

Clay County, North Carolina
Financial Statements
June 30, 2022

Turner & Company CPAs P.A.

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June 30, 2022

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Introductory Information

Clay County, North Carolina
List of Principal Officials
As of the Date of the Auditors' Report

BOARD OF COUNTY COMMISSIONERS

Dr. Robert Peck - Chairman
Randy Nichols - Vice Chairman
Clay Logan - Commissioner
Douglas Scott Penland - Commissioner
Dwight Penland - Commissioner

COUNTY OFFICIALS

Debbie Mauney - County Manager / Health & Human Services Director
Betty Patton - Finance Director
Betty Bradley - Clerk to the Board
Angela Shook - Register of Deeds
Rehnaye Talley - Tax Collector
Bonnie Lyvers - County Assessor
Mark Buchanan - Sheriff
Todd Goins - Director of Social Services
Rebecca Hall - Director of Elections

Financial Section

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report

To the Board of Commissioners
Clay County, North Carolina

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note VIII to the financial statements, the County changed accounting policies related to identifying, classifying and reporting leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases*, during the fiscal year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County'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 County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions, pages 59 through 60, the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions on pages 61 and 62, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll pages 63 and 64, and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 65, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina

February 24, 2023

Management's Discussion and Analysis

Clay County, North Carolina
Management's Discussion and Analysis
June 30, 2022

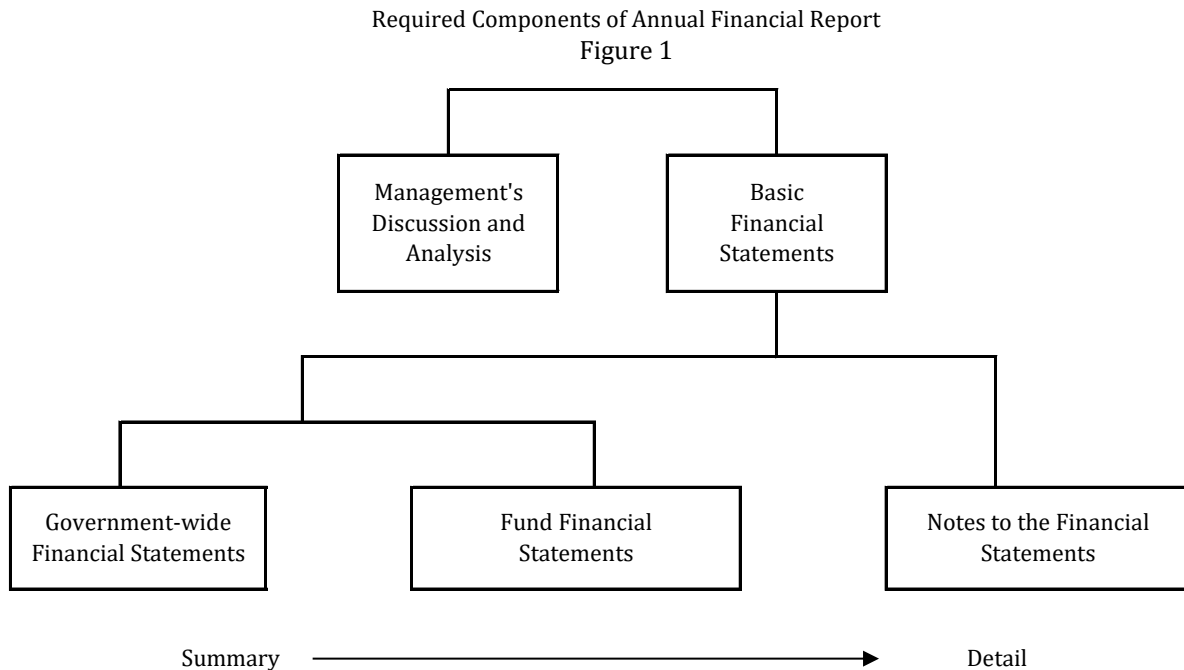
As management of Clay County, we offer readers of Clay County's financial statements this narrative overview and analysis of the financial activities of Clay County for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,577,796 (net position).
- The County's total net position increased by \$2,668,719 based on an increase in the governmental activities net position of \$2,995,016 and a decrease in the business type activities net position of \$326,297.
- As of the close of the current fiscal year, Clay County's governmental funds reported combined ending fund balances of \$9,934,345, after a net increase in fund balance of \$1,545,075. Approximately 24.48 percent of this total amount, or \$2,432,338, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,366,498, or 35.55 percent of total general fund expenditures for the fiscal year.
- Clay County's outstanding debt decreased by \$1,148,844 (12.73%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Clay County's basic financial statements. The County'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 County 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 Clay County.



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 County's financial status.

The next statements (Exhibits 3 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements of Clay County: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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 County's nonmajor governmental funds all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains information about the County's pension plan and other post employment benefits.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County'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 County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County'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 County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes the water and sewer services offered by Clay County. The final category is the component unit. Although legally separate from the County, the ABC Board is important to the County because the County exercises control over the Board by appointing its members and because the ABC Board is required to distribute its profits to the County.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County'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. Clay County, 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 County's budget ordinance. All of the funds of Clay County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 County'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*. This method also has a current financial resources 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 County's programs. The relationship between governmental 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.

Clay County 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 County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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.

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

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Clay County has three fiduciary funds, all of which are custodial funds.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Clay County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

Government-Wide Financial Analysis

Clay County, North Carolina's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 15,120,181	\$ 11,247,562	\$ 599,140	\$ 562,778	\$ 15,719,321	\$ 11,810,340
Internal balances	-	19,993	-	(19,993)	-	-
Capital assets	22,943,088	22,821,644	3,848,043	4,315,978	26,791,131	27,137,622
Total assets	38,063,269	34,089,199	4,447,183	4,858,763	42,510,452	38,947,962
Total deferred outflows of resources	3,034,247	2,430,414	90,227	60,206	3,124,474	2,490,620
Long-term liabilities outstanding	10,665,793	14,934,989	818,764	1,057,124	11,484,557	15,992,113
Other liabilities	5,917,953	2,299,234	231,946	122,776	6,149,899	2,422,010
Total liabilities	16,583,746	17,234,223	1,050,710	1,179,900	17,634,456	18,414,123
Total deferred inflows of resources	3,323,407	1,090,043	99,267	25,339	3,422,674	1,115,382
Net position:						
Net investment in capital assets	18,582,472	14,689,258	3,057,277	3,424,938	21,639,749	18,114,196
Restricted	2,450,172	2,958,834	-	-	2,450,172	2,958,834
Unrestricted	157,719	547,255	330,156	288,792	487,875	836,047
Total net position	\$ 21,190,363	\$ 18,195,347	\$ 3,387,433	\$ 3,713,730	\$ 24,577,796	\$ 21,909,077

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Clay County exceeded liabilities by \$24,577,796 as of June 30, 2022. The County's net position increased by \$2,668,719 for the fiscal year ended June 30, 2022. One of the largest portions \$21,639,749 reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Clay County's net position \$2,450,172 represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position is \$487,875.

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

- Continued diligence in the collection of property taxes by maintaining a high collection percentage of 97.9% (ad valorem), while maintaining the property tax rate.
- The County has maintained stricter policies on spending and implemented cost saving measures.
- Management maintained a proactive stance on monitoring spending across county departments to ensure compliance with the budget.

Clay County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 3,083,907	\$ 4,045,469	\$ 725,936	\$ 686,910	\$ 3,809,843	\$ 4,732,379
Operating grants and contributions	5,156,300	4,067,792	143,414	44,426	5,299,714	4,112,218
Capital grants and contributions	902,235	3,859,402	-	-	902,235	3,859,402
General revenues:						
Property taxes	9,729,560	9,536,202	-	-	9,729,560	9,536,202
Other taxes	4,603,820	4,008,125	-	-	4,603,820	4,008,125
Grants and contributions not restricted to specific programs	748,876	918,926	-	-	748,876	918,926
Interest earned on investments	17,605	3,081	240	390	17,845	3,471
Miscellaneous, unrestricted	564,138	487,752	-	-	564,138	487,752
Total revenues	24,806,441	26,926,749	869,590	731,726	25,676,031	27,658,475
Expenses:						
General government	4,099,785	4,062,030	-	-	4,099,785	4,062,030
Public safety	7,046,385	6,229,857	-	-	7,046,385	6,229,857
Transportation	758,371	712,697	-	-	758,371	712,697
Economic and physical development	799,135	886,379	-	-	799,135	886,379
Human services	5,639,984	5,631,773	-	-	5,639,984	5,631,773
Cultural and recreation	761,381	709,670	-	-	761,381	709,670
Education	2,482,083	6,831,080	-	-	2,482,083	6,831,080
Interest on long-term debt	224,301	262,869	-	-	224,301	262,869
Water and sewer	-	-	1,195,887	1,040,249	1,195,887	1,040,249
Total expenses	21,811,425	25,326,355	1,195,887	1,040,249	23,007,312	26,366,604
Change in net position before transfers	2,995,016	1,600,394	(326,297)	(308,523)	2,668,719	1,291,871
Net position, beginning previously reported	18,195,347	16,551,488	3,713,730	4,022,253	21,909,077	20,573,741
Prior period restatement - change in accounting principle	-	43,495	-	-	-	43,495
Net position, beginning as restated	18,195,347	16,594,983	3,713,730	4,022,253	21,909,077	20,617,236
Net position, ending	\$ 21,190,363	\$ 18,195,377	\$ 3,387,433	\$ 3,713,730	\$ 24,577,796	\$ 21,909,107

Governmental activities. Governmental activities increased the County's net position by \$2,995,016. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 97.73% (excluding motor vehicles).
- General revenues increased mainly due to increases in ad valorem tax collections and local option sales taxes.
- Operating grants provided \$5,156,300 in funding for the County's governmental activities. This was an increase from the prior year due to \$1,090,745 related to the CARES Act which was received in the prior year.
- Capital grants and contributions decreased significantly primarily because of the decrease in revenue received from the Needs Based Public School Capital Fund grant.
- Governmental expenses decreased in the area of Education because of the current year decrease in the amount of Needs Based Public School Capital Fund expenditures for the new primary school.

Business-type Activities. Business-type activities decreased the County's net position by \$326,297. Revenues of the County's business-type activities totaled \$869,590 with expenses totaling \$1,195,887. This produced a deficit before transfers of \$326,297. The deficit was in part due to the County not funding depreciation.

Financial Analysis of the County's Funds

As noted earlier, Clay County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Clay County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Clay County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned.

The General Fund is the chief operating fund of Clay County. At the end of the current fiscal year, Clay County's fund balance available in the General Fund was \$7,572,524 while total fund balance reached \$9,509,386. The Governing Body of Clay County has determined that the County should maintain an available fund balance of 8% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 35.48% of General Fund expenditures, while total fund balance represents 44.56% of the same amount.

At June 30, 2022, the governmental funds of Clay County reported a combined fund balance of \$9,934,345 an 18.42% increase from last year.

General Fund Budgetary Highlights. During the fiscal year, the County 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. Total amendments to the General Fund increased all revenues by \$3,470,282. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Proprietary Funds. Clay County'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 District at the end of the fiscal year amounted to \$330,156. The total decrease in net position for the Water and Sewer District was \$326,297. Other factors concerning the finances of these funds have already been addressed in the discussion of Clay County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Clay County's capital assets for its governmental and business-type activities as of June 30, 2022, totals \$26,791,131 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Addition of construction in progress for a multi-purpose building in the amount of \$841,826.
- Purchased a storage building for the Public Health for \$58,541.
- Purchased computer equipment for the Sheriff's Office for \$23,666.
- Purchased a lawn mower for the Buildings Department for \$11,109.
- Purchased fencing for the Landfill for \$12,350.
- Purchased an enclosed trailer for a Mobile Clinic for \$22,850.
- Purchased two copiers for Public Health for a total of \$15,020.
- Purchased computers for the Sheriff's Office for \$19,559.
- Purchased computer equipment for Public Health for \$14,712.
- Purchased a recording system for the 911 fund for \$36,318.
- Purchased property and evidence storage for the Jail for \$10,580.
- Constructed pickleball courts for \$133,674.
- Completed a remodel of the Senior Center with donated materials valued at \$11,000.
- Purchased a 2022 Chevrolet Silverado for the Mobile Clinic for \$54,500.
- Purchased a 2022 Ford Escape for the Department of Social Services for \$26,655.
- Purchased a 2017 Ford Explorer (with lettering) for the Sheriff's Office for \$20,125.
- Purchased a 2013 Ford Explorer for the Sheriff's Office for \$14,565.
- Purchased a 2016 Ford Explorer for the Sheriff's Office for \$21,565.
- Purchased a 2021 Dodge Ram for Emergency Management for \$58,621.

Business-Type Activities.

- Purchased a New Chlorine System for \$5,200.
- Purchased a 2021 Ford F-150 for \$28,984.

Construction commitments

The government has two active construction projects as of June 30, 2022. At year end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
911 facility building	\$ 203,377	\$ 4,296,623
Multipurpose building at Sports Complex	841,826	211,621
Total	\$ 1,045,203	\$ 4,508,244

**Clay County, North Carolina's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital Assets:						
Construction in progress	\$ 839,820	\$ 839,820	\$ -	\$ -	\$ 839,820	\$ 839,820
Plant & distribution systems	-	-	3,636,413	4,115,396	3,636,413	4,115,396
Buildings	14,185,057	14,950,919	24,294	26,407	14,209,351	14,977,326
Other improvements	5,248,805	2,026,894	-	-	5,248,805	2,026,894
Equipment, furniture and fixtures	1,051,831	1,195,245	40,970	53,895	1,092,801	1,249,140
Vehicles and motorized equipment	572,372	632,920	26,086	-	598,458	632,920
Total capital assets	\$ 21,897,885	\$ 19,645,798	\$ 3,727,763	\$ 4,195,698	\$ 25,625,648	\$ 23,841,496

Additional information on the County's capital assets can be found in Note III.A.5 of the Basic Financial Statements.

Long-term Obligations. Debt totals include direct placement installment purchases, installment financings, leases, certificates of participation and bond anticipation notes. As of June 30, 2022, Clay County had total debt outstanding of \$7,874,582. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

Clay County, North Carolina's Long-term Obligations

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct placement installment purchases	\$ 7,083,816	\$ 8,132,386	\$ 790,766	\$ 891,040	\$ 7,874,582	\$ 9,023,426
Total debt outstanding	7,083,816	8,132,386	790,766	891,040	7,874,582	9,023,426
Compensated absences	453,203	394,002	5,985	6,782	459,188	400,784
Net pension liability (LGRS)	1,421,539	3,243,356	43,965	83,504	1,465,504	3,326,860
Total pension liability (LEOSSA)	298,341	221,198	-	-	298,341	221,198
Total OPEB liability	2,749,488	2,944,047	85,036	75,798	2,834,524	3,019,845
Total long-term obligations	\$ 12,006,387	\$ 14,934,989	\$ 925,752	\$ 1,057,124	\$ 12,932,139	\$ 15,992,113

Clay County's outstanding debt decreased by \$1,148,844 (12.73%) during the current fiscal year.

Under State law counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2022 the County had debt outstanding of \$2,723,200 for these activities.

The State of North Carolina limits 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 Clay County is about \$159,584,500.

Additional information regarding Clay County, North Carolina's long-term debt can be found in Note III.B.7 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following reflects the economic situation and outlook of the County.

- At June 30, 2022, the County had an unemployment rate of 4.6%, slightly higher than the statewide rate (not seasonally adjusted) of 4.1%.
- The County has maintained stricter policies on spending and implemented cost savings measures.

Impact of Coronavirus on the County

As of June 30, 2022, the County had endured several months of the coronavirus (COVID-19) pandemic. The County has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for personnel. In June 2022, the County received \$1,090,745 of its \$2,181,490 allocation of Coronavirus State and Local Fiscal Recovery Funds from the Treasury to meet pandemic response needs. Since the length or severity of this pandemic cannot be reasonably estimated it is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of the County in subsequent years. The County will continue to operate under guidelines suggested for the health and safety of workers and the community and will carefully monitor expenses in the upcoming fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: The property tax rate was maintained at \$.43 per \$100 valuation to maintain current tax revenue streams.

The County has chosen not to appropriate fund balance in the fiscal year 2023 budget. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

The County implemented a 5% cost of living adjustment for all employees as it continues to prioritize the retention and recruitment of quality employees.

The County increased the Sheriff's Office budget by 15% as a continued commitment to public safety.

Clay County continues working on capital projects and updating aging county facilities while utilizing grants in order to keep local tax dollars to a minimum. Some notable projects which will be completed this year are replacing the front of the library, automating the county courthouse entrance, repairing a sewer issue at the Senior Center, and upgrading the community room in the Community Services Building.

