

CITY OF CLAY, ALABAMA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

CITY OF CLAY, ALABAMA
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SEPTEMBER 30, 2023

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Cork, Hill & Company, L.L.C.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of
The City of Clay, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities of the City of Clay, Alabama (the City), as of and for the year ended September 30, 2023, and the related Notes to the Financial Statements of the governmental activities, each major fund, and the aggregate remaining fund information 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 financial position of the government activities, each major fund and the remaining fund information of the City of Clay, Alabama as of September 30, 2023 and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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.

Certified Public Accountants
2100 Southbridge Parkway, Suite 530
Birmingham, AL 35209

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing 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 the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedules 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method 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.

Cork, Hill & Company, LLC

Birmingham, Alabama
June 10, 2024



Cork, Hill & Company, L.L.C.

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

To the City Council
City of Clay, Alabama

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, each major fund, and the aggregate remaining fund information of the City of Clay, Alabama, as of and for the year ended September 30, 2023, and the related Notes to the Financial Statements, which collectively comprise the City of Clay, Alabama's basic financial statements, and have issued our report thereon dated June 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clay, Alabama'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 the City of Clay, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clay, Alabama's internal control.

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clay, Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Cork, Hill & Company, LLC

Birmingham, Alabama

June 10, 2024

**CITY OF CLAY, ALABAMA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The City of Clay (the City)’s general purpose financial statements include Management’s Discussion and Analysis (MD&A), Basic Financial Statements and Required Supplemental Information (RSI). The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City’s financial activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s basic financial statements consist of the following elements:

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the City’s overall financial condition. Changes in the City’s financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the City’s net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on individual parts of the City, reporting the City’s operations in more detail than the government-wide financial statements. The City has only governmental type funds.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Major Features of the Basic Financial Statements

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government	Activities of the City that are not proprietary or fiduciary	None	None
Required financial statements	Statement of Net Position. Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances		
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus		
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included		
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year Expenditures when goods or services have been received and payment is due during the year or soon thereafter		

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Condensed Financial Information

Condensed Statement of Net Position

The City's total net position increased between the years ended September 30, 2022 and September 30, 2023 by \$1,957,585.

The City's net position is composed of three components. The City has investments of \$8,339,702 in capital assets (buildings, vehicles, etc.) net of the debt associated with it. Restricted net position of \$2,386,470 which consists principally of cash restricted for specific uses by law and unrestricted net position of \$4,827,092.

The following presents the City's condensed Statement of Net Position as of September 30, 2023 and 2022, derived from the government-wide Statement of Net Position shown on page 11 of this report.

Condensed Statement of Net Position (as adjusted)

	Governmental Activities		Total Primary Government		Total Change
	2023	2022	2023	2022	Variance
Current and other assets	\$ 8,960,723	\$ 8,173,633	\$ 8,960,723	\$ 8,173,633	\$ 787,090
Capital assets	11,340,280	11,238,967	11,340,280	11,238,967	101,313
Total assets	<u>\$20,301,003</u>	<u>\$19,412,600</u>	<u>\$20,301,003</u>	<u>\$19,412,600</u>	<u>\$ 888,403</u>
Current liabilities	\$ 555,582	\$ 666,048	\$ 555,582	\$ 666,048	\$ (110,466)
Non-current liabilities	4,192,157	5,150,873	4,192,157	5,150,873	(958,716)
Total liabilities	4,747,739	5,816,921	4,747,739	5,816,921	(1,069,182)
Net Position					
Invested in capital assets, net	8,339,702	7,573,058	8,339,702	7,573,058	766,644
Restricted	2,386,470	2,149,017	2,386,470	2,149,017	237,453
Unrestricted	4,827,092	3,873,604	4,827,092	3,873,604	953,488
Total fund balance (deficit)	<u>15,553,264</u>	<u>13,595,679</u>	<u>15,553,264</u>	<u>13,595,679</u>	<u>1,957,585</u>
	<u>\$20,301,003</u>	<u>\$19,412,600</u>	<u>\$20,301,003</u>	<u>\$19,412,600</u>	<u>\$ 888,403</u>

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Condensed Statement of Activities

The following presents the City's condensed Statement of Activities for the fiscal year ended September 30, 2023 and September 30, 2022, as derived from the government-wide Statement of Activities shown on page 12 of this report. The City's total revenues increased by \$121,116. Fifty percent of the City's revenue is from sales tax. The remainder is from charges for licenses, other taxes, services and donations. The City's program expenses decreased \$67,730. Total revenues exceeded all City expenses by \$1,957,585.

