

**CITY OF CLAYTON
CLAYTON, GEORGIA**

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2021**

CITY OF CLAYTON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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November 3, 2022

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S OPINION

To the Mayor and City Commission
City of Clayton
Clayton, Georgia

Report on the Financial Statements

I have audited the accompanying financial statements of the government activities, the business-type activities, the aggregate discretely presented component units, and each major fund, and the remaining aggregate remaining fund information of the City of Clayton, Georgia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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 of these financial statements based on my audit. 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 of material misstatement.

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 judgement, 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 purpose of expressing an opinion of 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, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Clayton, Georgia as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussions and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements it 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. My opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States also requires that the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions on pages 31-33 and budgetary comparison information on pages 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquires 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 by 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 assurances.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clayton's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.O.A 48-8-121 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Special Purpose Local Option Sales Tax is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 the reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion the Schedule of Expenditures of Special Purpose Local Option Sales Tax is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2022, on my consideration of the City of Clayton's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Jack P. Green, Jr. CPA
Toccoa, Georgia

BASIC FINANCIAL STATEMENTS

CITY OF CLAYTON
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT 1

	Governmental	Business-Type	Total	Component Unit Downtown Development Authority
<u>ASSETS</u>	<u>Activities</u>	<u>Activities</u>		
Cash	\$ 3,061,618	\$ 2,024,210	\$ 5,085,828	\$ 16,683
Cash Restricted	6,730	-	6,730	
Accounts Receivable	2,386	133,956	136,342	
Reimbursement due from FEMA	29,338	-	29,338	
Internal Balances	1,651,975	(1,651,975)	-	
Capital Assets				
Land	40,781	449,292	490,073	
Construction in Progress	-	2,422,364	2,422,364	
Depreciable Assets, Net	354,620	4,532,765	4,887,385	
Total Assets	\$ 5,147,448	\$ 7,910,612	\$ 13,058,060	\$ 16,683
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	\$ 292,834	\$ 157,625	\$ 450,459	\$ -
<u>LIABILITIES</u>				
Accounts Payable	\$ 148,823	\$ 116,380	\$ 265,203	\$ -
Deposits	-	217,654	217,654	
Unearned Revenues	114,798	-	114,798	
Escrowed Funds	7,658	-	7,658	
Construction Loan	-	1,338,341	1,338,341	
Compensated Absences	-	23,833	23,833	
Long-Term Debt				
Due Within One Year	-	201,440	201,440	
Due Beyond One Year	-	614,515	614,515	
Net Pension Liability,				
Due in more than one Year	247,773	133,370	381,143	
Total Liabilities	\$ 519,052	\$ 2,645,533	\$ 3,164,585	\$ -
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Related Items	\$ 383,361	\$ 206,354	\$ 589,715	\$ -
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 395,401	\$ 5,243,851	\$ 5,639,252	\$ -
Restricted for Police Equipment	6,730	-	6,730	-
Restricted for Economic Development	760	-	760	-
Restricted for Capital Outlay	2,179,418	-	2,179,418	-
Unrestricted	1,955,560	(27,501)	1,928,059	16,683
Total Net Position	\$ 4,537,869	\$ 5,216,350	\$ 9,754,219	\$ 16,683

The accompanying notes are an integral part of these statements

EXHIBIT 2

CITY OF CLAYTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expenses) Revenue & Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Government Activities								
General Government	\$ 423,089	\$ 121,305	\$ -	\$ 639,716	\$ 337,932	\$ -	\$ 337,932	
Judicial	129,908	-	-	-	(129,908)	-	(129,908)	
Police	1,030,187	324,020	-	51,869	(654,298)	-	(654,298)	
Streets and Sanitation	596,772	52,177	-	1,331,728	787,133	-	787,133	
Economic Development	62,402	-	-	-	(62,402)	-	(62,402)	
Total Government Activities	\$ 2,242,358	\$ 497,502	\$ -	\$ 2,023,313	\$ 278,457	\$ -	\$ 278,457	
Business-Type Activities								
Water and Wastewater	3,686,511	3,488,892	-	-	-	(197,619)	(197,619)	
City Hall Complex	41,541	27,715	-	-	-	(13,826)	(13,826)	
Total Primary Government	\$ 5,970,410	\$ 4,014,109	\$ -	\$ 2,023,313	\$ 278,457	\$ (211,445)	\$ 67,012	
Component Unit DDA	\$ 13,464	\$ -	\$ 15,162				\$ 1,698	
General Revenues								
Taxes:								
Property					\$ 886,799	\$ -	\$ 886,799	\$ -
Intangible and Transfer					21,610	-	21,610	
Franchise					234,221	-	234,221	
Accommodations					140,448	-	140,448	
Beer, Wine and Alcohol					235,813	-	235,813	
Motor Vehicle					68,843	-	68,843	
Insurance Premium					161,988	-	161,988	
Unrestricted Investment Earnings					914	1,987	2,901	
Miscellaneous					37,986	3,331	41,317	
Total General Revenues	\$ 1,788,622				\$ 1,788,622	\$ 5,318	\$ 1,793,940	\$ -
Change in Net Position	\$ 2,067,079				\$ 2,067,079	\$ (206,127)	\$ 1,860,952	\$ 1,698
Transfers					-	-	-	-
Change in Position after Transfers					\$ 2,067,079	\$ (206,127)	\$ 1,860,952	\$ 1,698
Net Position Beginning of Year					2,470,790	5,422,477	7,893,267	14,985
Net Position End of Year	\$ 4,537,869				\$ 4,537,869	\$ 5,216,350	\$ 9,754,219	\$ 16,683

The accompanying notes are an integral part of these statements.

