

**CLAY COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

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CLAY COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Robert Peck, Board Chairman

Douglas S. Penland

Clay Logan

Randy Nichols

Dwight Penland

COUNTY OFFICIALS

Deborah Mauney, County Manager

Betty Patton, Director of Finance

Angela Shook, Register of Deeds

Rehnaye Talley, Tax Administrator

Merinda Woody, County Attorney

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Independent Auditor's Report

To the Board of County Commissioners
Clay County, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, North Carolina, as of and for the year then ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Clay County ABC Board, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to me, and in my opinion, insofar as it relates to the amounts included for the Clay County ABC Board, is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Clay County ABC Board were not audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, for the fiscal year ended June 30, 2021, Clay County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-14, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, pages 73 and 74, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on page 75, the Law Enforcement Officer's Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, pages 76 and 77, the Other Postemployment Benefits schedules of Changes in the Total OPEB Liability and Related Ratios, County Contributions, and Investment Returns, pages 78, be presented to supplement the basic financial statements. Such information, 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. Other auditors and myself 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Clay County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, component unit schedules and the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 24, 2022 on my consideration of Clay County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an

audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

Shawn Long, CPA

Shawn Long, CPA
Hayesville, North Carolina
January 24, 2022

**MANAGEMENT'S
DISCUSSION &
ANALYSIS**

Management's Discussion and Analysis

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, 2021. 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

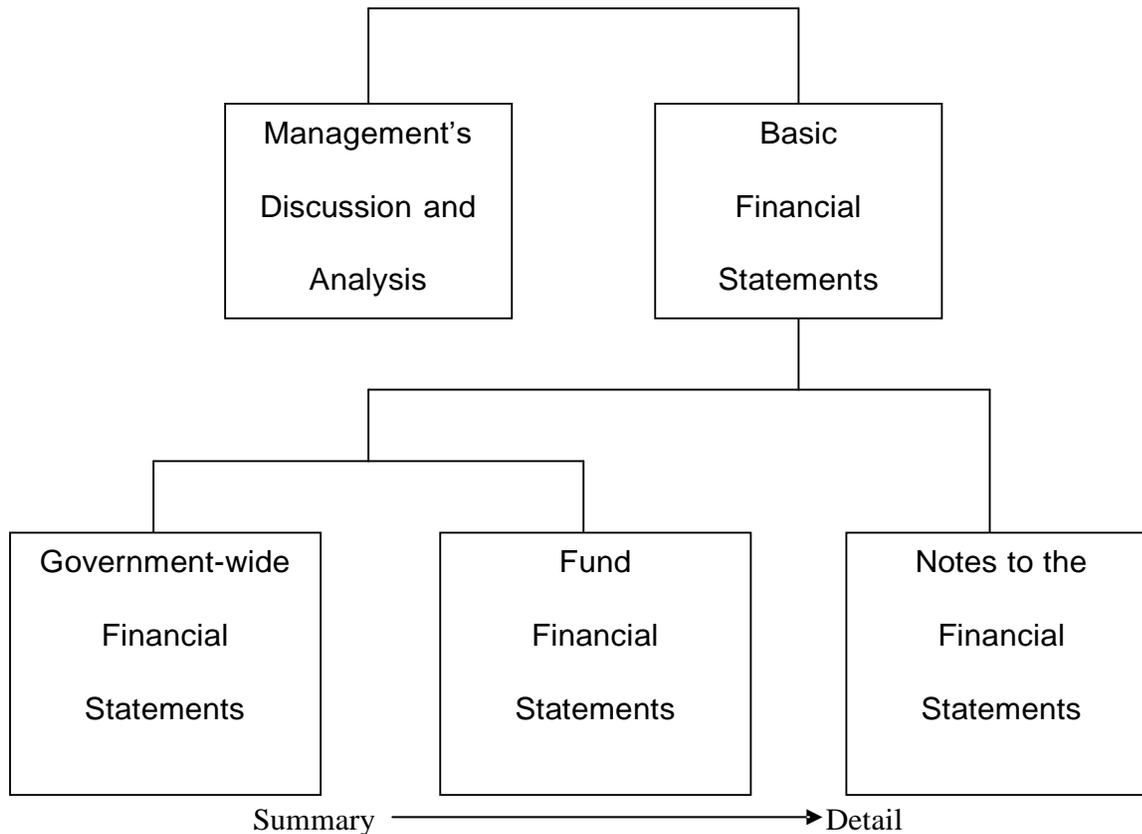
- The assets and deferred outflows of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 21,909,107 (*net position*).
- The government's total net position increased by \$1,291,871, primarily due to an increase in cash position and a decrease in short term liabilities at year end.
- As of the close of the current fiscal year, Clay County's governmental funds reported combined ending fund balances of \$ 8,389,270 after a net decrease in fund balance of \$1,320,760. Approximately 38 percent of this total amount or \$3,201,315 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,187,955 or 25 percent of total general fund expenditures for the fiscal year.
- Clay County's total debt outstanding decreased by \$1,769,893 or 16.40% during the past fiscal year, primarily due to debt service payments and only a small amount of new borrowings for the current fiscal year.

Overview of the Financial Statements

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

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 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major 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 funding information about the County's pension plans.

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer services offered by Clay County. The final category is the component unit. Clay County ABC Board is legally separate from the County however; the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Clay County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance.

All of the funds of Clay County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resource 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Clay County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Fiduciary Funds – Fiduciary funds are used to account for 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. The notes to the financial statements start after exhibit 10 of this report.

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 can be found after the notes of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 21,909,077 as of June 30, 2021. The County's net position increased by \$1,291,871 for the fiscal year ended June 30, 2021. One of the largest portions \$18,114,196 (82.6%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment). Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Clay County's net position \$2,958,834 (13.51%) represents resources that are subject to external restrictions on how they may be used. The remaining balance totaling \$836,047 (3.82%) is unrestricted.

Clay County's Net Position

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 11,267,555	\$ 11,124,376	\$ 542,785	\$ 511,616	\$ 11,810,340	\$ 11,635,992
Capital assets	22,821,644	20,971,255	4,315,978	4,762,471	27,137,622	25,733,726
Total assets	34,089,199	32,095,631	4,858,763	5,274,087	38,947,962	37,369,718
Total deferred outflow of resources	2,430,414	1,560,671	60,206	46,182	2,490,620	1,606,853
Long-term liabilities outstanding	14,934,989	15,078,199	1,057,124	1,144,053	15,992,113	16,222,252
Other liabilities	2,299,234	786,819	122,776	116,297	2,422,010	903,116
Total liabilities	17,234,233	15,865,018	1,179,900	1,260,350	18,414,123	17,125,368
Total deferred inflow of resources	1,090,043	1,239,796	25,339	37,666	1,115,382	1,277,462
Net position:						
Net invested in capital assets	14,689,258	11,167,744	3,424,938	3,772,663	18,114,196	14,940,407
Restricted	2,958,834	3,019,781	-	-	2,958,834	3,019,781
Unrestricted	547,255	2,363,963	288,792	249,590	836,047	2,613,553
Total net position	\$ 18,195,347	\$ 16,551,488	\$ 3,713,730	\$ 4,022,253	\$ 21,909,077	\$ 20,573,741

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

- Continued diligence in the collection of property taxes by maintaining a high collection percentage of 97.87 %, while maintaining the property tax rate.
- Increased sales tax revenue and Medicaid Hold Harmless revenue.
- Management's proactive stance on monitoring spending across county departments to ensure compliance with the budget.

Clay County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,045,469	\$ 3,070,625	\$ 731,336	\$ 719,188	\$ 4,776,805	\$ 3,789,813
Operating grants and contributions	4,067,792	4,266,154	-	-	4,067,792	4,266,154
Capital grants and contributions	3,859,402	5,805,206	-	-	3,859,402	5,805,206
General Revenues:						
Property taxes	9,536,202	9,280,585	-	-	9,536,202	9,280,585
Other taxes	4,008,125	3,284,974	-	-	4,008,125	3,284,974
Grants and contributions not restricted to specific programs	918,926	700,478	-	-	918,926	700,478
Other	490,833	303,200	390	654	491,223	303,854
Total revenues	26,926,749	26,711,222	731,726	719,842	27,658,475	27,431,064
Expenses:						
General government	4,062,030	3,871,564	-	-	4,062,030	3,871,564
Public safety	6,229,857	5,818,630	-	-	6,229,857	5,818,630
Transportation	712,697	672,129	-	-	712,697	672,129
Economic and physical development	886,379	707,945	-	-	886,379	707,945
Human services	5,631,773	5,208,544	-	-	5,631,773	5,208,544
Cultural and recreation	709,670	727,395	-	-	709,670	727,395
Education	6,831,080	9,726,766	-	-	6,831,080	9,726,766
Interest on long-term debt	262,869	240,730	-	-	262,869	240,730
Water and sewer	-	-	1,040,249	1,115,680	1,040,249	1,115,680
Total expenses	25,326,355	26,973,703	1,040,249	1,115,680	26,366,604	28,089,383
Increase in net position before transfers and special items	1,600,394	845,330	(308,523)	(395,838)	1,291,871	449,492
Transfers and special items	-	-	-	(1,107,811)	-	(1,107,811)
Increase in net position	1,600,394	845,330	(308,523)	(1,503,649)	1,291,871	(658,319)
Net position, beginning previously reported	16,551,488	15,706,158	4,022,253	5,525,902	20,573,741	21,232,060
Restatement	43,495	-	-	-	43,495	-
Net position, beginning restated	16,594,983	15,706,158	4,022,253	5,525,902	20,617,236	21,232,060
Net position, ending	\$ 18,195,377	\$ 16,551,488	\$ 3,713,730	\$ 4,022,253	\$ 21,909,107	\$ 20,573,741

Governmental Activities – Governmental activities increased the County's net position by \$1,600,394 thereby accounting for the total increase in the net position of Clay County. Key elements of this increase are as follows:

- Maintained the property tax rate in 2020-2021
- Increase in sales tax revenue
- Increase in federal and state grant revenue

Business-type activities - Business-type activities decreased the County's net position by \$308,523 which was mainly due to the transfer of debt from the general fund, as well as depreciation of fixed assets.

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.

The General Fund is the chief operating fund of Clay County. At the end of the current fiscal year, Clay County's fund balance unassigned in the General Fund was \$5,187,955 while total fund balance reached \$7,841,909. 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 25.40% of general fund expenditures, while total fund balance represents 38.39% of that same amount.

At June 30, 2021, the governmental funds of Clay County reported a combined fund balance of \$8,389,270, a decrease of \$1,320,760 over last year. The American Rescue Plan Fund had no revenue or expenditures during the fiscal year. The County received \$1,090,745 from the US Treasury Department in June 2021.

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 \$2,851,243.

Proprietary Funds - Clay County's proprietary fund provides the same type of information found in the government-wide statements but in more detail. The unrestricted net position of the Water and Sewer District amounted to \$288,792. The total decrease in net position for this fund was \$308,523. Other factors concerning the finances of these funds have already been addressed in the discussion of Clay County's business-type activities.

Capital Asset and Debt Administration

Capital assets - Clay County's capital assets for its governmental and business – type activities as of June 30, 2021, total \$ 27,137,622 (net of accumulated depreciation). These assets include buildings, water and sewer lines, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

Two patrol cars for the Sheriff's Office	\$ 62,495
Two Vehicles for the Transportation Department	64,110
Paving at various locations	177,247
Paramedic Program Equipment	99,551
Dispatch Equipment	98,177
Senior Center Remodel	86,610
Transfer Station Backhoe	31,500

Clay County's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business - Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land & CIP	\$ 4,015,666	\$ 1,756,772	\$ 120,280	\$ 120,280	\$ 4,135,946	\$ 1,877,052
Buildings and System	14,428,590	15,247,911	4,135,932	4,630,265	18,564,522	19,878,176
Improvements Other than Buildings	1,483,231	1,278,598	-	-	1,483,231	1,278,598
Machinery and Equipment	1,617,363	1,277,451	59,766	11,926	1,677,129	1,289,377
Vehicles and Motorized Equipment	1,276,794	1,410,523	-	-	1,276,794	1,410,523
Total	\$ 22,821,644	\$ 20,971,255	\$ 4,315,978	\$ 4,762,471	\$ 27,137,622	\$ 25,733,726

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

Long-term Debt - As of June 30, 2021, Clay County had total debt outstanding of \$9,023,426.

Clay County's Outstanding Debt

Figure 5

	Governmental Activities		Business - Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bond	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment purchases	8,132,386	9,803,511	891,040	989,808	9,023,426	10,793,319
Capitalized leases	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Net Pension Obligation (LEOSSA)	221,198	161,862	-	-	221,198	161,862
Net Pension Obligation (LGERS)	3,243,356	2,216,349	83,504	66,429	3,326,860	2,282,778
Other Post Employment Benefits	2,944,047	2,532,822	75,798	81,299	3,019,845	2,614,121
Compensated Absences	394,002	363,655	6,782	6,517	400,784	370,172
Total	\$ 14,934,989	\$ 15,078,199	\$ 1,057,124	\$ 1,144,053	\$ 15,992,113	\$ 16,222,252

Clay County's indebtedness decreased by \$230,139 during the fiscal year ending June 30, 2021. The county experienced a decrease in installment purchases. Clay County also experienced an increase in the Net Pension Obligation as well as, an increase in the Other Post-Employment Benefits liability.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Clay County is \$162,541,526.

Additional information regarding Clay County'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 key economic indicators reflect the slowing growth of the County.

- The County has experienced an increase in the past years in the housing and land development market, which has increased the need for services, such as permits and inspections, and also stabilized the tax base for the County.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes and revenues are expected to remain stable. The County will use the revenues to reduce debt currently in place.

Budgeted expenditures in the General Fund are expected to be unchanged.

The County has chosen not to appropriate fund balance in the original fiscal year 2021 budget.

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 the Director of Finance, Clay County, P.O. Box 118, Hayesville, NC 28904 at 828-389-0089.

