

**Clay County, North Carolina**  
**Financial Statements**  
**June 30, 2025**

Turner & Company CPAs P.A.

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

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**June 30, 2025**

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## **Introductory Information**

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**Clay County, North Carolina**  
**List of Principal Officials as of February 12, 2026**  
*(the Date of the Auditors' Report)*

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**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  
Bonnie L. Lyvers - Tax Collector  
Tammy Moss - Interim County Assessor  
Mark Buchanan - Sheriff  
Todd Goins - Director of Social Services  
Rebecca Hall - Director of Elections

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## **Financial Section**

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# Turner & Company CPAs P.A.

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## 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 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, 2025, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Opioid Settlement 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*.

#### **Emphasis of Matter**

As disclosed in Note IX to the financial statements, the County adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and implemented updated accounting and financial reporting guidance regarding the Opioid Settlement Funds. Our opinion is not modified with respect to this matter.

As disclosed in Note XI to the financial statements, the County's financial statements report a special item related to the separation of the Clay County Water District from a blended component unit to a related organization. Our opinion is not modified with respect to this

#### **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 58 through 59, 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 60 and 61, 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 62 and 63, and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 64, 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 12, 2026, 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.  
Murphy, North Carolina

February 12, 2026

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## **Management's Discussion and Analysis**

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**Clay County, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2025**

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, 2025. 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**

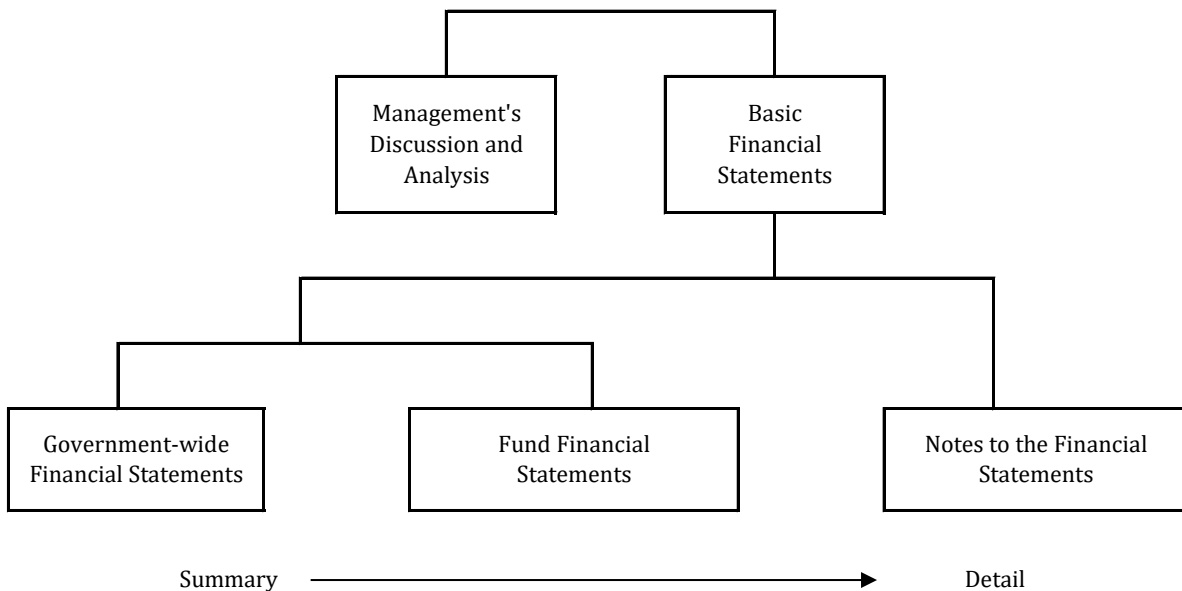
- The assets and deferred outflows of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,375,801 (*net position*).
- The government's total net position increased by \$1,730,828.
- As of the close of the current fiscal year, Clay County's governmental funds reported combined ending fund balances of \$14,200,983, after a net increase in fund balance of \$693,653. Approximately 42.15 percent of this total amount, or \$5,986,092, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,376,702, or 31.27 percent of total general fund expenditures for the fiscal year.
- During the year, the Clay County Water Sewer District separated from the County and became operationally independent. The related bond has always been issued in the name of the County and remains so; however, because the activity is no longer reported as a business-type activity of the County, the debt is required to be reported within the County's governmental activities. As a result, direct placement bonds reported in governmental activities increased by \$583,355. The County continues to make the annual bond payments, which are reimbursed by the Clay County Water Sewer District. In addition, the County entered into a new vehicle lease agreement, resulting in an initial increase in lease liabilities of \$511,209, and recognized new IT subscription liabilities totaling \$176,652. Outstanding debt was reduced by scheduled principal payments of \$1,145,168, resulting in a net increase in the County's outstanding governmental debt of \$126,048 (2.34%) 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). This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements.

Required Components of Annual Financial Report

Figure 1



## Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the 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 three parts to the Fund Financial Statements of Clay County: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) 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 readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The *statement of net position* presents information on all of Clay County's assets, liabilities, and deferred onflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how Clay County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, human services, culture and recreation, and education. The County had no business-type activities.

The final category is the component unit. Although legally separate from the County, the ABC Board is important to the County. The County exercises control over the Board by appointing its members and the 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 two categories: governmental 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 moneys 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 and for the major Opioid Special Revenue 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.

**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	
	2025	2024
Current and other assets	\$ 24,728,222	\$ 20,319,175
Capital assets	30,598,206	28,184,280
Total assets	<u>55,326,428</u>	<u>48,503,455</u>
Total deferred outflows of resources	4,460,637	5,333,947
Long-term liabilities outstanding	15,367,669	15,140,531
Other liabilities	9,965,465	8,185,926
Total liabilities	<u>25,333,134</u>	<u>23,326,457</u>
Total deferred inflows of resources	1,078,130	1,082,384
Net position:		
Net investment in capital assets	27,136,546	25,075,601
Restricted	5,958,941	2,734,301
Unrestricted	280,314	1,618,659
Total net position	<u>\$ 33,375,801</u>	<u>\$ 29,428,561</u>

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 \$33,375,801 as of June 30, 2025. The County's net position increased by \$1,730,828 for the fiscal year ended June 30, 2025. One of the largest portions \$27,136,546 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 \$5,958,941 represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position is \$280,314.

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

- Diligence in the collection of property taxes was demonstrated by maintaining a tax collection percentage of 97.48%, excluding motor vehicles.
- The County has maintained stricter policies on spending and implemented cost saving measures.

## Clay County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	\$ 4,453,086	\$ 3,642,028
Operating grants and contributions	5,149,955	4,871,713
Capital grants and contributions	15,677,753	5,580,942
General revenues:		
Property taxes	10,407,854	10,164,266
Other taxes	5,269,838	5,077,203
Grants and contributions not restricted to specific programs	602,109	649,404
Interest earned on investments	658,349	786,658
Miscellaneous, unrestricted	872,506	216,531
Total revenues	<u>43,091,450</u>	<u>30,988,745</u>
Expenses:		
General government	5,958,054	5,434,417
Public safety	8,542,703	7,960,353
Transportation	941,521	941,409
Economic and physical development	1,058,616	914,366
Human services	6,723,747	6,956,399
Cultural and recreation	972,762	967,079
Education	16,196,601	3,552,423
Interest on long-term debt	199,954	172,095
Total expenses	<u>40,593,958</u>	<u>26,898,541</u>
Change in net position before transfers	2,497,492	4,090,204
Transfers	-	-
Special item	<u>(766,664)</u>	<u>-</u>
Change in net position after transfers and special item	1,730,828	4,090,204
Net position, beginning previously reported	29,428,561	25,338,357
Prior period restatement - change in accounting principle	2,216,412	-
Net position, beginning as restated	<u>31,644,973</u>	<u>25,338,357</u>
Net position, ending	<u>\$ 33,375,801</u>	<u>\$ 29,428,561</u>

**Governmental activities.** Governmental activities increased the County's net position by \$1,730,828. Key elements of this increase are as follows:

- There was an increase in the amount of revenue received from property taxes.
- General revenues increased mainly due to continued increases in ad valorem tax collections and local option sales taxes. In addition, in February 2025, the Clay County Board of Commissioners in North Carolina finalized the sale of 19.7 acres of land in the Clay County Industrial Park to Amazon.com LLC to build a new warehouse and distribution center.
- Operating grants provided \$5,149,955 in funding for the County's governmental activities.
- Capital grants and contributions increased due to continued grant funding for the 911 Facility project and funding from the Needs-Based Lottery Fund for a new separate Hayesville Intermediate School.
- Governmental expenses increased in all areas primarily because of increased expenses for general government, public safety, and education.

**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 \$10,325,463 while total fund balance reached \$13,194,134. 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 38.43% of General Fund expenditures, while total fund balance represents 49.11% of the same amount.

At June 30, 2025, the governmental funds of Clay County reported a combined fund balance of \$14,200,983 an increase of 5.14% 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 \$531,429. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

**Other Major Governmental Funds.** There are three other major governmental funds, the Public Schools Capital Project Fund, the 911 Facility Capital Project Fund, and the Opioid Settlement Fund.

*Public Schools Capital Project Fund.* This fund is used to account for the following: 1) the construction of a new school for grades three through eight and 2) the costs associated with the renovations of existing schools within the Clay County School District.

*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 square foot, 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).

*Opioid Settlement Fund.* This fund reports revenues for amounts paid by a number of corporations to settle various opioid lawsuits. These amounts are restricted to be spent for certain opioid abatement and remediation activities.

**Capital Asset and Debt Administration**

**Capital Assets.** Clay County's capital assets for its governmental as of June 30, 2025, totals \$30,598,206 (net of accumulated depreciation and amortization). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, vehicles, and right-to-use assets.

Major capital asset transactions during the year include the following:

**Governmental Activities.**

- Addition of construction in progress for the Veteran's Memorial Park in the amount of \$1,387,409.
- Addition of construction in progress for the Farmer's Market in the amount of \$127,525.
- Addition of construction in progress for a splashpad in the amount of \$52,719.
- Completed construction of the 911 Building for a total project cost of \$6,241,327.
- Completed improvements on the Creek Bridge in the amount of \$159,835.
- Purchased 3 Pro-Tilt Trailers for Economic and Physical Development in the amount of \$62,109.
- Purchased an Immersive Room Simulator for the Health Department in the amount of \$241,627.
- Purchased 2 Proglide Power Exam Tables for the Health Department in the amount of \$18,750.
- Purchased a new Fire Alarm System for the Department of Social Services in the amount of \$28,794.
- Purchased a 2021 Chrysler Voyager for the Health Department in the amount of \$36,593.
- Purchased a 2025 Dodge Ram for Sheriff's Office in the amount of \$43,976.
- Purchased a 2025 Toyota Rav4 for the Department of Social Services in the amount of \$32,237.
- Purchased a 2024 Chrysler Voyager for Transportation in the amount of \$75,507.
- Purchased new weapons for the Sheriff's Office in the amount of \$17,011.

- Purchased portable high speed internet for the Sheriff's Office in the amount of \$44,995.
- Leased one Chevrolet Silverado for Parks and Recreation in the amount of \$32,320.
- Leased 5 Dodge Chargers and 8 Dodge Rams for the Sheriff's Office in the amount of \$478,889.
- Acquired an IT subscription for i3 Verticals for the Register of Deeds in the amount of \$61,569.
- Acquired an IT subscription for Bi-Tek's tax management software in the amount of \$74,396.
- Acquired an IT subscription for an election systems software for the Board of Elections in the amount of \$40,688.

#### Construction commitments

The County has the following active construction projects as of June 30, 2025:

Project	Spent-to-date	Remaining Commitment
Intermediate school	\$ 15,380,473	\$36,619,527
DSS Annex	4,500	145,500
Farmer's Market	127,525	1,052,475
EMS building	6,925	993,075
Total	<u>\$ 15,519,423</u>	<u>38,810,577</u>

#### Clay County, North Carolina's Capital Assets (Net of depreciation/amortization)

Figure 4

	Governmental Activities	
	2025	2024
Capital Assets:		
Land and construction in progress	\$ 3,327,278	\$ 6,577,353
Buildings	19,111,245	13,854,955
Other improvements	5,059,942	5,145,589
Equipment, furniture and fixtures	1,405,177	1,241,662
Vehicles and motorized equipment	1,017,406	1,213,344
Right-to-use assets:		
Leased vehicles	430,719	-
Leased equipment, furniture and fixtures	66,588	86,974
IT subscriptions	179,851	64,403
Total capital assets	<u>\$ 30,598,206</u>	<u>\$ 28,184,280</u>

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 and IT subscription liabilities. As of June 30, 2025, Clay County had total debt outstanding of \$5,504,060. 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		Total	
	2025	2024	2025	2024
Direct placement installment purchases	\$ 4,817,717	\$ 5,226,435	\$ 4,817,717	\$ 5,226,435
Leases	510,358	86,883	510,358	86,883
IT subscription liabilities	175,985	64,694	175,985	64,694
Total debt outstanding	<u>5,504,060</u>	<u>5,378,012</u>	<u>5,504,060</u>	<u>5,378,012</u>
Compensated absences	874,537	868,333	874,537	868,333
Net pension liability (LGERS)	7,406,854	7,380,922	7,406,854	7,380,922
Total pension liability (LEOSSA)	425,528	391,652	425,528	391,652
Total OPEB liability	2,904,744	2,793,253	2,904,744	2,793,253
Total long-term obligations	<u>\$ 17,115,723</u>	<u>\$ 16,812,172</u>	<u>\$ 17,115,723</u>	<u>\$ 16,812,172</u>

During the year, the Clay County Water Sewer District separated from the County and became operationally independent. The related bond has always been issued in the name of the County and remains so; however, because the activity is no longer reported as a business-type activity of the County, the debt is required to be reported within the County's governmental activities. As a result, direct placement bonds reported in governmental activities increased by \$583,355. The County continues to make the annual bond payments, which are reimbursed by the Clay County Water Sewer District. In addition, the County entered into a new vehicle lease agreement, resulting in an initial increase in lease liabilities of \$511,209, and recognized new IT subscription liabilities totaling \$176,652. Outstanding debt was reduced by scheduled principal payments of \$1,145,168, resulting in a net increase in the County's outstanding governmental debt of \$126,048 (2.34%) 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, 2025 the County had debt outstanding of \$2,042,400 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 \$172,214,600.

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, 2025, the County had an unemployment rate of 4.0%, which is the same as the statewide rate (not seasonally adjusted).
- The County has maintained stricter policies on spending and implemented cost savings measures.

### **Budget Highlights for the Fiscal Year Ending June 30, 2026**

**Governmental Activities:** The property tax rate was maintained at \$.43 per \$100 valuation to maintain current tax revenue streams. A new \$100 residential solid waste fee was introduced effective January 1, 2026. The budget also addresses rising operational expenses with an adjustment to the Hayesville Fire District rate. Significant allocations are directed towards education, including funding for the Clay County Board of Education and state-mandated salary increases, and the Sheriff's Office for new vehicles and salaries. Employee compensation includes a \$2,000 flat bonus. Capital improvements feature projects such as the DSS Annex, a new Farmers Market, an Emergency Management/Paramedic Training Facility, and a splash pad at Veterans Recreation Park. Additionally, funding was secured for land acquisition for a new Agricultural Center/Arena Project.

