

TOWN OF BANNER ELK, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2022

TOWN COUNCIL MEMBERS

Mike Dunn

David C. Lecka

Robert Tufts

Charles B. VonCanon

Brenda Lyerly, Mayor

Rick Owen, Town Manager

TOWN OF BANNER ELK, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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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, 2022, 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, 2022, 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). 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.

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 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 responsible 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.

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.

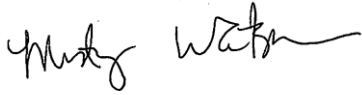
Required Supplementary Information

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 50 through 51, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 52 through 53, and the Schedule of Changes in the Total OPEB Liability and Related Rations on page 49, 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.

A handwritten signature in black ink, appearing to read "Misty Watson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Misty D Watson, CPA, PA
Boone, North Carolina
November 23, 2022

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, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

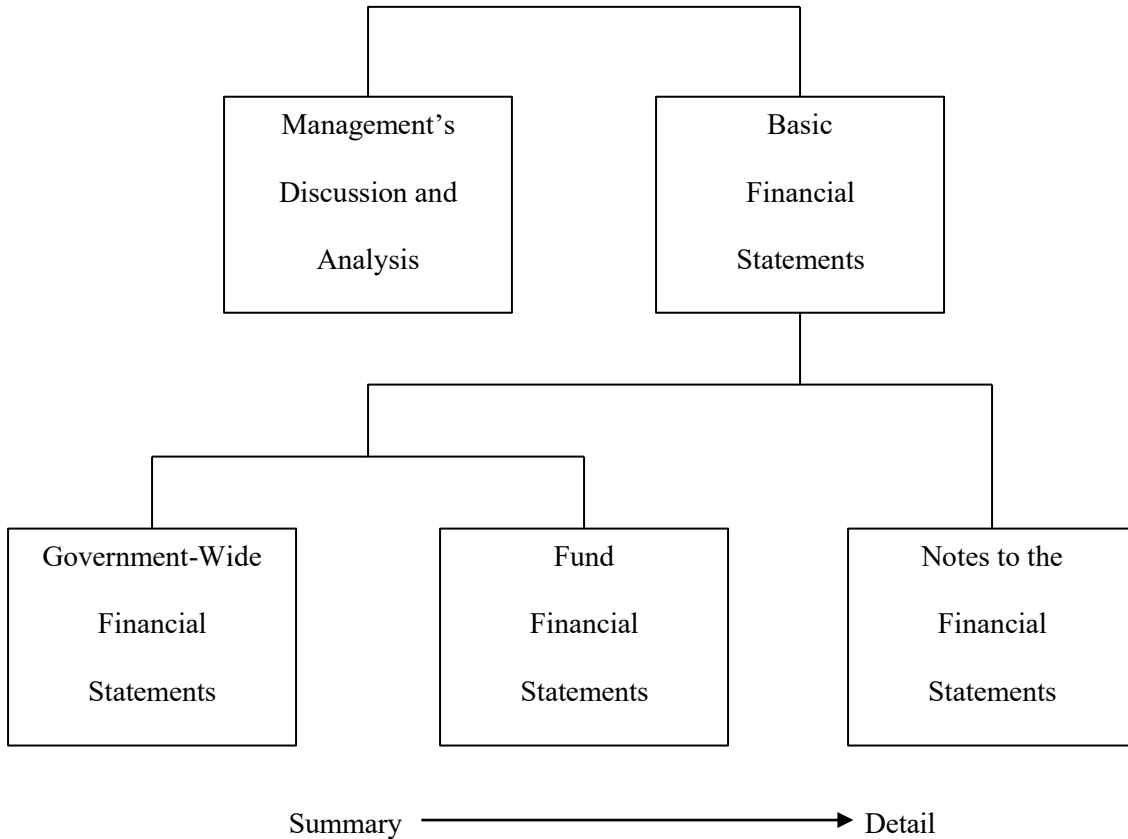
- The assets of the Town of Banner Elk exceeded its liabilities at the close of the fiscal year by \$12,096,792 (*net position*).
- The government's total net position increased by \$563,573.
- As of the close of the current fiscal year, the Town of Banner Elk's governmental funds reported combined ending fund balances of \$3,736,054, an increase of \$133,062 in comparison with the prior year. Approximately 7.9% of this total amount, or \$297,046, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,326,233, or 96.6%, 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 54 of this report. Required supplementary information can be found beginning on page 49.

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

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$4,175,847	\$3,852,076	\$ 2,395,510	\$ 2,200,487	\$ 6,571,357	\$ 6,052,563
Capital assets, net	4,878,543	4,880,208	2,468,294	2,430,829	7,346,837	7,311,037
Total Assets	<u>9,054,390</u>	<u>8,732,284</u>	<u>4,863,804</u>	<u>4,631,316</u>	<u>13,918,194</u>	<u>13,363,600</u>
Total Deferred Outflows	<u>388,929</u>	<u>385,811</u>	<u>57,229</u>	<u>49,838</u>	<u>446,158</u>	<u>435,649</u>
Liabilities:						
Other liabilities	559,787	220,501	111,674	152,522	671,461	373,023
Long-term liabilities	1,167,482	1,745,160	54,166	147,979	1,221,648	1,893,139
Total Liabilities	<u>1,727,269</u>	<u>1,965,661</u>	<u>165,840</u>	<u>300,501</u>	<u>1,893,109</u>	<u>2,266,162</u>
Total Deferred Inflows	<u>314,789</u>	<u>37,885</u>	<u>59,662</u>	<u>4,256</u>	<u>374,451</u>	<u>42,141</u>
Net Position:						
Net investments in capital assets	4,172,830	4,035,048	2,455,564	2,396,897	6,628,394	6,431,945
Restricted	297,046	257,295	-	-	297,046	257,295
Unrestricted	2,931,385	2,822,206	2,239,967	1,979,500	5,171,352	4,801,706
Total Net Position	<u>7,401,261</u>	<u>\$7,114,549</u>	<u>\$ 4,695,531</u>	<u>\$ 4,376,397</u>	<u>\$12,096,792</u>	<u>\$11,490,946</u>

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 \$12,096,792 as of June 30, 2022. The Town's net position increased by \$563,573 for the fiscal year ended June 30, 2022. However, the largest portion (54.8%) 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, \$297,046, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,171,352 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 and water and sewer collections.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.22%.

