

CITY OF CLAYTON, GEORGIA

**ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)**

Year Ended June 30, 2022

**CITY OF CLAYTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

November 10, 2023

To the Mayor and City Council
CITY OF CLAYTON, GEORGIA
Clayton, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the CITY OF CLAYTON, GEORGIA, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the CITY OF CLAYTON, GEORGIA, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of CITY OF CLAYTON, GEORGIA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CITY OF CLAYTON, GEORGIA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted audit standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CITY OF CLAYTON, GEORGIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CITY OF CLAYTON, GEORGIA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Net Pension Liability - City of Clayton Employees Retirement Plan, Schedule of Contributions - City of Clayton Employees Retirement Plan, Schedule of Notes to Required Supplementary Information - City of Clayton Employees Retirement Plan, and Budgetary Comparison Schedule - General Fund listed in the table of contents 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The CITY OF CLAYTON, GEORGIA has omitted the Management's Discussion 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, 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. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF CLAYTON, GEORGIA's basic financial statements. The combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the accompanying Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds, as required by Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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. In our opinion, the combining and individual nonmajor fund financial statements,

supplemental budgetary comparison schedules, and the Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds 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*, we have also issued our report dated November 10, 2023 on our consideration of the CITY OF CLAYTON, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 CITY OF CLAYTON, GEORGIA's internal control over financial reporting and compliance.

Bates, Carter + Co, LLP

CITY OF CLAYTON, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2022

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	COMPONENT
ASSETS	ACTIVITIES	ACTIVITIES		UNITS
Cash	\$ 3,034,514	\$ 1,328,557	\$ 4,363,071	\$ 18,004
Receivables	292,042	412,983	705,025	-
Internal balances	1,730,926	(1,730,926)	-	-
Prepaid items	116,038	-	116,038	-
Restricted assets:				
Cash	10,867	16,487	27,354	-
Non-current assets:				
Capital assets:				
Capital assets not being depreciated	436,227	3,022,796	3,459,023	-
Capital assets being depreciated	1,136,065	15,179,678	16,315,743	-
Less: accumulated depreciation	(646,763)	(10,309,328)	(10,956,091)	-
Capital assets, net of depreciation	925,529	7,893,146	8,818,675	-
TOTAL ASSETS	6,109,916	7,920,247	14,030,163	18,004
DEFERRED OUTFLOWS OF RESOURCES				
Pension expense	36,360	52,075	88,435	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,360	52,075	88,435	-
TOTAL ASSETS & DEFERRED OUTFLOWS	6,146,276	7,972,322	14,118,598	18,004
LIABILITIES				
Accounts payable	182,219	207,589	389,808	-
Unearned revenue	409,473	-	409,473	-
Amounts held in trust	5,664	-	5,664	-
Noncurrent liabilities:				
Due within one year				
Notes from direct borrowings	-	160,612	160,612	-
Revenue bonds from direct borrowings	-	8,668	8,668	-
Due in more than one year				
Compensated absences payable	27,410	28,427	55,837	-
Customer Deposits	-	249,751	249,751	-
Notes from direct borrowings	78,362	1,615,716	1,694,078	-
Revenue bonds from direct borrowings	-	166,649	166,649	-
Net pension liability	292,367	197,239	489,606	-
TOTAL LIABILITIES	995,495	2,634,651	3,630,146	-
DEFERRED INFLOWS OF RESOURCES				
Pension expense	61,331	87,839	149,170	-
TOTAL DEFERRED INFLOWS OF RESOURCES	61,331	87,839	149,170	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,056,826	2,722,490	3,779,316	-
NET POSITION				
Net investment in capital assets	847,167	5,892,770	6,739,937	-
Restricted for:				
Debt service	-	16,487	16,487	-
Capital projects	203,416	-	203,416	-
Sales tax referendum projects	2,049,899	-	2,049,899	-
Public safety programs	10,867	-	10,867	-
Housing and development programs	19,595	-	19,595	-
Unrestricted	1,958,506	(659,425)	1,299,081	18,004
TOTAL NET POSITION	\$ 5,089,450	\$ 5,249,832	\$ 10,339,282	\$ 18,004

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended JUNE 30, 2022

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES.....		NET (EXPENSE) AND CHANGES IN NET POSITION....		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General government	\$ 532,601	\$ 76,004	\$ -	\$ -	\$ (456,597)	\$ -	\$ (456,597)
Judicial	117,736	2,870	-	-	(114,866)	-	(114,866)
Public safety	1,075,799	314,561	10,765	-	(750,473)	-	(750,473)
Public works	564,542	-	-	36,281	(528,261)	-	(528,261)
Housing and development	90,211	12,561	-	-	(77,650)	-	(77,650)
Total Governmental Activities	2,380,889	405,996	10,765	36,281	(1,927,847)	-	(1,927,847)
BUSINESS-TYPE ACTIVITIES							
Water and wastewater	3,955,265	3,776,577	-	-	-	(178,688)	(178,688)
City Hall Complex	33,785	21,604	-	-	-	12,181	(12,181)
Total Business-Type Activities	3,989,050	3,798,181	-	-	-	(190,869)	(190,869)
TOTAL PRIMARY GOVERNMENT	\$ 6,369,939	\$ 4,204,177	\$ 10,765	\$ 36,281	\$ (1,927,847)	\$ (190,869)	\$ (2,118,716)
Development Authority	\$ 13,681	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 1,319
TOTAL COMPONENT UNITS	\$ 13,681	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 1,319
GENERAL REVENUES							
Property taxes					1,014,324		1,014,324
Insurance premium taxes					158,832		158,832
Real estate recording taxes					41,237		41,237
Other taxes					814,552		814,552
Total taxes					2,028,945		2,028,945
Unrestricted investment earnings					657		1,406
Grants and contributions not restricted to a specific program					203,416	749	203,416
Gain on sale of capital assets					44,835		44,835
TRANSFERS					16,800	(16,800)	-
TOTAL GENERAL REVENUES AND TRANSFERS					2,294,653	(16,051)	2,278,602
CHANGES IN NET POSITION					366,806	(206,920)	159,886
NET POSITION, Beginning					4,537,869	5,216,350	9,754,219
PRIOR PERIOD ADJUSTMENT					184,775	240,402	425,177
NET POSITION, Beginning as restated					4,722,644	5,456,752	10,179,396
NET POSITION, Ending					\$ 5,089,450	\$ 5,249,832	\$ 10,339,282