Condensed Statement of Activities (as adjusted)

	Governmental Activities		Total Primary Government		Total Change
	2023	2022	2023	2022	Variance
Revenues					
Program revenues					
Fines and fees	\$ 3,661	\$ 4,101	\$ 3,661	\$ 4,101	\$ (440)
Operating grants and contributions	695,159	578,736	695,159	578,736	116,423
Charges for services	129,081	121,285	129,081	121,285	7,796
Total program revenues	827,901	704,122	827,901	704,122	123,779
General revenues and payments					
Sales and use tax	3,097,428	3,351,962	3,097,428	3,351,962	(254,534)
Ad valorem	472,196	418,407	472,196	418,407	53,789
Licenses and permits	1,046,427	1,114,379	1,046,427	1,114,379	(67,952)
Intergovernmental	442,006	356,853	442,006	356,853	85,153
Other taxes	287,212	115,928	287,212	115,928	171,284
Miscellaneous	36,802	27,205	36,802	27,205	9,597
Total general revenues and payments	5,382,071	5,384,734	5,382,071	5,384,734	(2,663)
Total revenues	6,209,972	6,088,856	6,209,972	6,088,856	121,116
Program expenditures					
General government	1,817,951	1,967,559	1,817,951	1,967,559	(149,608)
Public safety	682,282	579,455	682,282	579,455	102,827
Parks and recreation	560,435	511,578	560,435	511,578	48,857
Streets and public works	705,283	797,426	705,283	797,426	(92,143)
Senior citizens	114,533	117,740	114,533	117,740	(3,207)
Library	220,821	176,892	220,821	176,892	43,929
Interest	151,082	169,467	151,082	169,467	(18,385)
Total program expenditures	4,252,387	4,320,117	4,252,387	4,320,117	(67,730)
Change in net assets from activities	1,957,585	1,768,739	1,957,585	1,768,739	188,846
Beginning net position	13,595,679	11,826,940	13,595,679	11,826,940	1,768,739
Ending net position	\$15,553,264	\$13,595,679	\$15,553,264	\$13,595,679	\$1,957,585

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Program Expenses and Revenues for Governmental Activities

The following presents the net costs of governmental activities. Overall, program revenues were not sufficient to cover program expenses for governmental activities. General revenues supported the net costs of governmental activities.

**Net Costs of Governmental Activities
for the Fiscal Year Ended September 30, 2023**

City Program	Program Expenditures	Less Program Revenue, Grants and Donations	Net Program Costs		Program Revenues as a Percentage of Program Expenditures	
	2023	2023	2023	2022	2023	2022
General government	\$ 1,817,951	\$ 695,159	\$ 1,122,792	\$ 1,388,823	38.2%	29.4%
Public safety	682,282	3,661	678,621	575,354	0.5%	0.7%
Public works	705,283	-	705,283	797,426	0.0%	0.0%
Parks and recreation	560,435	117,207	443,228	410,240	20.9%	19.8%
Library	220,821	11,874	208,947	165,092	5.4%	6.7%
Senior citizens	114,533	-	114,533	109,593	0.0%	6.9%
Interest	151,082	-	151,082	169,467	0.0%	0.0%
	<u>\$ 4,252,387</u>	<u>\$ 827,901</u>	<u>\$ 3,424,486</u>	<u>\$ 3,615,995</u>	<u>19.5%</u>	<u>16.3%</u>

OVERALL GOVERNMENTAL FUNDS BASIS ANALYSIS

The City's assets exceed its liabilities by \$7,541,566. This represents assets accumulated over the years by having excess revenues.