Town of Banner Elk Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 194,868	\$ 78,910	\$ 1,051,389	\$ 985,874	\$ 1,246,257	\$ 1,064,784
Operating grants and contributions	46,928	103,461	-	-	46,928	103,461
Capital grants and contributions	42,765	38,528	-	-	42,765	38,528
General Revenues:						
Property taxes	1,415,164	1,374,151	-	-	1,415,164	1,374,151
Other taxes, contributions not restricted	949,541	894,972	-	-	949,541	894,972
Miscellaneous	22,833	15,891	-	-	22,833	15,891
Sale of capital assets	5,550	5,675	-	736	5,550	6,411
Investment earnings, unrestricted	8,864	1,202	563	74	9,427	1,276
Total Revenues	2,686,513	2,512,790	1,051,952	986,684	3,738,465	3,499,474
Expenses:						
General government	550,189	554,216	-	-	550,189	554,216
Public safety	878,321	864,205	-	-	878,321	864,205
Transportation	742,299	630,845	-	-	742,299	630,845
Cultural and recreation	215,302	197,981	-	-	215,302	197,981
Interest on long-term debt	13,690	16,392	-	1,894	13,690	18,286
Water and sewer	-	-	775,091	777,470	775,091	777,470
Total Expenses	2,399,801	2,263,639	775,091	779,364	3,174,892	3,043,003
Change in Net Position	286,712	249,151	276,861	207,320	563,573	456,471
Net position, beginning as previously reported	7,114,549	6,865,398	4,376,397	4,169,077	11,490,946	11,034,475
Prior period adjustment	-	-	42,273	-	42,273	-
Net position, beginning, as restated	7,114,549	6,865,398	4,418,670	4,169,077	11,533,219	11,034,475
Net position, June 30	\$ 7,401,261	\$ 7,114,549	\$ 4,695,531	\$ 4,376,397	\$ 12,096,792	\$ 11,490,946

Governmental Activities. Governmental activities increased the Town’s net position by \$286,712. 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 \$276,861. 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 \$2,326,233 while total fund balance reached \$2,936,442.

At June 30, 2022, the governmental funds of the Town of Banner Elk reported a combined fund balance of \$3,736,054, an 3.7% increase over last year. Included in this change in fund balance is an increase in the General Fund of \$87,852 and a net increase in non-major funds of \$45,210.

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 \$2,239,967. The change in net position was an increase of \$276,861. 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, 2022, totals \$7,346,837 (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):

- Governmental equipment and infrastructure \$254,885
- Business-type furniture and maintenance equipment and infrastructure \$221,119

Town of Banner Elk's Capital Assets

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 1,334,233	\$ 1,334,233	\$ 23,466	\$ 23,466	\$ 1,357,699	\$ 1,357,699
Infrastructure	2,919,635	2,735,127	189,509	-	3,109,144	2,735,127
Buildings	1,546,902	1,546,902	-	-	1,546,902	1,546,902
Plant	-	-	6,560,228	6,560,228	6,560,228	6,560,228
Equipment and furniture	1,280,545	1,239,382	670,146	638,536	1,950,691	1,877,918
Total	7,081,315	6,855,644	7,443,349	7,222,230	14,524,664	14,077,874
Less accumulated depreciation	(2,202,772)	(1,975,436)	(4,975,055)	(4,791,401)	(7,177,827)	(6,766,837)
Net capital assets	<u>\$4,878,543</u>	<u>\$4,880,208</u>	<u>\$2,468,294</u>	<u>\$ 2,430,829</u>	<u>\$7,346,837</u>	<u>\$7,311,037</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, 2022, the Town of Banner Elk had total debt outstanding of \$1,364,216.

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

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Net pension liability (LGERS)	\$ 179,845	\$ 420,023	\$ 39,306	\$ 91,692	\$ 219,151	\$ 511,715
Total pension liability (LEOSSA)	347,746	389,310	-	-	347,746	389,310
Compensated absences	59,577	58,738	19,299	22,355	78,876	81,093
Total OPEB liability	26,187	31,929	-	-	26,187	31,929
Installment purchases	705,713	845,160	12,730	33,932	718,443	879,092
Total	<u>\$ 1,319,068</u>	<u>\$ 1,745,160</u>	<u>\$ 71,335</u>	<u>\$ 147,979</u>	<u>\$ 1,390,403</u>	<u>\$ 1,893,139</u>

The Town of Banner Elk's total long-term liabilities decreased during the past fiscal year due to the Net pension (LGERS), principal payments on installment purchases and the Total pension (LEO) liabilities.

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 \$19,391,488.

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:

- Continued impacts from COVID-19
- 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, 2023

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, 2022

	Primary Government			Town of Banner Elk TDA
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and investments	\$ 3,782,511	\$ 2,072,950	\$ 5,855,461	1,122,322
Property taxes receivable, net	28,200	-	28,200	-
Accounts receivable, net	-	109,848	109,848	-
Due from other governments	179,557	7,453	187,010	27,492
Accrued interest	2,487	-	2,487	-
Inventories	-	60,617	60,617	-
Cash, restricted	183,092	144,642	327,734	-
Total Current Assets	<u>4,175,847</u>	<u>2,395,510</u>	<u>6,571,357</u>	<u>1,149,814</u>
Noncurrent Assets:				
Capital Assets:				
Land and construction in progress	1,334,233	23,466	1,357,699	-
Other capital assets, net	<u>3,544,310</u>	<u>2,444,828</u>	<u>5,989,138</u>	<u>-</u>
Capital Assets, net	4,878,543	2,468,294	7,346,837	-
Total Assets	<u>9,054,390</u>	<u>4,863,804</u>	<u>13,918,194</u>	<u>1,149,814</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB deferrals	<u>388,929</u>	<u>57,229</u>	<u>446,158</u>	<u>-</u>
Total deferred outflows of resources	<u>388,929</u>	<u>57,229</u>	<u>446,158</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	225,109	45,221	270,330	4,944
Unearned revenue	183,092	-	183,092	-
Liabilities to be paid from restricted assets:				
Customer deposits	-	49,284	49,284	-
Current portion of long-term debt	<u>151,586</u>	<u>17,169</u>	<u>168,755</u>	<u>-</u>
Total Current Liabilities	<u>559,787</u>	<u>111,674</u>	<u>671,461</u>	<u>4,944</u>
Long-Term Liabilities:				
Due in more than one year	<u>1,167,482</u>	<u>54,166</u>	<u>1,221,648</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,167,482</u>	<u>54,166</u>	<u>1,221,648</u>	<u>-</u>
Total Liabilities	<u>1,727,269</u>	<u>165,840</u>	<u>1,893,109</u>	<u>4,944</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	905	-	905	-
Pension deferrals	<u>313,884</u>	<u>59,662</u>	<u>373,546</u>	<u>-</u>
Total deferred inflows of resources	<u>314,789</u>	<u>59,662</u>	<u>374,451</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	4,172,830	2,455,564	6,628,394	-
Restricted for:				
Stabilization by state statute	179,557	-	179,557	27,492
Public safety	117,489	-	117,489	-
Unrestricted	<u>2,931,385</u>	<u>2,239,967</u>	<u>5,171,352</u>	<u>1,117,378</u>
Total Net Position	<u>\$ 7,401,261</u>	<u>\$ 4,695,531</u>	<u>\$ 12,096,792</u>	<u>1,144,870</u>