County leadership is also engaged in the development and success of the students in the county. The County increased their allocation to the Clay County Board of Education by \$186,104 this year. The new Clay County Sports Complex will be completed this fiscal year, and the Board will continue to work with the Board of Education as they have been awarded a \$32 million grant. The grant will be utilized for a new school for grades three through eight.

Replacing, updating and expanding critical infrastructure, such as broadband and water/sewer, will also continue to be a priority in the capital improvement plans and economic development.

Business-Type Activities: The County budgeted \$835,357 for the operation of the water and sewer program which represents a minimal increase compared to the prior year.

Requests for Information

This report is designed to provide an overview of the County'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:

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345 Courthouse Drive Hayesville, NC 28904

dmauney@claync.us

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Basic Financial Statements

Clay County, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clay County ABC Board
ASSETS				
Cash and cash equivalents	\$ 1,683,484	\$ 305,718	\$ 1,989,202	\$ 584,691
Investments	7,410,722	-	7,410,722	-
Receivables (net)	1,638,904	172,509	1,811,413	-
Due from other governments	831,886	-	831,886	-
Inventories	-	-	-	400,235
Prepaid items	15,220	-	15,220	7,210
Restricted cash and cash equivalents	360,636	120,913	481,549	-
Restricted investments	3,146,275	-	3,146,275	-
Net pension asset	33,054	-	33,054	-
Capital assets:				
Land, improvements, construction in progress	1,885,023	120,280	2,005,303	-
Other capital assets, net of depreciation	21,058,065	3,727,763	24,785,828	225,884
Total capital assets	<u>22,943,088</u>	<u>3,848,043</u>	<u>26,791,131</u>	<u>225,884</u>
Total assets	<u>38,063,269</u>	<u>4,447,183</u>	<u>42,510,452</u>	<u>1,218,020</u>
DEFERRED OUTFLOWS OF RESOURCES	3,034,247	90,227	3,124,474	64,568
LIABILITIES				
Accounts payable and accrued expenses	839,165	4,045	843,210	236,657
Unearned revenue	3,738,194	-	3,738,194	-
Current portion of long-term liabilities	1,340,594	106,988	1,447,582	-
Liabilities to be paid from restricted assets	-	120,913	120,913	-
Long-term liabilities:				
Due in more than one year	10,665,793	818,764	11,484,557	41,963
Total liabilities	<u>16,583,746</u>	<u>1,050,710</u>	<u>17,634,456</u>	<u>278,620</u>
DEFERRED INFLOWS OF RESOURCES	3,323,407	99,267	3,422,674	46,145
NET POSITION				
Net investment in capital assets	18,582,472	3,057,277	21,639,749	225,884
Restricted for:				
Public safety	254,483	-	254,483	-
Economic development	88,078	-	88,078	-
Register of Deeds' pension plan	33,054	-	33,054	-
Stabilization by State statute	1,965,482	-	1,965,482	-
Human services	64,492	-	64,492	-
Register of deeds	44,583	-	44,583	-
Working capital	-	-	-	103,995
Unrestricted (deficit)	157,719	330,156	487,875	627,944
Total net position	<u>\$ 21,190,363</u>	<u>\$ 3,387,433</u>	<u>\$ 24,577,796</u>	<u>\$ 957,823</u>

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

**Clay County, 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	Primary Government		Total	Component Unit
					Governmental Activities	Business-type Activities		Clay County ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 4,099,785	\$ 303,059	\$ 422,371	\$ -	\$ (3,374,355)	\$ -	\$ (3,374,355)	
Public safety	7,046,385	969,664	1,303,847	113,252	(4,659,622)	-	(4,659,622)	
Transportation	758,371	123,419	495,899	-	(139,053)	-	(139,053)	
Economic and physical development	799,135	548,871	-	-	(250,264)	-	(250,264)	
Human services	5,639,984	708,229	2,827,916	-	(2,103,839)	-	(2,103,839)	
Cultural and recreation	761,381	430,665	-	402,838	72,122	-	72,122	
Education	2,482,083	-	106,267	386,145	(1,989,671)	-	(1,989,671)	
Interest on long-term debt	224,301	-	-	-	(224,301)	-	(224,301)	
Total governmental activities	<u>21,811,425</u>	<u>3,083,907</u>	<u>5,156,300</u>	<u>902,235</u>	<u>(12,668,983)</u>	<u>-</u>	<u>(12,668,983)</u>	
Business-type activities:								
Water and Sewer District	1,195,887	725,936	143,414	-	-	(326,537)	(326,537)	
Total primary government	<u>\$ 23,007,312</u>	<u>\$ 3,809,843</u>	<u>\$ 5,299,714</u>	<u>\$ 902,235</u>	<u>(12,668,983)</u>	<u>(326,537)</u>	<u>(12,995,520)</u>	
Component unit:								
ABC Board	<u>\$ 3,428,608</u>	<u>\$ 3,497,886</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ 69,278</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					9,729,560	-	9,729,560	-
Local option sales tax					4,408,351	-	4,408,351	-
Other taxes and licenses					195,469	-	195,469	-
Grants and contributions not restricted to specific programs					748,876	-	748,876	-
Investment earnings, unrestricted					17,605	240	17,845	61
Miscellaneous, unrestricted					564,138	-	564,138	-
Total general revenues excluding transfers					<u>15,663,999</u>	<u>240</u>	<u>15,664,239</u>	<u>61</u>
Transfers					-	-	-	-
Total general revenues and transfers					<u>15,663,999</u>	<u>240</u>	<u>15,664,239</u>	<u>61</u>
Change in net position					2,995,016	(326,297)	2,668,719	69,339
Net position, beginning					18,195,347	3,713,730	21,909,077	888,484
Net position, ending					<u>\$ 21,190,363</u>	<u>\$ 3,387,433</u>	<u>\$ 24,577,796</u>	<u>\$ 957,823</u>

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

Clay County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

	Major			Nonmajor		Total
	General Fund	American Rescue Plan Act Grant Project Fund	Needs-Based Capital Project Fund	911 Facility Capital Project Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 1,219,704	\$ -	\$ -	\$ -	\$ 463,780	\$ 1,683,484
Investments	7,410,722	-	-	-	-	7,410,722
Restricted cash and cash equivalents	161,443	-	-	48,732	150,461	360,636
Restricted investments	-	1,090,745	-	2,000,000	55,530	3,146,275
Receivables, net						
Taxes	415,181	-	-	-	38,068	453,249
Accounts	1,089,756	-	-	25,934	17,273	1,132,963
Due from other governments	831,886	-	-	-	-	831,886
Due from other funds	-	-	-	-	633	633
Prepaid items	15,220	-	-	-	-	15,220
Total assets	<u>\$ 11,143,912</u>	<u>\$ 1,090,745</u>	<u>\$ -</u>	<u>\$ 2,074,666</u>	<u>\$ 725,745</u>	<u>\$ 15,035,068</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 665,674	\$ -	\$ -	\$ 74,666	\$ 98,825	\$ 839,165
Due to other funds	633	-	-	-	-	633
Unearned revenue	483,556	1,090,745	-	2,000,000	163,893	3,738,194
Total liabilities	<u>1,149,863</u>	<u>1,090,745</u>	<u>-</u>	<u>2,074,666</u>	<u>262,718</u>	<u>4,577,992</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	415,181	-	-	-	38,068	453,249
Prepaid taxes	69,482	-	-	-	-	69,482
Total deferred inflows of resources	<u>484,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,068</u>	<u>522,731</u>
FUND BALANCES						
Nonspendable:						
Prepaid items	15,220	-	-	-	-	15,220
Restricted:						
Stabilization by State statute	1,921,642	-	-	25,934	17,906	1,965,482
Public safety	-	-	-	-	245,740	245,740
Economic development	-	-	-	-	88,078	88,078
Fire Protection	-	-	-	-	8,743	8,743
Register of deeds	44,583	-	-	-	-	44,583
Health services	-	-	-	-	64,492	64,492
Committed:						
Tax revaluation	161,443	-	-	-	-	161,443
Unassigned:	7,366,498	-	-	(25,934)	-	7,340,564
Total fund balances	<u>9,509,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,959</u>	<u>9,934,345</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,143,912</u>	<u>\$ 1,090,745</u>	<u>\$ -</u>	<u>\$ 2,074,666</u>	<u>\$ 725,745</u>	<u>\$ 15,035,068</u>

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

Clay County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balances for Governmental Funds	\$ 9,934,345
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,943,088
Net pension asset	33,054
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	944,170
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	80,818
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	52,692
Net pension liability	(1,421,539)
Total OPEB liability	(2,749,488)
Total pension liability	(298,341)
Deferred inflows of resources for taxes and special assessments receivable	453,249
Pension related deferrals	(503,703)
OPEB related deferrals	(740,963)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,537,019)</u>
Net position of governmental activities	<u><u>\$ 21,190,363</u></u>

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

Clay County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major			Nonmajor		Total
	General Fund	American Rescue Plan Act Grant Project Fund	Needs-Based Capital Project Fund	911 Facility Capital Project Fund	Other Governmental Funds	
REVENUES						
Ad valorem taxes	\$ 9,040,462	\$ -	\$ -	\$ -	\$ 667,649	\$ 9,708,111
Local option sales tax	4,408,351	-	-	-	-	4,408,351
Other taxes and licenses	195,469	-	-	-	-	195,469
Unrestricted intergovernmental	748,876	-	-	-	-	748,876
Restricted intergovernmental	3,880,767	1,090,745	270,482	113,252	718,419	6,073,665
Permits and fees	1,046,493	-	-	-	-	1,046,493
Sales and services	2,022,284	-	-	-	-	2,022,284
Investment earnings	17,221	-	8	-	376	17,605
Miscellaneous	232,015	-	-	-	-	232,015
Total revenues	21,591,938	1,090,745	270,490	113,252	1,386,444	24,452,869
EXPENDITURES						
Current:						
General government	3,771,927	-	-	-	-	3,771,927
Public safety	6,054,555	-	-	113,252	808,978	6,976,785
Transportation	711,538	-	-	-	-	711,538
Economic and physical development	795,391	-	-	-	-	795,391
Human services	5,362,217	-	-	-	99,259	5,461,476
Cultural and recreation	752,460	-	-	-	945,763	1,698,223
Education	2,002,778	-	363,642	-	115,663	2,482,083
Debt service:						
Principal	1,048,570	-	-	-	-	1,048,570
Interest	224,301	-	-	-	-	224,301
Total expenditures	20,723,737	-	363,642	113,252	1,969,663	23,170,294
Excess (deficiency) of revenues over expenditures	868,201	1,090,745	(93,152)	-	(583,219)	1,282,575
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	1,209,059	-	-	-	542,925	1,751,984
Transfers to other funds	(617,925)	(1,090,745)	(43,314)	-	-	(1,751,984)
Sale of capital assets	262,500	-	-	-	-	262,500
Total other financing sources (uses)	853,634	(1,090,745)	(43,314)	-	542,925	262,500
Net change in fund balances	1,721,835	-	(136,466)	-	(40,294)	1,545,075
Fund balances, beginning as previously reported	7,841,909	-	136,466	-	410,895	8,389,270
Prior period adjustment	(54,358)	-	-	-	54,358	-
Fund balances, beginning as restated	7,787,551	-	136,466	-	465,253	8,389,270
Fund balances, ending	\$ 9,509,386	\$ -	\$ -	\$ -	\$ 424,959	\$ 9,934,345

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

Clay County, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds	\$ 1,545,075
<p>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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.</p>	
Capital outlay expenditures which were capitalized	1,641,143
Depreciation expense for governmental assets	(1,589,322)
	51,821
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	944,170
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	80,818
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Fair value of donated assets	69,623
Change in unavailable revenue - property taxes	21,449
<p>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.</p>	
Principal payments on long-term debt	1,048,570
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(59,201)
Pension expense	(700,986)
Other postemployment benefits	(6,323)
Total changes in net position of governmental activities	\$ 2,995,016

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

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

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 8,812,874	\$ 9,033,719	\$ 9,040,462	\$ 6,743
Local option sales tax	3,325,000	3,520,084	4,408,351	888,267
Other taxes and licenses	142,000	183,000	195,469	12,469
Unrestricted intergovernmental	673,000	676,130	748,876	72,746
Restricted intergovernmental	2,686,701	4,983,262	3,880,767	(1,102,495)
Permits and fees	909,250	1,029,008	1,046,493	17,485
Sales and services	2,733,093	3,314,578	2,022,284	(1,292,294)
Investment earnings	3,000	3,000	17,221	14,221
Miscellaneous	33,500	45,919	232,015	186,096
Total revenues	<u>19,318,418</u>	<u>22,788,700</u>	<u>21,591,938</u>	<u>(1,196,762)</u>
EXPENDITURES				
Current:				
General government	3,775,725	4,536,458	3,771,927	764,531
Public safety	5,026,708	6,503,440	6,054,555	448,885
Transportation	995,554	1,138,145	711,538	426,607
Economic and physical development	727,310	867,498	795,391	72,107
Human services	4,786,807	6,325,214	5,362,217	962,997
Cultural and recreation	642,783	796,617	752,460	44,157
Education	1,896,511	2,002,778	2,002,778	-
Debt service:				
Principal retirement	1,160,531	1,160,531	1,048,570	111,961
Interest and fees	232,489	232,489	224,301	8,188
Total expenditures	<u>19,244,418</u>	<u>23,563,170</u>	<u>20,723,737</u>	<u>2,839,433</u>
Revenues over (under) expenditures	<u>74,000</u>	<u>(774,470)</u>	<u>868,201</u>	<u>1,642,671</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	1,137,095	1,134,059	(3,036)
Transfers to other funds	(75,000)	(622,600)	(617,925)	4,675
Sale of capital assets	1,000	259,975	262,500	2,525
Total other financing sources (uses)	<u>(74,000)</u>	<u>774,470</u>	<u>778,634</u>	<u>4,164</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,646,835</u>	<u>\$ 1,646,835</u>
Fund balance, beginning as previously reported			7,755,466	
Prior period adjustment			(54,358)	
Fund balance, beginning as restated			<u>7,701,108</u>	
Fund balance, ending			<u>\$ 9,347,943</u>	

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

Clay County, North Carolina
Statement of Net Position - Proprietary Fund
Water and Sewer District
June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 305,718
Restricted cash and cash equivalents	120,913
Receivables, net	172,509
Total current assets	<u>599,140</u>

Noncurrent assets:

Capital assets:

Land	120,280
Other capital assets, net of depreciation	3,727,763
Total capital assets	<u>3,848,043</u>
Total noncurrent assets	<u>3,848,043</u>
Total assets	<u>4,447,183</u>

DEFERRED OUTFLOWS OF RESOURCES

Total deferred outflows of resources	<u>90,227</u>
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LIABILITIES

Current liabilities:

Accounts payable	4,045
Compensated absences payable - current	5,000
Current portion of long term debt	101,988
Liabilities to be paid from restricted assets	120,913
Total current liabilities	<u>231,946</u>

Noncurrent liabilities:

Long term debt (less current portion)	688,778
Compensated absences	985
Net pension liability	43,965
Total OPEB liability	<u>85,036</u>
Total noncurrent liabilities	<u>818,764</u>

Total liabilities	<u>1,050,710</u>
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DEFERRED INFLOWS OF RESOURCES

Total deferred inflows of resources	<u>99,267</u>
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NET POSITION

Net investment in capital assets	3,057,277
Unrestricted	330,156
Total net position	<u>\$ 3,387,433</u>

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

Clay County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund
Water and Sewer District
For the Year Ended June 30, 2022

OPERATING REVENUES	
Charges for services	\$ 725,936
Water and sewer taps	26,830
Miscellaneous	116,584
Total operating revenues	<u>869,350</u>
OPERATING EXPENSES	
Administration	676,600
Depreciation	502,119
Total operating expenses	<u>1,178,719</u>
Operating income (loss)	(309,369)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	(17,168)
Interest and investment revenue	240
Total nonoperating revenues (expenses)	<u>(16,928)</u>
Income (loss) before contributions and transfers	(326,297)
Transfers from other funds	-
Change in net position	<u>(326,297)</u>
Total net position, beginning	<u>3,713,730</u>
Total net position, ending	<u><u>\$ 3,387,433</u></u>

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

Clay County, North Carolina
Statement of Cash Flows - Proprietary Fund
Water and Sewer District
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 712,280
Cash paid for goods and services	(374,819)
Cash paid to employees for services	(316,437)
Customer deposits received	9,654
Other operating revenues	116,584
Net cash used by operating activities	<u>147,262</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Net cash provided (used) by noncapital financing activities	<u>-</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	(34,184)
Principal paid on bond maturities and equipment contracts	(100,274)
Interest paid on bond maturities and equipment contracts	(17,168)
Net cash provided (used) by capital and related financing activities	<u>(151,626)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends received	<u>240</u>
Net cash provided (used) by investing activities	<u>240</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

	(4,124)
Cash and cash equivalents, beginning	<u>430,755</u>
Cash and cash equivalents, ending	<u>\$ 426,631</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	<u>\$ (309,369)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	502,119
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Decrease (increase) in accounts receivable	(40,486)
Decrease (increase) in deferred outflows of resources for pensions	(24,994)
Decrease (increase) in deferred outflows of resources - OPEB	(5,027)
Increase (decrease) in accounts payable and accrued liabilities	(7,472)
Increase (decrease) in due to other funds	(19,993)
Increase (decrease) in customer deposits	9,654
Increase (decrease) in compensated absences payable	(797)
Increase (decrease) in net pension liability	(39,539)
Increase (decrease) in net OPEB liability	9,238
Increase (decrease) in deferred inflows of resources for pensions	62,390
Increase (decrease) in deferred inflows of resources - OPEB	11,538
Total adjustments	<u>456,631</u>
Net cash provided (used) by operating activities	<u>\$ 147,262</u>

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

**Clay County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022**

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 29,813
LIABILITIES AND NET POSITION	
LIABILITIES	
Due to others	-
Due to other governments	-
Total liabilities	-
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	29,813
Total fiduciary net position	\$ 29,813

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

Clay County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Custodial Funds
ADDITIONS	
Ad valorem taxes collected for other governments	\$ 123,368
Collection on behalf of inmates	64,057
Total additions	187,425
DEDUCTIONS	
Tax distributions to other governments	123,368
Payments on behalf of inmates	40,551
Total deductions	163,919
Net increase (decrease) in fiduciary net position	23,506
Net position, beginning	6,307
Net position, ending	\$ 29,813

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

Clay County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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Clay County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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Clay County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of Clay County, its discretely presented component unit, and its blended component unit conform to generally accepted accounting principles as they apply to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable.