BASIC FINANCIAL STATEMENTS

Clay County, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clay County ABC Board
ASSETS				
Cash and cash equivalents	6,968,433	\$ 319,496	\$ 7,287,929	\$ 558,130
Receivables (net)	2,031,829	132,023	2,163,852	
Due from other governments	687,901	-	687,901	
Inventories	-	-	-	403,742
Internal Balances	19,993	(19,993)	-	-
Prepaid Items	19,572	-	19,572	10,218
Restricted cash and cash equivalents	1,503,788	111,259	\$ 1,615,047	
Net pension asset	36,039	-	36,039	-
Capital assets:				
Land, improvements, and construction in progress	4,015,666	120,280	4,135,946	25,000
Other capital assets, net of depreciation	18,805,978	4,195,698	23,001,676	214,377
Total capital assets	22,821,644	4,315,978	27,137,622	239,377
Total assets	34,089,199	4,858,763	38,947,962	1,211,467
DEFERRED OUTFLOWS OF PENSIONS	2,025,664	49,785	2,075,449	47,518
DEFERRED OUTFLOWS OF OPEB	404,750	10,421	415,171	-
TOTAL DEFERRED OUTFLOWS	2,430,414	60,206	2,490,620	47,518
LIABILITIES				
Accounts payable and accrued expenses	1,208,489	11,517	1,220,006	293,852
Liabilities to be paid from restricted assets	1,090,745	111,259	1,202,004	
Long-term liabilities:				
Due within one year	1,051,231	99,934	1,151,165	-
Due in more than one year	13,883,758	957,190	14,840,948	75,136
Total long-term liabilities	14,934,989	1,057,124	15,992,113	75,136
Total liabilities	17,234,223	1,179,900	18,414,123	368,988
DEFERRED INFLOWS OF PENSIONS	86,692	1,013	87,705	1,513
DEFERRED INFLOWS OF OPEB	944,831	24,326	969,157	-
DEFERRED INFLOWS PREPAID TAXES	58,520	-	58,520	-
TOTAL DEFERRED INFLOWS	1,090,043	25,339	1,115,382	1,513
NET POSITION				
Net Investment in capital assets	14,689,258	3,424,938	18,114,196	239,377
Restricted				
Stabilization of State Statute	2,506,884	-	2,506,884	-
Register of Deeds	41,903	-	41,903	-
Public Safety	267,551	-	267,551	-
Health Services	54,418	-	54,418	
Industrial Purposes	88,078	-	88,078	
Working Capital	-	-	-	108,086
Unrestricted (deficit)	547,255	288,792	836,047	541,021
Total net position	\$ 18,195,347	\$ 3,713,730	\$ 21,909,077	\$ 888,484

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, 2021

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental Activities:								
General government	\$ 4,062,030	\$ 418,853	\$ 566,438	\$ -	\$ (3,076,739)	\$ -	\$ (3,076,739)	\$ -
Public safety	6,229,857	1,016,263	98,475	90,125	(5,024,994)	-	(5,024,994)	-
Transportation	712,697	120,644	719,982	-	127,929	-	127,929	-
Economic and physical development	886,379	540,481	-	150,000	(195,898)	-	(195,898)	-
Environmental Protection	-	-	-	-	-	-	-	-
Human services	5,631,773	1,590,051	2,586,925	-	(1,454,797)	-	(1,454,797)	-
Cultural and recreation	709,670	359,177	-	-	(350,493)	-	(350,493)	-
Education	6,831,080	-	95,972	3,619,277	(3,115,831)	-	(3,115,831)	-
Interest on long-term debt	262,869	-	-	-	(262,869)	-	(262,869)	-
Total governmental activities	25,326,355	4,045,469	4,067,792	3,859,402	(13,353,692)	-	(13,353,692)	-
Business-type activities:								
Water and Sewer	1,040,249	731,336	-	-	-	(308,913)	(308,913)	-
Total business-type activities	1,040,249	731,336	-	-	-	(308,913)	(308,913)	-
	\$ 26,366,604	\$ 4,776,805	\$ 4,067,792	\$ 3,859,402	(13,353,692)	(308,913)	(13,662,605)	-
Component unit:								
ABC Board	3,554,718	3,631,906	-	-	-	-	-	77,188
Total component unit	3,554,718	3,631,906	-	-	-	-	-	77,188
General revenues:								
Taxes:								
Property taxes, levied for general purpose					9,536,202	-	9,536,202	-
Local option sales tax					3,795,091	-	3,795,091	-
Other taxes and licenses					213,034	-	213,034	-
Grants and contributions not restricted to specific programs					918,926	-	918,926	-
Investment earnings, unrestricted					3,081	390	3,471	99
Gain on sale of fixed assets					19,262	-	19,262	-
Miscellaneous, unrestricted					468,490	-	468,490	-
Total general revenues excluding transfers and special items					14,954,086	390	14,954,476	99
Transfers					-	-	-	-
Total general revenues, special items, and transfers					14,954,086	390	14,954,476	77,287
Change in net position					1,600,394	(308,523)	1,291,871	77,287
Net position, beginning					16,551,488	4,022,253	20,573,741	811,197
Restatement					43,465	-	43,465	-
Net position, beginning restated					16,594,953	4,022,253	20,617,206	811,197
Net position, ending	\$ 18,195,347	\$ 3,713,730	\$ 21,909,077	\$ 888,484				

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

Clay County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

	Major			Non-Major	
	General	American Rescue Plan Act Fund	School Capital Project Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 6,518,849	\$ -	\$ -	\$ 449,584	\$ 6,968,433
Receivables, net	1,883,194	-	65,118	83,517	2,031,829
Due from other governments	687,901	-	-	-	687,901
Due from other funds	324,506	-	-	20,442	344,948
Prepaid items	19,572	-	-	-	19,572
Cash and investments, restricted	86,443	1,090,745	158,172	168,428	1,503,788
Total assets	\$ 9,520,465	\$ 1,090,745	\$ 223,290	\$ 721,971	\$ 11,556,471
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 835,499	\$ -	\$ -	\$ 52,878	\$ 888,377
Due to Other Funds	20,442	-	86,824	217,689	324,955
Unearned revenue	320,112	-	-	-	320,112
Advances from grantor	-	1,090,745	-	-	1,090,745
Total liabilities	1,176,053	1,090,745	86,824	270,567	2,624,189
DEFERRED INFLOWS OF RESOURCES	502,503	-	-	40,509	543,012
Fund balances:					
Nonspendable:					
Prepays	19,572	-	-	-	19,572
Restricted:					
Stabilization by State Statute	2,451,618	-	-	55,266	2,506,884
Register of Deeds	41,903	-	-	-	41,903
Fire Protection	-	-	-	5,137	5,137
Public Safety	-	-	-	262,414	262,414
Other	-	-	-	88,078	88,078
Health Services	54,418	-	-	-	54,418
Committed:					
Tax Revaluation	86,443	-	-	-	86,443
Assigned :					
Recreation Capital Outlay	-	-	-	-	-
Future School Capital	-	-	136,466	-	136,466
Unassigned :	5,187,955	-	-	-	5,187,955
Total fund balances	7,841,909	-	136,466	410,895	8,389,270
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,520,465	\$ 1,090,745	\$ 223,290	\$ 721,971	

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

Total Fund balance, Governmental Funds	8,389,270
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,821,644
Net pension asset (ROD)	36,039
Net Pension Liability (LGERS)	(3,243,356)
OPEB Liability	(2,944,047)
Total Pension Liability (LEOSSA)	(221,198)
Deferred inflows of resources related to pensions are not reported in the funds:	
ROD	(4,998)
LGERS	(39,342)
LEOSSA	(42,352)
Deferred inflows of resources related to OPEB are not reported in the funds	(944,831)
Deferred outflows of resources related to pensions are not reported in the funds:	
ROD	3,830
LGERS	1,933,671
LEOSSA	88,163
Deferred outflows of resources related to OPEB are not reported in the funds	404,749
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, not reported in the funds	(8,526,388)
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position	484,493
Net position of governmental activities	18,195,347

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 Balance
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

	Major			Non-Major	Total Governmental Funds
	American			Other	
	General Fund	Rescue Plan Act Fund	School Capital Project Fund	Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 8,948,864	\$ -	\$ -	\$ 658,844	\$ 9,607,708
Local option sales taxes	3,795,091	-	-	-	3,795,091
Other taxes and licenses	246,740	-	-	-	246,740
Unrestricted intergovernmental	739,337	-	-	-	739,337
Restricted intergovernmental	4,330,399	-	\$ 3,585,677	171,486	8,087,562
Permits and fees	1,213,354	-	-	-	1,213,354
Sales and services	2,817,630	-	-	-	2,817,630
Investment earnings	2,433	-	54	594	3,081
Miscellaneous	464,143	-	-	-	464,143
Total revenues	<u>22,557,991</u>	<u>-</u>	<u>3,585,731</u>	<u>830,924</u>	<u>26,974,646</u>
EXPENDITURES					
Current:					
General government	3,697,090	-	-	-	3,697,090
Public safety	5,221,529	-	-	768,783	5,990,312
Transportation	695,357	-	-	-	695,357
Economic and physical development	893,778	-	-	-	893,778
Human services	5,286,495	-	-	-	5,286,495
Cultural and recreational	628,644	-	-	-	628,644
Intergovernmental:					
Education	2,024,771	-	4,777,903	33,600	6,836,274
Capital outlay	-	-	-	2,357,071	2,357,071
Debt service:					
Principal	1,714,947	-	-	-	1,714,947
Interest	262,869	-	-	-	262,869
Total expenditures	<u>20,425,480</u>	<u>-</u>	<u>4,777,903</u>	<u>3,159,454</u>	<u>28,362,837</u>
Excess (deficiency) of revenues over expenditures	2,132,511	-	(1,192,172)	(2,328,530)	(1,388,191)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	23,609	-	-	-	23,609
Capitalized lease obligations issued	-	-	-	-	-
Transfer from other funds	(479,544)	-	-	479,544	-
Installment purchase obligations issued	43,822	-	-	-	43,822
Total other financing sources and uses	<u>(412,113)</u>	<u>-</u>	<u>-</u>	<u>479,544</u>	<u>67,431</u>
Net change in fund balance	1,720,398	-	(1,192,172)	(1,848,986)	(1,320,760)
Fund balances, beginning	6,089,778	-	1,328,638	2,248,149	9,666,565
Restatement	31,733	-	-	11,732	43,465
Fund balance, beginning restated	6,121,511	-	1,328,638	2,259,881	9,710,030
Fund balances, ending	<u>\$ 7,841,909</u>	<u>\$ -</u>	<u>\$ 136,466</u>	<u>\$ 410,895</u>	<u>\$ 8,389,270</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 Balance
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ (1,320,760)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 3,374,670	
Depreciation expense for governmental assets	(1,524,281)	\$ 1,850,389

Governmental funds report proceeds from the sale of capital assets as revenues. However, in the Statement of Activities the gain or loss from the sale is recorded as revenue. This is the amount by which the gain or loss exceeds the proceeds from the sale.

(4,347)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

694,355

Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position

-
-
2,899

Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position

89,773
-

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

(71,506)

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.

1,671,125

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.

(1,311,534)

Total changes in net position of governmental activities

\$ 1,600,394

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

Clay County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual- General Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 6

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 8,417,157	\$ 8,920,536	\$ 8,948,864	\$ 28,328
Local option sales tax	3,102,500	3,706,000	3,795,091	89,091
Other taxes and licenses	156,700	206,700	246,740	40,040
Unrestricted intergovernmental	648,300	651,337	739,337	88,000
Restricted intergovernmental	4,441,269	6,157,514	4,330,399	(1,827,115)
Permits and fees	892,035	1,117,492	1,213,354	95,862
Sales and services	2,928,697	2,640,538	2,817,630	177,092
Investment earnings	65,000	55,000	2,433	(52,567)
Miscellaneous	76,812	124,596	464,143	339,547
Total revenues	<u>20,728,470</u>	<u>23,579,713</u>	<u>22,557,991</u>	<u>(1,021,722)</u>
Expenditures				
Current:				
General government	3,864,331	4,242,958	3,697,090	545,868
Public safety	5,483,144	5,808,742	5,221,529	587,213
Transportation	826,387	1,169,786	695,357	474,429
Economic and physical development	745,691	962,338	893,778	68,560
Human services	5,540,423	6,108,808	5,286,495	822,313
Cultural and recreational	1,017,364	653,861	628,644	25,217
Intergovernmental:				
Education	2,383,176	2,024,771	2,024,771	-
Debt service:				
Principal retirement	1,771,905	1,868,524	1,714,947	153,577
Interest and other charges	262,234	264,750	262,869	1,881
Total expenditures	<u>21,894,655</u>	<u>23,104,538</u>	<u>20,425,480</u>	<u>2,679,058</u>
Revenues over (under) expenditures	<u>(1,166,185)</u>	<u>475,175</u>	<u>2,132,511</u>	<u>1,657,336</u>
Other financing sources (uses):				
Installment Obligations Issued	1,012,708	44,000	43,822	(178)
Transfer to other funds	(60,365)	(542,675)	(520,794)	21,881
Transfer from other funds	-	-	-	-
Capitalized lease obligations issued	-	-	-	-
Sale of capital assets	213,842	23,500	23,609	109
Total other financing sources (uses)	<u>1,166,185</u>	<u>(475,175)</u>	<u>(453,363)</u>	<u>21,812</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,679,148</u>	<u>1,679,148</u>
Appropriated Fund Balance	-	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>1,679,148</u>	<u>-</u>
Fund balance, beginning			6,044,585	
Restatement			31,733	
Fund balance, beginning restated			<u>6,076,318</u>	
Fund balance, ending			<u>\$ 7,755,466</u>	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfer-in from General Fund			\$ 41,250	
Expenditures			-	
Fund Balance, Beginning			<u>45,193</u>	
Fund Balance, Ending			<u>7,841,909</u>	

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

Clay County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2021

Exhibit 7

	Water and Sewer District	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 319,496	\$ 319,496
Receivables, net	132,023	132,023
Prepaid expenses	-	-
Total current assets	451,519	451,519
Noncurrent assets:		
Restricted cash and cash equivalents	111,259	111,259
Capital assets:		
Land and construction in progress	120,280	120,280
Plant and distribution systems, net of depreciation	4,135,933	4,135,933
Furniture and maintenance equipment, net of depreciation	59,765	59,765
Vehicles, net of depreciation	-	-
Total capital assets	4,315,978	4,315,978
Total noncurrent assets	4,427,237	4,427,237
Total assets	4,878,756	4,878,756
DEFERRED OUTFLOWS OF RESOURCES	60,206	60,206
LIABILITIES		
Current liabilities:		
Accounts payable	11,517	11,517
Due to other funds	19,993	19,993
Notes Payable- current	99,934	99,934
Liabilities payable from restricted assets:		
Customer deposits	111,259	111,259
Total current liabilities	242,703	242,703
Noncurrent liabilities:		
Total OPEB Liability	75,798	75,798
Compensated absences	6,782	6,782
Net Pension Liability	83,504	83,504
Notes Payable- noncurrent	791,106	791,106
Total noncurrent liabilities	957,190	957,190
Total liabilities	1,199,893	1,199,893
DEFERRED INFLOWS OF RESOURCES	25,339	25,339
NET ASSETS		
Net investment in capital assets	3,424,938	3,424,938
Unrestricted	288,792	288,792
Total net position	3,713,730	3,713,730