**CITY OF CLAYTON
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2021**

EXHIBIT 3

	<u>General Fund</u>	<u>Hotel Motel</u>	<u>SPLOST 2019</u>	<u>Special Rev ARPA</u>	<u>Total</u>
ASSETS					
Cash	\$ 766,642	\$ 760	\$ 2,179,418	\$ 114,798	\$ 3,061,618
Cash Restricted	6,730	-	-	-	6,730
Accounts Receivable	2,386	-	-	-	2,386
Reimbursement due from FEMA	29,338	-	-	-	29,338
Due from Water and Sewer Fund	380,445	-	-	-	380,445
Due from City Complex Fund	1,271,530	-	-	-	1,271,530
TOTAL ASSETS	<u>\$ 2,457,071</u>	<u>\$ 760</u>	<u>\$ 2,179,418</u>	<u>\$ 114,798</u>	<u>\$ 4,752,047</u>
LIABILITIES					
Accounts Payable	\$ 148,823	\$ -	\$ -	\$ -	\$ 148,823
Unearned Revenue	-	-	-	114,798	114,798
Escrowed Funds	7,658	-	-	-	7,658
TOTAL LIABILITIES	<u>\$ 156,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,798</u>	<u>\$ 271,279</u>
FUND BALANCES					
Restricted Police Funds	\$ 6,730	\$ -	\$ -	\$ -	\$ 6,730
Restricted for Economic Development	-	760	-	-	760
Restricted for Capital Outlay	-	-	2,179,418	-	2,179,418
Unassigned	2,293,860	-	-	-	2,293,860
TOTAL FUND BALANCE	<u>\$ 2,300,590</u>	<u>\$ 760</u>	<u>\$ 2,179,418</u>	<u>\$ -</u>	<u>\$ 4,480,768</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,457,071</u>	<u>\$ 760</u>	<u>\$ 2,179,418</u>	<u>\$ -</u>	<u>\$ 4,752,047</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLAYTON
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2021**

EXHIBIT 3

Adjustments to the Statement of Net Position

Fund Balance	\$ 4,480,768
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	395,401
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The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.	(338,300)
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Liabilities that are not due and payable in the current period and therefore are not reported in the funds but are reported on the government-wide statement of net assets	
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Net Position of Governmental Activities (Exhibit 1)	<u>\$ 4,537,869</u>
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The accompanying notes are an integral part of this statement.

**CITY OF CLAYTON
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

EXHIBIT 4

	General Fund	Hotel Motel	SPLOST 2019	Total Government Funds
REVENUES				
Taxes	\$ 1,609,275	\$ 140,448	\$ -	\$ 1,749,723
Intergovernmental	35,005	-	1,988,308	2,023,313
Licenses and Permits	121,305	-	-	121,305
Fines and Forfeitures	324,020	-	-	324,020
Charges for Services	52,177	-	-	52,177
Miscellaneous	38,899	-	-	38,899
TOTAL REVENUES	<u>\$ 2,180,681</u>	<u>\$ 140,448</u>	<u>\$ 1,988,308</u>	<u>\$ 4,309,437</u>
EXPENDITURES				
CURRENT:				
General Government	\$ 415,706	\$ -	\$ 66,780	\$ 482,486
Judicial	129,908	-	-	129,908
Police	982,511	-	46,792	1,029,303
Streets and Sanitation	566,228	-	-	566,228
Economic Development	-	62,402	-	62,402
TOTAL EXPENDITURES	<u>\$ 2,094,353</u>	<u>\$ 62,402</u>	<u>\$ 113,572</u>	<u>\$ 2,270,327</u>
EXCESS REVENUES OVER EXPENDITURES	<u>\$ 86,328</u>	<u>\$ 78,046</u>	<u>\$ 1,874,736</u>	<u>\$ 2,039,110</u>
OTHER FINANCING SOURCES USES				
Transfers	78,047	(78,047)	-	-
NET CHANGE IN FUND BALANCES	<u>\$ 164,375</u>	<u>\$ (1)</u>	<u>\$ 1,874,736</u>	<u>\$ 2,039,110</u>
FUND BALANCE, JULY 1, 2020	<u>2,136,215</u>	<u>761</u>	<u>304,682</u>	<u>2,441,658</u>
FUND BALANCE, JUNE 30, 2021	<u><u>\$ 2,300,590</u></u>	<u><u>\$ 760</u></u>	<u><u>\$ 2,179,418</u></u>	<u><u>\$ 4,480,768</u></u>
Adjustments to the Statement of Activities				
Net Change in Fund Balance				\$ 2,039,110
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and as depreciation expense this is the difference between depreciation expense and capital outlays in the current period.				
Depreciation Expense				(48,149)
Capital Outlays				120,971
Expenses reported in the statement of activities that do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Deferred Outflow \$ - 464,390 Deferred Inflows \$ -50,956 Pension Liability \$ 470,493.				
				(44,853)
Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position				
				-
Change in Net Position of Governmental Activities (Exhibit 2)				<u><u>\$ 2,067,079</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF CLAYTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

EXHIBIT 5

ASSETS	Water and		
CURRENT ASSETS	Wastewater Fund	City Hall Complex	Totals
Cash on Hand and in Bank	\$ 1,974,945	\$ 49,265	\$ 2,024,210
Accounts Receivable	133,956	-	133,956
Total Current Assets	<u>\$ 2,108,901</u>	<u>\$ 49,265</u>	<u>\$ 2,158,166</u>
 NONCURRENT ASSETS			
Capital Assets			
Land	\$ 41,100	\$ 408,192	\$ 449,292
Construction in Progress	2,422,364	-	2,422,364
Other Capital Assets, Net	3,554,074	978,691	4,532,765
Total Noncurrent Assets	<u>6,017,538</u>	<u>1,386,883</u>	<u>7,404,421</u>
 TOTAL ASSETS	<u><u>\$ 8,126,439</u></u>	<u><u>\$ 1,436,148</u></u>	<u><u>\$ 9,562,587</u></u>
 DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	<u>\$ 157,625</u>	<u>\$ -</u>	<u>\$ 157,625</u>
 LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Accounts Payable	\$ 116,380	\$ -	\$ 116,380
Customer Deposits	217,654	-	217,654
Current Portion Long-Term Debt	201,440	-	201,440
Construction Loan	1,338,341	-	1,338,341
Compensated Absences	23,833	-	23,833
Due to General Fund	380,445	1,271,530	1,651,975
Total Current Liabilities	<u>\$ 2,278,093</u>	<u>\$ 1,271,530</u>	<u>\$ 3,549,623</u>
 NONCURRENT LIABILITIES			
Bonds Payable	\$ 614,515	\$ -	\$ 614,515
Net Pension Liability	133,370	-	133,370
Total Noncurrent Liabilities	<u>\$ 747,885</u>	<u>\$ -</u>	<u>\$ 747,885</u>
 TOTAL LIABILITIES	<u><u>\$ 3,025,978</u></u>	<u><u>\$ 1,271,530</u></u>	<u><u>\$ 4,297,508</u></u>
 DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	<u>\$ 206,354</u>	<u>\$ -</u>	<u>\$ 206,354</u>
 NET POSITION			
Net Investment in Capital Assets	\$ 3,856,968	\$ 1,386,883	\$ 5,243,851
Unrestricted	1,194,764	(1,222,265)	(27,501)
Total Net Position	<u>\$ 5,051,732</u>	<u>\$ 164,618</u>	<u>\$ 5,216,350</u>

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON
STATEMENT OF REVENUES, EXPENSE AND FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT 6