Component Units

Blended Component Unit - Clay County Water District

The Clay County Water District exists to provide and maintain a water system for the County residents within its district. Under State law (G.S. 162A-89), the County's Board of Commissioners also serve as the governing board for the District. The County has operational responsibility for the District. Therefore, the District is reported as an enterprise fund in the County's financial statements. The District does not issue separate financial statements. The blended presentation method presents component units as a department or unit of the County and offers no separate presentation, as with the discrete method.

Discretely Presented Component Unit - Clay County ABC Board

The Clay County ABC Board (the "ABC Board") was formed in 2009 and exists for the operation of the County's ABC store. The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). The ABC Board issues separate financial statements, which may be obtained from the entity's administrative office at Clay County ABC Board, P.O. Box 182, Hayesville, NC 28904.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type-activities* of the County. 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 County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary Fund: Operating revenues, such as charges for services, result from exchange transactions associated with the 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 items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, economic and physical development, human services, cultural and recreation, and education services. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. The Fines and Forfeitures, and Deed of Trust that were formerly accounted for as fiduciary agency funds are consolidated in the General Fund as a result of the implementation of GASB Statement No. 84.

American Rescue Plan Act Grant Project Special Revenue Fund. The federal government signed into law the American Rescue Plan Act on March 11, 2021, and established the Coronavirus State and Local Fiscal Recovery Funds program, to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This fund accounts for such expenses.

Needs-Based Capital Project Fund. This fund accounts for the construction of a new primary school for the Clay County school system. It is funded by the Needs-Based Public School Capital Fund.

911 Facility Capital Project Fund. This fund accounts for the construction of a new 911 facility to replace the current 650 square foot space with a nearly 4500 sq ft, highly secured facility which includes a fully equipped state of the art control center, with office, classroom, and training space. The project is funded by grants from the North Carolina 911 Board and the State Capital Infrastructure Fund (SCIF).

The County reports the following major enterprise fund:

Water and Sewer District Fund. This fund is used to account for the operations of the water and sewer district within the County.

The County reports the following fund types:

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for a municipality within the County but that are not revenues to the County, the Jail Inmate Pay Fund, which holds cash deposited for the benefit of incarcerated inmates, and the Sheriff's Trust Fund, which accounts for monies collected by the Sheriff's Office for civil judgements.

Nonmajor Funds. The County maintains seven legally budgeted nonmajor governmental funds. The Emergency Telephone Fund, the Fire District Fund, the Industrial Fund, the Opioid Settlement Fund, and the Representative Payee Fund are reported as nonmajor special revenue funds. The School Capital Building Fund and the Sports Complex Capital Project Fund are reported as capital project funds.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, 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 County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes 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. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, are 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 beer and wine tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenue rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Special Revenue Funds (excluding the Grant Project Funds). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Grant Project Funds and the Capital Project Funds, which lapse at the end of each respective project.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter the total expenditures of any fund or that change appropriations by more than \$5,000. The governing board must approve all amendments. 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.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The County's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. 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.

2. Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the School Capital Building Fund is classified as restricted assets because its use is restricted per North Carolina General Statutes 159-18 through 22. The unexpended grant proceeds that are restricted by revenue source are also classified as restricted assets. Money in the Opioid Settlement Fund is classified as restricted assets because its use is restricted per North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds.

Clay County Restricted Cash		
Governmental		
General Fund	Tax revaluation	\$ 161,443
School Capital Building Fund	Unexpended grant proceeds	150,461
911 Facility Capital Project Fund	Unexpended grant proceeds	48,732
Total Governmental Activities Restricted Cash		<u>\$ 360,636</u>
Business-type		
Water and Sewer District	Customer Deposits	\$ 120,913
Total Business-type Activities Restricted Cash		<u>\$ 120,913</u>
Clay County Restricted Investments		
Governmental		
American Rescue Plan Act Fund	Unexpended grant proceeds	\$ 1,090,745
Opioid Settlement Fund	Unexpended settlement proceeds	55,530
911 Capital Project Building Grant Fund	Unexpended grant proceeds	2,000,000
Total Governmental Activities Restricted Investments		<u>\$ 3,146,275</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County 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, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Lease Receivable

The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

6. 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.

7. Inventories and Prepaid Items

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise fund as well as the ABC Board consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the ABC Board is recorded as an expense as it is sold.

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.

Prepaid items for the County's governmental funds are treated using the consumption method.

8. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$2,000; and vehicles and motorized equipment, \$10,000 and computer software \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Clay County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Clay County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	30
Other improvements	15
Equipment, furniture and fixtures	3 - 10
Vehicles and motorized equipment	5
Plant and distribution systems	10 - 30

Capital assets of the ABC Board are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	5 - 40
Leasehold improvements	5
Store and office equipment	3 - 10

9. Right to Use Leased Assets

Right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use leased assets are amortized on a straight-line basis over the life of the related lease. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

10. Unearned Revenue

Unearned revenue is reported on the government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned and received before having an enforceable legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when an enforceable legal claim to the resources is established, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meets this criterion - pension and OPEB related deferrals. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension and OPEB related deferrals.

12. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

13. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

14. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the State ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund.

The County received \$55,530 as part of this settlement in Fiscal Year 2022. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30th, 2022. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

15. Reimbursements for Pandemic-related Expenditures

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 the eligible state, local, territorial, and tribal governments. The County was allocated \$2,181,490 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,090,745 was received in June 2021. The second installment was received in June 2022. The County has elected to take the standard allowance, as authorized by 31 CFR Part 35.6(d)(1) and expend all its ARP/CSLFRF funds for the provision of government services. The \$1,090,745 used for revenue replacement in the current fiscal year was transferred to the General Fund from the American Rescue Plan Act Grant Project Fund. The remaining revenue replacement funds will be transferred to the appropriate funds once the intended use of the funds is determined.

16. Net Position/Fund Balances**Net Position**

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

Prepaid items – portion of fund balance that is not an available resource because it represents payments to vendors for costs applicable to future accounting periods, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for register of deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deed's office.

Restricted for fire protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.

Restricted for public safety – portion of fund balance that is restricted by revenue source to pay for E911 expenditures or other public safety programs.

Restricted for health services – portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program.

Restricted for economic development – portion of fund balance that is restricted by revenue source for industrial purposes.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote of Clay County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for tax revaluation – portion of fund balance that can only be used for tax revaluation.

Assigned Fund Balance – portion of fund balance that the Clay County governing board has budgeted.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

Clay County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, and county 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's in the best interest of the County.

Clay County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the General Fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

17. Defined Benefit Pension and OPEB Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Governmental Employees' Retirement System (LGERS); the Registers of Deeds' Supplemental Pension Fund (RODSPF); the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"); and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). The Clay County ABC Board also participates in the Local Governmental Employees' Retirement System (LGERS). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's and the ABC Board's employer contributions are recognized when due and the County and the ABC Board have a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments for all plans are reported at fair value.

18. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$11,256,018 consists of the following:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 46,581,214
Less accumulated depreciation	(23,638,126)
Net capital assets	<u>22,943,088</u>
Net pension asset	33,054
Contributions to the pension plan in the current fiscal year	944,170
Contributions to the OPEB plan in the current fiscal year	80,818
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	52,692
Deferred inflows of resources for taxes and special assessments receivable	453,249
Pension related deferrals	(503,703)
OPEB related deferrals	(740,963)

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:

Bonds, leases, and installment financing	(7,083,816)
Compensated absences	(453,203)
Total OPEB liability	(2,749,488)
Net pension liability	(1,421,539)
Total pension liability	(298,341)
Total adjustment	\$ 11,256,018

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,449,941 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,641,143
Depreciation and amortization expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(1,589,322)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	1,048,570
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	944,170
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	80,818
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Compensated absences	(59,201)
OPEB expense	(6,323)
Pension expense	(700,986)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	69,623
Change in deferred inflows of resources - taxes receivable - at end of year	21,449
Total adjustment	\$ 1,449,941

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The audited financial statements were not submitted timely in accordance with G.S. 159-34(a). Additional time was required due to the retirement of the predecessor auditor and the successor auditors' transition process. Management and the Board will continue working with the audit firm to ensure compliance in future years.

2. Contractual Violations

None Noted.

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the ABC Board's deposits 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 County's or the ABC Board's agents in these units' names. 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 County and the ABC Board these deposits are considered to be held by their agents in the entities' 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 County or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the County's deposits had a carrying amount of \$2,499,900, a bank balance of \$2,584,815. Of the bank balance, \$400,461 was covered by federal depository insurance, and \$2,184,354 in interest-bearing deposits was covered by collateral held under the Pooling method.

At June 30, 2022, the County had \$664 cash on hand.

At June 30, 2022, the ABC Board's deposits had a carrying amount of \$582,491 and a bank balance of \$557,494. Of the bank balance, \$250,000 was covered by federal depository insurance and \$307,494 was covered by collateral held by authorized agents in the name of the State Treasurer.

The ABC Board had \$2,200 cash on hand at June 30, 2022.

2. Investments

As of June 30, 2022, the County had the following investments and maturities:

Investment Type	Fair Value Level 1	Less Than 6 Months	6 - 12 Months
NC Capital Management Trust Government Portfolio	\$ 10,556,997	\$ 10,556,997	\$ -
Total	\$ 10,556,997	\$ 10,556,997	\$ -

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 County has no formal investment policy regarding interest rate risk.

Credit Risk: The County and the ABC Board limits 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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA-mf by Standard & Poor's as of June 30, 2022.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2019	\$ 411,487	\$ 100,814	\$ 512,301
2020	410,874	63,685	474,559
2021	405,900	26,384	432,284
2022	39,169	-	39,169
Total	<u>\$ 1,267,430</u>	<u>\$ 190,883</u>	<u>\$ 1,458,313</u>

4. Receivables

Receivables at the government-wide level at June 30, 2022, were as follows:

	Accounts Receivable	Taxes Receivable	Interest Receivable	Due From Other Governments	Total
Governmental Activities					
General	\$ 1,089,756	\$ 525,545	\$ 52,692	\$ 831,886	\$ 2,499,879
Other governmental	43,207	38,068	-	-	81,275
Total receivables	1,132,963	563,613	52,692	831,886	2,581,154
Allowance for doubtful accounts	-	(110,364)	-	-	(110,364)
Total - governmental activities	<u>\$ 1,132,963</u>	<u>\$ 453,249</u>	<u>\$ 52,692</u>	<u>\$ 831,886</u>	<u>\$ 2,470,790</u>
Business-type Activities:					
Water and sewer district	\$ 172,509	\$ -	\$ -	\$ -	\$ 172,509

Due from other governments that is owed to the County consists of the following:

Local option sales taxes	\$ 818,278
Solid waste disposal tax	2,463
Utility sales tax	4,708
White goods disposal tax	1,453
Scrap tire tax	4,984
Total	<u>\$ 831,886</u>

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 839,820	\$ -	\$ -	\$ -	\$ 839,820
Construction in progress	3,175,846	1,059,016	-	(3,189,659)	1,045,203
Total capital assets not being depreciated	<u>4,015,666</u>	<u>1,059,016</u>	<u>-</u>	<u>(3,189,659)</u>	<u>1,885,023</u>

Capital assets being depreciated:

Buildings	26,518,512	58,541	36,016	-	26,541,037
Other improvements	3,017,339	144,674	312,068	3,189,659	6,039,604
Equipment, furniture and fixtures	6,581,486	244,752	16,767	-	6,809,471
Vehicles and motorized equipment	5,171,545	203,783	69,249	-	5,306,079
Total capital assets being depreciated	<u>41,288,882</u>	<u>651,750</u>	<u>434,100</u>	<u>3,189,659</u>	<u>44,696,191</u>

Less accumulated depreciation for:

Buildings	11,567,593	824,403	36,016	-	12,355,980
Other improvements	990,445	112,422	312,068	-	790,799
Equipment, furniture and fixtures	5,386,241	388,166	16,767	-	5,757,640
Vehicles and motorized equipment	4,538,625	264,331	69,249	-	4,733,707
Total accumulated depreciation	<u>22,482,904</u>	<u>1,589,322</u>	<u>434,100</u>	<u>-</u>	<u>23,638,126</u>
Total capital assets being depreciated, net	<u>18,805,978</u>				<u>21,058,065</u>
Governmental activities capital assets, net	<u>\$ 22,821,644</u>				<u>\$ 22,943,088</u>

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

General government	\$ 710,842
Public safety	367,590
Transportation	46,485
Economic and physical development	14,947
Human services	299,632
Cultural and recreation	149,826
Total depreciation expense	<u>\$ 1,589,322</u>

Business-type activities:

Water and Sewer District	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
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Capital assets not being depreciated:

Land	\$ 120,280	\$ -	\$ -	\$ -	\$ 120,280
Total capital assets not being depreciated	<u>120,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,280</u>

Capital assets being depreciated:

Plant and distribution systems	11,749,617	5,200	-	-	11,754,817
Buildings	31,688	-	-	-	31,688
Equipment, furniture and fixtures	218,689	-	-	-	218,689
Vehicles and motorized equipment	14,200	28,984	-	-	43,184
Total capital assets being depreciated	<u>12,014,194</u>	<u>34,184</u>	<u>-</u>	<u>-</u>	<u>12,048,378</u>

Less accumulated depreciation for:

Plant and distribution systems	7,634,221	484,183	-	-	8,118,404
Buildings	5,281	2,113	-	-	7,394
Equipment, furniture and fixtures	164,794	12,925	-	-	177,719
Vehicles and motorized equipment	14,200	2,898	-	-	17,098
Total accumulated depreciation	<u>7,818,496</u>	<u>502,119</u>	<u>-</u>	<u>-</u>	<u>8,320,615</u>
Total capital assets being depreciated, net	<u>4,195,698</u>				<u>3,727,763</u>
Business-type capital assets, net	<u>\$ 4,315,978</u>				<u>\$ 3,848,043</u>

Construction commitments

The government has two active construction projects as of June 30, 2022. At year end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
911 facility building	\$ 203,377	\$ 4,296,623
Multipurpose building at Sports Complex	841,826	211,621
Total	<u>\$ 1,045,203</u>	<u>\$ 4,508,244</u>

Discretely presented component unit

Capital asset activity for the ABC Board for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Total capital assets not being depreciated	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Capital assets being depreciated:					
Buildings	258,406	-	-	-	258,406
Leasehold improvements	3,441	-	-	-	3,441
Store equipment	134,832	2,302	-	-	137,134
Total capital assets being depreciated	<u>396,679</u>	<u>2,302</u>	<u>-</u>	<u>-</u>	<u>398,981</u>
Less accumulated depreciation for:					
Buildings	60,651	10,147	-	-	70,798
Leasehold improvements	3,441	-	-	-	3,441
Store equipment	118,210	5,648	-	-	123,858
Total accumulated depreciation	<u>182,302</u>	<u>15,795</u>	<u>-</u>	<u>-</u>	<u>198,097</u>
Total capital assets being depreciated, net	<u>214,377</u>				<u>200,884</u>
ABC Board capital assets, net	<u>\$ 239,377</u>				<u>\$ 225,884</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2022, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 541,547	\$ 124,127	\$ 665,674
Other governmental	173,491	-	173,491
Total governmental activities	<u>\$ 715,038</u>	<u>\$ 124,127</u>	<u>\$ 839,165</u>
Business-type Activities:			
Water and Sewer District	\$ 4,045	\$ -	\$ 4,045
Total business-type activities	<u>\$ 4,045</u>	<u>\$ -</u>	<u>\$ 4,045</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County'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, 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 County were \$971,506 for the year ended June 30, 2022. Contributions to the pension plan from the ABC Board were \$26,861 for the same period.