The accompanying footnotes are an integral part of this statement

Town of Banner Elk, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government			Town of Banner Elk TDA	
						Business-Type Activities	Total			
Governmental Activities:										
General government	\$ 550,189	\$ 50,400	\$ -	\$ -	\$ (499,789)	\$ -	\$ (499,789)	\$ -		
Public safety	878,321	37,294	4,193	-	(836,834)	-	(836,834)	-		
Transportation	742,299	-	42,735	-	(699,564)	-	(699,564)	-		
Cultural and recreation	215,302	107,174	-	42,765	(65,363)	-	(65,363)	-		
Interest on long-term debt	13,690	-	-	-	(13,690)	-	(13,690)	-		
Total governmental activities	2,399,801	194,868	46,928	42,765	(2,115,240)	-	(2,115,240)	-		
Business-Type Activities:										
Water and sewer	775,091	1,051,389	-	-	-	276,298	276,298	-		
Total business-type activities	775,091	1,051,389	-	-	-	276,298	276,298	-		
Total primary government	\$ 3,174,892	\$ 1,246,257	\$ 46,928	\$ 42,765	\$ (2,115,240)	\$ 276,298	(1,838,942)	\$ -		
Component Unit:										
Town of Banner Elk TDA	\$ 169,076	-	-	-	-	-	-	\$ (169,076)		
General revenues:										
Ad valorem taxes					1,415,164	-	1,415,164	-		
Other taxes					1,249	-	1,249	464,740		
Grants and contributions not restricted to a specific program					948,292	-	948,292	-		
Miscellaneous					22,833	-	22,833	-		
Sale of capital assets					5,550	-	5,550	-		
Investment earnings, unrestricted					8,864	563	9,427	251		
Total general revenues and transfers					2,401,952	563	2,402,515	464,991		
Change in net position					286,712	276,861	563,573	295,915		
Net position, beginning as previously reported					7,114,549	4,376,397	11,490,946	848,955		
Prior period adjustment					-	42,273	42,273	-		
Net position, beginning as restated					7,114,549	4,418,670	11,533,219	848,955		
Net position, ending					\$ 7,401,261	\$ 4,695,531	\$ 12,096,792	\$ 1,144,870		

Town of Banner Elk, North Carolina
Balance Sheet - Governmental Funds
June 30, 2022

	<u>Major Funds</u>		<u>Non-major</u>	<u>Total</u>
	<u>General Fund</u>	<u>ARP Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash and investments	2,981,742	-	800,769	3,782,511
Receivables, net:				
Taxes	28,200	-	-	28,200
Due from other governments	178,842	-	715	179,557
Restricted cash and cash equivalents	-	183,092	-	183,092
Total assets	<u>\$ 3,188,784</u>	<u>183,092</u>	<u>801,484</u>	<u>4,173,360</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	223,237	-	1,872	225,109
Unearned revenue	-	183,092	-	183,092
Total liabilities	<u>223,237</u>	<u>183,092</u>	<u>1,872</u>	<u>408,201</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable, net	28,200	-	-	28,200
Prepaid tax	905	-	-	905
Total deferred inflows of resources	<u>29,105</u>	<u>-</u>	<u>-</u>	<u>29,105</u>
FUND BALANCE				
Restricted:				
Stabilization by state statute	178,842	-	715	179,557
Public safety	-	-	117,489	117,489
Committed:				
Capital projects	-	-	432,863	432,863
Assigned:				
Subsequent years expenditures	431,367	-	5,000	436,367
Cultural and recreation	-	-	243,545	243,545
Unassigned	2,326,233	-	-	2,326,233
Total fund balance	<u>2,936,442</u>	<u>-</u>	<u>799,612</u>	<u>3,736,054</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,188,784</u>	<u>\$ 183,092</u>	<u>\$ 801,484</u>	<u>\$ 4,173,360</u>

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

Total fund balance	\$ 3,736,054
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,878,543
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	2,487
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.	388,929
Earned revenues considered deferred inflows of resources in fund statements fund statements.	28,200
Deferred inflows of resources related to OPEB and pensions are not reported in the funds	(313,884)
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	(179,845)
Total OPEB liability	(26,187)
Total pension liability - LEOSSA	(347,746)
Gross long-term debt	(705,713)
Compensated absences	(59,577)
Net position of governmental activities	<u>\$ 7,401,261</u>

The accompanying footnotes are an integral part of this statement

Town of Banner Elk, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2022

	<u>Major</u>	<u>Non-major</u>	
	<u>General</u>	<u>Other</u>	
	<u>Fund</u>	<u>Governmental</u>	<u>Total</u>
		<u>Funds</u>	
REVENUES			
Ad valorem taxes	\$ 1,413,063	\$ -	\$ 1,413,063
Other taxes and licenses	1,249	-	1,249
Unrestricted intergovernmental revenues	948,292	-	948,292
Restricted intergovernmental revenues	46,397	532	46,929
Permits and fees	14,887	-	14,887
Sales and services	35,513	144,468	179,981
Investment earnings	7,363	1,501	8,864
Miscellaneous	22,833	42,765	65,598
Total Revenues	<u>2,489,597</u>	<u>189,266</u>	<u>2,678,863</u>
EXPENDITURES			
Current:			
General government	539,145	-	539,145
Public safety	819,986	18,503	838,489
Transportation	824,750	-	824,750
Cultural and recreation	153,610	42,220	195,830
Debt service:			
Principal	56,114	83,333	139,447
Interest and other charges	13,690	-	13,690
Total Expenditures	<u>2,407,295</u>	<u>144,056</u>	<u>2,551,351</u>
Excess of revenues over expenditures	82,302	45,210	127,512
OTHER FINANCIAL SOURCES (USES)			
Sale of capital assets	5,550	-	5,550
Total other financing sources (uses)	<u>5,550</u>	<u>-</u>	<u>5,550</u>
Net change in fund balance	87,852	45,210	133,062
Fund balance, beginning	2,848,590	754,402	3,602,992
Fund balance, ending	<u>\$ 2,936,442</u>	<u>\$ 799,612</u>	<u>\$ 3,736,054</u>

The accompanying footnotes are an integral part of this statement

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, 2022

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)	\$	133,062
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		2,102
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		254,885
Depreciation expense for governmental assets		(256,550)
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		139,447
Benefit payments paid and administrative expense for LEO are not included on the Statement of Activities		31,412
Benefit payments paid and administrative expense for OPEB are not included on the Statement of Activities		9,200
Contributions to the pension plan in the current fiscal year not included in the statement of activities		89,605
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		(3,458)
Pension expense - LGERS		(69,362)
Pension expense - LEOSSA		(42,792)
Compensated absences		(839)
Total changes in net position of governmental activities	\$	<u><u>286,712</u></u>