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	GENERAL	SPLOST	ARPA	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 371,977	\$ 2,169,111	\$ 409,473	\$ 83,952	\$ 3,034,513
Receivables	117,152	-	-	174,890	292,042
Interfund receivables	1,882,428	-	-	-	1,882,428
Prepaid items	116,038	-	-	-	116,038
Restricted assets:					
Cash	10,867	-	-	-	10,867
TOTAL ASSETS	<u>\$ 2,498,462</u>	<u>\$ 2,169,111</u>	<u>\$ 409,473</u>	<u>\$ 258,842</u>	<u>\$ 5,335,888</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 171,395	\$ 8,798	\$ -	\$ 2,025	\$ 182,218
Interfund payables	7,282	110,414	-	33,806	151,502
Unearned revenue	-	-	409,473	-	409,473
Amounts held in trust	5,664	-	-	-	5,664
TOTAL LIABILITIES	<u>184,341</u>	<u>119,212</u>	<u>409,473</u>	<u>35,831</u>	<u>748,857</u>
TOTAL LIABILITIES	<u>184,341</u>	<u>119,212</u>	<u>409,473</u>	<u>35,831</u>	<u>748,857</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditure	116,038	-	-	-	116,038
Restricted:					
Capital outlay projects	-	-	-	203,416	203,416
Sales tax referendum projects	-	2,049,899	-	-	2,049,899
Public safety programs	10,867	-	-	-	10,867
Housing and development programs	-	-	-	19,595	19,595
Unassigned	2,187,216	-	-	-	2,187,216
TOTAL FUND BALANCES	<u>2,314,121</u>	<u>2,049,899</u>	<u>-</u>	<u>223,011</u>	<u>4,587,031</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,498,462</u>	<u>\$ 2,169,111</u>	<u>\$ 409,473</u>	<u>\$ 258,842</u>	<u>\$ 5,335,888</u>

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
For the Year Ended JUNE 30, 2022

Total Fund Balances for Governmental Funds (page 3)	\$ 4,587,031
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	925,529
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Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds.

Deferred inflows (outflows) - pension expense	(24,971)	(24,971)
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Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	(27,410)	
Notes from direct borrowings	(78,362)	
Net pension liability	(292,367)	(398,139)

Total net position of governmental activities (page 1)	\$ <u><u>5,089,450</u></u>
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The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended JUNE 30, 2022

	GENERAL	SPLOST	ARPA	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 1,796,097	\$ -	\$ -	\$ 232,848	\$ 2,028,945
Licenses and permits	12,561	-	-	-	12,561
Intergovernmental	10,765	-	-	239,246	250,011
Fines and forfeitures	317,431	-	-	-	317,431
Charges for services	61,637	-	-	-	61,637
Investment income	656	452	-	-	1,108
Miscellaneous	14,368	-	-	-	14,368
TOTAL REVENUES	2,213,515	452	-	472,094	2,686,061
EXPENDITURES					
Current Expenditures					
General government	521,195	10,833	-	-	532,028
Judicial	117,736	-	-	-	117,736
Public safety	1,055,454	-	-	-	1,055,454
Public works	529,512	-	-	-	529,512
Housing and development	-	-	-	90,211	90,211
Capital outlay	424,661	119,138	-	35,830	579,629
TOTAL EXPENDITURES	2,648,558	129,971	-	126,041	2,904,570
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(435,043)	(129,519)	-	346,053	(218,509)
OTHER FINANCING SOURCES (USES)					
Sale of City property	44,835	-	-	-	44,835
Proceeds from notes payable	78,362	-	-	-	78,362
Transfers in	140,602	-	-	-	140,602
Transfers out	-	-	-	(123,802)	(123,802)
TOTAL OTHER FINANCING SOURCES (USES)	263,799	-	-	(123,802)	139,997
NET CHANGE IN FUND BALANCES	(171,244)	(129,519)	-	222,251	(78,512)
FUND BALANCES, Beginning of year	2,300,590	2,179,418	-	760	4,480,768
PRIOR PERIOD ADJUSTMENT	184,775	-	-	-	184,775
FUND BALANCES, Beginning of year, restated	2,485,365	2,179,418	-	760	4,665,543
FUND BALANCES, End of year	\$ 2,314,121	\$ 2,049,899	\$ -	\$ 223,011	\$ 4,587,031

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended JUNE 30, 2022

Net change in fund balances (page 5)		\$ (78,512)
Amounts reported for governmental activities in the statement of activities are different because:		
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 outlays exceeded depreciation in the current period.		
Capital outlays	579,629	
Depreciation expense	<u>(49,500)</u>	530,129
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, current year	(27,410)	
Compensated absences, prior year	<u>-</u>	(27,410)
Net pension liability (asset) is not available during the current period and therefore is not reported in the funds.		
End of year	(292,367)	
Beginning of year	<u>247,773</u>	(44,594)
Contributions made after pension measurement date and changes to the pension plan actuarial assumptions are reported in deferred outflows.		
End of year	36,360	
Beginning of year	<u>(292,834)</u>	(256,474)
Projected pension plan activity is reported in deferred inflows.		
End of year	(61,331)	
Beginning of year	<u>383,361</u>	322,030
Rounding		<u>(1)</u>
Changes in net position of governmental activities (page 2)		<u><u>\$ 366,806</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	WATER & WASTEWATER FUND	CITY HALL COMPLEX FUND	TOTAL
ASSETS			
Current Assets			
Cash	\$ 1,258,005	\$ 70,552	\$ 1,328,557
Receivables (net of allowance for uncollectibles)	412,983	-	412,983
Interfund receivables	7,282	-	7,282
Restricted assets:			
Cash	16,487	-	16,487
TOTAL CURRENT ASSETS	1,694,757	70,552	1,765,309
Noncurrent Assets			
Capital assets			
Capital assets not being depreciated	2,520,649	502,147	3,022,796
Capital assets being depreciated	13,921,169	1,258,509	15,179,678
Less: accumulated depreciation	(9,942,087)	(367,241)	(10,309,328)
Total capital assets (net of accumulated depreciation)	6,499,731	1,393,415	7,893,146
TOTAL NONCURRENT ASSETS	6,499,731	1,393,415	7,893,146
TOTAL ASSETS	8,194,488	1,463,967	9,658,455
DEFERRED OUTFLOWS OF RESOURCES			
Pension expense	52,075	-	52,075
TOTAL DEFERRED OUTFLOWS OF RESOURCES	52,075	-	52,075
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	8,246,563	1,463,967	9,710,530
LIABILITIES			
Current Liabilities			
Accounts payable	207,589	-	207,589
Interfund payables	426,684	1,311,524	1,738,208
Notes from direct borrowings	160,612	-	160,612
Revenue bonds payable	8,668	-	8,668
TOTAL CURRENT LIABILITIES	803,553	1,311,524	2,115,077
Noncurrent Liabilities			
Customer deposits	249,751	-	249,751
Compensated absences payable	28,427	-	28,427
Notes from direct borrowings	1,615,716	-	1,615,716
Revenue bonds payable	166,649	-	166,649
Net pension liability	197,239	-	197,239
TOTAL NONCURRENT LIABILITIES	2,257,782	-	2,257,782
TOTAL LIABILITIES	3,061,335	1,311,524	4,372,859
DEFERRED INFLOWS OF RESOURCES			
Pension expense	87,839	-	87,839
TOTAL DEFERRED INFLOWS OF RESOURCES	87,839	-	87,839
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,149,174	1,311,524	4,460,698
NET POSITION			
Net investment in capital assets	4,499,355	1,393,415	5,892,770
Restricted for debt service	16,487	-	16,487
Unrestricted	581,547	(1,240,972)	(659,425)
TOTAL NET POSITION	\$ 5,097,389	\$ 152,443	\$ 5,249,832

