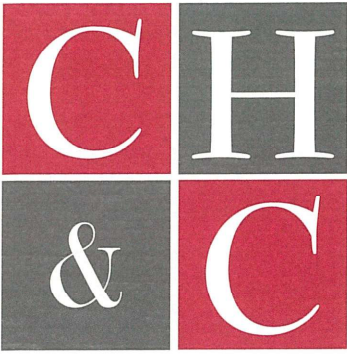


CITY OF CLAY, ALABAMA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

**CITY OF CLAY, ALABAMA
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SEPTEMBER 30, 2021**

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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

We have audited the accompanying general purpose financial statements of the City of Clay, Alabama (the City), as of and for the year ended September 30, 2021, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants

2100 Southbridge Parkway
Suite 530
Birmingham, AL 35209

P. 205.879.3292
F. 205.879.3295

Opinion

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the net position of the City of Clay, Alabama as of September 30, 2021, and the changes in its net position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 8) and the budgetary comparison schedule (page 24) 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.

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

Birmingham, Alabama
April 4, 2022

**CITY OF CLAY, ALABAMA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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 Supplementary 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, 2021**

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, 2021**

Condensed Financial Information

Condensed Statement of Net Position

The City's total net position increased between year-end September 30, 2020 and September 30, 2021 by \$1,672,207.

The City's net position is composed of three components. The City has investments of \$7,098,692 in capital assets (buildings, vehicles, etc.) net of the debt associated with it. Restricted net position of \$2,272,028 which consists principally of cash restricted for specific uses by law and unrestricted net position of \$2,456,220.

The following presents the City's condensed statement of net position as of September 30, 2021 and 2020, derived from the government-wide Statement of Net Position.

Condensed Statement of Net Position (as adjusted)

	Governmental Activities		Total Primary Government		Total Change
	2021	2020	2021	2020	Variance
Current and other assets	\$ 6,216,787	\$ 4,027,132	\$ 6,216,787	\$ 4,027,132	\$ 2,189,655
Capital assets	11,111,867	10,960,699	11,111,867	10,960,699	151,168
Total assets	<u>17,328,654</u>	<u>14,987,831</u>	<u>17,328,654</u>	<u>14,987,831</u>	<u>2,340,823</u>
Current liabilities	657,537	837,423	657,537	837,423	(179,886)
Non-current liabilities	4,844,177	3,995,675	4,844,177	3,995,675	848,502
Total liabilities	<u>5,501,714</u>	<u>4,833,098</u>	<u>5,501,714</u>	<u>4,833,098</u>	<u>668,616</u>
Net Position					
Invested in capital assets,	7,098,692	6,634,595	7,098,692	6,634,595	464,097
Restricted	2,272,028	762,186	2,272,028	762,186	1,509,842
Unrestricted	2,456,220	2,757,952	2,456,220	2,757,952	(301,732)
Total fund balance (deficit)	<u>11,826,940</u>	<u>10,154,733</u>	<u>11,826,940</u>	<u>10,154,733</u>	<u>1,672,207</u>
	<u>\$ 17,328,654</u>	<u>\$ 14,987,831</u>	<u>\$ 17,328,654</u>	<u>\$ 14,987,831</u>	<u>\$ 2,340,823</u>

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Condensed Statement of Activities

The following presents the City's condensed statement of activities for the fiscal year ended September 30, 2021 and September 30, 2020, as derived from the government-wide Statement of Activities. The City's total revenues decreased by \$27,221. Sixty-one 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 increased eight percent. Total revenues exceeded all City expenses by \$1,672,207.

Condensed Statement of Activities (as adjusted)