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, 2022

	<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	\$ 1,341,336	\$ 1,341,336	1,413,063	\$ 71,727
Unrestricted intergovernmental	724,096	724,096	948,292	224,196
Other taxes and licenses	650	650	1,249	599
Restricted intergovernmental	57,000	57,000	46,397	(10,603)
Permits and fees	4,000	4,000	14,887	10,887
Sales and services	25,500	25,500	35,513	10,013
Investment earnings	1,000	1,000	7,363	6,363
Miscellaneous	8,000	8,000	22,833	14,833
Total Revenues	<u>2,161,582</u>	<u>2,161,582</u>	<u>2,489,597</u>	<u>328,015</u>
EXPENDITURES				
Current:				
General government	579,236	605,755	539,145	66,610
Public safety	949,578	964,528	819,986	144,542
Transportation	843,510	1,036,520	824,750	211,770
Cultural and recreation	183,151	185,151	153,610	31,541
Debt service:				
Principal	56,568	56,568	56,114	454
Interest	15,690	15,690	13,690	2,000
Total Expenditures	<u>2,627,733</u>	<u>2,864,212</u>	<u>2,407,295</u>	<u>456,917</u>
Revenues over (under) expenditures	(466,151)	(702,630)	82,302	784,932
OTHER FINANCING SOURCES				
Sale of capital assets	1,000	1,000	5,550	(4,550)
Total other financing sources (users)	<u>1,000</u>	<u>1,000</u>	<u>5,550</u>	<u>(4,550)</u>
Appropriated fund balance	<u>465,151</u>	<u>701,630</u>	<u>-</u>	<u>(701,630)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	87,852	<u>\$ 87,852</u>
Fund balance, beginning			<u>2,848,590</u>	
Fund balance, ending			<u>\$ 2,936,442</u>	

The accompanying footnotes are an integral part of this statement

Town of Banner Elk, North Carolina
Statement of Fund Net Position - Proprietary Fund
June 30, 2022

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	2,072,950
Accounts receivable, net	109,848
Due from other governments	7,453
Inventories	60,617
Restricted cash and cash equivalents	144,642
Total current assets	2,395,510
Noncurrent assets:	
Capital assets:	
Land and construction in progress	23,466
Other capital assets, net of depreciation	2,444,828
Capital assets	2,468,294
Total noncurrent assets	2,468,294
Total assets	4,863,804
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	57,229
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	45,221
Current portion of long-term debt	17,169
Liabilities payable from restricted assets:	
Customer deposits	49,284
Total current liabilities	111,674
Noncurrent liabilities:	
Compensated absences	14,860
Net pension liability	39,306
Total noncurrent liabilities	54,166
Total liabilities	165,840
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	59,662
NET POSITION	
Net investment in capital assets	2,455,564
Unrestricted	2,239,967
Total net position	\$ 4,695,531

The accompanying footnotes are an integral part of this statement

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, 2022

	Water & Sewer Fund
OPERATING REVENUES	
Charges for services	973,599
Water and sewer development fees	53,085
Sewer CIP surcharge	11,553
Water and sewer taps	9,392
Miscellaneous revenue	3,760
Total operating revenues	1,051,389
OPERATING EXPENSES	
Water and sewer operations	590,531
Depreciation and amortization	183,654
Total operating expenses	774,185
Operating income (loss)	277,204
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	563
Interest and other charges	(906)
Total nonoperating revenue (expenses)	(343)
Change in net position	276,861
Total net position, beginning as previously reported	4,376,397
Prior period adjustment	42,273
Total net position, beginning, as restated	4,418,670
Total net position, ending	\$ 4,695,531

The accompanying footnotes are an integral part of this statement

Town of Banner Elk, North Carolina
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2022

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,049,529
Cash paid for goods and services	(386,183)
Cash paid to employees	(240,318)
Customer deposits received (returned)	3,201
Net cash provided (used) by operating activities	<u>426,229</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(21,202)
Acquisition of capital assets	(221,118)
Interest and other charges	(906)
Net cash provided (used) by capital and related financing activities	<u>(243,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	563
Net cash provided (used) by investing activities	<u>563</u>
Net increase (decrease) in cash and cash equivalents	183,566
Cash and cash equivalents, July 1	2,034,026
Cash and cash equivalents, June 30	<u>\$ 2,217,592</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 277,204
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	183,654
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable, net	(1,554)
(Increase) decrease in due from other governments	(306)
(Increase) decrease in inventories	(9,598)
Increase in net pension liability	(52,386)
Increase (decrease) in accounts payable and accrued liabilities	(18,945)
Increase (decrease) in customer deposits	3,201
Increase (decrease) in compensated absences	(3,056)
Increase (decrease) in deferred inflows of resources for pensions	55,406
(Increase) decrease in deferred outflows of resources for pensions	(7,391)
Total adjustments	<u>149,025</u>
Net cash provided by operating activities	<u>\$ 426,229</u>

The accompanying footnotes are an integral part of this statement

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

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.

Capital Project Fund Special Revenue Fund. This fund is used to account for special capital projects including sidewalk extensions.

The Town reports the following major enterprise fund:

Water and Sewer Fund. Enterprise funds account for those operations (a) that are

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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.

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.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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 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, Sidewalk Projects 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 Streets and Sidewalk 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

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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.

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, 2022, consist of the following:	
Governmental Activities:	
American Rescue Plan	\$ 183,092
Business-Type Activities:	
Customer deposits	49,284
Water and sewer system development	95,358
Total business-type activities	144,642
Total restricted cash	\$ 327,734

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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2021.

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.

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

<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. 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.

9. 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.

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.

10. Long-Term Obligations

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

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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.

11. Net Position/Fund

Balances Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position 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 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.

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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.

The Town has not officially adopted a fund balance policy.

12. 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.

13. 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.

**TOWN OF BANNER ELK, NORTH CAROLINA
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14. 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. 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 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, 2022, the Town's deposits had a carrying amount of \$640,772 and a bank balance of \$1,330,223. Of the bank balance, \$250,000 was covered by FDIC. The Town held \$2,132 in petty cash as of June 30, 2022.

At June 30, 2022, the TDA's deposits had a carrying amount of \$1,122,322 and a bank balance of \$81,134,420. Of the bank balance, \$250,000 was covered by the FDIC.s

**TOWN OF BANNER ELK, NORTH CAROLINA
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2. Investments

At June 30, 2022, the Town's investments balances were as follows:

Investment Type	Valuation Measurement Method	Book Value At 6/30/2022	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value 1	\$ 5,540,291	N/A	AAAm
Total:		\$ 5,540,291		

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.

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, 2022.

