may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Elon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

STOUT STUART MCGOWEN & KINGS LLP

October 31, 2019

Town of Elon
GASB 34 CALCULATION OF MAJOR FUNDS
June 30, 2019

Note: Revenue includes operating and nonoperating but not other financing sources. Amounts should be taken from the fund statements instead of the government-wide.

Type of Fund	Computes "X" if Meets			Computes "X" if Meets			Computes "X" if Meets			Expenditures/ Expenses	Computes "X" if Meets		Computes "MAJOR" if Fund is Major If a "Category" Has an "X" in Both Columns. Then Fund is a Major Fund
	Assets	10% Rule	5% Rule	Liabilities	10% Rule	5% Rule	Revenue	10% Rule	5% Rule		10% Rule	5% Rule	
General Fund	6,824,293	N/A	N/A	110,001	N/A	N/A	7,675,452	N/A	N/A	6,601,818	N/A	N/A	YES, ALWAYS MAJOR
Capital Project Funds													
Oak Street Sidewalk Project Fund	-	-	-	-	-	-	-	-	-	0	-	-	-
Downtown Development Project Fund	-	-	-	-	-	-	-	-	-	0	-	-	-
S. Williamson Project Fund	-	-	-	-	-	-	-	-	-	0	-	-	-
Elon Library Capital Project Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Governmental Funds	<u>6,824,293</u>			<u>110,001</u>			<u>7,675,452</u>			<u>6,601,818</u>			
10 % of Total Governmental Funds	<u>682,429</u>			<u>11,000</u>			<u>767,545</u>			<u>660,182</u>			
Enterprise Funds:													
Water and Sewer Fund	8,375,850	X	X	546,457	X	X	3,688,120	X	X	3,464,976	X	X	MAJOR
Storm Water Fund	39,405	-	-	-	-	-	90,259	-	-	183,453	-	-	-
Total Enterprise Funds	<u>8,415,255</u>			<u>546,457</u>			<u>3,778,379</u>			<u>3,648,429</u>			
10% of Total Enterprise Funds	<u>841,526</u>			<u>54,646</u>			<u>377,838</u>			<u>364,843</u>			
Total Governmental & Enterprise Funds	<u>15,239,548</u>			<u>656,458</u>			<u>11,453,831</u>			<u>10,250,247</u>			
5% of Total Governmental & Enterprise Funds	<u>761,977</u>			<u>32,823</u>			<u>572,692</u>			<u>512,512</u>			