	Water and Wastewater Fund	City Hall Complex	Total
OPERATING REVENUES			
Charges for services	\$ 3,488,892	\$ -	\$ 3,488,892
Rents	-	27,715	27,715
Total Operating Revenues	<u>\$ 3,488,892</u>	<u>\$ 27,715</u>	<u>\$ 3,516,607</u>
OPERATING EXPENSES			
Water Purchases	\$ 1,301,781	\$ -	\$ 1,301,781
Water Distribution	1,049,413	-	1,049,413
Wastewater Collection	505,471	-	505,471
Wastewater Treatment	451,524	-	451,524
Repairs and Maintenance	-	15,045	15,045
Depreciation	347,560	26,496	374,056
Total Operating Expenses	<u>\$ 3,655,749</u>	<u>\$ 41,541</u>	<u>\$ 3,697,290</u>
Operating Income	<u>\$ (166,857)</u>	<u>\$ (13,826)</u>	<u>\$ (180,683)</u>
Non Operating Revenue (Expenses)			
Interest Income	\$ 1,984	\$ 3	\$ 1,987
Grants	-	-	-
Other Revenue	3,162	169	3,331
Interest Expense	(30,762)	-	(30,762)
Total Non Operating Revenue	<u>\$ (25,616)</u>	<u>172</u>	<u>\$ (25,444)</u>
Change in Net Position Before Transfers	<u>\$ (192,473)</u>	<u>\$ (13,654)</u>	<u>\$ (206,127)</u>
Transfers	-	-	-
Change in Net Position After Transfers	<u>\$ (192,473)</u>	<u>\$ (13,654)</u>	<u>\$ (206,127)</u>
Net Position Beginning	<u>5,244,205</u>	<u>178,272</u>	<u>5,422,477</u>
Net Position Ending	<u><u>\$ 5,051,732</u></u>	<u><u>\$ 164,618</u></u>	<u><u>\$ 5,216,350</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF CLAYTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

EXHIBIT 7

	Water and Wastewater Fund	City Hall Complex	Total
CASH FLOWS FOR OPERATING ACTIVITIES			
Receipts from Customer	\$ 3,481,422	\$ 27,715	\$ 3,509,137
Payments to Suppliers	(2,718,670)	(15,045)	(2,733,715)
Payments to Employees	(456,948)	-	(456,948)
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u>\$ 305,804</u>	<u>\$ 12,670</u>	<u>\$ 318,474</u>
CASH FROM INVESTING ACTIVITIES			
Interest Earned	<u>\$ 1,984</u>	<u>\$ 3</u>	<u>\$ 1,987</u>
CASH FROM NONCAPITAL FINANCING ACTIVITIES			
Increase Due from General Fund	<u>\$ 25,580</u>	<u>-</u>	<u>\$ 25,580</u>
NET CASH PROVIDED FROM NONCAPITAL FINANCING	<u>\$ 25,580</u>	<u>-</u>	<u>\$ 25,580</u>
CASH FLOWS FOR CAPITAL RELATED FINANCING			
Interest Expense	\$ (30,762)	\$ -	\$ (30,762)
Decrease in Notes Payable	(102,712)	-	(102,712)
Increase in Construction Loans	-	-	-
Grants	-	-	-
Constructions in Progress	(239,957)	-	(239,957)
Other Revenue	3,162	170	3,332
Increase in Other Capital Assets	-	-	-
NET CASH FOR CAPITAL RELATED FINANCING	<u>\$ (370,269)</u>	<u>\$ 170</u>	<u>\$ (370,099)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>\$ (36,901)</u>	<u>\$ 12,843</u>	<u>\$ (24,058)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,011,846</u>	<u>36,422</u>	<u>2,048,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,974,945</u></u>	<u><u>\$ 49,265</u></u>	<u><u>\$ 2,024,210</u></u>
Reconciliation of Operating Income to Amounts Provided by Operating Activities			
Operating Income (Loss)	<u>\$ (166,857)</u>	<u>\$ (13,826)</u>	<u>\$ (180,683)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided For Operating Activities			
Depreciation	\$ 347,560	\$ 26,496	\$ 374,056
Increase in Accounts Receivable	(48,815)	-	(48,815)
Decrease in Accounts Payable	110,525	-	110,525
Increase in Compensated Absences	6,389	-	6,389
Net Pension Liability	(274,019)	-	(274,019)
Deferred Inflows for Pension Items	17,820	-	17,820
Deferred Outflow for Pension Items	271,856	-	271,856
Increase in Customer Deposits	41,345	-	41,345
TOTAL ADJUSTMENTS	<u>\$ 472,661</u>	<u>\$ 26,496</u>	<u>\$ 499,157</u>
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u><u>\$ 305,804</u></u>	<u><u>\$ 12,670</u></u>	<u><u>\$ 318,474</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON
STATEMENT OF NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2021

EXHIBIT 8

Assets

Investments

Trust Account	<u>\$ 1,018,657</u>
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Liabilities and Net Assets

Liabilities

Accounts Payable	\$ -
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Other Payables	<u>-</u>
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Total Liabilities	<u>\$ -</u>
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Net Position Held in Trust for Pension Benefits	<u>\$ 1,018,657</u>
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The accompanying notes are an integral part of this statement.

**CITY OF CLAYTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

EXHIBIT 9

Additions

Investment Income	\$ 178,491
Less: Managaement/Admin. Fees	<u>-</u>
Net Investment Income	\$ 178,491

Employer Contribution 148,000

Deductions

Benefit Payments (Gross) (296,435)

Changes in Net Position \$ 30,056

Net Position Beginning of Year 988,601

Net Position End of the Year \$ 1,018,657

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of Clayton operates under a mayor-council form of Government. The city's combined financial statements include the accounts of all the city operations.

The financial statements of the City of Clayton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, includes whether:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

The Downtown Development Authority of the City of Clayton is a corporate and political body created and existing under the laws of the State of Georgia. The Authority was established for the general purpose of promoting the economic and general welfare through the revitalization of downtown Clayton. The governing board of the Authority is appointed by the City Commission. The Authority did not adopt an annual budget. The Authority is reported as a component unit of the City. Additional information on the Authority can be obtained from the City.

Related organizations:

The Clayton Housing Authority administers Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the Governing Board are appointed by the City Commission. The City has no significant influence over the management, budget, or policies of the Clayton Housing Authority. The Authority reports independently.

B. Basis of Presentation – Fund Accounting

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The statement, known as the "Reporting Model" statement, affects the way the City prepares financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction. The government-wide Statement of Activities reflects both the gross and net cost per functional category (recreation, public safety, streets and sanitation, etc.) which is otherwise being supported by general government revenues (property, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, recreation, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental funds are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, reconciliation is presented which briefly explains the adjustment necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

The focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports. (MD&A is not included in this report).

