

TOWN OF BANNER ELK, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2024

TOWN COUNCIL MEMBERS

Mike Dunn

David Lecka

Robert Tufts

Charles B. VonCanon

Brenda Lyerly, Mayor

Rick Owen, Town Manager

Town of Banner Elk, North Carolina
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
Town Council
Town of Banner Elk, North Carolina

Opinions

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component unit, each major fund, and the and the aggregate remaining fund information of the Town of Banner Elk, North Carolina as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town of Banner Elk, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Banner Elk, North Carolina as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the ARP Fund and annual budgeted special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Banner Elk, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Banner Elk's Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Responsibility of Management's for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

The financial statements of the Banner Elk Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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

Required Supplementary Information

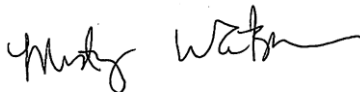
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 55 through 56, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 53 through 54, and the Schedule of Changes in the Total OPEB Liability and Related Rations on page 52, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2025 on our consideration of the Town of Banner Elk, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Banner Elk, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Banner Elk, North Carolina's internal control over financial reporting and compliance.



Misty D Watson, CPA, PA
Boone, North Carolina
January 30, 2025

Management's Discussion and Analysis

As management of the Town of Banner Elk, we offer readers of the Town of Banner Elk's financial statements this narrative overview and analysis of the financial activities of the Town of Banner Elk for the fiscal year ended June 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

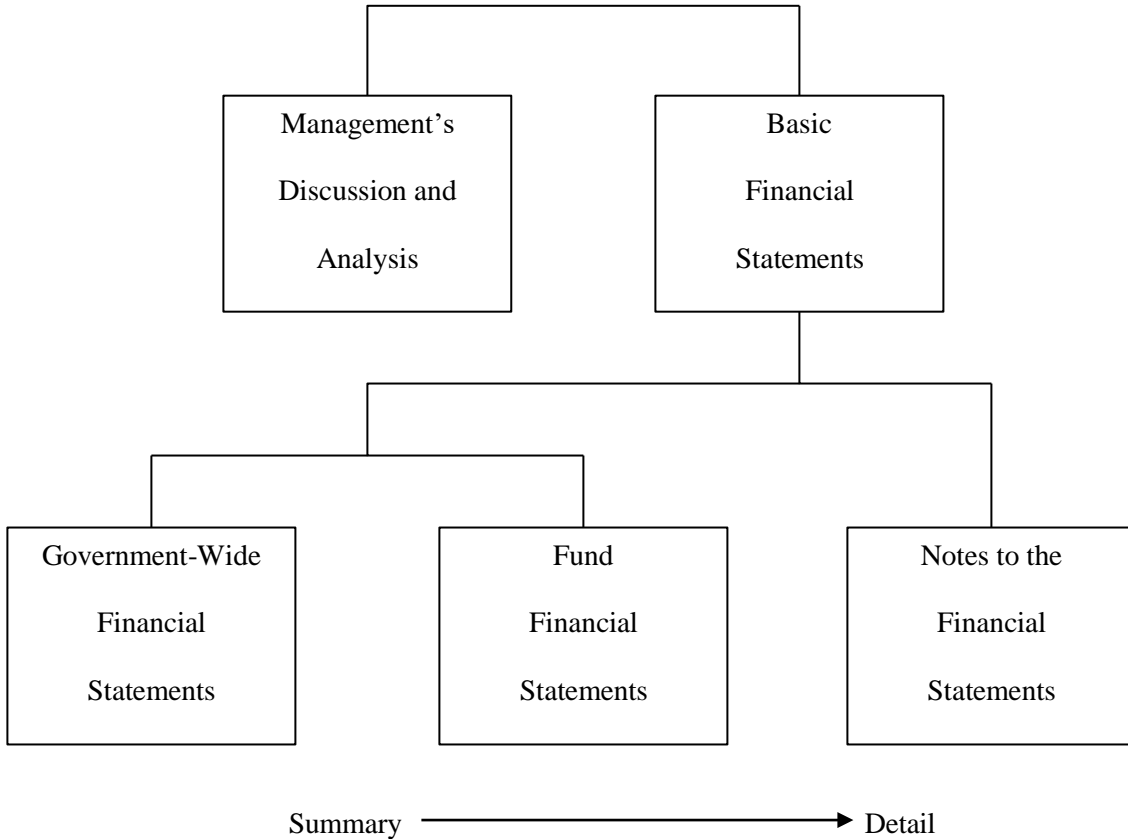
- The assets of the Town of Banner Elk exceeded its liabilities at the close of the fiscal year by \$15,157,884 (*net position*).
- The government's total net position increased by \$1,921,129.
- As of the close of the current fiscal year, the Town of Banner Elk's governmental funds reported combined ending fund balances of \$4,890,232 an increase of \$980,336 in comparison with the prior year. Approximately 15.46% of this total amount, or \$756,138, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,409,187, or 144%, of total General Fund expenditures and transfers out for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Banner Elk's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 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 Banner Elk.

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, 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 positions is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and Federal and State 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 services offered by the Town of Banner Elk. The final category is the component unit. Although legally separate from the Town, the TDA is important to the Town because the Town exercises control over the Authority by appointing its members.

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 of Banner Elk, 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 the Town of Banner Elk 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* which 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 Banner Elk 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 the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town 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 complied with the budget ordinance and whether or not the Town 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 Funds. The Town of Banner Elk has one 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 Banner Elk 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 begin on page 22 of this report.

Other Information. Combining and individual fund statements and schedules can be found beginning on page 57 of this report. Required supplementary information can be found beginning on page 52.

**Government-Wide Financial Analysis
Town of Banner Elk's Net Position**

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	\$ 5,688,665	\$ 4,420,008	\$ 3,237,089	\$2,762,931	\$ 8,925,754	\$ 7,182,939
Capital assets, net	7,035,985	5,568,898	2,255,107	2,313,637	9,291,092	7,882,535
Total Assets	12,724,650	9,988,906	5,492,196	5,076,568	18,216,846	15,065,474
Total Deferred Outflows	471,445	494,297	90,164	88,204	561,609	582,501
Liabilities:						
Other liabilities	945,358	606,437	96,341	94,408	1,041,699	700,845
Long-term liabilities	2,259,769	1,444,694	169,346	143,672	2,429,115	1,588,366
Total Liabilities	3,205,127	2,051,131	265,687	238,080	3,470,814	2,289,211
Total Deferred Inflows	143,851	115,755	5,906	6,254	149,757	122,009
Net Position:						
Net investments in capital a	5,551,460	4,958,156	2,255,107	2,313,637	7,806,567	7,271,793
Restricted	756,138	304,926	-	-	756,138	304,926
Unrestricted	3,539,519	3,053,235	3,055,660	2,606,801	6,595,179	5,660,036
Total Net Position	\$ 9,847,117	\$ 8,316,317	\$ 5,310,767	\$4,920,438	\$ 15,157,884	\$ 13,236,755

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Banner Elk exceeded liabilities by \$15,157,884 as of June 30, 2024. The Town's net position increased by \$1,921,129 for the fiscal year ended June 30, 2024. However, the largest portion (51.5%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Banner Elk uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Banner Elk's net investment in 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 Banner Elk's net position, \$756,168, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,595,179 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- In the current year, there was an increase in local options sales tax.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.34%.

Town of Banner Elk Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for services	\$ 126,182	\$ 170,987	\$ 1,185,746	\$ 1,042,398	\$ 1,311,928	\$ 1,213,385
Operating grants and con	418,825	48,956	-	-	418,825	48,956
Capital grants and contrit	30,884	37,998	103,416	-	134,300	37,998
General Revenues:						
Property taxes	1,683,932	1,650,385	-	-	1,683,932	1,650,385
Other taxes	1,150,928	1,066,006	-	-	1,150,928	1,066,006
Miscellaneous	78,791	51,353	-	-	78,791	51,353
Sale of capital assets	-	(11,211)	-	-	-	(11,211)
Investment earnings, unrestricted	369,743	230,091	11,556	4,352	381,299	234,443
Total Revenues	3,859,285	3,244,565	1,300,718	1,046,750	5,160,003	4,291,315
Expenses:						
General government	570,140	667,160	-	-	570,140	667,160
Public safety	1,013,894	945,446	-	-	1,013,894	945,446
Transportation	304,750	280,873	-	-	304,750	280,873
Cultural and recreation	428,845	428,579	-	-	428,845	428,579
Interest on long-term debt	10,856	13,397	-	-	10,856	13,397
Water and sewer	-	-	910,389	821,843	910,389	821,843
Total Expenses	2,328,485	2,335,455	910,389	821,843	3,238,874	3,157,298
Change in Net Position	1,530,800	909,110	390,329	224,907	1,921,129	1,134,017
Net position, beginning as previously reported	8,316,317	7,401,261	4,920,438	4,695,531	13,236,755	12,096,792
Prior period adjustment	-	5,946	-	-	-	5,946
Net position, beginning, as restated	8,316,317	7,407,207	4,920,438	4,695,531	13,236,755	12,102,738
Net position, June 30	\$ 9,847,117	\$ 8,316,317	\$ 5,310,767	\$ 4,920,438	\$ 15,157,884	\$ 13,236,755

Governmental Activities. Governmental activities increased the Town’s net position by \$1,164,616. Key elements of this increase are as follows:

- Property tax collections exceeded expectations.
- Town management closely monitored expenditures.
- Increased collections from local option sales tax.