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

Clay County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

Exhibit 8

	Water and Sewer District	Total
OPERATING REVENUES		
Charges for services	\$ 686,910	\$ 686,910
Water and sewer taps	21,150	21,150
Miscellaneous	23,276	23,276
Total operating revenues	731,336	731,336
OPERATING EXPENSES		
Administration	521,933	521,933
Depreciation	499,642	499,642
Total operating expenses	1,021,575	1,021,575
Operating income (loss)	(290,239)	(290,239)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	390	390
Interest expense and fees	(18,674)	(18,674)
Total nonoperating revenue (expenses)	(18,284)	(18,284)
Income (loss) before contributions and transfers	(308,523)	(308,523)
Transfers from General	-	-
Change in net position	(308,523)	(308,523)
Net position, beginning	\$ 4,022,253	\$ 4,022,253
Total net position, ending	\$ 3,713,730	\$ 3,713,730

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

Clay County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 9

	Water and Sewer District	Totals June 30, 2021
Cash flows from operating activities:		
Cash received from customers	\$ 710,749	\$ 710,749
Cash paid for goods and services	(278,483)	(278,483)
Cash paid to employees for services	(296,063)	(296,063)
Change in customer deposits	8,500	8,500
Other operating revenue	23,276	23,276
Net cash provided by operating activities	167,979	167,979
Cash flows from noncapital financing		
Transfer from other funds	-	-
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(53,148)	(53,148)
Principal paid on notes payables and installment purchases	(98,768)	(98,768)
Interest paid on note payable and installment purchases	(18,674)	(18,674)
Net cash used by capital and related financing activities	(170,590)	(170,590)
Cash flows from investing activities:		
Interest on investments	390	390
Net increase (decrease) in cash and cash equivalents	(2,221)	(2,221)
Cash and cash equivalents, beginning	432,976	432,976
Cash and cash equivalents, ending	\$ 430,755	\$ 430,755

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

Clay County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 9

Reconciliation of operating income to net cash provided by operating activities:	(continued)	
Operating income	<u>\$ (290,239)</u>	<u>\$ (290,239)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	499,642	499,642
Changes in assets and liabilities, and deferred outflows and inflows of resources:		
(Increase) decrease in accounts receivable	2,689	2,689
Decrease in prepaids	-	-
(Increase) decrease in sales tax receivable	(4,516)	(4,516)
Increase (decrease) in net pension liability	17,075	17,075
Increase (decrease) in accounts payable and accrued liabilities	(2,021)	(2,021)
Decrease in due to other funds	(31,564)	(31,564)
Decrease in deferred inflow-Pensions	(763)	(763)
Increase in accrued vacation pay	265	265
(Decrease) in Total OPEB liability	(5,501)	(5,501)
(Decrease) in deferred inflows- OPEB	(11,564)	(11,564)
(Increase) decrease deferred outflows of resources- OPEB	(5,633)	(5,633)
(Increase) decrease in deferred outflows of resources for pensions	(8,391)	(8,391)
Increase (decrease) in customer deposits	8,500	8,500
Total adjustments	<u>458,218</u>	<u>458,218</u>
Net cash provided by operating activities	<u>\$ 167,979</u>	<u>\$ 167,979</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, 2021

Exhibit 10

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 6,307
 Liabilities and Net Position	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Due to other governments	-
Intergovernmental payable	-
Total liabilities	-
 Net position:	
Restricted for:	
Individuals, organizations, and other governments	
Total fiduciary net position	\$ 6,307

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, 2021

Exhibit 11

ADDITIONS	<u>Custodial Funds</u>
Ad valorem taxes collected for other governments	\$ 113,286
Collections on behalf of inmates	<u>57,827</u>
Total additions	\$ 171,113
DEDUCTIONS	
Tax distributions to other governments	113,286
Payments on behalf of inmates	<u>68,496</u>
Total deductions	<u>181,782</u>
Net increase (decrease) in fiduciary net position	\$ (10,669)
Net position- beginning, as previously reported	\$ -
Prior period restatement	<u>16,976</u>
Net position- beginning, as restated	<u>\$ 16,976</u>
Net position- ending	<u><u>\$ 6,307</u></u>

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

**NOTES TO THE
FINANCIAL
STATEMENTS**

Clay County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of Clay County and its component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit, legally separate entities for which the County is financially accountable. Clay County’s Water District (the *District*) exist to provide and maintain water systems for the County residents within the district. The District is reported as an enterprise fund in the County's financial statements. The Clay County ABC Board (the *Board*), which has a June 30 year end, is presented as if it is a separate proprietary fund of the County (discrete presentation). The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

Clay County Water District	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Clay County ABC Board	Discrete	Members of ABC Board governing board are appointed by the County The ABC Board is required by State Statue to distribute its surplus to the General Fund of the County	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 unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes,

intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and state grants, and various other taxes and license. The primary expenditures are for general government, public safety, economic and physical development, human services, cultural and recreation, and education services. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. The Representative Payee, 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 No. 84- *Fiduciary Activities*.

American Rescue Plan Act Fund- The American Rescue Plan Act Fund is a Special Revenue Fund used to account for federal grant funds received due to the American Rescue Plan Act.

School Capital Projects Fund: This fund accounts for capital projects that are for the benefit of Clay County Public Schools. It is funded by the Public School Building Capital Fund Needs Based Lottery and is for the construction of a new primary school.

The County reports the following major enterprise funds:

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

The County reports the following fund types:

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County, and the Jail Inmate Fund which holds cash deposits made to inmates as payment for work performed while incarcerated as well as cash collections for the benefit of inmates from their friends and families.

Nonmajor Funds. The County maintains six legally budgeted non-major governmental funds. The Emergency Telephone System Fund, the Fire District Fund, and the Industrial Fund are reported as non-major special revenue funds. The School Capital Building Fund, the Sports Complex Capital Project Fund, and the 911 Capital Building Fund are all reported as capital project funds.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the

extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenue rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and Tax Revaluation, Industrial, Representative Payee, Deed of Trust, Fines & Forfeiture, Sheriff's Seizure, and American Rescue Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Special Revenue Fund, the Capital Projects Fund, and the Enterprise Capital Projects Funds. The Enterprise Capital Projects Funds are consolidated with the enterprise operating funds for reporting purposes.

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

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The majority of the County and the ABC Board's investments are carried at fair value. Non-participating interest earning investment contracts are accounted for at cost. Non-participating interest earning investment contracts are accounted for at cost.

- The North Carolina Capital Management Trust (NCCMT), which consists of a SEC registered fund, is authorized by G.S. 159-30(c) (8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains a AAAM rating from S&P and AAAMf by Moody's Investor Services. It is reported at fair value.

2. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered cash and cash equivalents. The ABC Board considers demand deposits and investments with a maturity date of 90 days or less at time of purchase 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. The Waters and Sewer's restricted cash for customer deposits was \$111,259. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. The restricted cash in the General Fund for the Tax Revaluation was \$86,443. Money in the School Capital Projects Fund is classified as restricted assets because its use is restricted per North Carolina General Statutes 159-18 through 22. The School Capital Projects Fund's restricted cash was \$158,172 which was unspent debt proceeds which is restricted because its use is restricted for future project costs. The Sports Complex Capital Project Fund consists of unspent debt proceeds of \$168,428 which is restricted because its use is restricted for future project costs. Money in the American Rescue Plan Act Fund in the amount of \$1,090,745 is restricted due to unspent grant proceeds which are to be used for a specific purpose. Therefore, total Governmental Activities reported restricted cash of \$1,503,788 while the Business-type activities reported restricted cash of \$111,259.

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, 2020. 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. Allowances for Doubtful Accounts

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

6. 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 funds 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 consumed or 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.

7. Capital Assets

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

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

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

	<u>Years</u>
Buildings	30
Improvements	15
Furniture	7-10
Equipment	5-7
Vehicles	5
Computers	3
Infrastructure	20

8. 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 several items that meet this criterion- pension and OPEB contributions made to the OPEB or pension plans in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for the category - prepaid taxes, taxes and special assessments receivable, and other OPEB or pension related deferrals.

9. 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.

10. Compensated Absences

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

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

11. 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.

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

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

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

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

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

Restricted for Public Safety- portion of fund balance that is restricted by revenue source to pay for E911 expenditures or other Public Safety programs.

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

Restricted for Industrial expenditures- portion of fund balance that is restricted by revenue source for industrial purposes.

Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance- Portion of fund balance that can only be used for specific purpose 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.

Committed for LEO pension obligations – portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

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.

Assigned for Recreational Capital – portion of fund balance that has been budgeted by the board for the construction of a new sports complex.

Assigned for Future School Capital- portion of fund balance that has been budgeted by the board for future school capital construction.

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-city 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.

12. 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) and the Register of Deeds' Supplemental Pension Fund (RODSPF), and 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). For the 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 employer contributions are recognized when due and the County has 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. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognized benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

(continued on next page)

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 \$9,806,077 consists of the following:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 45,304,548
Less accumulated depreciation	(22,482,904)
Net capital assets	\$ 22,821,644
Benefit payments and pension administrative costs for LEOSSA	2,899
Contributions to OPEB plan in the current fiscal year	89,774
Contributions to the pension plan in the current fiscal year	694,355
Deferred inflows of resources for taxes and special assessments receivable	484,492
Net Pension asset	36,039
Pension related deferrals	1,241,718
OPEB related deferrals	(629,855)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(8,132,386)
Compensated absences	(394,002)
Total Pension liability	(221,198)
OPEB liability	(2,944,047)
Net Pension liability	<u>(3,243,356)</u>
Total adjustment	<u>\$ 9,806,077</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 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 (\$2,921,154) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,374,670
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements	(1,524,281)
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	(43,822)
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	1,714,947
Contributions to the pension plan in the current fiscal year not included on the Statement of Activities	694,355
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	89,774
Benefit payments and administrative costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	2,899
Gain from sale of assets that exceeds proceeds from sale	(4,347)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Compensated absences	(30,347)
OPEB expense	(101,157)
Pension expense	(1,180,031)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Decrease in deferred inflows of resources- taxes receivable- at end of year	(71,506)
Total Adjustment	<u>(\$2,921,154)</u>

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

<u>Fund/Department</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund/ Governing Body	\$ 732,833	\$ 768,917	\$ (36,084)
General Fund/Tax Collector	\$ 235,780	\$ 248,257	\$ (12,477)
Fire Tax Fund/ Expenditures	\$ 654,566	\$ 655,849	\$ (1,283)
Water & Sewer/ Capital Outlay	\$ 14,000	\$ 53,149	\$ (39,149)

Management will continue to monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

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, 2021, the County's deposits had a carrying amount of \$2,427,038 and a bank balance of \$2,551,163. Of the bank balance, \$418,428, was covered by federal depository insurance and \$2,132,735 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2021, Clay County had \$ 664 cash on hand.

At June 30, 2021, the Clay County ABC Board’s deposits had a carrying amount of \$555,930 and a bank balance of \$554,321. A portion of the bank balance, \$304,321, was not covered by federal depository insurance, but was covered by collateral held by authorized agents in the name of the State Treasurer.

Clay County ABC had \$2,200 cash on hand at June 30, 2021.

2. Investments

As of June 30, 2021, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than	
	Level 1	6 Months	6-12 months
NC Capital Management Trust			
Govt Portfolio	\$ 6,481,582	\$ 6,481,582	N/A
Total	\$ 6,481,582	\$ 6,481,582	N/A

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody’s Investor Service.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or 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 Two: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Interest Rate Risk: The County does not have a formal investment rate policy that manages its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2021. The County’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County’s investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Service.

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

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

Year Levied	Tax	Interest	Total
2018	\$451,451	\$110,605	\$562,056
2019	\$411,487	\$63,780	\$475,267
2020	\$410,874	\$26,707	\$437,581
2021	\$405,900		\$405,900
Total	\$1,679,712	\$206,097	\$1,926,336

4. Receivables

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes Receivable	Interest Receivable	Total
Governmental Activities:				
General	\$ 1,439,211	\$ 563,853	\$ -	\$ 2,003,064
Other governmental	108,126	40,509		148,635
Total Receivables	1,547,337	604,362		2,151,699
Allowance for doubtful accounts		(119,870)		(119,870)
Total governmental activities	\$ 1,547,337	\$ 484,492	\$ -	\$ 2,031,829
Business-type Activities:				
Water & Sewer	\$ 132,023	\$ -	\$ -	\$ 132,023

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

Local option sales tax	\$ 678,994
Solid waste disposal tax	2,637
White goods disposal tax	1,615
Scrap tire tax	4,655
Total	<u>\$ 687,901</u>

The due to/from other funds is expected to be repaid within the next year and is as follows:

Due to General	\$ 19,993	Due from Water & Sewer Fund
Due to General	\$ 49,261	Due from E911 Fund
Due to General	\$ 86,824	Due from School Capital Project Fund
Due to General	\$ 168,428	Due from Sports Complex Capital Project Fund
	<u>\$ 324,506</u>	
Due from General	\$ 12,258	Due to E911 Fund
Due from General	\$ 8,184	Due to Fire Tax Fund
	<u>\$ 20,442</u>	

Due to General from Water & Sewer Fund, School Capital Project Fund and Sports complex Capital Project Fund is for reimbursement of expenses paid from general.

Due from General to Fire Tax Fund is collection of fire taxes. Due from General to E911 is for reimbursement of expenses.

Transfer to (from) other funds:

Transfer to/from other funds at June 30, 2021, consist of the following:

Transfer from the General Fund to the Sports Complex Capital Project Fund was for capital outlay expenditures over financed expenditures for the project in the amount of \$479,544.

From the General Fund to the Tax Revaluation Fund to provide resources for the next property revaluation in the amount of \$41,250.

The interfund balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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.