	Governmental Activities		Total Primary Government		Total Change
	2021	2020	2021	2020	Variance
Revenues					
Program revenues					
Fines and fees	\$ 3,820	\$ 3,024	\$ 3,820	\$ 3,024	\$ 796
Operating grants and contributions	118,607	52,499	118,607	52,499	66,108
Charges for services	90,977	30,684	90,977	30,684	60,293
Total program revenues	213,404	86,207	213,404	86,207	127,197
General revenues and payments					
Sales and use tax	3,279,777	3,056,166	3,279,777	3,056,166	223,611
Ad valorem	395,092	402,142	395,092	402,142	(7,050)
Licenses and permits	1,040,339	1,135,124	1,040,339	1,135,124	(94,785)
Intergovernmental	346,795	327,597	346,795	327,597	19,198
Other taxes	99,097	65,113	99,097	65,113	33,984
Miscellaneous	38,620	367,679	38,620	367,679	(329,059)
Interest	-	317	-	317	(317)
Total general revenues and payments	5,199,720	5,354,138	5,199,720	5,354,138	(154,418)
Total revenues	5,413,124	5,440,345	5,413,124	5,440,345	(27,221)
Program expenditures					
General government	1,513,499	1,362,843	1,513,499	1,362,843	150,656
Public safety	593,686	601,232	593,686	601,232	(7,546)
Parks and recreation	508,661	467,257	508,661	467,257	41,404
Streets and public works	614,547	538,119	614,547	538,119	76,428
Senior citizens	103,655	107,056	103,655	107,056	(3,401)
Library	200,835	179,268	200,835	179,268	21,567
Interest	206,034	195,579	206,034	195,579	10,455
Total program expenditures	3,740,917	3,451,354	3,740,917	3,451,354	289,563
Change in net assets from activities	1,672,207	1,988,991	1,672,207	1,988,991	(316,784)
Beginning net position	10,154,733	8,165,742	10,154,733	8,165,742	1,988,991
Ending net position	\$11,826,940	\$10,154,733	\$11,826,940	\$10,154,733	\$1,672,207

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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.

City Program	Net Costs of Governmental Activities for the Fiscal Year Ended September 30, 2021				Program Revenues as a Percentage of Program Expenditures	
	Program Expenditures	Less Program Revenue, Grants and Donations	Net Program Costs		2021	2020
	2021	2021	2021	2020	2021	2020
General government	\$ 1,513,499	\$ 118,607	\$ 1,394,892	\$ 1,327,377	7.8%	2.6%
Public safety	593,686	3,820	589,866	598,674	0.6%	0.4%
Public works	614,547	-	614,547	538,119	0.0%	0.0%
Parks and recreation	508,661	73,590	435,071	443,568	14.5%	5.1%
Library	200,835	14,036	186,799	168,441	7.0%	6.0%
Senior citizens	103,655	3,351	100,304	93,390	3.2%	12.8%
Interest	206,034	-	206,034	195,579	0.0%	0.0%
	\$ 3,740,917	\$ 213,404	\$ 3,527,513	\$ 3,365,148	5.7%	2.5%

OVERALL GOVERNMENTAL FUNDS BASIS ANALYSIS

The City's assets exceed its liabilities by \$4,759,494. This represents assets accumulated through the years by having excess revenues.

FUND ANALYSIS

The general fund balance increased \$1,089,973 during the year due to increased revenues. The capital improvement fund balance increased \$287,109 due to decreased capital outlays and the gas tax funds increased \$158,663 due to decreased expenditures and increased revenue.

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,759,494. Ending fund balance is \$1,535,745 more than the previous year balance.

**CITY OF CLAY, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Asset Activity

At September 30, 2021, the City reported \$11,111,867 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 new city hall and for Cosby Lake improvements. The total amount of long-term debt at year end was \$4,013,175. 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. 2021 property tax and franchise fees remain consistent over the last 36 months. 2021 sales tax was up \$250,000.00; however the City's expenses are also rising due to inflation. 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, 1 full time and 3 part time at the splash pad. The City continues to contract with the Jefferson County Sheriff's Office for six deputies. That number has proven sufficient for the protection of the Citizens as well as ordinance enforcement issues and traffic control. The cost for this contract increased by approximately \$100,000 annually beginning October 2021. All invoiced expenses continue to be paid within 14 days of receipt. Employees contribute over \$35,000 to their retirement plan annually, which is matched by the City. Total employee contributions since implementation of this plan are greater than \$230,000.