FUND ANALYSIS

The general fund balance increased \$1,191,613 during the year due to increased revenues. The capital improvement fund balance increased \$96,783 due to decreased capital outlays and the gas tax funds increased \$197,092 due to a larger amount of road repairs during the previous year.

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$7,541,566. Ending fund balance is \$1,485,488 more than the previous year balance.

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Asset Activity

At September 30, 2023, the City reported \$11,340,280 in capital assets. Refer to Note 5 of the financial statements for additional information on capital assets.

Long-term Debt Activity

Long-term debt is made up of three general obligation warrants that were used to purchase the current City Hall and for Cosby Lake improvements. The total amount of long-term debt at year end was \$3,301,735. Refer to Note 8 of the financial statements for additional information on long-term debt.

ECONOMIC CONDITIONS AND OUTLOOK

The City of Clay considered many factors in preparing the budget and presenting it to the Mayor and City Council. Property tax and franchise fees increased approximately \$100,000 over the last 24 months; however, the City's expenses are also rising due to inflation. Additionally, 2023 sales tax has decreased approximately \$185,000 over the last 24 months in large part due to the two-year sales tax decrease on SNAP eligible items. This temporary tax decrease is in effect from November 1, 2022, until October 31, 2024. Projected employment additions would be in the Public Works Department as well as Parks and Recreation. Temporary employees are typically hired in the summer: 1-2 part time at the library, 1-2 full time in public works, and 2-3 part time at the splash pad. The City continues to contract with the Jefferson County Sheriff's Office for three deputies. That number has proven sufficient for the protection of the Citizens as well as ordinance enforcement issues and traffic control. All invoiced expenses continue to be paid within 14 days of receipt. Employees contribute over \$31,000 to their retirement plan annually, which is matched by the City. Total employee contributions since implementation of this plan are greater than \$290,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Charles Webster, Mayor
2441 Old Springville Road
Clay, AL 35215
(205) 680-1223

Ronnie Dixon, City Manager
2441 Old Springville Road
Clay, AL 35215
(205) 680-1223

CITY OF CLAY, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current Assets - Unrestricted		
Cash and cash equivalents	\$ 6,292,854	\$ 6,292,854
Receivables	273,478	273,478
Prepays	7,921	7,921
Total Current Assets - Unrestricted	6,574,253	6,574,253
Current Assets - Restricted		
Restricted cash	2,386,470	2,386,470
Total Current Assets - Restricted	2,386,470	2,386,470
Total Current Assets	8,960,723	8,960,723
Capital Assets:		
Non-depreciable	1,978,236	1,978,236
Depreciable, net of accumulated depreciation	9,362,044	9,362,044
Total Capital Assets	11,340,280	11,340,280
TOTAL ASSETS	\$ 20,301,003	\$ 20,301,003
LIABILITIES		
Accounts payable and accrued expenses	\$ 254,425	\$ 254,425
Current maturities of long-term debt	301,157	301,157
Total Current Liabilities	555,582	555,582
Non-Current Liabilities		
General obligation bonds	3,000,578	3,000,578
Unearned revenues	1,191,579	1,191,579
Total Non-Current Liabilities	4,192,157	4,192,157
Total Liabilities	4,747,739	4,747,739
NET POSITION		
Invested in capital assets	8,339,702	8,339,702
Restricted net assets	2,386,470	2,386,470
Unrestricted net assets	4,827,092	4,827,092
	15,553,264	15,553,264
TOTAL LIABILITIES AND NET POSITION	\$ 20,301,003	\$ 20,301,003