Government-Wide Financial Statements – The government-wide financial statements include a statement of Net Position and a statement of activities. These statements report financial information for the City as a whole but do not include the fiduciary funds nor component units that are fiduciary in nature,

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and other capital assets, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Schedule of Net Position – The Schedule of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Schedule of Net Position and will report depreciation expense-the cost of "using up" capital assets-in the Schedule of Activities. The Net Position of a government

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

will be broken down into three categories 1) net investment in capital assets, net of related debt: 2) restricted: and 3) unrestricted.

Schedule of Program Activities – The new government-side statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objective in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. This fund is used to account for all financial transactions and resources except those required to be accounted or in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

The Hotel-Motel Fund is set up to report transactions related to the 5% Hotel-Motel Tax. This fund is classified a major fund.

The SPLOST Capital Projects Fund accounts for the funds from the City's portion of the Rabun County Special Purpose Local Option Sales Tax. This is a major fund.

The ARPA Special Revenue Fund accounts for the monies received under the American Rescue Plan Act funded by the federal government. These funds were advanced to the City and were recorded as a liability, Unearned Revenue. When the City spends the funds on eligible expenditures, these funds will be recognized as revenue. This is a major fund.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those found in the private sector. All assets, liabilities, equities, revenues, expense, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Subsidies and grants to proprietary funds, which finance either capital or current operations, are recorded as non-operating revenue when earned. Operating expenses include cost of service as well as, materials, contracts, personnel, and depreciation. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

The City's proprietary funds are classified as enterprise funds. The following are the City's major enterprise funds.

Water and Sewerage System Enterprise Fund – This major enterprise fund is used to account for the operations of the area wide water treatment and distribution system and wastewater collection and treatment primarily within the City limits and two other municipalities.

City Hall Complex Enterprise Fund – This major enterprise fund is used to manage and account for the operations of the buildings and land attached to City Hall. The city departments that use the City Hall pay rent to retire the debt service and maintain the City Hall Complex. Outside nonprofit and governmental agencies also rent space in the City Hall Complex.

3. Fiduciary Funds

Fiduciary fund reporting focuses on Net Position. The City's fiduciary funds include its single employer pension trust fund. The pension trust fund is the "City of Clayton Employees Retirement Plan".

4. Policy of Using Restricted Resources

The City first applies restricted resources when an expense for purposes for which both restricted and unrestricted net assets are available.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of Net Position and statements of activities, all proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General Fund and Hotel Motel Fund are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The statements of Net Position, statements of activities, and financial statements of the proprietary funds and the fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

D. Budgets and Budgetary Accounting

The City Commission annually adopts budgets for the General Fund of the Primary Government. All appropriations are legally controlled at the departmental level for the General Fund. On May 20, 2020 the City Commission adopted the original budget, this budget was not amended.

Expenditures may not legally exceed appropriations at the department level. Transfers within departments may be approved by the City Clerk. Transfers between departments may be approved by the City Commission. A supplementary budget appropriation would be necessary to support expenditures in excess of the annual appropriated budget.

The budgets are integrated into the accounting system, and the budgetary, as presented in financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year. Encumbrances represent commitments related to unperformed contracts for goods or services.

Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion other applicable appropriation is not utilized by the City of Clayton.

E. Cash and Investments

Cash includes amounts in demand deposits. State statutes include certificates of deposit and bank money market accounts within its definition of investments and this is the manner in which they are presented on the balance sheet. State statutes authorize the City to invest only in obligations of the United States and of its agencies and instrumentalities, or bonds or certificates of indebtedness of the State of Georgia and of its agencies and instrumentalities, or certificates of deposit of banks which have deposits insured by the FDIC with any uninsured cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

H. Inventories

It is the City’s policy to expense parts as they are purchased. No inventory is recorded due to lack of materiality.

I. Prepaid Expenses

Prepaid expenses are recognized as expenses during the benefiting period in proprietary funds.

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

J. Capital Assets

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent of the City's capitalization threshold is met. The City capitalizes asset purchase valued at \$5,000 or more. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at their estimated fair market value on the date donated.

The estimated useful lives are as follows:

Buildings	20-40 years
Utility Plant and	15-30 years
Equipments	5-10 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sales or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

K. Ad Valorem Taxes

The City levied property taxes on November 20, 2020 the due date for these taxes was January 20, 2021 and the lien date was the following June 20. Taxes are collected through the year. Receivables are recorded when the tax is levied.

The net 2020 property assessment is \$ 249,666,988, real property and personal property. The 2020 property was taxed at 8.769 mills on 40 % of appraised value and the tax due before errors and omissions was \$ 871,790.

L. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the Government-wide Statement of Net Position. Long-term debt is not reported for governmental activities in the fund financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in both the government-wide and fund financial statements.

M. Fund Equity/Net Position

In the Government-wide Financial Statements, Net Position is classified in the following categories: Net Investment in Capital Assets, - This category groups all capital assets into one component of Net Position. Accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category. Restricted Net Position – This category presents external restrictions imposed by bond ordinances. Unrestricted Net Position – This category represents the Net Position of the City, which are not restricted for any project or other purpose.

Fund equity at the governmental fund financial reporting level is classified as "fund balance."
Fund equity for all other reporting is classified as "Net Position."

Fund Balance- Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

- **Nonspendable-** Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted-** Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed-** Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.
- **Assigned-** Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee or the City's finance director to assign fund balances.
- **Unassigned-** Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions- When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position- Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e. the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net Position are reported as restricted as described in the fund balance section above. All other Net Position are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

N. Internal Activity

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of Interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

O. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Program Revenues

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.

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 City enterprise fund are charges to customers for sales, services and rent. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

R. Accumulated unpaid vacation and other employee benefit amounts

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts are not accrued in governmental funds (using the modified accrual basis of accounting).

S. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the separate financial statement elements, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. Deferred outflows and inflows relate to the recording of charges in the net pension liability and changes in the actuarial estimates which are recognized over time rather than in the year of occurrence.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

State statutes include certificates of deposit and bank money market accounts within its definition of investments and this is the manner in which they are presented on the balance sheet. To conform to GASB Statement No. 3 definitions of deposits and investments, however, these certificates of deposit and money market accounts have been reclassified from investments to deposits for the data presented below.

The City's cash and investment policy limits deposits to demand and money market accounts, and time deposits at local banks. The City's deposits shall be secured by Federal Depositary Insurance Corporation (FDIC) coverage and/or bank pledges. State statutes require bank's holding public funds to secure these funds by FDIC insurance, securities pledged at par value and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held. All bank balances of deposits as of June 30, 2021 are entirely insured or collateralized with securities held by the City or by its agent in the City's name.