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, 2021**

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 3,624,271	\$ 3,624,271
Receivables	314,943	314,943
Prepays	5,545	5,545
Total Current Assets	<u>3,944,759</u>	<u>3,944,759</u>
 Restricted assets		
Cash	2,272,028	2,272,028
 Capital assets:		
Non-depreciable	1,978,236	1,978,236
Depreciable	9,133,631	9,133,631
Total Capital Assets	<u>11,111,867</u>	<u>11,111,867</u>
 TOTAL ASSETS	<u>\$ 17,328,654</u>	<u>\$ 17,328,654</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 310,271	\$ 310,271
Current maturities of long-term debt	347,266	347,266
Total Current Liabilities	<u>657,537</u>	<u>657,537</u>
 Non-current liabilities		
General obligation bonds	4,013,175	4,013,175
Less current maturities	(347,266)	(347,266)
Deferred revenues	1,178,268	1,178,268
Total Long-Term Liabilities	<u>4,844,177</u>	<u>4,844,177</u>
 Total Liabilities	5,501,714	5,501,714
 NET POSITION		
Invested in capital assets	7,098,692	7,098,692
Restricted net assets	2,272,028	2,272,028
Unrestricted net assets	2,456,220	2,456,220
	<u>11,826,940</u>	<u>11,826,940</u>
 TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,328,654</u>	<u>\$ 17,328,654</u>

**CITY OF CLAY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	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
Function/Program Activities						
Primary Government:						
Government Activities:						
General government	\$ 1,513,499	\$ -	\$ 118,607	\$ -	\$ (1,394,892)	\$ (1,394,892)
Public safety	593,686	3,820	-	-	(589,866)	(589,866)
Public works	614,547	-	-	-	(614,547)	(614,547)
Parks and recreation	508,661	73,590	-	-	(435,071)	(435,071)
Library	200,835	14,036	-	-	(186,799)	(186,799)
Senior citizens	103,655	3,351	-	-	(100,304)	(100,304)
Interest	206,034	-	-	-	(206,034)	(206,034)
Total governmental activities	<u>\$ 3,740,917</u>	<u>\$ 94,797</u>	<u>\$ 118,607</u>	<u>\$ -</u>	(3,527,513)	(3,527,513)
General Revenues:						
Taxes:						
Sales Tax					3,279,777	3,279,777
Ad valorem taxes					395,092	395,092
Other taxes					99,097	99,097
License and permits					1,040,339	1,040,339
Intergovernmental					346,795	346,795
Miscellaneous					38,620	38,620
Total general revenues					<u>5,199,720</u>	<u>5,199,720</u>
Change in net position for current year					1,672,207	1,672,207
Net position, beginning of year					<u>10,154,733</u>	<u>10,154,733</u>
Net position, end of year					<u>\$ 11,826,940</u>	<u>\$ 11,826,940</u>

CITY OF CLAY, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets and other debits				
Assets:				
Cash and cash equivalents	\$ 3,593,881	\$ -	\$ -	\$ 3,593,881
Restricted cash	69,092	1,774,867	458,458	2,302,417
Receivables				-
Taxes	292,837	-	22,106	314,943
Other	-	-	-	-
Prepaid expenses	5,545	-	-	5,545
Total assets and other debits	\$ 3,961,355	\$ 1,774,867	\$ 480,564	\$ 6,216,786
Liabilities, equity and other credits				
Liabilities:				
Accounts payable and accrued liabilities	\$ 221,977	\$ 43,200	\$ 13,847	\$ 279,024
Deferred revenues	-	1,178,268	-	1,178,268
Total liabilities	221,977	1,221,468	13,847	1,457,292
Equity and other credits:				
Fund balances:				
Restricted	1,089,208	-	-	1,089,208
Committed	-	-	-	-
Non-spendable	5,545	-	-	5,545
Assigned	-	-	-	-
Unreserved, undesignated	2,644,625	553,399	466,717	3,664,741
Total equity and other credits	3,739,378	553,399	466,717	4,759,494
	\$ 3,961,355	\$ 1,774,867	\$ 480,564	\$ 6,216,786

**CITY OF CLAY, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Fund Balance - Total Governmental Funds	\$ 4,759,494
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. Assets net of accumulated depreciation are.	11,111,867
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet	(4,013,175)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet	(10,059)
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	(21,187)
	(21,187)
Net Assets of Governmental Activities	\$ 11,826,940