Business-Type Activities. Business-type activities increased the Town of Banner Elk’s net position by \$390,329. Key element of this increase are as follows:

- Water and sewer collections exceeded budgeted amounts.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Banner Elk'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 Banner Elk's financing requirements. Specifically, available 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 Banner Elk. At the end of the current fiscal year, fund balance available in the General Fund was \$3,409,187 while total fund balance reached \$3,950,164.

At June 30, 2024, the governmental funds of the Town of Banner Elk reported a combined fund balance of \$4,890,232, an 25.1% increase over last year. Included in this change in fund balance is an increase in the General Fund of \$904,971, ARP Fund of \$367,492, decrease in the Historic Banner Elk School Improvement Fund of \$334,809 and a net increase in non-major funds of \$33,682.

General Fund Budgetary Highlights. During the fiscal year, the Town 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.

Revenues exceeded budgeted amounts due to conservative estimates.

Proprietary Funds. The Town of Banner Elk'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 \$3,055,660. The change in net position was an increase of \$390,329. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Banner Elk's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Banner Elk's capital assets for its governmental and business-type activities as of June 30, 2024, totals \$9,291,092 (net of accumulated depreciation). These assets include buildings, roads and bridges, 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):

- The Historic Banner Elk School improvements, infrastructure, and equipment \$1,797,798
- Business-type furniture and maintenance equipment and plant distributions \$24,689

Town of Banner Elk's Capital Assets

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Land and CIP	\$ 2,671,136	\$ 1,334,233	\$ 126,882	\$ 23,466	\$ 2,798,018	\$ 1,357,699
Infrastructure	3,820,546	3,492,540	208,883	208,883	4,029,429	3,701,423
Buildings	1,546,902	1,546,902	-	-	1,546,902	1,546,902
Plant	-	-	6,566,030	6,560,228	6,566,030	6,560,228
Right to use assets	46,742	46,742	-	-	46,742	-
Equipment and furniture	1,694,712	1,561,823	699,847	680,960	2,394,559	2,242,783
Total	9,780,038	7,982,240	7,601,642	7,473,537	17,381,680	15,455,777
Less accumulated depreciation	(2,744,053)	(2,413,342)	(5,346,535)	(5,159,900)	(8,090,588)	(7,573,242)
Net capital assets	<u>\$ 7,035,985</u>	<u>\$ 5,568,898</u>	<u>\$ 2,255,107</u>	<u>\$ 2,313,637</u>	<u>\$ 9,291,092</u>	<u>\$ 7,882,535</u>

Additional information on the Town's capital assets can be found in note 2 of the basic financial statements.

Long-Term Debt. As of June 30, 2024, the Town of Banner Elk had total debt outstanding of \$2,677,399.

Town of Banner Elk's Outstanding Debt General Obligation Bonds and Other Long-Term Liabilities

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Net pension liability (LGER)	\$ 696,196	\$ 618,999	\$ 152,155	\$ 135,284	\$ 848,351	\$ 754,283
Total pension liability (LEC)	238,795	278,114	-	-	238,795	278,114
IT Subscription agreement	20,978	31,028	-	-	20,978	-
Compensated absences	61,894	59,265	30,569	26,676	92,463	85,941
Total OPEB liability	13,265	19,391	-	-	13,265	19,391
Installment purchases	1,463,547	579,714	-	-	1,463,547	579,714
Total	<u>\$ 2,494,675</u>	<u>\$ 1,586,511</u>	<u>\$ 182,724</u>	<u>\$ 161,960</u>	<u>\$ 2,677,399</u>	<u>\$ 1,717,443</u>

The Town of Banner Elk's total long-term liabilities increased during the past fiscal year due to a loan entered into for \$1,000,000.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Banner Elk is \$27,022,723.

Additional information regarding the Town of Banner Elk's long-term debt can be found in note 2 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability and prosperity of the Town:

- Potential of increases in sales tax
- Potential for increase in tourism
- Continued viability of businesses due to economic conditions

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities. Property tax revenues are expected to remain steady with some increase to the prior year based on new development. State shared revenues are budgeted higher due to the increase in travel and development in the area.

Budgeted expenditures in the General Fund are expected to remain constant.

Business-Type Activities. The water and sewer revenues and expenditures in the Town are expected to remain stable.

Requests for Information

This report is designed to provide an overview of the Town's 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 Director of Finance, Town of Banner Elk, P.O. Box 2049, Banner Elk, North Carolina 28604.

Town of Banner Elk, North Carolina
 Statement of Net Position
 June 30, 2024

	Primary Government			Town of Banner Elk TDA
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and investments	\$ 4,871,191	\$ 2,604,719	\$ 7,475,910	1,828,121
Property taxes receivable, net	77,668	-	77,668	-
Accounts receivable, net	-	75,865	75,865	-
Due from other governments	243,777	112,039	355,816	28,325
Accrued interest	10,313	-	10,313	-
Inventories	-	82,517	82,517	-
Cash, restricted	485,716	361,949	847,665	-
Total Current Assets	5,688,665	3,237,089	8,925,754	1,856,446
Noncurrent Assets:				
Capital Assets:				
Right to use assets, net of amortization	23,372	-	23,372	-
Land and construction in progress	2,671,136	126,882	2,798,018	-
Other capital assets, net	4,341,477	2,128,225	6,469,702	-
Capital Assets, net	7,035,985	2,255,107	9,291,092	-
Total Assets	12,724,650	5,492,196	18,216,846	1,856,446
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB deferrals	471,445	90,164	561,609	-
Total deferred outflows of resources	471,445	90,164	561,609	-
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	682,127	30,775	712,902	55,410
Unearned revenue	-	-	-	-
Due to other governments	28,325	-	28,325	-
Liabilities to be paid from restricted assets:				
Customer deposits	-	52,188	52,188	-
Current portion of long-term debt	234,906	13,378	248,284	-
Total Current Liabilities	945,358	96,341	1,041,699	55,410
Long-Term Liabilities:				
Due in more than one year	2,259,769	169,346	2,429,115	-
Total Long-Term Liabilities	2,259,769	169,346	2,429,115	-
Total Liabilities	3,205,127	265,687	3,470,814	55,410
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	143,851	5,906	149,757	-
Total deferred inflows of resources	143,851	5,906	149,757	-
NET POSITION				
Net investment in capital assets	5,551,460	2,255,107	7,806,567	-
Restricted for:				
Stabilization by state statute	231,118	-	231,118	28,325
American Rescue Plan	382,779	-	382,779	-
Public safety	142,241	-	142,241	-
Unrestricted	3,539,519	3,055,660	6,595,179	1,772,711
Total Net Position	\$ 9,847,117	\$ 5,310,767	\$ 15,157,884	1,801,036

Town of Banner Elk, North Carolina
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Banner Elk TDA		
					Governmental Activities	Business-Type Activities	Total			
Governmental Activities:										
General government	\$ 570,140	\$ 40,988	\$ -	\$ -	\$ (529,152)	\$ -	\$ (529,152)	\$ -		
Public safety	1,013,894	32,953	369,184	-	(611,757)	-	(611,757)	-		
Transportation	304,750	-	49,641	-	(255,109)	-	(255,109)	-		
Cultural and recreation	428,845	52,241	-	30,884	(345,720)	-	(345,720)	-		
Interest on long-term debt	10,856	-	-	-	(10,856)	-	(10,856)	-		
Total governmental activities	2,328,485	126,182	418,825	30,884	(1,752,594)	-	(1,752,594)	-		
Business-Type Activities:										
Water and sewer	910,389	1,185,746	-	103,416	-	378,773	378,773	-		
Total business-type activities	910,389	1,185,746	-	103,416	-	378,773	378,773	-		
Total primary government	\$ 3,238,874	\$ 1,311,928	\$ 418,825	\$ 134,300	\$ (1,752,594)	\$ 378,773	(1,373,821)	\$ -		
Component Unit:										
Town of Banner Elk TDA	\$ 234,956	-	-	-	-	-	-	\$ (234,956)		
General revenues:										
Ad valorem taxes					1,683,932	-	1,683,932	-		
Other taxes					1,015	-	1,015	514,856		
Grants and contributions not restricted to a specific program					1,149,913	-	1,149,913	-		
Miscellaneous					78,791	-	78,791	-		
Investment earnings, unrestricted					369,743	11,556	381,299	40,415		
Total general revenues and transfers					3,283,394	11,556	3,294,950	555,271		
Change in net position					1,530,800	390,329	1,921,129	320,315		
Net position, beginning					8,316,317	4,920,438	13,236,755	1,480,721		
Net position, ending					\$ 9,847,117	\$ 5,310,767	\$ 15,157,884	\$ 1,801,036		

Town of Banner Elk, North Carolina
 Balance Sheet - Governmental Funds
 June 30, 2024