### **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:

Debbie Mauney, County Manager/Health & Human Services Director  
345 Courthouse Drive Hayesville, NC 28904  
[dmauney@claync.us](mailto:dmauney@claync.us)  
(828) 389-0089  
[www.clayconcc.com](http://www.clayconcc.com)

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## **Basic Financial Statements**

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**Clay County, North Carolina**  
**Statement of Net Position**  
**June 30, 2025**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Clay County ABC Board</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,958,577	\$ 560,242
Investments	12,813,125	-
Receivables (net)	4,245,678	-
Due from other governments	915,541	-
Inventories	-	378,248
Prepaid items	44,620	7,170
Restricted cash and cash equivalents	2,269,828	100,000
Restricted investments	718,733	-
Restricted opioid receivables, net	1,744,651	-
Net pension asset	17,469	-
Capital assets:		
Land and construction in progress	3,327,278	25,000
Other capital assets, net of depreciation	26,593,770	172,124
Right-to-use assets, net of amortization	677,158	-
Total capital assets	<u>30,598,206</u>	<u>197,124</u>
Total assets	<u>55,326,428</u>	<u>1,242,784</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	4,460,637	126,766
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	4,607,183	211,489
Accrued interest payable	31,473	-
Unearned revenue	3,578,755	-
Current portion of long-term liabilities	1,748,054	-
Long-term liabilities:		
Due in more than one year	15,367,669	242,686
Total liabilities	<u>25,333,134</u>	<u>454,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,078,130	24,853
<b>NET POSITION</b>		
Net investment in capital assets	27,136,546	197,124
Restricted for:		
Public safety	45,128	-
Economic development	88,078	-
Cultural and recreation	12,683	-
Register of Deeds' pension plan	17,469	-
Stabilization by State statute	4,910,182	-
Human services	129,857	-
Opioid settlement	718,733	-
Register of deeds	36,811	-
Working capital	-	77,632
Capital improvements	-	100,000
Unrestricted (deficit)	<u>280,314</u>	<u>515,766</u>
Total net position	<u>\$ 33,375,801</u>	<u>\$ 890,522</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, 2025**

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		Component Unit
					Governmental Activities	Total	Clay County ABC Board
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 5,958,054	\$ 339,936	\$ 351,192	\$ -	\$ (5,266,926)	\$ (5,266,926)	
Public safety	8,542,703	1,149,530	749,153	1,436,669	(5,207,351)	(5,207,351)	
Transportation	941,521	84,402	310,809	65,070	(481,240)	(481,240)	
Economic and physical development	1,058,616	578,702	116,172	-	(363,742)	(363,742)	
Human services	6,723,747	1,885,069	3,602,723	7,925	(1,228,030)	(1,228,030)	
Cultural and recreation	972,762	415,447	-	202,525	(354,790)	(354,790)	
Education	16,196,601	-	19,906	13,965,564	(2,211,131)	(2,211,131)	
Interest on long-term debt	199,954	-	-	-	(199,954)	(199,954)	
Total governmental activities	40,593,958	4,453,086	5,149,955	15,677,753	(15,313,164)	(15,313,164)	
<b>Component unit:</b>							
ABC Board	\$ 2,571,435	\$ 2,622,215	\$ -	\$ -			\$ 50,780
General revenues:							
Taxes:							
Property taxes, levied for general purpose					10,407,854	10,407,854	-
Local option sales tax					5,125,024	5,125,024	-
Other taxes and licenses					144,814	144,814	-
Grants and contributions not restricted to specific programs					602,109	602,109	-
Investment earnings, unrestricted					658,349	658,349	324
Miscellaneous, unrestricted					872,506	872,506	-
Total general revenues excluding transfers					17,810,656	17,810,656	324
Special item - separation of the Clay County Water District					(766,664)	(766,664)	-
Total general revenues and special items					17,043,992	17,043,992	324
Change in net position					1,730,828	1,730,828	51,104
Net position, beginning as previously reported					29,428,561	29,428,561	840,498
Restatement - change in accounting principle					2,216,412	2,216,412	-
Net position, beginning, as restated					31,644,973	31,644,973	839,418
Net position, ending					\$ 33,375,801	\$ 33,375,801	\$ 890,522

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

**Clay County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

	Major				Nonmajor	
	General Fund	Public Schools Capital Project Fund	911 Facility Capital Project Fund	Opioid Settlement Fund	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,625,631	\$ -	\$ -	\$ -	\$ 332,946	\$ 1,958,577
Investments	12,813,125	-	-	-	-	12,813,125
Restricted cash and cash equivalents	118,899	2,135,914	-	-	15,015	2,269,828
Restricted investments	-	-	-	718,733	-	718,733
Receivables, net	2,070,022	2,073,761	-	-	52,572	4,196,355
Restricted opioid receivables, net	-	-	-	1,744,651	-	1,744,651
Due from other governments	915,541	-	-	-	-	915,541
Due from other funds	272,915	-	-	-	-	272,915
Prepaid items	44,620	-	-	-	-	44,620
Total assets	<u>\$ 17,860,753</u>	<u>\$ 4,209,675</u>	<u>\$ -</u>	<u>\$ 2,463,384</u>	<u>\$ 400,533</u>	<u>\$ 24,934,345</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 736,784	\$ 3,842,966	\$ -	\$ -	\$ 27,433	\$ 4,607,183
Due to other funds	-	228,133	-	-	44,782	272,915
Unearned revenue	3,440,179	138,576	-	-	-	3,578,755
Total liabilities	<u>4,176,963</u>	<u>4,209,675</u>	<u>-</u>	<u>-</u>	<u>72,215</u>	<u>8,458,853</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	434,427	-	-	-	40,202	474,629
Prepaid taxes	55,229	-	-	-	-	55,229
Unavailable revenue - opioid settlement	-	-	-	1,744,651	-	1,744,651
Total deferred inflows of resources	<u>489,656</u>	<u>-</u>	<u>-</u>	<u>1,744,651</u>	<u>40,202</u>	<u>2,274,509</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid items	44,620	-	-	-	-	44,620
Restricted:						
Stabilization by State statute	2,824,051	2,073,761	-	-	12,370	4,910,182
Public safety	-	-	-	-	25,953	25,953
Economic development	-	-	-	-	88,078	88,078
Cultural and recreation	-	-	-	-	12,683	12,683
Fire protection	-	-	-	-	19,175	19,175
Register of deeds	36,811	-	-	-	-	36,811
Health services	-	-	-	-	129,857	129,857
Opioid settlement	-	-	-	718,733	-	718,733
Committed:						
Tax revaluation	98,418	-	-	-	-	98,418
Assigned:						
Subsequent year's expenditures	1,813,532	-	-	-	-	1,813,532
Unassigned:	8,376,702	(2,073,761)	-	-	-	6,302,941
Total fund balances	<u>13,194,134</u>	<u>-</u>	<u>-</u>	<u>718,733</u>	<u>288,116</u>	<u>14,200,983</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,860,753</u>	<u>\$ 4,209,675</u>	<u>\$ -</u>	<u>\$ 2,463,384</u>	<u>\$ 400,533</u>	<u>\$ 24,934,345</u>

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

**Clay County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

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

Total Fund Balances for Governmental Funds	\$ 14,200,983
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,921,048
Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	677,158
Net pension asset	17,469
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,379,221
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	129,850
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	49,323
Other long-term assets of opioid settlement receivables that are not available to pay for current-period expenditures and therefore are unavailable in the funds.	1,744,651
Net pension liability	(7,406,854)
Total OPEB liability	(2,904,744)
Total pension liability	(425,528)
Deferred inflows of resources for taxes and special assessments receivable	474,629
Pension related deferrals	2,258,628
OPEB related deferrals	(329,963)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(6,410,070)
Net position of governmental activities	\$ 33,375,801

*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, 2025**

	Major				Nonmajor	
	General Fund	Public Schools Capital Project Fund	911 Facility Capital Project Fund	Opioid Settlement Fund	Other Governmental Funds	Total
<b>REVENUES</b>						
Ad valorem taxes	\$ 9,693,975	\$ -	\$ -	\$ -	\$ 713,531	\$ 10,407,506
Local option sales tax	5,125,024	-	-	-	-	5,125,024
Other taxes and licenses	144,814	-	-	-	-	144,814
Unrestricted intergovernmental	602,109	-	-	-	-	602,109
Restricted intergovernmental	4,851,200	13,965,564	1,436,669	-	585,478	20,838,911
Permits and fees	1,013,749	-	-	-	-	1,013,749
Sales and services	3,411,305	-	-	-	-	3,411,305
Opioid settlement funds	-	-	-	221,827	-	-
Investment earnings	657,210	-	-	-	1,139	658,349
Miscellaneous	665,651	-	-	-	65,676	731,327
Total revenues	<u>26,165,037</u>	<u>13,965,564</u>	<u>1,436,669</u>	<u>221,827</u>	<u>1,365,824</u>	<u>43,154,921</u>
<b>EXPENDITURES</b>						
Current:						
General government	5,690,305	-	-	-	-	5,690,305
Public safety	7,382,888	-	1,436,669	-	1,276,235	10,095,792
Transportation	823,639	-	-	-	-	823,639
Economic and physical development	1,083,698	-	-	-	-	1,083,698
Human services	6,270,135	-	-	87,241	78,812	6,436,188
Cultural and recreation	1,964,359	-	-	-	103,020	2,067,379
Education	2,231,037	13,965,564	-	-	-	16,196,601
Debt service:						
Principal	1,145,168	-	-	-	-	1,145,168
Interest	200,074	-	-	-	-	200,074
Total expenditures	<u>26,791,303</u>	<u>13,965,564</u>	<u>1,436,669</u>	<u>87,241</u>	<u>1,458,067</u>	<u>43,738,844</u>
Excess (deficiency) of revenues over expenditures	<u>(626,266)</u>	<u>-</u>	<u>-</u>	<u>134,586</u>	<u>(92,243)</u>	<u>(583,923)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from other funds	75,000	-	-	-	-	75,000
Transfers to other funds	(75,000)	-	-	-	-	(75,000)
Lease liabilities issued	511,209	-	-	-	-	511,209
IT subscription agreements	176,652	-	-	-	-	176,652
Sale of capital assets	589,715	-	-	-	-	589,715
Total other financing sources (uses)	<u>1,277,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,277,576</u>
Net change in fund balances	651,310	-	-	134,586	(92,243)	693,653
Fund balances, beginning as previously reported	12,542,824	-	-	-	380,359	12,923,183
Prior period adjustment	-	-	-	584,147	-	584,147
Fund balances, beginning as restated	<u>12,542,824</u>	<u>-</u>	<u>-</u>	<u>584,147</u>	<u>380,359</u>	<u>13,507,330</u>
Fund balances, ending	<u>\$ 13,194,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,733</u>	<u>\$ 288,116</u>	<u>\$ 14,200,983</u>

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, 2025**

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

Net changes in fund balances - total governmental funds	\$ 693,653
<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	4,426,731
Depreciation expense for governmental assets	(2,090,050)
	2,336,681
Right-to-use assets capital outlay expenditures which were capitalized	687,861
Amortization expense for intangible assets	(162,080)
	525,781
Special item - separation of the Clay County Water District	(766,664)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(448,536)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,379,221
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	129,850
Benefit payments and pension administration costs for LEOSSA are not included on the Statement of Activities	629
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in unavailable revenue - property taxes	348
Change in unavailable revenue - other receivables	(204,998)
<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>	
New long-term debt issued	(687,861)
Principal payments on long-term debt	1,145,168
Change in accrued interest payable	120
<p>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.</p>	
Compensated absences	(6,204)
Pension expense	(2,346,824)
Other postemployment benefits	(19,536)
Total changes in net position of governmental activities	\$ 1,730,828

*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**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2025**

	<u>General Fund</u>				<u>Opioid Settlement Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES</b>								
Ad valorem taxes	\$ 9,565,713	\$ 9,764,463	\$ 9,693,975	\$ (70,488)	\$ -	\$ -	\$ -	\$ -
Local option sales tax	5,170,000	5,286,704	5,125,024	(161,680)	-	-	-	-
Other taxes and licenses	152,000	152,000	144,814	(7,186)	-	-	-	-
Unrestricted intergovernmental	712,000	779,820	602,109	(177,711)	-	-	-	-
Restricted intergovernmental	4,135,114	10,149,486	4,851,200	(5,298,286)	-	-	-	-
Permits and fees	1,082,950	1,178,702	1,013,749	(164,953)	-	-	-	-
Opioid settlement funds	-	-	-	-	-	531,428	221,827	(309,601)
Sales and services	2,734,025	3,581,258	3,411,305	(169,953)	-	-	-	-
Investment earnings	600,000	606,500	657,210	50,710	-	-	-	-
Miscellaneous	40,900	441,047	665,651	224,604	-	-	-	-
Total revenues	<u>24,192,702</u>	<u>31,939,980</u>	<u>26,165,037</u>	<u>(5,774,943)</u>	<u>-</u>	<u>531,428</u>	<u>221,827</u>	<u>(309,601)</u>
<b>EXPENDITURES</b>								
Current:								
General government	6,326,302	11,779,657	5,532,256	6,247,401	-	-	-	-
Public safety	6,567,371	7,690,617	7,382,888	307,729	-	-	-	-
Transportation	981,238	980,874	823,639	157,235	-	-	-	-
Economic and physical development	961,744	1,143,190	1,083,698	59,492	-	-	-	-
Human services	5,738,013	7,660,140	6,270,135	1,390,005	-	531,428	87,241	444,187
Cultural and recreation	2,006,094	2,014,094	1,964,359	49,735	-	-	-	-
Education	2,207,440	2,231,915	2,231,037	878	-	-	-	-
Debt service:								
Principal retirement	910,500	1,173,734	1,145,168	28,566	-	-	-	-
Interest and fees	170,000	225,970	200,074	25,896	-	-	-	-
Total expenditures	<u>25,868,702</u>	<u>34,900,191</u>	<u>26,633,254</u>	<u>8,266,937</u>	<u>-</u>	<u>531,428</u>	<u>87,241</u>	<u>444,187</u>
Revenues over (under) expenditures	<u>(1,676,000)</u>	<u>(2,960,211)</u>	<u>(468,217)</u>	<u>2,491,994</u>	<u>-</u>	<u>-</u>	<u>134,586</u>	<u>134,586</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**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2025**

	<u>General Fund</u>				<u>Opioid Settlement Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers to other funds	(75,000)	(75,000)	(75,000)	-	-	-	-	-
Lease liabilities issued	-	511,209	511,209	-	-	-	-	-
IT subscription agreements	-	176,700	176,652	(48)	-	-	-	-
Sale of capital assets	1,000	597,302	589,715	(7,587)	-	-	-	-
Total other financing sources (uses)	<u>(74,000)</u>	<u>1,210,211</u>	<u>1,202,576</u>	<u>(7,635)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>	<u>(1,750,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>734,359</u>	<u>\$ 734,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>734,359</u>	<u>\$ 134,586</u>
Fund balance, beginning as previously reported			12,361,357				-	
Prior period adjustment			<u>-</u>				<u>584,147</u>	
Fund balance, beginning as restated			<u>12,361,357</u>				<u>584,147</u>	
Fund balance, ending			<u><u>\$13,095,716</u></u>				<u><u>\$ 718,733</u></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, 2025**

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	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,820
 <b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Due to others	-
Due to other governments	-
Total liabilities	-
 <b>NET POSITION</b>	
Restricted for:	
Individuals, organizations, and other governments	21,820
Total fiduciary net position	\$ 21,820

*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, 2025**

	Custodial Funds
<b>ADDITIONS</b>	
Ad valorem taxes collected for other governments	\$ 125,953
Collection on behalf of inmates	47,153
Total additions	173,106
<b>DEDUCTIONS</b>	
Tax distributions to other governments	125,953
Payments on behalf of inmates	44,748
Total deductions	170,701
Net increase (decrease) in fiduciary net position	2,405
Net position, beginning	19,415
Net position, ending	\$ 21,820

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

**Clay County, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2025**

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**Clay County, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2025**

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**Clay County, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

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**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 (G.S.) 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**

*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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The County had no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues 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. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 and is consolidated into the General Fund in accordance with Governmental Accounting Standards Board (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.