Custodial Credit Risk-Deposits

The custodial credit risk for deposits is the risk that, in the event of a Bank failure, the City's deposits may not be recovered.

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – RECEIVABLES

Receivables at June 30, 2021 consist of:

General Fund Property Taxes	\$ 2,386
Water and Sewer Fund Service Fees	<u>133,956</u>
Total	<u><u>\$ 136,342</u></u>

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the governmental activities during the fiscal year:

	Balance 06/30/20	Additions	Deletions	Balance 06/30/21
Land	<u>\$ 40,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,781</u>
Other Capital Assets				
Buildings	\$ 203,270	\$ 66,780	\$ -	\$ 270,050
Machinery & Equipment	<u>683,335</u>	<u>54,191</u>	<u>55,693</u>	<u>681,833</u>
Total Depreciable Assets	\$ 886,605	\$ 120,971	\$ 55,693	\$ 951,883
Less: Accumulated Depreciation				
Buildings	(40,655)	(6,360)	-	(47,015)
Machinery & Equipment	<u>(564,152)</u>	<u>(41,789)</u>	<u>55,693</u>	<u>\$ (550,248)</u>
Net Depreciable Assets	<u>\$ 281,798</u>	<u>\$ 72,822</u>	<u>\$ -</u>	<u>\$ 354,620</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 1,278
Police	24,519
Streets and Sanitation	<u>22,352</u>
Total	<u><u>\$ 48,149</u></u>

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

The following is a summary of proprietary fund-type capital assets at June 30, 2021:

City Hall Complex	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Land	<u>\$ 408,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,192</u>
Buildings	<u>\$ 1,312,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,312,470</u>
Less: Accumulated Depreciation	<u>(307,282)</u>	<u>(26,497)</u>	<u>-</u>	<u>(333,779)</u>
	<u>\$ 1,005,188</u>	<u>\$ (26,497)</u>	<u>\$ -</u>	<u>\$ 978,691</u>
 Water and Wastewater Fund	 Balance 06/30/20	 Additions	 Deletions	 Balance 06/30/21
Non-Depreciable Assets				
Land & Improvements	<u>\$ 41,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,100</u>
Construction in Progress	<u>\$ 2,182,407</u>	<u>\$ 239,957</u>	<u>\$ -</u>	<u>\$ 2,422,364</u>
 Other Capital Assets				
Utility Systems	<u>\$ 11,577,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,577,307</u>
Machinery & Equipment	<u>1,585,488</u>	<u>-</u>	<u>-</u>	<u>1,585,488</u>
Total Depreciable Assets	<u>\$ 13,162,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,162,795</u>
Less: Accumulated Depreciation for:				
Utility Systems	<u>\$ (8,343,200)</u>	<u>\$ (321,097)</u>	<u>\$ -</u>	<u>\$ (8,664,297)</u>
Machinery & Equipment	<u>(917,961)</u>	<u>(26,463)</u>	<u>-</u>	<u>(944,424)</u>
 Net Depreciable Assets	<u>\$ 3,901,634</u>	<u>\$ (347,560)</u>	<u>\$ -</u>	<u>\$ 3,554,074</u>

Construction in Progress –The City has a project to renovate water and sewer lines. The total project is estimated to cost \$ 2,750,000 and will be paid for by GEFA grants, loans and City funds. The City has spent \$ 2,204,568 to date.

The City also has a project to test the feasibility of using wells as an supplemental source of water. The City has spent \$ 81,157 to date.

The City is relocating utility lines for DOT expansion on the 441 corridor, the City has spent \$ 130,364 to date.

The City is replacing the Kingwood pumping station and has spent \$ 6,275 to date.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During normal operations, the City pays most bills and payroll from the General Fund. Advances for the benefit of the Water and Sewer Fund are reimbursed monthly. At the year end, the Water and Sewer Fund owe the General Fund \$ 380,445

The City transfers surplus funds from the Hotel-Motel Excise Tax Fund to the General Fund each year. For the current year, the amount transferred was \$ 78,047.

CITY OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

In a previous year the City established the City Hall Complex Fund to better manage the land and buildings purchased for City Hall. To do this the General Fund transferred the land, buildings and improvements along with the related debt to the new City Hall Complex Fund. Currently, the City Hall Complex Fund owes the General Fund \$ 1,271,530 for these properties. The City Hall Complex Fund rents land and space in the City Hall Complex and the old City Hall to the departments of the City and outside nonprofit, governmental agencies and commercial enterprises, this rent will be used to pay off this interfund receivable and renovate other parts of the complex.

NOTE 6 – PENSION PLAN

Plan Description

The City, as authorized by the City Commission, has established a single employer, non-contributory defined benefit pension plan (The City of Clayton Employees Retirement Plan), covering substantially all of the City's employees. The Plan is administered by BFCS, LLC and provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 2% (1.25% for service prior to July 1, 1988) of the Participant's Average Monthly Compensation multiplied by the Participants total number of Years of Service. The City Commission, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Plan issues an annual report on the Plan and is available from the City of Clayton, 837 Hwy 76 W. Clayton, Georgia.

Plan Membership

As of June 30, 2021, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Inactive plan members of beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not receiving benefits	3
Active plan members	21

Total	28
	====

Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions from the employer are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investment income is recognized by the Plan when earned. Gains and losses on sales and exchanges are recognized on the trade date.

There are no investments in, loans to, or leases with parties related to the Plan.

Contributions

The funding policy for the Plan, as adopted by the City Commission, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. Section 47-20 of the Georgia Code sets forth the funding standards for state and local government pension plans. Employees are not allowed to make contributions to the Plan. The City is required to contribute the amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. The actuarial determined contribution amount is the sum of the annual normal costs (determined under the entry age normal method) and the amortization of the unfunded actuarial accrued liability as a level percentage of future payroll. For the fiscal year ended June 30, 2021, the City's contribution rate was 16.3 % of annual payroll. City contributions to the Plan were \$ 148,000 for the fiscal year ended June 30, 2021.

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Net Pension Liability

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions –an Amendment of GASB No. 27, as well as GASB Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City’s accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 %
Salary increased including inflation	3.00 %
Investment rate of return	6.50 %

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

Cost of living adjustments were assumed to be 3.00% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Commission, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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.

Long-term expected rate of return – The long-term expected rate of return on Plan investments was determined using a money-weighted rate of return. It is calculated by determining the rate of return that will set the present values of all cash flows and the end of year asset values equal to the value of the beginning of year assets. The money-weighted rate of return is equivalent to the internal rate of return (IRR) in other accounting situations. Assuming a money-weighted return is calculated over many periods the formula will tend to place a greater weight on the performance in periods when the account size is highest.

