CITY OF COMMERCE, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended June 30, 2025

CITY OF COMMERCE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

December 12, 2025

To the Mayor and City Council
CITY OF COMMERCE, GEORGIA
Commerce, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF COMMERCE, GEORGIA, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF COMMERCE, GEORGIA, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2025, the City adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CITY OF COMMERCE, GEORGIA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CITY OF COMMERCE, GEORGIA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Net Pension Liability - City of Commerce Retirement Plan, Schedule of Contributions - City of Commerce Retirement Plan, Schedule of Notes to Required Supplementary Information - City of Commerce Retirement Plan, Budgetary Comparison Schedule - General Fund, and Budgetary Comparison Schedule - Fiscal Recovery Plan listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements. The combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the accompanying Schedule of Projects Constructed with Special Purpose Local Sales Tax which is presented for the purposes of additional analysis as required by Official Code of Georgia 48-8-121 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, and the Schedule of Projects Constructed with Special Purpose Local Sales Tax, are the responsibility of management and were derived from and

relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of the CITY OF COMMERCE, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CITY OF COMMERCE, GEORGIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF COMMERCE, GEORGIA's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Commerce, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2025. Please consider this information in conjunction with the City's basic financial statements, which follow.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $103,816,735 (presented as "net position"). Of this amount, $35,409,976 was reported as "unrestricted net position." Unrestricted net position represents the amount available to be used to meet the City's obligations to citizens and creditors. $49,131,194 of net position consisted of investments in capital assets. The remainder of net position consisted of amounts restricted by state law or debt agreements, and totaled $19,275,565.

The City's total net position increased by $9,341,231 in fiscal year 2025.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $16,215,970. Of this amount, 33.9% or $5,490,208 is unassigned and available for use within the City's designation and policies.

At the end of the current fiscal year, unassigned fund balance for the general fund was $5,474,932 or 33.62% of the total general fund amended budget expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's primary government financial statements. The City's primary government financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad view of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's primary government assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods, such as uncollected property taxes and earned but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the City include general government and administration, public safety, public services, library, parks and recreation, planning and development, and downtown development expenditures. The business-type activities of the City include the City's Natural Gas, Electric, Fiber, Water and Sewer Systems operations, and Revolving Loan Activities.

The government-wide financial statements include not only the primary government, but also three legally separate authorities, the Downtown Development Authority ("DDA"), the Civic Center and Tourism Authority, and the Hospital Authority for which the City is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1 to 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Fiscal Recovery Plan Act, SPLOST, Confiscated Assets, Capital Projects, and Fire District. The General Fund, SPLOST Fund, Admin Complex Fund, and Fiscal Recovery Plan Act are the only major funds.

The basic governmental fund financial statements can be found on pages 4 to 7 of this report.

Proprietary Fund

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its natural gas, electric, water and sewer system operations, Internet service, and revolving loan activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the natural gas, electric, water and sewer funds, internet service, and revolving loan fund. The natural gas, electric, and water and sewer funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 8 to 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 60 of this report.

Other Information

In addition to the primary government financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on page 68 to 75 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by $103,816,735 as of June 30, 2025, and by $94,448,967 as of June 30, 2024.

The largest portion of the City's net position reflects its investments in capital assets (such as land, buildings and improvements, furniture, machinery and equipment, computer equipment, and vehicles); less any related debt used in acquisition that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF COMMERCE, GEORGIA'S NET POSITION
JUNE 30, 2025
($ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 21,996	$ 27,407	$ 38,751	$ 38,856	$ 60,747	$ 66,263
Capital assets (net of depreciation)	28,949	19,921	39,225	32,134	68,174	52,055
TOTAL ASSETS	50,945	47,328	77,976	70,990	128,921	118,318
Total deferred outflows of resources	345	749	265	493	610	1,242
Liabilities:						
Long-term liabilities outstanding	11,907	12,181	6,413	7,220	18,320	19,401
Other liabilities	5,024	3,958	1,271	1,752	6,295	5,710
TOTAL LIABILITIES	16,931	16,139	7,684	8,972	24,615	25,111
Total deferred inflows of resources	816	-	283	-	1,099	-
Net position						
Net investment in capital assets	16,122	15,485	33,010	24,855	49,132	40,340
Restricted	7,600	5,165	11,675	12,000	19,275	17,165
Unrestricted	9,821	11,288	25,589	25,656	35,410	36,944
TOTAL NET POSITION	$ 33,543	$ 31,938	$ 70,274	$ 62,511	$ 103,817	$ 94,449

Table may not add due to rounding

An additional portion of the City's net position, approximately 18.57%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position $35,409,976, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2025, and June 30, 2024, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories - governmental and business-type activities.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ending June 30, 2025, and June 30, 2024. Governmental activities increased the City's net position by $1,966,075 for the year ending June 30, 2025, and increased net position by $2,948,056 for the year ending June 30, 2024. Business-type activities increased the City's net position by $7,763,116 for the year ending June 30, 2025, and increased the City's net position by $8,927,629 for the year ending June 30, 2024.