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & WASTEWATER FUND	CITY HALL COMPLEX FUND	TOTAL
OPERATING REVENUES			
Charges for sales and services:			
Charges for services	\$ 3,373,882	\$ 21,604	\$ 3,395,486
Connection fees	71,628	-	71,628
Other operating revenue	331,067	-	331,067
Total Operating Revenues	<u>3,776,577</u>	<u>21,604</u>	<u>3,798,181</u>
OPERATING EXPENSES			
Salaries and benefits	705,904	-	705,904
Supplies	39,132	-	39,132
Other services and charges	233,236	323	233,559
Insurance premiums	29,023	-	29,023
Depreciation	333,365	33,462	366,827
Professional fees	154,454	-	154,454
Repairs and maintenance	754,441	-	754,441
Utilities	236,574	-	236,574
Water purchases	1,432,637	-	1,432,637
Total Operating Expenses	<u>3,918,766</u>	<u>33,785</u>	<u>3,952,551</u>
OPERATING INCOME (LOSS)	<u>(142,189)</u>	<u>(12,181)</u>	<u>(154,370)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	743	6	749
Interest expense	(36,499)	-	(36,499)
Total Nonoperating Revenues (Expenses)	<u>(35,756)</u>	<u>6</u>	<u>(35,750)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(177,945)	(12,175)	(190,120)
Transfer out	(16,800)	-	(16,800)
CHANGE IN NET POSITION	<u>(194,745)</u>	<u>(12,175)</u>	<u>(206,920)</u>
TOTAL NET POSITION, Beginning of year	5,051,732	164,618	5,216,350
PRIOR PERIOD ADJUSTMENT	240,402	-	240,402
TOTAL NET POSITION, Beginning of year, restated	<u>5,292,134</u>	<u>164,618</u>	<u>5,456,752</u>
TOTAL NET POSITION, End of year	<u>\$ 5,097,389</u>	<u>\$ 152,443</u>	<u>\$ 5,249,832</u>

The accompanying notes are an integral part of this statement.

CITY OF CLAYTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES-
ENTERPRISE FUNDS

	WATER & WASTEWATER FUND	CITY HALL COMPLEX FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	\$ 3,770,049	\$ 21,604	\$ 3,791,653
Payments to suppliers	(2,798,062)	39,671	(2,758,391)
Payments to employees	(650,406)	-	(650,406)
Net cash provided by (used in) operating activities	<u>321,581</u>	<u>61,275</u>	<u>382,856</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in (out)	(16,800)	-	(16,800)
Net cash provided (used) by non-capital financing activities	<u>(16,800)</u>	<u>-</u>	<u>(16,800)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(766,827)	(39,994)	(806,821)
Principal payments on debt	(202,651)	-	(202,651)
Interest paid	(36,499)	-	(36,499)
Net cash provided (used) by capital and related financing activities	<u>(1,005,977)</u>	<u>(39,994)</u>	<u>(1,045,971)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	743	6	749
Net cash provided (used) by investing activities	<u>743</u>	<u>6</u>	<u>749</u>
Net increase (decrease) in cash and cash equivalents	(700,453)	21,287	(679,166)
CASH, Beginning of year	<u>1,974,945</u>	<u>49,265</u>	<u>2,024,210</u>
CASH, End of year	<u>\$ 1,274,492</u>	<u>\$ 70,552</u>	<u>\$ 1,345,044</u>
Cash	\$ 1,258,005	\$ 70,552	\$ 1,328,557
Restricted Cash	16,487	-	16,487
Total Cash	<u>\$ 1,274,492</u>	<u>\$ 70,552</u>	<u>\$ 1,345,044</u>
RECONCILIATION OF OPERATING INCOME			
(LOSS) TO NET CASH PROVIDED (USED) BY			
OPERATING ACTIVITIES			
Operating income (loss)	\$ (142,189)	\$ (12,181)	\$ (154,370)
Adjustments to reconcile operating income (loss)			
to net cash provided (used) by operating activities			
Depreciation	333,365	33,462	366,827
(Increase) decrease in:			
Accounts receivable	(38,625)	-	(38,625)
Deferred outflows for pensions	105,550	-	105,550
Increase (decrease) in:			
Accounts payable	42,478	-	42,478
Compensated absences	4,594	-	4,594
Customer deposits	32,097	-	32,097
Net pension liability (asset)	63,869	-	63,869
Deferred inflows for pension	(118,515)	-	(118,515)
Interfund balances	38,957	39,994	78,951
Net cash provided by (used in) operating activities	<u>\$ 321,581</u>	<u>\$ 61,275</u>	<u>\$ 382,856</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLAYTON, GEORGIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	PENSION TRUST FUND
ASSETS	
Investments	\$ 1,001,109
TOTAL ASSETS	<u>1,001,109</u>
LIABILITIES	
Accounts Payable	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
FIDUCIARY NET POSITION	
Restricted for Pension Benefits	<u>1,001,109</u>
TOTAL FIDUCIARY NET POSITION	<u>\$ 1,001,109</u>

CITY OF CLAYTON, GEORGIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended JUNE 30, 2022

	PENSION TRUST FUND
ADDITIONS	
Employer contributions	\$ 147,000
TOTAL ADDITIONS	<u>147,000</u>
DEDUCTIONS	
Investment losses	64,464
Benefit payments	100,084
TOTAL DEDUCTIONS	<u>164,548</u>
CHANGE IN NET POSITION	(17,548)
TOTAL FIDUCIARY NET POSITION, Beginning of year	1,018,657
TOTAL FIDUCIARY NET POSITION, End of year	<u><u>\$ 1,001,109</u></u>

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CITY OF CLAYTON, GEORGIA 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. The more significant of the government's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government; and
- Organizations for which the primary government is financially accountable.

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the city are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Brief descriptions of the discretely presented component units follows:

DOWNTOWN DEVELOPMENT AUTHORITY - The Downtown Development Authority ("DDA") is governed by a board appointed by the City Council. The DDA was created for the purpose of administering activities with regard to the revitalization and promotion of downtown Clayton. The DDA provides community promotions, streetscape maintenance, downtown beautification, and building oversight and maintenance for the City. The DDA is not required to submit a budget to the City Council for approval. The City Council determines a yearly allocation that it pays to the DDA for its operations. The City also pays the salary and some other expenses related to downtown development. The DDA is a component unit of the City.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

The Downtown Development Authority did not issue separate financial statements for the year ended June 30, 2022.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Cumulative effect of a prior period adjustment

In 2022, the City recognized prior period adjustments as of July 1, 2021 in order to retroactively report the change to the earliest period reported. These adjustments were necessary to correctly reflect balance sheet accounts, as specified below:

Governmental Activities

General Fund

Fund Balance, July 1	\$ 2,300,590
To record prepaid items	69,977
To recognize grant revenue	114,798
Restated Fund Balance, July 1	<u><u>\$ 2,485,365</u></u>

Business-Type Activities

Water and Wastewater Fund

Net Position, July 1	\$ 5,051,732
To correct accounts receivable	322,119
To record allowance for doubtful accounts	(374,232)
To record unbilled accounts receivable	292,515
Restated Net Position, July 1	<u><u>\$ 5,292,134</u></u>

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

The government reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *SPLOST Capital Projects Fund* accounts for funds received from the City's portion of the Rabun County Special Purpose Local Option Sales Tax.

The *ARPA Special Revenue Fund* accounts for 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.

The government reports the following major proprietary funds:

The *Water and Wastewater System Enterprise Fund* is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

The *City Hall Complex Enterprise Fund* is used to manage and account for the operation of the buildings and land attached to the City Hall. The city departments that use the City Hall pay rent to retire debt service and maintain the City Hall Complex. Outside nonprofit and government agencies also rent space in the City Hall Complex.