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

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

County

At June 30, 2022, the County reported a liability of \$1,465,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability 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 County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the County's proportion was 0.0956% (measured as of June 30, 2021), which was an increase of 0.0025% from its proportion as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the County recognized pension expense of \$671,616. At June 30, 2022, the County 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	\$ 466,230	\$ -
Change of assumptions	920,711	-
Net difference between projected and actual earnings on pension plan investments	-	2,093,765
Changes in proportion and differences between County contributions and proportionate share of contributions	134,189	19,678
County contributions subsequent to the measurement date	971,506	-
Total	<u>\$ 2,492,636</u>	<u>\$ 2,113,443</u>

\$971,506 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 186,881
2024	6,139
2025	(144,629)
2026	(640,704)
2027	-
Thereafter	-

Clay County ABC Board

At June 30, 2022, the Clay County ABC Board reported a liability of \$31,592 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability 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 Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Board's proportion was 0.00206% which was a decrease of 0.00016% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Clay County ABC Board recognized pension expense of \$18,141. At June 30, 2022, the Board 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	\$ 10,051	\$ -
Changes of assumptions	19,848	-
Net difference between projected and actual earnings on pension plan investments	-	45,136
Changes in proportion and differences between ABC Board contributions and proportionate share of contributions	7,808	1,009
County contributions subsequent to the measurement date	26,861	-
Total	<u>\$ 64,568</u>	<u>\$ 46,145</u>

\$26,861 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	7,439
2024	41
2025	(2,106)
2026	(13,812)
2027	-
Thereafter	-

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:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.05%. All rates of return and inflation are annualized.

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

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	\$ 5,688,966	\$ 1,465,504	\$ (2,010,159)
ABC Board's proportionate share of the net pension liability (asset)	\$ 3,774,982	\$ 972,453	\$ (1,333,865)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Clay County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County'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 County law enforcement officers are covered by the Separation Allowance. At December 31, 2020, valuation date, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>19</u>
Total membership	<u><u>19</u></u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The County 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.

3. Actuarial Assumptions

The entry age normal 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 used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality Rate

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

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

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

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

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

4. Contributions

The County 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 County’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 County had no benefits due or paid during 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 County reported a total pension liability of \$298,341. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was 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 County recognized pension expense of \$50,335.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,833	\$ 29,501
Changes of assumptions	60,646	11,669
County benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 111,479	\$ 41,170

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2023	\$	11,991
2024		13,729
2025		13,663
2026		10,466
2027		10,466
Thereafter		9,994

Sensitivity of the County’s total pension liability to changes in the discount rate. The following presents the County’s total pension liability calculated using the discount rate of 2.25 percent, as well as what the County’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	\$ 336,219	\$ 298,341	\$ 264,406

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

Total pension liability as of December 31, 2020	\$ 221,198
Changes for the year:	
Service cost	35,733
Interest on the total pension liability	4,269
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	48,822
Changes of assumptions or other inputs	(11,681)
Benefit payments	-
Other changes	-
Net changes	<u>77,143</u>
Total pension liability as of December 31, 2021	<u>\$ 298,341</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 1.93% to 2.25% due to a change in the Municipal Bond Rate.

Changes in Benefit Terms. There are no changes in benefit terms since the prior Measurement Date.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. 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 County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The County contributed \$54,183 for the year ended June 30, 2022. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Clay County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$1,809 for the year ended June 30, 2022.

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

At June 30, 2022, the County reported an asset of \$33,054 for its proportionate share of the net pension asset. The net pension asset 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 County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2022, the Board's proportion was 0.1720% (measured as of June 30, 2021), which was an increase of 0.0148% from its proportion as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the County recognized pension expense of \$1,284. At June 30, 2022, the County 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	\$ 353	\$ 401
Change of assumptions	2,410	-
Net difference between projected and actual earnings on pension plan investments	-	102
Changes in proportion and differences between County contributions and proportionate share of contributions	882	2,610
County contributions subsequent to the measurement date	1,809	-
Total	<u>\$ 5,454</u>	<u>\$ 3,113</u>

\$1,809 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 217
2024	(379)
2025	(77)
2026	771
2027	-
Thereafter	-

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:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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 the 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. 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 adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2022 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. 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 County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.00 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	\$ (26,255)	\$ (33,054)	\$ (38,767)

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.

e. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

The net pension liability (asset) for LGERS and RODSPF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2021, with an actuarial valuation date of December 31, 2020. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	RODSPF	LEOSSA	Total
Proportionate share of the net pension liability (asset)	\$ 1,465,504	\$ (33,054)	\$ -	\$ 1,432,450
Proportion of the net pension liability (asset)	0.09560%	0.17200%	n/a	n/a
Total pension liability	n/a	n/a	\$ 298,341	\$ 298,341
Pension expense	\$ 674,060	\$ 1,284	\$ 50,335	\$ 725,679

At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	RODSPF	LEOSSA	Total
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 466,230	\$ 353	\$ 50,833	\$ 517,416
Changes of assumptions	920,711	2,410	60,646	983,767
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	134,189	882	-	135,071
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	971,506	1,809	-	973,315
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ -	\$ 401	\$ 29,501	\$ 29,902
Changes of assumptions	-	-	11,669	11,669
Net difference between projected and actual earnings on pension plan investments	2,093,765	102	-	2,093,867
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,678	2,610	-	22,288

f. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The plan provides postemployment benefits for all retirees of the County as long as they were hired prior to February 1, 2018, and who participate in the North Carolina Local Governmental Employees' Retirement System (NCLGERS) and have at least twenty continuous years of creditable service with the County. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees that choose Plan HSA Retiree Only coverage, \$569.88 per month. The Retiree is responsible for premiums in excess of this amount. Employees who leave employment without meeting the requirements described above cannot remain on the health plan. Health care and prescription drugs are provided in the County's fully insured health care plan until the retiree reaches Medicare eligibility. Dental coverage is available and must be paid in full by the retiree. Dependent coverage cost must be paid in full by the retiree and ends at the earlier of the retiree's death, the retiree reaching age 65, or when the dependent reaches age 65. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Sworn Officers who meet any of the retirement conditions set forth under the provisions of the NCLGERS and have (1) obtained age 55 and have completed 10 years of service with the County or (2) have completed 20 years of service with the County are eligible to remain on the County's retiree health care plan.

General employees who meet any of the retirement conditions set forth under the provisions of the NCLGERS and have (1) obtained age 60 and have completed 10 years of service with the County or (2) have completed 15 years of service with the County are eligible to remain on the County's retiree health care plan.

Employees hired after February 1, 2018, are not eligible to participate in the County's retiree health plan.

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	13
Inactive members entitled to but not yet receiving benefits	-
Active members	94
Total membership	<u>107</u>

Total OPEB Liability

The County's total OPEB liability of \$2,834,524 was measured as of June 30, 2021 and was determined by a biennial actuarial valuation as of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General employees	3.25 to 8.41 percent
Law enforcement officers	3.25 to 7.90 percent
Municipal bond index rate	
Prior measurement date	2.21 percent
Measurement date	2.16 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.00 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2031

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

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2020	\$3,019,845
Changes for the year:	
Service cost at the end of the year	182,070
Interest on TOL and cash flows	69,188
Change in benefit terms	-
Difference between expected and actual experience	(479,245)
Changes of assumptions or other inputs	185,950
Benefit payments and implicit subsidy credit	<u>(143,284)</u>
Net changes	<u>(185,321)</u>
Total OPEB Liability as of June 30, 2021	<u>\$2,834,524</u>

Since the Prior Measurement Date, the Discount Rate has changed from 2.21% to 2.16% due to a change in the Municipal Bond Rate.

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

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County’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:

	1% Decrease <u>(1.16%)</u>	Discount Rate <u>(2.16%)</u>	1% Increase <u>(3.16%)</u>
Total OPEB Liability	\$ 3,114,679	\$ 2,834,524	\$ 2,581,305

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County’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% <u>Decrease</u>	<u>Current</u>	1% <u>Increase</u>
Total OPEB Liability	\$ 2,499,852	\$ 2,834,524	\$ 3,232,362

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

For the fiscal year ended June 30, 2022 the County recognized OPEB expense of \$84,895. At June 30, 2022 the County reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,997	\$ 1,074,741
Changes of assumptions	423,590	120,725
Benefit payments and administrative expenses subsequent to the measurement date	83,318	-
Total	<u>\$ 514,905</u>	<u>\$ 1,195,466</u>

\$83,318 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (175,487)
2024	(175,487)
2025	(174,008)
2026	(150,135)
2027	(66,838)
Thereafter	(21,924)

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants.

The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

3. Closure and Postclosure Care Costs - Clay County Landfill

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Because the landfill stopped accepting waste before April 9, 1994, the County is eligible for exemption from certain cap system requirements pertaining to the 30-year monitoring.

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience (Pensions, OPEB)	\$ 525,413	\$1,104,643
Net difference between projected and actual investment earnings (Pensions, OPEB)	-	2,093,867
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	135,071	22,288
Change in assumptions (Pensions, OPEB)	1,407,357	132,394
Contributions to pension plan subsequent to measurement date (LGERS, RODSPF)	973,315	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	83,318	-
Prepaid taxes not yet earned (General)	-	69,482
Taxes receivable, net (General), less penalties	-	415,181
Taxes receivable, net (Special Revenue), less penalties	-	38,068
Total	<u>\$3,124,474</u>	<u>\$3,875,923</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the North Carolina statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000. The County provides employee health benefits provided Blue Cross & Blue Shield.

In accordance with GS 159-29, the County employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance, Commissioners and Register of Deeds are each individually bonded for \$50,000 each. The Tax Collector is bonded for \$250,000.

The County does not carry flood insurance as this has not been a concern in the past.

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

Discretely presented component unit

Clay County ABC Board

The Clay County ABC Board 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 ABC Board has commercial property, general liability, workers' compensation and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past two (2) fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

6. Contingent Liabilities

At June 30, 2022, the County did not appear to be involved in any legal matters which would have a material adverse effect on the County's financial position.

7. Long-term Obligations**a. Installment Purchases**Serviced by the County's General Fund

On April 16, 2008, the County entered into a \$1,500,000 direct placement contract with Branch Banking & Trust Co. (BB&T) for a Sheriff's complex. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty semi-annual principal payments of \$37,500, plus interest at 2.59%, and matures on April 16, 2028.	\$ 450,000
On March 17, 2011, the County entered into a \$2,000,000 direct placement contract with BB&T for the construction of a new building for the social services department. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty semi-annual principal payments of \$66,667, plus interest at 2.36%, matures on March 17, 2026.	533,333
On November 7, 2013, the County entered into a \$2,700,000 direct placement contract with BB&T for the construction of a new building for the health department. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty semi-annual principal payments of \$90,000, plus interest at 3.36%, and matures on November 7, 2028.	1,170,000
On August 17, 2017, the County entered into a \$86,679 direct placement contract with United Community Bank for the purchase of three vehicles for the Sheriff's Office. The vehicles are pledged as collateral for the debt while the debt is outstanding. The financing contract requires five annual payments of \$18,652.01, including interest at 2.49%, and matures on August 18, 2022.	18,199
On March 1, 2019, the County entered into a \$30,699.95 direct placement contract with United Community Bank for the purchase of a 2018 Dodge sedan for the Sheriff's Office. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty-eight monthly payments of \$689.75, including interest at 3.75%, and matures on March 1, 2023.	6,112
On December 17, 2018, the County entered into a \$34,228.50 direct placement contract with Nantahala Bank & Trust Company for the purchase of a 2015 Dodge Ram truck for the campground. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty-eight monthly payments of \$777.63, including interest at 4.25%, and matures on December 17, 2022.	4,608
On December 17, 2018, the County entered into a \$52,189.13 direct placement contract with Nantahala Bank & Trust Company for the purchase of equipment for the campground. The equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty-eight monthly payments of \$1,185.68, including interest at 4.25%, and matures on December 17, 2022.	7,025
On January 17, 2019, the County entered into a \$28,057.06 direct placement contract with Nantahala Bank & Trust Company for the purchase of a 2017 Ford truck for the building department. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty-eight monthly payments of \$637.38, including interest at 4.25%, and matures on January 17, 2023.	4,398
On January 17, 2019, the County entered into a \$27,748.06 direct placement contract with Nantahala Bank & Trust Company for the purchase of a 2017 Ford truck for environmental health. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty-eight monthly payments of \$630.36, including interest at 4.25%, and matures on January 17, 2023.	4,350

On June 30, 2019, the County entered into a \$32,153.54 direct placement contract with United Community Bank for the purchase a vehicle for the Sheriff's Office. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty-six monthly payments of \$945.73, including interest at 3.75%, and matures on July 1, 2022. 943

On September 3, 2019, the County entered into a \$61,495.40 direct placement contract with United Community Bank for the purchase of two vehicles for the Sheriff's Office. The vehicles are pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty-six monthly payments of \$1,808.76, including interest of 3.75%, and matures on September 1, 2022. 5,392

On December 17, 2019, the County entered into a \$214,437.90 direct placement contract with Nantahala Bank & Trust for the purchase of a new ambulance. The ambulance is pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty-six monthly payments of \$6,293.36, including interest at 3.55%, and matures on December 17, 2022. 37,366

On January 15, 2021, the County entered into a \$43,822 direct placement contract with KS State Bank for the purchase of scoreboards located on the ballfields of the new County sports complex. The scoreboards are pledged as collateral for the debt while the debt is outstanding. The financing contract requires sixty monthly payments of \$873.28, including interest at 7.27%, and matures on March 25, 2026. 34,651

On February 19, 2020, the County entered into a \$2,605,298 direct placement contract with Truist Bank for the construction of a new multi sports complex for Clay County. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires twenty semi-annual principal payments of \$130,264.90, plus interest at 2.24%, and matures on February 19, 2030. 2,084,239

On May 17, 2019, the County entered into a \$3,404,000 direct placement contract with BB&T as authorized by State law (G.S.160A-20 and 153A-158.1). The County financed the matching grant funds for the construction of the new primary school for the Clay County Board of Education. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty semi-annual principal payments of \$113,466.67, plus interest at 3.18%, and matures on May 17, 2034. 2,723,200

2,723,200
<u>\$ 7,083,816</u>

Serviced by the Water & Sewer District Fund

On June 13, 2014, the County entered into a \$1,104,060 direct placement contract with United Community Bank for a sewer line project for the Town of Hayesville. The financing contract requires This transaction will require thirty semi-annual payments of \$45,304.87, including interest at 2.79%, and matures on June 15, 2029. \$ 549,276

In November 2010, the County entered into a \$536,644 State Revolving Fund loan from direct borrowings for the Hwy 69 waterline project and is secured by the net revenues for the water and sewer system. The financing contract requires twenty annual payments of \$26,832.20, including interest of 0.00%, and matures on May 1, 2030. 241,490

241,490
<u>\$ 790,766</u>

For Clay County, the future minimum payments as of June 30, 2022, including \$ 1,010,999 of interest, are:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 972,594	\$ 194,118	\$ 101,988	\$ 15,454
2024	884,785	168,091	104,064	13,378
2025	885,408	143,179	106,269	11,173
2026	883,440	118,438	108,500	8,941
2027	742,463	94,820	110,795	6,647
2028 - 2032	2,261,256	212,558	259,150	6,161
2033 - 2038	453,870	18,041	-	-
Total	<u>\$ 7,083,816</u>	<u>\$ 949,245</u>	<u>\$ 790,766</u>	<u>\$ 61,754</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$4,360,616 relates to assets the County holds title.