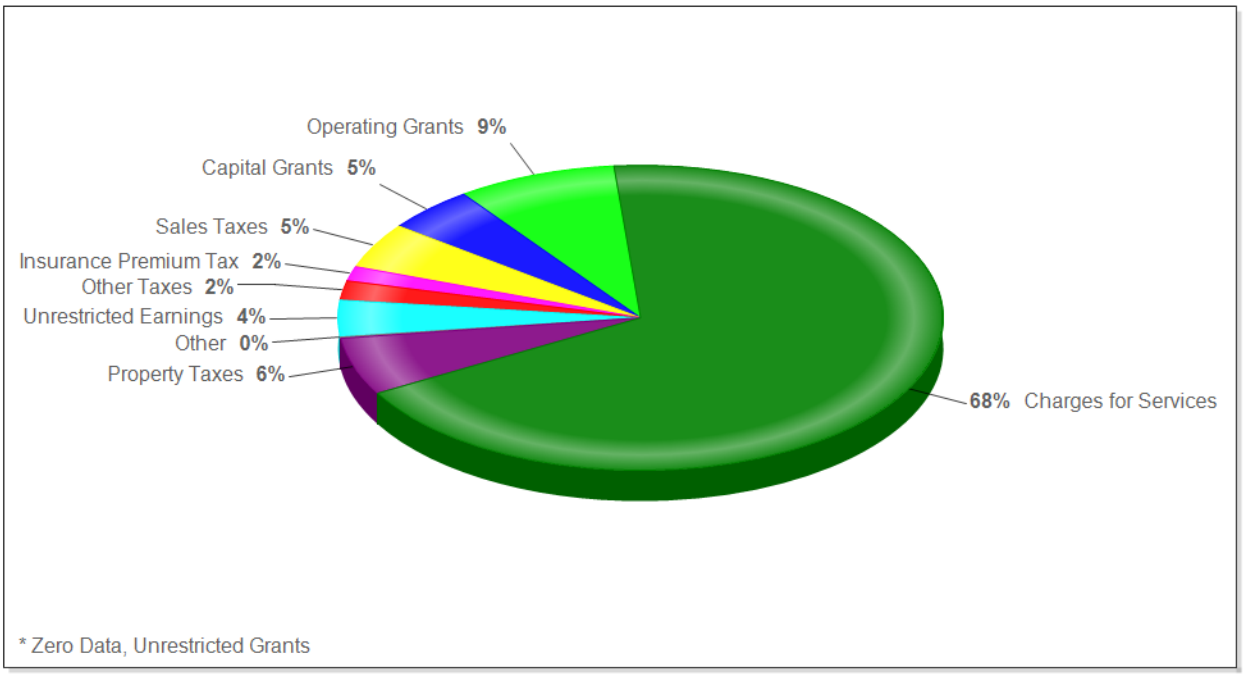
CITY OF COMMERCE, GEORGIA'S CHANGES IN NET POSITION
JUNE 30, 2025

($ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
REVENUES						
Program revenues:	2025	2024	2025	2024	2025	2024
Charges for services	$ 3,703	$ 3,492	$ 28,219	$ 26,067	$ 31,922	$ 29,559
Operating grants and contributions	4,022	5,257	-	-	4,022	5,257
Capital grants and contributions	2,262	2,239	-	-	2,262	2,239
General Revenues:						
Property taxes	2,842	2,598	-	-	2,842	2,598
Sales taxes	2,246	2,195	-	-	2,246	2,195
Insurance premium tax	709	657	-	-	709	657
Other taxes	990	1,051	-	-	990	1,051
Unrestricted investment earnings	105	135	1,687	911	1,792	1,046
Other	49	14	26	1	75	15
TOTAL REVENUES	16,928	17,638	29,932	26,979	46,860	44,617
EXPENSES						
General Government	2,240	1,979	-	-	2,240	1,979
Judicial	115	-	-	-	115	-
Public safety	3,568	3,349	-	-	3,568	3,349
Public works	3,521	2,982	-	-	3,521	2,982
Recreation and culture	1,330	1,193	-	-	1,330	1,193
Housing and development	985	851	-	-	985	851
Interest	372	327	-	-	372	327
Water and sewer system	-	-	6,633	6,002	6,633	6,002
Electric system	-	-	9,774	9,172	9,774	9,172