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 839,820	\$ -	\$ -	\$ 839,820
Construction in progress	916,952	2,258,894	-	3,175,846
Total capital assets not being depreciated	<u>\$ 1,756,772</u>	<u>2,258,894</u>	<u>\$ -</u>	<u>\$ 4,015,666</u>
Capital assets being depreciated:				
Buildings	26,518,512	-	-	26,518,512
Other improvements	2,737,488	279,851	-	3,017,339
Equipment	5,917,154	664,332	-	6,581,486
Vehicles and motor equipment	5,044,556	171,593	44,604	5,171,545
Total capital assets being depreciated	<u>\$ 40,217,710</u>	<u>\$ 1,115,776</u>	<u>\$ 44,604</u>	<u>\$ 41,288,882</u>
Less accumulated depreciation for:				
Buildings	11,270,601	819,321	-	12,089,922
Other improvements	1,458,890	75,218	-	1,534,108
Equipment	4,639,703	324,420	-	4,964,123
Vehicles	3,634,033	305,322	44,604	3,894,751
Total accumulated depreciation	<u>21,003,227</u>	<u>1,524,281</u>	<u>44,604</u>	<u>22,482,904</u>
Total capital assets being depreciated, net	<u>\$ 19,214,483</u>			<u>\$ 18,805,978</u>
Governmental activity capital assets, net	<u>\$ 20,971,255</u>			<u>\$ 22,821,644</u>

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

General government	\$ 661,884
Public safety	332,779
Transportation	63,142
Economic and Physical development	13,949
Human services	298,861
Cultural and recreational	153,666
Total Depreciation expense	<u>\$ 1,524,281</u>

**Business-type activities:
Water and Sewer District**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 120,280	-	-	\$ 120,280
Construction in progress	-	-	-	-
Total capital assets not being depreciated	120,280	-	-	120,280
Capital assets being depreciated:				
Plant and distribution systems	11,745,717	-	-	11,745,717
Building Improvements	31,688	-	-	31,688
Furniture and maintenance equipment	169,440	53,149	-	222,589
Vehicles	14,200	-	-	14,200
Total capital assets being depreciated	11,961,045	53,149	-	12,014,194
Less accumulated depreciation for:				
Plant and distribution systems	7,147,872	488,319	-	7,636,191
Building Improvements	3,169	2,113	-	5,282
Furniture and maintenance equipment	153,613	9,210	-	162,823
Vehicles	14,200	-	-	14,200
Total accumulated depreciation	7,318,854	499,642	-	7,818,496
Water and Sewer District capital assets, net	\$4,762,471			\$4,315,978

Construction commitments

The government has two active construction projects as of June 30, 2021. One project is the construction of a new primary school and the other is the construction of the new sports complex. At June 30, 2021, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Clay County Primary School- Construction	\$ 13,080,364	\$ 535,636
Multipurpose building at Sports Complex	\$ 139,061	\$ 422,029
Total	<u>\$ 13,219,425</u>	<u>\$ 957,665</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Beginning balances	additions	deletions	Ending balances
Capital assets not being depreciated:				
Land	\$ 25,000	-	-	\$ 25,000
Total capital assets not being depreciated	\$ 25,000	-	-	\$ 25,000
Capital assets being depreciated:				
Building	\$ 258,406	-	-	\$ 258,406
Leasehold Improvements	3,441	-	-	3,441
Store equipment	130,179	4,653	-	134,832
Total capital assets being depreciated	\$ 392,026	\$ 4,653	-	\$ 396,679
Less accumulated depreciation for:				
Buildings	\$ 50,504	\$ 10,147	-	\$ 60,651
Leasehold Improvements	3,441	-	-	3,441
Store equipment	110,354	7,856	-	118,210
Total accumulated depreciation	\$ 164,299	\$ 18,003	-	\$ 182,302
Total capital assets being depreciated, net	\$ 227,727			\$ 214,377
ABC capital assets, net	\$ 252,727			\$ 239,377

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2021, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 1,155,611		\$ 1,155,611
Other governmental	52,878		52,878
Total governmental activities	\$ 1,208,489		\$ 1,208,489
Business-type activities:			
Water and Sewer District	\$ 11,517		\$ 11,517
Total business-type activities	\$ 11,517		\$ 11,517

2. Pension Plan and other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.23% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were

\$710,114 for the year ended June 30, 2021. Contributions to the pension plan from the ABC Board were \$16,799 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

At June 30, 2021, the County reported a liability of \$3,326,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on 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, 2021, the County’s proportion was .09310% (measured as of June 30, 2020), which was an increase of .00951% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the County recognized pension expense of \$1,172,537. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$420,124	
Net difference between projected and actual earnings on pension plan investments	468,166	
Changes in proportion and differences between County contributions and proportionate share of contributions	137,468	40,355
County contributions subsequent to the measurement date	710,114	
Change of assumptions	247,584	
Total	<u>\$1,983,456</u>	<u>\$40,355</u>

\$710,114 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	345,618
2023		462,453
2024		286,363
2025		138,553
2026		-
Thereafter		-
	\$	<u>1,232,987</u>

At June 30, 2021, the Clay County ABC Board reported a liability of \$67,895 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the Board's proportion was 0.00190% which was a decrease of 0.00012% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Clay County ABC Board recognized pension expense of \$26,540. At June 30, 2021 the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,574	
Net difference between projected and actual earnings on pension plan investments	9,554	
Changes in proportion and differences between ABC Board contributions and proportionate share of contributions	7,538	\$ 1,513
ABC Board's contributions subsequent to the measurement date	16,799	
Change of assumptions	5,053	
Total	<u>\$47,518</u>	<u>\$ 1,513</u>

\$16,799 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year

ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	9,717
2023		11,879
2024		4,782
2025		2,828
2026		-
Thereafter		-
	\$	<u>29,206</u>

County Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

Sensitivity of the County’s proportionate share of the net pension liability 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Discount Rate (7.00%)	1% Increase <u>(8.00%)</u>
County’s proportionate share of the net pension liability (asset)	\$6,749,836	\$3,326,860	\$482,126
ABC Board’s proportionate share of the net pension liability (asset)	\$137,752	\$67,895	\$9,839

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 .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, 2019, valuation date, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitle to but not yet receiving benefits	0
Active plan members	<u>16</u>
Total	<u>17</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 following criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

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

Inflation	2.5 percent per annum.
Salary increases	3.25 to 7.75 percent per annum.
Discount rate	1.93% per annum, compounded annually

Discount Rate

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

The actuarial assumptions used in the December 31, 2019 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.

Mortality Rate

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): Mortality rates are based the Non-Safety Mortality Table for Disabled Retirees. Rates are set back 3 years for all ages.

Deaths Before Retirement: Mortality rates are based on RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): 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.

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

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. Administrative 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, 2021, the County reported a total pension liability of \$221,198. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$29,843.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,127	\$ 39,387
Change of assumptions	\$ 74,137	\$ 2,965
County benefits payments and plan administrative expenses subsequent to the measurement date	<u>\$ 2,899</u>	<u>\$ -</u>
Total	<u><u>\$ 88,163</u></u>	<u><u>\$ 42,352</u></u>

The County paid \$2,899 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions, which will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 5,019
2023	7,266
2024	9,004
2025	8,938
2026	5,741
Thereafter	6,944

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 1.93 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 (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease 0.93%	Discount Rate (1.93%)	1% Increase 4.26%
Total Pension Liability	\$ 250,949	\$ 221,198	\$ 194,760

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

	2021
Beginning balance	\$ 161,862
Service Cost	19,096
Interest on the total pension liability	5,174
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(37,999)
Changes of assumptions or other inputs	79,389
Benefit payments	(6,324)
Other changes	-
Ending balance of the total pension liability	<u>\$ 221,198</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.26% at December 31, 2019 to 1.93% at December 31, 2020.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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 \$43,836 for the reporting year. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially

determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the county were \$2,065 for the year ended June 30, 2021.

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

At June 30, 2021, the County reported an asset of \$36,039 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 the County’s proportion was .15725% which was an increase of .00932% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$1,688. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$734
Net difference between projected and actual earnings on pension plan investments		\$3,084
Changes in proportion and differences between County contributions and proportionate share of contributions	\$1,765	\$1,180
County contributions subsequent to the measurement date	\$2,065	
Change of assumptions		
Total	<u>\$ 3,830</u>	<u>\$4,998</u>

\$2,065 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$(243)
2023	(821)
2024	(1,392)
2025	(777)
2026	-
Thereafter	-
	<u><u>\$(3,233)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expenses, 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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through the review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2021 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. 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 3.75%, 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 (2.75 percent) or 1-percentage point higher (4.75 percent) than the current rate:

	1% Decrease <u>(2.75%)</u>	Discount Rate (3.75%)	1% Increase <u>(4.75%)</u>
County's proportionate share of the net pension asset	(\$30,610)	\$36,039	\$40,632

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

e. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019. The total pension liability for LEOSSA was measured as of June 30, 2020, with an actuarial valuation date of December 31, 2019.

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:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 3,326,860	\$ (36,039)	n/a	\$ 3,290,821
Proportion of the Net Pension Liability (Asset)	0.09310%	0.15725%	n/a	
Total Pension Liability	-	-	\$ 221,198	\$ 221,198
Pension Expense	\$ 1,172,537	\$ 1,688	\$ 29,843	\$ 1,204,068

At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>TOTAL</u>
<i><u>Deferred Outflows of Resources:</u></i>				
Differences between expected and actual experience	\$ 420,124	\$ -	\$ 11,127	\$ 431,251
Change of assumptions	\$ 247,584	\$ -	\$ 74,137	\$ 321,721
Net difference between projected and actual earnings on pension plan investments	\$ 468,166	\$ -	\$ -	\$ 468,166
Changes in proportion and differences between County contributions and proportionate share of contributions	\$ 137,468	\$ 1,765	\$ -	\$ 139,233
County contributions (LGERS, ROD)/ benefit payments and administrative costs (LEOSSA) subsequent to the measurement date	\$ 710,114	\$ 2,065	\$ 2,899	\$ 715,078
<i><u>Deferred Inflows of Resources</u></i>				
Differences between expected and actual experience	\$ -	\$ 734	\$ 39,387	\$ 40,121
Changes of assumptions	\$ -	\$ -	\$ 2,965	\$ 2,965
Changes in proportion and differences between County contributions and proportionate share of contributions	\$ 40,355	\$ 1,180	\$ -	\$ 41,535
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,084	\$ -	\$ 3,084

f. Other Post Employment Benefits - Clay County

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 plan provides postemployment healthcare benefits to retirees of the County as long as they were hired prior to February 1, 2018 and provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. The Board of Commissioner made this amendment to the benefit provisions whereas in the past all new hires were eligible. The 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. 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, 2019, the date of the latest actuarial valuation.

Membership Data as of June 30, 2019:

Inactive Members or Beneficiaries Currently Receiving Benefits	16
Inactive Members Entitled to But Not Yet Receiving Benefits	0
Active Members	176
Total Membership	<u>192</u>

Benefits Provided. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees that choose Plan 1 Retiree only coverage, \$548.13 per month under a County resolution that can be amended by Board of Commissioners. 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 has chosen to fund the healthcare benefits on a pay as you go basis.

	PLAN 1	PLAN 2			
Retiree Only	\$ 548.13	\$ 625.31			
Retiree and Spouse	\$1,012.59	\$ 1,284.68			
Retiree and Child(ren)	\$ 720.91	\$ 1,036.35			
Family	\$1,456.43	\$ 1,761.60			

Total OPEB Liability

The County’s total OPEB liability of \$3,019,845 as of June 30, 2021 and was determined by an actuarial valuation. The valuation date was June 30, 2019 with the reporting date of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases, including wage inflation	
General employees	3.5% - 7.75%
Law Enforcement Officers	3.5% - 7.35%
Real wage growth	1.00%

Wage inflation	3.5%
Municipal Bond Index Rate	
Prior Measurement Date	3.50%
Measurement Date	2.21%
Health Care Cost Trends	
Pre-Medicare	7.% for 2019 decreasing to an ultimate rate of 4.5% by 2026

The discount rate used to measure the TOL was based on the last Thursday of June by the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability- At June 30, 2021, the components of the net OPEB liability of the County, measured as of June 30, 2020, were as follows:

	Total OPEB Liability
Balance at June 30, 2020	\$ 2,614,121
Changes for the year:	
Service Cost at the end of year	137,938
Interest on TOL and Cash Flows	93,669
Change in benefit terms	-
Difference between expected and actual experience	3,380
Changes of assumptions or other inputs	323,674
Benefit payments and implicit subsidy credit	(152,937)
Net Changes	<u>\$ 405,724</u>
Balance at June 30, 2021	<u><u>\$ 3,019,845</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.5% to 2.21% as well as a change in the medical trend.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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 a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current discount rate:

	1% Decrease 1.21%	Current Discount 2.21%	1% Increase 3.21%
Total OPEB Liability	\$ 3,300,564	\$ 3,019,845	\$ 2,765,306

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% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 2,653,161	\$ 3,019,845	\$ 3,459,756

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

For the year ended June 30, 2021, the County recognized OPEB expense of \$103,761. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,849	\$ 812,059
Changes of assumptions	313,237	157,098
Benefit payments and administrative costs made subsequent to the measurement date	<u>92,084</u>	<u>-</u>
Total	\$ 415,170	\$ 969,157

\$92,084 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 total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (133,825)
2023	\$ (133,825)
2024	\$ (133,825)
2025	\$ (133,825)
2026	\$ (108,473)
Thereafter	\$ (3,777)

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

3. Closure and Postclosure Care Costs – Clay County Landfill

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

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Pensions, OPEB)- difference between expected and actual experience	\$ 441,100	\$ 852,180
(Pensions, OPEB)-Net difference between projected and actual investment earnings	468,166	3,084
Pensions- change in proportion and difference between employer contributions and proportionate share of contributions	139,233	41,535
(Pensions, OPEB)- change in assumptions	634,958	160,063
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	712,179	
Benefit payments for the OPEB plan paid subsequent to measurement date	92,084	
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	2,899	
Prepaid taxes not yet earned (General)		58,520
Taxes receivable, net, less penalties (General)		443,983
Taxes receivable, net, less penalties (Special Revenue)		40,509
Total	<u>\$ 2,490,619</u>	<u>\$ 1,599,874</u>

5. Risk Management

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

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

The County does not carry flood insurance as this has not been an area of 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.

6. Contingent Liabilities

At June 30, 2021, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations

a. Capital Leases

a. Installment Purchase

The County's installment purchases are comprised of the following individual issues:

Governmental Activities

Serviced by the County's General Fund

On July 29, 2005, the County entered into a \$8,000,000 direct placement contract with BB & T for a new Courthouse. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires semi-annual principal payments of \$266,666.67, plus interest at 1.69% until July 29, 2020. The contract was paid in full as of June 30, 2021.

On May 10, 2007, the County entered into a \$4,400,000 direct placement contract with BB&T for a new Jail. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires semi-annual principal payments of \$146,666.67, plus interest at 1.73% until May 10, 2021. The contract was paid in full as of June 30, 2021.

On April 16, 2009, the County entered into a \$1,500,000 direct placement contract with BB & T for a Sheriff's complex. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires semi-annual principal payments of \$37,500, plus interest at 2.59% until April 16, 2028. The remaining balance at June 30, 2021 was \$525,000.00

On March 17, 2011, the County entered into a \$2,000,000 direct placement contract with BB & T for the Department of Social Service Building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires semi-annual principal payments of \$66,667, plus interest at 2.36% until March 17, 2026. The remaining balance at June 30, 2021 was \$666,666.70.

On November 7, 2013, the County entered into a \$2,700,000 direct placement contract with BB & T for the Health Department building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires semi-annual principal payments of \$90,000, plus interest at 3.36% until November 7, 2028. The remaining balance at June 30, 2021 was \$1,350,000.00.