See Independent Auditors' Report and Notes to the Financial Statements

**CITY OF CLAY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Government Activities	Total
Primary Government:						
Government Activities:						
General government	\$ 1,817,951	\$ -	\$ 695,159	\$ -	\$ (1,122,792)	\$ (1,122,792)
Public safety	682,282	3,661	-	-	(678,621)	(678,621)
Public works	705,283	-	-	-	(705,283)	(705,283)
Parks and recreation	560,435	117,207	-	-	(443,228)	(443,228)
Library	220,821	11,874	-	-	(208,947)	(208,947)
Senior citizens	114,533	-	-	-	(114,533)	(114,533)
Interest	151,082	-	-	-	(151,082)	(151,082)
Total governmental activities	<u>\$ 4,252,387</u>	<u>\$ 132,742</u>	<u>\$ 695,159</u>	<u>\$ -</u>	<u>(3,424,486)</u>	<u>(3,424,486)</u>
General Revenues:						
Taxes:						
Sales tax					3,097,428	3,097,428
Ad valorem taxes					472,196	472,196
Other taxes					287,212	287,212
License and permits					1,046,427	1,046,427
Intergovernmental					442,006	442,006
Miscellaneous					36,802	36,802
Total general revenues					<u>5,382,071</u>	<u>5,382,071</u>
Change in net position for current year					1,957,585	1,957,585
Net position, beginning of year					<u>13,595,679</u>	<u>13,595,679</u>
Net position, end of year					<u>\$ 15,553,264</u>	<u>\$ 15,553,264</u>

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CLAY, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General	Capital Improvement Fund	Non Major Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,292,854	\$ -	\$ -	\$ 6,292,854
Restricted cash	64,388	1,703,686	618,396	2,386,470
Receivables				
Taxes	227,786	-	25,247	253,033
Other	20,445	-	-	20,445
Prepaid expenses	7,921	-	-	7,921
Total assets	\$ 6,613,394	\$ 1,703,686	\$ 643,643	\$ 8,960,723
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 227,578	\$ -	\$ -	\$ 227,578
Unearned revenues	60,786	1,130,793	-	1,191,579
Total liabilities	288,364	1,130,793	-	1,419,157
Fund balance:				
Non-spendable	7,921	-	-	7,921
Restricted	64,388	1,703,686	643,643	2,411,717
Committed	-	-	-	-
Unassigned	6,252,721	(1,130,793)	-	5,121,928
Total fund balance	6,325,030	572,893	643,643	7,541,566
Total liabilities and fund balances	\$ 6,613,394	\$ 1,703,686	\$ 643,643	\$ 8,960,723

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CLAY, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Fund Balance - Total Governmental Funds	\$ 7,541,566
Amounts reported for governmental activities in the statement of Net Assets are different because:	
Capital Assets used in Governmental Activities are not current financial resources and therefore, are not reported in the Governmental Funds Balance Sheet.	11,340,280
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet	(3,301,735)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet	(11,959)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet	<u>(14,888)</u>
Net Assets of Governmental Activities	<u>\$ 15,553,264</u>

CITY OF CLAY, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Capital Improvement Fund	Non Major Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,104,948	\$ -	\$ -	\$ 3,104,948
Licenses and permits	1,046,427	-	-	1,046,427
Intergovernmental	817,412	96,789	279,691	1,193,892
Parks and recreation	116,207	-	-	116,207
Library	11,774	-	-	11,774
Senior citizens	11,545	-	-	11,545
Other	677,702	47,475	-	725,177
	<u>5,786,015</u>	<u>144,264</u>	<u>279,691</u>	<u>6,209,970</u>
Expenditures				
Current operations:				
General government	1,709,160	6	18	1,709,184
Public safety	645,852	-	-	645,852
Streets and sanitation	566,513	-	82,581	649,094
Parks and recreation	260,077	-	-	260,077
Library	183,099	-	-	183,099
Senior citizens	104,261	-	-	104,261
Total current operations	<u>3,468,962</u>	<u>6</u>	<u>82,599</u>	<u>3,551,567</u>
Capital outlays	606,945	47,475	-	654,420
Debt service:				
Principal	364,174	-	-	364,174
Interest and fiscal charges	154,321	-	-	154,321
Total expenditures	<u>4,594,402</u>	<u>47,481</u>	<u>82,599</u>	<u>4,724,482</u>
Excess (deficiency) of revenues over (under) expenditures	1,191,613	96,783	197,092	1,485,488
Other financial sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess / (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	1,191,613	96,783	197,092	1,485,488
Fund balance, beginning	<u>5,133,417</u>	<u>476,110</u>	<u>446,551</u>	<u>6,056,078</u>
Fund balance, ending	<u>\$ 6,325,030</u>	<u>\$ 572,893</u>	<u>\$ 643,643</u>	<u>\$ 7,541,566</u>