Natural gas system	-	-	8,252	6,712	8,252	6,712
Internet service	-	-	216	174	216	174
Capital Outlay	-	-	125	-	125	-
TOTAL EXPENSES	12,131	10,681	25,000	22,060	37,131	32,741
Increases in net assets before transfers	4,797	6,957	4,932	4,919	9,729	11,876
Transfers	(2,831)	(4,009)	2,831	4,009	-	-
Increase in net position	1,966	2,948	7,763	8,928	9,729	11,876
Net position, beginning of year	31,938	28,990	62,511	53,583	94,449	82,573
Change in accounting principle	(361)	-	-	-	(361)	-
Net position, end of year	$ 33,543	$ 31,938	$ 70,274	$ 62,511	$ 103,817	$ 94,449

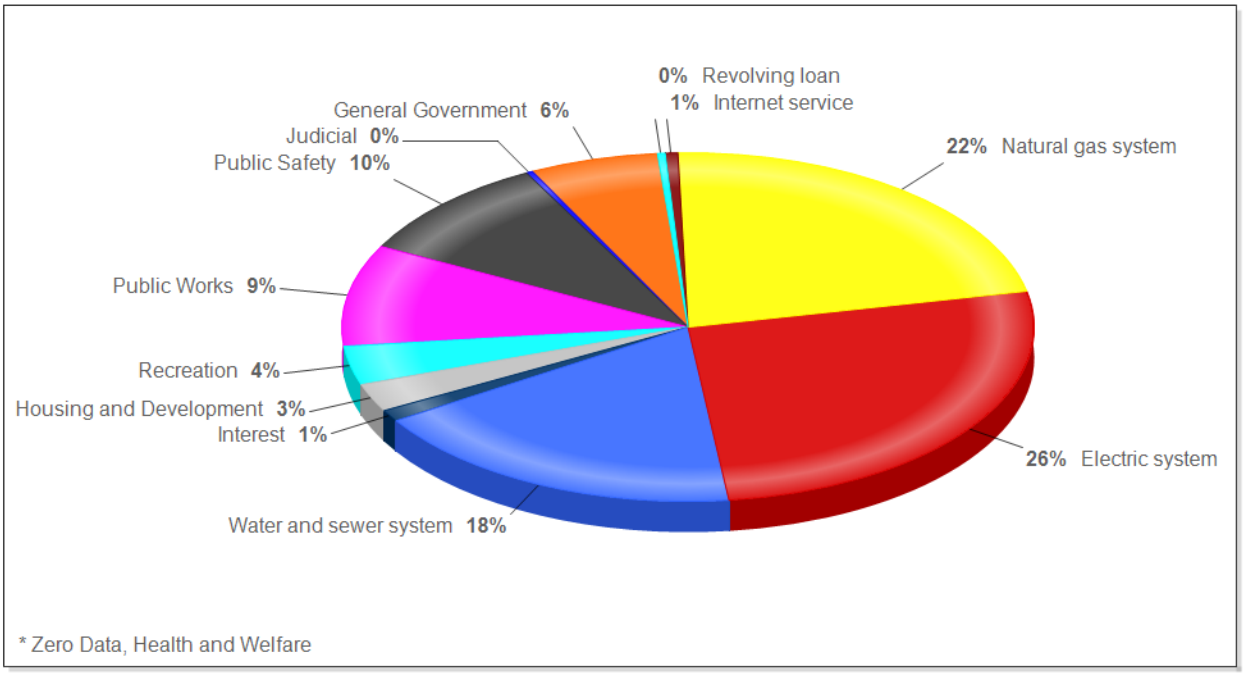
Total government-wide revenues for 2025 were $46.86 million. These revenues consisted of $6.79 million in taxes, $6.28 million in grants and contributions, $1.79 million in investment earnings and $31.92 million in charges for services. Of this amount, $3.7 million was in governmental activities and $28.2 million in business-type activities.

REVENUES BY SOURCE-GOVERNMENT-WIDE ACTIVITY



Government-wide expenses were $37.13 million for 2025, of which $12.13 million were for governmental activities and $25.00 million for business-type activities.