On February 29, 2016, the County entered into a \$174,363 direct placement contract with Nantahala Bank & Trust Company for an ambulance. The ambulance is pledged as collateral for the debt while the debt is outstanding. The financing contract requires semi-annual payments of \$18,682.04 which includes interest at 2.512%. Ten payments are required with the first payment due August 31, 2016 and the final payment on February 28, 2021. The debt was paid in full as of June 30, 2021.

On July 18, 2018, the County entered into a \$86,679 direct placement contract with United Community Bank for 3 vehicles for the Sheriff's department. The vehicles are pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual payments of \$18,652.01 including interest at 2.49%. The first payment is due on August 18, 2018 and will be paid in full on August 18, 2022. The remaining balance at June 30, 2021 was \$35,989.48.

On November 15, 2018, the County entered into a \$224,939 direct placement contract with United Community Bank for an ambulance. The ambulance is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual payments of \$79,049.31 including interest at 2.69%. The first payment is due on December 15, 2018 and will be paid in full on December 5, 2020. The debt was paid in full as of June 30, 2021.

On March 1, 2019, the County entered into a \$30,699.95 direct placement contract with United Community Bank for a 2018 Dodge Sedan for the Sheriff's department. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$689.75 including interest at 3.75%. The first monthly payment commences on April 1, 2019 and is due and payable on the first day of each successive month thereafter until March 1, 2023. The remaining balance at June 30, 2021 was \$13,532.17.

On December 17, 2018, the County entered into a \$34,228.50 direct placement contract with Nantahala Bank & Trust Company for the purchase of a 2015 Dodge Ram truck for the campground. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$777.63 including interest at 4.25%. The first monthly payment commences on January 17, 2019 and the final payment will be due on December 17, 2022. The remaining balance at June 30, 2021 was \$13,530.71.

On December 17, 2018, the County entered into a \$52,189.13 direct placement contract with Nantahala Bank & Trust Company for equipment for the campground. The equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$1,185.68 including interest at 4.25%. The first monthly payment commences on January 17, 2019 and the final payment will be due on December 17, 2022. The remaining balance at June 30, 2021 was \$20,630.47.

On January 17, 2019, the County entered into a \$28,057.06 direct placement contract with Nantahala Bank & Trust Company for a 2017 Ford truck for the building department. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$637.38 including interest at 4.25%. The first monthly payment commences on February 17, 2019 and will be paid in full on January 17, 2023. The remaining balance at June 30, 2021 was \$11,685.68.

On January 17, 2019, the County entered into a \$27,748.06 direct placement contract with Nantahala Bank & Trust Company for a 2017 Ford truck for environmental health. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$630.36 including interest at

4.25%. The first monthly payment commences on February 17, 2019 and will be paid in full on January 17, 2023. The remaining balance at June 30, 2021 was \$11,557.03.

On June 30, 2019, the County entered into a \$32,153.54 direct placement contract with United Community Bank for a vehicle for the Sheriff's department. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$945.73 including interest at 3.75%. The first monthly payment commences on August 1, 2019 and will be paid in full on July 1, 2022. The remaining balance at June 30, 2021 was \$11,253.26.

On September 3, 2019, the County entered into a \$61,495.40 direct placement contract with United Community Bank for two vehicles for the Sheriff's department. The vehicles are pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$1,808.76 including interest of 3.75%. The first monthly payment commences on October 1, 2019 and will be paid in full on September 1, 2022. The remaining balance at June 30, 2021 was \$25,013.58.

On December 17, 2019, the County entered into a \$214,437.90 direct placement contract with Nantahala Bank & Trust for a new ambulance. The ambulance is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$6,293.36 including interest at 3.55%. The first payment was due January 17, 2020 and will be paid in full on December 17, 2022. The remaining balance at June 30, 2021 was \$110,112.77.

On January 15, 2021, the County entered into a \$43,822 direct placement contract with KS State Bank for the purchase of scoreboards located on the ballfields of the new County sports complex. The scoreboards are pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$873.28 including interest at 7.27%. The first payment is due April 25, 2021 and will be paid in full on March 25, 2026. The remaining balance at June 30, 2021 was \$42,512.62.

On February 19, 2020, the County entered into a \$2,605,298 direct placement contract with BB & T for the building of a new multi sports complex for Clay County Schools. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires semi-annual principal payments of \$130,264.90 plus interest at 2.24%. The first payment is due August 19, 2020 and will be paid in full on February 19, 2030. The remaining balance at June 30, 2021 was \$2,344,768.20.

As authorized by State law (G.S.160A-20 and 153A-158.1), the County is providing financing for matching funds in a direct placement to construct a new primary school for use by Clay County School system during the fiscal year ended June 30, 2019. The installment financing was issued pursuant to a deed of trust that requires that legal title to the property financed remain with the County as long as the debt is outstanding because the property on which the new primary school as well as the building is pledged as collateral for the debt. The County has entered into a lease with Clay County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. Due to the economic substance of the transaction, the capital assets associated with the installment purchase are recorded by the Board of Education. The County borrowed \$3,404,000 from BB & T for the matching grant funds for the construction of the new primary school for Clay County Schools. This loan requires semi-annual principal payments of \$113,466.67, plus interest at 3.18%. Payments commenced on November 17, 2019 and will end on May 17, 2034. The remaining balance at June 30, 2021 was \$2,950,133.32.

Business-type Activities

Serviced by the Water & Sewer District Fund

The County financed a town sewer line project on June 13, 2014. The total approved loan proceeds were \$1,104,060 and was financed by United Community Bank. This transaction will require semi-annual payments of \$45,304.87 including interest at a rate of 2.79% until June 15, 2029. The remaining balance at June 30, 2021 was \$622,718.00.

The County financed the Hwy 69 Water and Sewer project by an ARRA Capitalization Grants for State Revolving Funds during fiscal year June 30, 2010. This loan requires annual payments of \$26,832.20. This loan has no interest and is paid over 20 years until May 2031. The remaining balance at June 30, 2021 was \$268,322.02.

For Clay County, the future minimum payments as of June 30, 2021, including \$ 1,173,648 of interest, are:

<u>Year Ending June 30</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,051,231	\$ 224,301	\$ 99,934	\$ 17,508
2023	\$ 969,935	\$ 194,118	\$ 101,988	\$ 15,454
2024	\$ 884,785	\$ 168,092	\$ 104,064	\$ 13,378
2025	\$ 885,409	\$ 143,279	\$ 106,269	\$ 11,173
2026	\$ 883,440	\$ 118,438	\$ 108,501	\$ 8,941
2027-2031	\$ 2,776,786	\$ 287,533	\$ 370,284	\$ 12,808
2032-2037	\$ 680,800	\$ 37,887	\$ -	\$ -
	<u>\$ 8,132,386</u>		<u>\$ 891,040</u>	
		<u>\$ 1,173,648</u>		<u>\$ 79,262</u>

Debt Related to Capital Activities- Of the total Governmental Activities debt listed \$ 8,132,386 relates to assets the County holds title. Unspent restricted cash related to debt that relates to assets for which the County holds title amounts to \$326,600.

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, 2021:

	Beginning Balance	Debt Transferred	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:						
General Obligation debt	\$ -		-	\$ -	\$ -	\$ -
Direct Placement Installments	9,803,511	-	43,822	1,714,947	8,132,386	1,051,231
Capitalized leases	-		-	-	-	-
Net Pension liability (LGERS)	2,216,349		1,027,007	-	3,243,356	-
Total Pension obligation (LEOSSA)	161,862		59,336	-	221,198	-
Net OPEB liability	2,532,822		411,225	-	2,944,047	-
Compensated absences	363,655		359,020	328,673	394,002	-
Total Governmental activities	\$ 15,078,199	\$ -	\$ 1,900,410	\$ 2,043,620	\$ 14,934,989	\$ 1,051,231
Business-type activities:						
Installment purchase	\$ 989,808	\$ -	-	\$ 98,768	\$ 891,040	\$ 99,934
Net OPEB liability	81,299		-	5,501	75,798	-
Net Pension liability (LGERS)	66,429		17,075	-	83,504	-
Compensated absences	6,517		11,211	10,946	6,782	-
Total Business-type activities	\$ 1,144,053	\$ -	\$ 28,286	\$ 115,215	\$ 1,057,124	\$ 99,934

Net pension liability, total pension liability, and net 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. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets, net	\$22,821,644	\$4,315,978
Less: long-term debt	8,132,386	891,040
Net investment in capital assets	\$14,689,258	\$3,424,938

D. Fund Balance

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

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

Total fund balance- General Fund	\$ 7,841,909
Less:	
Nonspendables-Prepaid	19,572
Stabilization by State Statute	2,451,618
Health Services	54,418
Register of Deeds	41,903
Tax Revaluation	86,443
Working Capital/Fund Balance Policy	<u>1,848,363</u>
Remaining Fund Balance	<u>\$ 3,339,592</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 outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
-0-	-0-	\$0

IV. Related Organization

Clay County Rural Development Authority

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

V. Joint Ventures

Nantahala Regional Library

The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$130,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 101 Blumenthal Street, Murphy, NC 28906.

Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services

The County participates in a joint venture to operate the Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services with six other local governments. The County appoints one member to the board of the center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2021. Complete financial statements for the Center can be obtained from the Center's offices at 44 Bonnie Lane, Sylva, NC 28779.

VI. Jointly Governed Organization

Clay-Towns Joint Industrial Park

Clay County, in conjunction with Towns County, 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.

VII. Commitments

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 has any equity interest in the College, so no equity interest has been reflected in the financial statements at June 30, 2021. 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 \$198,000 during the fiscal year June 30, 2021. Complete financial statements for the College may be obtained from the College's administrative offices at 2300 Highway 64 E., Murphy, NC 28906.

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.

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

IV. Significant Effects of Subsequent Events

Management has evaluated events and transactions that occurred between June 30, 2021 and January 6, 2021, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

A. Clay County was awarded \$2,181,490 from the Federal American Rescue Plan (ARP). The County received \$1,090,745 in June 2021. The remaining amount of \$1,090,745 is expected to be received within the next 12 months.

X. Change in Accounting Principle and Prior Period Adjustment

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As a part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position was restated as of the beginning of the fiscal year as follows:

Emergency Telephone System Fund balance, beginning as previously reported		\$ 468,967
Ineligible expenditures made in the prior fiscal year	<u>\$ 11,732</u>	
Net prior period adjustment		<u>11,732</u>
Emergency Telephone System Fund balance, beginning as restated		<u>\$ 480,699</u>
General Fund balance, beginning as previously reported		\$6,089,778
Adjustment for Emergency Telephone System Fund	\$(11,732)	
Adjustment for Social Security Representative Payee Fund	<u>43,465</u>	
Net prior period adjustment		<u>\$31,733</u>
General Fund balance, beginning as restated		<u>\$6,121,511</u>
Fiduciary Fund balance, beginning as previously reported		0
Adjustment for change in accounting principle	<u>\$16,976</u>	
Net prior period adjustment		<u>16,976</u>
Fiduciary Fund balance, beginning as restated		<u>\$16,976</u>

During the fiscal year ended June 30, 2021, the County determined that some unallowable expenses were included for reimbursement in the Emergency 911 Fund. These unallowable expenditures will have to be repaid from the general fund to the 911 fund. This resulted in a restatement of prior year fund balance for the unallowable expenses from the June 30, 2020 fiscal year which amounted to \$11,762.

Cash received under the Social Security Administration's Representative Payee Program net of liabilities owed for payments on behalf of beneficiaries were reclassified out of the Agency Fund into the General Fund. The portion of liabilities in the Agency Fund representing net cash available at the beginning of the year were restated as fund balance in the amount of \$43,465.

Cash, taxes receivable and liabilities related to ad valorem and vehicle property taxes collected by the County on behalf of various municipalities were reclassified out of the Agency Fund into the Custodial Fund. The portion of liabilities attributable to taxes receivable at the beginning of the year were restated as custodial net position.

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Asset for Register of Deeds Supplemental Pension Fund
- Schedule of Contributions to Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
- Schedule of Changes in Total OPEB Liability

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

Schedule 1

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.09310%	0.08359%	0.09110%	0.09339%	0.10267%	0.09893%	0.09798%	0.09610%
County's proportionate share of the net pension liability (asset)\$	\$ 3,326,860	\$ 2,282,778	\$ 2,164,204	\$ 1,426,741	\$ 2,179,001	\$ 443,992	\$ (577,833)	\$ 1,158,374
County's covered payroll	\$ 6,652,963	\$ 6,045,970	\$ 6,238,320	\$ 6,201,819	\$ 6,151,143	\$ 6,187,548	\$ 5,971,989	\$ 5,988,458
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.00%	37.76%	34.69%	23.01%	35.42%	7.18%	-9.676%	19.343%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Notes to the schedule:

* 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.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

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

Schedule 2

Local Government Employees' Retirement System

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

Notes to the schedule:

This schedule is intended to show information for ten years.

Additional years' information will be displayed as soon as it comes available.

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

Schedule 3

Register of Deeds' Supplemental Pension Fund

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.15725%	0.14793%	0.16616%	0.15048%	0.15135%	0.1588%	0.17416%	0.168%
County's proportionate share of the net pension liability (asset) \$	\$(36,039)	\$(29,204)	\$(27,521)	\$(25,685)	\$(28,296)	\$(36,800)	\$(39,464)	\$(35,900)
Plan fiduciary net position as a percentage of the total pension liability**	173.62%	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

Schedule of Clay County's Contributions

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

Notes to the Schedule:

* 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 ROD plan.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

Clay County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

Schedule 4

Law Enforcement Officers' Special Separation Allowance

	2021	2020	2019	2018	2017
Beginning balance	\$ 161,862	\$ 137,147	\$ 151,250	\$ 176,612	\$ 187,997
Service cost	19,096	14,618	12,172	9,142	10,951
Interest on the total pension liability	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	(37,999)	16,937	(1,206)	(23,696)	-
Changes of assumptions or other inputs	79,389	5,520	(5,438)	8,265	(3,195)
Benefit payments	(6,324)	(17,042)	(24,031)	(25,400)	(25,399)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 221,198</u>	<u>\$ 161,862</u>	<u>\$ 137,147</u>	<u>\$ 151,250</u>	<u>\$ 176,612</u>

Notes to the schedule:

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

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

Clay County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

Schedule 5

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	\$ 221,198	\$ 161,862	\$ 137,147	\$ 151,250	\$ 176,612
Covered payroll	750,332	629,858	590,026	495,664	515,583
Total pension liability as a percentage of covered payroll	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.