*Public Schools Capital Project Fund.* This fund is used to account for the following: 1) the construction of a new school for grades three through eight and 2) the costs associated with the renovations of existing schools within the Clay County School District.

*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 square foot, 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).

*Opioid Settlement Fund.* This fund reports revenues for amounts paid by a number of corporations to settle various opioid lawsuits. These amounts are restricted to be spent for certain opioid abatement and remediation activities.

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 moneys collected by the Sheriff's Office for civil judgements.

*Nonmajor Funds.* The County maintains six legally budgeted nonmajor governmental funds. The Emergency Telephone Fund, the Fire District Fund, the Industrial Fund, the Representative Payee Fund, the Veterans Memorial Park Fund, and the Asset Forfeiture Fund are reported as nonmajor special revenue funds.

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Activity occurs during the year involving transfers of resources between funds, which are reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made for the preparation of the government-wide financial statements. Balances between the governmental funds are eliminated. Transfers between the funds included in governmental activities are eliminated. In accordance with North Carolina General Statutes (NCGS), all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the custodial funds which have no measurement focus. The government-wide 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.

*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, (including lease and subscription liabilities), claims and judgments, and some types of 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 from leases and information technology subscriptions 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 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.

G.S. 159-30 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, bankers' acceptances, and mutual fund shares when the mutual fund is certified by the Local Government Commission. The County's and the ABC Board's investments are generally reported at fair value.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is an SEC-registered money market mutual fund that is currently certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAm by S&P and AAA-mf by Moody's Investors Service and reported at fair value.

#### **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 Statute 159-18 through 22. Unexpended grant proceeds and unexpended donations are classified as restricted assets because their use is restricted by purpose. The amount of unspent resources obtained from the Opioid Settlement are restricted to use for specific purposes (i.e., opioid remediation). Accordingly, the assets from the settlement that remain on hand are reported as restricted assets. The unexpended forfeiture funds (public safety) are restricted by purpose.

**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, 2024. 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. Leases 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. For the Opioid Settlement receivable, the County has estimated an uncollectable allowance using the term over which the amounts are to be paid and the possibility of bankruptcies or going concern issues of the corporations' party to the settlement. The initial allowance estimate has been established as 10.00% of the present value of the outstanding receivable balance discounted at 3.00%.

**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.

The County's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the County reports a lease (only applies when the County is the lessee) or agreements where the County reports a Subscription Based Information Technology Agreement (SBITA).

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

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

Capital assets are depreciated/amortized over their useful lives on a straight-line basis as follows:

Asset Class	Lives
Buildings	30
Other improvements	15
Equipment, furniture and fixtures	3 - 10
Vehicles and motorized equipment	5
Plant and distribution systems	10 - 30
Right-to-use assets:	
Leased vehicles	Lease Term
Leased equipment, furniture and fixtures	Lease Term
IT subscriptions	Subscription Term

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

Asset Class	Lives
Buildings	5 - 40
Leasehold improvements	5
Store and office equipment	3 - 10

**9. 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 moneys 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.

**10. 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 several items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension related deferrals, OPEB related deferrals, and opioid settlement receivables.

**11. 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.

## 12. Compensated Absences

The County and the ABC Board recognize a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria above, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is recorded as incurred in the government-wide fund financial statements. A liability for compensated absences is recorded in the governmental funds, of the County, only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. Vacation leave over thirty days is transferred to an employee's sick leave balance at the end of each calendar year.

The vacation policy of the ABC Board provides for the accumulation of up to twenty (20) days earned vacation leave with such leave being fully vested when earned. The ABC Board considers 100% of vacation leave to be a short-term liability.

The County's and ABC Board's sick leave policies provide 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. Any unused sick leave accumulated for employees who leave the County or the ABC Board before retirement is forfeited.

## 13. Opioid Settlement Funds

The County, through a Memorandum of Agreement (MOA) with the State, is a party to certain opioid lawsuit and bankruptcy settlements. The amounts received and to be received are treated as exchange-like transactions. Per the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for all activity. Unspent funds are reported as restricted.

## 14. 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," defined as follows: "*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 cultural and recreation – portion of fund balance that is restricted by revenue source for the Veterans Memorial Park.

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 opioid settlement – portion of fund balance that is restricted by revenue source for certain opioid abatement and remediation activities.

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.

#### **15. 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.

**16. 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 \$19,174,818 consists of the following:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	\$ 58,881,060
Less accumulated depreciation	(28,960,012)
Net capital assets	<u>29,921,048</u>
Right-to-use assets used in governmental activities are not financial resources and are therefore not reported in the funds	912,720
Less accumulated amortization	(235,562)
Net right-to-use assets	<u>677,158</u>
Net pension asset	17,469
Contributions to the pension plan in the current fiscal year	1,379,221
Contributions to the OPEB plan in the current fiscal year	129,850
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	49,323
Other long-term assets of opioid settlement receivables that are not available to pay for current-period expenditures and therefore are unavailable in the funds	1,744,651
Deferred inflows of resources for taxes and special assessments receivable	474,629
Pension related deferrals	2,258,628
OPEB related deferrals	(329,963)
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, IT subscription liabilities, and installment financing	(5,504,060)
Compensated absences	(874,537)
Total OPEB liability	(2,904,744)
Net pension liability	(7,406,854)
Total pension liability	(425,528)
Accrued interest payable	(31,473)
Total adjustment	<u>\$ 19,174,818</u>

**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 \$1,037,175 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,114,592
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	(2,252,130)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(448,536)
Special item - separation of the Clay County Water District	(766,664)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government wide statement of net position	(687,861)
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	1,145,168
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,379,221
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	129,850
Benefit payments and pension administration costs for LEOSSA are not included on the Statement of Activities	629
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	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	120
Compensated absences	(6,204)
OPEB expense	(19,536)
Pension expense	(2,346,824)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Change in deferred inflows of resources - taxes receivable - at end of year	348
Change in deferred inflows of resources - other receivable - at end of year	(204,998)
Total adjustment	<u>\$ 1,037,175</u>

**II. Stewardship, Compliance, and Accountability**

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

**1. Noncompliance with North Carolina General Statutes**

None Noted.

**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, 2025, the County's deposits had a carrying amount of \$4,249,675, a bank balance of \$4,405,633. Of the bank balance, \$512,683 was covered by federal depository insurance, and \$3,892,950 in interest-bearing deposits was covered by collateral held under the Pooling method.

At June 30, 2025, the County had \$550 cash on hand.

At June 30, 2025, the ABC Board's deposits had a carrying amount of \$658,042 and a bank balance of \$655,897. Of the bank balance, \$250,000 was covered by federal depository insurance and \$405,897 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, 2025.

Restricted cash and cash equivalents consisted of the following as of June 30, 2025:

Governmental		
General Fund	Tax revaluation	\$ 118,899
School Capital Building Fund	Unexpended grant proceeds	2,135,914
Veterans Memorial Park Fund	Unexpended donations	12,683
Asset Forfeiture Fund	Unexpended forfeiture funds	2,332
Total Governmental Activities Restricted Cash		\$ 2,269,828

**2. Investments**

As of June 30, 2025, the County had the following investments and maturities:

Investment Type	Valuation Method	Fair Value	Less Than 6 Months	6 - 12 Months	Rating
NC Capital Management Trust					
Government Portfolio	Fair Value - Level 1	\$ 13,531,858	\$ 13,531,858	\$ -	AAAm
Investment Totals		\$ 13,531,858	\$ 13,531,858	\$ -	

Restricted investments consisted of the following as of June 30, 2025:

Governmental		
Opioid Settlement Fund	Unexpended settlement proceeds	\$ 718,733
Total Governmental Activities Restricted Investments		\$ 718,733

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

*Credit Risk:* The County has no formal policy regarding credit risk but has internal management procedures that limit the County's investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2025.

**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	Deferred Value	Tax	Interest	Total
2022	\$ 90,969,500	\$ 391,169	\$ 95,836	\$ 487,005
2023	90,068,900	387,296	60,031	447,327
2024	87,745,400	377,305	24,525	401,830
2025	86,581,600	372,301	-	372,301
		<u>\$ 1,528,071</u>	<u>\$ 180,392</u>	<u>\$ 1,708,463</u>

**4. Receivables**

Receivables at the government-wide level at June 30, 2025, were as follows:

	Accounts Receivable	Taxes Receivable	Interest Receivable	Due From Other Governments	Total
Governmental Activities					
General	\$ 1,635,595	\$ 549,908	\$ 49,323	\$ 915,541	\$ 3,150,367
Other governmental	2,086,131	40,202	-	-	2,126,333
Total receivables	3,721,726	590,110	49,323	915,541	5,276,700
Allowance for doubtful accounts	-	(115,481)	-	-	(115,481)
Total - governmental activities	<u>\$ 3,721,726</u>	<u>\$ 474,629</u>	<u>\$ 49,323</u>	<u>\$ 915,541</u>	<u>\$ 5,161,219</u>

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

Local option sales taxes	\$ 902,308
Solid waste disposal tax	2,829
Utility sales tax	3,193
White goods disposal tax	1,518
Scrap tire tax	5,693
Total	<u>\$ 915,541</u>

**5. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2025, was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 2,142,467	\$ -	\$ 448,115	\$ -	\$ 1,694,352
Construction in progress	4,434,886	3,439,367	-	(6,241,327)	1,632,926
Total capital assets not being depreciated	6,577,353	3,439,367	448,115	(6,241,327)	3,327,278
Capital assets being depreciated:					
Buildings	27,941,327	9,356	-	6,241,327	34,192,010
Other improvements	6,406,837	159,834	-	-	6,566,671
Equipment, furniture and fixtures	7,817,200	629,859	-	-	8,447,059
Vehicles and motorized equipment	6,368,078	188,315	208,351	-	6,348,042
Total capital assets being depreciated	48,533,442	987,364	208,351	6,241,327	55,553,782
Less accumulated depreciation for:					
Buildings	14,086,372	994,393	-	-	15,080,765
Other improvements	1,261,248	245,481	-	-	1,506,729
Equipment, furniture and fixtures	6,575,538	466,344	-	-	7,041,882
Vehicles and motorized equipment	5,154,734	383,832	207,930	-	5,330,636
Total accumulated depreciation	27,077,892	2,090,050	207,930	-	28,960,012
Total capital assets being depreciated, net	21,455,550				26,593,770
Capital assets being amortized:					
Right-to-use assets:					
Leased vehicles	-	511,209	-	-	511,209
Leased equipment, furniture and fixtures	101,930	-	-	-	101,930
IT subscriptions	122,929	176,652	-	-	299,581
Total capital assets being amortized	224,859	687,861	-	-	912,720
Less accumulated amortization for:					
Right-to-use assets:					
Leased vehicles	-	80,490	-	-	80,490
Leased equipment, furniture and fixtures	14,956	20,386	-	-	35,342
IT subscriptions	58,526	61,204	-	-	119,730
Total accumulated amortization	73,482	162,080	-	-	235,562
Total capital assets being amortized, net	151,377				677,158
Governmental activities capital assets, net	\$ 28,184,280				\$ 30,598,206

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

General government	\$ 942,028
Public safety	441,151
Transportation	173,204
Economic and physical development	17,545
Human services	412,542
Cultural and recreation	265,660
Total depreciation and amortization expense	\$ 2,252,130

**Construction commitments**

The County has the following active construction projects as of June 30, 2025:

Project	Spent-to-date	Remaining Commitment
Intermediate school	\$ 15,380,473	\$ 36,619,527
DSS Annex	4,500	145,500
Farmer's Market	127,525	1,052,475
EMS building	6,925	993,075
Total	<u>\$ 15,519,423</u>	<u>\$ 38,810,577</u>

**Discretely presented component unit**

Capital asset activity for the ABC Board for the year ended June 30, 2025, 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	144,018	-	-	-	144,018
Total capital assets being depreciated	<u>405,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,865</u>
Less accumulated depreciation for:					
Buildings	85,106	7,154	-	-	92,260
Leasehold improvements	3,441	-	-	-	3,441
Store equipment	134,155	3,885	-	-	138,040
Total accumulated depreciation	<u>222,702</u>	<u>11,039</u>	<u>-</u>	<u>-</u>	<u>233,741</u>
Total capital assets being depreciated, net	<u>183,163</u>				<u>172,124</u>
ABC Board capital assets, net	<u>\$ 208,163</u>				<u>\$ 197,124</u>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2025, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 568,669	\$ 168,115	\$ 736,784
Other governmental	3,870,399	-	3,870,399
Total governmental activities	<u>\$ 4,439,068</u>	<u>\$ 168,115</u>	<u>\$ 4,607,183</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](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2025, was 15.04% of compensation for law enforcement officers and 13.6% 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 \$1,377,876 for the year ended June 30, 2025. Contributions to the pension plan from the ABC Board were \$33,419 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, 2025, the County reported a liability of \$7,406,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the County's proportion was 0.1099% (measured as of June 30, 2024), which was an decrease of 0.0050% from its proportion as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the County recognized pension expense of \$2,273,368. At June 30, 2025, 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	\$ 1,297,961	\$ 8,727
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,006,957	-
Changes in proportion and differences between County contributions and proportionate share of contributions	158,628	219,125
County contributions subsequent to the measurement date	1,377,876	-
Total	<u>\$ 3,841,422</u>	<u>\$ 227,852</u>

\$1,377,876 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	\$ 756,190
2027	1,418,689
2028	174,675
2029	(113,860)
2030	-
Thereafter	-

**Clay County ABC Board**

At June 30, 2025, the Clay County ABC Board reported a liability of \$232,648 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the Board's proportion was 0.00345% which was a decrease of 0.00042% from its proportion as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the Clay County ABC Board recognized pension expense of \$74,801. At June 30, 2025, 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	\$ 40,769	\$ 274
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	31,628	24,579
Changes in proportion and differences between ABC Board contributions and proportionate share of contributions	20,950	-
County contributions subsequent to the measurement date	33,419	-
Total	<u>\$ 126,766</u>	<u>\$ 24,853</u>

\$33,419 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	26,251
2027	44,915
2028	905
2029	(3,577)
2030	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 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 8.05 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, 2023 valuation were based on the results of an actuarial experience study 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 review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022 and is part of the asset liability and investment policy of the North Carolina Retirement Systems. 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 2.38%. Return projections do not include any excess return expectations over benchmark averages. 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:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
County's proportionate share of the net pension liability (asset)	\$ 13,125,162	\$ 7,406,854	\$ 2,702,759
ABC Board's proportionate share of the net pension liability (asset)	\$ 412,259	\$ 232,648	\$ 84,893

*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, 2023, valuation date, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>26</u>
Total membership	<u><u>26</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, 2023 valuation. The total pension liability in the December 31, 2023 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	4.28 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

**Mortality Rates:**

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

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

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

Deaths After Retirement (*Disabled Members at Retirement*): Mortality rates are based on the 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, 2025, the County reported a total pension liability of \$425,528. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the County recognized pension expense of \$65,711.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,762	\$ 18,045
Changes of assumptions	32,529	72,695
County benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 106,291</u>	<u>\$ 90,740</u>

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

<b>Year ended June 30:</b>	
2026	\$ 7,938
2027	7,938
2028	3,400
2029	1,538
2030	(1,380)
Thereafter	(3,883)

*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 4.28 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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	\$ 472,699	\$ 425,528	\$ 383,395

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

Total pension liability as of December 31, 2023	\$ 391,652
Changes for the year:	
Service cost	38,281
Interest on the total pension liability	15,666
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(7,389)
Changes of assumptions or other inputs	(12,682)
Benefit payments	-
Other changes	-
Net changes	<u>33,876</u>
Total pension liability as of December 31, 2024	<u>\$ 425,528</u>

*Changes of assumptions.* Since the Prior Measurement Date, the Discount Rate has changed from 4.00% to 4.28% due to a change in the Municipal Bond Index 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, 2023 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 \$69,277 for the year ended June 30, 2025. No amounts were forfeited.