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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>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
Property taxes	\$ -	\$ 30,586	\$ -	\$ 30,586
Local option sales/franchise tax	-	-	127,522	127,522
ABC revenues	-	-	25,000	25,000
Sales tax refund	-	-	19,467	19,467
Motor vehicle tax	-	-	7,568	7,568
Allowance for doubtful accounts	-	(2,386)	-	(2,386)
Total governmental activities	<u>\$ -</u>	<u>\$ 28,200</u>	<u>\$ 179,557</u>	<u>\$ 207,757</u>
Business-Type Activities:				
Water and sewer	\$ 113,666	\$ -	\$ -	\$ 113,666
Allowance for doubtful accounts	(3,818)	-	-	(3,818)
Sales tax refund	-	-	7,453	7,453
Total business-type activities	<u>\$ 109,848</u>	<u>\$ -</u>	<u>\$ 7,453</u>	<u>\$ 117,301</u>

Capital Assets

4. Governmental Capital Assets

The capital assets of the government fund of the Town at June 30, 2022, were as follows:

	<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	-	-	-	-
Total capital assets not being depreciated	<u>1,334,233</u>	<u>-</u>	<u>-</u>	<u>1,334,233</u>
Depreciable Assets:				
Buildings	1,546,902	-	-	1,546,902
Equipment and furniture	1,239,382	70,377	29,214	1,280,545
Infrastructure	2,735,127	184,508	-	2,919,635
Total depreciable assets	<u>5,521,411</u>	<u>254,885</u>	<u>29,214</u>	<u>5,747,082</u>
Less Accumulated Depreciation:				
Buildings	430,969	32,751	-	463,720
Equipment and furniture	909,084	143,813	29,214	1,023,683
Infrastructure	635,383	79,986	-	715,369
Total accumulated depreciation	<u>1,975,436</u>	<u>256,550</u>	<u>29,214</u>	<u>2,202,772</u>
Governmental activities capital assets, net	<u>\$ 4,880,208</u>	<u>(1,665)</u>	<u>-</u>	<u>\$ 4,878,543</u>

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

Governmental Activities:	
General government	\$ 32,331
Public safety	34,952
Cultural and recreational	20,816
Public works	<u>168,451</u>
Total	<u>\$ 256,550</u>

Proprietary Capital Assets

The capital assets of the proprietary fund of the Town at June 30, 2022, were as follows:

Business-type Activities:	Beginning Balance	Additions	Retirements	Ending Balance
Water and Sewer Fund				
Non-Depreciable Assets:				
Land	\$ 23,466	-	-	\$ 23,466
Total non-depreciable assets	<u>23,466</u>	<u>-</u>	<u>-</u>	<u>23,466</u>
Depreciable and Amortizable Assets:				
Plant	6,560,228	-	-	6,560,228
Infrastructure	-	189,509	-	189,509
Furniture and maintenance equipment	638,536	31,610	-	670,146
Total depreciable and amortizable assets	<u>7,198,764</u>	<u>221,119</u>	<u>-</u>	<u>7,419,883</u>
Less Accumulated Depreciation:				
Plant	4,247,070	154,900	-	4,401,970
Infrastructure	-	632	-	632
Furniture and maintenance equipment	544,330	28,123	-	572,453
Total accumulated depreciation	<u>4,791,400</u>	<u>183,655</u>	<u>-</u>	<u>4,975,055</u>
Total capital assets being depreciated, net				
Water and Sewer Fund capital assets, net	<u>\$ 2,430,830</u>	<u>37,464</u>	<u>-</u>	<u>\$ 2,468,294</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

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

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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, 2022, was 12.04% of compensation for law enforcement officers and 11.35% 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 \$99,694 for the year ended June 30, 2022.

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

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individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2022, the Town reported a liability of \$219,151 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.01429%, which was a decrease of 0.00003% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$84,582. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,720	-
Changes of assumptions	137,683	-
Net difference between projected and actual earnings on pension plan investments	-	313,101
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,486	19,550
Town contributions subsequent to the measurement date	109,194	-
Total	\$ 319,083	\$ 332,651

\$109,194 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023		\$	11,818
2024			(13,076)
2025			(25,695)
2026			(95,811)
2027			-
			(122,764)

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 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	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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)	\$ 850,725	\$ 219,151	\$ (300,598)

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, 2020, the Separation Allowance’s membership consisted of:

Inactive members currently receiving benefits	2
Active plan members	8
Total	10

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 \$31,412 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$347,746. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$40,523.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ 15,810	\$ 28,371
Changes of assumptions	70,653	12,524
Town benefit payments and plan administrative expense made subsequent to the measurement date	31,412	-
Total	<u>\$ 117,875</u>	<u>\$ 40,895</u>

\$31,412 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 12,422
2024	17,749
2025	15,219
2026	6,714
2027	(6,227)
Thereafter	(309)
Total	<u>\$ 45,568</u>

\$31,057 paid as benefits came due and \$355 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 386,843	\$ 347,746	\$ 312,406

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	2022
Beginning balance	\$ 389,310
Service Cost	19,499
Interest on the total pension liability	7,218
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(25,578)
Changes of assumptions or other inputs	(12,093)
Benefit payments	(30,610)
Other changes	-
Ending balance of the total pension liability	\$ 347,746

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for period January 1, 2020, through December 31, 2014.

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

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

	LEOSSA	LGERS	Total
Pension expense	\$ 40,523	\$ 84,582	\$ 125,105
Pension liability	347,746	219,151	566,897
Proportionate share of the net pension liability			
Deferred Outflows of Resources:			
Difference between expected and actual experience	\$ 15,810	69,720	85,530
Changes of assumptions and other inputs	70,653	137,683	208,336
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	2,486	2,486
Benefit payments and administrative cost paid subsequent to the measurement date	31,412	109,194	140,606
Total deferred outflows of resources	\$ 117,875	\$ 319,083	\$ 436,958
Deferred Inflows of Resources:			
Difference between expected and actual experience	\$ 28,371	\$ -	\$ 28,371
Changes of assumptions and other inputs	12,524	-	12,524
Net difference between projected and actual earnings on pension plan investments	-	313,101	313,101
Changes in proportion and differences between contributions and proportionate share of contributions	-	19,550	19,550
Total deferred inflows of resources	\$ 40,895	\$ 332,651	\$ 373,546

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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 \$40,839 for the reporting year. No amounts were forfeited.

2. Other Post-Employment Benefits

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.

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Total OPEB Liability

The Town's total OPEB liability of \$26,187 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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
Municipal Bond Index Rate	
Prior measurement date	2.21%
Measurement date	2.16%
Health care cost trends	None

The discount rate is based on the yield of the 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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2021	\$ 31,929
Changes for the year	
Service cost	-
Interest	630
Changes of benefit terms	-
Differences between expected and actual experience	441
Changes in assumptions or other inputs	87
Benefit payments	(6,900)
Net changes	(5,742)
Balance at 6/30/2022	\$ 26,187

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 26,700	\$ 26,187	\$ 25,692

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 26,187		\$ 26,187		\$ 26,187

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$1,158. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	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	9,200		-
Total	\$ 9,200		\$ -

\$9,200 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, 2023. 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:

2023	-		
2024	-		
2025	-		
2026	-		
2027	-		
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:

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Source	Amount
Contributions to pension plan in current fiscal year	\$ 109,194
Benefit payments made and administrative expenses for LEOSSA	31,412
Differences between expected and actual	85,530
Changes of assumptions	208,336
Expenses for OPEB subsequent to measurement date	9,200
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,486
Total	<u>\$ 446,158</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 28,200
Changes in assumptions	12,524	-
Differences between expected and actual	28,371	-
Net difference between projected and actual earnings on pension plan investments	313,101	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,550	-
Prepaid taxes	905	905
Total	<u>\$ 374,451</u>	<u>\$ 29,105</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond with a \$50,000 coverage limit per incident. The Finance Officer and Tax Collector are each individually bonded for \$100,000 each.