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

Clay County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years

Schedule 6

Other Post-Employment Benefits

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

Notes to Schedule:

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

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

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

**INDIVIDUAL FUND
STATEMENTS AND
SCHEDULES**

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 8,844,757	
Interest		104,107	
Total	\$ 8,920,536	8,948,864	\$ 28,328
Local option sales taxes:			
Article 39 and 44		1,742,726	
Article 40 one - half of one percent		999,403	
Article 42 one - half of one percent		729,105	
Article 46 one - quarter of one percent		323,857	
Total	3,706,000	3,795,091	89,091
Other taxes and licenses:			
Deed stamp excise tax		195,820	
Scrap tire disposal tax		27,526	
White goods disposal tax		6,180	
Franchise fees		15,089	
Privilege licenses		2,125	
Total	206,700	246,740	40,040
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		407,397	
ABC general distribution		285,000	
Beer and wine tax		46,940	
Total	651,337	739,337	88,000
Restricted intergovernmental:			
State grants		581,332	
Federal grants		3,019,507	
Court facility fees		11,313	
Enforcement fund		728	
Representative Payee		147,395	
Other Revenue		538,656	
ABC profits for law enforcement		18,000	
ABC bottle taxes		13,468	
Total	6,157,514	4,330,399	(1,827,115)
Permits and fees:			
Building and well permits		191,342	
Inspection fees		163,049	
Landfill permits and user fees		540,431	
Recreation fees		11,000	
Gun Permits and other		19,975	
Register of deeds		287,557	
Total	1,117,492	1,213,354	95,862

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Rents, concessions, and fees		139,677	
Jail fees		197,335	
Ambulance and rescue squad fees		395,721	
Fines and Forfeitures		38,628	
Recreation fees		348,177	
Health Department fees		1,566,580	
Senior Center Meal fees		10,868	
Transportation fees		120,644	
Total	<u>2,640,538</u>	<u>2,817,630</u>	<u>177,092</u>
Investment earnings	<u>55,000</u>	<u>2,433</u>	<u>(52,567)</u>
Miscellaneous:			
Donations		8,398	
Other		455,745	
Total	<u>124,596</u>	<u>464,143</u>	<u>339,547</u>
Total revenues	<u>23,579,713</u>	<u>22,557,991</u>	<u>(1,021,722)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		194,823	
Other operating expenditures		338,327	
Insurance other than property		235,767	
Total	<u>732,833</u>	<u>768,917</u>	<u>(36,084)</u>
Special Appropriations		174,771	
Total	<u>176,941</u>	<u>174,771</u>	<u>2,170</u>
Human Resources:			
Salaries and employee benefits		54,900	
Other operating expenditures		11,426	
Total	<u>71,975</u>	<u>66,326</u>	<u>5,649</u>
Elections:			
Salaries and employee benefits		156,472	
Other operating expenditures		96,681	
Capital Outlay		3,876	
Total	<u>270,280</u>	<u>257,029</u>	<u>13,251</u>
Finance:			
Salaries and employee benefits		208,144	
Other operating expenditures		81,518	
Total	<u>349,492</u>	<u>289,662</u>	<u>59,830</u>
Taxes supervisor:			
Salaries and employee benefits		201,213	
Other operating expenditures		34,308	
Total	<u>244,847</u>	<u>235,521</u>	<u>9,326</u>

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Tax Collector:			
Salaries and employee benefits		181,740	
Other operating expenditures		66,517	
Total	235,780	248,257	(12,477)
Legal:			
Contracted services	107,000	106,451	549
Register of deeds:			
Salaries and employee benefits		185,632	
Other operating expenditures		56,793	
Total	287,565	242,425	45,140
Maintenance:			
Salaries and employee benefits		300,449	
Other operating expenditures		427,697	
Capital Outlay		366,088	
Total	1,455,937	1,094,234	361,703
Special Reserve:			
US 64 Business utility relocation	900	833	67
Senior Center:			
Salaries and employee benefits		39,324	
Other operating expenditures		173,340	
Total	309,408	212,664	96,744
Total general government	4,242,958	3,697,090	545,868
Public safety:			
Sheriff:			
Salaries and employee benefits		1,088,084	
Other operating expenditures		258,334	
Capital outlay		190,666	
Total	1,619,293	1,537,084	82,209
Telecommunicators:			
Salaries and employee benefits		467,930	
Other operating expenditures		64,387	
Capital Outlay		670	
Total	562,591	532,987	29,604
CJPP:			
Other operating expenditures		999	
Total	1,300	999	301
Sheriff Investigators:			
Salaries and employee benefits		319,531	
Other operating expenditures		33,880	
Total	360,620	353,411	7,209

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Jail/Detention Center:			
Salaries and employee benefits		728,657	
Other operating expenditures		352,095	
Capital Outlay		4,604	
Total	<u>1,138,760</u>	<u>1,085,356</u>	<u>53,404</u>
Emergency management:			
Salaries and employee benefits		81,658	
Other operating expenditures		17,339	
Capital Outlay		20,412	
Total	<u>354,723</u>	<u>119,409</u>	<u>235,314</u>
Fire:			
Other operating expenditures		43,452	
Total	<u>49,000</u>	<u>43,452</u>	<u>5,548</u>
Building Department:			
Salaries and employee benefits		114,020	
Other operating expenditures		17,876	
Total	<u>136,584</u>	<u>131,896</u>	<u>4,688</u>
Emergency medical services:			
Salaries and employee benefits		1,039,744	
Other operating expenditures		179,020	
Capital outlay		122,592	
Total	<u>1,448,911</u>	<u>1,341,356</u>	<u>107,555</u>
E911 Allowable:			
Salaries and employee benefits		410	
Total	<u>50,830</u>	<u>410</u>	<u>50,420</u>
E911 Nonallowable:			
Salaries and employee benefits		58,652	
Other operating expenditures		9,478	
Capital outlay		2,990	
Total	<u>75,230</u>	<u>71,120</u>	<u>4,110</u>
Courthouse Security			
Salaries and employee benefits		1,891	
Other operating expenditures		-	
Total	<u>7,500</u>	<u>1,891</u>	<u>5,609</u>
Clerk of Court			
Other operating expenditures		2,158	
Total	<u>3,400</u>	<u>2,158</u>	<u>1,242</u>
Total public safety	<u>5,808,742</u>	<u>5,221,529</u>	<u>587,213</u>

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Transportation:			
Transportation -Operating			
Salaries and employee benefits		341,336	
Other operating expenditures		100,380	
Total transportation operations	870,099	441,716	428,383
Transportation -Admin & Capital			
Salaries and employee benefits		166,064	
Other operating expenditures		15,499	
Capital Outlay		72,078	
Total transportation admin and capital	299,687	253,641	46,046
Total transportation	1,169,786	695,357	474,429
Economic and physical development:			
Sanitary Landfill			
Salaries and employee benefits		156,721	
Other operating expenditures		344,523	
Capital Outlay		31,500	
Total	557,728	532,744	24,984
Soil and Water Conservation			
Salaries and employee benefits		73,141	
Other operating expenditures		8,538	
Total	86,017	81,679	4,338
Agricultural extension:			
Salaries and employee benefits		113,187	
Other operating expenditures		7,715	
Total	160,093	120,902	39,191
Special Appropriations :	158,500	158,453	47
Total economic and physical development	962,338	893,778	68,560
Human services:			
Health Dept.:			
Administration & health programs:			
Salaries and employee benefits		1,184,905	
Other operating expenditures		178,533	
Capital Outlay		70,574	
Total	1,819,431	1,434,012	385,419
Health Dept. DSMT:			
Other operating expenditures		-	
Total	2,140	-	2,140
Health Dept Adult Health:			
Other operating expenditures		4,456	
Total	8,900	4,456	4,444

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Health Dept. Child Health:			
Other operating expenditures		4,142	
Total	8,200	4,142	4,058
Health Dept. BCCCP			
Other operating expenditures		8,004	
Total	11,550	8,004	3,546
Health Dept. Environmental Health:			
Other operating expenditures		38,310	
Total	39,300	38,310	990
Health Dept. CAP:			
Other operating expenditures		8,663	
Total	10,300	8,663	1,637
Health Dept. Communicable Diseases:			
Other operating expenditures		3,872	
Total	4,650	3,872	778
Health Dept. Animal Control:			
Salaries and employee benefits		20,475	
Other operating expenditures		2,550	
Total	30,681	23,025	7,656
Health Dept. Healthy Communities:			
Other operating expenditures		477	
Total	850	477	373
Dental Clinic:			
Salaries and employee benefits		316,486	
Other operating expenditures		219,978	
Capital Outlay		3,699	
Total	742,143	540,163	201,980
Health Dept. Family Planning:			
Other operating expenditures		36,177	
Total	36,700	36,177	523
Health Dept. Immunizations:			
Other operating expenditures		140,046	
Total	196,521	140,046	56,475
Health Dept. Women, Infants and children:			
Salaries and employee benefits		89,811	
Other operating expenditures		6,022	
Total	101,129	95,833	5,296

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Health Dept. Care Coordination for children:			
Salaries and employee benefits		24,406	
Other operating expenditures		15	
Total	<u>28,943</u>	<u>24,421</u>	<u>4,522</u>
Health Dept. Bioterrorism:			
Salaries and employee benefits		22,423	
Other operating expenditures		155	
Total	<u>65,271</u>	<u>22,578</u>	<u>42,693</u>
Health Dept. Lab:			
Other operating expenditures		61,946	
Total	<u>61,950</u>	<u>61,946</u>	<u>4</u>
Health Dept. Maternal Health:			
Other operating expenditures		-	
Total	<u>2,263</u>	<u>-</u>	<u>2,263</u>
Health Dept. Pregnancy Care Management:			
Salaries and employee benefits		11,542	
Other operating expenditures		24	
Total	<u>34,351</u>	<u>11,566</u>	<u>22,785</u>
Total health	<u>3,205,273</u>	<u>2,457,691</u>	<u>747,582</u>
Social services:			
Administration:			
Salaries and employee benefits		1,739,461	
Other operating expenditures		220,273	
Capital outlay		51,248	
Representative Payee		136,442	
Janitorial:			
Salaries and employee benefits		44,110	
Total	<u>2,188,891</u>	<u>2,191,534</u>	<u>(2,643)</u>
Social Services Community Partners Grant:			
Salaries and employee benefits		8,367	
Other operating expenditures		-	
Capital Outlay		-	
Total	<u>8,367</u>	<u>8,367</u>	<u>-</u>
Social Services Recipients:			
Assistance payments	699,383	622,075	77,308
Total social services	<u>2,896,641</u>	<u>2,821,976</u>	<u>74,665</u>
Veterans service officer:			
Salaries and employee benefits		6,273	
Other operating expenditures		555	
Total veterans service officer	<u>6,894</u>	<u>6,828</u>	<u>66</u>
Total human services	<u>6,108,808</u>	<u>5,286,495</u>	<u>822,313</u>

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		181,636	
Other operating expenditures		50,802	
Capital outlay		13,972	
Total	247,108	246,410	698
Recreation sports			
Salaries and employee benefits		9,608	
Other operating expenditures		14,371	
Total	25,059	23,979	1,080
	-		
Ball fields High School C/O	44,000	43,822	178
Campground			
Salaries and employee benefits		127,263	
Operating expenditures		38,361	
Capital Outlay		18,809	
	207,694	184,433	23,261
Libraries:			
Contribution to regional library	130,000	130,000	-
Total cultural and recreational	653,861	628,644	25,217
Education:			
Public schools - current		1,609,799	
Public schools - capital outlay		35,000	
Public schools - other		131,972	
Public schools-school nurse funds		50,000	
Furniture for Clay County Schools pd by County		-	
Community colleges - current		198,000	
Total education	2,024,771	2,024,771	-
Debt service:			
Principal retirement		1,714,947	-
Interest and other charges		262,869	-
Total debt service	2,133,274	1,977,816	155,458
Total expenditures	23,104,538	20,425,480	2,679,058
Revenues over (under) expenditures	475,175	2,132,511	1,657,336
Other financing sources (uses):			
Installment obligation issued:		43,822	
Transfers (to) from other funds:			
Tax Revaluation Fund		(41,250)	
Sports Complex Capital Projects Fund		(479,544)	
Sale of capital assets		23,609	
Total other financing sources (uses)	(475,175)	(453,363)	(21,812)

**Clay County, North Carolina
General Fund**

Schedule A

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues and other financing sources over expenditures and other financing uses	-	1,679,148	1,679,148
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>1,679,148</u>	<u>\$ 1,679,148</u>
Fund balance, beginning		6,044,585	
Restatement		<u>31,733</u>	
Fund balance, beginning restated		6,076,318	
Fund balance, ending		<u><u>\$ 7,755,466</u></u>	

Clay County, North Carolina
Tax Revaluation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
For the Year Ended June 30, 2021

Schedule B

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Earnings		\$ -	
Expenditures:			
Current:			
General government:			
Tax listing	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -
Other financing sources:			
Transfer in:			
General Fund	\$ 41,250	\$ 41,250	\$ -
Revenues and other sources over (under) expenditures	\$ 41,250	\$ 41,250	\$ -
Appropriated fund balance	\$ (41,250)	\$ -	\$ -
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	\$ 41,250	<u>\$ -</u>
Fund balance, beginning		45,193	
Fund balance, ending		<u>\$ 86,443</u>	

American Rescue Plan Act Fund

Schedule of Revenues and Expenditures - Budget and Actual

From Inception and for the Year Ended June 30, 2021

	Budget	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
American Rescue Plan Act Fund	\$ 1,090,745			
Total Revenues	1,090,745	-	-	-
Expenditures:				
General Government- Public Buildings	1,090,745	-	-	-
Total Expenditures	1,090,745	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

Clay County, North Carolina
School Capital Projects Fund-Major- Capital Building Fund Needs Based
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021
New Primary School

Schedule D

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental:					
Needs-Based Public School					
Building Capital Fund	\$ 10,212,000	\$ 6,226,846	\$ 3,585,677	\$ 9,812,523	\$ 399,477
Investment earnings	-	253	54	307	(307)
Total Revenues	\$ 10,212,000	\$ 6,227,099	\$ 3,585,731	\$ 9,812,830	\$ 399,170
Expenditures					
Clay County Primary School:					
Planning/Design	723,724	874,044	38,000	912,044	(188,320)
Construction	12,892,276	7,428,417.00	4,739,903	12,168,320	723,956
Total expenditures	13,616,000	8,302,461	4,777,903	13,080,364	535,636
Revenues under expenditures	(3,404,000)	(2,075,362)	(1,192,172)	(3,267,534)	136,466
Other financing sources (uses):					
Installment obligations issued	3,404,000	3,404,000	-	3,404,000	-
Transfers in:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	3,404,000	-	3,404,000	-
Revenues and other financing sources over uses	\$ -	\$ 1,328,638	\$ (1,192,172)	\$ 136,466	\$ 136,466
Fund balance, beginning			1,328,638		
Fund balance, ending			\$ 136,466		