CITY OF CLAY, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,283,311	\$ -	\$ -	\$ 3,283,311
Licenses and permits	856,186	-	-	856,186
Intergovernmental	684,505	100,784	236,325	1,021,614
Parks and recreation	71,715	-	-	71,715
Library	14,036	-	-	14,036
Senior citizens	5,226	-	-	5,226
Other	500,972	-	-	500,972
	<u>5,415,951</u>	<u>100,784</u>	<u>236,325</u>	<u>5,753,060</u>
Expenditures				
Current operations:				
General government	1,434,807	36	108	1,434,951
Public safety	556,286	-	-	556,286
Streets and sanitation	511,418	-	77,554	588,972
Parks and recreation	275,317	-	-	275,317
Library	161,878	-	-	161,878
Senior citizens	92,409	-	-	92,409
Total current operations	<u>3,032,115</u>	<u>36</u>	<u>77,662</u>	<u>3,109,813</u>
Capital outlays	335,966	249,390	-	585,356
Debt service:				
Principal	312,929	-	-	312,929
Interest and fiscal charges	209,217	-	-	209,217
Total expenditures	<u>3,890,227</u>	<u>249,426</u>	<u>77,662</u>	<u>4,217,315</u>
Excess (deficiency) of revenues over (under) expenditures	1,525,724	(148,642)	158,663	1,535,745
Other financial sources (uses):				
Operating transfers in	-	435,751	-	435,751
Operating transfers out	(435,751)	-	-	(435,751)
Total other financing sources (uses)	<u>(435,751)</u>	<u>435,751</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,089,973	287,109	158,663	1,535,745
Fund balance, beginning	<u>2,649,405</u>	<u>266,290</u>	<u>308,054</u>	<u>3,223,749</u>
Fund balance, ending	<u>\$ 3,739,378</u>	<u>\$ 553,399</u>	<u>\$ 466,717</u>	<u>\$ 4,759,494</u>

CITY OF CLAY, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds \$ 1,535,745

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. 585,356

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:

Repayment of notes and bond 312,929

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. (434,188)

Revenue from account receivable recognized in entity wide accounting but not in governmental funds method because collection was made after the sixty day cut-off date required for including in modified accrual accounting. (339,936)

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. 9,118

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. 3,183

Change in net position of governmental activities \$ 1,672,207

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 2021 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 activity 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, 2021

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 result 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

Fund financial statement reports information about the City. 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 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, 2021

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, 2021

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, 2021

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, that 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, 2021

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 \$38,702. 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	\$ 248,766	\$ -	\$ -	\$ 248,766	\$248,766
Intergovernmental					
Property tax	6,947	-		6,947	6,947
Gasoline taxes	4,328	-	22,106	26,434	26,434
Other taxes	16,065	-		16,065	16,065
Franchise fees	16,731	-		16,731	16,731
Total receivables	<u>\$ 292,837</u>	<u>\$ -</u>	<u>\$ 22,106</u>	<u>\$ 314,943</u>	<u>\$314,943</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, 2021. The general fund transferred \$435,751 to capital improvements fund to help pay for capital expenditures during the year.

**CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

	<u>Balance 9-30-2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9-30-2021</u>
Governmental Activities				
Assets not being depreciated				
Land	\$ 1,978,236	\$ -	\$ -	\$ 1,978,236
Construction in process	1,077,251	370,302	1,447,553	-
	<u>3,055,487</u>	<u>370,302</u>	<u>1,447,553</u>	<u>1,978,236</u>
Other capital assets:				
Buildings and land improvements	3,480,088	30,415	-	3,510,503
Equipment	929,750	152,910	-	1,082,660
Vehicles	283,598	6,000	-	289,598
Infrastructure	10,132,714	1,473,282	-	11,605,996
	<u>14,826,150</u>	<u>1,662,607</u>	<u>-</u>	<u>16,488,757</u>
Accumulated depreciation	<u>6,920,938</u>	<u>434,188</u>	<u>-</u>	<u>7,355,126</u>
	<u>7,905,212</u>	<u>1,228,419</u>	<u>-</u>	<u>9,133,631</u>
Net capital assets	<u>\$ 10,960,699</u>	<u>\$ 1,598,721</u>	<u>\$ 1,447,553</u>	<u>\$ 11,111,867</u>

Depreciation was charged to functions as follows:

Governmental activities	
Parks	\$ 233,345
General	86,831
Streets and public works	26,937
Public safety	37,400
Seniors	10,368
Library	<u>39,307</u>
Total	<u>\$ 434,188</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, 2021 was \$10,059.