**d. Sheriffs' Supplemental Retirement Plan**

*Plan Description.* The County contributes to the Sheriffs' Supplemental Retirement Plan (Plan), a defined contribution pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county sheriffs. Membership is comprised of sheriffs who are retired from the Local Governmental Employees' Retirement System and beneficiaries that meet the statutory eligibility requirements. 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 minimum years of service as a sheriff 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. The North Carolina Department of Justice administers the plan. If the plan purchases any investments, they are held as part of the State Treasurer's External Investment Pool. Receipts collected by each county's Clerk of Superior Court under General Statutes 7A-304(a)(3a), along with investment income, support the plan's benefits and administrative expenses.

*Funding Policy.* At the beginning of each calendar year, the Department of Justice invoices and collects from county governments, on a pro rata basis by population, an amount of funds needed in addition to the receipts collected, to pay the pension benefits for that year. Sheriffs do not contribute to the plan.

The County paid invoices for the plan to the Department of Justice in the amount of \$1,176 for the year ended June 30, 2025.

**e. 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](http://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 \$1,345 for the year ended June 30, 2025.

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

At June 30, 2025, the County reported an asset of \$17,469 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the Board’s proportion was 0.1516% (measured as of June 30, 2024), which was a decrease of 0.0031% from its proportion as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the County recognized pension expense of \$5,036. At June 30, 2025, 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	\$ 384	\$ 312
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	6,746	-
Changes in proportion and differences between County contributions and proportionate share of contributions	565	-
County contributions subsequent to the measurement date	1,345	-
Total	<u>\$ 9,040</u>	<u>\$ 312</u>

\$1,345 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	\$ 3,657
2027	3,088
2028	612
2029	26
2030	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 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, 2023 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. 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 information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022 and is part of the asset liability and investment policy of the North Carolina Retirement Systems. 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 2.38%. Return projections do not include any excess return expectations over benchmark averages. 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	\$ 11,575	\$ (17,469)	\$ 22,434

*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.

**f. 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, 2023, 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, 2024, with an actuarial valuation date of December 31, 2023. 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)	\$ 7,406,854	\$ (17,469)	n/a	\$ 7,389,385
Proportion of the net pension liability (asset)	0.10987%	0.15160%	n/a	n/a
Total pension liability	n/a	n/a	\$ 425,528	\$ 425,528
Pension expense	\$ 2,273,369	\$ 5,036	\$ 65,711	\$ 2,344,116

At June 30, 2025, the County reported deferred outflows and inflows of resources related to pensions from the following:

	LGERS	RODSPF	LEOSSA	Total
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 1,297,961	\$ 384	\$ 73,762	\$ 1,372,107
Changes of assumptions	-	-	32,529	32,529
Net difference between projected and actual earnings on pension plan investments	1,006,957	6,746	-	1,013,703
Changes in proportion and differences between employer contributions and proportionate share of contributions	158,628	565	-	159,193
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,377,876	1,345	-	1,379,221
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	\$ 8,727	\$ 312	\$ 18,045	\$ 27,084
Changes of assumptions	-	-	72,695	72,695
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	219,125	-	-	219,125

**g. 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, \$825 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, 2024, the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	8
Inactive members entitled to but not yet receiving benefits	-
Active members	<u>73</u>
Total membership	<u><u>81</u></u>

**Total OPEB Liability**

The County's total OPEB liability of \$2,904,744 was measured as of June 30, 2024 and was determined by a biennial actuarial valuation as of June 30, 2024.

*Actuarial assumptions and other inputs.* The total OPEB liability was determined based on an actuarial valuation as of June 30, 2024, 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	3.65 percent
Measurement date	3.93 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.00 percent for 2023 decreasing to an ultimate rate of 4.50 percent by 2033

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, 2023	\$2,879,642
Changes for the year:	
Service cost at the end of the year	103,640
Interest on TOL and cash flows	106,485
Change in benefit terms	-
Difference between expected and actual experience	18,783
Changes of assumptions or other inputs	(70,819)
Benefit payments and implicit subsidy credit	<u>(132,987)</u>
Net changes	<u>25,102</u>
Total OPEB Liability as of June 30, 2024	<u>\$2,904,744</u>

Since the Prior Measurement Date, the Discount Rate has changed from 3.65% to 3.93% 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, 2023 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 (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	1% Decrease <u>(2.93%)</u>	Discount Rate <u>(3.93%)</u>	1% Increase <u>(4.93%)</u>
Total OPEB Liability	\$ 3,166,587	\$ 2,904,744	\$ 2,667,025

*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>	Current	1% <u>Increase</u>
Total OPEB Liability	\$ 2,586,902	\$ 2,904,744	\$ 3,274,668

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

For the fiscal year ended June 30, 2025 the County recognized an OPEB benefit of \$19,536. At June 30, 2025 the County reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,711	\$ 429,936
Changes of assumptions	247,323	274,061
Benefit payments and administrative expenses subsequent to the measurement date	<u>129,850</u>	<u>-</u>
Total	<u>\$ 503,884</u>	<u>\$ 703,997</u>

\$129,850 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, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2026	\$ (173,676)
2027	(90,379)
2028	(43,804)
2029	(25,202)
2030	6,954
Thereafter	(3,856)

**h. 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. Deferred Outflows and Inflows of Resources**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience (Pensions, OPEB)	\$1,498,818	\$ 457,020
Net difference between projected and actual investment earnings (Pensions, OPEB)	1,013,703	-
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	159,193	219,125
Change in assumptions (Pensions, OPEB)	279,852	346,756
Contributions to pension plan subsequent to measurement date (LRS, RODSPF)	1,379,221	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	129,850	-
Prepaid taxes not yet earned (General)	-	55,229
Taxes receivable, net (General), less penalties	-	434,427
Taxes receivable, net (Special Revenue), less penalties	-	40,202
Opioid settlement receivables, net (Special Revenue - restricted)	-	1,744,651
Total	<u>\$4,460,637</u>	<u>\$3,297,410</u>

**4. 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.

**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 administered by 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 is bonded for \$1,000,000. The Commissioners and Register of Deeds are each individually bonded for \$50,000. 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, 2025, 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. Leases**

The County has entered into agreements to lease certain equipment, furniture, and fixtures under GASB Statement No. 87. The related right-to-use leased assets are discussed in more detail in the Capital Asset section III.A.5. of this note.

Serviced by the County's General Fund

In July 2023, the County entered into a 50-month lease agreement for a multi-function printer to be used by the Detention Center. An initial lease liability was recorded in the amount of \$10,141 and requires monthly payments of \$239. The lease liability is measured at a discount rate of 8.29%.	\$	5,668
In July 2023, the County entered into a 50-month lease agreement for a multi-function printer to be used by Investigations. An initial lease liability was recorded in the amount of \$8,878 and requires monthly payments of \$209. The lease liability is measured at a discount rate of 8.29%.		4,962
In July 2023, the County entered into a 50-month lease agreement for a multi-function printer to be used by the Sheriff's Office. An initial lease liability was recorded in the amount of \$10,080 and requires monthly payments of \$237. The lease liability is measured at a discount rate of 8.29%.		5,634
In July 2023, the County entered into a 50-month lease agreement for multiple printers to be used by the Detention Center. An initial lease liability was recorded in the amount of \$5,295 and requires monthly payments of \$125. The lease liability is measured at a discount rate of 8.29%.		2,960
In July 2023, the County entered into a 50-month lease agreement for multiple printers to be used by the Sheriff's Office. An initial lease liability was recorded in the amount of \$13,239 and requires monthly payments of \$312. The lease liability is measured at a discount rate of 8.29%.		7,399
In January 2024, the County entered into a 60-month lease agreement for a multi-function printer to be used by various departments. An initial lease liability was recorded in the amount of \$21,719 and requires monthly payments of \$442. The lease liability is measured at a discount rate of 8.50%.		16,025
In January 2024, the County entered into a 60-month lease agreement for a multi-function printer to be used by the Social Services Department. An initial lease liability was recorded in the amount of \$32,578 and requires monthly payments of \$664. The lease liability is measured at a discount rate of 8.50%.		24,038
In August 2024, the County entered into a 60-month lease agreement for a Chevy Colorado to be used by the Parks and Recreation Department. An initial lease liability was recorded in the amount of \$32,320 and requires monthly payments of \$663. The lease liability is measured at a discount rate of 8.50%.		27,362

In August 2024, the County entered into a 60-month lease agreement for multiple vehicles to be used by the Sheriff's Office. An initial lease liability was recorded in the amount of \$104,506 and requires monthly payments of \$2,143. The lease liability is measured at a discount rate of 8.50%.	88,476
In September 2024, the County entered into a 60-month lease agreement for a Dodge Charger to be used by the Sheriff's Office. An initial lease liability was recorded in the amount of \$41,549 and requires monthly payments of \$848. The lease liability is measured at a discount rate of 8.50%.	35,749
In October 2024, the County entered into a 60-month lease agreement for multiple vehicles to be used by the Sheriff's Office. An initial lease liability was recorded in the amount of \$289,509 and requires monthly payments of \$5,868. The lease liability is measured at a discount rate of 8.00%.	253,009
In December 2024, the County entered into a 60-month lease agreement for a Dodge Ram to be used by the Sheriff's Office. An initial lease liability was recorded in the amount of \$43,326 and requires monthly payments of \$871. The lease liability is measured at a discount rate of 7.65%.	39,076
	\$ 510,358

At June 30, 2025, the future minimum lease obligations and the net present value of these payments were:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 114,024	\$ 37,444	\$ 151,468
2027	123,708	27,760	151,468
2028	122,639	17,607	140,246
2029	123,875	7,490	131,365
2030	26,112	351	26,463
	\$ 510,358	\$ 90,652	\$ 601,010

**b. Subscriptions**

The County has entered into Subscription-Based Information Technology Arrangements (SBITAs) under GASB Statement No. 96. The related right-to-use subscription assets are discussed in more detail in the Capital Asset section III.A.5. of this note.

Serviced by the County's General Fund

In September 2022, the County entered into a five-year subscription for the use of Southern Software, Inc.'s Jail Management System (JMS). An initial subscription liability was recorded in the amount of \$14,837. The County is required to make annual fixed payments of \$3,307. The subscription has no stated interest rate. Accordingly, the County's estimated incremental borrowing rate of 5.73% was used to discount the subscription payments.	\$ 6,086
In April 2022, the County entered into a five-year subscription for the use of Southern Software, Inc.'s Record Management System (RMS). An initial subscription liability was recorded in the amount of \$23,561. The County is required to make annual fixed payments of \$5,464. The subscription has no stated interest rate. Accordingly, the County's estimated incremental borrowing rate of 8.00% was used to discount the subscription payments.	9,744
In July 2022, the County entered into a five-year subscription for the use of Logics financial software. An initial subscription liability was recorded in the amount of \$34,644. The County is required to make annual fixed payments of \$7,600. The subscription has no stated interest rate. Accordingly, the County's estimated incremental borrowing rate of 4.85% was used to discount the subscription payments.	14,162
In July 2022, the County entered into a five-year subscription for the use of iWorQ permit management software. An initial subscription liability was recorded in the amount of \$14,806. The County is required to make annual fixed payments of \$3,248. The subscription has no stated interest rate. Accordingly, the County's estimated incremental borrowing rate of 4.85% was used to discount the subscription payments.	6,052

In July 2024, the County entered into a five-year subscription for the use of i3 Verticals Register of Deeds Free Public Access software. An initial subscription liability was recorded in the amount of \$61,569. The County is required to make annual fixed payments of \$14,400. The subscription has no stated interest rate. Accordingly, the County's estimated incremental borrowing rate of 8.50% was used to discount the subscription payments. 47,169

In July 2024, the County entered into a 60-month subscription for the use of Bi-Tek's tax management software. An initial subscription liability was recorded in the amount of \$74,396. The County is required to make monthly payments of \$1,516. The subscription has no stated interest rate. Accordingly, the County's estimated incremental borrowing rate of 8.50% was used to discount the subscription payments. 61,489

In November 2024, the County entered into a five-year subscription for the use of election software. An initial subscription liability was recorded in the amount of \$40,688. The County is required to make annual fixed payments of \$9,405. The subscription has no stated interest rate. Accordingly, the County's estimated incremental borrowing rate of 7.81% was used to discount the subscription payments. 31,283

\$ 175,985

At June 30, 2025, the future minimum subscription obligations and the net present value of these payments were:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 48,341	\$ 13,271	\$ 61,612
2027	51,982	9,630	61,612
2028	36,290	5,703	41,993
2029	39,373	2,620	41,993
	<u>\$ 175,986</u>	<u>\$ 31,224</u>	<u>\$ 207,210</u>

**c. 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 outstanding debt. The financing contract requires forty semi-annual principal payments of \$37,500, plus interest at 2.59%, and matures on April 16, 2028. \$ 225,000

On March 17, 2011, the County entered into a \$2,000,000 direct placement contract with BB&T for the construction of a building for the social services department. The property is pledged as collateral for the outstanding debt. The financing contract requires thirty semi-annual principal payments of \$66,667, plus interest at 2.36%, matures on March 17, 2026. 133,333

On November 7, 2013, the County entered into a \$2,700,000 direct placement contract with BB&T for the construction of a building for the health department. The property is pledged as collateral for the outstanding debt. The financing contract requires thirty semi-annual principal payments of \$90,000, plus interest at 3.36%, and matures on November 7, 2028. 630,000

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 outstanding debt. The financing contract requires sixty monthly payments of \$873, including interest at 7.27%, and matures on March 25, 2026. 7,644

On February 19, 2020, the County entered into a \$2,605,298 direct placement contract with Truist Bank for the construction of a multi sports complex for Clay County. The property is pledged as collateral for the outstanding debt. The financing contract requires twenty semi-annual principal payments of \$130,265, plus interest at 2.24%, and matures on February 19, 2030. 1,302,649

On May 17, 2019, the County entered into a \$3,404,000 direct placement contract with BB&T as authorized by G.S.160A-20 and 153A-158.1. The County financed the matching grant funds for the construction of the primary school for the Clay County Board of Education. The property is pledged as collateral for the outstanding debt. The financing contract requires thirty semi-annual principal payments of \$113,467, plus interest at 3.18%, and matures on May 17, 2034. 2,042,400

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 occupants of the Town of Hayesville. The financing contract requires thirty semi-annual payments of \$45,305, including interest at 2.79%, and matures on June 15, 2029. In July 2024 operational responsibility was turned over to the Clay County Water Sewer District. However, the bond remains in the name of the County. The County continues to make the annual bond payments. Clay County Water Sewer District reimburses the County for the payment. 315,698

On November 30, 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, including interest at zero percent, and matures on May 1, 2030. In July 2024 operational responsibility was turned over to the Clay County Water Sewer District. However, the bond remains in the name of the County. The County continues to make the annual bond payments. Clay County Water Sewer District reimburses the County for the payment. 160,993

\$ 4,817,717

At June 30, 2025, the future minimum subscription obligations and the net present value of these payments were:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 992,570	\$ 126,750	\$ 1,119,320
2027	853,980	100,745	954,725
2028	856,359	77,323	933,682
2029	665,947	54,320	720,267
2030	514,295	38,655	552,950
2031 - 2035	934,566	64,948	999,514
	<u>\$ 4,817,717</u>	<u>\$ 462,741</u>	<u>\$ 5,280,458</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$2,298,626 relates to assets the County holds title.