Clay County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

Schedule E

	Special Revenue Funds				Capital Projects Funds				
	Emergency Telephone System Fund	Fire District Fund	Industrial Fund	Total Nonmajor Special Revenue Funds	School Capital Building Fund	Sports Complex Capital Projects Fund	911 Capital Project Building Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 346,206	\$ 15,300	\$ 88,078	\$ 449,584	\$ -	\$ -	\$ -	\$ -	\$ 449,584
Accounts receivable, net	43,008	-	-	43,008	-	-	-	-	43,008
Taxes receivable, net	-	40,509	-	40,509	-	-	-	-	40,509
Due from other funds	12,258	8,184	-	20,442	-	-	-	-	20,442
Due from other governments	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	168,428	-	168,428	168,428
Total assets	\$ 401,472	\$ 63,993	\$ 88,078	\$ 553,543	\$ -	\$ 168,428	\$ -	\$ 168,428	\$ 721,971
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	34,531	18,347	-	52,878	-	-	-	-	52,878
Due to other governments	-	-	-	-	-	-	-	-	-
Due to other funds	49,261	-	-	49,261	-	168,428	-	168,428	217,689
Total liabilities	\$ 83,792	\$ 18,347	\$ -	\$ 102,139	\$ -	\$ 168,428	\$ -	\$ 168,428	\$ 270,567
DEFERRED INFLOWS OF RESOURCES	-	40,509	-	40,509	-	-	-	-	40,509
Fund balances:									
Restricted:									
Other	-	-	88,078	88,078	-	-	-	-	88,078
Stabilization by State Statute	55,266	-	-	55,266	-	-	-	-	55,266
Public Safety	262,414	-	-	262,414	-	-	-	-	262,414
Fire Protection	-	5,137	-	5,137	-	-	-	-	5,137
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	317,680	5,137	88,078	410,895	-	-	-	-	410,895
Total liabilities, deferred inflows of resources, and fund balances	\$ 401,472	\$ 63,993	\$ 88,078	\$ 553,543	\$ -	\$ 168,428	\$ -	\$ 168,428	\$ 721,971

Clay County, North Carolina
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended June 30, 2021

Schedule F

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>				
	<u>Emergency Telephone System Fund</u>	<u>Fire District Fund</u>	<u>Industrial Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>School Capital Building Fund</u>	<u>Sports Complex Capital Projects Fund</u>	<u>911 Capital Building Fund</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES									
Ad valorem taxes	\$ -	\$ 658,844	\$ -	\$ 658,844	\$ -	\$ -	\$ -	\$ -	\$ 658,844
Other taxes and licenses	-	-	-	-	-	-	-	-	-
Restricted intergovernmental	47,761	-	-	47,761	33,600	-	90,125	123,725	171,486
Sales and services	-	-	-	-	-	-	-	-	-
Investment earnings	331	156	-	487	-	107	-	107	594
Permits and fees	-	-	-	-	-	-	-	-	-
Total revenues	<u>48,092</u>	<u>659,000</u>	<u>-</u>	<u>707,092</u>	<u>33,600</u>	<u>107</u>	<u>90,125</u>	<u>123,832</u>	<u>830,924</u>
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	-	-	-
Economic and physical development	-	-	-	-	-	-	-	-	-
Public safety	112,934	655,849	-	768,783	-	-	-	-	768,783
Human Services	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	33,600	-	-	33,600	33,600
Capital outlay	98,177	-	-	98,177	-	2,168,769	90,125	2,258,894	2,357,071
Total expenditures	<u>211,111</u>	<u>655,849</u>	<u>-</u>	<u>866,960</u>	<u>33,600</u>	<u>2,168,769</u>	<u>90,125</u>	<u>2,292,494</u>	<u>3,159,454</u>
Excess (deficiency) of revenues over expenditures	<u>(163,019)</u>	<u>3,151</u>	<u>-</u>	<u>(159,868)</u>	<u>-</u>	<u>(2,168,662)</u>	<u>-</u>	<u>(2,168,662)</u>	<u>(2,328,530)</u>
OTHER FINANCING SOURCES									
Transfer in from general	-	-	-	-	-	479,544	-	479,544	479,544
Total Other Financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,544</u>	<u>-</u>	<u>479,544</u>	<u>479,544</u>
Net change in fund balances	<u>(163,019)</u>	<u>3,151</u>	<u>-</u>	<u>(159,868)</u>	<u>-</u>	<u>(1,689,118)</u>	<u>-</u>	<u>(1,689,118)</u>	<u>(1,848,986)</u>
Fund balances, beginning	468,967	1,986	88,078	559,031	-	1,689,118	-	1,689,118	2,248,149
Restatement	11,732	-	-	11,732	-	-	-	-	11,732
Fund balance, beginning restated	<u>480,699</u>	<u>1,986</u>	<u>88,078</u>	<u>570,763</u>	<u>-</u>	<u>1,689,118</u>	<u>-</u>	<u>1,689,118</u>	<u>2,259,881</u>
Fund balances, ending	<u>\$ 317,680</u>	<u>\$ 5,137</u>	<u>\$ 88,078</u>	<u>\$ 410,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,895</u>

Clay County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Schedule G

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
E911 Funding		\$ 47,761	
Interest earned		331	
Total revenue	\$ 223,023	48,092	\$ (174,931)
Expenditures			
Implementation functions		49,201	
Phone and furniture		24,188	
Software maintenance		89,125	
Hardware maintenance		47,222	
Training		1,375	
Total expenditures	291,123	211,111	80,012
Revenues under expenditures	(68,100)	(163,019)	(94,919)
Other financing sources:			
Operating transfer in:			
General Fund	-	-	-
Appropriated fund balance	68,100	-	68,100
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(163,019)	<u>\$ (163,019)</u>
Fund balance, beginning		468,967	
Restatement		11,732	
Fund balance, beginning restated		480,699	
Fund balance, ending		<u>\$ 317,680</u>	

Fire District Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balances- Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 640,855	
Prior year		17,989	
Total		<u>658,844</u>	
Investment earnings		156	
Total revenues	<u>\$ 654,566</u>	<u>659,000</u>	<u>\$ 4,434</u>
Expenditures:			
Current:			
Public safety:			
Fire District No. 1		102,417	
Fire District No. 2		57,671	
Fire District No. 3		60,228	
Fire District No. 4		435,533	
Total expenditures	<u>654,566</u>	<u>655,849</u>	<u>(1,283)</u>
Net change in fund balance	<u>\$ -</u>	3,151	<u>\$ 3,151</u>
Fund balance, beginning		1,986	
Fund balance, ending		<u>\$ 5,137</u>	

Clay County, North Carolina
Industrial Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Schedule I

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>\$ -</u>
Other financing sources(uses):			
Operating transfer out:			
Revaluation Fund	<u>-</u>	<u>-</u>	<u>\$ -</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>-</u>	<u>\$ -</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>\$ -</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>88,078</u>	
Fund balance, ending		<u>\$ 88,078</u>	

Clay County, North Carolina
School Capital Projects Fund- Non major- Capital Building Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

Scheule J

	<u>Project Author- ization</u>	<u>Actual Current Year</u>	<u>Variance Positive (Negative)</u>
Revenues			
Restricted intergovernmental: Public School Building Capital Fund- Lottery	\$ 33,600	\$ 33,600	\$ -
Total Revenues	33,600	33,600	-
Expenditures			
Lottery Funds HMS Gym roof replacement	33,600	33,600	-
Total expenditures	33,600	33,600	-
Revenues under expenditures	-	-	-
Other financing sources (uses):			
Transfers in:			
General Fund	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other financing sources over uses	\$ -	\$ -	\$ -
Fund balance, beginning		\$ -	
Fund balance, ending		\$ -	

Clay County, North Carolina
Sports Complex Capital Project Fund- Non major
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

Schedule K

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Investment earnings	\$ -	\$ 82	\$ 107	\$ 189	\$ (189)
Total Revenues	-	82	107	189	(189)
Expenditures					
Clay County Sports Complex:					
High School ball fields	3,187,735	916,262	2,168,769	3,085,031	102,704
Total expenditures	3,187,735	916,262	2,168,769	3,085,031	102,704
Revenues under expenditures	(3,187,735)	(916,180)	(2,168,662)	(3,084,842)	102,893
Other financing sources (uses):					
Installment obligations issued	2,605,298	2,605,298	-	2,605,298	-
Transfers in:					
General Fund	582,437	-	479,544	479,544	(102,893)
Total other financing sources (uses)	3,187,735	2,605,298	(1,689,118)	3,084,842	(102,893)
Revenues and other financing sources over uses	\$ -	\$ 1,689,118	\$ (1,689,118)	\$ -	\$ -
Fund balance, beginning			1,689,118		
Fund balance, ending			\$ -		

Clay County, North Carolina

Schedule L

911 Capital Project Building Grant Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Year Ended June 30, 2021

	Budget	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 2,500,000	\$ -	\$ 90,125	\$ 90,125
Investment earnings	-	-	-	-
Total revenues	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public Safety Capital Outlay	2,500,000	-	90,125	90,125
Total expenditures	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	\$ -	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>		
Fund balance, ending		<u>\$ -</u>		

Clay County, North Carolina
Water and Sewer District Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Schedule M

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water sales:			
Residential/commerical		\$ 399,364	
Sewer charges:			
Residential/commercial		287,546	
Total	<u>646,726</u>	<u>686,910</u>	<u>40,184</u>
Water and sewer taps	<u>7,000</u>	<u>21,150</u>	<u>14,150</u>
Other operating revenues	<u>50,715</u>	<u>23,276</u>	<u>(27,439)</u>
Total operating revenues	<u>704,441</u>	<u>731,336</u>	<u>26,895</u>
Nonoperating revenues:			
Interest earnings	<u>500</u>	<u>390</u>	<u>(110)</u>
Total revenues	<u>704,941</u>	<u>731,726</u>	<u>26,785</u>
Other financing sources:			
Transfers from other funds:			
General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other financing sources	<u>704,941</u>	<u>731,726</u>	<u>26,785</u>
Expenditures:			
Administration:			
Salaries and employee benefits		264,988	
Travel		2,955	
Insurance		4,963	
Repairs		87,829	
Other operating expenditures		175,710	
Total	<u>559,500</u>	<u>536,445</u>	<u>23,055</u>
Debt service:			
Interest and other charges		18,674	
Debt principal		98,768	
Total	<u>131,441</u>	<u>117,442</u>	<u>13,999</u>

Clay County, North Carolina
Water and Sewer District Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Schedule M

	Final Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Vehicles		-	
Machinery and equipment		53,149	
Water & Sewer Line Expansion		-	
Total	<u>14,000</u>	<u>53,149</u>	<u>(39,149)</u>
 Total expenditures	 <u>704,941</u>	 <u>707,036</u>	 <u>(2,095)</u>
 Revenues and other financing sources over expenditures	 <u><u>-</u></u>	 <u>24,690</u>	 <u><u>24,690</u></u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenue and other financing sources over expenditures	<u>\$ 24,690</u>
Reconciling items:	
Debt principal	98,768
Capital outlay	53,149
Increase in deferred outflows of resources-pensions	8,391
Increase in net pension liability	(17,075)
Decrease in deferred inflows of resources- pensions	763
Increase in accrued vacation pay	(265)
Decrease in OPEB liability	5,501
Increase in deferred outflow of resources- OPEB	5,633
Decrease in deferred inflows of resources- OPEB	11,564
Depreciation	(499,642)
Total reconciling items	<u>(333,213)</u>
 Change in net position	 <u><u>\$ (308,523)</u></u>

Clay County, North Carolina
Combining Statement of Fidicairy Net Position
Custodial Funds
June 30, 2021

Schedule N

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff Trust Fund	Total Custodial Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 3,520	\$ 2,787	\$ 6,307
Taxes receivable for other governments, net	-	-	-	-
Total assets	-	3,520	2,787	6,307
LIABILITIES				
Accounts payable and accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	-	-	-	-
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	-	3,520	2,787	6,307
Total net position	\$ -	\$ 3,520	\$ 2,787	\$ 6,307

Clay County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2021

Schedule O

	<u>Municipal Tax Fund</u>	<u>Jail Inmate Fund</u>	<u>Sheriff Trust Fund</u>	<u>Total Custodial Funds</u>
ADDITIONS				
Ad valorem taxes for other governments	\$ 113,286	\$ -	\$ -	\$ 113,286
Collections on behalf of inmates/organizations	-	46,465	11,362	57,827
Total additions	<u>113,286</u>	<u>46,465</u>	<u>11,362</u>	<u>171,113</u>
DEDUCTIONS				
Tax distributions to other governments	113,286	-	-	113,286
Payments on behalf of inmates/organizations	-	47,231	21,265	68,496
Total deductions	<u>113,286</u>	<u>47,231</u>	<u>21,265</u>	<u>181,782</u>
Net Increase (decrease) in fiduciary net position	-	(766)	(9,903)	(10,669)
Net position, beginning, as previously reported	-	-	-	-
Prior period restatement- change in accounting principle	-	4,286	12,690	16,976
Net position, beginning, as restated	<u>-</u>	<u>4,286</u>	<u>12,690</u>	<u>16,976</u>
Net position, ending	<u>\$ -</u>	<u>\$ 3,520</u>	<u>\$ 2,787</u>	<u>\$ 6,307</u>

Clay County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Schedule P

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2020-2021	\$ -	\$ 8,794,960	8,607,425	\$ 187,535
2019-2020	238,286	-	128,860	109,426
2018-2019	118,591	-	52,738	65,853
2017-2018	65,653	-	23,730	41,923
2016-2017	39,398	-	11,358	28,040
2015-2016	30,874	-	9,424	21,450
2014-2015	23,710	-	4,789	18,921
2013-2014	25,141	-	4,478	20,663
2012-2013	30,405	-	4,137	26,268
2011-2012	27,881	-	3,329	24,552
2010-2011	22,737	-	3,516	19,221
	<u>622,676</u>	<u>8,794,960</u>	<u>8,853,784</u>	<u>563,852</u>

Less: allowance for uncollectible accounts:

General Fund

(119,870)

Ad valorem taxes receivable - net:

General Fund

\$ 443,982

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 8,948,864

Penalties collected on ad valorem taxes- Fines & Forfeiture Fund

599

Collections

Reconciling items:

Interest collected

(104,107)

Other adjustments

-

Taxes written off

8,428

Total reconciling items

(95,679)

Total collections and credits

\$ 8,853,784

Clay County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2021

Schedule Q

	County - wide		Amount of Levy	Total Levy	
	Property Valuation	Rate		Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	2,001,160,233	0.430%	\$ 8,604,989	\$ 7,998,479	\$ 606,510
Penalties			8,304	8,304	-
Total	2,001,160,233		8,613,293	8,006,783	606,510
Discoveries:					
Current year taxes	33,142,326	0.430%	142,512	142,512	-
Prior year taxes			49,928	49,928	-
Penalties			121	121	-
Total	33,142,326		192,561	192,561	-
Releases	(2,533,488)	0.430%	(10,894)	(10,894)	-
Total property valuation	2,031,769,070				
Net levy			8,794,960	8,188,450	606,510
Uncollected taxes at June 30, 2021			187,535	187,535	-
Current year's taxes collected			8,607,425	8,000,915	606,510
Current levy collection percentage			97.87%	97.71%	100.00%

Clay County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2021

Schedule R

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Blue Ridge Mtn EMC	Utility	22,207,014	1.093%
Ingles	Commercial Real Estate	10,138,960	0.499%
Advanced Digital Cable	Commercial Real Estate	5,085,901	0.250%
Elderberry of Hayesville LLC	Commercial Real Estate	3,377,394	0.166%
Coleman Cable	Commercial Real Estate	5,037,896	0.248%
Hendrikse Nelson J Trustee	Commercial Real Estate	4,098,990	0.202%
JWJ of Clay County LLC	Commercial Real Estate	3,829,100	0.188%
NC4 Hayesville LLC	Commercial Real Estate	3,283,430	0.162%
APAC Tennessee Inc	Commercial Real Estate	3,225,296	0.159%
Max & Margie Payne	Commercial Real Estate	<u>3,223,775</u>	<u>0.159%</u>
Total		<u><u>63,507,756</u></u>	<u><u>3.126%</u></u>

COMPLIANCE SECTION

statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph in 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses/schedule of findings and questioned costs as item 2021-1 that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Clay County's Response to Findings

Clay County's responses to the finding is identified in my audit are described in the accompanying schedule of findings and responses/ schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shawn Long, CPA

Shawn Powell Long, CPA
Hayesville, North Carolina

January 24, 2022



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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

Independent Auditor’s Report

To Management and the
Members of the Board of Commissioners
Clay County, North Carolina

Report on Compliance for Each Major Federal Program

I have audited Clay County, North Carolina’s, 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 Clay County’s major federal programs for the year ended June 30, 2021. Clay County’s major Federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of Clay County’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about Clay County's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Clay County's compliance with those requirements.