	Major Funds			Non-major	Total
	General Fund	ARP Fund	Historic Banner Elk School Improvements	Other Governmental Funds	
ASSETS					
Cash and investments	4,058,114	-	-	813,077	4,871,191
Receivables, net:					
Taxes	77,668	-	-	-	77,668
Due from other governments	229,836	-	12,659	1,282	243,777
Restricted cash and cash equivalents	102,937	382,779	0	-	485,716
Total assets	<u>\$ 4,468,555</u>	<u>382,779</u>	<u>12,659</u>	<u>814,359</u>	<u>5,678,352</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	412,398	-	269,508	221	682,127
Due to other governments	28,325	-	-	-	28,325
Total liabilities	<u>440,723</u>	<u>-</u>	<u>269,508</u>	<u>221</u>	<u>710,452</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable, net	77,668	-	-	-	77,668
Total deferred inflows of resources	<u>77,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,668</u>
FUND BALANCE					
Restricted:					
Stabilization by state statute	229,836	-	-	1,282	231,118
American Rescue Plan	-	382,779	-	-	382,779
Public safety	-	-	-	142,241	142,241
Committed:					
Capital projects	-	-	(256,849)	372,992	116,143
Assigned:					
Subsequent years expenditures	311,141	-	-	139,583	450,724
Cultural and recreation	-	-	-	158,040	158,040
Unassigned	3,409,187	-	-	-	3,409,187
Total fund balance	<u>3,950,164</u>	<u>382,779</u>	<u>(256,849)</u>	<u>814,138</u>	<u>4,890,232</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,468,555</u>	<u>\$ 382,779</u>	<u>\$ 12,659</u>	<u>\$ 814,359</u>	<u>\$ 5,678,352</u>

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

Total fund balance	\$ 4,890,232
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,035,985
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	10,313
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.	471,445
Earned revenues considered deferred inflows of resources in fund statements fund statements.	77,668
Deferred inflows of resources related to OPEB and pensions are not reported in the funds	(143,851)
The following long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability - LGERS	(717,174)
Total OPEB liability	(13,265)
Total pension liability - LEOSSA	(238,795)
Gross long-term debt	(1,463,547)
Compensated absences	(61,894)
Net position of governmental activities	<u>\$ 9,847,117</u>

Town of Banner Elk, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2024

	Major Funds			Non-major	Total
	General Fund	ARP Fund	Historic Banner Elk School Improvements	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 1,641,447	\$ -	\$ -	\$ -	\$ 1,641,447
Other taxes and licenses	1,015	-	-	-	1,015
Unrestricted intergovernmental revenues	1,149,913	-	-	-	1,149,913
Restricted intergovernmental revenues	52,641	366,184	-	-	418,825
Permits and fees	10,758	-	-	-	10,758
Sales and services	30,230	-	-	85,194	115,424
Investment earnings	305,426	10,308	2,094	51,915	369,743
Miscellaneous	78,791	-	-	30,884	109,675
Total Revenues	<u>3,270,221</u>	<u>376,492</u>	<u>2,094</u>	<u>167,993</u>	<u>3,816,800</u>
EXPENDITURES					
Current:					
General government	551,861	-	-	-	551,861
Public safety	962,513	-	-	24,493	987,006
Transportation	604,804	-	-	-	604,804
Cultural and recreation	202,382	-	1,336,903	26,485	1,565,770
Debt service:					
Principal	32,834	-	-	83,333	116,167
Interest and other charges	10,856	-	-	-	10,856
Total Expenditures	<u>2,365,250</u>	<u>-</u>	<u>1,336,903</u>	<u>134,311</u>	<u>3,836,464</u>
Excess of revenues over expenditures	904,971	376,492	(1,334,809)	33,682	(19,664)
OTHER FINANCIAL SOURCES (USES)					
Loan proceeds	-	-	1,000,000	-	1,000,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Net change in fund balance	904,971	376,492	(334,809)	33,682	980,336
Fund balance, beginning	<u>3,045,193</u>	<u>6,287</u>	<u>77,960</u>	<u>780,456</u>	<u>3,909,896</u>
Fund balance, ending	<u>\$ 3,950,164</u>	<u>\$ 382,779</u>	<u>\$ (256,849)</u>	<u>\$ 814,138</u>	<u>\$ 4,890,232</u>

Town of Banner Elk, North Carolina
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Amounts reported for governmental activities in the Statement of Activities
(Exhibit 2) are different because:

Net changes in fund balances - total governmental funds (Exhibit 4)	\$	980,336
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues		42,489
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Governmental funds report capital outlays 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 as follows:

Capital outlay expenditures which were capitalized		1,797,798
Depreciation expense for governmental assets		(330,711)

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		126,217
Issuance of long-term debt		(1,000,000)

Benefit payments paid and administrative expense for LEO are not included on the Statement of Activities		5,768
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Benefit payments paid and administrative expense for OPEB are not included on the Statement of Activities		9,430
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Contributions to the pension plan in the current fiscal year not included in the statement of activities		119,050
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

OPEB plan expense		(3,304)
Pension expense - LGERS		(185,688)
Pension expense - LEOSSA		(27,956)
Compensated absences		(2,629)

Total changes in net position of governmental activities	\$	<u><u>1,530,800</u></u>
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Town of Banner Elk, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Ad valorem taxes	\$ 1,622,888	\$ 1,622,888	1,641,447	\$ 18,559
Unrestricted intergovernmental	759,500	759,500	1,149,913	390,413
Other taxes and licenses	650	650	1,015	365
Restricted intergovernmental	42,000	42,000	52,641	10,641
Permits and fees	5,000	5,000	10,758	5,758
Sales and services	35,500	35,500	30,230	(5,270)
Investment earnings	10,000	10,000	305,426	295,426
Miscellaneous	25,596	25,596	78,791	53,195
Total Revenues	<u>2,501,134</u>	<u>2,501,134</u>	<u>3,270,221</u>	<u>769,087</u>
EXPENDITURES				
Current:				
General government	759,840	813,400	551,861	261,539
Public safety	1,036,543	1,084,393	962,513	121,880
Transportation	693,853	713,353	604,804	108,549
Cultural and recreation	205,791	223,791	202,382	21,409
Debt service:				
Principal	32,834	32,834	32,834	-
Interest	10,856	10,856	10,856	-
Total Expenditures	<u>2,739,717</u>	<u>2,878,627</u>	<u>2,365,250</u>	<u>513,377</u>
Revenues over (under) expenditures	(238,583)	(377,493)	904,971	1,282,464
OTHER FINANCING SOURCES				
Sale of capital assets	1,000	1,000	-	1,000
Total other financing sources (users)	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Appropriated fund balance	<u>237,583</u>	<u>376,493</u>	<u>-</u>	<u>(376,493)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	904,971	<u>\$ 904,971</u>
Fund balance, beginning			<u>3,045,193</u>	
Fund balance, ending			<u>\$ 3,950,164</u>	

Town of Banner Elk, North Carolina
Statement of Fund Net Position - Proprietary Fund
June 30, 2024

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	2,604,719
Accounts receivable, net	75,865
Due from other governments	112,039
Inventories	82,517
Restricted cash and cash equivalents	361,949
Total current assets	3,237,089
Noncurrent assets:	
Capital assets:	
Land and construction in progress	126,882
Other capital assets, net of depreciation	2,128,225
Capital assets	2,255,107
Total noncurrent assets	2,255,107
Total assets	5,492,196
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	90,164
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	30,775
Current portion of long-term debt	13,378
Liabilities payable from restricted assets:	
Customer deposits	52,188
Total current liabilities	96,341
Noncurrent liabilities:	
Compensated absences	17,191
Net pension liability	152,155
Total noncurrent liabilities	169,346
Total liabilities	265,687
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	5,906
NET POSITION	
Net investment in capital assets	2,255,107
Unrestricted	3,055,660
Total net position	\$ 5,310,767

Exhibit 8

Town of Banner Elk, North Carolina
 Statement of Revenues, Expenses and Changes in Fund Balance - Proprietary Fund
 For the Year Ended June 30, 2024

	<u>Water & Sewer Fund</u>
OPERATING REVENUES	
Charges for services	979,984
Water and sewer development fees	152,666
Sewer CIP surcharge	12,004
Water and sewer taps	3,974
Impact fees	37,118
Total operating revenues	<u>1,185,746</u>
OPERATING EXPENSES	
Water and sewer operations	723,754
Depreciation and amortization	186,635
Total operating expenses	<u>910,389</u>
Operating income (loss)	<u>275,357</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	11,556
Restricted intergovernmental	103,416
Interest and other charges	0
Total nonoperating revenue (expenses)	<u>114,972</u>
Change in net position	390,329
Total net position, beginning	4,920,438
Total net position, ending	<u><u>\$ 5,310,767</u></u>

**Town of Banner Elk, North Carolina
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2024**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,182,004
Cash paid for goods and services	(368,834)
Cash paid to employees	(324,432)
Customer deposits received (returned)	1,735
Net cash provided (used) by operating activities	<u>490,473</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(24,689)
Net cash provided (used) by capital and related financing activities	<u>(24,689)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Restricted intergovernmental revenues	(103,416)
Net cash provided (used) by noncapital financing activities	<u>(103,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	11,556
Net cash provided (used) by investing activities	<u>11,556</u>
Net increase (decrease) in cash and cash equivalents	373,924
Cash and cash equivalents, July 1	2,592,744
Cash and cash equivalents, June 30	<u>\$ 2,966,668</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 275,357
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	186,635
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable, net	(3,742)
(Increase) decrease in due from other governments	(2,323)
(Increase) decrease in inventories	9,247
Increase in net pension liability	16,871
Increase (decrease) in accounts payable and accrued liabilities	5,109
Increase (decrease) in customer deposits	1,735
Increase (decrease) in compensated absences	3,892
Increase (decrease) in deferred inflows of resources for pensions	(348)
(Increase) decrease in deferred outflows of resources for pensions	(1,960)
Total adjustments	<u>215,116</u>
Net cash provided by operating activities	<u>\$ 490,473</u>

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Banner Elk, North Carolina, (the Town) 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 is a municipal corporation that is governed by an elected Mayor and a five- member Council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Banner Elk Tourism Development Authority (TDA)

The members of the TDA's governing board are appointed by the Town. The TDA Board, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the TDA Board may be obtained from the entity's administrative offices at the Town of Banner Elk TDA, P.O. Box 2049, Banner Elk, North Carolina 28604.

B. Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

enterprise funds are aggregated and reported as nonmajor funds.

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

The Town maintains 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 and street maintenance and construction.

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

Historic Banner Elk School Improvements Fund. The fund accounts for transactions related to capital improvements to the Historic Banner Elk School.

The Town maintains the following nonmajor governmental funds:

Police Special Revenue Fund. This fund is used to account for Federal and State drug enforcement funds remitted to the Town that are restricted for the benefits of the police department.

Cops Golf Tournament Special Revenue Fund. This fund is used to account for the annual activity of the Cops Golf Tournament.

Capital Project Reserve Fund. The Capital Improvement Capital Project Fund is used to account for capital asset purchases and major construction projects of the Town, excluding streets, sidewalks, and water/sewer projects.

Historic Banner Elk School Special Revenue Fund. This fund is used to account for activity for the Historic Banner Elk School. The Town utilizes fundraising activities to cover the debt payment and property improvements.

The Town reports the following major enterprise fund:

Water and Sewer Fund. Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Fund is the only enterprise fund of the Town.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Water and Sewer Capital Improvement Plan Fund. The Water and Sewer Capital Improvement Plan Fund is used to account for capital asset purchases and major construction projects of the Town's water and sewer activity.

ARPA Funded Wastewater System and Water System Improvements Project Fund. The ARPA funded wastewater system and water system improvements project fund is to account for improvements to the Town's wastewater and water infrastructure.

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 the 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 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 funds 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 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.

Governmental 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 principal 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

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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. 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, 2014, 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 the 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 Banner Elk because the tax is levied by Avery 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 by 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, Capital Improvement Capital Project Fund, Police Special Revenue Fund, Cops Golf Tournament Special Revenue Fund, Historic Banner Elk School Special Revenue Fund, American Rescue Plan Fund Special Revenue Fund, Water and Sewer Fund, and Water and Sewer Capital Improvement Plan Fund. All annual appropriations lapse at the fiscal year-end.

A project ordinance is adopted for the Historic Banner Elk School Improvements Capital Project Fund and the ARPA Wastewater and Water System Improvements Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional 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 \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. 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.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 statutes. 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). Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The Town's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value.

2. Cash and Cash Equivalents

The Town pools monies 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 Cash

Security deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Restricted cash at June 30, 2024, consist of the following:

Governmental Activities:

American Rescue Plan	\$ 382,779
Loan restrictions	102,937
Total governmental activities	\$ 485,716

Business-Type Activities:

Customer deposits	\$ 52,188
Water and sewer system development	309,761
Total business-type activities	361,949
Total restricted cash	\$ 847,665

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2023.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized.

The Town capitalizes interest costs which are incurred during the construction period of capital assets.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of \$5,000 will be reported as capital assets in the Statement of Net Position. 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 acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General governmental infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Assets</u>	<u>Estimated Useful lives</u>
Infrastructure	50 years
Buildings and improvements	50 years
Furniture and equipment	10 years
Vehicles	5 years
Computer equipment	5 years

8. Right to use assets

The Town’s capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 96.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

9. Compensated Absences

Town employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of 280 hours. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay taken is reduced using the first-in-first-out method. The portion of that time that 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 unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The 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 two items that meet this criterion, pension and OPEB deferrals.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 future period and so will not be recognized as revenues until then. The Town has three items that meets this criterion – property taxes receivable, prepaid taxes and pension deferrals.

11. 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 the proprietary fund type Statement of Net Position. Debt issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

12. Net Position/Fund

Balances Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

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

Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to

TOWN OF BANNER ELK, NORTH CAROLINA
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FOR THE YEAR ENDED JUNE 30, 2024

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 Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures.

Restricted for American Rescue Plan – portion of fund balance that is restricted by revenue source for eligible expenditures under the American Rescue Plan.

Committed Fund Balance: This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Banner Elk’s governing body (highest level of decision making authority, the Town Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body. 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.

Committed for Capital Projects – portion of fund balance that has been budgeted by the Board for future expenditures within the Streets and Sidewalks Capital Project Fund.

Assigned Fund Balance: Assigned fund balance is the portion of fund balance that the Town of Banner Elk has budgeted for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

Restricted for Cultural and Recreational – portion of fund balance that is restricted by revenue source for cultural and recreational expenditures.

Unassigned Fund Balance: Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes or other funds.

The Town of Banner Elk has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, Federal funds, State funds, local non-Town funds, and 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 or when required by grant or other contractual agreements.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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The Town has not officially adopted a fund balance policy.

13. Interfund Transactions

Interfund services provided are accounted for as revenues or expenses in the government-wide financial statements since they would be treated as such if they involved organizations external to the Town. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

14. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates made are: allowance for doubtful accounts and depreciation lives.

15. Defined Benefit Cost- Sharing Plans

For purposes of measuring the net pension asset, 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 Banner Elk's employer contributions are recognized when due and the Town of Banner Elk 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.

II. Stewardship, Compliance and Accountability

Noncompliance with North Carolina General Statutes

North Carolina General Statute 159-34 requires each unit of local government and public authority to have its accounts audited each fiscal year and to submit a copy of the audit report to the Secretary of the Local Government Commission (LGC). Audit reports for are due four months after fiscal year end. The audit of the Town of Banner Elk was submitted subsequent to October 31, 2024 due to Hurricane Helene hindering Town operations and the Town shutting down for an extended period of time due to no electricity or water and sewer.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and TDA are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

insurance coverage level are collateralized with securities held by the Town’s or TDA’s agents in the units’ 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 and TDA, these deposits are considered to be held by the Town’s and TDA’s agents in their names. 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 and TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town and TDA 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 and TDA has no policy regarding custodial credit 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 and TDA complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2024, the Town’s deposits had a carrying amount of \$780,073 and a bank balance of \$585,204. Of the bank balance, \$355,186 was covered by FDIC. The Town held \$2,132 in petty cash as of June 30, 2024.

At June 30, 2024, the TDA’s deposits had a carrying amount of \$1,828,121 and a bank balance of \$1,832,041. Of the bank balance, \$250,000 was covered by the FDIC.

2. Investments

At June 30, 2024, the Town’s investments balances were as follows:

Investment Type	Valuation Measurement Method	Book Value At 6/30/2024	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value 1	\$ 7,541,370	N/A	AAAm
Total:		\$ 7,541,370		

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 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. The Town has no formal investment policy regarding interest rate risk. The Town does not have a formal investment policy. However, the Town’s internal management 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.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s and AAAM-mf by Moddy’s Investors Services as of June 30, 2024.

3. Receivables – Allowances for Doubtful Accounts:

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	<u>Accounts</u>	<u>Accrued Interest on Taxes</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:					
General Fund					
Property taxes	\$ -	\$ -	\$ 79,052	\$ -	\$ 79,052
Local option sales/franchise tax	-	-	-	149,244	149,244
ABC revenues	-	-	-	50,000	50,000
Accrued interest taxes	-	10,313	-	-	10,313
Sales tax refund	-	-	-	36,932	36,932
Motor vehicle tax	-	-	-	7,601	7,601
Allowance for doubtful accounts	-	-	(1,384)	-	(1,384)
Total Governmental Activities	<u>\$ -</u>	<u>\$10,313</u>	<u>\$ 77,668</u>	<u>\$ 243,777</u>	<u>\$ 331,758</u>
Business-Type Activities:					
Water and sewer	\$ 79,683	\$ -	\$ -	\$ -	\$ 79,683
Allowance for doubtful accounts	(3,818)	-	-	-	(3,818)
NC Division of Environmental Quality	-	-	-	103,416	103,416
Sales tax refund	-	-	-	8,623	8,623
Total business-type activities	<u>\$ 75,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,039</u>	<u>\$ 187,904</u>

4. Capital Assets

The capital assets of the government fund of the Town at June 30, 2024, were as follows:

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 1,334,233	\$ -	\$ -	\$ 1,334,233
Construction in progress	-	1,336,903	-	1,336,903
Total capital assets not being depreciated	<u>1,334,233</u>	<u>1,336,903</u>	<u>-</u>	<u>2,671,136</u>
Depreciable Assets:				
Buildings	1,546,902	-	-	1,546,902
Equipment and furniture	1,561,823	132,889	-	1,694,712
Infrastructure	3,492,540	328,006	-	3,820,546
Total depreciable assets	<u>6,601,265</u>	<u>460,895</u>	<u>-</u>	<u>7,062,160</u>
Less Accumulated Depreciation:				
Buildings	496,470	32,346	-	528,816
Equipment and furniture	1,107,965	196,045	-	1,304,010
Infrastructure	797,222	90,635	-	887,857
Total accumulated depreciation	<u>2,401,657</u>	<u>319,026</u>	<u>-</u>	<u>2,720,683</u>
Governmental activities capital assets, net	<u>\$ 5,533,841</u>	<u>\$ 141,869</u>	<u>\$ -</u>	<u>\$ 7,012,613</u>

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

Governmental Activities:	
General government	\$ 26,615
Public safety	64,440
Cultural and recreational	23,541
Public works	<u>204,430</u>
Total	<u>\$ 319,026</u>