At June 30, 2025, Clay County had a legal debt margin of \$172,214,600.

**d. 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, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Governmental Activities:</b>					
Direct placement installment purchases	\$ 5,226,435	\$ 583,355	\$ 992,073	\$ 4,817,717	\$ 992,570
Leases	86,883	511,209	87,734	510,358	114,024
IT subscription liabilities	64,694	176,652	65,361	175,985	48,341
Compensated absences	868,333	659,693	653,489	874,537	593,119
Net pension liability (LGRS)	7,380,922	228,276	202,344	7,406,854	-
Total pension liability (LEOSSA)	391,652	33,876	-	425,528	-
Total OPEB liability	2,793,253	111,491	-	2,904,744	-
Total Government activities	<u>\$ 16,812,172</u>	<u>\$ 2,304,552</u>	<u>\$ 2,001,001</u>	<u>\$ 17,115,723</u>	<u>\$ 1,748,054</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.

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2025, consists of the following:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Emergency Telephone System Fund	\$ 44,782	Reimbursable expenditures
General Fund	School Capital Projects Fund	228,133	Reimbursable expenditures
		<u>\$ 272,915</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, 2025, consists of the following:

From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	\$ 75,000
Total	<u>\$ 75,000</u>

**D. Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2025, is computed as follows:

	Governmental Activities
Capital assets, net of accumulated depreciation	\$ 30,598,206
Less capital debt:	
Total debt, gross	5,504,060
Less:	
School debt for assets to which the county does not hold title	<u>(2,042,400)</u>
Total capital debt	<u>3,461,660</u>
Net investment in capital assets	<u>\$ 27,136,546</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:

<b>Total fund balance - General Fund</b>	<b>\$ 13,194,134</b>
Less:	
Prepaid items	44,620
Stabilization by State statute	2,824,051
Register of deeds	36,811
Tax revaluation	98,418
Appropriated fund balance in 2026 budget	1,813,532
Working Capital / Fund Balance Policy	42,514
Remaining fund balance	<u>8,334,188</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.

#### **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 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.

##### Clay County Water Sewer 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 District maintains operational responsibility and is responsible for issuing separate financial statements. The County is not responsible for the debt issued by the District and the District's debt is not included in determining the County's legal debt limit.

#### **V. Opioid Settlement Funds**

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion nationwide settlement related to multiple opioid lawsuits. These funds are disbursed to each participating State over an 18-year period according to an allocation agreement reached with participating States. The majority of the funds must be used for opioid abatement and remediation activities and programs and the distribution of the funds is front loaded. The North Carolina MOA between the State and local governments allocates funds 15% to the State, 80% to local governments, and 5% to a County incentive fund.

The County received \$221,827 in the current fiscal year, spent \$87,241, and, per the MOA, accounts for the amounts in a special revenue fund, the Opioid Settlement Fund (major fund).

In July 2025, Secondary Opioid Manufacturer Settlements were reached with Alvogen Inc., Amneal Pharmaceuticals LLC, Apotex Corp., Hikma Pharmaceuticals USA, Indivior Inc., Sun Pharmaceutical Industries Inc., and Zydus Pharmaceuticals Inc. A settlement was also reached with Purdue Pharma L.P.'s bankruptcy plan for \$7.4 billion. The Secondary Settlements are subject to the terms of the existing MOA with the State.

#### **VI. Joint Ventures**

##### Nantahala Regional Library

The County participates in a joint venture to operate the Nantahala Regional Library with two other counties. 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 \$185,000 to the Library to supplement its activities for the fiscal year ended June 30, 2025. 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 \$218,276 during the fiscal year June 30, 2025. Complete financial statements for the College may be obtained from the College's administrative office at 21 Campus Circle, Murphy, NC 28906.

**VII. Jointly Governed Organizations**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, 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 \$3,750 to Vaya Health during the fiscal year ended June 30, 2025.

Southwestern North Carolina Planning and Economic Development Commission

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 \$10,038 to the Commission during the fiscal year ended June 30, 2025.

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.

**VIII. 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 moneys.

**IX. Change in Accounting Principles/Restatement**

For the year ended June 30, 2025, the County adopted GASB 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. This change restated and reduced beginning net position of governmental activities in the government-wide statements by \$317,384.

In the prior fiscal year, the County received money from the Opioid Settlement. At that time, the appropriate accounting and financial reporting guidance was thought to be that for government-mandated and voluntary non-exchange transactions, as such revenue recognition could only occur when all eligibility requirements were met. The incurrence of qualifying expenditures was among the eligibility requirements. The County did not incur any qualifying expenditures during the fiscal year ended June 30, 2024. Accordingly, no revenue was recognized. See Note V, Opioid Settlement Funds, for further discussion of this nationwide settlement.

During the fiscal year ending June 30, 2025, the conclusion for the appropriate accounting and financial reporting guidance evolved. Instead of a single approach being applicable to the activity, there was realization that the approach needed to be more nuanced. Based on the facts and circumstances of the different distribution methods of the funds, it was determined that the appropriate guidance is either that for exchange and exchange-like transactions or that for government-mandated or voluntary nonexchange transactions.

After reviewing the method through which the County received the resources, it was determined that the activity should have followed the guidance for exchange and exchange-like transactions. As a result, during fiscal year ending June 30, 2025, it was necessary for the County to record prior period adjustments for a change in accounting principle.

As an exchange/exchange-like transaction the County should have recognized revenue when they obtained a legal claim to the resources. For the opioid settlement the County obtains a claim to the resources on an accrual basis as settlements are finalized. On the modified accrual basis of accounting the resources must also be measurable and available for revenue recognition to occur.

In the prior years, the County received cash payments totaling \$584,147. This amount qualified for revenue recognition on both an accrual and modified accrual basis of accounting. It was also necessary to determine if any additional revenue should have been recognized on an accrual basis during the fiscal year ended June 30, 2024. Given that settlements had reached \$26 billion in fiscal year 2023, it was necessary to determine the portion of that amount related to the County and recognize an additional prior period adjustment for that amount.

Following are the prior period adjustments:

Accrual Basis of Accounting:

Governmental Activities Net position, beginning as previously reported	\$ 29,428,561
Prior period adjustment - change in accounting principle:	
GASB 101 Compensated absences	(317,384)
Revenue for cash received	584,147
County's share of North Carolina's unpaid aggregate settlements through fiscal year ended June 2024, net of allowance for uncollectible accounts of \$1,949,649.	<u>1,949,649</u>
Net prior period adjustment	<u>2,216,412</u>
Governmental Activities Net position, beginning as restated	<u>\$ 31,644,973</u>

	Opioid Settlement Fund	Total Governmental Funds
Modified Accrual Basis of Accounting:		
Fund balances, beginning, as previously reported	\$ -	\$ 12,923,183
Prior period adjustment - change in accounting principle:		
Revenue for cash received that was measurable and available	<u>584,147</u>	<u>584,147</u>
Fund balances, beginning as restated	<u>\$ 584,147</u>	<u>\$ 13,507,330</u>

**X. Pronouncements effective for the 2025 Financial Statements:**

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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

***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 April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**XI. Special Item**

For the year ended June 30, 2025, the County's financial statements report a special item related to the separation of the Clay County Water District from a blended component unit to a related organization. The separation occurred in July 2024, during the fiscal year ended June 30, 2025. This transaction was unusual in nature and occurred under the control of County management.

The special item reflects a net decrease in the County's net position of \$766,664 resulting from the transfer of obligations associated with the Clay County Water District. The amount consists of a \$583,355 increase in direct placement installment financing, a \$228,276 increase in the net pension liability related to the Local Governmental Employees' Retirement System (LGERS), an \$86,389 increase in the total other postemployment benefits (OPEB) liability, an increase of \$10,067 in OPEB-related deferrals, and a decrease of \$141,423 in pension-related deferrals.

## **XII. Significant Effects of Subsequent Events**

The County has evaluated events and transactions that occurred between June 30, 2025 and February 12, 2026, 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, 2025.

1. In December 2025, the County, in partnership with the Town of Hayesville, was awarded \$4,377,061 in total grant funding through the North Carolina Office of State Budget and Management's (OSBM) Helene Local Government Capital Grant Program. This significant investment will enable Clay County to address key vulnerabilities in emergency infrastructure that became evident following Hurricane Helene, ensuring more resilient and reliable paramedic-level emergency medical services and emergency management for Clay County residents and visitors.

# Required Supplementary Financial Data

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

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## 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 Ten Fiscal Years**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
County's proportion of the net pension liability (asset) %	0.1099%	0.1148%	0.1098%	0.0956%	0.0931%	0.0836%	0.0911%	0.0934%	0.1027%	0.0989%
County's proportionate share of the net pension liability (asset) \$	\$ 7,406,854	\$ 7,609,198	\$ 6,195,980	\$ 1,465,504	\$ 3,326,860	\$ 2,282,778	\$ 2,164,204	\$ 1,426,741	\$ 2,179,001	\$ 443,992
County's covered-employee payroll	\$ 9,769,450	\$ 9,421,475	\$ 8,493,649	\$ 6,931,418	\$ 6,652,963	\$ 6,045,970	\$ 6,238,320	\$ 6,201,819	\$ 6,151,143	\$ 6,187,548
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.82%	80.76%	72.95%	21.14%	50.01%	37.76%	34.69%	23.01%	35.42%	7.18%
Plan fiduciary net position as a percentage of the total pension liability **	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

\* 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 Ten Fiscal Years**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 1,377,876	\$ 1,270,077	\$ 1,150,652	\$ 971,506	\$ 714,432	\$ 605,213	\$ 473,585	\$ 467,874	\$ 461,051	\$ 421,332
Contributions in relation to the contractually required contribution	1,377,876	1,270,077	1,150,652	971,506	714,432	605,213	473,585	467,874	461,051	421,332
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 9,987,154	\$ 9,769,450	\$ 9,421,475	\$ 8,493,649	\$ 6,931,418	\$ 6,652,963	\$ 6,045,970	\$ 6,238,320	\$ 6,201,819	\$ 6,151,143
Contributions as a percentage of covered-employee payroll	13.80%	13.00%	12.21%	11.44%	10.31%	9.10%	7.83%	7.50%	7.43%	6.85%

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

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
County's proportion of the net pension liability (asset) %	0.1516%	0.1547%	0.1578%	0.1720%	0.1573%	0.1479%	0.1662%	0.1505%	0.1514%	0.1588%
County's proportionate share of the net pension liability (asset) \$	\$ (17,469)	\$ (18,590)	\$ (20,897)	\$ (33,054)	\$ (36,039)	\$ (29,204)	\$ (27,521)	\$ (25,685)	\$ (28,296)	\$ (36,800)
Plan fiduciary net position as a percentage of the total pension liability **	133.61%	135.74%	139.04%	156.53%	173.62%	164.11%	153.31%	153.77%	160.17%	197.29%

\* 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 Ten Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,345	\$ 1,304	\$ 1,381	\$ 1,284	\$ 2,065	\$ 1,506	\$ 1,406	\$ 1,422	\$ 1,308	\$ 1,236
Contributions in relation to the contractually required contribution	1,345	1,304	1,381	1,284	2,065	1,506	1,406	1,422	1,308	1,236
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, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 391,652	\$ 316,328	\$ 298,341	\$ 221,198	\$ 161,862	\$ 137,147	\$ 151,250	\$ 176,612	\$ 187,997
Service cost	38,281	31,027	43,815	35,733	19,096	14,618	12,172	9,142	10,951
Interest on the total pension liability	15,666	13,634	6,713	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	(7,389)	19,184	59,023	48,822	(37,999)	16,937	(1,206)	(23,696)	-
Changes of assumptions or other inputs	(12,682)	11,479	(91,564)	(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	\$ 425,528	\$ 391,652	\$ 316,328	\$ 298,341	\$ 221,198	\$ 161,862	\$ 137,147	\$ 151,250	\$ 176,612

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, 2025**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 425,528	\$ 391,652	\$ 316,328	\$ 298,341	\$ 221,198	\$ 161,862	\$ 137,147	\$ 151,250	\$ 176,612
Covered payroll	1,434,641	1,176,760	1,095,231	900,848	750,332	629,858	590,026	495,664	515,583
Total pension liability as a percentage of covered payroll	29.66%	33.28%	28.88%	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, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 103,640	\$ 117,920	\$ 148,947	\$ 182,070	\$ 137,938	\$ 229,314	\$ 235,315	\$ 251,274
Interest	106,485	92,588	63,017	69,188	93,669	131,656	116,867	98,074
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	18,783	156,772	(8,296)	(479,245)	3,380	(1,096,995)	11,123	(16,094)
Changes of assumptions	(70,819)	73,080	(350,620)	185,950	323,674	44,717	(109,479)	(179,323)
Net benefit payments	(132,987)	(115,572)	(132,718)	(143,284)	(152,937)	(156,615)	(147,817)	(111,479)
Net change in total OPEB liability	25,102	324,788	(279,670)	(185,321)	405,724	(847,923)	106,009	42,452
Total OPEB liability - beginning	2,879,642	2,554,854	2,834,524	3,019,845	2,614,121	3,462,044	3,356,035	3,313,583
Total OPEB liability - ending	\$ 2,904,744	\$ 2,879,642	\$ 2,554,854	\$ 2,834,524	\$ 3,019,845	\$ 2,614,121	\$ 3,462,044	\$ 3,356,035
Covered payroll	3938308	3,938,308	3,929,466	3,929,466	6,360,293	6,360,293	6,332,202	6,332,202
Total OPEB liability as a percentage of covered payroll	73.76%	73.12%	65.02%	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%
2023	3.54%
2024	3.65%
2025	3.93%

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**Combining and Individual Fund  
Statements and Schedules**

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## Major Governmental Funds

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The County has the following major governmental funds:

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- **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.
- **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. The fund had no financial transactions to report for the current fiscal year.