EXPENSES BY FUNCTION-GOVERNMENT-WIDE ACTIVITY



Note: Graph may not equal 100% due to rounding.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the main fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $5,474,932, while the total fund balance reached $6,085,412. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 35.85% of total expenditures, and transfers out, while total fund balance represents 39.85% of that same amount.

The General Fund's fund balance decreased by $3,154,981 during the current fiscal year. This is primarily a result of increasced interfund transfers that have been allocated to support the debt service obligations associated with the Administrative Complex.

SPLOST Fund

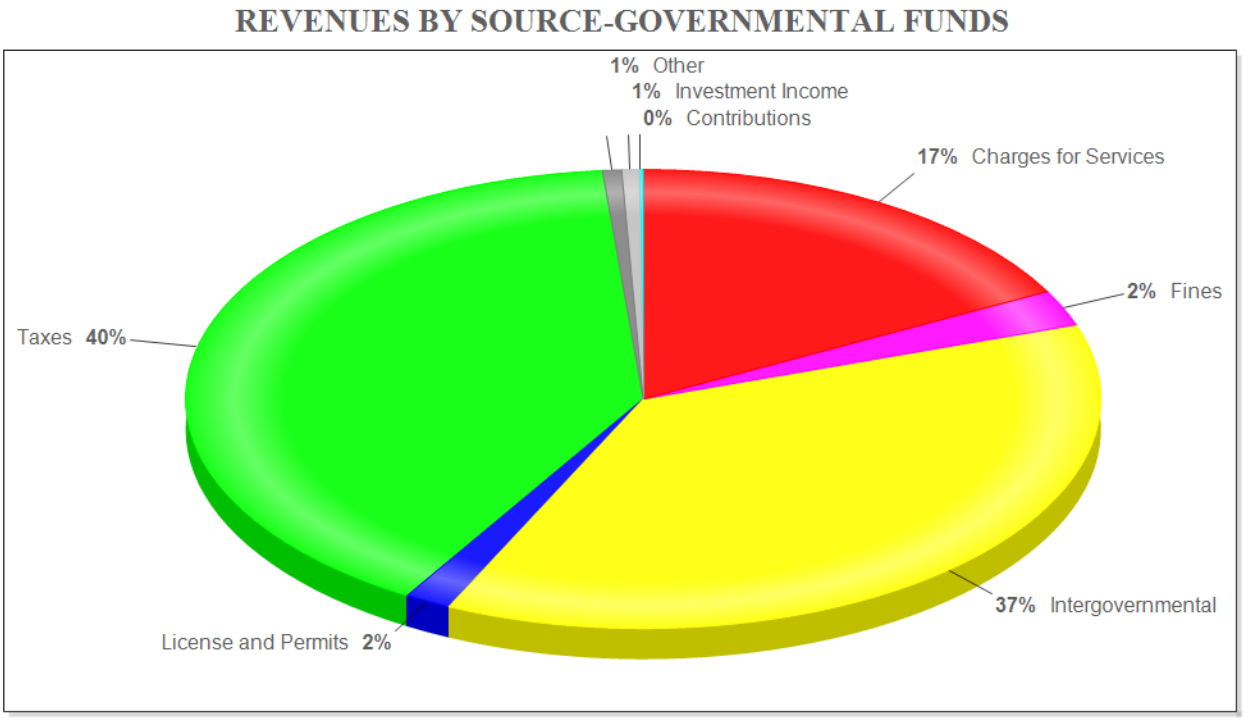
The SPLOST Capital Projects Fund accounts for funds received from a local 1% sales tax reserved for various capital projects. During the current fiscal year, the fund balance increased by $497,455 in the SPLOST Fund. This is primarily a result of holding funds to spend on approved projects in future years.

Fiscal Recovery Plan Act Fund

The Fiscal Recovery Fund accounts for funds received from the American Rescue Plan Act (ARPA). During the current fiscal year, the fund balance decreased by $4,413 in the Fiscal Recovery Fund. This is primarily a result of funds spent on ongoing infrastructure projects.

Admin Complex Fund

The Admin Complex Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlay including the acquisition or construction of the new admin complex facility. During the current fiscal year, the fund balance decreased by $5,138,632 in the Admin Complex Fund. This is a result of the project being completed.



Note: Graph may not equal 100% due to rounding.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer System Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Water and Sewer System is $13,535,991. For the fiscal year ending June 30, 2025, the Water and Sewer system had an increase in net position of $4,576,342, the majority of which can be attributed to new tap fees for new customers as a result of continued growth in the area. Overall, Water and Sewer did had an increase in the customer base expansion and a 22% rise in commercial consumption.