Proprietary Capital Assets

The capital assets of the proprietary fund of the Town at June 30, 2024, were as follows:

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Business-type Activities:	Beginning Balance	Additions	Retirements	Ending Balance
Water and Sewer Fund				
Non-Depreciable Assets:				
Land	\$ 23,466	-	-	\$ 23,466
Construction in progress	-	103,416	-	103,416
Total non-depreciable assets	23,466	103,416	-	126,882
Depreciable and Amortizable Assets:				
Plant	6,560,228	5,802	-	6,566,030
Infrastructure	208,883	-	-	208,883
Furniture and maintenance equipment	680,960	18,887	-	699,847
Total depreciable and amortizable assets	7,450,071	24,689	-	7,474,760
Less Accumulated Depreciation:				
Plant	4,556,701	154,146	-	4,710,847
Infrastructure	8,212	8,194	-	16,406
Furniture and maintenance equipment	594,987	24,295	-	619,282
Total accumulated depreciation	5,159,900	186,635	-	5,346,535
Total capital assets being depreciated, net				
Water and Sewer Fund capital assets, net	\$ 2,313,637	\$ (58,530)	\$ -	\$ 2,255,107

Right to Use Leased Assets

The Town has recorded three right to use leased assets. The assets are right to use assets for an IT subscription agreement. The related leases are discussed in the Leases subsection of the long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

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

	Beginning Balance	Additions	Retirements	Ending Balance
Right to use assets				
IT Subscription	\$ 46,742	-	-	\$ 46,742
Total right to use assets	46,742	-	-	46,742
Less accumulated amortization for:				
IT Subscription	11,685	11,685	-	23,370
Total accumulated amortization	11,685	11,685	-	23,370
Right to use assets, net	\$ 35,057	\$ 11,685	\$ -	\$ 23,372

B. Liabilities

1. Pension Plan and Postemployment Obligations

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Banner Elk 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 local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Banner Elk 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 Banner Elk's contractually required contribution rate for the year ended June 30, 2023,

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

was 14.04% of compensation for law enforcement officers and 12.85% 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 Banner Elk were \$145,077 for the year ended June 30, 2024.

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

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

At June 30, 2024, the Town reported a liability of \$848,351 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the Town’s proportion was 0.01281%, which was a decrease of 0.00057% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$225,738. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,531	2,035
Changes of assumptions	36,050	-
Net difference between projected and actual earnings on pension plan investments	227,056	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	30,897
Town contributions subsequent to the measurement date	145,077	-
Total	\$ 502,714	\$ 32,932

\$145,077 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2025	\$	115,390
2026		52,742
2027		146,972
2028		9,601
2029		-
	<u>\$</u>	<u>324,705</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 percent
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses the Pub-2010 mortality tables that vary by age, gender, and employee group (i.e. general, law enforcement officers) 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 are projected from 2010 using generational improvement with the scale MP-2019.

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, 2023 are summarized in the following table:

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

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The information above is based on 30-year expectations developed with the consulting actuary for the 2023 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 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Town’s proportionate share of the net pension asset calculated using the discount rate of 6.5 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Town's proportionate share of the net pension liability (asset)	\$ 1,469,735	\$ 848,351	\$ 336,770

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

b. Law Enforcement Officers’ Special Separation Allowance

Plan Description. The Town of Banner Elk administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2022, the Separation Allowance’s membership consisted of:

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Inactive members currently receiving benefits	1
Active plan members	6
Total	7

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 are recognized when due and payable in accordance with the terms of the plan.

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor

Discount rate. The discount rate used to measure the total pension liability was 4.00%. The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019. Mortality Rates Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables. Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths after Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths after Retirement (Disabled Members at Retirement): Mortality rates are based on the NonSafety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths after Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

**TOWN OF BANNER ELK, NORTH CAROLINA
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Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$11,464 as benefits came due for the reporting period.

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

At June 30, 2024, the Town reported a total pension liability of \$238,795. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$21,473.

	Deferred Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 6,661	\$ 62,108
Changes of assumptions	37,036	54,717
Town benefit payments and plan administrative expense made subsequent to the measurement date	5,768	-
Total	\$ 49,465	\$ 116,825

\$5,768 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2025	\$ (3,723)
2026	(12,228)
2027	(25,169)
2028	(19,251)
2029	(7,956)
Thereafter	(4,801)
Total	\$ (73,128)

\$5,768 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

**TOWN OF BANNER ELK, NORTH CAROLINA
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Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 4.00 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 266,144	\$ 238,795	\$ 213,991

	2024
Beginning balance	\$ 278,114
Service Cost	10,926
Interest on the total pension liability	11,740
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(57,955)
Changes of assumptions or other inputs	7,434
Benefit payments	(11,464)
Other changes	-
Ending balance of the total pension liability	\$ 238,795

Changes of assumptions and other inputs reflect a change in the discount rate from 4.31 percent at December 31, 2022 to 4.00 percent at December 31, 2023. 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.

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

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

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	<u>LEOSSA</u>	<u>LGERS</u>	<u>Total</u>
Pension expense	\$ 21,473	\$ 225,738	\$ 247,211
Pension liability	238,795	848,351	1,087,146
Proportionate share of the net position liability	N/A	0.01281%	-
Deferred Outflows of Resources:			
Difference between expected and actual experience	\$ 6,661	94,531	101,192
Changes of assumptions and other inputs	37,036	36,050	73,086
Net difference between projected and actual earnings on pension plan investments	-	227,056	227,056
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative cost paid subsequent to the measurement date	5,768	145,077	150,845
Total deferred outflows of resources	<u>\$ 49,465</u>	<u>\$ 502,714</u>	<u>\$ 552,179</u>
Deferred Inflows of Resources:			
Difference between expected and actual experience	\$ 62,108	\$ 2,035	\$ 64,143
Changes of assumptions and other inputs	54,717	-	54,717
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
	-	30,897	30,897
Total deferred inflows of resources	<u>\$ 116,825</u>	<u>\$ 32,932</u>	<u>\$ 149,757</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% 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 of \$38,081 for the reporting year. No amounts were forfeited.

2. Other Post-Employment Benefits

**TOWN OF BANNER ELK, NORTH CAROLINA
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Post-employment Healthcare Benefits

Plan Description. The Town (by local ordinance) administers a single employer defined benefit Healthcare Benefit Plan which provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following criteria. The employee must exercise their LGERS retirement if they have at least ten years of creditable service with the Town to remain on the Town's policy with the retiree paying the full cost. If the employee has twenty- five years of creditable service with the Town, the Town will pay the full cost of coverage of these benefits for retirees. Retirees will cease to be eligible for group health once they are Medicare eligible. Retirees who do not meet the aforementioned criteria have the option to purchase basic medical insurance for themselves and their dependents through the Town for eighteen months. The entire cost of this insurance is borne by the retirees. The Town maintains healthcare coverage through a combination of self-insurance and private insurers (see Risk Management Note). The plan was eliminated for all active employees as of December 10, 2012.

Funding Policy. The Town agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. For members that retire with at least 25 years of service, the Town pays 100% of the cost for pre-Medicare healthcare coverage for the retire. Years of service are considered years of creditable service with the Local Governmental Employees' Retirement System. Retirees will cease to be eligible for group health once they are Medicare eligible. The retiree will be responsible for paying the cost of dependent coverage if dependent coverage is elected. The Town has chosen to fund the health care benefits on a pay-as-you-go basis.

Total OPEB Liability

The Town's total OPEB liability of \$13,265 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases including wage inflation	
Law Enforcement Officers	3.25-7.90 percent
General Employees	3.25-8.41%
Municipal Bond Index Prior Measurement Date	3.54 percent
Measurement Date	3.65 percent
Healthcare Care Cost Trends	
Pre-Medicare and Prescription Drug	None

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by the Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

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The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2023, valuation were based on a review of recent plan experience done concurrently with the June 30, 2023, valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2023	\$ 19,391
Changes for the year	
Service cost	-
Interest	565
Changes of benefit terms	-
Differences between expected and actual experience	223
Changes in assumptions or other inputs	(14)
Benefit payments	(6,900)
Net changes	<u>(6,126)</u>
Balance at 6/30/2024	<u>\$ 13,265</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.65%)	1% Increase
Total OPEB liability	\$ 13,393	\$ 13,265	\$ 13,140

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 13,265	\$ 13,265	\$ 13,265

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Town recognized OPEB expense of \$774. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Benefit payments and administrative costs made subsequent to the measurement date	9,430	-
Total	\$ 9,430	\$ -

\$9,430 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended

Year ended June 30:

2025	-
2026	-
2027	-
2028	-
2029	-
Thereafter	-

3. Deferred Inflows and Outflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 145,077
Benefit payments made and administrative expenses for LEOSSA	5,768
Differences between expected and actual experience	101,192
Changes of assumptions	73,086
Expenses for OPEB subsequent to measurement date	9,430
Net difference between projected and actual earnings on pension plan investment	227,056
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Total	\$ 561,609

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Deferred inflows of resources at year-end are compromised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 77,668
Changes in assumptions	54,717	-
Differences between expected and actual experience	64,143	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,897	-
	\$ 149,757	\$ 77,668

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 participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town purchases employee health insurance from a private insurance company. The health insurance plan is fully insured by the private carrier.

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond with a \$10,000 coverage limit per incident. The Finance Officer is bonded for \$500,000 and Tax Collector is bonded for \$100,000.