### *Capital Project Funds:*

- **Public Schools Capital Project Fund** – This fund is used to account for the following: 1) the construction of a new school for grades three through eight and 2) the costs associated with the renovations of existing schools within the Clay County School District.
- **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 square foot, 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, 2025**

	General Fund	Tax Revaluation Fund	Eliminations	Total
<b>REVENUES</b>				
Ad valorem taxes	\$ 9,693,975	\$ -	\$ -	\$ 9,693,975
Local option sales tax	5,125,024	-	-	5,125,024
Other taxes and licenses	144,814	-	-	144,814
Unrestricted intergovernmental	602,109	-	-	602,109
Restricted intergovernmental	4,851,200	-	-	4,851,200
Permits and fees	1,013,749	-	-	1,013,749
Sales and services	3,411,305	-	-	3,411,305
Investment earnings	657,210	-	-	657,210
Miscellaneous	665,651	-	-	665,651
Total revenues	<u>26,165,037</u>	<u>-</u>	<u>-</u>	<u>26,165,037</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,532,256	158,049	-	5,690,305
Public safety	7,382,888	-	-	7,382,888
Transportation	823,639	-	-	823,639
Economic and physical development	1,083,698	-	-	1,083,698
Human services	6,270,135	-	-	6,270,135
Cultural and recreation	1,964,359	-	-	1,964,359
Education	2,231,037	-	-	2,231,037
Debt service:				
Principal retirement	1,145,168	-	-	1,145,168
Interest and fees	200,074	-	-	200,074
Total expenditures	<u>26,633,254</u>	<u>158,049</u>	<u>-</u>	<u>26,791,303</u>
Revenues over (under) expenditures	<u>(468,217)</u>	<u>(158,049)</u>	<u>-</u>	<u>(626,266)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	75,000	75,000
Transfers to other funds	(75,000)	75,000	(75,000)	(75,000)
Total net transfers	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Lease liabilities issued	511,209	-	-	511,209
IT subscription agreements	176,652	-	-	176,652
Sale of capital assets	589,715	-	-	589,715
Total other financing sources (uses)	<u>1,202,576</u>	<u>75,000</u>	<u>-</u>	<u>1,277,576</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	734,359	(83,049)	<u>\$ -</u>	651,310
<b>FUND BALANCES</b>				
Fund balance, beginning	<u>12,361,357</u>	<u>181,467</u>		<u>12,542,824</u>
Fund balance, ending	<u>\$ 13,095,716</u>	<u>\$ 98,418</u>		<u>\$ 13,194,134</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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>			
Ad valorem taxes:			
Taxes		\$ 9,601,516	
Penalties and interest		92,459	
Total	<u>\$ 9,764,463</u>	<u>9,693,975</u>	<u>\$ (70,488)</u>
Local option sales taxes:			
Article 39 one percent		1,911,129	
Article 40 one-half of one percent		1,287,580	
Article 42 one-half of one percent		976,138	
Article 44 one-half of one percent		495,405	
Article 46 one-quarter of one percent		437,533	
Medicaid hold-harmless		17,239	
Total	<u>5,286,704</u>	<u>5,125,024</u>	<u>(161,680)</u>
Other taxes and licenses:			
Register of deeds - deed stamp excise tax		142,439	
Marriage (privilege) licenses		2,375	
Total	<u>152,000</u>	<u>144,814</u>	<u>(7,186)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes - outside sources		472,470	
ABC profit distribution		70,000	
Beer and wine tax		44,925	
Utility sales tax franchise fees		14,714	
Total	<u>779,820</u>	<u>602,109</u>	<u>(177,711)</u>
Restricted intergovernmental:			
Federal grants		4,403,684	
State grants		362,398	
Court facility fees		9,718	
Scrap tire disposal tax		33,530	
White goods disposal tax		6,046	
Enforcement fund		133	
Other revenue		14,055	
ABC profits for law enforcement		8,000	
ABC bottle taxes		13,636	
Total	<u>10,149,486</u>	<u>4,851,200</u>	<u>(5,298,286)</u>
Permits and fees:			
Building and well permits		218,154	
Inspection fees		116,602	
Landfill permits and user fees		577,217	
Recreation fees		18,330	
Gun permits and other		8,240	
Register of deeds		75,206	
Total	<u>1,178,702</u>	<u>1,013,749</u>	<u>(164,953)</u>
Sales and services:			
Rents, concessions, and fees		180,032	
Jail fees		73,696	
Ambulance and rescue squad fees		713,114	

**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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Fines and forfeitures		96,604	
Recreation fees		397,117	
Health department fees		1,866,125	
Senior center meal fees		215	
Transportation fees		84,402	
<b>Total</b>	<u>3,581,258</u>	<u>3,411,305</u>	<u>(169,953)</u>
Investment earnings	<u>606,500</u>	<u>657,210</u>	<u>50,710</u>
Miscellaneous:			
Donations		25,196	
Other		640,455	
<b>Total</b>	<u>441,047</u>	<u>665,651</u>	<u>224,604</u>
<b>Total revenues</b>	<u>31,939,980</u>	<u>26,165,037</u>	<u>(5,774,943)</u>
<b>EXPENDITURES</b>			
General government:			
Governing body:			
Salaries and employee benefits		241,655	
Operating expenditures		619,143	
Capital outlay		37,524	
<b>Total</b>	<u>1,230,285</u>	<u>898,322</u>	<u>331,963</u>
Special appropriations:			
Special appropriations		292,423	
<b>Total</b>	<u>332,774</u>	<u>292,423</u>	<u>40,351</u>
Human resources:			
Salaries and employee benefits		70,894	
Operating expenditures		2,166	
<b>Total</b>	<u>74,505</u>	<u>73,060</u>	<u>1,445</u>
Board of elections:			
Salaries and employee benefits		182,949	
Operating expenditures		51,438	
Capital outlay		40,688	
<b>Total</b>	<u>298,160</u>	<u>275,075</u>	<u>23,085</u>
Finance:			
Salaries and employee benefits		343,369	
Operating expenditures		70,902	
Capital outlay		4,408	
<b>Total</b>	<u>544,960</u>	<u>418,679</u>	<u>126,281</u>
Tax supervisor:			
Salaries and employee benefits		233,519	
Operating expenditures		31,652	
Capital outlay		74,396	
<b>Total</b>	<u>360,540</u>	<u>339,567</u>	<u>20,973</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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Tax collector:</b>			
Salaries and employee benefits		264,197	
Operating expenditures		62,030	
Capital outlay		2,720	
Total	<u>341,750</u>	<u>328,947</u>	<u>12,803</u>
<b>Legal:</b>			
Contracted services		125,724	
Total	<u>127,824</u>	<u>125,724</u>	<u>2,100</u>
<b>Register of deeds:</b>			
Salaries and employee benefits		175,799	
Operating expenditures		32,689	
Capital outlay		87,854	
Total	<u>337,020</u>	<u>296,342</u>	<u>40,678</u>
<b>Maintenance / public buildings:</b>			
Salaries and employee benefits		548,173	
Operating expenditures		1,172,376	
Capital outlay		431,626	
Total	<u>7,754,990</u>	<u>2,152,175</u>	<u>5,602,815</u>
<b>Senior center:</b>			
Salaries and employee benefits		177,559	
Operating expenditures		145,027	
Capital outlay		9,356	
Total	<u>376,849</u>	<u>331,942</u>	<u>44,907</u>
Total general government	<u>11,779,657</u>	<u>5,532,256</u>	<u>6,247,401</u>
<b>Public safety:</b>			
<b>Sheriff:</b>			
Salaries and employee benefits		1,981,318	
Operating expenditures		322,584	
Capital outlay		524,891	
Total	<u>2,889,676</u>	<u>2,828,793</u>	<u>60,883</u>
<b>Telecommunicators / emergency communications:</b>			
Salaries and employee benefits		694,193	
Operating expenditures		63,239	
Total	<u>760,125</u>	<u>757,432</u>	<u>2,693</u>
<b>Jail:</b>			
Salaries and employee benefits		946,517	
Operating expenditures		370,208	
Total	<u>1,345,633</u>	<u>1,316,725</u>	<u>28,908</u>
<b>Emergency management:</b>			
Salaries and employee benefits		119,501	
Operating expenditures		80,129	
Capital outlay		57,655	
Total	<u>391,337</u>	<u>257,285</u>	<u>134,052</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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Fire:			
Operating expenditures		72,142	
Total	<u>97,021</u>	<u>72,142</u>	<u>24,879</u>
Building department:			
Salaries and employee benefits		197,545	
Operating expenditures		11,785	
Total	<u>215,375</u>	<u>209,330</u>	<u>6,045</u>
Emergency medical services:			
Salaries and employee benefits		1,501,531	
Operating expenditures		238,978	
Capital outlay		9,876	
Total	<u>1,795,775</u>	<u>1,750,385</u>	<u>45,390</u>
E911 allowable:			
Salaries and employee benefits		70,777	
Operating expenditures		1,774	
Total	<u>74,500</u>	<u>72,551</u>	<u>1,949</u>
E911 nonallowable:			
Salaries and employee benefits		96,549	
Operating expenditures		18,888	
Total	<u>117,175</u>	<u>115,437</u>	<u>1,738</u>
Clerk of court:			
Operating expenditures		2,808	
Total	<u>4,000</u>	<u>2,808</u>	<u>1,192</u>
Total public safety	<u>7,690,617</u>	<u>7,382,888</u>	<u>307,729</u>
Transportation:			
Transportation - operating:			
Salaries and employee benefits		475,757	
Operating expenditures		77,560	
Capital outlay		3,207	
Total	<u>703,116</u>	<u>556,524</u>	<u>146,592</u>
Transportation - admin and capital:			
Salaries and employee benefits		167,225	
Operating expenditures		27,590	
Capital outlay		72,300	
Total	<u>277,758</u>	<u>267,115</u>	<u>10,643</u>
Total transportation	<u>980,874</u>	<u>823,639</u>	<u>157,235</u>
Economic and physical development:			
Sanitary landfill:			
Salaries and employee benefits		243,458	
Operating expenditures		400,347	
Capital outlay		62,109	
Total	<u>732,459</u>	<u>705,914</u>	<u>26,545</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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Soil and water conservation:			
Salaries and employee benefits		116,171	
Operating expenditures		103,333	
Total	<u>220,432</u>	<u>219,504</u>	<u>928</u>
Agricultural extension:			
Salaries and employee benefits		136,418	
Operating expenditures		21,862	
Total	<u>190,299</u>	<u>158,280</u>	<u>32,019</u>
Total economic and physical development	<u>1,143,190</u>	<u>1,083,698</u>	<u>59,492</u>
Human services:			
Health department:			
Administration and health programs:			
Salaries and employee benefits		1,593,160	
Operating expenses		157,094	
Capital outlay		346,069	
Total	<u>2,852,011</u>	<u>2,096,323</u>	<u>755,688</u>
Immunization action plan:			
Operating expenses		-	
Total	<u>2,140</u>	<u>-</u>	<u>2,140</u>
Adult health:			
Operating expenses		8,305	
Total	<u>9,500</u>	<u>8,305</u>	<u>1,195</u>
Child health:			
Operating expenses		6,871	
Total	<u>8,500</u>	<u>6,871</u>	<u>1,629</u>
Environmental health:			
Operating expenses		30,839	
Total	<u>33,650</u>	<u>30,839</u>	<u>2,811</u>
Communicable disease:			
Operating expenses		3,629	
Total	<u>5,700</u>	<u>3,629</u>	<u>2,071</u>
Healthy communities:			
Operating expenses		3,001	
Total	<u>3,001</u>	<u>3,001</u>	<u>-</u>
Dental clinic:			
Salaries and employee benefits		488,680	
Operating expenses		204,144	
Capital outlay		4,590	
Total	<u>704,050</u>	<u>697,414</u>	<u>6,636</u>
Family planning:			
Salaries and employee benefits		900	
Operating expenses		48,836	
Total	<u>56,600</u>	<u>49,736</u>	<u>6,864</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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Immunizations:			
Operating expenses		189,131	
Total	<u>191,200</u>	<u>189,131</u>	<u>2,069</u>
WIC - women, infants, and children:			
Operating expenses		9,327	
Total	<u>9,390</u>	<u>9,327</u>	<u>63</u>
Child services coordination:			
Operating expenses		1,132	
Total	<u>1,400</u>	<u>1,132</u>	<u>268</u>
Lab:			
Operating expenses		52,348	
Total	<u>52,350</u>	<u>52,348</u>	<u>2</u>
Maternal health:			
Operating expenses		2,263	
Total	<u>2,263</u>	<u>2,263</u>	<u>-</u>
Pregnancy care management:			
Operating expenses		1,743	
Total	<u>2,100</u>	<u>1,743</u>	<u>357</u>
Total health department	<u>3,933,855</u>	<u>3,152,062</u>	<u>781,793</u>
Veterans service officer:			
Salaries and employee benefits		34,931	
Total	<u>47,079</u>	<u>34,931</u>	<u>12,148</u>
Social services:			
Administration:			
Salaries and employee benefits		2,102,633	
Operating expenses		240,811	
Capital outlay		61,031	
Janitorial:			
Salaries and employee benefits		46,500	
Total	<u>2,790,297</u>	<u>2,450,975</u>	<u>339,322</u>
Recipients:			
Assistance payments		458,039	
Total	<u>607,860</u>	<u>458,039</u>	<u>149,821</u>
Total social services	<u>3,398,157</u>	<u>2,909,014</u>	<u>489,143</u>
Community paramedicine:			
Salaries and employee benefits		53,322	
Operating expenditures		1,745	
Total	<u>69,475</u>	<u>55,067</u>	<u>14,408</u>
Student academy mentorship:			
Salaries and employee benefits		1,405	
Total	<u>1,405</u>	<u>1,405</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, 2025**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
Dogwood opioid planning:			
Salaries and employee benefits		112,294	
Operating expenditures		5,362	
Total	210,169	117,656	92,513
Total human services	7,660,140	6,270,135	1,390,005
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		295,337	
Operating expenditures		60,471	
Total	368,200	355,808	12,392
Recreation sports:			
Salaries and employee benefits		18,119	
Operating expenditures		54,302	
Total	108,245	72,421	35,824
Veterans park construction:			
Capital outlay		1,300,000	
Total	1,300,000	1,300,000	-
Campground:			
Salaries and employee benefits		12,252	
Operating expenditures		38,878	
Total	52,649	51,130	1,519
Libraries:			
Contribution to regional library		185,000	
Total	185,000	185,000	-
Total cultural and recreation	2,014,094	1,964,359	49,735
Education:			
Public schools:			
Public schools - current		1,918,164	
Public schools - other		15,925	
Public schools - capital outlay		21,000	
Public schools - school nurse funds		54,124	
Community college:			
Community college - current		221,824	
Total education	2,231,915	2,231,037	878
Debt service:			
Principal retirements	1,173,734	1,145,168	28,566
Interest and fees	225,970	200,074	25,896
Total debt service	1,399,704	1,345,242	54,462
Total expenditures	34,900,191	26,633,254	8,266,937
Revenues over (under) expenditures	(2,960,211)	(468,217)	2,491,994