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CLAY, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds \$ 1,485,488

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 654,420

The issuance of debt provides current financial resources to governmental funds while the repayment of debt principal consumes the governmental funds current financial resources. Neither of these transactions has any effect on the net assets in the statement of net position. These transactions are as follows:
follows:

Repayment of notes and bond 364,174

Depreciation expense on capital assets is recorded in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds. (553,107)

Accrued compensated absences are recorded in the government-wide statement of activities and changes in net position but do not require the use of current financial resources. Therefore, the change in this liability is not reflected as an expenditure in the Governmental Funds financial statements. 3,370

Accrued interest expense is recorded in the government-wide statement of activities and changes in net position but do not require the use of current financial resources. Therefore, the change in this liability is not reflected as any expenditure in the Governmental Funds financial statements. 3,240

Change in net position of governmental activities \$ 1,957,585

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the City of Clay, Alabama (the City) are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and City Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to exercise significant influence. Significant influence is based primarily upon operational and financial relationships with the City. There are no component units for the 2023 year.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's governmental funds are classified into three generic fund types for financial statement presentation purposes. The City's governmental funds include the general, special revenue, and capital projects funds.

Basis of Accounting - Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City, the primary government, as a whole.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue funds and the restrictions on their use. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted assets first then unrestricted assets as needed.

Fund Financial Statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, taxes and investment earnings are deemed both measurable and available if collected within the current year or within 60 days of year-end.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until received.

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The City's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Fund accounting reports capital outlays as expenditures and does not recognize capital assets and depreciation. Under the government-wide accrual basis of reporting, general capital assets are long-lived assets of the City as a whole. When purchased, assets are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Donated capital assets are recorded at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings - 40 to 60 years; improvements/infrastructure - 5 to 40 years; equipment - 5 to 20 years.

Long-term Obligations

Long-term debt and other long-term obligations are reported in the governmental activities on the Statement of Net Position in the government-wide financial statements.

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position and Fund Balance

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt associated with the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Position - This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted - This represents the net position of the City that is not restricted for any project or other purpose by third parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. These categories are as follows:

Non-spendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council of the City of Clay. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assigned Fund Balance - includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council and Mayor have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all remaining amounts (except negative amounts) in governmental funds, other than the General Fund, which are not classified as non-spendable, restricted or committed.

Unassigned Fund Balance - the residual classification for the General Fund and to report negative fund balances in the other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

Budget Requirements, Accounting, and Reporting Requirements for all funds

Annual budgets are adopted for the City's general fund. The budget is based on expected expenditures by line item in total and not by department and by estimated resources by source.

Appropriation control (City Council appropriated budget) is by line item within the general fund. The budget may be amended to transfer amounts among line items. The budget was not amended during the year.

Accumulated Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of accumulated personal leave balances. The liability is based on personal leave accumulated at year-end by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. Any personal leave not used by calendar year end is forfeited by the employee.

Use of Estimates

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

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS

State of Alabama law requires all financial institutions accepting deposits of public funds to be a member of the state SAFE program. The Security for Alabama Funds Enhancement (SAFE) program is a state-wide collateral pool for all public funds administered through the Alabama Treasurers Office. All of the City's funds are collateralized by FDIC insurance and this collateral pool except for capital project funds of \$41,058. These funds are invested by a bank trust department in US government securities and are not subject to collateralization requirements.