5. Long-Term Obligations

The long-term obligations of the Town are as follows:

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Installment Notes

Serviced by the General Fund

In August 2003, the Town entered into a direct borrowing installment note for \$300,000 to finance the construction of sidewalks. The finance contract requires forty annual payments of \$16,595, plus 4.625% interest rate and matures in 2043. The Town's outstanding note from direct placement for the sidewalks related to governmental activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the real property. \$ 213,547

In March 2015, the Town entered into a direct borrowing installment note for \$1,000,000 to finance the purchase of the Historic Banner Elk School. The finance contract requires annual payments of \$83,333, plus 0% interest rate and matures in 2027. The Town's outstanding note from direct placement for the purchase of the Historic Banner Elk School related to governmental activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the real property. 250,000

In October 2023, the Town entered into a direct borrowing installment note for \$1,000,000 to finance renovations to the Historic Banner Elk School. The finance contract requires ten annual payments of \$100,000, plus 4.58% interest and matures in 2034. The Town's outstanding note from direct placement for the renovation related to governmental activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the building. 1,000,000
\$ 1,463,547

Governmental Activities

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	190,052	55,677	245,729
2026	190,362	50,786	241,148
2027	190,688	45,881	236,569
2028	107,694	40,961	148,655
2029	108,050	36,025	144,075
2030-2034	546,192	105,482	651,674
2035-2039	57,909	25,065	82,974
2040-2044	72,600	10,376	82,976
Total	<u>\$1,463,547</u>	<u>\$ 370,253</u>	<u>\$ 1,833,800</u>

IT Subscription Agreement

The Town entered into an IT Subscription for a Public Safety software which allows the Town to have video services. The term of the agreement is five years. The Subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 2.88% was used to discount the subscription payments. The initial liability for the subscription was \$40,797. \$ 20,978

**TOWN OF BANNER ELK, NORTH CAROLINA
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The future minimum lease obligations and the net present

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 10,340	\$ 604	\$10,944
2026	10,638	306	10,944
Total	<u>\$ 20,978</u>	<u>\$ 910</u>	<u>\$21,888</u>

	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Portion of</u>
Governmental Activities:					
Installment purchases-direct borrowings	\$ 579,714	\$ 1,000,000	\$ 116,167	\$ 1,463,547	\$ 190,052
IT Subscription agreement	31,028	-	10,050	20,978	10,340
Net pension liability (LGERS)	618,999	77,197	-	696,196	-
Total pension liability (LEOSSA)	278,114	-	39,319	238,795	-
Total OPEB liability	19,391	-	6,126	13,265	-
Compensated absences	59,265	2,629	-	61,894	34,514
Total	<u>\$ 1,586,511</u>	<u>\$ 1,079,826</u>	<u>\$ 171,662</u>	<u>\$ 2,494,675</u>	<u>\$ 234,906</u>

	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Portion of</u>
Business-Type Activities:					
Water and Sewer Fund:					
Net pension liability (LGERS)	\$ 135,284	\$ 16,871		\$ 152,155	\$ -
Compensated absences	26,676	3,893	-	30,569	13,378
Water and Sewer long-term liabilities	<u>\$ 161,960</u>	<u>\$ 20,764</u>	<u>\$ -</u>	<u>\$ 182,724</u>	<u>\$ 13,378</u>

Other post-employment benefits and compensated absences typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis, assuming that the employees are taking leave time as it is earned. At June 30, 2024, the Town had a legal debt margin of \$27,022,723.

C. Interfund Transactions

Transfers to/from Other Funds at June 30, 2024 consists of the following:

None

D. Jointly Governed Organizations

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

The Town, in conjunction with the Town of Seven Devils and the Village of Sugar Mountain, merged to form the High Country Municipal Alcoholic Beverage Control Board. Profits from the High Country Municipal Alcoholic Beverage Control Board are distributed pursuant to an agreement signed by the three Towns. Each Town appoints one member to serve on the High Country Municipal Alcoholic Beverage Control Board.

IV. Summary Disclosure of Significant Contingencies Federal and State-Assisted Programs

The Town has received proceeds from several 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.

V. American Rescue Plan Act

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$366,183 of fiscal recovery funds to be paid in two equal installments. The first installment of \$183,092 was received in July 2021. The second installment of \$183,091 was received in July 2022. Town staff and the Town Council utilized these funds for revenue replacement to cover salaries and benefits.

VI. Significant Transactions with a Discretely Presented Component Unit

During the fiscal year, the Town of Banner Elk Tourism Development Authority contributed to the Town \$16,596 for Town infrastructure. The Town of Banner elk Tourism Development Authority paid the Town an administrative fee equal to 3 percent of collected occupancy taxes. The administrative fee totaled \$14,596 for the year ended June 30, 2024.

VII. HURRICANE

The Town experienced damage from Hurricane Helene in September 2024. The damage caused by the storm is still being evaluated.

Identified damages include, but are not limited to:

- Disrupted water and sewer services from washed outlines
- Washed out roads, culverts, and bridges
- Flooded Police Department
- Destroyed or damaged sidewalks, greenways, and pedestrian bridges
- Severe damage to Tate-Evans Park
- 2 vehicles total loss
- 3 generators total loss
- Number of SCADA operational issues within water system
- Pump houses damaged

The Town has been working with the State of North Carolina, FEMA and the insurance provider and continues to determine the reimbursement for these damages.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

VIII. Fund Balance

Total fund balance – General Fund	\$3,950,164
Less:	
Stabilization by State Statute	229,836
Subsequent years expenditures	311,141
Remaining fund balance	\$3,409,187

Town of Banner Elk, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30,

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	565	492	630	1,165	2,296	2,295	2,171
Changes of benefit terms	-	-	-	-	(10,609)	-	-
Differences between expected and actual experience	223	-	441	-	(11,605)	(86)	820
Changes of assumptions	(14)	(388)	87	957	1,078	(740)	(1,573)
Benefit payments	(6,900)	(6,900)	(6,900)	(6,900)	(6,900)	(6,900)	(11,240)
Net change in total OPEB liability	(6,126)	(6,796)	(5,742)	(4,778)	(25,740)	(5,431)	(9,822)
Total OPEB liability - beginning	19,391	26,187	31,929	36,707	62,447	67,878	77,700
Total OPEB liability - ending	\$13,265	\$ 19,391	\$ 26,187	\$ 31,929	\$ 36,707	\$ 62,447	\$ 67,878

Covered payroll N/A *

Total OPEB liability as a percentage of covered N/A *

* Covered employee payroll is not provided since there are fewer than 10 Participants in the Plan

Notes to Schedule

The Town of Banner Elk has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%
2022	2.16%
2023	3.54%
2024	3.65%

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

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Banner Elk's proportion of the net pension liability (asset) (%)	0.01281%	0.01338%	0.01429%	0.01432%	0.01526%	0.01401%	0.01488%	0.01567%	0.01663%	0.01609%
Banner Elk's proportion of the net pension liability (asset) (\$)	\$ 848,351	\$ 754,283	\$ 219,151	\$ 511,715	\$ 416,739	\$ 332,365	\$ 227,325	332,570	\$ 74,633	(94,890)
Banner Elk's covered-employee payroll	\$ 1,070,461	\$ 938,538	\$ 953,954	\$ 932,242	\$ 817,079	\$ 817,079	\$ 847,875	824,874	\$ 824,874	841,796
Banner Elk's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.25%	80.37%	22.97%	54.89%	51.00%	40.68%	26.81%	40.32%	9.05%	(11.27%)
Plan fiduciary net position as a percentage of the total pension liability **	82.49%	90.70%	95.51%	88.61%	90.86%	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 employees in the LGERS plan.

**Town of Banner Elk, North Carolina
Town of Banner Elk's Contributions
Required Supplementary Information
Last Ten Fiscal Years ***

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 145,077	\$ 133,225	\$ 109,194	\$ 99,694	\$ 84,328	\$ 74,881	\$ 65,486	\$ 64,618	\$ 56,874	\$ 60,743
Contributions in relation to the contractually required	145,077	133,225	109,194	99,694	84,328	74,881	65,486	64,618	56,874	60,743
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Banner Elk's covered-employee payroll	\$1,093,756	\$1,070,461	\$938,538	\$953,954	\$905,868	\$932,242	\$817,079	\$824,874	\$824,874	\$ 830,250
Contributions as a percentage of covered-employee payroll	13.26%	12.45%	11.63%	10.45%	9.31%	8.03%	8.01%	7.83%	6.89%	7.32%

Town of Banner Elk, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30,

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$278,114	\$347,746	\$ 389,310	\$ 302,753	\$ 283,833	\$ 347,795	\$ 345,161	\$ 359,409
Service Cost	10,926	19,160	19,499	13,252	12,042	10,385	11,128	11,653
Interest on the total pension liability	11,740	7,509	7,218	9,238	9,561	10,321	12,523	12,280
Changes of benefit terms		-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(57,955)	4,483	(25,578)	3,626	29,399	(31,433)	1,833	
Changes of assumptions or other inputs	7,434	(72,751)	(12,093)	99,180	10,269	(10,878)	18,619	(7,294)
Benefit payments	(11,464)	(28,033)	(30,610)	(38,739)	(42,351)	(42,357)	(41,469)	(30,887)
Other changes	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$238,795</u>	<u>\$278,114</u>	<u>\$ 347,746</u>	<u>\$ 389,310</u>	<u>\$ 302,753</u>	<u>\$ 283,833</u>	<u>\$ 347,795</u>	<u>\$ 345,161</u>

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

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Notes to Schedule:

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Discount rate	4.00 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor

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

MORTALITY ASSUMPTION: All mortality rates use Pub-2010 amount-weighted tables.