Discount Rate – The discount rate used to measure the total pension liability was 6.5 %. This rate was determined by calculating the ratio of a three-year average of salary to employer contributions. The salary was the payroll of participants used in the report for each fiscal year, and was divided by employer contributions. This ratio was then projected for future years until all participants were retired. Based on these projections the plan’s fiduciary net position will be able to make projected future benefit payments for plan members into the next decade and beyond. Therefore, the funding rate of 6.5 % can be used this year for GASB disclosure. This situation may not last. The most probable reason for requiring higher GASB disclosure would be failure to make a contribution, or a recessionary drop in asset values.

Sensitivity of the Actuarial Present Value of Benefits for Disclosure: The actuarial present value for disclosure was based on a 6.5 % discount rate. Shown below is a table of present values using a discount rate 1 % lower and 1 % higher than that used

	Decrease 5.50%	Discount Rate 6.5 %	Increase 7.50%
City's Net Pension Liability	\$ 1,485,707	\$ 1,399,800	\$ 1,324,067

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2021.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2021 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/20	\$ 2,114,264	\$ 988,601	\$ 1,125,663
Changes for the year:			
Service cost	94,138	----	94,138
Interest	50,351	----	50,351
Differences between expected and actual			
Experience	(287,626)	----	(287,626)
Change of Assumption	(274,892)	----	(274,892)
Contributors—employer	----	148,000	(148,000)
Investment Income		178,491	(178,491)
Benefit Payments, including refunds of			
Employee contributions	(296,435)	(296,435)	---
Administrative Expense	---	---	---
Net Changes	\$ (714,464)	\$ 30,056	\$ (744,520)
Balances at 6/30/21	\$ 1,399,800	\$ 1,018,657	\$ 381,143

Pension Expense for FYE 6/30/2021

Change in the Net Pension Liability	\$ 744,520
Less: Change in Deferred Outflows	(736,246)
Plus: Change in Deferred Inflows	(68,776)
Plus: Employer Contributions	148,000
Total	<u>\$ 87,498</u>

**CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

The pension plan's fiduciary net position as a percentage of the total pension liability was 72.8 %

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of the Plan's assets is increasing or decreasing over time relative to the total pension liability.

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

For the year ended June 30, 2021, the System recognized pension expense of \$ 87,488.

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022	\$ 117,637
2023	105,713
2024	99,069
2025	88,492
Thereafter	38,488

NOTE 7 – CONTINGENT LIABILITIES-GRANT PROGRAMS

The City participated in Federal and State Grants. These programs are subject to program compliance audits by the grantors or their representatives.

NOTE 8 – AGREEMENT WITH THE WATER AUTHORITY

The City has an agreement to purchase water from the Rabun County Water and Sewer Authority.

NOTE 9 – JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OGCA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area.

OGCA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
P.O. Box 1720
Gainesville, GA 30503

NOTE 10 - WASTE WATER SERVICE AGREEMENTS

The City entered into an agreement with the Rabun County Water and Sewer Authority to treat wastewater with the fee based on the amount treated.

On February 1, 2007 the City entered an agreement with Town of Mountain City, the City of Clayton will bill and collect all customer sewer bills for the Town of Mountain City and pay all USDA loans, sinking fund payments, utility bills and repair and maintain the system. The Town of Mountain City continues to own the sewer system.

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - OTHER REQUIRED DISCLOSURES

Annual budgets were established for the General Fund, Hotel-Motel Fund and the Water and Wastewater Fund.

Enterprise Fund revenues are recognized when billed. In the General Fund, only property taxes are recognized when billed.

Debt reported in the proprietary funds is expected to be paid with the resources of those proprietary funds.

The Streets and Sanitation Departments exceeded approved appropriations which is a violation of Georgia law. The Hotel Motel Fund exceed the approved budget in Economic Development and Transfers.

NOTE 12 - LONG TERM DEBT

Water and Sewer Bonds were issued to build the sewer plant and extend sewer lines. Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the water and sewer system and various special funds established by the bond ordinance. The ordinance provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining funds may be used for any lawful purposes.

<u>Business-Type Activities</u>	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>	<u>Due Within One Year</u>
Notes Payable	\$ 918,667	\$ -	\$ 102,712	\$ 815,955	\$ 201,440
Total	<u>\$ 918,667</u>	<u>\$ -</u>	<u>\$ 102,712</u>	<u>\$ 815,955</u>	<u>\$ 201,440</u>
Net Pension Liability	<u>\$ 407,389</u>	<u>\$ -</u>	<u>\$ 274,019</u>	<u>\$ 133,370</u>	<u>\$ -</u>

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

		<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 1997					
4.5% Water Revenue Bond					
Principal and Interest of					
\$ 1,365 Due Monthly		2022	\$ 8,113	\$ 8,267	\$ 16,380
		2023	8,486	7,894	16,380
Current Portion	\$ 8,113	2024	8,876	7,504	16,380
Long Term	<u>175,867</u>	2025	9,283	7,097	16,380
	<u>183,980</u>	2026	9,710	6,670	16,380
		2027	10,156	6,224	16,380
		2028	10,623	5,757	16,380
		2029	11,111	5,269	16,380
\$ 303,300 borrowed for		2030	11,621	4,759	16,380
Improvements in Water		2031	12,155	4,225	16,380
and Wastewater systems		2032	12,713	3,667	16,380
		2033	13,297	3,083	16,380
		2034	13,908	2,472	16,380
		2035	14,547	1,833	16,380
		2036	15,215	1,165	16,380
		2037	14,166	850	15,016
			<u>\$ 183,980</u>	<u>\$ 76,736</u>	<u>\$ 260,716</u>

		<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
3.98% Water Revenue Bond				
Principal and Interest of \$ 18,074		2022	\$ 62,015	\$ 10,282
due quarterly		2023	64,521	7,776
		2024	67,127	5,170
Used to replace sewer line and		2025	69,838	2,458
water meters in 2005		2026	47,638	952
Current Portion	\$ 62,015		<u>\$ 311,139</u>	<u>\$ 26,638</u>
Long Term	<u>249,124</u>			
	<u>\$ 311,139</u>			

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
GEFA Loan 5.2% Interest	2022	\$ 85,707	\$ 7,497
Principal and Interest of	2023	47,933	2,949
\$ 23,301 due quarterly			
Current Portion	\$ 85,707	<u>\$ 133,640</u>	<u>\$ 10,446</u>
Long Term	47,933		
	<u>\$ 133,640</u>		