5. Long-Term Obligations

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

Installment Purchase:

Governmental Activities:

4.625% note for \$300,000, payable to USDA issued August 2003; annual installments of \$16,595, including interest; beginning August final payment due August 2043; secured by real estate \$ 226,106

0.0% note for \$1,000,000, payable to Avery County issued March 2015; annual installments of \$83,333; beginning July 2015 with final payment due January 2026; secured by real estate 416,667

3.7% note for \$42,906 payable to Highlands Union Bank issued June 2019 payable in annual installments with varying amounts beginning final payment due June 2023; secured by equipment. 11,647

2.62% note for \$100,000 payable to BB&T issued September 2019; payable in annual installments with varying amounts 2020; final payment due September 2023; secured by equipment. 51,293
\$ 705,713

Business-type Activities:

3.7% note for \$49,426 payable to Highlands Union Bank issued June 2019 payable in annual installments with varying amounts beginning June 2020 final payment due June 2023; secured by equipment. \$ 12,730

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 125,998	\$ 11,938	12,730	\$ 494	\$ 138,728	\$ 12,432
2024	115,733	10,854	-	-	115,733	10,854
2025	90,052	9,877	-	-	90,052	9,877
2026	90,362	9,566	-	-	90,362	9,566
2027	90,688	9,241	-	-	90,688	9,241
2028-2032	42,199	40,776	-	-	42,199	40,776
2033-2037	52,903	30,072	-	-	52,903	30,072
2038-2042	66,322	16,653	-	-	66,322	16,653
2043-2044	31,456	2,168	-	-	31,456	2,168
Total	<u>\$ 705,713</u>	<u>\$ 141,145</u>	<u>\$ 12,730</u>	<u>\$ 494</u>	<u>\$ 686,987</u>	<u>\$ 139,471</u>

**TOWN OF BANNER ELK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental Activities:					
Installment purchases-direct borrowings	\$ 845,160	\$ -	\$ 139,447	\$ 705,713	\$ 125,998
Net pension liability (LGERS)	420,023	-	240,178	179,845	-
Total pension liability (LEOSSA)	389,310	-	41,564	347,746	-
Total OPEB liability	31,929	-	5,742	26,187	-
Compensated absences	58,738	25,588	24,749	59,577	25,588
Total	<u>\$ 1,745,160</u>	<u>\$ 25,588</u>	<u>\$ 451,680</u>	<u>\$ 1,319,068</u>	<u>\$ 151,586</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases-direct borrowings	\$ 33,932	\$ -	\$ 21,202	\$ 12,730	\$ 12,730
Net pension liability (LGERS)	91,692	-	52,386	39,306	-
Compensated absences	22,355	4,439	7,495	19,299	4,439
Water and Sewer long-term liabilities	<u>\$ 147,979</u>	<u>\$ 4,439</u>	<u>\$ 81,083</u>	<u>\$ 71,335</u>	<u>\$ 17,169</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, 2022, the Town had a legal debt margin of \$19,391,488.

C. Interfund Transactions

Transfers to/from Other Funds at June 30, 2022 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.

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.

III. 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

**TOWN OF BANNER ELK, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022**

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.

IV. 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 are still exploring their options for the use of these funds.

V. 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 \$13,942 for the year ended June 30, 2022.

VI. Prior Period Adjustment

During the fiscal year ended June 30, 2022, the town determined that certain water and sewer development fees in the Water and Sewer Fund as of June 30, 2021 had been recorded as an unearned liability. Therefore, an adjustment to beginning net position has been recorded to account for those revenues, the net effect of which increased beginning net position by \$42,273.

VII. Fund Balance

Total fund balance – General Fund	\$2,936,442
Less:	
Stabilization by State Statute	178,842
Subsequent years expenditures	431,367
Remaining fund balance	2,326,233

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

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

Covered payroll N/A *

Total OPEB liability as a percentage of N/A *

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

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of

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

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

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Banner Elk's proportion of the net pension liability (asset) (%)	0.01429%	0.01432%	0.01526%	0.01401%	0.01488%	0.01567%	0.01663%	0.01609%	0.01470%
Banner Elk's proportion of the net pension liability (asset) (\$)	\$ 219,151	\$ 511,715	\$ 416,739	\$ 332,365	\$ 227,325	332,570	\$ 74,633	(94,890)	\$ 177,191
Banner Elk's covered-employee payroll	\$ 953,954	\$ 905,868	\$ 932,242	\$ 817,079	\$ 847,875	824,874	\$ 824,874	841,796	\$ 830,250
Banner Elk's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.97%	56.49%	44.70%	40.68%	26.81%	40.32%	9.05%	(11.27%)	21.34%
Plan fiduciary net position as a percentage of the total pension liability **	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

* 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 Nine Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Local Government Employees' Retirement System									
Contractually required contribution	\$ 109,194	\$ 99,694	\$ 84,328	\$ 74,881	\$ 65,486	\$ 64,618	\$ 56,874	\$ 60,743	\$ 59,477
Contributions in relation to the contractually required contribution	109,194	99,694	84,328	74,881	65,486	64,618	56,874	60,743	59,477
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Banner Elk's covered-employee payroll	\$ 938,538	\$ 953,954	\$ 905,868	\$ 932,242	\$ 817,079	\$ 847,875	\$ 824,874	\$ 830,250	\$ 830,250
Contributions as a percentage of covered-employee payroll	11.63%	10.45%	9.31%	8.03%	8.01%	7.62%	6.89%	7.32%	7.16%

This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

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

	June 30,					
	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 389,310	\$ 302,753	\$ 283,833	\$ 347,795	\$ 345,161	\$ 359,409
Service Cost	19,499	13,252	12,042	10,385	11,128	11,653
Interest on the total pension liability	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	(25,578)	3,626	29,399	(31,433)	1,833	-
Changes of assumptions or other inputs	(12,093)	99,180	10,269	(10,878)	18,619	(7,294)
Benefit payments	(30,610)	(38,739)	(42,351)	(42,357)	(41,469)	(30,887)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<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.

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.