Additionally, the City reports the following fund types:

The *Fiduciary Funds* are custodial in nature and do not represent results of operations or have a measurement focus. The Pension Trust Fund accounts for the accumulating of resources for other post-employment benefits for qualified employees of the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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. 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 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 for the three major proprietary funds are charges to customers for sales and services. 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.

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits that are not restricted, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded as fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and 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 expendable available financial resources.

All trade and property tax receivables are shown net of an allowance of uncollectibles.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Property taxes attach as an enforceable lien on property as of June 20. Taxes are normally levied by November 20th of each year. The 2021 property taxes were levied November 20, 2021, and were due January 20, 2022. The taxes are subject to lien after June 20, 2022. Interest and penalties are assessed on taxes not paid by this date.

The City's property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the City.

The City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as unavailable revenue in the general fund and fire district special revenue fund.

Inventories and Prepaid Items

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Certain funds are held by the General and Enterprise Funds in accounts restricted for customer deposits, debt service, capital expenditures. These funds are held in cash and/or investments as allowed by State law and the requirements of the related debt agreements. The investments are stated at fair value and the City records all investment revenue earned on these investments in the appropriate fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Roads, bridges, and culverts acquired prior to January 1, 2003, have been reported.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during fiscal year 2022.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

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

The City has elected not to capitalize collections and works of art. Collections such as works of art and historical artifacts meet the definition of a capital asset. The requirement for capitalization is waived, however, for collections that meet the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other types of collections.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City may have two types of items that qualify for reporting in this category. These two items consist of the deferred charge on refunding and the deferred charge on pension expense. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is part of the interest expense for the year. The deferred charge in pension expense represents contributions made into the defined benefit pension plan after the measurement date and differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability. The contributions will be recognized as pension expense in the next fiscal year and any other deferred charges related to pension expense will be recognized using a systematic and rational method over a closed five-year period, beginning in the current reporting period.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category, unavailable revenue and the deferred outflow of pension expense. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The deferred inflows related to pension expense represents differences between expected and actual experience with regard to economic and demographic factors in the measurement of the total pension liability. These deferred inflows will be recognized as pension expense using a systematic and rational method over a closed five-year period, beginning with the current reporting period.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused accrued vacation leave up to 250 hours is paid when an employee retires, resigns, or is terminated. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

Bond Premiums and Discounts

Premiums and discounts are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity/Net Position

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."

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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:

Nonspendable - Fund balances are reported as nonspendable when the 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 like inventories and prepaid items) 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 the 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 prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another resolution.

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 manager 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 other governmental funds.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then committed, assigned, and unassigned (or unrestricted) resources as they are needed.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2022 are as follows:

	Governmental Activities	Business Activities
Net investment in capital assets:		
Cost of capital assets	\$ 1,572,292	\$ 18,202,474
Accumulated depreciation	(646,763)	(10,309,328)
Book value	925,529	7,893,146
Accounts payable for fixed assets	-	(48,731)
Revenue bonds from direct borrowings related to capital assets	-	(175,317)
Notes from direct borrowings related to capital assets	(78,362)	(1,776,328)
Net investment in capital assets	<u>\$ 847,167</u>	<u>\$ 5,892,770</u>

Management Estimates

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

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - FUND BALANCE/NET POSITION

The governmental activities statement of net position reports \$2,283,777 of restricted net position, of which \$2,283,777 is restricted by enabling legislation.

Additional details related to fund balances at the governmental fund level are presented below:

Restricted:

General Fund

Public safety programs - For unspent funds designated for use for technology in the Police Department. \$ 10,867

SPLOST

SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum. 2,049,899

Nonmajor Funds

T-SPLOST - For funds received from the imposition of the Transportation Special Purpose Local Option Sales Tax (T-SPLOST) restricted by the voter approved referendum. 203,416

Hotel Motel Fund - To account for Hotel/Motel Tax funds received to promote tourism, conventions, and trade shows. 19,595

Total Nonmajor Funds 223,011

Total Restricted Fund Balance \$2,283,777

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Funds. Project-length budgets are adopted for capital projects funds. Budgets for planning and management purposes only are adopted for the Proprietary (Enterprise) Funds on a GAAP basis, except that long-term debt borrowings are budgeted as revenues and depreciation expense is not budgeted. Budget amounts are as originally adopted or as amended by the Mayor and City Council. Some individual revisions were material in relation to the original appropriations.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Budgeting Policy

- The City Manager submits a proposed operating budget to the Mayor and City Council for the upcoming fiscal year. The operating budget includes proposed expenditures and revenues for the General Fund, Special Revenue, and Proprietary (Enterprise) Funds.
- Public Hearings are conducted to obtain taxpayer comments.
- The budget is then approved by the Mayor and City Council and becomes the basis for the millage levied by them.
- The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. Any changes in total departmental expenditures/expenses must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Proprietary (Enterprise) Funds.
- All appropriations lapse at the end of the fiscal year.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City has no recorded encumbrances at June 30, 2022.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

The following cost centers had expenditures in excess of appropriations for the fiscal year ended June 30, 2022:

General Fund:

General Government	\$	44,219
Public Safety		162,155
Public Works		299,778
Total General Fund	\$	<u>506,152</u>

(C) DEFICIT FUND EQUITY

At June 30, 2022, no funds had deficit fund equity.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes authorize the City to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. The City places no limit on the amount it may invest in any one issuer. External investment pools are excluded from the concentration of credit risk requirement.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured.

As of June 30, 2022, all of the City's deposits were fully insured and collateralized.

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

Under the dedicated method, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.

Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balance held by any one covered depository under the multibank pooled method.

The City utilized both methods to secure deposits of public funds.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and enterprise funds are summarized below. The City does not maintain an allowance for uncollectible accounts.

	Governmental Activities		Business-type Activities
	General Fund	Nonmajor Governmental Funds	Water & Wastewater Fund
Receivables:			
Property Taxes	\$ 4,311	\$ -	\$ -
Accounts	5,141	-	412,983
Intergovernmental	107,700	174,890	-
Total Gross Receivables	117,152	174,890	412,983
Less: Allowance for Uncollectibles	-	-	-
Total Net Receivables	<u>\$ 117,152</u>	<u>\$ 174,890</u>	<u>\$ 412,983</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	UNAVAILABLE	UNEARNED
American Rescue Plan Act (ARPA Fund)	\$ -	\$ 409,473
Total unavailable/ unearned revenue for governmental funds	<u>\$ -</u>	<u>\$ 409,473</u>

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 40,781	\$ -	\$ -	\$ -	\$ 40,781
Construction in progress	-	395,446	-	-	395,446
Total non-depreciable capital assets	<u>40,781</u>	<u>395,446</u>	<u>-</u>	<u>-</u>	<u>436,227</u>
Depreciable Assets:					
Buildings and improvements	270,050	-	-	-	270,050
Machinery and equipment	681,833	184,182	-	-	866,015
Total depreciable capital assets	<u>951,883</u>	<u>184,182</u>	<u>-</u>	<u>-</u>	<u>1,136,065</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(47,015)	(6,751)	-	-	(53,766)
Machinery and equipment	(550,248)	(42,749)	-	-	(592,997)
Total accumulated depreciation	<u>(597,263)</u>	<u>(49,500)</u>	<u>-</u>	<u>-</u>	<u>(646,763)</u>
Total depreciable capital assets, net	<u>354,620</u>	<u>134,682</u>	<u>-</u>	<u>-</u>	<u>489,302</u>
Governmental activities capital assets, net	<u>\$ 395,401</u>	<u>\$ 530,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 925,529</u>