NOTE 3 - RECEIVABLES

	General Fund	Capital Improvement Fund	Gas Tax Fund	Total Governmental Funds	Entity Wide
Taxes:					
Sales and use tax	\$ 197,425	\$ -	\$ -	\$ 197,425	\$ 197,425
Intergovernmental					
Property tax	9,000	-		9,000	9,000
Gasoline taxes	4,601	-	25,247	29,848	29,848
Other taxes	16,760	-		16,760	16,760
Franchise fees	20,445	-		20,445	20,445
Total receivables	<u>\$ 248,231</u>	<u>\$ -</u>	<u>\$ 25,247</u>	<u>\$ 273,478</u>	<u>\$ 273,478</u>

The gas tax fund receivables are restricted for road construction and repair. These receivables are included in the entity-wide receivables.

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund receivables or payables at September 30, 2023.

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance			Balance
	9-30-2022	Additions	Retirements	9-30-2023
Governmental Activities				
Assets not being depreciated				
Land	\$ 1,978,236	\$ -	\$ -	\$ 1,978,236
Construction in process	-	-	-	-
	<u>1,978,236</u>	-	-	<u>1,978,236</u>
Other capital assets:				
Buildings and land improvements	3,579,167	320,187	-	3,899,354
Equipment	1,090,118	13,129	-	1,103,247
Vehicles	366,223	-	-	366,223
Infrastructure	12,097,981	321,104	-	12,419,085
	<u>17,133,489</u>	<u>654,420</u>	-	<u>17,787,909</u>
Accumulated depreciation	<u>7,872,758</u>	<u>553,107</u>	-	<u>8,425,865</u>
	<u>9,260,731</u>	<u>101,313</u>	-	<u>9,362,044</u>
Net capital assets	<u>\$ 11,238,967</u>	<u>\$ 101,313</u>	<u>\$ -</u>	<u>\$ 11,340,280</u>

Depreciation was charged to functions as follows:

Governmental activities	
Parks	\$ 299,464
General	110,295
Streets and public works	58,116
Public safety	36,430
Seniors	11,168
Library	<u>37,634</u>
Total	<u>\$ 553,107</u>

NOTE 6 - ACCUMULATED COMPENSATED LEAVE

Employees accrue personal leave time in accordance with the City personnel policy. Such leave is considered fully vested rights of the employees and is recorded as an obligation of the City at year end. The cost of accumulated leave at September 30, 2023 was \$11,959.

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 7 - RETIREMENT PLAN

On May 1, 2015, the City established the City of Clay 457(B) Retirement Plan and the City of Clay 401(a) Retirement Plan. These plans are defined contribution retirement plans, the 457(B) plan was set up to accept employee contributions and the 401(a) plan accepts contributions from the City. The plans are administered by PlanTech, LLP and funded through John Hancock. The plans cover all full-time employees. Employees may make contributions to the 457(B) plan which are tax deferred or at their option, ROTH contributions which are not tax deferred. All contributions into the 457(B) go into an account established for the benefit of the person making the contribution. For the year 2023, contributions of each employee are limited to the lesser of \$22,500 or 100% of the participants compensation. Plan distributions are made at the employee's termination or at age 70-1/2, whichever is later. Employee accounts are adjusted daily for plan earnings and are 100% vested when the contribution is made. The City makes matching monthly contributions equal to 7% of the employees' compensation into the 401(a) plan. These contributions vest over a five-year period in equal increments and are available for distribution in the same manner as the 457(B) plan. Contribution rates for both plans are established and may be amended only by the City Council of the City of Clay. Employee contributions for the current year were \$31,808 and employer matching contributions were \$28,838. Any forfeitures under 401(a) plan revert back to the City of Clay general fund.