MORTALITY PROJECTION: All mortality rates are projected from 2010 using generational improvements with Scale MP-2019.

DEATHS AFTER RETIREMENT (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

DEATHS AFTER RETIREMENT (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

DEATHS AFTER RETIREMENT (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

DEATHS PRIOR TO RETIREMENT: Mortality rates are based on the Safety Mortality Table for Employees.

Town of Banner Elk, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30,

	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$238,795	\$ 278,114	\$ 347,746	\$ 389,310	\$ 302,753	\$ 283,833	\$ 347,795	\$ 345,161
Covered payroll	345,680	397,522	416,042	414,177	402,784	303,676	397,110	388,163
Total pension liability as a percentage of covered payroll	69.08%	69.96%	83.58%	94.00%	75.17%	93.47%	87.58%	88.92%

Notes to the schedules:

Notes to the schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

* - This schedule will build to ten years of information as the data becomes available.

Town of Banner Elk, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes		1,638,071	
Penalties and interest		3,376	
Total	<u>1,622,888</u>	<u>1,641,447</u>	<u>18,559</u>
Other taxes and licenses:			
Privilege licenses		80	
Solid waste disposal tax		935	
Total	<u>650</u>	<u>1,015</u>	<u>365</u>
Unrestricted intergovernmental:			
Local option sales tax		752,277	
Utility franchise tax		147,321	
Beer and wine tax		5,719	
TDA admin fee		14,596	
ABC profit distributions		230,000	
Total	<u>759,500</u>	<u>1,149,913</u>	<u>390,413</u>
Restricted intergovernmental:			
Powell Bill allocation		49,641	
Other local grants and matching contributions		3,000	
Total	<u>42,000</u>	<u>52,641</u>	<u>10,641</u>
Permits and fees:			
Building permits		10,758	
Total	<u>5,000</u>	<u>10,758</u>	<u>5,758</u>
Sales and services:			
Rental income		30,230	
Total	<u>35,500</u>	<u>30,230</u>	<u>(5,270)</u>
Investment earnings	<u>10,000</u>	<u>305,426</u>	<u>295,426</u>
Miscellaneous:			
Miscellaneous		78,791	
Total	<u>25,596</u>	<u>78,791</u>	<u>53,195</u>
Total revenues	<u>2,501,134</u>	<u>3,270,221</u>	<u>769,087</u>
EXPENDITURES			
General Government:			
Governing body:			
Salaries and employee benefits		11,686	
Operating expenditures		50,762	
Total		<u>62,448</u>	
Administration:			
Salaries and employee benefits		249,774	
Operating expenditures		48,688	
Total		<u>298,462</u>	
Finance:			
Salaries and employee benefits		26,936	
Operating expenditures		35,670	
Capital outlay			
Total		<u>62,606</u>	

Town of Banner Elk, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual	Variance Positive (Negative)
Planning:			
Salaries and employee benefits		36,403	
Operating expenditures		36,226	
Total		<u>72,629</u>	
Buildings:			
Operating expenditures		55,716	
Total		<u>55,716</u>	
Total general government	<u>\$ 813,400</u>	<u>551,861</u>	<u>261,539</u>
Public Safety:			
Police:			
Salaries and employee benefits		695,762	
Operating expenditures		146,010	
Capital outlay		120,741	
Total public safety	<u>\$ 1,084,393</u>	<u>962,513</u>	<u>121,880</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		135,050	
Operating expenditures		141,748	
Capital outlay		328,006	
Total transportation	<u>\$ 713,353</u>	<u>604,804</u>	<u>108,549</u>
Cultural and Recreation:			
Salaries and employee benefits		89,402	
Operating expenditures		103,430	
Capital outlay		9,550	
Total economic and physical development	<u>\$ 223,791</u>	<u>202,382</u>	<u>21,409</u>
Debt Service:			
Principal	32,834	32,834	-
Interest	10,856	10,856	-
Total	<u>43,690</u>	<u>43,690</u>	<u>-</u>
Total expenditures	<u>2,878,627</u>	<u>2,365,250</u>	<u>513,377</u>
Revenues over (under) expenditures	<u>(377,493)</u>	<u>904,971</u>	<u>1,282,464</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	1,000	-	1,000
Total other financing sources (users)	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Appropriated fund balance	<u>\$ 376,493</u>	<u>\$ -</u>	<u>\$ (376,493)</u>
Total	<u>376,493</u>	<u>-</u>	<u>(376,493)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>904,971</u>	<u>\$ 904,971</u>
Fund balances, beginning		<u>3,045,193</u>	
Fund balances, ending		<u>\$ 3,950,164</u>	

Town of Banner Elk, North Carolina
 American Rescue Plan Funds
 Schedule of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2024

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
ARP Funds	\$ 366,183	\$ -	\$ 366,184	\$ 366,184	\$ 1
Investment earnings	<u>13,084</u>	<u>6,287</u>	<u>10,308</u>	<u>16,595</u>	<u>3,511</u>
Total revenues	<u>379,267</u>	<u>6,287</u>	<u>376,492</u>	<u>382,779</u>	<u>3,512</u>
Expenditures:					
Salaries and benefits	<u>379,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,267</u>
Total expenditures	<u>379,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(379,267)</u>
Revenues over (under) expenditures	<u>379,267</u>	<u>-</u>	<u>376,492</u>	<u>382,779</u>	<u>382,779</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,287</u>	<u>376,492</u>	<u>\$ 382,779</u>	<u>\$ 382,779</u>
Fund balance at beginning of year			<u>6,287</u>		
Fund balance at end of year			<u>\$ 382,779</u>		

Town of Banner Elk, North Carolina
 Historic Banner Elk School Improvements Capital Project Fund
 Schedule of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2024

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Contributions	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Investment earnings	-	-	2,094	2,094	2,094
Total revenues	500,000	-	2,094	2,094	(497,906)
Expenditures:					
Construction cost	2,000,000	-	1,306,621	1,306,621	693,379
Engineering	50,000	-	22,021	22,021	27,979
Contingency	200,000	-	8,261	8,261	191,739
Total expenditures	2,250,000	-	1,336,903	1,336,903	(913,097)
Revenues over (under) expenditures	(1,750,000)	-	(1,334,809)	(1,334,809)	415,191
Other financing sources:					
Loan proceeds	1,000,000	-	1,000,000	1,000,000	-
Transfer from Capital Projects Reserve Fund	750,000	-	-	-	750,000
Total other financing sources	1,750,000	-	1,000,000	1,000,000	750,000
Net change in fund balance	\$ -	\$ -	(334,809)	\$ (334,809)	\$ (334,809)
Fund balance at beginning of year			77,960		
Fund balance at end of year			\$ (256,849)		

Town of Banner Elk, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2024

	Police Special Revenue Fund	Cops Golf Tournament Special Revenue Fund	Historic Banner Elk School Special Revenue Fund	Capital Project Reserve Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 41,077	\$ 101,164	\$ 233,261	437,575	\$ 813,077
Due from other governments	-	1,141	141	-	1,282
Total assets	<u>\$ 41,077</u>	<u>102,305</u>	<u>233,402</u>	<u>437,575</u>	<u>\$ 814,359</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	-	-	221	-	221
Fund balances:					
Restricted:					
Stabilization by State Statute	-	1,141	141	-	1,282
Public safety	41,077	101,164	-	-	142,241
Committed:					
Capital projects	-	-	-	372,992	372,992
Assigned:					
Subsequent years expenditures	-	-	75,000	64,583	139,583
Cultural and recreation	-	-	158,040	-	158,040
Total fund balances	<u>41,077</u>	<u>102,305</u>	<u>233,181</u>	<u>437,575</u>	<u>814,138</u>
Total liabilities and fund balances	<u>\$ 41,077</u>	<u>\$ 102,305</u>	<u>\$ 233,402</u>	<u>\$ 437,575</u>	<u>\$ 814,359</u>

Town of Banner Elk, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Police Special Revenue Fund	Cops Golf Tournament Special Revenue Fund	Historic Banner Elk School Special Revenue Fund	Capital Project Reserve Fund	Total Nonmajor Governmental Funds
Revenues:					
Sales and services	\$ -	\$ 32,953	\$ 52,241	\$ -	\$ 85,194
Capital donations	-	-	30,884	-	30,884
Interest	21	2,677	498	48,719	51,915
Total revenues	21	35,630	83,623	48,719	167,993
Expenditures:					
Public safety	-	24,493	-	-	24,493
Cultural and recreation	-	-	26,485	-	26,485
Debt service:					
Principal repayments	-	-	83,333	-	83,333
Total expenditures	-	24,493	109,818	-	134,311
Net change in fund balance	21	11,137	(26,195)	48,719	33,682
Fund balance, beginning	41,056	91,168	259,376	388,856	780,456
Fund balance, ending	\$ 41,077	\$ 102,305	\$ 233,181	\$ 437,575	\$ 814,138

Town of Banner Elk, North Carolina
Police Special Revenue Fund - Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ -	\$ 21	\$ 21
Expenditures:			
Public safety:			
Other	-	-	-
Revenues over expenditures	-	21	21
Other financing (uses):			
Appropriated fund balance	-	-	-
Total other financing (uses)	-	-	-
Net change in fund balance	\$ -	21	\$ 21
Fund balance, beginning		41,056	
Fund balance, Ending		\$ 41,077	