Additions to governmental activities capital assets for fiscal year ending June 30, 2022, consist of the following:

Capital Outlay	\$ 579,628
Total Additions	<u>\$ 579,628</u>
Non-depreciable capital assets additions	\$ 395,446
Depreciable capital assets additions	<u>184,182</u>
Total	<u>\$ 579,628</u>

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

Governmental Activities:	
General Government	\$ 6,791
Public Safety	20,044
Public Works	<u>22,665</u>
Total depreciation expense: Governmental Activities	<u>\$ 49,500</u>

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Capital asset activity for business-type funds for the year ended June 30, 2022, was as follows:

	Beginning Balance	Adjustments	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:						
Non-Depreciable Assets:						
Land and land improvements	\$ 449,292	\$ 93,955	\$ -	\$ -	\$ -	\$ 543,247
Construction in progress	2,422,364	-	619,288	-	(562,103)	2,479,549
Total non-depreciable capital assets	<u>2,871,656</u>	<u>93,955</u>	<u>619,288</u>	<u>-</u>	<u>(562,103)</u>	<u>3,022,796</u>
Depreciable Assets:						
Buildings and improvements	1,312,470	(93,955)	-	-	-	1,218,515
Water and wastewater system	11,577,307	518,594	196,273	-	562,103	12,854,277
Machinery and equipment	1,585,488	(518,594)	39,993	-	-	1,106,887
Total depreciable capital assets	<u>14,475,265</u>	<u>(93,955)</u>	<u>236,266</u>	<u>-</u>	<u>562,103</u>	<u>15,179,678</u>
Less Accumulated Depreciation for:						
Buildings and improvements	(333,779)	-	(30,463)	-	-	(364,242)
Water and sewer system	(8,664,297)	10,533	(308,834)	-	-	(8,962,598)
Machinery and equipment	(944,424)	(10,533)	(27,531)	-	-	(982,488)
Total accumulated depreciation	<u>(9,942,500)</u>	<u>-</u>	<u>(366,828)</u>	<u>-</u>	<u>-</u>	<u>(10,309,328)</u>
Total depreciable capital assets, net	<u>4,532,765</u>	<u>(93,955)</u>	<u>(130,562)</u>	<u>-</u>	<u>562,103</u>	<u>4,870,350</u>
Business-type activities capital assets, net	<u>\$ 7,404,421</u>	<u>\$ -</u>	<u>\$ 488,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,893,146</u>

During the year ended June 30, 2022, adjustments were recorded in capital assets and the related accumulated depreciation in order to correct the classification of specific assets. The aggregate effect of these adjustments did not change the business-type net position.

Depreciation expense was charged to business-type functions as follows:

Business-type Activities:	
Water and Wastewater	\$ 333,365
City Hall	33,463
Total depreciation expense: Business-type Activities	<u>\$ 366,828</u>

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2022, and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Governmental Activities:					
CDBG	\$ 750,000	\$ 35,830	\$ -	\$ 714,170	CDBG/DWSRF
Derrick Street	30,000	13,675	16,325	-	Intergovernmental
Infrastructure Repairs	504,292	240,478	136,619	127,195	Intergovernmental
Western Downtown	1,250,000	105,463	-	1,144,537	Intergovernmental
Total Governmental Activities	<u>\$ 2,534,292</u>	<u>\$ 395,446</u>	<u>\$ 152,944</u>	<u>\$ 1,985,902</u>	
Business-type Activities:					
Kingwood	\$ 500,000	\$ 426,700	\$ -	\$ 73,300	GEFA
Line Renovation & Relocation	1,750,000	2,052,849	-	(302,849)	GEFA
Total Business-type Activities	<u>\$ 2,250,000</u>	<u>\$ 2,479,549</u>	<u>\$ -</u>	<u>\$ (229,549)</u>	

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:						
Notes from direct borrowings	\$ -	\$ 78,362	\$ -	\$ 78,362	\$ -	\$ 78,362
Compensated absences	-	27,410	-	27,410	-	27,410
Governmental activities long-term liabilities	<u>\$ -</u>	<u>\$ 105,772</u>	<u>\$ -</u>	<u>\$ 105,772</u>	<u>\$ -</u>	<u>\$ 105,772</u>
Business-type Activities:						
Revenue bonds	\$ 183,980	\$ -	\$ (8,663)	\$ 175,317	\$ 8,668	\$ 166,649
Notes from direct borrowings	1,970,316	-	(193,989)	1,776,328	160,612	1,615,716
Compensated absences	23,833	40,858	(36,264)	28,427	-	28,427
Business-type activities long-term liabilities	<u>\$ 2,178,129</u>	<u>\$ 40,858</u>	<u>\$ (238,916)</u>	<u>\$ 1,980,072</u>	<u>\$ 169,280</u>	<u>\$ 1,810,792</u>

The revenue bonds, capital leases, compensated absences, and notes from direct borrowings for business type activity are liquidated by the Water and Sewer and City Hall enterprise funds.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

GOVERNMENTAL ACTIVITIES

NOTES FROM DIRECT BORROWINGS

On June 22, 2022, the City entered into a loan agreement with the United States Department of Agriculture (USDA) to finance the purchase of three police vehicles. The original amount of the note was \$180,400 with an interest rate of 2.50% and includes a grant forgiveness of \$50,000. As of June 30, 2022, draws of \$78,362 have been recognized and included in the capital asset listing for vehicles. The remaining note proceeds will be recognized in fiscal year 2023, at which point an amortization schedule for repayment will be finalized. The outstanding balance on this agreement at June 30, 2022 was \$78,362.

BUSINESS TYPE ACTIVITIES

As of June 30, 2022, the the long-term debt payable from proprietary fund resources consisted of the following:

REVENUE BONDS PAYABLE

Improvement Bonds Series 1997:

The City has a Revenue Bond to improve the Water and Wastewater Systems. The bonds bear interest rates of 4.50%, payable monthly. As of June 30, 2022, the remaining balance was \$175,317.

The annual requirements to amortize this debt as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 8,668	\$ 7,712	\$ 16,380
2024	9,066	7,313	16,379
2025	9,483	6,897	16,380
2026	9,918	6,462	16,380
2027	10,374	6,006	16,380
2028-2032	59,473	22,427	81,900
2033-2029	68,335	7,492	75,827
Total	<u>\$ 175,317</u>	<u>\$ 64,309</u>	<u>\$ 239,626</u>

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTES FROM DIRECT BORROWINGS

In fiscal year 1999, a note payable to Georgia Environmental Finance Authority authorized up to the amount of \$1,085,000, with an interest rate of 5.20% and secured by the City's full faith and credit and revenue raising power. This project consisted of the construction of pump stations, force main, and necessary appurtenances and the construction of water main, valves, hydrants and necessary appurtenances. As of June 30, 2022, the remaining balance was \$45,703.

In fiscal year 2003, a note payable to Georgia Environmental Finance Authority authorized up to the amount of \$987,000, with an interest rate of 3.98% and secured by the City's full faith and credit and revenue raising power. This project consisted of the replacement of 3,500 feet of main outfall sewer lines, replace the water main, and install consumer and zone meters. As of June 30, 2022, the remaining balance was \$250,580.