Used to extend sewer line on
Highway US 76 East

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
GEFA Loan .5% Interest	2022	\$ 45,605	\$ 718
Principal and Interest of	2023	45,834	489
\$ 3,860 per month	2024	46,063	260
	2025	49,694	45
Used to purchase and install screw press for Waste Water Treatment		<u>\$ 187,196</u>	<u>\$ 1,512</u>
Current Portion	\$ 45,605		
Long Term	141,591		
	<u>\$ 187,196</u>		

CONSTRUCTION IN PROGRESS AND CONSTRUCTION LOANS

The Water and Sewer fund has a project to renovate water and sewer lines. The total project is estimated to cost \$ 2,750,000 and will be paid for by GEFA grants, loans and Ctiy Funds. The City has spent \$ 2,095,887 and borrowed \$ 1,338,341 on construction loans from GEFA. The City has been approved for an additional loan of \$ 2,409,738 thought the total amount may not be draw. At completion of the project the loans will be converted into long term loans.

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Water and Wastewater					
Construction Loan	<u>\$ 1,338,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,338,341</u>	<u>\$ -</u>

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Government Activities					
Net Pension Liability	<u>\$ 718,274</u>	<u>\$ -</u>	<u>\$ 470,501</u>	<u>\$ 247,773</u>	<u>\$ -</u>

CITY OF CLAYTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - THE CLAYTON HOUSING AUTHORITY

Although the City appoints the Governing Board, it does not exercise the other prerequisites for inclusion and thus, we are providing limited information which may be useful. The Clayton Housing Authority was established in 1950 and operates under various Federal Housing programs. The CHA services 98 rental units that are located in the City. The City has no obligation to, nor has it been requested to, nor has it electively provided any subsidy.

NOTE 14 - MOTEL-HOTEL TAX

The City collects a 5% hotel motel tax and is required to spend a portion of this for promoting tourism, conventions, and trade shows. Below is a summary of collections and expenditures:

	<u>Amount</u>	<u>Percent</u>
Collections	\$ 140,448	
Tourism Promotion	62,402	44.43%

The City transfers unrestricted hotel-motel funds to the general fund.

NOTE 15 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has insurance with private insurance companies to protect against these risks. There has been no significant reduction in insurance coverage from the prior years, nor insurance settlements exceeding coverage within the past three years.

Pursuant to Title 34, Chapter 9, Article 5 of the official code of Georgia Annotated, the City of Clayton became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Clayton) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

As a part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim against the Government within the scope of loss protection furnished by the fund.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings, allegations or demands be wholly groundless, false or fraudulent. The fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expense incurred for investigation, negotiation or defense.



SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

This exhibit is Required Information for reporting under GASB 67. Eventually it must include ten years of changes.

Total pension liability	2015	2016	2017	2018	2019
Service Cost	99,310	68,292	62,393	70,238	93,302
Interest	99,883	91,251	90,6751	81,575	77,979
Benefit Changes	0	0	0	0	0
Difference Between Expected and Actual Experience	(133,493)	(58,793)	62,469	74,820	46,935
Changes of Assumptions	(287,743)	14,622	6,666	0	335,962
Benefit Payments	(448,005)	(123,912)	(316,422)	(281,958)	(59,812)
Net Change in Total Pension Liability	(670,048)	(8,540)	(88,320)	(55,325)	494,365
Total Pension Liability-Beginning	2,021,914	1,351,866	1,343,326	1,255,006	1,199,681
Total Pension Liability-Ending (a)	1,351,866	1,343,326	1,255,006	1,199,681	1,694,046
End of Year Discount Rate	4.94%	6.75%	6.50%	6.50%	3.51%
Plan Fiduciary Net Position					
Contributions – Employer	331,500	112,000	120,000	120,000	120,000
Net Investment Income	17,309	32,255	87,581	44,567	55,335
Benefit Payments	(448,005)	(123,912)	(316,422)	(281,958)	(59,812)
Administrative Expense	(9,836)	(6,238)	0	0	0
Refunds of Contributions	0	0	0	0	0
Other	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	(109,031)	14,105	(108,841)	(117,390)	115,523
Plan Fiduciary Net Position – Beginning	1,055,111	946,080	960,185	851,344	733,954
Plan Fiduciary Net Position – Ending (b)	946,080	960,185	851,344	733,954	849,477
Employers' Net Pension Liability at Year End (a) – (b)					
Total Pension Liability	405,786	383,141	403,662	465,728	115,523
Plan Fiduciary Net Position	1,351,866	1,343,326	1,255,006	1,199,681	733,954
Employers' Net Pension Liability	946,080	960,185	851,344	733,954	849,477
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.0%	71.5%	67.8%	61.2%	50.1%
Covered-Employee Payroll	1,007,998	943,275	917,383	970,216	1,122,713
Total Pension Liability (asset) as a Percentage of Covered-Employee Payroll	248.41%	246.20%	227.3%	208.3%	132.9%

The City of Clayton Employees' Retirement Plan



SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

This exhibit is Required Information for reporting under GASB 67. Eventually it must include ten years of changes.

Total pension liability	2020	2021	2022	2023	2024
Service Cost	128,196	94,138	N/A	N/A	N/A
Interest	59,461	50,351	N/A	N/A	N/A
Benefit Changes	0	0	N/A	N/A	N/A
Difference Between Expected and Actual Experience	77,727	374,137	N/A	N/A	N/A
Changes of Assumptions	165,346	(274,892)	N/A	N/A	N/A
Benefit Payments	(10,512)	(295,435)	N/A	N/A	N/A
Net Change in Total Pension Liability	420,218	(714,464)	N/A	N/A	N/A
Total Pension Liability-Beginning	1,694,046	2,114,264	N/A	N/A	N/A
Total Pension Liability-Ending (a)	2,114,264	1,399,800	N/A	N/A	N/A
End of Year Discount Rate	2.63%	6.50%	N/A	N/A	N/A
Plan Fiduciary Net Position			N/A	N/A	N/A
Contributions – Employer	143,000	148,000	N/A	N/A	N/A
Net Investment Income	6,637	178,490	N/A	N/A	N/A
Benefit Payments	(10,512)	(296,435)	N/A	N/A	N/A
Administrative Expense	0	0	N/A	N/A	N/A
Refunds of Contributions	0	0	N/A	N/A	N/A
Other	0	0	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	139,125	30,055	N/A	N/A	N/A
Plan Fiduciary Net Position – Beginning	849,477	965,602	N/A	N/A	N/A
Plan Fiduciary Net Position – Ending (b)	965,602	1,018,657	N/A	N/A	N/A
Employers' Net Pension Liability at Year End (a) – (b)					
Total Pension Liability	1,125,663	381,143	N/A	N/A	N/A
Plan Fiduciary Net Position	2,114,264	1,399,800	N/A	N/A	N/A
Employers' Net Pension Liability	988,601	1,018,657	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.8%	72.8%	N/A	N/A	N/A
Covered-Employee Payroll	1,126,427	905,722	N/A	N/A	N/A
Total Pension Liability (asset) as a Percentage of Covered-Employee Payroll	100.1%	237.6%	N/A	N/A	N/A