Town of Banner Elk, North Carolina
Golf Tournament Special Revenue Fund - Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Golf tournament revenues	\$ 21,000	\$ 32,953	\$ 11,953
Interest	-	2,677	2,677
Total revenues	<u>21,000</u>	<u>35,630</u>	<u>14,630</u>
Expenditures:			
Public safety:			
Golf tournament	<u>101,610</u>	<u>24,493</u>	<u>77,117</u>
Other financing (uses):			
Appropriated fund balance	<u>80,610</u>	-	<u>(80,610)</u>
Total other financing (uses)	<u>80,610</u>	<u>-</u>	<u>(80,610)</u>
Net change in fund balance	<u>\$ -</u>	11,137	<u>\$ 11,137</u>
Fund balance, beginning		<u>91,168</u>	
Fund balance, Ending		<u>\$ 102,305</u>	

Town of Banner Elk, North Carolina
Historic Banner Elk School Special Revenue Fund - Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Sales and services	\$ 22,917	\$ 52,241	\$ 29,324
Donations	22,500	30,884	8,384
Investment income	-	498	498
Total revenues	<u>45,417</u>	<u>83,623</u>	<u>38,206</u>
Expenditures:			
Cultural and recreation:			
Other	1,750	1,335	415
Art on the Green expenses	11,500	8,778	2,722
Book exchange expenditures	17,000	16,372	628
Debt Service:			
Principal	83,333	83,333	-
Total	<u>113,583</u>	<u>109,818</u>	<u>3,765</u>
Revenues over expenditures	<u>(68,166)</u>	<u>(26,195)</u>	<u>41,971</u>
Other financing (uses):			
Transfer from Capital Project Fund	20,000	-	20,000
Total other financing (uses)	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Fund balance appropriated	<u>48,166</u>	<u>-</u>	<u>(48,166)</u>
Net change in fund balance	<u>\$ -</u>	<u>(26,195)</u>	<u>\$ (26,195)</u>
Fund balance, beginning		<u>259,376</u>	
Fund balance, Ending		<u>\$ 233,181</u>	

Town of Banner Elk, North Carolina
Capital Improvement Plan - Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental:			
Miscellaneous:			
Investment income	\$ -	\$ 48,719	\$ 48,719
Total revenues	-	48,719	48,719
Revenues under expenditures	-	48,719	48,719
Other financing sources (uses):			
Transfer to Historic Banner Elk School Fund	(20,000)	-	20,000
Total	(20,000)	-	20,000
Fund balance appropriated	20,000	-	(20,000)
Net change in fund balance	\$ -	48,719	\$ 48,719
Fund balances, beginning		388,856	
Fund balances, ending		\$ 437,575	

Town of Banner Elk, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential		405,766	
Total	\$ 320,000	405,766	\$ 85,766
Sewer charges:			
Residential		574,218	
Sewer CIP surcharge		12,004	
Total	485,000	586,222	101,222
Water and sewer taps	5,000	3,974	(1,026)
Water and sewer development fees	-	152,666	152,666
Other operating revenues	5,000	37,118	32,118
Total operating revenues	815,000	1,185,746	370,746
Nonoperating revenues:			
Interest earnings	1,000	10,749	9,749
Total revenues	816,000	1,196,495	380,495
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		83,696	
Insurance		62	
Contracted services		2,950	
Other operating expenditures		23,553	
Total water and sewer administration	136,578	110,261	26,317
Wastewater treatment:			
Water treatment plant:			
Salaries and employee benefits		50,174	
Utilities		67,488	
Supplies		4,926	
Insurance		4,993	
Maintenance		11,479	
Other operating expenditures		26,679	
Contracted services		22,944	
Capital outlay		18,887	
Total	255,110	207,570	47,540
Water treatment:			
Water treatment plant:			
Salaries and employee benefits		54,883	
Utilities		50,760	
Supplies		31,080	
Insurance		2,479	
Maintenance		0	
Other operating expenditures		13,414	
Total	182,225	152,616	29,609
Distributions and collections:			
Salaries and employee benefits		136,676	
Utilities		5,372	
Supplies		45,375	
Insurance		11,240	
Maintenance		6,814	
Other operating expenditures		48,262	
Capital outlay		5,802	
Total	381,891	259,541	122,350
Subtotal water treatment and sewer expenses	955,804	729,988	225,816

**Town of Banner Elk, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2024**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		-	-
Principal retirement		-	-
Total debt service	-	-	-
Revenues over(under) expenditures	(139,804)	466,507	606,311
Fund balance appropriated	139,804	-	(139,804)
Revenues and other sources over expenditures and other uses	\$ -	466,507	\$ 466,507
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 466,507	
 Reconciling items:			
Change in accrued vacation pay		(3,892)	
Change in deferred outflows of resources - pensions		1,960	
Change in net pension liability		(16,871)	
Change in deferred inflows of resources - pensions		348	
Capital outlay		24,689	
Depreciation		(186,635)	
ARPA - SFRF - water		103,416	
ARPA - SFRF - wastewater		-	
Interest income from Water and Sewer Capital Projects Fund		807	
Total reconciling items		(76,178)	
Change in net position		\$ 390,329	

Town of Banner Elk, North Carolina
Capital Improvement Plan - Water and Sewer Capital Improvement Plan Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 807	\$ 807
Total revenues	-	807	807
Revenues over (under) expenditures	-	807	807
Change in net position	\$ -	\$ 807	\$ 807

Town of Banner Elk, North Carolina
 ARPA Funded Wastewater System Improvements Project and ARPA Funded Water System Improvement Projects
 Schedule of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2024

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
ARPA - SFRF - wastewater	\$ 1,265,000	\$ -	\$ -	\$ -	\$ (1,265,000)
ARPA - SFRF - water	<u>735,000</u>	<u>-</u>	<u>103,416</u>	<u>103,416</u>	<u>(631,584)</u>
Total revenues	<u>2,000,000</u>	<u>-</u>	<u>103,416</u>	<u>103,416</u>	<u>(1,896,584)</u>
Expenditures:					
Wastewater project:					
Construction cost	985,600	-	-	-	985,600
Engineer	177,200	-	49,519	49,519	127,681
Contingency	99,200	-	-	-	99,200
Administration	3,000	-	-	-	3,000
Water project:					
Construction cost	560,000	-	-	-	560,000
Engineer	103,100	-	53,052	53,052	50,048
Contingency	53,900	-	845	845	53,055
Administration	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Total expenditures	<u>2,000,000</u>	<u>-</u>	<u>103,416</u>	<u>103,416</u>	<u>(1,896,584)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Banner Elk North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2024**

Fiscal Year	Uncollected Balance July 1, 2023	Additions	Collections And Credits	Uncollected Balance June 30, 2024
2023-2024	\$ -	\$ 1,674,082	\$ 1,629,507	\$ 44,575
2022-2023	34,053	-	7,887	26,166
2021-2022	6,560	-	429	6,131
2020-2021	839	-	-	839
2019-2020	1,153	-	248	905
2018-2019	278	-	-	278
2017-2018	42	-	-	42
2016-2017	37	-	-	37
2015-2016	30	-	-	30
2014-2015	49	-	-	49
2013-2014	142	-	142	-
	<u>\$ 43,183</u>	<u>\$ 1,674,082</u>	<u>\$ 1,638,213</u>	79,052
Less: allowance for uncollectible accounts:				
General Fund				2,386
Ad valorem taxes receivable - net				\$ 76,666
Ad valorem taxes - General Fund				\$ 1,641,447
Reconciling items:				
Taxes written off				142
Penalties and interest				(3,376)
Subtotal				(3,234)
Total collections and credits				\$ 1,638,213

**Town of Banner Elk, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2024**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 341,808,666	0.46	\$ 1,607,235	\$ 1,607,235	\$ -
Motor vehicles	9,980,435	0.46	45,910	-	45,910
Penalties	-		0	-	-
Total	<u>351,789,101</u>		<u>1,653,145</u>	<u>1,607,235</u>	<u>45,910</u>
Discoveries:					
Current year taxes	<u>4,566,276</u>	0.46	<u>21,005</u>	<u>21,005</u>	-
Abatements	<u>(14,783)</u>	0.46	<u>(68)</u>	<u>(68)</u>	-
Total property valuation	<u>\$ 356,340,594</u>				
Net levy			1,674,082	1,628,172	45,910
Uncollected taxes at June 30, 2024			<u>(44,575)</u>	<u>(44,575)</u>	-
Current year's taxes collected			<u>\$ 1,629,507</u>	<u>\$ 1,583,597</u>	<u>\$ 45,910</u>
Current levy collection percentage			<u>97.34%</u>	<u>97.26%</u>	<u>100.00%</u>

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Independent Auditor's Report

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

To the Honorable Mayor and
Members of the Town Council
Town of Banner Elk, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Banner Elk, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises the Town of Banner Elk's basic financial statements, and have issued our report thereon dated January 30, 2025. The financial statements of the Banner Elk Tourism Development Authority were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable non-compliance associated with the Banner Elk Tourism Development Authority.

Report on Internal Control Over Financial Reporting

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

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

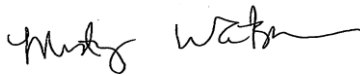
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Boone, NC
January 30, 2025