In fiscal year 2013, a note payable to Georgia Environmental Finance Authority authorized up to the amount of \$451,750, with an interest rate of 0.50% and secured by the City's full faith and credit and revenue raising power. These funds will be used to replace failed solid dewatering equipment and provide installation, materials, and appurtenances for a complete and operable system. As of June 30, 2022, the remaining balance was \$141,705.

In fiscal year 2014, a note payable to Georgia Environmental Finance Authority authorized up to the amount of \$1,750,000, with an interest rate of 0.52% and secured by the City's full faith and credit and revenue raising power. This will address the water loss in the City's drinking water distribution system including leak investigation and system mapping, installation of zone meters, hydraulic modeling of the systems, leak repair and water line replacement. As of June 30, 2022, the remaining balance was \$554,889.

In fiscal year 2015, a note payable to Georgia Environmental Finance Authority authorized up to the amount of \$2,000,000, with an interest rate of 1.03% and secured by the City's full faith and credit and revenue raising power. This will help with costs related to inflow and infiltration system repairs. As of June 30, 2022, the remaining balance was \$783,451.

The City's outstanding notes from direct borrowings related to business-type activities are secured by the City's full faith and credit and revenue-raising power. The outstanding notes from direct borrowings related to business-type activities contain a provision that if the City is unable to make its payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings do not contain a subjective acceleration clause.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

The annual requirements to amortize this debt as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 160,612	\$ 21,488	\$ 182,100
2024	153,330	17,717	171,047
2025	186,058	14,386	200,444
2026	128,848	10,931	139,779
2027	72,513	9,311	81,824
2028-2032	371,128	37,995	409,123
2033-2037	385,856	23,267	409,123
2038-2042	239,262	9,602	248,864
2043-2044	78,721	779	79,500
Total	<u>\$ 1,776,328</u>	<u>\$ 145,476</u>	<u>\$ 1,921,804</u>

NOTE 8 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2022, are as follows:

<u>Due To</u>	<u>Due From</u>					<u>Total</u>
	<u>General Fund</u>	<u>SPLOST</u>	<u>Other nonmajor governmental funds</u>	<u>City Hall Complex Enterprise Fund</u>	<u>Water and Wastewater Fund</u>	
General Fund	\$ -	\$ 110,414	\$ 33,806	\$ 1,311,524	\$ 426,684	\$ 1,882,428
Water and Sewer Fund	7,282	-	-	-	-	7,282
Total	<u>\$ 7,282</u>	<u>\$ 110,414</u>	<u>\$ 33,806</u>	<u>\$ 1,311,524</u>	<u>\$ 426,684</u>	<u>\$ 1,889,710</u>

These balances resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) the time lag between the dates that transactions are recorded in the accounting system, (3) the time lag between the dates that payments between funds are made, (4) short-term loans, and (5) to fund capital projects.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Interfund transfers as of the year ended June 30, 2022, are as follows:

	Transfers Out		Total
	Other nonmajor governmental funds	Water and Wastewater Fund	
Transfers In			
General Fund	\$ 123,802	\$ 16,800	\$ 140,602
Total	<u>\$ 123,802</u>	<u>\$ 16,800</u>	<u>\$ 140,602</u>

Transfers are used to supplement operating budgets and help fund construction projects.

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Clayton Employees Retirement Plan (CERP), provides retirement, disability, and death benefits to plan members and beneficiaries. CERP is administered by BFCS, LLC. The Georgia Constitution enables the governing authority of the City, the City Council, to establish, and amend from time-to-time, the contribution rates for the City and its plan participants. The CERP issues a stand-alone report. This report may be obtained from the City of Clayton, 837 Hwy 76 W, Clayton, Georgia.

The City Council, in its role as Plan Sponsor, has the sole authority to establish and amend benefits provided and the contribution rates of the City and its employees. The City has the authority to amend the adoption agreement, which defines the specific benefit provisions of the CERP.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Participant counts as of July 1, 2021 (the most recent actuarial valuation date) and covered compensation (base on covered earnings for the preceding year) are shown below:

Retirees, beneficiaries and disables receiving benefits	5
Terminated plan participants entitled to but not yet receiving benefits	4
Active employees participating in the Plan	22
Total number of Plan participants	<u>31</u>
 Covered compensation for active participants	 \$ 960,966
Contributions as a percentage of covered payroll	15.30%

Funding Policy

The City is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code set forth minimum funding standards for state and local governmental pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. City employees are not required to contribute to the CERP. The annual City contribution meets or exceeds the minimum funding requirements of Georgia Statute 47-20.

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of June 30, 2022, and the total pension liability(asset) used to calculate the net pension liability(asset) was determined by an actuarial report as of that date.

The total pension liability(asset) was determined using the following actuarial assumptions in the July 1, 2021 valuation, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.00%
Investment rate of return	6.50%

Mortality rates were based on the RP2000 Fully Generational Table.

The actuarial assumptions used in the 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2019.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	50 %	5.50% - 7.50%
International equity	5 %	4.50% - 6.50%
Fixed income	41 %	1.00% - 3.00%
Real estate	2 %	4.50% - 6.50%
Cash	2 %	0.00% - 1.00%
TOTAL	100 %	

* Rates shown are net of inflation

The discount rate used to measure the total pension liability(asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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(asset).

Change in the Net Pension Liability(Asset)

	Pension Liability	Fiduciary Net Position	Net Pension Liability(Asset)
Balances at June 30, 2021	\$ 1,399,800	\$ 1,018,657	\$ 381,143
Changes for the year:			
Service cost	96,962	-	96,962
Interest	94,037	-	94,037
Contribution-employer	-	147,000	(147,000)
Net investment income	-	(64,464)	64,464
Benefit payments	(100,084)	(100,084)	-
Net changes	90,915	(17,548)	108,463
Balances at June 30, 2022	\$ 1,490,715	\$ 1,001,109	\$ 489,606

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

	1 % Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's net pension liability(asset)	\$ 585,608	\$ 489,606	\$ 400,819

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

For the year ended June 30, 2022, the City recognized pension expense of \$176,941. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (149,170)
Changes of assumptions	34,087	-
Net difference between projected and actual earnings on pension plan investments	54,348	-
TOTAL	\$ 88,435	\$ (149,170)

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

Year Ended June 30,	
2023	\$ 35,275
2024	31,383
2025	20,805
2026	(7,570)
2027	(70,315)
2028	(70,313)
Thereafter	-
Total	\$ (60,735)

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts 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 prediction in insurance coverage over 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 liabilities.

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 claims 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 Worker's 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 its members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expense incurred for investigation, negation or defense.

NOTE 11 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The Rabun County Water and Sewer Authority is a related organization of the City. The Water and Sewer Authority provides water resources to the City. The City has no significant influence over the management, budget, or policies of the Water and Sewer Authority. The Authority reports independently. The City has entered into an agreement with the Rabun County Water and Sewer Authority to treat wastewater with the fee based on the amount treated.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

The City has entered into an agreement with the Town of Mountain City to bill and collect all customer sewer bills for the Town of Mountain City and pay all USDA loans, sinking fund payments, utility bills, and system repairs and maintenance. The Town of Mountain City continues to own the sewer system.