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,

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 347,746	\$ 389,310	\$ 302,753	\$ 283,833	\$ 347,795	\$ 345,161
Covered payroll	416,042	414,177	402,784	303,676	397,110	388,163
Total pension liability as a percentage of covered payroll	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

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

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

Town of Banner Elk Rock, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes		1,406,756	
Penalties and interest		6,307	
Total	<u>1,341,336</u>	<u>1,413,063</u>	<u>71,727</u>
Other taxes and licenses:			
Privilege licenses		435	
Solid waste disposal tax		814	
Total	<u>650</u>	<u>1,249</u>	<u>599</u>
Unrestricted intergovernmental:			
Local option sales tax		609,437	
Utility franchise tax		119,166	
Beer and wine tax		4,151	
TDA admin fee		30,538	
ABC profit distributions		185,000	
Total	<u>724,096</u>	<u>948,292</u>	<u>224,196</u>
Restricted intergovernmental:			
Powell Bill allocation		42,735	
Other local grants and matching contributions		3,662	
Total	<u>57,000</u>	<u>46,397</u>	<u>(10,603)</u>
Permits and fees:			
Building permits		14,887	
Total	<u>4,000</u>	<u>14,887</u>	<u>10,887</u>
Sales and services:			
Rental income		35,513	
Total	<u>25,500</u>	<u>35,513</u>	<u>10,013</u>
Investment earnings	<u>1,000</u>	<u>7,363</u>	<u>6,363</u>
Miscellaneous:			
Miscellaneous		22,833	
Total	<u>8,000</u>	<u>22,833</u>	<u>14,833</u>
Total revenues	<u>2,161,582</u>	<u>2,489,597</u>	<u>328,015</u>
EXPENDITURES			
General Government:			
Governing body:			
Salaries and employee benefits		11,626	
Operating expenditures		44,177	
Total		<u>55,803</u>	
Administration:			
Salaries and employee benefits		200,931	
Operating expenditures		68,726	
Capital outlay		5,533	
Total		<u>275,190</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, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Finance:			
Salaries and employee benefits		22,144	
Operating expenditures		<u>29,871</u>	
Total		<u>52,015</u>	
Planning:			
Salaries and employee benefits		90,249	
Operating expenditures		<u>27,778</u>	
Total		<u>118,027</u>	
Buildings:			
Operating expenditures		<u>38,110</u>	
Total		<u>38,110</u>	
Total general government	<u>\$ 605,755</u>	<u>539,145</u>	<u>66,610</u>
Public Safety:			
Police:			
Salaries and employee benefits		653,258	
Operating expenditures		153,552	
Capital outlay		13,176	
Total public safety	<u>\$ 964,528</u>	<u>819,986</u>	<u>144,542</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		95,029	
Operating expenditures		664,877	
Capital outlay		64,844	
Total transportation	<u>\$ 1,036,520</u>	<u>824,750</u>	<u>211,770</u>
Cultural and Recreation:			
Salaries and employee benefits		78,182	
Operating expenditures		75,428	
Total economic and physical development	<u>\$ 185,151</u>	<u>153,610</u>	<u>31,541</u>
Debt Service:			
Principal	56,568	56,114	454
Interest	<u>15,690</u>	<u>13,690</u>	<u>2,000</u>
Total	<u>72,258</u>	<u>69,804</u>	<u>2,454</u>
Total expenditures	<u>2,864,212</u>	<u>2,407,295</u>	<u>456,917</u>
Revenues over (under) expenditures	<u>(702,630)</u>	<u>82,302</u>	<u>784,932</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	1,000	5,550	(4,550)
Total other financing sources (users)	<u>1,000</u>	<u>5,550</u>	<u>4,550</u>
Appropriated fund balance	<u>\$ 701,630</u>	<u>\$ -</u>	<u>\$ (701,630)</u>
Total	<u>701,630</u>	<u>-</u>	<u>(701,630)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>87,852</u>	<u>\$ 87,852</u>
Fund balances, beginning		<u>2,848,590</u>	
Fund balances, ending		<u>\$ 2,936,442</u>	

Town of Banner Elk, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2022

	Police Special Revenue Fund	Cops Golf Tournament Special Revenue Fund	Historic Banner Elk School Special Revenue Fund	Capital Project Reserve Fund	Sidewalk Projects Special Revenue Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 40,612	\$ 76,877	\$ 250,417	356,231	76,632	\$ 800,769
Due from other governments	-	533	182	-	-	715
Total assets	\$ 40,612	77,410	250,599	356,231	76,632	\$ 801,484
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	-	1,872	-	-	\$ 1,872
Fund balances:						
Restricted:						
Stabilization by State Statute	\$ -	533	182	-	-	\$ 715
Public safety	40,612	76,877	-	-	-	117,489
Committed:						
Capital projects	-	-	-	356,231	76,632	432,863
Assigned:						
Subsequent years expenditures	-	-	5,000	-	-	5,000
Cultural and recreation	-	-	243,545	-	-	243,545
Total fund balances	40,612	77,410	248,727	356,231	76,632	799,612
Total liabilities and fund balances	\$ 40,612	\$ 77,410	\$ 250,599	\$ 356,231	\$ 76,632	\$ 801,484

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, 2022

	Police Special Revenue Fund	Cops Golf Tournament Special Revenue Fund	Historic Banner Elk School Special Revenue Fund	Capital Project Reserve Fund	Sidewalk Projects Special Revenue Fund	Total Nonmajor Governmental Funds
Revenues:						
Sales and services	\$ -	\$ 37,294	\$ 107,174	\$ -	\$ -	\$ 144,468
Capital donations	-	-	42,765	-	-	42,765
Restricted intergovernmental	532	-	-	-	-	532
Interest	-	72	-	1,373	56	1,501
Total revenues	532	37,366	149,939	1,373	56	189,266
Expenditures:						
Public safety	-	18,503	-	-	-	18,503
Cultural and recreation	-	-	42,220	-	-	42,220
Debt service:						
Principal repayments	-	-	83,333	-	-	83,333
Total expenditures	-	18,503	125,553	-	-	144,056
Net change in fund balance	532	18,863	24,386	1,373	56	45,210
Fund balance, beginning	40,080	58,547	224,341	354,858	76,576	754,402
Fund balance, ending	\$ 40,612	\$ 77,410	\$ 248,727	\$ 356,231	\$ 76,632	\$ 799,612

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 5,500	532	\$ (4,968)
Expenditures:			
Public safety:			
Other	5,500	-	5,500
Revenues over expenditures	-	532	532
Other financing (uses):			
Appropriated fund balance	-	-	-
Total other financing (uses)	-	-	-
Net change in fund balance	\$ -	532	\$ 532
Fund balance, beginning		40,080	
Fund balance, Ending		\$ 40,612	