CITY OF CLAY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 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 year 2021, contributions of each employee are limited to the lesser of \$18,500 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 \$35,730 and employer matching contributions were \$35,730. 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, 2021 was as follows:

	Balance			Balance
	Sept 30, 2020	Increases	Repayments	Sept 30, 2021
General Obligation Warrant payable to US Bank. Interest rate varies from 3.07% to 5.10% and matures April 1, 2023	\$ 210,000	\$ -	\$ 65,000	\$ 145,000
General Obligation Warrant Series 2006A. Interest rate is 3.67% and the bond matures November 20, 2032	3,412,500		200,833	3,211,667
General Obligation Warrant Series 2012A. Interest rate is 3.9% and the bonds mature March 1, 2029.	703,604		47,096	656,508
Total Long-Term Debt	4,326,104	\$ -	\$ 312,929	4,013,175
Amounts due within one year	330,429			347,266
Long-term maturities	\$ 3,995,675			\$ 3,665,909

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, 2021**

NOTE 8- LONG-TERM DEBT - continued

Annual requirements to retire general long-term debt as of September 30, 2021, for the next five years and in five-year increments thereafter are shown below.

Years Ended September 30,	Principal	Interest	Total
2022	\$ 347,266	\$ 156,257	\$ 503,523
2023	364,174	134,807	498,981
2024	301,157	120,160	421,317
2025	316,967	108,883	425,850
2026	330,357	97,029	427,386
2026-2030	1,869,849	309,203	2,179,052
2031-2033	483,405	16,866	500,271
	<u>\$4,013,175</u>	<u>\$ 943,205</u>	<u>\$ 4,956,380</u>

NOTE 9- RISK MANAGEMENT

The City maintains commercial insurance policies to mitigate 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 Jefferson County, Alabama Sheriff’s Department to provide police services. During the current year the City paid \$509,836 for this service.

NOTE 11 – DEFERRED REVENUE

For the year ended September 30, 2021, the City received federal funds from the American Rescue Plan Act (ARPA) in the amount of \$1,178,268. These funds are to be used by the City to cover allowable costs under the Act through December 31, 2024. None of these funds were expended in the year ended September 30, 2021. The amount of deferred revenue at year end is \$1,178,268.

NOTE 12 - SUBSEQUENT EVENTS

Management has performed a review of subsequent events through April 4, 2022, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAY, ALABAMA
BUDGETARY COMPARISON – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original Budget	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,650,000	\$ 2,650,000	\$ 3,283,311	\$ 633,311
Licenses and permits	740,000	740,000	856,186	116,186
Intergovernmental	625,000	625,000	684,505	59,505
Parks and recreation	8,000	8,000	71,715	63,715
Charges for services				
Library	-	-	14,036	14,036
Senior citizens	10,000	10,000	5,226	(4,774)
Interest	-	-	-	-
Other	205,000	205,000	500,972	295,972
Total revenues	<u>4,238,000</u>	<u>4,238,000</u>	<u>5,415,951</u>	<u>1,177,951</u>
Expenditures				
Current operations:				
Government administration	2,573,250	2,573,250	1,434,807	1,138,443
Public safety	565,000	565,000	556,286	8,714
Streets and sanitation	175,000	175,000	511,418	(336,418)
Parks and recreation	95,000	95,000	275,317	(180,317)
Library	62,500	62,500	161,878	(99,378)
Senior citizens	66,000	66,000	92,409	(26,409)
	<u>3,536,750</u>	<u>3,536,750</u>	<u>3,032,115</u>	<u>504,635</u>
Capital outlays	230,000	230,000	335,966	(105,966)
Debt service	420,000	420,000	522,146	(102,146)
Total expenditures	<u>4,186,750</u>	<u>4,186,750</u>	<u>3,890,227</u>	<u>296,523</u>
Excess (deficiency) of revenues over (under) expenditures	51,250	51,250	1,525,724	1,474,474
Other financing sources (uses):				
Operating transfers out	-	-	(435,751)	(435,751)
	<u>-</u>	<u>-</u>	<u>(435,751)</u>	<u>(435,751)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 51,250</u>	<u>\$ 51,250</u>	1,089,973	<u>\$ 1,038,723</u>
Fund balance, beginning			2,649,405	
Fund balance, ending			<u>\$ 3,739,378</u>	