**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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds:			
Tax revaluation fund	(75,000)	(75,000)	-
Total	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total net transfers	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Lease liabilities issued	511,209	511,209	-
IT subscription agreements	176,700	176,652	(48)
Sale of capital assets	<u>597,302</u>	<u>589,715</u>	<u>(7,587)</u>
Total other financing sources (uses)	<u>1,210,211</u>	<u>1,202,576</u>	<u>(7,635)</u>
Revenues and other sources over (under) expenditures	(1,750,000)	734,359	2,484,359
Appropriated fund balance	<u>1,750,000</u>	<u>-</u>	<u>(1,750,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>734,359</u>	<u>\$ 734,359</u>
<b>FUND BALANCE</b>			
Fund balance, beginning		<u>12,361,357</u>	
Fund balance, ending		<u>\$ 13,095,716</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, 2025**

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Investment earnings		\$ -	
Total revenues	\$ -	-	\$ -
<b>EXPENDITURES</b>			
Current:			
General government:			
Tax listing		158,049	
Total expenditures	400,400	158,049	242,351
Revenues over (under) expenditures	(400,400)	(158,049)	242,351
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds:			
General Fund	475,400	75,000	(400,400)
Total other financing sources (uses)	475,400	75,000	(400,400)
Revenues and other sources over (under) expenditures	75,000	(83,049)	(158,049)
Appropriated fund balance	-	-	-
Net change in fund balance	\$ 75,000	(83,049)	\$ (158,049)
<b>FUND BALANCE</b>			
Fund balance, beginning		181,467	
Fund balances, ending		\$ 98,418	

**Clay County, North Carolina**  
**Public Schools 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, 2025**

	Project Authorization	Actual			Variance Over (Under)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental					
Public School Building Capital Fund					
- Needs-Based Lottery Fund	\$ 52,000,000	\$ 1,690,086	\$ 13,690,387	\$ 15,380,473	\$ (36,619,527)
- Lottery Fund	142,303	77,420	15,533	92,953	(49,350)
- Repair and Renovation Lottery Fund	523,072	263,428	259,644	523,072	-
Total revenues	<u>52,665,375</u>	<u>2,030,934</u>	<u>13,965,564</u>	<u>15,996,498</u>	<u>(36,668,877)</u>
<b>EXPENDITURES</b>					
Intergovernmental - education					
Needs-Based Lottery Fund:					
Hayesville Intermediate School					
Construction	45,073,169	-	13,330,655	13,330,655	31,742,514
Architecture fee	1,886,125	1,561,791	174,906	1,736,697	149,428
Other	5,040,706	128,295	184,826	313,121	4,727,585
	<u>52,000,000</u>	<u>1,690,086</u>	<u>13,690,387</u>	<u>15,380,473</u>	<u>36,619,527</u>
Lottery Fund	142,303	77,420	15,533	92,953	49,350
Repair and Renovation Fund	523,072	263,428	259,644	523,072	-
Total expenditures	<u>52,665,375</u>	<u>2,030,934</u>	<u>13,965,564</u>	<u>15,996,498</u>	<u>36,668,877</u>
Revenues over (under) expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE</b>					
Fund balance, beginning					-
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, 2025**

	Budget	Prior Years	Current Year	Total to Date	Variance Over (Under)
<b>REVENUES</b>					
Restricted intergovernmental					
911 grant	\$ 3,859,842	\$ 3,671,284	\$ 132,407	\$ 3,803,691	\$ (56,151)
State Capital Infrastructure Fund (SCIF) grant	1,820,000	515,733	1,304,262	1,819,995	(5)
Total restricted intergovernmental	<u>5,679,842</u>	<u>4,187,017</u>	<u>1,436,669</u>	<u>5,623,686</u>	<u>(56,156)</u>
Total revenues	<u>5,679,842</u>	<u>4,187,017</u>	<u>1,436,669</u>	<u>5,623,686</u>	<u>(56,156)</u>
<b>EXPENDITURES</b>					
Public safety					
Capital outlay	5,679,842	4,187,017	1,436,669	5,623,686	56,156
Total expenditures	<u>5,679,842</u>	<u>4,187,017</u>	<u>1,436,669</u>	<u>5,623,686</u>	<u>56,156</u>
Revenues over (under) expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other funds	-	-	-	-	-
Transfer to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditure	-	-	-	-	-
Appropriated fund balance	<u>-</u>	<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>	<u>\$ -</u>
<b>FUND BALANCE</b>					
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

**Clay County, North Carolina**  
**Opioid Settlement Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2025**

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Other revenue:			
NC Opioid Settlement		\$ 221,827	
Total revenues	\$ 531,428	221,827	\$ (309,601)
<b>EXPENDITURES</b>			
Current:			
Human Services			
Collaborative Strategic Planning		1,675	
Evidence Based Addiction Treatment		25,000	
Recovery Support Services		35,566	
Reentry Programs		25,000	
Total expenditures	531,428	87,241	444,187
Revenues over (under) expenditures	-	134,586	134,586
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	134,586	134,586
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	134,586	\$ 134,586
<b>FUND BALANCE</b>			
Fund balance, beginning as previously reported		\$ -	
Prior period adjustment - change in accounting principle		584,147	
Fund balance, beginning as restated		584,147	
Fund balance, ending		\$ 718,733	

# Nonmajor Governmental Funds

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The County has the following nonmajor governmental funds:

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## *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 was established to account 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 moneys held by the Social Services Department for the benefit of certain individuals in the County.
- **Veterans Memorial Park Fund** – This fund was established to account for funds held for the creation of a new Veterans Memorial Park.
- **Asset Forfeiture Fund** – This fund is used to account for the expenditure of funds distributed to the County through the federal Equitable Sharing Program.

**Clay County, North Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**June 30, 2025**

	Emergency Telephone System Fund	Fire District Fund	Industrial Fund	Representative Payee Fund	Asset Forfeiture Fund	Veterans Memorial Park Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 70,560	\$ 44,451	\$ 88,078	\$ 129,857	\$ -	\$ -	\$ 332,946
Restricted cash and cash equivalents	-	-	-	-	2,332	12,683	15,015
Receivables, net	11,785	40,202	-	-	585	-	52,572
Total assets	<u>\$ 82,345</u>	<u>\$ 84,653</u>	<u>\$ 88,078</u>	<u>\$ 129,857</u>	<u>\$ 2,917</u>	<u>\$ 12,683</u>	<u>\$ 400,533</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 2,157	\$ 25,276	\$ -	\$ -	\$ -	\$ -	\$ 27,433
Due to other funds	44,782	-	-	-	-	-	44,782
Total liabilities	<u>46,939</u>	<u>25,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,215</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Taxes receivable	-	40,202	-	-	-	-	40,202
Total deferred inflows of resources	<u>-</u>	<u>40,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,202</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Restricted:							
Stabilization by State statute	11,785	-	-	-	585	-	12,370
Public safety	23,621	-	-	-	2,332	-	25,953
Economic development	-	-	88,078	-	-	-	88,078
Cultural and recreation	-	-	-	-	-	12,683	12,683
Fire protection	-	19,175	-	-	-	-	19,175
Health services	-	-	-	129,857	-	-	129,857
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>35,406</u>	<u>19,175</u>	<u>88,078</u>	<u>129,857</u>	<u>2,917</u>	<u>12,683</u>	<u>288,116</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 82,345</u>	<u>\$ 84,653</u>	<u>\$ 88,078</u>	<u>\$ 129,857</u>	<u>\$ 2,917</u>	<u>\$ 12,683</u>	<u>\$ 400,533</u>

**Clay County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2025**

	Emergency Telephone System Fund	Fire District Fund	Industrial Fund	Representative Payee Fund	Asset Forfeiture Fund	Veterans Memorial Park Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>							
Ad valorem taxes	\$ -	\$ 713,531	\$ -	\$ -	\$ -	\$ -	\$ 713,531
Restricted intergovernmental	488,992	-	-	95,901	585	-	585,478
Investment earnings	367	675	-	-	6	91	1,139
Miscellaneous	-	-	-	-	-	65,676	65,676
Total revenues	489,359	714,206	-	95,901	591	65,767	1,365,824
<b>EXPENDITURES</b>							
Current:							
Public safety	565,561	710,674	-	-	-	-	1,276,235
Human services	-	-	-	78,812	-	-	78,812
Cultural and recreation	-	-	-	-	-	103,020	103,020
Total expenditures	565,561	710,674	-	78,812	-	103,020	1,458,067
Excess (deficiency) of revenues over expenditures	(76,202)	3,532	-	17,089	591	(37,253)	(92,243)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	(76,202)	3,532	-	17,089	591	(37,253)	(92,243)
<b>FUND BALANCE</b>							
Fund balance, beginning	111,608	15,643	88,078	112,768	2,326	49,936	380,359
Fund balances, ending	\$ 35,406	\$ 19,175	\$ 88,078	\$ 129,857	\$ 2,917	\$ 12,683	\$ 288,116

**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, 2025**

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Restricted intergovernmental			
E911 Funding		\$ 488,992	
Investment earnings		367	
Total revenues	<u>\$ 777,176</u>	<u>489,359</u>	<u>\$ (287,817)</u>
<b>EXPENDITURES</b>			
Public safety			
Implementation functions		1,176	1,176
Telephone		11,773	11,773
Software maintenance		68,488	68,488
Other		60,505	60,505
Capital outlay		423,619	423,619
Total expenditures	<u>849,975</u>	<u>565,561</u>	<u>284,414</u>
Revenues over (under) expenditures	(72,799)	(76,202)	(3,403)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	(72,799)	(76,202)	(3,403)
Appropriated fund balance	<u>72,799</u>	<u>-</u>	<u>(72,799)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(76,202)</u>	<u>\$ (76,202)</u>
<b>FUND BALANCE</b>			
Fund balance, beginning		<u>111,608</u>	
Fund balance, ending		<u>\$ 35,406</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, 2025**

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Ad valorem taxes		\$ 699,319	
Ad valorem taxes prior year		14,212	
Total		<u>713,531</u>	
Investment earnings		675	
Total revenues	<u>\$ 861,442</u>	<u>714,206</u>	<u>\$ (147,236)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety			
Fire District No. 1		109,907	
Fire District No. 2		63,450	
Fire District No. 3		62,322	
Fire District No. 4		474,995	
Total expenditures	<u>861,442</u>	<u>710,674</u>	<u>150,768</u>
Revenues over (under) expenditures	-	3,532	3,532
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds			
General Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	3,532	3,532
Appropriated fund balance	-	-	-
Net change in fund balance over (under) expenditures	<u>\$ -</u>	<u>3,532</u>	<u>\$ 3,532</u>
<b>FUND BALANCE</b>			
Fund balance, beginning		<u>15,643</u>	
Fund balance, ending		<u>\$ 19,175</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, 2025**

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Restricted intergovernmental		\$ 95,901	
Total revenues	<u>\$ 150,000</u>	<u>95,901</u>	<u>\$ (54,099)</u>
<b>EXPENDITURES</b>			
Current:			
Human services			
Payments made for the benefit of beneficiaries		78,812	
Total expenditures	<u>150,000</u>	<u>78,812</u>	<u>71,188</u>
Revenues over (under) expenditures	-	17,089	17,089
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	17,089	17,089
Appropriated fund balance	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>17,089</u>	<u>\$ 17,089</u>
<b>FUND BALANCE</b>			
Fund balance, beginning		<u>112,768</u>	
Fund balance, ending		<u>\$ 129,857</u>	

**Clay County, North Carolina**  
**Veterans Memorial Park Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2025**

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Investment earnings		\$ 91	
Donations		65,676	
Total revenues	<u>\$ 70,000</u>	<u>65,767</u>	<u>\$ (4,233)</u>
<b>EXPENDITURES</b>			
Current:			
Cultural and recreation			
Operating expenditures		15,610	
Capital outlay		87,410	
Total expenditures	<u>135,801</u>	<u>103,020</u>	<u>32,781</u>
Net change in fund balance	<u>\$ (65,801)</u>	(37,253)	<u>\$ 28,548</u>
<b>FUND BALANCE</b>			
Fund balance, beginning		<u>49,936</u>	
Fund balance, ending		<u>\$ 12,683</u>	

**Clay County, North Carolina**  
**Asset Forfeiture Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2025**

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Restricted intergovernmental			
Equitable Sharing Program		\$ 585	
Investment earnings		6	
Total revenues	\$ 2,331	591	\$ (1,740)
<b>EXPENDITURES</b>			
Current:			
Public safety			
Operating expenditures		-	
Total expenditures	2,331	-	2,331
Revenues over (under) expenditures	-	591	591
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	591	591
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	591	\$ 591
<b>FUND BALANCE</b>			
Fund balance, beginning		2,326	
Fund balance, ending		\$ 2,917	

# Custodial Funds

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

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- **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 moneys 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, 2025**

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff Trust Fund	Total Custodial Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 18,916	\$ 2,904	\$ 21,820
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Due to others	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	-	-	-	-
<b>NET POSITION</b>				
Restricted for:				
Individuals, organizations, and other governments	-	18,916	2,904	21,820
Total fiduciary net position	\$ -	\$ 18,916	\$ 2,904	\$ 21,820

**Clay County, North Carolina**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**For the Year Ended June 30, 2025**

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff Trust Fund	Total Custodial Funds
<b>ADDITIONS</b>				
Ad valorem taxes collected for other governments	\$ 125,953	\$ -	\$ -	\$ 125,953
Collection on behalf of inmates/organizations	-	45,992	1,161	47,153
Total additions	<u>125,953</u>	<u>45,992</u>	<u>1,161</u>	<u>173,106</u>
<b>DEDUCTIONS</b>				
Tax distributions to other governments	125,953	-	-	125,953
Payments on behalf of inmates/organizations	-	44,748	-	44,748
Total deductions	<u>125,953</u>	<u>44,748</u>	<u>-</u>	<u>170,701</u>
Net increase (decrease) in fiduciary net position	-	1,244	1,161	2,405
Net position, beginning	<u>-</u>	<u>17,672</u>	<u>1,743</u>	<u>19,415</u>
Net position, ending	<u>\$ -</u>	<u>\$ 18,916</u>	<u>\$ 2,904</u>	<u>\$ 21,820</u>

## Other Schedules

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

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- 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, 2025**

Tax Year	Fiscal Year	Uncollected Beginning Balance	Additions	Collections And Credits	Uncollected Ending Balance
2024	2025	\$ -	\$ 9,637,869	\$ 9,417,425	\$ 220,444
2023	2024	199,831	-	105,970	93,861
2022	2023	105,256	-	45,619	59,637
2021	2022	63,540	-	19,791	43,749
2020	2021	44,714	-	14,012	30,702
2019	2020	36,185	-	8,480	27,705
2018	2019	29,924	-	4,232	25,692
2017	2018	22,698	-	3,018	19,680
2016	2017	18,053	-	1,842	16,211
2015	2016	13,455	-	1,228	12,227
2014	2015	12,474	-	12,474	-
		<u>\$ 546,130</u>	<u>\$ 9,637,869</u>	<u>\$ 9,634,091</u>	549,908

Less: allowance for uncollectible accounts:

General Fund

(115,481)

Ad valorem taxes receivable - net:

General Fund

\$ 434,427

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 9,693,975

Reconciling items:

Interest collected

(92,459)

Releases and adjustments

11,968

Taxes written off

10,387

Other adjustments

10,220

Total reconciling items

(59,884)

Total collections and credits

\$ 9,634,091

**Clay County, North Carolina**  
**Analysis of Current Tax Levy**  
**County-Wide Levy**  
**For the Fiscal Year Ended June 30, 2025**

	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	\$ 2,206,314,186	0.4300	\$ 9,487,151	\$ 8,607,150	\$ 880,001
Total	<u>2,206,314,186</u>		<u>9,487,151</u>	<u>8,607,150</u>	<u>880,001</u>
Discoveries:					
Current year taxes	54,932,326	0.4300	236,209	236,209	-
Total	<u>54,932,326</u>		<u>236,209</u>	<u>236,209</u>	<u>-</u>
Releases	(19,881,628)	0.4300	(85,491)	(85,491)	-
Total property valuation	<u>\$ 2,241,364,884</u>		<u>(85,491)</u>	<u>(85,491)</u>	<u>-</u>
Net levy			9,637,869	8,757,868	880,001
Uncollected taxes at June 30, 2025			<u>(220,444)</u>	<u>(220,444)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 9,417,425</u>	<u>\$ 8,537,424</u>	<u>\$ 880,001</u>
Current levy collection percentage			<u>97.71%</u>	<u>97.48%</u>	<u>100.00%</u>

**Clay County, North Carolina  
Ten Largest Taxpayers  
For the Fiscal Year Ended June 30, 2025**

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<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Blue Ridge Mountain EMC	Utility	\$ 36,857,474	1.66%
Ingles Markets, Inc.	Commerical	10,265,334	0.46%
Gabriel Investors, LLC	Commercial	6,909,276	0.31%
APAC Tennessee, Inc.	Commercial	4,733,114	0.21%
Wright Brothers Construction Co, Inc.	Commercial	4,107,254	0.18%
Hendrikse Nelson J Trustee	Commercial	4,098,680	0.18%
JWJ of Clay County, LLC	Commercial	4,004,710	0.18%
Elderberry of Hayesville, LLC	Commercial	3,377,394	0.15%
Anthony & Vickie Ledford	Other	3,344,377	0.15%
NC4 Hayesville LLC	Commercial	3,270,500	0.15%
Total		<u>\$ 80,968,113</u>	<u>3.63%</u>

**Clay County, North Carolina**  
**Schedule of Transfers**  
**For the Fiscal Year Ended June 30, 2025**

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<b>Operating Transfers From/To Other Funds</b>	Transfers	
	From	To
General Fund	\$ 75,000	
Tax Revaluation Fund		\$ 75,000
	\$ 75,000	\$ 75,000

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## **Compliance Section**

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# Turner & Company CPAs P.A.

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## **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 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, 2025, 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 12, 2026. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.*

Turner & Company CPAs P.A.  
Murphy, North Carolina  
February 12, 2026

# 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, 2025. 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, 2025.

#### ***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 charged 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.



Turner & Company CPAs P.A.

Murphy, North Carolina

February 12, 2026

# Turner & Company CPAs P.A.

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## **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, 2025. 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, 2025.

#### ***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.

Murphy, North Carolina

February 12, 2026

**Clay County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2025**

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**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
Public Safety Partnership and Community Policing Grants	16.710
Foster Care Title IV-E	93.658

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

Dollar threshold used to determine a State major program: \$ 500,000

Program Name
Medical Assistance Program (Medicaid; Title XIX)
Public School Building Capital Fund
911 Grant
State Capital and Infrastructure Fund (SCIF) Directed Grant

**Clay County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2025**

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**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, 2025**

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**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

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**Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2025**

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None reported.

## 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, 2025**

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
<b>Federal Awards:</b>					
<b><u>U.S. Department of Agriculture</u></b>					
<b><u>Food and Nutrition Service</u></b>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster					
	10.561	XXXX	\$ 119,344	\$ 1,908	\$ -
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	19,906	-	19,906
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	70,385	-	-
<b>Total U.S. Department of Agriculture</b>			<b>209,635</b>	<b>1,908</b>	<b>19,906</b>
<b><u>U.S. Department of Transportation</u></b>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other than Urbanized Areas - Capital					
	20.509	51081.6.6.3	57,840	7,230	-
Formula Grants for Other than Urbanized Areas - Administration					
	20.509	36233.27.26.1	103,552	6,472	-
<u>Transit Services Programs Cluster:</u>					
Enhanced Mobility of Seniors and Individuals with Disabilities					
	20.513	51001.29.13.2	62,500	-	-
Total Transit Services Programs Cluster			62,500	-	-
<b>Total U.S. Department of Transportation</b>			<b>223,892</b>	<b>13,702</b>	<b>-</b>
<b><u>U.S. Department of Homeland Security</u></b>					
Passed-through N.C. Department of Public Safety:					
Division of Emergency Management					
Disaster Grants - Public Assistance (Presidentially Declared Disaster)					
	97.036	XXXX	14,013	-	-
Homeland Security Grant Program (HSGP)					
	97.067	EMW-2023-SS-00023	44,000	-	-
Emergency Management Performance Grants (EMPG)					
	97.042	EMA-2024-EP-00009	20,625	-	-
<b>Total U. S. Department of Homeland Security</b>			<b>78,638</b>	<b>-</b>	<b>-</b>
<b><u>U.S. Department of Justice</u></b>					
Direct Programs:					
Public Safety Partnership and Community Policing Grants					
	16.710	XXXX	49,708	-	-
<b>Total U. S. Department of Justice</b>			<b>49,708</b>	<b>-</b>	<b>-</b>
<b><u>U.S. Department of Treasury</u></b>					
Direct Program					
Local Assistance and Tribal Consistency Fund (LATCF)					
	21.032	LATCF00464	48,471	-	-
<b>Total U. S. Department of Treasury</b>			<b>48,471</b>	<b>-</b>	<b>-</b>
<b><u>U.S. Department of Health &amp; Human Services</u></b>					
<b><u>Administration on Aging</u></b>					
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	105,966	5,577	-
Special Programs for the Aging - Title III C - Nutrition Services					
	93.045	XXXX	100,897	5,310	-
Nutrition Services Incentive Program					
	93.053	XXXX	13,387	-	-
Total Aging Cluster			220,250	10,887	-

**Clay County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2025**

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
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Temporary Assistance for Needy Families (TANF) - Work First	93.558	XXXX	72,673	-	-
MaryLee Allen Promoting Safe and Stable Families Program	93.556	XXXX	11,084	-	-
<u>Foster Care and Adoption Cluster (Note 5)</u>					
Foster Care - Title IV-E	93.658	XXXX	193,978	7,341	-
Foster Care - Title IV-E - Benefit Payments	93.658	XXXX	26,198	9,127	-
Adoption Assistance	93.659	XXXX	4,463	-	-
Total Foster Care and Adoption Cluster (Note 5)			224,639	16,468	-
Child Support Enforcement	93.563	XXXX	138,828	-	-
Low-Income Home Energy Assistance:					
Weatherization Assistance and Heating and Air Repair	93.568	XXXX	7,657	-	-
Total Low-Income Home Energy Assistance			7,657	-	-
Division of Child Development and Early Education:					
Subsidized Child Care (Note 5)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Mandatory and Match Fund - Administration	93.596	XXXX	80,000	-	-
Total Subsidized Child Care (Note 5)			80,000	-	-
Stephanie Tubbs Jones Child Welfare Services Program:					
Permanency Planning - Families for Kids	93.645	XXXX	3,091	-	-
Total Stephanie Tubbs Jones Child Welfare Services Program			3,091	-	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood					
Administrative and Services	93.674	XXXX	2,001	500	-
Benefit Payments	93.674	XXXX	2,500	-	-
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			4,501	500	-
Social Service Block Grant - Other Service and Training	93.667	XXXX	61,909	-	-
Division of Social Services:					
Social Service Block Grant					
State In Home Service Fund	93.667	XXXX	11,362	-	-
State Adult Day Care	93.667	XXXX	3,798	-	-
State Child Protective Services	93.667	XXXX	79,082	-	-
Total Social Service Block Grant			156,151	-	-
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	413,467	97,025	-
Total Medical Assistance Program			413,467	97,025	-
Division of Social Services:					
Administration:					
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	28,114	8,996	-
Total Children's Health Insurance Program - N.C. Health Choice			28,114	8,996	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	26,851	-	-
Project Grants and Cooperative Agreements for					
Tuberculosis Control Programs	93.116	XXXX	50	-	-
Family Planning Services	93.217	XXXX	29,764	-	-
Immunization Cooperation Agreements	93.268	XXXX	33,417	-	-
Temporary Assistance for Needy Families	93.558	XXXX	534	-	-

**Clay County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2025**

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
HIV Care Formula Grants - Ryan White Care Act	93.917	XXXX	585	-	-
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	XXXX	10,683	-	-
Preventive Health and Health Services Block Grant	93.991	XXXX	30,741	-	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	XXXX	100	-	-
Maternal and Child Health Services Block Grant	93.994	XXXX	34,902	3,442	-
<b>Total U.S. Department of Health and Human Services</b>			<b>1,528,082</b>	<b>137,318</b>	<b>-</b>
<b>Total federal awards</b>			<b>2,138,426</b>	<b>152,928</b>	<b>19,906</b>
<b>State Awards:</b>					
<b><u>N.C. Office of State Budget and Management</u></b>					
State Capital and Infrastructure Fund (SCIF) Directed Grant		XXXX	-	1,304,262	-
Register of Deeds Grants Program		XXXX	-	2,714	-
Regional Economic Development Reserve (Session Law 2023-134)		20142	-	127,525	-
<b>N.C. Office of State Budget and Management</b>			<b>-</b>	<b>1,434,501</b>	<b>-</b>
<b><u>N.C. Department of of Military and Veterans Affairs</u></b>					
Veterans Service		XXXX	-	2,273	-
Grant Program for County Veterans Offices		XXXX	-	18,289	-
<b>Total N.C. Department of Military and Veterans Affairs</b>			<b>-</b>	<b>20,562</b>	<b>-</b>
<b><u>N.C. Department of Environmental Quality</u></b>					
Division of Environmental Assistance and Customer Service					
Community Waste Reduction and Recycling Grant (CWRAR)		2024 CWRAR	-	35,000	-
<b>Total N.C. Department of Environmental Quality</b>			<b>-</b>	<b>35,000</b>	<b>-</b>
<b><u>N.C. Department of Health and Human Services</u></b>					
Office of Rural Health					
Telehealth Infrastructure Grant Program		48266	-	210,239	-
<b>Total Office of Rural Health</b>			<b>-</b>	<b>210,239</b>	<b>-</b>
Division of Social Services					
Administration					
State Child Welfare - State Protective Services		XXXX	-	18,781	-
Emergency PLMT FC		XXXX	-	1,254	-
Direct Benefit Payments					
State Foster Home		XXXX	-	21,185	-
State Foster Home Fund (SFHF) Maximization		XXXX	-	39,785	-
Extended Foster Care Maximization Non IV-E programs		XXXX	-	34,408	-
Foster Care Kinship		XXXX	-	2,955	-
State-Family Foster Max		XXXX	-	16,645	-
<b>Total Division of Social Services</b>			<b>-</b>	<b>135,013</b>	<b>-</b>
Division of Public Health					
Child Fatality Case Reporting		XXXX	-	521	-
Food and Lodging Fees		XXXX	-	5,693	-
DPH Aid-to-Counties		XXXX	-	76,226	-
Healthy Communities		XXXX	-	3,785	-
General Communicable Disease Control		XXXX	-	11,294	-
Child Health		XXXX	-	970	-
Family Planning - State		XXXX	-	15,317	-
High Risk Maternity Clinics		XXXX	-	1,066	-
School Nurse Funding Initiative		XXXX	-	50,000	-
State Fiscal Recovery Funds		XXXX	-	89,553	-
Tuberculosis Control		XXXX	-	1,210	-
<b>Total Division of Public Health</b>			<b>-</b>	<b>255,635</b>	<b>-</b>
<b>Total N. C. Department of Health and Human Services</b>			<b>-</b>	<b>600,887</b>	<b>-</b>

**Clay County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2025**

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
<b><u>N.C. Department of Public Instruction</u></b>					
Public School Building Capital Fund					
- Lottery Fund		XXXX	-	15,533	15,533
- Repair and Renovation Lottery Fund		XXXX	-	259,644	259,644
- Needs-Based Lottery Fund		XXXX	-	13,690,387	13,690,387
<b>Total N.C. Department of Public Instruction</b>			<b>-</b>	<b>13,965,564</b>	<b>13,965,564</b>
<b><u>N.C. Department of Information Technology</u></b>					
N.C. 911 Board					
911 Grant		G2021-02	-	132,407	-
<b>Total N.C. Department of Information Technology</b>			<b>-</b>	<b>132,407</b>	<b>-</b>
<b><u>N.C. Department of Insurance</u></b>					
Seniors' Health Insurance Information Program		XXXX	-	5,014	-
<b>Total N.C. Department of Insurance</b>			<b>-</b>	<b>5,014</b>	<b>-</b>
<b><u>N.C. Department of Public Safety</u></b>					
NC Tier II Competitive Grant 2024		2471040	-	6,000	-
Enforcing the Law Grant (Session Law 2021-180)		XXXX	-	4,555	-
Emergency Management Disaster Relief and Mitigation Grant (DRMG)		NCEM-DRMG2342	-	159,835	-
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	64,254	61,067
<b>Total N.C. Department of Public Safety</b>			<b>-</b>	<b>234,644</b>	<b>61,067</b>
<b><u>N.C. Department of Transportation</u></b>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		36220.10.13.1	-	59,197	-
- ROAP Rural General Public Program		36228.22.13.1	-	55,204	-
- ROAP Work First Transitional - Employment		36236.11.12.1	-	5,009	-
Total ROAP Cluster			-	119,410	-
<b>Total N.C. Department of Transportation</b>			<b>-</b>	<b>119,410</b>	<b>-</b>
<b>Total State awards</b>			<b>-</b>	<b>16,547,989</b>	<b>14,026,631</b>
<b>Other Financial Assistance:</b>					
<b><u>N.C. Department of Justice</u></b>					
Opioid Settlement Fund (Note 6)			-	87,241	-
<b>Total federal and State awards</b>			<b>\$ 2,138,426</b>	<b>\$ 16,788,158</b>	<b>\$ 14,046,537</b>

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, 2025. 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.

**Clay County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2025**

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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	155,061	-
Supplemental Nutrition Assistance Program	10.551	2,912,127	-
TANF - Payments and Penalties	93.558	11,657	-
Title IV-E Adopt & Vendor & Guard	93.659	43,079	11,780
Medical Assistance Program	93.778	25,281,491	8,855,012
Child Welfare Services Adoption	N/A	-	32,189
State / County Special Assistance program (Domiciliary Care)	N/A	-	53,785

Note 6: Opioid Settlement Fund

The NC Department of Justice does not consider Opioid Settlement Funds either Federal or State Financial assistance since they are from a settlement with private major drug companies. Since these funds are subject to the State Single Audit Implementation Act, they are reported as "Other Financial Assistance" on the SEFSA, and considered State Awards for State single audit requirements.