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Golf tournament revenues	\$ 21,000	37,294	\$ 16,294
Interest	-	72	72
Total revenues	<u>21,000</u>	<u>37,366</u>	<u>16,366</u>
Expenditures:			
Public safety:			
Golf tournament	<u>21,000</u>	<u>18,503</u>	<u>2,497</u>
Other financing (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	18,863	<u>\$ 18,863</u>
Fund balance, beginning		<u>58,547</u>	
Fund balance, Ending		<u>\$ 77,410</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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Golf tournament revenues	14,750	58,320	43,570
Sales and services	13,000	48,854	35,854
Donations	23,500	42,765	19,265
Total revenues	<u>51,250</u>	<u>149,939</u>	<u>98,689</u>
Expenditures:			
Cultural and recreation:			
Other	32,250	28,139	4,111
Golf tournament expenses	14,500	14,081	419
Debt Service:			
Principal	83,333	83,333	-
Total	<u>130,083</u>	<u>125,553</u>	<u>4,530</u>
Revenues over expenditures	<u>(78,833)</u>	<u>24,386</u>	<u>103,219</u>
Other financing (uses):			
Transfer from Capital Project Fund	73,833	-	73,833
Total other financing (uses)	<u>73,833</u>	<u>-</u>	<u>73,833</u>
Fund balance appropriated	5,000	-	(5,000)
Net change in fund balance	<u>\$ -</u>	24,386	<u>\$ 24,386</u>
Fund balance, beginning		224,341	
Fund balance, Ending		<u>\$ 248,727</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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental:			
Miscellaneous:			
Miscellaneous	\$ -	\$ -	\$ -
Investment income	-	1,373	1,373
Total revenues	-	1,373	1,373
Revenues under expenditures	-	1,373	1,373
Other financing sources (uses):			
Transfer to Historic Banner Elk School Fund	(73,833)	-	73,833
Total	(73,833)	-	73,833
Fund balance appropriated	73,833	-	(73,833)
Net change in fund balance	\$ -	\$ 1,373	\$ 1,373
Fund balances, beginning		354,858	
Fund balances, ending		\$ 356,231	

Town of Banner Elk, North Carolina
Sidewalk Projects - Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues			
Miscellaneous:			
Contributions	-	-	\$ -
Investment income	-	56	56
Total revenues	-	56	56
 Expenditures			
Capital outlay:			
Sidewalk projects			
Total expenditures	-	-	-
Revenues under expenditures	-	56	56
 Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	56	\$ 56
Fund balance, beginning		76,576	
Fund balance, ending		\$ 76,632	

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential		418,921	
Total	\$ 310,000	418,921	\$ 108,921
Sewer charges:			
Residential		554,678	
Sewer CIP surcharge		11,553	
Total	435,000	566,231	131,231
Water and sewer taps	5,000	9,392	4,392
Water and sewer development fees	-	53,085	53,085
Other operating revenues	5,000	3,760	(1,240)
Total operating revenues	755,000	1,051,389	296,389
Nonoperating revenues:			
Interest earnings	100	204	104
Total revenues	755,100	1,051,593	296,493
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		71,907	
Supplies		670	
Insurance		88	
Contracted services		2,555	
Other operating expenditures		16,548	
Capital outlay		5,533	
Total water and sewer administration	121,027	97,301	23,726
Wastewater treatment:			
Water treatment plant:			
Salaries and employee benefits		38,455	
Utilities		69,846	
Supplies		3,425	
Insurance		3,309	
Maintenance		7,213	
Other operating expenditures		31,165	
Contracted services		22,338	
Capital outlay		9,180	
Total	223,990	184,931	39,059
Water treatment:			
Water treatment plant:			
Salaries and employee benefits		35,879	
Utilities		41,588	
Supplies		12,563	
Insurance		2,031	
Maintenance		1,505	
Other operating expenditures		19,041	
Total	146,572	112,607	33,965
Distributions and collections:			
Salaries and employee benefits		96,210	
Utilities		4,733	
Supplies		18,727	
Insurance		6,664	
Maintenance		13,695	
Other operating expenditures		77,803	
Capital outlay		206,405	
Total	496,711	424,237	72,474
Subtotal water treatment and sewer expenses	988,300	819,076	169,224

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, 2022

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Interest and other charges		906	-
Principal retirement		21,202	-
Total debt service	23,009	22,108	901
Revenues over(under) expenditures	(256,209)	210,409	466,618
Other financing sources and (uses)			
Proceeds from long-term debt	-	-	-
Fund balance appropriated	256,209	-	(256,209)
Revenues and other sources over expenditures and other uses	\$ -	210,409	\$ 210,409
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 210,409	
Reconciling items:			
Principal retirement		21,202	
Change in accrued vacation pay		3,056	
Change in deferred outflows of resources - pensions		7,391	
Change in net pension liability		52,386	
Change in deferred inflows of resources - pensions		(55,406)	
Capital outlay		221,118	
Depreciation		(183,654)	
Interest income from Water and Sewer Capital Projects Fund		359	
Total reconciling items		66,452	
Change in net position		\$ 276,861	

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	359	359
Total revenues	-	359	359
Revenues over (under) expenditures	-	359	359
Revenues over (under) expenditures and other financing sources	\$ -	359	359
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		359	
Change in net position		359	

Town of Banner Elk North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

<u>Fiscal Year</u>	Uncollected Balance July 1, 2021	<u>Additions</u>	Collections And Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 1,409,486	\$ 1,384,385	\$ 25,101
2020-2021	13,723	-	10,151	3,572
2019-2020	10,028	-	8,695	1,333
2018-2019	1,570	-	1,292	278
2017-2018	502	-	460	42
2016-2017	497	-	460	37
2015-2016	458	-	428	30
2014-2015	478	-	429	49
2013-2014	596	-	454	142
2012-2013	2	-	-	2
2011-2012	21	-	21	-
	<u>\$ 27,875</u>	<u>\$ 1,409,486</u>	<u>\$ 1,406,775</u>	30,586
Less: allowance for uncollectible accounts:				
General Fund				<u>2,386</u>
Ad valorem taxes receivable - net				<u>\$ 28,200</u>
Ad valorem taxes - General Fund				\$ 1,413,063
Reconciling items:				
Taxes written off				19
Penalties and interest				<u>(6,307)</u>
Subtotal				<u>(6,288)</u>
Total collections and credits				<u>\$ 1,406,775</u>

Town of Banner Elk, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2022

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 238,090,225	0.56	\$ 1,333,305	\$ 1,333,305	\$ -
Motor vehicles	9,799,643	0.56	54,878	-	54,878
Penalties	-		1,791	1,791	-
Total	<u>247,889,868</u>		<u>1,389,974</u>	<u>1,335,096</u>	<u>54,878</u>
Discoveries:					
Current year taxes	<u>3,533,552</u>	0.56	<u>19,788</u>	<u>19,788</u>	<u>-</u>
Abatements	<u>(49,286)</u>	0.56	<u>(276)</u>	<u>(276)</u>	<u>-</u>
Total property valuation	<u>\$ 251,374,134</u>				
Net levy			1,409,486	1,354,608	54,878
Uncollected taxes at June 30, 2022			<u>(25,101)</u>	<u>(25,101)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,384,385</u>	<u>\$ 1,329,507</u>	<u>\$ 54,878</u>
Current levy collection percentage			<u>98.22%</u>	<u>98.15%</u>	<u>100.00%</u>