The Clayton Housing Authority governing board is appointed by the City, but the City does not exercise the other prerequisites for inclusion as a component unit. The Clayton Housing Authority was established in 1950 and operates under various federal housing programs to service rental units located within the City. The City has no obligation to, not has it been requested to, provide any subsidy.

NOTE 12 - LITIGATION

The City is a party to legal proceedings that normally occur in governmental operations. As of the date of this financial statement, no awards in these cases have been made against the City. The results of any litigation, however, contain elements of uncertainty, and liability, if any, which might result from these proceedings, would not, in the opinion of management, have a material adverse effect on the ability of the City to meet its financial obligations. Accordingly, no provision for loss has been recorded.

NOTE 13 - CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Several of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements.

The estimate for unbilled accounts receivable and allowance for doubtful account related to enterprise funds is a significant estimate. The estimate is calculated based on the subsequent month billing schedule after year end.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

The amount reported as the estimated amounts for the net pension liability and related deferred inflows and outflows of resources qualify as significant estimates and are based on actuarial studies and projections.

CITY OF CLAYTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 - HOTEL/MOTEL TAX

During the year ended June 30, 2022, the City collected \$232,848 of which \$93,139 was required to be spent to promote tourism, conventions, and trade shows.

The City actually spent \$90,211. This was 97% of the tax receipts to be expended for these purposes under OCGA 48-13-51. The City has not complied with the requirements of this law.

NOTE 15 - GEORGIA MOUNTAINS REGIONAL COMMISSION

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 (GMRC) and is required to pay annual dues thereto. Membership in a Regional Commission is required by the Official Code of Georgia Annotated (OGCA) Section 50-8-34, which provides for the organizational structure of the GMRC in Georgia. The GMRC 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 a Regional Commission. Separate financial statements may be obtained from: Georgia Mountains Regional Commission, P.O. Box 1720, Gainesville, Georgia.

CITY OF CLAYTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF CLAYTON EMPLOYEES RETIREMENT PLAN
For the Year Ended JUNE 30, 2022
"Unaudited"

For the Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Net pension liability (asset)	489,606	381,143	1,125,663	115,523	465,728	403,662	383,141	405,786
Covered payroll	960,966	905,722	1,122,713	970,216	917,383	943,275	1,007,998	1,007,998
Net pension liability (asset) as a percentage of its covered payroll	50.95%	42.08%	100.26%	11.91%	50.77%	42.79%	38.01%	40.26%
Plan fiduciary net position as a percentage of the total pension liability (asset)	67.16%	72.80%	46.80%	50.10%	61.20%	67.80%	71.50%	70.00%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF CLAYTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF CLAYTON EMPLOYEES RETIREMENT PLAN
For the Year Ended JUNE 30, 2022
"Unaudited"

For the Year Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 125,000	\$ 147,000	\$ 143,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 114,375	\$ 112,278
Contributions in relation to the contractually required contribution	147,000	148,000	143,000	120,000	120,000	120,000	120,000	112,000
Contribution deficiency (excess)	\$ (22,000)	\$ (1,000)	\$ -	\$ -	\$ -	\$ -	\$ (5,625)	\$ 278
City's covered payroll	\$ 960,966	\$ 905,722	\$ 1,126,427	\$ 1,122,713	\$ 970,216	\$ 917,383	\$ 943,275	\$1,007,998
Contributions as a percentage of covered payroll	15.30%	16.34%	12.70%	10.69%	12.37%	13.08%	12.72%	11.11%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF CLAYTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
CITY OF CLAYTON EMPLOYEES RETIREMENT PLAN
For the Year Ended JUNE 30, 2022
"Unaudited"

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2022. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2022 reported in that schedule:

Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization period	24 Years
Asset Valuation method	Smoothed value with a corridor of 80% to 120% of market value
Investment rate of return	6.50%
Salary Increases	3.00%
Inflation	3.00%

CITY OF CLAYTON, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended JUNE 30, 2022
(Required Supplementary Information)

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 2,485,365	\$ 2,485,365	\$ 2,485,365	\$ -
RESOURCES (INFLOWS)				
Taxes	1,652,018	1,532,018	1,796,097	264,079
Licenses and permits	10,000	10,000	12,561	2,561
Intergovernmental	-	-	10,765	10,765
Fines and forfeitures	400,000	400,000	317,431	(82,569)
Charges for services	52,100	52,100	61,637	9,537
Investment income	800	800	656	(144)
Miscellaneous	-	-	14,368	14,368
Sale of City property	1,000	1,000	44,835	43,835
Proceeds from notes payable	-	-	78,362	78,362
Transfers in	-	29,789	140,602	110,813
Total Resources (Inflows)	2,115,918	2,025,707	2,477,314	451,607
AMOUNTS AVAILABLE FOR APPROPRIATION	4,601,283	4,511,072	4,962,679	451,607
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Elections	2,500	4,000	4,000	-
Finance	412,815	472,976	517,195	(44,219)
Total General Government	415,315	476,976	521,195	(44,219)
Judicial				
Municipal court	127,400	127,400	117,736	9,664
Total Judicial	127,400	127,400	117,736	9,664
Public Safety				
Police	1,062,909	971,661	1,133,816	(162,155)
Total Public Safety	1,062,909	971,661	1,133,816	(162,155)
Public Works				
Public works	602,546	576,033	875,811	(299,778)
Total Public Works	602,546	576,033	875,811	(299,778)
TOTAL CHARGES TO APPROPRIATIONS	2,208,170	2,152,070	2,648,558	(496,488)
CHANGE IN FUND BALANCE	(92,252)	(126,363)	(171,244)	(44,881)
FUND BALANCE, End of year	\$ 2,393,113	\$ 2,359,002	\$ 2,314,121	\$ (44,881)

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.
2. See Note 2 of the notes to the financial statements for budget violations.

**CITY OF CLAYTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	HOTEL MOTEL FUND	T-SPLOST CDBG	
ASSETS			
Cash	\$ 19,595		\$ 83,952
Receivables (net of allowance for uncollectibles)	-	35,830	174,890
TOTAL ASSETS	<u>\$ 19,595</u>	<u>\$ 35,831</u>	<u>\$ 258,842</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Accounts payable	-	2,025	2,025
Interfund payables	-	33,806	33,806
TOTAL LIABILITIES	<u>-</u>	<u>35,831</u>	<u>35,831</u>
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>35,831</u>	<u>35,831</u>
FUND BALANCES			
Restricted:			
Capital outlay projects	-	203,416	203,416
Housing and development programs	19,595	-	19,595
TOTAL FUND BALANCES	<u>19,595</u>	<u>203,416</u>	<u>223,011</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 19,595</u>	<u>\$ 35,831</u>	<u>\$ 258,842</u>

CITY OF CLAYTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended JUNE 30, 2022

	SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 232,848		\$ 232,848
Intergovernmental	-		239,246
TOTAL REVENUES	<u>232,848</u>		<u>472,094</u>
EXPENDITURES			
Current Expenditures			
Housing and development	90,211		90,211
Capital outlay	-		35,830
TOTAL EXPENDITURES	<u>90,211</u>		<u>126,041</u>
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES			
	<u>142,637</u>		<u>346,053</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(123,802)		(123,802)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(123,802)</u>		<u>(123,802)</u>
NET CHANGE IN FUND BALANCES	18,835		222,251
FUND BALANCES, Beginning of year	<u>760</u>		<u>760</u>
FUND BALANCES, End of year	<u>\$ 19,595</u>	<u>\$ 203,416</u>	<u>\$ 223,011</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF CLAYTON, GEORGIA
HOTEL MOTEL FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULES
For the Year Ended JUNE 30, 2022