At June 30, 2022, Clay County had a legal debt margin of \$159,584,500.

b. Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchases	\$ 8,132,386	\$ -	\$ 1,048,570	\$ 7,083,816	\$ 972,594
Compensated absences	394,002	427,860	368,659	453,203	368,000
Total OPEB liability	2,944,047	-	194,559	2,749,488	-
Net pension liability (LGERS)	3,243,356	-	1,821,817	1,421,539	-
Total pension liability (LEOSSA)	221,198	77,143	-	298,341	-
Total Government activities	<u>\$ 14,934,989</u>	<u>\$ 505,003</u>	<u>\$ 3,433,605</u>	<u>\$ 12,006,387</u>	<u>\$ 1,340,594</u>
Business-type activities:					
Direct placement installment purchases	\$ 891,040	\$ -	\$ 100,274	\$ 790,766	\$ 101,988
Compensated absences	6,782	12,006	12,803	5,985	5,000
Net pension liability (LGERS)	83,504	-	39,539	43,965	-
Total OPEB liability	75,798	9,238	-	85,036	-
Total business-type activities	<u>\$ 1,057,124</u>	<u>\$ 21,244</u>	<u>\$ 152,616</u>	<u>\$ 925,752</u>	<u>\$ 106,988</u>

Net pension liability, total pension liability, and total other postemployment liability for governmental activities are all typically liquidated in the General Fund. Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

No interest was capitalized during 2022; interest incurred and charged to expense totaled \$224,301.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2022, consists of the following:

Receivable Fund	Payable Fund	Amount	Purpose
Emergency Telephone System Fund	General Fund	\$ 633	Reimbursable expenditures
		<u>\$ 633</u>	

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. None of the abovementioned balances are expected to be repaid within one year of the financial statement date.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

Transfers to/from other funds at June 30, 2022, consists of the following:

From the General Fund to the Sports Complex Capital Project Fund for capital outlay expenditures that exceeded financed expenditures for the project	\$ 542,925
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	75,000
From the Needs-Based Capital Project Fund to the General Fund for excess installment proceeds	43,314
From the American Rescue Plan Act Grant Project Fund to the General Fund for pandemic-related expenditure reimbursement	1,090,745
Total	<u>\$ 1,751,984</u>

D. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2022, is computed as follows:

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	\$ 22,943,088	\$ 3,848,043
Less capital debt:		
Total debt, gross	7,083,816	790,766
Less:		
School debt for assets to which the county does not hold title	(2,723,200)	-
Total capital debt	4,360,616	790,766
Net investment in capital assets	<u>\$ 18,582,472</u>	<u>\$ 3,057,277</u>

E. Fund Balance

Clay County has a revenue spending policy that provides for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, county 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 County.

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

Total fund balance - General Fund	\$ 9,509,386
Less:	
Prepaid items	15,220
Stabilization by State statute	1,921,642
Register of deeds	44,583
Tax revaluation	161,443
Working Capital / Fund Balance Policy	1,885,054
Remaining fund balance	<u>5,481,444</u>

Clay County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

The County had no outstanding encumbrances at year-end.

F. Prior Period Adjustment

During the fiscal year ended June 30, 2022, the County determined that certain transactions in the fund financial statements were recorded incorrectly in the prior year.

Emergency Telephone System Fund Balance: The 911 Board allowed additional expenditures that they previously disallowed on the PSAP Revenue-Expenditure Report submitted for the period of July 1, 2020 through June 30, 2021. The effect of the additional expenditures resulted in a \$59 decrease to fund balance.

Emergency Telephone System Fund balance, beginning as previously reported		\$ 317,680
Eligible expenditures made in the prior fiscal year	(59)	
Net prior period adjustment		<u>(59)</u>
Emergency Telephone System Fund balance, beginning as restated		<u>\$ 317,621</u>

Representative Payee Fund: Cash received under the Social Security Administration's Representative Payee Program net of liabilities owed for payments on behalf of beneficiaries were reclassified out of the General Fund into a newly created Representative Payee Special Revenue Fund. The portion of liabilities in the General Fund representing net cash available at the beginning of the year were restated as fund balance in the amount of \$54,417.

Representative Payee Fund balance, beginning as previously reported		\$ -
Creation of separate special revenue fund	54,417	
Net prior period adjustment		<u>54,417</u>
Representative Payee Fund balance, beginning as restated		<u>\$ 54,417</u>

General Fund Balance: The combined aforementioned adjustments in the Emergency Telephone System Fund and the Representative Payee Fund decreased the fund balance in the General Fund by \$54,358.

General Fund balance, beginning as previously reported		\$ 7,841,909
Adjustment for Emergency Telephone System Fund	59	
Adjustment for Representative Payee Fund	<u>(54,417)</u>	
Net prior period adjustment		<u>(54,358)</u>
General Fund balance, beginning as restated		<u>\$ 7,787,551</u>

IV. Related Organization

Clay County Rural Development Authority

The County's Governing board is responsible for appointing the members of the board of the Clay County Rural Development Authority, but the County's accountability does not extend beyond making these appointments. The Authority was created for the purpose of the economic development and to provide recreational activities for the county residents of Clay County. The Authority has developed three projects: Chatuge Shores Recreation Area, Mooreview Homesites, and Hayesville Homesites. The Mooreview and the Hayesville Homesites projects have been completed and closed out. The Chatuge Shores Recreation Area project is ongoing and provides the funds for the Authority. The County is not responsible for the debt issued by the Authority and the Authority's debt is not included in determining the County's legal debt limit.

V. Joint Ventures

Nantahala Regional Library

The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$135,000 to the Library to supplement its activities for the fiscal year ended June 30, 2022. Complete financial statements for the Library can be obtained from the Library's office at 101 Blumenthal Street, Murphy, NC 28906.

Tri-County Community College

The County has a commitment to help fund Tri-County Community College with two other local governments. The County does not appoint any members to the board of the College. The County has an ongoing financial responsibility for the joint venture because the College's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the College, so no equity interest has been reflected in the financial statements. The County has an ongoing financial responsibility for the college because of statutory responsibilities to provide funding for the College's facilities. The County contributed \$201,712 during the fiscal year June 30, 2022. Complete financial statements for the College may be obtained from the College's administrative office at 21 Campus Circle, Murphy, NC 28906.

VI. Jointly Governed Organizations

Clay-Towns Joint Industrial Park

Clay County, in conjunction with Towns County located in Georgia, purchased property for a joint industrial park. The participating governments will work together to coordinate the planning process for the industrial park, including the process of planning and development for roads to and within the park, and for providing water and sewer services within the park. Each participating County will have three members to serve on the Industrial Park Board.

Southwestern North Carolina Planning and Economic De

The County, in conjunction with six other counties, seventeen municipalities, and the Eastern Band of Cherokee Indians, established the Southwestern North Carolina Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. The County paid membership fees of \$8,453 to the Commission during the fiscal year ended June 30, 2022.

Vaya Health

The County participates in a jointly governed organization to operate Region 1 of Vaya Health with six other county governments. Vaya Health is a public managed care organization that oversees Medicaid, federal, state and local funding for services and supports related to mental health, substance use disorder and intellectual/developmental disabilities. Each county within the region appoints up to two members to the Regional Board, one of whom must be an elected county commissioner and one of whom may be either a county commissioner, county manager, Department of Social Services director, public health director, or law enforcement representative. The County does not have an ongoing financial interest or ongoing financial responsibility. The County contributed \$15,000 to Vaya Health during the fiscal year ended June 30, 2022.

VII. Summary Disclosure of Significant Commitments and Contingencies**Federal and State Assisted Programs**

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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.

Coronavirus Disease (COVID-19)

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. It is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of the County in subsequent years. Management believes the County is taking appropriate actions to mitigate the impact of the pandemic. The full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VIII. Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use, an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The County did not have any leasing arrangements that met the GASB 87 definition of a lease for the fiscal year ended June 30, 2022.

IX. New Accounting Pronouncements***Pronouncements effective for the 2022 Financial Statements:***

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The statement is designed to mitigate costs associated with reporting on certain employee benefit plans. The statement also is intended to improve the reporting of Sec. 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Pronouncements issued, but not yet effective, which will be adopted by the County in future years. As of the date of this report, the County has not determined the financial impact of implementing the following Statements:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

X. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2022 and February 24, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2022.

1. In June 2022, the County received \$55,530 of the Opioid Settlement Funds. They expect to receive an additional \$122,122 in the summer of 2023 and approximately \$64,000 annually through the summer of 2038.
2. In July 2022, the County was awarded a \$600,000, two-year opioid planning grant from the Dogwood Health Trust to assist in funding Clay County PLANS (Prepares, Leads, Administers, Navigates, Strategizes) Opioid Settlement, which will help to prepare for expenditure of the Opioid Settlement Funds.
3. In October 2022, the local state of emergency for Clay County related to COVID-19 was terminated.
4. In November 2022, the County was awarded \$50,000 by the Nantahala Health Foundation to provide for an EMT mentor/trainer to recruit students to become EMT's. The County also received \$100,000 from the Dogwood Health Trust Opioid Planning Grant to provide selected students with full tuition and an internship stipend.

5. In November 2022, the Dogwood Health Trust awarded the County \$134,000 for each of the next two years to hire an additional community paramedic.
6. In December 2022, the County was awarded an \$850,000 grant from the Rural Economic Development Division of the North Carolina Department of Commerce to assist with such items as a Community Farmers Market, a future EMS building, an EMS Training Center, and a storage facility for Emergency Management equipment and supplies.
7. In January 2023, the County was awarded a \$300,000 Community Oriented Policing Services (COPS) Technology Program grant from the Department of Justice for the technology project funding, titled: "Enhancing Community Policing for Clay County, NC by Improving the Flow of Critical Technology" to provide upgrades to current equipment while addressing future needs.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

Local Governmental Employees' Retirement System

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Register of Deeds' Supplemental Pension Fund

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Law Enforcement Officers' Special Separation Allowance

- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Other Postemployment Benefits

- Schedule of Changes in the Total OPEB Liability and Related Ratios

Clay County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Local Governmental Employees' Retirement System
Last Eight Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.0956%	0.0931%	0.0836%	0.0911%	0.0934%	0.1027%	0.0989%	0.0980%	0.0961%
County's proportionate share of the net pension liability (asset) \$	\$ 1,465,504	\$ 3,326,860	\$ 2,282,778	\$ 2,164,204	\$ 1,426,741	\$ 2,179,001	\$ 443,992	\$ (577,833)	\$ 1,158,374
County's covered-employee payroll	\$ 6,931,418	\$ 6,652,963	\$ 6,045,970	\$ 6,238,320	\$ 6,201,819	\$ 6,151,143	\$ 6,187,548	\$ 5,971,989	\$ 5,988,458
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.14%	50.01%	37.76%	34.69%	23.01%	35.42%	7.18%	(9.68%)	19.34%
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%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Clay County, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Local Governmental Employees' Retirement System
Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 971,506	\$ 714,432	\$ 605,213	\$ 473,585	\$ 467,874	\$ 461,051	\$ 421,332	\$ 439,329	\$ 423,384
Contributions in relation to the contractually required contribution	971,506	714,432	605,213	473,585	467,874	461,051	421,332	439,329	423,384
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 8,493,649	\$ 6,931,418	\$ 6,652,963	\$ 6,045,970	\$ 6,238,320	\$ 6,201,819	\$ 6,151,143	\$ 6,187,548	\$ 5,971,989
Contributions as a percentage of covered-employee payroll	11.44%	10.31%	9.10%	7.83%	7.50%	7.43%	6.85%	7.10%	7.09%

Clay County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Register of Deeds' Supplemental Pension Fund
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.1720%	0.1573%	0.1479%	0.1662%	0.1505%	0.1514%	0.1588%	0.1742%	0.1680%
County's proportionate share of the net pension liability (asset) \$	\$ (33,054)	\$ (36,039)	\$ (29,204)	\$ (27,521)	\$ (25,685)	\$ (28,296)	\$ (36,800)	\$ (39,464)	\$ (35,900)
Plan fiduciary net position as a percentage of the total pension liability **	156.53%	173.62%	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the Register of Deeds' Supplemental Pension Fund plan.

Clay County, North Carolina
Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund
Register of Deeds' Supplemental Pension Fund
Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,284	\$ 2,065	\$ 1,506	\$ 1,406	\$ 1,422	\$ 1,308	\$ 1,236	\$ 1,801	\$ 1,422
Contributions in relation to the contractually required contribution	1,284	2,065	1,506	1,406	1,422	1,308	1,236	1,801	1,422
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Clay County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 221,198	\$ 161,862	\$ 137,147	\$ 151,250	\$ 176,612	\$ 187,997
Service cost	35,733	19,096	14,618	12,172	9,142	10,951
Interest on the total pension liability	4,269	5,174	4,682	4,400	6,327	6,258
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	48,822	(37,999)	16,937	(1,206)	(23,696)	-
Changes of assumptions or other inputs	(11,681)	79,389	5,520	(5,438)	8,265	(3,195)
Benefit payments	-	(6,324)	(17,042)	(24,031)	(25,400)	(25,399)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 298,341</u>	<u>\$ 221,198</u>	<u>\$ 161,862</u>	<u>\$ 137,147</u>	<u>\$ 151,250</u>	<u>\$ 176,612</u>

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

Clay County, 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

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 298,341	\$ 221,198	\$ 161,862	\$ 137,147	\$ 151,250	\$ 176,612
Covered payroll	900,848	750,332	629,858	590,026	495,664	515,583
Total pension liability as a percentage of covered payroll	33.12%	29.48%	25.70%	23.24%	30.51%	34.25%

Notes to the schedules:

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

Clay County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Other Postemployment Benefits
For the Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 182,070	\$ 137,938	\$ 229,314	\$ 235,315	\$ 251,274
Interest	69,188	93,669	131,656	116,867	98,074
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(479,245)	3,380	(1,096,995)	11,123	(16,094)
Changes of assumptions	185,950	323,674	44,717	(109,479)	(179,323)
Net benefit payments	(143,284)	(152,937)	(156,615)	(147,817)	(111,479)
Net change in total OPEB liability	(185,321)	405,724	(847,923)	106,009	42,452
Total OPEB liability - beginning	3,019,845	2,614,121	3,462,044	3,356,035	3,313,583
Total OPEB liability - ending	<u>2,834,524</u>	<u>\$ 3,019,845</u>	<u>\$ 2,614,121</u>	<u>\$ 3,462,044</u>	<u>\$ 3,356,035</u>
Covered payroll	3929466	6,360,293	6,360,293	6,332,202	6,332,202
Total OPEB liability as a percentage of covered payroll	72.14%	47.48%	41.10%	54.67%	53.00%

Notes to Schedule

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

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

**Combining and Individual Fund
Statements and Schedules**

Major Governmental Funds

The County has the following major governmental funds:

- **General Fund** – This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Tax Revaluation Fund** – This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. The Tax Revaluation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.

Special Revenue Fund:

- **American Rescue Plan Act Grant Project Fund** – The federal government signed into law the American Rescue Plan Act on March 11, 2021, and established the Coronavirus State and Local Fiscal Recovery Funds program, to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This fund accounts for such expenses.

Capital Project Funds:

- **Needs-Based Capital Project Fund** – This fund accounts for the construction of a new primary school for the Clay County school system. It is funded by the Needs-Based Public School Capital Fund.
- **911 Facility Capital Project Fund** – This fund accounts for the construction of a new 911 facility to replace the current 650 square foot space with a nearly 4500 sq ft, highly secured facility which includes a fully equipped state of the art control center, with office, classroom, and training space. The project is funded by grants from the North Carolina 911 Board and the State Capital Infrastructure Fund (SCIF).