NOTE 8 - LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2023, was as follows:

	<u>Balance</u> <u>Sept 30, 2022</u>	<u>Increases</u>	<u>Repayments</u>	<u>Balance</u> <u>Sept 30, 2023</u>
General Obligation Warrant payable to US Bank. Interest rate varies from 3.07% to 5.10%, matures April 1, 2023	\$ 75,000	\$ -	\$ 75,000	\$ -
General Obligation Warrant Series 2006A. Interest rate is 3.67%, matures November 20, 2032	2,983,333	-	238,333	2,745,000
General Obligation Warrant Series 2012A Interest rate is 3.90%, matures March 1, 2029.	607,576	-	50,841	556,735
Total Long-Term Debt	3,665,909	<u>\$ -</u>	<u>\$ 364,174</u>	3,301,735
Amounts due within one year	<u>364,174</u>			<u>301,157</u>
Long-term maturities	<u>\$ 3,301,735</u>			<u>\$ 3,000,578</u>

All the above debt is direct placement in nature and contains provisions for immediate payment in the event of default.

**CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 8 - LONG-TERM DEBT - continued

Annual requirements to retire general long-term debt as of September 30, 2023, for the next five years and in five-year increments thereafter are shown below.

Years Ended September 30,	Principal	Interest	Total
2024	\$ 301,157	\$ 120,160	\$ 421,317
2025	316,967	108,883	425,850
2026	330,357	97,029	427,386
2027	343,206	84,682	427,888
2028	358,850	86,801	445,651
2029-2033	<u>1,651,198</u>	<u>154,586</u>	<u>1,805,784</u>
	<u>\$3,301,735</u>	<u>\$ 652,141</u>	<u>\$ 3,953,876</u>

NOTE 9 - RISK MANAGEMENT

The City maintains commercial insurance policies to mitigate the risk of significant losses. Management believes the amount of insurance maintained to be adequate.

NOTE 10 - CONTRACT FOR LAW ENFORCEMENT

The City is under contract with the Jefferson County, Alabama Sheriff's Department to provide police services. During the current year the City paid \$610,084 for this service.

NOTE 11 - UNEARNED REVENUE

As of September 30, 2023, the City has received federal funds from the American Rescue Plan Act (ARPA) in the amount of \$2,358,974. These funds are to be used by the City to cover allowable costs under the Act through December 31, 2024. \$657,559 was expended in the year ended September 30, 2023, to cover the costs of the law enforcement contract in place with Jefferson County and various capital improvements and purchases for the Fire Department. The amount of unearned revenue at year end is \$1,191,579.

NOTE 12 - SUBSEQUENT EVENTS

Management has performed a review of subsequent events through June 10, 2024, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CLAY, ALABAMA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,850,000	\$ 2,850,000	\$ 3,104,948	\$ 254,948
Licenses and permits	805,000	805,000	1,046,427	241,427
Intergovernmental	570,000	570,000	817,412	247,412
Parks and recreation	120,000	120,000	116,207	(3,793)
Charges for services				
Library	15,000	15,000	11,774	(3,226)
Senior citizens	10,000	10,000	11,545	1,545
Other	735,000	735,000	677,702	(57,298)
Total revenues	5,105,000	5,105,000	5,786,015	681,015
Expenditures				
Current operations:				
Government administration	1,518,606	1,518,606	1,709,160	(190,554)
Public safety	581,000	581,000	645,852	(64,852)
Streets and sanitation	762,531	762,531	566,513	196,018
Parks and recreation	282,581	282,581	260,077	22,504
Library	210,075	210,075	183,099	26,976
Senior citizens	167,507	167,507	104,261	63,246
	3,522,300	3,522,300	3,468,962	53,338
Capital outlays	425,000	425,000	606,945	(181,945)
Debt service	450,000	450,000	518,495	(68,495)
Total expenditures	4,397,300	4,397,300	4,594,402	(197,102)
Excess (deficiency) of revenues over (under) expenditures	707,700	707,700	1,191,613	483,913
Other financing sources (uses):				
Operating transfers out	-	-	-	-
	-	-	-	-
Excess / (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	\$ 707,700	\$ 707,700	1,191,613	\$ 483,913
Fund balance, beginning			5,133,417	
Fund balance, ending			\$ 6,325,030	