Opinion on Each Major Federal Program

In my opinion, Clay 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, 2021.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's 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 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 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Shawn Long, CPA

Shawn Powell Long, CPA
Hayesville, North Carolina
January 24, 2022



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**Report On Compliance For Each Major State Program; Report on Internal Control
Over Compliance; In accordance with OMB Uniform Guidance; and the State
Single Audit Implementation Act**

Independent Auditor's Report

To Management and the
Members of the Board of Commissioners
Clay County, North Carolina

Report on Compliance for Each Major State Program

I 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 Clay County's major state programs for the year ended June 30, 2021. Clay County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Clay County's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could

have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Clay County's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of Clay County's compliance.

Opinion on Each Major State Program

In my opinion, Clay 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, 2021.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major state program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's 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 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Shawn Long, CPA

Shawn Powell Long, CPA
Hayesville, North Carolina

January 24, 2022

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section I.- Summary of Auditor's Results

Financial Statements

Type of report the auditor 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) X Yes ___ 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) identified ___ Yes X None reported

Type of auditor's 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:

20.509	Nonurbanized Area Formula Program
21.019	Coronavirus Relief Fund

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

Auditee qualify as low-risk auditee? X Yes No

State Awards

Internal control over major federal programs:

* Material weakness(es) identified? Yes X No

*Significant Deficiency(s) identified Yes X None reported

Type of auditor's report issued on compliance for major State programs: Unmodified

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

Identification of major State programs:

Program Name
Public School Building Capital Fund- Lottery and Needs Based Lottery

Section II.- Financial Statement Findings

SIGNIFICANT DEFICIENCY

2021-001 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or a control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions with regards to inmate funds are not segregated at the Detention Center.

Questioned Costs: \$3,521.63 for the current fiscal year and \$3,350.51 for the prior fiscal year.

Context: Observed daily collections report generated by the inmate funds accounting software for the entire current and previous fiscal year and compared to bank statements for the same period.

Effect: Based on daily collection reports for the current fiscal year, \$46,465.18 was collected for the benefit of inmates. Total bank deposits for the same period were \$42,943.55. For the previous fiscal year total collections were \$43,782.25 and bank deposits were \$40,431.74.

Cause: There is a limited number of personnel for certain functions and lack of department oversight.

Recommendation: The duties should be separated as much as possible and the department should utilize alternative controls. The bank reconciliation should be prepared by someone outside of the detention center which is offered by the software vendor at no additional charge to the County.

View of responsible officials and planned corrective actions: The County and the Sheriff's office agree with the finding and will adhere to the corrective action plan on page 117.

Section III.- Federal Award Findings and Questioned Costs

None reported

Section IV.- State Award Findings and Questioned Costs

None reported

CLAY COUNTY

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

Corrective Action Plan

For the Fiscal Year Ended June 30,2021

Section II—Financial Statement Findings

MATERIAL WEAKNESS

2021 -001 Segregation of Duties

Name of contact person: Robert Deese II, Clay County Sheriff

Corrective Action: Duties and functions will be reviewed to determine where segregation needs to occur. The duties will be separated as much as possible and alternative controls will be implemented to compensate for the lack of segregation. Bank reconciliations are now being prepared by Kimbles, an outside accounting resource, at no additional cost to the county. Additionally, bank reconciliations are being reviewed by the administrative offices of the Sheriff's Department.

Proposed Completion Date: The Department has already implemented the above procedures as of the date this report was issued.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV –State Award Findings and Question Costs

None reported.

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COMMISSIONERS

CHAIRMAN: DR. ROB PECK

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

CLAY COUNTY

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

CLAY COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021

Finding:	2018-001
Status:	Corrected
Finding:	2018-002
Status:	Corrected
Finding:	2017-001
Status:	Corrected
Finding:	2017-002
Status:	Corrected
Finding:	2017-003
Status:	Corrected
Finding:	2016-1
Status:	Corrected
Finding:	2015-1
Status:	Corrected
Finding:	2014-001
Status:	Corrected

COMMISSIONERS

CHAIRMAN: DR. ROB PECK

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

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Sub-Recipients</u>	<u>Local Expenditures</u>
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assist. Program	10.561	XXXX	96,899	-		96,899
Total Food Stamp Cluster			96,899	-		96,899
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	68,314	-		-
Total Women, Infants & Children			68,314	-		-
Total U.S. Department of Agriculture			165,213	-		96,899
<u>U.S. Department of Justice</u>						
Passed-through the N.C. Dept. of Public Safety:						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	XXXX	27,699			
<u>U.S. Dept. of Transportation</u>						
Passed-through the N.C. Department of Transportation:						
Nonurbanized Area Formula Program	20.509	XXXX	165,646	-		-
Nonurbanized Area Formula Program- Cares Funds	20.509	XXXX	412,995	-		-
Total U.S. Department of Transportation			578,641	-		-
<u>U.S. Department of Treasury</u>						
Passed-through the Office of State Budget and Management:						
NC Pandemic Recovery Office						
Coronavirus Relief Fund	21.019	XXXX	225,595		-	
Passed-through NC Department of Health/Human Services						
Division of Public Health						
COVID-19 Coronavirus Relief Fund 4	21.019	XXXX	32,723			
Total U.S. Department of Treasury			258,318		-	

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Sub-Recipients</u>	<u>Local Expenditures</u>
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Dept. of Crime Control and Public Safety:						
Division of Emergency Management						
Emergency Management Performance Grants	97.042	XXXX	39,378	-		-
Total U. S. Department of Homeland Security			39,378	-		-
<u>U.S. Dept. of Health & Human Services</u>						
<u>Administration on Aging</u>						
<u>Division of Aging and Adult Services</u>						
Passed-through Southwestern NC Planning & Economic Dev Comm:						
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	73,703	4,304		-
Special Programs for the Aging- Title III-C Nutrition Services	93.045	XXXX	60,989	3,562		
COVID 19 Nutrition Services	93.045	XXXX	48,275			
Nutrition Services Incentive Program	93.053	XXXX	5,678	-		-
Total Aging Cluster			188,645	7,866		-
<u>Administration for Children and Families</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E	93.658	XXXX	119,442	6,424		113,011
Foster Care	93.658	XXXX	48,740			62,654
Adoption Assistance- Training	93.659	XXXX	3,441	-		3,441
Direct benefits:						
Foster Care- Title IV-E	93.658		104,523	26,305	-	22,368
Total Foster Care and Adoption Cluster			276,146	32,729		201,474
Division of Social Services						
Work First Administration and Service	93.558	XXXX	84,817	-		43,345
Division of Public Health						

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Sub-Recipients</u>	<u>Local Expenditures</u>
Temporary Assistance for Needy Families	93.558	XXXX	534			
Total TANF Cluster			85,351	-	-	43,345
Division of Social Services						
Child Support Enforcement	93.563	XXXX	240,217	33		123,714
Refugee and Entrant Assistance- State/ Replacement Designee Administered Programs	93.566	XXXX	78			
Low-Income Home Energy Assistance Block Grant: Administration	93.568	XXXX	7,650	-		-
Energy Assistance Payments	93.568	XXXX	50,887	-		-
Crisis Intervention Program	93.568	XXXX	42,910			
LIEAP COVID 19	93.568	XXXX	47,061			
LIEAP COVID 19 Adm	93.568	XXXX	2,833	-		-
Total Low-Income Home Energy Assistance			151,341			
Family Preservation	93.556	XXXX	11,009	-		-
Child Welfare Services - State Grants						
- Permanency Planning - Families for Kids	93.645	XXXX	2,204	-		744
LINKS Independent Living Grant	93.674	XXXX	480	120		-
John H. Chafee Foster Care Program for Successful Transition to Adulthood- Direct Benefit Payments	93.674	XXXX	725			
Division of Aging and Adult Services:						
Division of Social Services:						
Social Service Block Grant	93.667	XXXX	104,100	-		1,459
SSBG - Other Services and Training	93.667	XXXX	50,259	-		16,753
Total Social Service Block Grant			154,359			18,212
Division of Child Development and Early Education:						
Subsidized Child Care						
<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 Cluster			80,000	-	-	-
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Medical Assistance:						
Division of Social Services:						

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Sub-Recipients</u>	<u>Local Expenditures</u>
Administration:						
Medical Assistance Program	93.778	XXXX	416,962	141		170,540
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	10,682	94		2,055
Passed through NC Dept. of Health and Human Services						
Division of Public Health						
Family Planning Services	93.217	XXXX	25,841	-		-
Public Health Emergency Preparedness	93.069	XXXX	27,459			
Cancer Prevention and Control Programs for State,	93.898	XXXX	3,250	-		-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	XXXX	72,827	-		-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	XXXX	100			
Immunization Cooperative Agreements	93.268	XXXX	47,214			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	XXXX	50	-		-
Injury Prevention and Control Research and State and Community Based Programs	93.136	XXXX	91,540			
Preventive Health and Health Services Block Grant	93.991	XXXX	30,607			
Maternal and Child Health Services Block Grant	93.994	XXXX	33,170	3,442		-
Total U.S. Department of Health & Human Services			1,950,257	44,425	0	560,084
<i>Total federal awards</i>			\$ 3,019,506	\$ 44,425	\$ -	\$ 656,983
State Awards:						
<u>N.C. Department of Information Technology</u>						
N.C. 911 Board						
911 Facility Grant		XXXX		90,125		
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services:						
St SHLD Welfare/CPS/CS		XXXX		17,848		-
SFHF Maximization- direct benefits		XXXX		27,532		27,532
County Funded Programs		XXXX		-		374,586
Non Allocating County Cost		XXXX		-		131,112

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Sub-Recipients</u>	<u>Local Expenditures</u>
Wrk Frt Non Reimbursable		XXXX		-		222,714
COVID 19 APS/CPS Care COVID 19		XXXX		18,279		
Extended FC/Max Non IV-E- direct benefits		XXXX		1,100		
FC At Risk Maximization- direct benefits		XXXX		3,914		1,414
FC Stipend- direct benefits		XXXX		9,400		
State Foster Home- direct benefits		XXXX		20,587		20,587
Total Division of Social Service			-	98,660		777,945
Division of Public Health						
Other Receipts/State Supported Expenditures						
Aid to Counties		XXXX		76,226		-
Food and Lodging Fees		XXXX		4,725		
Family Planning- State		XXXX		15,317		
Maternal Health		XXXX		1,066		
Women Health Service Fund		XXXX		4,742		
Tuberculosis Control		XXXX		1,210		
Healthy Community Activities		XXXX		3,747		
Child Health		XXXX		1,090		
STD Drugs		XXXX		41		
Breast and Cervical Cancer Control		XXXX		5,200		
General Communicable Disease Control		XXXX		11,294		-
HIV/STD State		XXXX		500		
School Nurse Funding Initiative		XXXX		50,000		-
Total Division of Public Health			-	175,158	-	-
Total N. C. Department of Health and Human Services			-	273,818	-	777,945
Department of Public Safety						
Juvenile Crime Prevention Programs		XXXX	-	64,254	-	-

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass- through Grantor's Number	Federal Direct & Pass- through Expenditures	State Expenditures	Passed through to Sub- Recipients	Local Expenditures
<u>Department of Transportation</u>						
Highway Construction Program Capital		51081.6.4.3		7,208		
Highway Construction Program		36233.27.22.1		6,748		
Total Department of Transportation				13,956		
<u>Department of Public Instruction</u>						
Public School Building Capital Fund-Lottery Proceeds		XXXX		33,600	33,600	
Public School Building Capital Fund- Needs Based		XXXX		3,585,677	3,585,677	-
Total Department of Public Instruction				3,619,277	3,619,277	
<u>N.C. Department of Insurance</u>						
Shiip Grant		XXXX	-	4,627		
Total State awards			-	4,066,057	3,619,277	777,945
Total federal and State awards			\$ 3,019,506	\$ 4,110,482	\$ 3,619,277	\$ 1,434,928

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

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, 2021. 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.

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.

3. **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.

4. **Indirect Cost Rate**

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

CLAY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass- through Grantor's Number</u>	<u>Federal Direct & Pass- through Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Sub- Recipients</u>	<u>Local Expenditures</u>
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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.

<u>Program Title</u>	<u>CFDA No.</u>	<u>Federal</u>	<u>State</u>
Special Supplemental Nutrition Program for Women Infants and children	10.557	130,640	-
Supplemental Nutrition Assistance Program	10.551	4,081,821	
Temporary Assistance for Needy Families	93.558	15,975	
Adoption Assistance	93.659	57,288	10,631
Medical Assistance Program	93.778	14,554,462	5,724,118
Children's Health Insurance Program	93.767	109,376	21,349
Child Welfare Services Adoption			28,529
SAA/SAD HB 1.43/1105			28,251
State/County Special Assistance program			66,703