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 760	\$ 760	\$ 760	\$ -
RESOURCES (INFLOWS)				
Taxes	-	120,000	232,848	112,848
Total Resources (Inflows)	-	120,000	232,848	112,848
AMOUNTS AVAILABLE FOR APPROPRIATION	760	120,760	233,608	112,848
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Housing and development	-	90,211	90,211	-
Transfers out	-	29,789	123,802	(94,013)
TOTAL CHARGES TO APPROPRIATIONS	-	120,000	214,013	(94,013)
CHANGE IN FUND BALANCE	-	-	18,835	18,835
FUND BALANCE, End of year	\$ 760	\$ 760	\$ 19,595	\$ 18,835

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF CLAYTON, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2022

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES	
			PRIOR YEARS	CURRENT YEAR
RABUN COUNTY SPLOST VII				
Water and Sewer System Improvements	\$ 500,000	\$ 500,000	\$ -	\$ -
Road and Street Improvements	1,500,000	1,500,000	-	-
City Hall	240,000	240,000	66,857	129,971
Public Safety - Police	60,000	60,000	54,191	-
Totals	\$ 2,300,000	\$ 2,300,000	\$ 121,048	\$ 129,971

Total of SPLOST above	\$ 129,971
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)	
Expenditures	\$ 129,971
Total	\$ 129,971

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
GOVERNMENT AUDITING STANDARDS

November 10, 2023

To the Mayor and City Council
CITY OF CLAYTON, GEORGIA, Georgia
Clayton, Georgia

We 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, component units, and the aggregate remaining fund information of CITY OF CLAYTON, GEORGIA, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the CITY OF CLAYTON, GEORGIA's basic financial statements and have issued our report thereon dated November 10, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or 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. We consider the deficiencies described below to be significant deficiencies.

2022-001 *Statement of Condition:*

External actuarial reports and support for fiscal year activity were not generated in a timely manner, resulting in the delayed release of the audit report and inaccurate interim reports relied upon by the City leadership.

Criteria:

Internal controls should be in place to ensure timeliness on reporting in order for financial statement users to make informed decisions regarding the use and allocation of resources.

Effect of Condition:

Financial statements are not available to users until more than twelve (12) months following fiscal year end.

Cause of Condition:

Turnover in City staff responsible for financial records.

Recommendation:

We recommend the City prioritize financial reporting in order to have interim and annual reports become available to users in a timely manner.

Response:

Action has been taken to correct the timeliness of the actuarial reporting and supporting documentation. At the time of this response, the required information for the fiscal year 2023 audit has been received in a timely manner.

2022-002 *Statement of Condition:*

We noted during fieldwork that the bank reconciliations for the General Fund Operating account, Police Department Technology account, Police Department Special Purpose account, CDBG Cash in Bank account, Hotel/Motel Fund account, SPLOST 2019 Fund account, and Water and Sewer Fund Operating account had not been reconciled correctly or in a timely manner. We noted during fieldwork that the bank statements for the Police Department Calendar account, Police Department Special Purpose account, and the CDBG Cash in Bank account

were not provided during fieldwork. We also identified the Christmas with Cops account was not recorded in the General Ledger.

Criteria:

To ensure an accurate cash balance in the general ledger, a bank reconciliation should be performed and reviewed monthly to determine all valid outstanding items are included and cleared in a timely manner.

Effect of Condition:

The risk of misappropriation of cash increases when cash is not correctly reconciled to bank statements.

Cause of Condition:

City Accountant has not completed.

Recommendation:

We recommend completing monthly reconciliations for all cash accounts on a timely basis to ensure accurate financial reporting.

Response:

Corrections to the timeliness of reconciliation of accounts have been implemented. Accounting procedure schedules are in the process of being added to the fiscal policy.

2022-003

Statement of Condition:

We noted during testing that the City did not maintain proper internal controls for the disbursement of expenditures during the year. We noted two of twenty-five transactions did not contain authorizing signatures or an associated approved Purchase Order, as required by the City's internal controls.

Criteria:

To ensure that proper controls, the City should review all expenditures based on the threshold noted in the City's internal control policy and document proper authorizations.

Effect of Condition:

The risk that monies are spent on items which have not been approved by management.

Cause of Condition:

The City does not conform to its written internal control policy regarding purchase authorization thresholds.

Recommendation:

The City should review all expenditures based on the internal control policies outlined.

Response:

The City has implemented new software with departmental level requisitions and electronic approval structures to improve internal control.

2022-004

Statement of Condition:

CDBG draw requests were not prepared in a timely manner to request reimbursements for City expenditures. The first draw request was prepared six months after year end. Additionally, current year expenditures related to the CDBG grant were recorded to fund balance rather than appropriately classified expenditure accounts.

Criteria:

Draw requests should be prepared on a regular and timely basis.

Effect of Condition:

As a result, \$35,830 of activity related to this grant was funded by the General Fund.

Cause of Condition:

Draw requests are not prepared on a regular basis.

Recommendation:

We recommend that the City implement procedures to reconcile supporting documentation to the General Ledger on a monthly basis and to complete the associated draw requests on a quarterly basis to the Department of Community Affairs.

Response:

Corrections to the timeliness of draws are being implemented. Draw schedules are in the process of being added to the fiscal policy.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CITY OF CLAYTON, GEORGIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2022-005 *Statement of Condition:*

During the year ended June 30, 2022, the City collected \$232,848 of which \$93,140 was required to be spent to promote tourism, conventions, and trade shows. The City actually spent \$90,211. This was 97% of the tax receipts to be expended for these purposes under OCGA 48-13-51.

Criteria:

Money was not spent according to laws and regulations.

Effect of Condition:

The City has not complied with the requirements under OCGA 48-13-51.

Cause of Condition:

Required expenditures were not met.

Recommendation:

We recommend the City implement a quarterly review of receipts from Hotel Motel Taxes and evaluate if payments are sufficient to meet the legal requirement of 40% are being used to promote tourism, conventions, and trade shows.

Response:

Improvements to the management of the Hotel/Motel Fund have been implemented to prevent future errors.

2022-006 *Statement of Condition:*

The approved budget for the fiscal year ending June 30, 2022 was not maintained and expenditures were in excess of appropriations in the departments specified in Note 3 to the financial statements.

Criteria:

State law requires annual budgets to be balanced by fund and expenditures should be within the approved budget amount the legal level of budgetary control.

Effect of Condition:

The City's annual budget is not in compliance.

Cause of Condition:

Expenditures are approved and paid without consideration of the budget limits by department and necessary budget adjustments are not approved throughout the year as needed.

Recommendation:

We recommend the City implement controls to follow City budget policy to prepare balanced operating annual budgets and ensure each department does not exceed appropriations described in the budget.

Response:

Budget review and management procedures have been implemented to correct the lack of maintenance and control.

CITY OF CLAYTON, GEORGIA's Response to Findings

The CITY OF CLAYTON, GEORGIA's responses to the findings identified in our audit are described above. The CITY OF CLAYTON, GEORGIA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Bates, Carter + Co, LLP