Clay County, North Carolina
General Fund - Consolidated
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	General Fund	Tax Revaluation Fund	Eliminations	Total
REVENUES				
Ad valorem taxes	\$ 9,040,462	\$ -	\$ -	\$ 9,040,462
Local option sales tax	4,408,351	-	-	4,408,351
Other taxes and licenses	195,469	-	-	195,469
Unrestricted intergovernmental	748,876	-	-	748,876
Restricted intergovernmental	3,880,767	-	-	3,880,767
Permits and fees	1,046,493	-	-	1,046,493
Sales and services	2,022,284	-	-	2,022,284
Investment earnings	17,221	-	-	17,221
Miscellaneous	232,015	-	-	232,015
Total revenues	<u>21,591,938</u>	-	-	<u>21,591,938</u>
EXPENDITURES				
Current:				
General government	3,771,927	-	-	3,771,927
Public safety	6,054,555	-	-	6,054,555
Transportation	711,538	-	-	711,538
Economic and physical development	795,391	-	-	795,391
Human services	5,362,217	-	-	5,362,217
Cultural and recreation	752,460	-	-	752,460
Education	2,002,778	-	-	2,002,778
Debt service:				
Principal retirement	1,048,570	-	-	1,048,570
Interest and fees	224,301	-	-	224,301
Total expenditures	<u>20,723,737</u>	-	-	<u>20,723,737</u>
Revenues over (under) expenditures	<u>868,201</u>	-	-	<u>868,201</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,134,059	-	75,000	1,209,059
Transfers to other funds	(617,925)	75,000	(75,000)	(617,925)
Total net transfers	<u>516,134</u>	<u>75,000</u>	-	<u>591,134</u>
Sale of capital assets	262,500	-	-	262,500
Total other financing sources (uses)	<u>778,634</u>	<u>75,000</u>	-	<u>853,634</u>
Fund balance appropriated	-	-	-	-
Net change in fund balances	1,646,835	75,000	<u>\$ -</u>	1,721,835
FUND BALANCES				
Fund balance, beginning as previously reported	7,755,466	86,443		7,841,909
Prior period adjustment	(54,358)	-		(54,358)
Fund balance, beginning as restated	<u>7,701,108</u>	<u>86,443</u>		<u>7,787,551</u>
Fund balance, ending	<u>\$ 9,347,943</u>	<u>\$ 161,443</u>		<u>\$ 9,509,386</u>

Exhibit 4

The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

Clay County, North Carolina

General Fund

Schedule 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		\$ 8,960,816	
Penalties and interest		79,646	
Total	\$ 9,033,719	9,040,462	\$ 6,743
Local option sales taxes:			
Article 39 one percent		1,600,337	
Article 40 one-half of one percent		1,098,190	
Article 42 one-half of one percent		814,534	
Article 44 one-half of one percent		380,874	
Article 46 one-quarter of one percent		362,515	
Medicaid hold-harmless		151,901	
Total	3,520,084	4,408,351	888,267
Other taxes and licenses:			
Register of deeds - deed stamp excise tax		193,469	
Marriage (privilege) licenses		2,000	
Total	183,000	195,469	12,469
Unrestricted intergovernmental:			
Payments in lieu of taxes - outside sources		413,275	
ABC profit distribution		275,000	
Beer & wine tax		42,026	
Utility sales tax franchise fees		18,575	
Total	676,130	748,876	72,746
Restricted intergovernmental:			
Federal grants		3,266,910	
State grants		330,208	
Court facility fees		13,655	
Scrap tire disposal tax		29,101	
White goods disposal tax		5,833	
Enforcement fund		987	
Other revenue		183,617	
ABC profits for law enforcement		18,000	
ABC bottle taxes		32,456	
Total	4,983,262	3,880,767	(1,102,495)
Permits and fees:			
Building & well permits		187,328	
Inspection fees		173,766	
Landfill permits and user fees		547,396	
Recreation fees		23,700	
Gun permits and other		10,549	
Register of deeds		103,754	
Total	1,029,008	1,046,493	17,485

**Clay County, North Carolina
General Fund**

**Schedule 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>
Sales and services:			
Rents, concessions, and fees		143,580	
Jail fees		75,809	
Ambulance and rescue squad fees		506,732	
Fines and forfeitures		64,673	
Recreation fees		406,965	
Health department fees		697,294	
Senior center meal fees		3,812	
Transportation fees		123,419	
Total	<u>3,314,578</u>	<u>2,022,284</u>	<u>(1,292,294)</u>
Investment earnings	<u>3,000</u>	<u>17,221</u>	<u>14,221</u>
Miscellaneous:			
Donations		16,098	
Other		215,917	
Total	<u>45,919</u>	<u>232,015</u>	<u>186,096</u>
Total revenues	<u>22,788,700</u>	<u>21,591,938</u>	<u>(1,196,762)</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		212,351	
Operating expenditures		465,468	
Unemployment insurance		6,777	
Total	<u>1,065,354</u>	<u>684,596</u>	<u>380,758</u>
Special appropriations:			
Special appropriations		188,403	
Total	<u>191,459</u>	<u>188,403</u>	<u>3,056</u>
Human resources:			
Salaries and employee benefits		67,556	
Operating expenditures		5,088	
Total	<u>74,369</u>	<u>72,644</u>	<u>1,725</u>
Board of elections:			
Salaries and employee benefits		163,753	
Operating expenditures		59,793	
Total	<u>269,899</u>	<u>223,546</u>	<u>46,353</u>
Finance:			
Salaries and employee benefits		249,190	
Operating expenditures		81,471	
Total	<u>409,723</u>	<u>330,661</u>	<u>79,062</u>
Tax supervisor:			
Salaries and employee benefits		218,694	
Operating expenditures		31,164	
Total	<u>270,852</u>	<u>249,858</u>	<u>20,994</u>

**Clay County, North Carolina
General Fund**

**Schedule 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>
Tax collector:			
Salaries and employee benefits		267,941	
Operating expenditures		58,261	
Total	<u>333,818</u>	<u>326,202</u>	<u>7,616</u>
Legal:			
Contracted services		94,900	
Total	<u>105,400</u>	<u>94,900</u>	<u>10,500</u>
Register of deeds:			
Salaries and employee benefits		200,315	
Operating expenditures		57,262	
Total	<u>302,562</u>	<u>257,577</u>	<u>44,985</u>
Maintenance / public buildings:			
Salaries and employee benefits		375,504	
Operating expenditures		682,271	
Capital outlay		19,642	
Total	<u>1,228,485</u>	<u>1,077,417</u>	<u>151,068</u>
Senior center:			
Salaries and employee benefits		148,828	
Operating expenditures		106,147	
Capital outlay		11,148	
Total	<u>284,537</u>	<u>266,123</u>	<u>18,414</u>
Total general government	<u>4,536,458</u>	<u>3,771,927</u>	<u>764,531</u>
Public safety:			
Sheriff:			
Salaries and employee benefits		1,307,857	
Operating expenditures		295,513	
Capital outlay		124,706	
Total	<u>1,804,335</u>	<u>1,728,076</u>	<u>76,259</u>
Telecommunicators / emergency communications:			
Salaries and employee benefits		512,026	
Operating expenditures		61,600	
Total	<u>576,205</u>	<u>573,626</u>	<u>2,579</u>
CJPP:			
Operating expenditures		321	
Total	<u>1,300</u>	<u>321</u>	<u>979</u>
Sheriff investigators:			
Salaries and employee benefits		308,983	
Operating expenditures		31,143	
Total	<u>342,273</u>	<u>340,126</u>	<u>2,147</u>
Jail:			
Salaries and employee benefits		737,278	
Operating expenditures		377,335	
Capital outlay		10,580	
Total	<u>1,138,307</u>	<u>1,125,193</u>	<u>13,114</u>

**Clay County, North Carolina
General Fund**

**Schedule 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>
Emergency management:			
Salaries and employee benefits		100,985	
Operating expenditures		19,786	
Total	<u>290,013</u>	<u>120,771</u>	<u>169,242</u>
Fire:			
Operating expenditures		56,334	
Total	<u>72,128</u>	<u>56,334</u>	<u>15,794</u>
Building department:			
Salaries and employee benefits		145,460	
Operating expenditures		15,470	
Total	<u>166,427</u>	<u>160,930</u>	<u>5,497</u>
Emergency medical services:			
Salaries and employee benefits		1,375,392	
Operating expenditures		187,717	
Capital outlay		9,076	
Total	<u>1,582,083</u>	<u>1,572,185</u>	<u>9,898</u>
Community paramedicine:			
Salaries and employee benefits		154,465	
Capital outlay		77,350	
Total	<u>339,786</u>	<u>231,815</u>	<u>107,971</u>
E911 allowable:			
Salaries and employee benefits		22,824	
Operating expenditures		3,815	
Total	<u>66,009</u>	<u>26,639</u>	<u>39,370</u>
E911 nonallowable:			
Salaries and employee benefits		82,053	
Operating expenditures		15,287	
Total	<u>101,124</u>	<u>97,340</u>	<u>3,784</u>
Courthouse security:			
Salaries and employee benefits		18,311	
Total	<u>20,050</u>	<u>18,311</u>	<u>1,739</u>
Clerk of court:			
Operating expenditures		2,888	
Total	<u>3,400</u>	<u>2,888</u>	<u>512</u>
Total public safety	<u>6,503,440</u>	<u>6,054,555</u>	<u>448,885</u>
Transportation:			
Transportation- operating:			
Salaries and employee benefits		395,859	
Operating expenditures		99,462	
Total	<u>683,671</u>	<u>495,321</u>	<u>188,350</u>

**Clay County, North Carolina
General Fund**

**Schedule 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>
Transportation- admin & capital:			
Salaries and employee benefits		195,815	
Operating expenditures		20,402	
Total	<u>454,474</u>	<u>216,217</u>	<u>238,257</u>
Total transportation	<u>1,138,145</u>	<u>711,538</u>	<u>426,607</u>
Economic and physical development:			
Sanitary landfill:			
Salaries and employee benefits		212,130	
Operating expenditures		323,457	
Capital outlay		12,350	
Total	<u>581,283</u>	<u>547,937</u>	<u>33,346</u>
Soil and water conservation:			
Salaries and employee benefits		96,180	
Operating expenditures		14,955	
Total	<u>111,507</u>	<u>111,135</u>	<u>372</u>
Agricultural extension:			
Salaries and employee benefits		115,739	
Operating expenditures		12,127	
Total	<u>166,208</u>	<u>127,866</u>	<u>38,342</u>
Special appropriations:			
Special appropriations		8,453	
Total	<u>8,500</u>	<u>8,453</u>	<u>47</u>
Total economic and physical development	<u>867,498</u>	<u>795,391</u>	<u>72,107</u>
Human services:			
Health department:			
Administration and health programs:			
Salaries and employee benefits		1,406,610	
Operating expenses		168,278	
Capital outlay		73,561	
Total	<u>1,978,148</u>	<u>1,648,449</u>	<u>329,699</u>
Immunization action plan:			
DSMT:		-	
Operating expenses		-	
Total	<u>2,140</u>	<u>-</u>	<u>2,140</u>
Adult health:			
Operating expenses		5,963	
Total	<u>8,100</u>	<u>5,963</u>	<u>2,137</u>
Child health:			
Operating expenses		3,756	
Total	<u>5,900</u>	<u>3,756</u>	<u>2,144</u>
Breast and cervical cancer:			
Salaries and employee benefits		800	
Operating expenses		7,536	
Total	<u>11,400</u>	<u>8,336</u>	<u>3,064</u>

**Clay County, North Carolina
General Fund**

**Schedule 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>
Environmental health:			
Operating expenses		32,869	
Total	<u>39,400</u>	<u>32,869</u>	<u>6,531</u>
CAP program:			
Operating expenses		4	
Total	<u>5</u>	<u>4</u>	<u>1</u>
Communicable disease:			
Operating expenses		4,736	
Total	<u>6,040</u>	<u>4,736</u>	<u>1,304</u>
Animal control:			
Operating expenses		1,518	
Total	<u>1,700</u>	<u>1,518</u>	<u>182</u>
Healthy communities:			
Operating expenses		6,684	
Total	<u>7,225</u>	<u>6,684</u>	<u>541</u>
Dental clinic:			
Salaries and employee benefits		276,567	
Operating expenses		147,098	
Total	<u>499,295</u>	<u>423,665</u>	<u>75,630</u>
Family planning:			
Salaries and employee benefits		800	
Operating expenses		30,258	
Total	<u>35,925</u>	<u>31,058</u>	<u>4,867</u>
Immunizations:			
Operating expenses		108,817	
Capital outlay		30,319	
Total	<u>204,189</u>	<u>139,136</u>	<u>65,053</u>
WIC - women, infants, and children:			
Operating expenses		6,412	
Total	<u>8,190</u>	<u>6,412</u>	<u>1,778</u>
Child services coordination:			
Operating expenses		36	
Total	<u>100</u>	<u>36</u>	<u>64</u>
Lab:			
Operating expenses		81,729	
Total	<u>89,000</u>	<u>81,729</u>	<u>7,271</u>
Pregnancy care management:			
Operating expenses		66	
Total	<u>100</u>	<u>66</u>	<u>34</u>
Total health department	<u>2,896,857</u>	<u>2,394,417</u>	<u>502,440</u>

**Clay County, North Carolina
General Fund**

**Schedule 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>
Social services:			
Administration:			
Salaries and employee benefits		1,868,924	
Operating expenses		303,952	
Capital outlay		26,655	
Janitorial:			
Salaries and employee benefits		45,874	
Total	<u>2,475,300</u>	<u>2,245,405</u>	<u>229,895</u>
Recipients:			
Assistance payments		700,914	
Total	<u>929,987</u>	<u>700,914</u>	<u>229,073</u>
Total social services	<u>3,405,287</u>	<u>2,946,319</u>	<u>458,968</u>
Veterans service officer:			
Salaries and employee benefits		21,450	
Operating expenses		31	
Total	<u>23,070</u>	<u>21,481</u>	<u>1,589</u>
Total human services	<u>6,325,214</u>	<u>5,362,217</u>	<u>962,997</u>
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		292,495	
Operating expenditures		71,619	
Capital outlay		138,274	
Total	<u>527,029</u>	<u>502,388</u>	<u>24,641</u>
Recreation sports:			
Operating expenditures		32,858	
Total	<u>40,200</u>	<u>32,858</u>	<u>7,342</u>
Campground:			
Salaries and employee benefits		34,186	
Operating expenditures		43,128	
Capital outlay		4,900	
Total	<u>94,388</u>	<u>82,214</u>	<u>12,174</u>
Libraries:			
Contribution to regional library		135,000	
Total	<u>135,000</u>	<u>135,000</u>	<u>-</u>
Total cultural and recreation	<u>796,617</u>	<u>752,460</u>	<u>44,157</u>
Education:			
Public schools:			
Public schools - current		1,609,799	
Public schools -other		106,267	
Public schools - capital outlay		35,000	
Public schools - school nurse funds		50,000	
Community college:			
Community college - current		201,712	
Total education	<u>2,002,778</u>	<u>2,002,778</u>	<u>-</u>

Clay County, North Carolina

General Fund

Schedule 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>
Debt service:			
Principal retirements	1,160,531	1,048,570	111,961
Interest and fees	232,489	224,301	8,188
Total debt service	<u>1,393,020</u>	<u>1,272,871</u>	<u>120,149</u>
Total expenditures	<u>23,563,170</u>	<u>20,723,737</u>	<u>2,839,433</u>
Revenues over (under) expenditures	(774,470)	868,201	1,642,671
OTHER FINANCING SOURCES (USES)			
Transfers in:			
American Rescue Plan Act Grant Project Fund	1,090,745	1,090,745	-
Needs-Based Capital Project Fund	46,350	43,314	(3,036)
	<u>1,137,095</u>	<u>1,134,059</u>	<u>(3,036)</u>
Transfers to other funds:			
Tax revaluation fund	(75,000)	(75,000)	-
Sports Complex Capital Projects Fund	(547,600)	(542,925)	4,675
Total	<u>(622,600)</u>	<u>(617,925)</u>	<u>4,675</u>
Total net transfers	<u>514,495</u>	<u>516,134</u>	<u>1,639</u>
Sale of capital assets	259,975	262,500	2,525
Total other financing sources (uses)	<u>774,470</u>	<u>778,634</u>	<u>4,164</u>
Revenues and other sources over (under) expenditures	-	1,646,835	1,646,835
Appropriated fund balance	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>1,646,835</u>	<u>\$ 1,646,835</u>
FUND BALANCE			
Fund balance, beginning as previously reported		7,755,466	
Prior period adjustment		<u>(54,358)</u>	
Fund balance, beginning as restated		7,701,108	
Fund balance, ending		<u>\$ 9,347,943</u>	

Clay County, North Carolina
Tax Revaluation Fund
Schedule 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			
Investment earnings		\$ -	
Total revenues	\$ -	-	\$ -
EXPENDITURES			
Current:			
General government:			
Tax listing		-	
Total expenditures	112,307	-	112,307
Revenues over (under) expenditures	(112,307)	-	112,307
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	112,307	75,000	(37,307)
Total other financing sources (uses)	112,307	75,000	(37,307)
Revenues and other sources over (under) expenditures	-	75,000	75,000
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	75,000	\$ 75,000
FUND BALANCE			
Fund balance, beginning		86,443	
Fund balances, ending		\$ 161,443	

Clay County, North Carolina
American Rescue Plan Act Grant Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Budget	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental					
Coronavirus State and Local Fiscal Recovery Funds	\$ 2,181,490	\$ -	\$ 1,090,745	\$ 1,090,745	\$ (1,090,745)
Total revenues	<u>2,181,490</u>	<u>-</u>	<u>1,090,745</u>	<u>1,090,745</u>	<u>(1,090,745)</u>
EXPENDITURES					
Public safety					
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	2,181,490	-	1,090,745	1,090,745	(1,090,745)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	-	-	-	-	-
Transfer to other funds	(2,181,490)	-	(1,090,745)	(1,090,745)	1,090,745
Total other financing sources (uses)	<u>(2,181,490)</u>	<u>-</u>	<u>(1,090,745)</u>	<u>(1,090,745)</u>	<u>1,090,745</u>
Revenues and other sources over (under) expenditures	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

Clay County, North Carolina
Needs-Based Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental					
Needs-Based Public School Capital Fund	\$ 10,083,005	\$ 9,812,523	\$ 270,482	\$10,083,005	\$ -
Investment earnings	315	307	8	315	-
Total revenues	<u>10,083,320</u>	<u>9,812,830</u>	<u>270,490</u>	<u>10,083,320</u>	<u>-</u>
EXPENDITURES					
Intergovernmental - education					
Planning and design		912,044	-	912,044	
Construction		12,168,320	363,642	12,531,962	
Total expenditures	<u>13,444,006</u>	<u>13,080,364</u>	<u>363,642</u>	<u>13,444,006</u>	<u>-</u>
Revenues over (under) expenditures	(3,360,686)	(3,267,534)	(93,152)	(3,360,686)	-
OTHER FINANCING SOURCES (USES)					
Installment obligations issued	3,404,000	3,404,000	-	3,404,000	-
Transfer to General Fund	<u>(43,314)</u>	<u>-</u>	<u>(43,314)</u>	<u>(43,314)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,360,686</u>	<u>3,404,000</u>	<u>(43,314)</u>	<u>3,360,686</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>136,466</u>	<u>(136,466)</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 136,466</u>	<u>(136,466)</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Fund balance, beginning			<u>136,466</u>		
Fund balance, ending			<u>\$ -</u>		

Clay County, North Carolina
911 Facility Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Budget	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental					
911 grant	\$ 2,500,000	\$ 90,125	\$ 113,252	\$ 203,377	\$ (2,386,748)
State Capital Infrastructure Fund (SCIF) grant	2,000,000	-	-	-	(2,000,000)
Total restricted intergovernmental	4,500,000	90,125	113,252	203,377	(4,386,748)
Investment earnings	-	-	-	-	-
Total revenues	4,500,000	90,125	113,252	203,377	(4,296,623)
EXPENDITURES					
Public safety					
Capital outlay	4,500,000	90,125	113,252	203,377	4,386,748
Total expenditures	4,500,000	90,125	113,252	203,377	4,386,748
Revenues over (under) expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	-	-	-	-	-
Transfer to other funds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other sources over (under) expenditures	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
FUND BALANCE					
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Nonmajor Governmental Funds

The County has the following nonmajor governmental funds:

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- **Emergency Telephone System Fund** – This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.
- **Fire District Fund** – This fund accounts for the ad valorem tax levies of the fire districts within Clay County.
- **Industrial Fund** – This fund accounts for funds held to be used by the County in the Industrial Park. The fund had no financial transactions to report for the current fiscal year.
- **Representative Payee Fund** – This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.
- **Opioid Settlement Fund – Opioid Settlement Fund** – In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The opioid settlement funds may support programs or services that serve persons with Opioid Use Disorder (OUD) or any co-occurring Substance Use Disorder (SUD) or mental health condition.