The City of Clayton Employees' Retirement Plan

**CITY OF CLAYTON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2021**

Notes to Schedule

The schedule will present 10 years of information once it is accumulated

SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR BEGINNING JULY 1	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	% OF COVERED PAYROLL
2012	\$ 120,127	\$ 148,000	10.3%
2013	152,296	155,000	12.1%
2014	129,886	331,500	11.6%
2015	112,278	112,000	11.5%
2016	114,375	120,000	11.1%
2017	120,000	120,000	10.8%
2018	120,000	120,000	12.4%
2019	120,000	120,000	12.8%
2020	143,000	143,000	12.7%
2021	130,000	148,000	16.3%

Notes to the Schedule of Employer Contributions

Methods and Assumptions for Actuarially Determined Contributions

Valuation Date	July 1, 2021
Actuarial Cost Method	Money-Weighted
Actuarial Asset Valuation Method	5 Year Smooth
Amortization Method	Level Percent
Single Equivalent Amortization Period	27 Year Closed
Actuarial Assumptions	
Investment rate of return	6.5 %
Projected salary increases	3.0 %
Expected annual inflation	3.25 %

	<u>2021</u>
Actuarially determined contribution	\$ 130,000
Contributions in relation to the actuarially determined contribution	148,000
Contribution deficiency (excess)	<u>\$ (18,000)</u>
 Covered employee payroll	 \$ 905,722
 Contributions as a percentage of covered-employee payroll	 16.3%

**CITY OF CLAYTON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2021**

Notes to the schedule

Valuation Date
Cost method

July 1, 2021
Entry age normal cost
method

Actuarial Asset Valuation Method

Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Assumed Rate of Return
On Investments
Projected Salary Increases
Cost-of-living adjustment
Amortization Method

6.5%
3.0%
3.25%
Closed level dollar for
unfunded liability

Remaining Amortization Period

None Remaining

CITY OF CLAYTON
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
JUNE 30, 2021

GENERAL FUND

	Original Budget	Actual	Variance Over (Under)
REVENUES			
Taxes	\$ 1,465,905	\$ 1,609,275	\$ 143,370
Intergovernmental Revenues	48,561	35,005	(13,556)
Licenses and Permits	95,000	121,305	26,305
Fines and Forfeitures	453,000	324,020	(128,980)
Charges for Services	48,000	52,177	4,177
Miscellaneous	2,500	38,899	36,399
TOTAL REVENUES	\$ 2,112,966	\$ 2,180,681	\$ 67,715
EXPENDITURES			
General Government	\$ 502,144	\$ 415,706	\$ (86,438)
Judicial	140,650	129,908	(10,742)
Police	996,778	982,511	(14,267)
Street and Sanitation	544,394	566,228	21,834
TOTAL EXPENDITURES	\$ 2,183,966	\$ 2,094,353	\$ (89,613)
EXCESS REVENUES OVER EXPENDITURES	\$ (71,000)	\$ 86,328	\$ 157,328
OTHER FINANCING SOURCES			
Transfer In	71,000	78,047	7,047
NET CHANGE IN FUND BALANCES	\$ -	\$ 164,375	\$ 164,375
FUND BALANCE, JULY 1, 2020		2,136,215	
FUND BALANCE, JUNE 30, 2021		2,300,590	

	Original Budget	Actual	Variance Over (Under)
HOTEL/MOTEL TAX			
REVENUE			
Hotel/Motel Taxes	\$ 120,000	\$ 140,448	\$ 20,448
EXPENDITURES			
Economic Development	(49,000)	(62,402)	13,402
TRANSFERS	(71,000)	(78,047)	7,047
CHANGE IN FUND BALANCES	\$ -	(1)	(1)
FUND BALANCE, JULY 1, 2020		761	
FUND BALANCE, JUNE 30, 2021		\$ 760	

NOTE 1 – LEGAL COMPLIANCE – BUDGETS

The city is required by law to adopt a budget. The procedures in establishing the budgetary data reflected in the financial statements are as follows:

1. Prior to July 1, the City Clerk submits to the City Commission a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to July 1, the Commission approves the budget.
4. The City Clerk is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the City Commission.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

The Budgetary Comparison Schedule presents Actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets.

Expenditures may not legally exceed budgeted appropriations at the departmental level in the general fund. The Enterprise Funds adopt a budget at the fund level. No eliminations have been made between funds.

The Streets and Sanitation and along with Economic Development and transfers exceeded their approved budget.

**CITY OF CLAYTON
SCHEDULE OF SPECIAL PURPOSE
ONE PERCENT SALES AND USE TAX
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Expenditures</u>				Estimated
<u>Project</u>	<u>Estimated</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Percentage of</u>
<u>2019 SPLOST</u>	<u>Costs</u>	<u>Years</u>	<u>Year</u>		<u>Completion</u>
Roads and Streets	\$ 1,500,000	\$ -	\$ -	\$ -	0.0%
Water and Sewer	500,000	-	-	-	0.0%
City Hall	240,000	77	66,780	66,857	27.9%
Public Safety - Police	60,000	7,399	46,792	54,191	90.3%
	<u>\$ 2,300,000</u>	<u>\$ 7,476</u>	<u>\$ 113,572</u>	<u>\$ 121,048</u>	

Jack P. Green, Jr.

CERTIFIED PUBLIC ACCOUNTANT

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November 3, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Mayor and City Council
City of Clayton, Georgia

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units each major fund, and the aggregate remaining fund information of the City of Clayton, Georgia, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the City of Clayton, Georgia's basic financial statements and have issued my report thereon dated November 3, 2022.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Clayton, Georgia's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clayton, Georgia's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Clayton, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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.

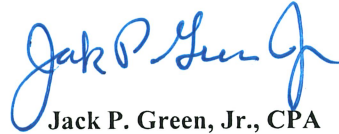
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all the deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clayton, Georgia's financial statements are free of material misstatements, 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 *Governmental Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink, reading "Jack P. Green, Jr.", with a stylized flourish at the end.

Jack P. Green, Jr., CPA
Toccoa, Georgia