Capital Project Fund:

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- **School Capital Building Fund** – This fund is used to account for capital outlay for the Clay County school system.
- **Sports Complex Capital Project Fund** – This fund accounts for a multi-phase capital project for a new sports complex. Phase I is financed by transfers from the general fund and a direct placement installment purchase for ballfields. Phase II is funded by transfers from the general fund and a grant from the Parks and Recreation Trust Fund (PARTF) for the construction of a multipurpose building, an open-air, covered picnic area with picnic tables, a timber-framed pavilion with benches, and court games.

Clay County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds					Capital Project Funds				Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	Fire District Fund	Industrial Fund	Opioid Settlement Fund	Representative Payee Fund	Total Nonmajor Special Revenue Funds	School Capital Building Fund	Sports Complex Capital Project Fund	Total Nonmajor Capital Projects Funds	
ASSETS										
Cash and cash equivalents	\$ 284,537	\$ 26,673	\$ 88,078	\$ -	\$ 64,492	\$ 463,780	\$ -	\$ -	\$ -	\$ 463,780
Restricted cash and cash equivalents	-	-	-	-	-	-	150,461	-	150,461	150,461
Restricted investments	-	-	-	55,530	-	55,530	-	-	-	55,530
Taxes receivable (net)	-	38,068	-	-	-	38,068	-	-	-	38,068
Accounts receivable	17,273	-	-	-	-	17,273	-	-	-	17,273
Due from other funds	633	-	-	-	-	633	-	-	-	633
Total assets	\$ 302,443	\$ 64,741	\$ 88,078	\$ 55,530	\$ 64,492	\$ 575,284	\$ 150,461	\$ -	\$ 150,461	\$ 725,745
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 38,797	\$ 17,930	\$ -	\$ -	\$ -	\$ 56,727	\$ 42,098	\$ -	\$ 42,098	\$ 98,825
Unearned revenue	-	-	-	55,530	-	55,530	108,363	-	108,363	163,893
Total liabilities	38,797	17,930	-	55,530	-	112,257	150,461	-	150,461	262,718
DEFERRED INFLOWS OF RESOURCES										
Taxes receivable	-	38,068	-	-	-	38,068	-	-	-	38,068
Total deferred inflows of resources	-	38,068	-	-	-	38,068	-	-	-	38,068
Fund balances:										
Restricted:										
Stabilization by State statute	17,906	-	-	-	-	17,906	-	-	-	17,906
Public safety	245,740	-	-	-	-	245,740	-	-	-	245,740
Economic development	-	-	88,078	-	-	88,078	-	-	-	88,078
Fire protection	-	8,743	-	-	-	8,743	-	-	-	8,743
Health services	-	-	-	-	64,492	64,492	-	-	-	64,492
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	263,646	8,743	88,078	-	64,492	424,959	-	-	-	424,959
Total liabilities, deferred inflows of resources, and fund balances	\$ 302,443	\$ 64,741	\$ 88,078	\$ 55,530	\$ 64,492	\$ 575,284	\$ 150,461	\$ -	\$ 150,461	\$ 725,745

Clay County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2022

	Special Revenue Funds					Capital Project Funds			
	Emergency Telephone System Fund	Fire District Fund	Industrial Fund	Representative Payee Fund	Total Nonmajor Special Revenue Funds	School Capital Building Fund	Sports Complex Capital Project Fund	Total Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES									
Ad valorem taxes	\$ -	\$ 667,649	\$ -	\$ -	\$ 667,649	\$ -	\$ -	\$ -	\$ 667,649
Restricted intergovernmental	90,584	-	-	109,334	199,918	115,663	402,838	518,501	718,419
Investment earnings	147	229	-	-	376	-	-	-	376
Total revenues	<u>90,731</u>	<u>667,878</u>	<u>-</u>	<u>109,334</u>	<u>867,943</u>	<u>115,663</u>	<u>402,838</u>	<u>518,501</u>	<u>1,386,444</u>
EXPENDITURES									
Current:									
Public safety	144,706	664,272	-	-	808,978	-	-	-	808,978
Human services	-	-	-	99,259	99,259	-	-	-	99,259
Cultural and recreation	-	-	-	-	-	-	945,763	945,763	945,763
Education	-	-	-	-	-	115,663	-	115,663	115,663
Total expenditures	<u>144,706</u>	<u>664,272</u>	<u>-</u>	<u>99,259</u>	<u>908,237</u>	<u>115,663</u>	<u>945,763</u>	<u>1,061,426</u>	<u>1,969,663</u>
Excess (deficiency) of revenues over expenditures	<u>(53,975)</u>	<u>3,606</u>	<u>-</u>	<u>10,075</u>	<u>(40,294)</u>	<u>-</u>	<u>(542,925)</u>	<u>(542,925)</u>	<u>(583,219)</u>
OTHER FINANCING SOURCES (USES)									
Transfers from other funds	-	-	-	-	-	-	542,925	542,925	542,925
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,925</u>	<u>542,925</u>	<u>542,925</u>
Net change in fund balances	<u>(53,975)</u>	<u>3,606</u>	<u>-</u>	<u>10,075</u>	<u>(40,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,294)</u>
Fund balances, beginning as previously reported	317,680	5,137	88,078	-	410,895	-	-	-	410,895
Prior period adjustment	(59)	-	-	54,417	54,358	-	-	-	54,358
Fund balances, beginning as restated	<u>317,621</u>	<u>5,137</u>	<u>88,078</u>	<u>54,417</u>	<u>465,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>465,253</u>
Fund balances, ending	<u>\$ 263,646</u>	<u>\$ 8,743</u>	<u>\$ 88,078</u>	<u>\$ 64,492</u>	<u>\$ 424,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,959</u>

Clay County, North Carolina
Emergency Telephone System Fund
Schedule 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			
Restricted intergovernmental			
E911 Funding		\$ 90,584	
Investment earnings		147	
Total revenues	<u>\$ 104,669</u>	<u>90,731</u>	<u>\$ (13,938)</u>
EXPENDITURES			
Public safety			
Implementation functions		37,816	37,816
Telephone		18,169	18,169
Software maintenance		20,325	20,325
Training		2,453	2,453
Other		22,376	22,376
Capital outlay		43,567	43,567
Total expenditures	<u>209,000</u>	<u>144,706</u>	<u>64,294</u>
Revenues over (under) expenditures	(104,331)	(53,975)	50,356
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	(104,331)	(53,975)	50,356
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ (104,331)</u>	<u>(53,975)</u>	<u>\$ 50,356</u>
FUND BALANCE			
Fund balance, beginning as previously reported		317,680	
Prior period adjustment		(59)	
Fund balance, beginning as restated		<u>317,621</u>	
Fund balance, ending		<u>\$ 263,646</u>	

Clay County, North Carolina
Fire District Fund
Schedule 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		\$ 653,331	
Ad valorem taxes prior year		14,318	
Total		<u>667,649</u>	
Investment earnings		229	
Total revenues	<u>\$ 723,658</u>	<u>667,878</u>	<u>\$ (55,780)</u>
EXPENDITURES			
Current:			
Public Safety			
Fire District No. 1		105,818	
Fire District No. 2		60,730	
Fire District No. 3		58,797	
Fire District No. 4		438,927	
Total expenditures	<u>723,658</u>	<u>664,272</u>	<u>59,386</u>
Revenues over (under) expenditures	-	3,606	3,606
OTHER FINANCING SOURCES (USES)			
Transfer from other funds			
General Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	3,606	3,606
Appropriated fund balance	-	-	-
Net change in fund balance over (under) expenditures	<u>\$ -</u>	<u>3,606</u>	<u>\$ 3,606</u>
FUND BALANCE			
Fund balance, beginning		<u>5,137</u>	
Fund balance, ending		<u>\$ 8,743</u>	

Clay County, North Carolina
Representative Payee Fund
Schedule 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			
Restricted intergovernmental		\$ 109,334	
Total revenues	<u>\$ 110,916</u>	<u>109,334</u>	<u>\$ (1,582)</u>
EXPENDITURES			
Current:			
Human Services			
Payments made for the benefit of beneficiaries		99,259	
Total expenditures	<u>110,916</u>	<u>99,259</u>	<u>11,657</u>
Revenues over (under) expenditures	-	10,075	10,075
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	10,075	10,075
Appropriated fund balance	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>10,075</u>	<u>\$ 10,075</u>
FUND BALANCE			
Fund balance, beginning as previously reported		-	
Prior period adjustment		54,417	
Fund balance, beginning as restated		<u>54,417</u>	
Fund balance, ending		<u>\$ 64,492</u>	

Clay County, North Carolina
School Capital Building Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Current Year	Total to Date	Variance Positive (Negative)
REVENUES				
Restricted intergovernmental				
Public School Building Capital Fund				
- Lottery Fund		\$ 56,863	\$ 56,863	
- ADM Fund		17,127	17,127	
Public School Building Repair and Renovation Fund		41,673	41,673	
Total revenues	<u>\$ 115,663</u>	<u>115,663</u>	<u>115,663</u>	<u>\$ -</u>
EXPENDITURES				
Lottery Fund		56,863	56,863	
ADM Fund		17,127	17,127	
Repair and Renovation Fund		41,673	41,673	
Total expenditures	<u>115,663</u>	<u>115,663</u>	<u>115,663</u>	<u>-</u>
Revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>		
Fund balance, ending		<u>\$ -</u>		

Clay County, North Carolina
Sports Complex Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental					
Parks and Recreation Trust Fund (PARTF)	\$ 500,000	\$ -	\$ 402,838	\$ 402,838	\$ (97,162)
Investment earnings	-	189	-	189	-
Total revenues	<u>500,000</u>	<u>189</u>	<u>402,838</u>	<u>403,027</u>	<u>(97,162)</u>
EXPENDITURES					
Phase I - ballfields	3,189,735	3,085,031	103,937	3,188,968	767
Phase II - multipurpose building sports complex	1,053,447	-	841,826	841,826	211,621
Total expenditures	<u>4,243,182</u>	<u>3,085,031</u>	<u>945,763</u>	<u>4,030,794</u>	<u>212,388</u>
Revenues over (under) expenditures	(3,743,182)	(3,084,842)	(542,925)	(3,627,767)	115,415
OTHER FINANCING SOURCES (USES)					
Installment obligations issued	2,605,298	2,605,298	-	2,605,298	-
Transfer from other funds	1,137,884	479,544	542,925	1,022,469	(115,415)
Total other financing sources (uses)	<u>3,743,182</u>	<u>3,084,842</u>	<u>542,925</u>	<u>3,627,767</u>	<u>(115,415)</u>
Revenues and other sources over (under) expenditures	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

Enterprise Fund

Water and Sewer District Fund – This fund is used to account for the operations of the water and sewer district within the County.

Clay County, North Carolina
Water and Sewer District
Schedule of Revenues, Expenditures - Budget and Actual (non-GAAP)
For the Fiscal Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating revenues:			
Charges for services:			
Water sales:			
Residential/commercial		\$ 403,166	
Sewer sales:			
Residential/commercial		322,770	
Total	<u>\$ 632,760</u>	<u>725,936</u>	<u>\$ 93,176</u>
Water and sewer taps	<u>7,000</u>	<u>26,830</u>	<u>19,830</u>
Other operating revenues	<u>187,615</u>	<u>116,584</u>	<u>(71,031)</u>
Total operating revenues	<u>827,375</u>	<u>869,350</u>	<u>41,975</u>
Nonoperating revenues:			
Investment earnings	<u>500</u>	<u>240</u>	<u>(260)</u>
Total nonoperating revenues	<u>500</u>	<u>240</u>	<u>(260)</u>
Total revenues	<u>827,875</u>	<u>869,590</u>	<u>41,715</u>
EXPENDITURES			
Administration:			
Salaries and employee benefits		296,444	
Travel		405	
Insurance		5,195	
Repairs		62,824	
Other operating expenditures		298,923	
Total	<u>674,649</u>	<u>663,791</u>	<u>10,858</u>
Capital outlay:			
Plant and distribution systems		5,200	
Vehicles and motorized equipment		28,984	
Total	<u>35,784</u>	<u>34,184</u>	<u>1,600</u>
Debt service:			
Principal		100,274	
Interest		17,168	
Total debt service	<u>117,442</u>	<u>117,442</u>	<u>-</u>
Total expenditures	<u>827,875</u>	<u>815,417</u>	<u>12,458</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 54,173</u>	<u>\$ 54,173</u>

Clay County, North Carolina
Water and Sewer District
Schedule of Revenues, Expenditures - Budget and Actual (non-GAAP)
For the Fiscal Year Ended June 30, 2022

**Reconciliation from Budgetary Basis
(modified accrual) to full accrual:**

Revenues and other financing sources over	<u>\$ 54,173</u>
Reconciling items:	
Principal retirement	100,274
Capital outlay	34,184
Increase (decrease) in deferred outflows of resources - pensions	24,994
Increase (decrease) in deferred outflows of resources - OPEB	5,027
Decrease (increase) in net pension liability	39,539
Decrease (increase) in net OPEB liability	(9,238)
Decrease (increase) in accrued vacation pay	797
Decrease (increase) in deferred inflows of resources - pensions	(62,390)
Decrease (increase) in deferred inflows of resources - OPEB	(11,538)
Depreciation	(502,119)
Total reconciling items	<u>(380,470)</u>
Change in net position	<u>\$ (326,297)</u>

Custodial Funds

Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria.

- **Municipal Tax Fund** – which accounts for vehicle property taxes that are billed and collected by the County for the municipality within the County but that are not revenues to the County.
- **Jail Inmate Pay Fund** – which accounts for funds held by the County on the behalf of inmates while they are incarcerated.
- **Sheriff's Trust Fund** – which accounts for monies collected by the Sheriff's Office for civil judgements.

Clay County, North Carolina
Combining Statement of Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2022

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff Trust Fund	Total Custodial Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 28,987	\$ 826	\$ 29,813
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to others	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	-	-	-	-
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	-	28,987	826	29,813
Total fiduciary net position	\$ -	\$ 28,987	\$ 826	\$ 29,813

Clay County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2022

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff Trust Fund	Total Custodial Funds
ADDITIONS				
Ad valorem taxes collected for other governments	\$ 123,368	\$ -	\$ -	\$ 123,368
Collection on behalf of inmates/organizations	-	53,438	10,619	64,057
Total additions	<u>123,368</u>	<u>53,438</u>	<u>10,619</u>	<u>187,425</u>
DEDUCTIONS				
Tax distributions to other governments	123,368	-	-	123,368
Payments on behalf of inmates/organizations	-	27,971	12,580	40,551
Total deductions	<u>123,368</u>	<u>27,971</u>	<u>12,580</u>	<u>163,919</u>
Net increase (decrease) in fiduciary net position	-	25,467	(1,961)	23,506
Net position, beginning	<u>-</u>	<u>3,520</u>	<u>2,787</u>	<u>6,307</u>
Net position, ending	<u>\$ -</u>	<u>\$ 28,987</u>	<u>\$ 826</u>	<u>\$ 29,813</u>

Other Schedules

This section contains additional information required on property taxes and transfers.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy – County-Wide Levy
- Ten Largest Taxpayers
- Schedule of Transfers

Clay County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2021-2022	\$ -	\$ 8,970,035	\$ 8,781,643	\$ 188,392
2020-2021	187,535	-	89,487	98,048
2019-2020	109,426	-	45,325	64,101
2018-2019	65,853	-	21,613	44,240
2017-2018	41,923	-	12,481	29,442
2016-2017	28,040	-	4,437	23,603
2015-2016	21,450	-	2,682	18,768
2014-2015	18,921	-	2,091	16,830
2013-2014	20,663	-	2,552	18,111
2012-2013	26,268	-	2,258	24,010
2011-2012	24,552	-	24,552	-
2010-2011	19,221	-	19,221	-
	<u>\$ 563,852</u>	<u>\$ 8,970,035</u>	<u>\$ 9,008,342</u>	<u>525,545</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(110,364)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 415,181</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 9,040,462
Reconciling items:				
Interest collected				(79,646)
Release and adjustments				2,588
Taxes written off				42,134
Other adjustments				2,804
Total reconciling items				<u>(32,120)</u>
Total collections and credits				<u>\$ 9,008,342</u>

**Clay County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2022**

	County - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,047,705,349	0.4300	\$ 8,805,133	\$ 8,145,635	\$ 659,498
Total	<u>2,047,705,349</u>		<u>8,805,133</u>	<u>8,145,635</u>	<u>659,498</u>
Discoveries:					
Current year taxes	41,050,000	0.4300	176,515	176,515	-
Total	<u>41,050,000</u>		<u>176,515</u>	<u>176,515</u>	<u>-</u>
Releases:	(2,700,698)	0.4300	(11,613)	(11,613)	-
Total property valuation	<u>\$ 2,086,054,651</u>		<u>(11,613)</u>	<u>(11,613)</u>	<u>-</u>
Net levy			8,970,035	8,310,537	659,498
Uncollected taxes at June 30, 2022			<u>(188,392)</u>	<u>(188,392)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 8,781,643</u>	<u>\$ 8,122,145</u>	<u>\$ 659,498</u>
Current levy collection percentage			<u>97.90%</u>	<u>97.73%</u>	<u>100.00%</u>

**Clay County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2022**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Blue Ridge Mountain EMC	Utility	\$ 22,597,111	0.00%
Ingles Markets, Inc.	Commercial	10,385,290	0.00%
Advanced Digital Cable, Inc.	Commercial	5,448,153	0.00%
Gabriel Investors, LLC	Commercial	4,354,300	0.00%
Hendrikse Nelson J Trustee	Commercial	4,099,360	0.00%
JWJ of Clay County, LLC	Commercial	3,829,100	0.00%
Elderberry of Hayesville, LLC	Commercial	3,377,394	0.00%
Ledford, Anthony H & Vickie	Commercial	3,369,235	0.00%
Wright Brothers Construction Co. Inc.	Commercial	3,325,424	0.00%
NC4 Hayesville, LLC	Commercial	3,285,800	0.00%
Total		<u>\$ 64,071,167</u>	<u>0.00%</u>

Clay County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2022

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund Capital Projects - Sports Complex Capital Projects Fund	\$ 542,925	\$ 542,925
General Fund Tax Revaluation Fund	75,000	75,000
Needs-Based Capital Project Fund General Fund	43,314	43,314
American Rescue Plan Act Grant Project Fund General Fund	1,090,745	1,090,745
	\$ 1,751,984	\$ 1,751,984

Compliance Section

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of County Commissioners
Clay County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the County's basic financial statements, and have issued our report thereon dated February 24, 2023. The financial statements of the Clay County ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Turner & Company CPAs P.A.
Murphy, North Carolina
February 24, 2023

Turner & Company CPAs P.A.

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

To the Board of Commissioners
Clay County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clay County, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Handwritten signature in cursive script that reads "Turner & Company CPAs P.A.".

Turner & Company CPAs P.A.

Murphy, North Carolina

February 24, 2023

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

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

To the Board of Commissioners
Clay County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Clay County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2022. The County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

February 24, 2023

**Clay County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022**

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(s)? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(s)? ___ yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major federal programs:

Names of Federal Program or Cluster	ALN No(s).
Medical Assistance Program (Title XIX – Medicaid)	93.778
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee X yes ___ no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(s)? ___ yes X none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ___ yes X no

Identification of major state programs (Dollar threshold over \$500,000):

Program Name
Medical Assistance Program (Medicaid; Title XIX)
Needs-Based Public School Capital Fund
Parks and Recreation Trust Fund (PARTF)

Clay County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

CLAY COUNTY

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**Corrective Action Plan
For the Fiscal Year Ended June 30, 2022**

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

COMMISSIONERS

CHAIRMAN: DR. ROB PECK

CLAY LOGAN • DWIGHT PENLAND • DOUGLAS SCOTT PENLAND • RANDY NICHOLS

CLAY COUNTY

P.O. BOX 118 • HAYESVILLE, NORTH CAROLINA 28904 • (828) 389-0089

**Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2022**

Finding: 2021-001

Status: Corrected

COMMISSIONERS

CHAIRMAN: DR. ROB PECK

CLAY LOGAN • DWIGHT PENLAND • DOUGLAS SCOTT PENLAND • RANDY NICHOLS

Clay County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
Supplemental Nutrition Assistance Program Cluster					
State Administrative Matching Grants	10.561	XXXX	\$ 113,031	\$ -	\$ -
FNS - ARPA	10.561	XXXX	8,964	-	-
FNS - CAA	10.561	XXXX	3,292	-	-
Total Supplemental Nutrition Assistance Program Cluster			<u>125,287</u>	<u>-</u>	<u>-</u>
Passed-through the Office of State Budget and Management:					
Forest Service Schools and Road Cluster					
Schools and Roads - Grants to States and Counties	10.665	XXXX	106,267	-	106,267
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children (Note 5)	10.557	XXXX	71,110	-	-
Total U.S. Department of Agriculture			<u>302,664</u>	<u>-</u>	<u>106,267</u>
<u>U.S. Department of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other than Urbanized Areas - Administration					
CARES Act Provider Relief Fund	20.509	XXXX	100,830	5,389	-
	20.509	XXXX	103,630	-	-
<u>Transit Services Programs Cluster:</u>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	XXXX	40,000	-	-
Total Transit Services Programs Cluster			<u>40,000</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Transportation			<u>244,460</u>	<u>5,389</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety:					
Division of Emergency Management					
Emergency Management Performance Grants (EMPG)					
Emergency Management Performance Grants (EMPG)	97.042	EMPG-2020-2025021	12,695	-	-
Emergency Management Performance Grants	97.042	EMPG-2021-2120021	39,286	-	-
- American Rescue Plan Act (EMPG-ARPA)	97.042	EMA-2021-EP-00014	11,068	-	-
Total U. S. Department of Homeland Security			<u>63,049</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
Passed-through the N.C. Department of Public Safety:					
North Carolina Governor's Crime Commission					
Edward Byrne Memorial Justice Assistance Grant Program					
	16.738		7,266	-	-
Total U. S. Department of Justice			<u>7,266</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Treasury</u>					
Direct Program					
Coronavirus State and Local Fiscal Recovery Funds					
	21.027	SLFRP1448	1,090,745	-	-
Total U. S. Department of Treasury			<u>1,090,745</u>	<u>-</u>	<u>-</u>
<u>Administration on Aging</u>					
Passed-through Southwestern North Carolina Planning					
and Economic Development Commission:					
Division of Aging and Adult Services:					
<u>Aging Cluster</u>					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044	XXXX	77,898	4,100	-

Clay County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Special Programs for the Aging - Title III C					
Nutrition Services	93.045	XXXX	50,752	2,671	-
Nutrition Services Incentive Program	93.053	XXXX	5,708	-	-
Total Aging Cluster			134,358	6,771	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
<u>Temporary Assistance for Needy Families (TANF) Cluster</u>					
Special Children Adoption	93.558	XXXX	9,575	-	-
TANF - Work First Administration	93.558	XXXX	16,266	-	-
TANF - Work First Service	93.558	XXXX	75,105	-	-
Total TANF Cluster			100,946	-	-
<u>Foster Care and Adoption Cluster (Note 5)</u>					
Adoption Assistance Title IV-E - Optional Adoption Training	93.659	XXXX	2,449	-	-
Foster Care Title IV-E - Administration	93.658	XXXX	28,066	-	-
Foster Care Title IV-E - Child Protective Services	93.658	XXXX	28,739	7,136	-
Foster Care Title IV-E - Foster Care Training	93.658	XXXX	763	-	-
Foster Care Title IV-E - Foster Care/Off Training	93.658	XXXX	74,025	-	-
Direct Benefit Payments					
Foster Care Title IV-E - IV-E Administration	93.658	XXXX	17,244	8,622	-
Foster Care Title IV-E - Family Foster Care Max	93.658	XXXX	127	-	-
Foster Care Title IV-E - Foster Care	93.658	XXXX	49,978	10,946	-
Foster Care Title IV-E - Foster Care & Extended Max	93.658	XXXX	47,329	8,397	-
Total Foster Care and Adoption Cluster (Note 5)			248,720	35,101	-
Promoting Safe and Stable Families	93.556	XXXX	17,680	-	-
Child Support Enforcement	93.563	XXXX	143,800	-	-
Low-Income Home Energy Assistance:					
Administration	93.568	XXXX	1,643	-	-
COVID-19 - Administration	93.568	XXXX	423	-	-
ARPA - Administration	93.568	XXXX	6,281	-	-
Energy Assistance Payments	93.568	XXXX	138,670	-	-
ARPA - Energy Assistance Payments	93.568	XXXX	73,611	-	-
Crisis Intervention Program	93.568	XXXX	45,179	-	-
Total Low-Income Home Energy Assistance			265,807	-	-
Low-Income Household Water Assistance:					
Administration - Consolidated Appropriations Act	93.568	XXXX	4,392	-	-
Total Household Water Assistance			4,392	-	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood - LINKS	93.674	XXXX	2,959	740	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	XXXX	1,865	-	-
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	XXXX	11	-	-
Stephanie Tubbs Jones Child Welfare Services Program:					
Permanency Planning - Families for Kids	93.645	XXXX	2,334	-	-
Total Stephanie Tubbs Jones Child Welfare Services Program			2,334	-	-
SSBG - TANF Transferred to Social Services Block Grant	93.667	XXXX	83,116	-	-
SSBG - Adult Protective Services	93.667	XXXX	18,070	-	-
SSBG - Other Service and Training	93.667	XXXX	41,377	-	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667	XXXX	13,708	-	-
Total Social Service Block Grant			156,271	-	-

Clay County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Division of Child Development and Early Education:					
Subsidized Child Care (Note 5)					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Development Mandatory and Match Fund - Administration	93.596	XXXX	80,000	-	-
Total Subsidized Child Care			80,000	-	-
Total Subsidized Child Care (Note 5)			80,000	-	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Division of Social Services:					
Administration:					
Medical Assistance Program (Note 5)	93.778	XXXX	385,564	857	-
Total Medical Assistance Program			385,564	857	-
Division of Social Services:					
Administration:					
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	9,985	55	-
Total Children's Health Insurance Program - N.C. Health Choice			9,985	55	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	27,459	-	-
Project Grants and Cooperative Agreements for					
Tuberculosis Control Programs	93.116	XXXX	50	-	-
Family Planning Services	93.217	XXXX	25,841	-	-
Immunization Grants	93.268	XXXX	4,656	-	-
COVID-19 - Immunization Cooperation Agreements	93.268	XXXX	111,589	-	-
Temporary Assistance for Needy Families	93.558	XXXX	534	-	-
Preventive Health and Health Services Block Grant	93.991	XXXX	30,607	-	-
Injury Prevention and Control Research and					
State and Community Based Programs	93.136	XXXX	110,000	-	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	XXXX	100	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	XXXX	3,250	-	-
Epidemiology and Laboratory Capacity for Infectious Diseases:					
ELC Testing School Health Staffing	93.323	XXXX	136,248	-	-
ELC Enhancing Detection Activities	93.323	XXXX	72,717	-	-
Total Epidemiology and Laboratory Capacity for Infectious Diseases			208,965	-	-
Maternal and Child Health Services Block Grant					
Care Coordination for Children	93.994	XXXX	6,100	-	-
Child Fatality Prevention	93.994	XXXX	160	-	-
Child Health	93.994	XXXX	22,322	-	-
HMHC-FP - February Start	93.994	XXXX	3,904	2,929	-
HMHC-Restoration	93.994	XXXX	684	513	-
Total Maternal and Child Health Services Block Grant	93.994	XXXX	33,170	3,442	-
Total U.S. Department of Health and Human Services			2,110,913	46,966	-
Total federal awards			3,819,097	52,355	106,267

Clay County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
State Awards:					
<u>N.C. Office of State Budget and Management</u>					
Register of Deeds Grants Program (Session Law 2021-180)		XXXX	-	2,000	-
N.C. Office of State Budget and Management			-	2,000	-
<u>N.C. Department of Administration</u>					
Veterans Service		XXXX	-	2,109	-
Total N.C. Department of Administration			-	2,109	-
<u>N.C. Department of Natural and Cultural Resources</u>					
Division of Parks and Recreation					
Parks and Recreation Trust Fund (PARTF)		2022-963	-	402,838	-
Total N.C. Department of Natural and Cultural Resources			-	402,838	-
<u>N.C. Department of Health and Human Services</u>					
Office of Rural Health					
Community Health Grant		XXXX	-	148,036	-
Total Office of Rural Health			-	148,036	-
Division of Social Services					
Direct Benefit Payments					
State Child Welfare/CPS/CS LD		XXXX	-	19,408	-
State Foster Home Fund (SFHF) Maximization		XXXX	-	3,244	-
COVID Foster Care Stipend		XXXX	-	(400)	-
IV-B EFT Chaf Independent Living		XXXX	-	18,317	-
Total Division of Social Services			-	40,569	-
Division of Public Health					
Food and Lodging Fees		XXXX	-	3,523	-
Public Health Capacity Building		XXXX	-	76,226	-
Healthy Communities		XXXX	-	3,747	-
General Communicable Disease Control		XXXX	-	11,294	-
Child Health		XXXX	-	1,090	-
Family Planning - State		XXXX	-	15,317	-
Maternal Health		XXXX	-	1,066	-
Women's Health Service Fund		XXXX	-	4,742	-
HIV/STD - State		XXXX	-	602	-
School Nurse Funding Initiative		XXXX	-	50,000	-
Breast and Cervical Cancer Control		XXXX	-	5,200	-
Tuberculosis Control		XXXX	-	1,210	-
Total Division of Public Health			-	174,017	-
Total N. C. Department of Health and Human Services			-	362,622	-
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Fund		XXXX	-	56,863	56,863
Public School Building Capital Fund - ADM Fund		XXXX	-	17,127	17,127
Public School Building Repair and Renovation Fund		XXXX	-	41,673	41,673
Needs-Based Public School Capital Fund		XXXX	-	270,482	270,482
Total N.C. Department of Public Instruction			-	386,145	386,145
<u>N.C. Department of Information Technology</u>					
N.C. 911 Board					
911 Grant		G2021-02	-	113,252	-
Total N.C. Department of Information Technology			-	113,252	-
<u>N.C. Department of Insurance</u>					
Seniors' Health Insurance Information Program		XXXX	-	6,893	-
Total N.C. Department of Insurance			-	6,893	-

Clay County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
<u>N.C. Department of Public Safety</u>					
Enforcing the Law Grant (Session Law 2021-180)		XXXX	-	33,095	-
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	64,254	61,067
Total N.C. Department of Public Safety			-	97,349	61,067
<u>N.C. Department of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		36220.10.10.1	-	53,127	-
- ROAP Rural General Public Program		36228.22.10.1	-	50,292	-
- ROAP Work First Transitional - Employment		36236.11.9.1	-	4,967	-
Total ROAP Cluster			-	108,386	-
Total N.C. Department of Transportation			-	108,386	-
Total State awards			-	1,479,594	447,212
Total federal and State awards			\$ 3,819,097	\$1,531,949	\$ 553,479

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Clay County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Clay County, it is not intended to and does not present the financial position, changes in net position or cash flows of Clay County.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

Clay County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Foster Care and Adoption.

Note 5: Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

Program Title	ALN No.	Federal	State
Special Supplemental Nutrition Program for Women Infant and Children	10.557	139,509	-
Supplemental Nutrition Assistance Program	10.551	5,095,730	-
Temporary Assistance for Needy Families	93.558	10,588	-
Temporary Assistance for Needy Families - PEAFF	93.558	3,500	-
Adoption Assistance	93.659	50,265	9,675
Medical Assistance Program	93.778	17,905,343	6,841,772
Children's Health Insurance Program	93.767	149,010	33,455
Child Welfare Services Adoption		-	33,170
Special Assistance Aged / Special Assistance Disabled (SAA/SAD HB 1030)		-	53,886