The Electric System Fund is used to account for the provision of electricity services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electric system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for electric system debt. All costs are financed through charges to utility customers with rates

reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Electric Fund is $4,221,696. In the current year, the Electric system had an increase in net position of $1,020,819, which is primarily driven by revised rate structures implemented following the recent rate study and continued growth in the customer base.

The Natural Gas System Fund is used to account for the provision of natural gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Natural Gas Fund is $7,239,182. In the current fiscal year 2025, the Natural Gas Fund had an increase in net position of $2,298,276, which results from controlled spending, increased consumption, and no intergovernmental transfers.

General Fund Budgetary Highlights

The City made minor revisions to the original appropriations approved by the City Council. These minor adjustments are common operating occurrences and did not change the total of the original appropriations.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to $68,173,318 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, machinery and equipment, computer equipment, utility infrastructure, infrastructure assets, and vehicles.

The City has implemented all phases of GASB Statement No. 34. GASB Statement No. 34 requires the reporting and depreciation of all of the City's governmental capital assets.

Major capital asset events during the current fiscal year included the following:

- The City spent $242,902 on buildings and improvements.
- The City spent $742,523 on machinery and equipment.
- The City spent $412,828 on vehicles.
- The City spent $18,301,642 on infrastructure.

CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION - PRIMARY GOVERNMENT

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
Land	$ 2,796,645	$ 2,796,645	$ 2,684,503	$ 2,684,503	$ 5,481,148	$ 5,481,148
Construction in process	225,325	4,969,253	4,960,819	1,825,991	5,186,144	6,795,244
Building and improvements	22,521,170	8,120,626	18,603,219	18,603,219	41,124,389	26,723,845
Utility system infrastructure	-	-	58,197,652	52,468,537	58,197,652	-
Furniture, fixtures and equipment	-	-	-	-	-	52,468,537
Machinery and equipment	3,878,681	4,138,904	4,460,267	3,922,243	8,338,948	8,061,147
Computers and equipment	-	-	415,702	415,702	415,702	415,702
Infrastructure	11,131,175	11,107,191	-	-	11,131,175	11,107,191
Vehicles	4,555,005	3,888,192	2,153,415	1,980,704	6,708,420	5,868,896
Intangible assets	693,191	436,831	-	-	693,191	436,831
Accumulated depreciation	(16,565,075)	(15,384,839)	(52,250,786)	(49,766,617)	(68,815,861)	(65,151,456)
Accumulated amortization	(287,589)	(152,174)	-	-	(287,589)	(152,174)
Total	$ 28,948,528	$ 19,920,629	$ 39,224,791	$ 32,134,282	$ 68,173,319	$ 52,054,911

Additional information on the City's capital assets can be found in note 6 and 8 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had $17,301,225 in outstanding debt consisting of revenue bonds, financed purchases, and notes payable. All of the debt was secured by specific revenue sources or capital assets.

OUTSTANDING DEBT - PRIMARY GOVERNMENT

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
Financed Purchases	$ 57,568	$ 76,575	$ -	$ 150,974	$ 57,568	$ 227,549
Notes Payable	-	-	1,564,167	1,683,466	1,564,167	1,683,466
Revenue bonds	11,256,768	12,000,000	4,245,000	5,240,000	15,501,768	17,240,000
Lease liability	177,722	215,846	-	-	177,722	215,846
SBITA liability	201,291	80,031	-	-	201,291	80,031
Total	$ 11,492,058	$ 12,292,421	$ 5,809,167	$ 7,074,440	$ 17,301,225	$ 19,366,861

The City’s total debt (not including compensated absences and other long-term operating liabilities) increased by $2,065,636, during the current fiscal year mostly attributable to the issuance of bonds. Additional information on the City’s long-term debt can be found in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2025-2026 budget, General Fund revenues and expenditures are budgeted to increase by $2,848,703 or 30.8% from the 2024-2025 actuals. This increase is indicative of increasing supply and personnel cost.

In FY 2025, the City initiated an Electric rate study. Partnering with Electric Cities of Georgia (ECG), data was collected and analyzed. Effective in FY25, the City of Commerce will execute the first increase in electrical rates since 2012. In conjunction with ECG, staff plan to continually monitor the outcome of these changes with another full analysis planned for 2027 to measure the effectiveness of the changes to determine any modifications to this plan. As a member of the Municipal Electric Association of Georgia (MEAG) the city is obligated to purchase an additional 5 Megawatts (MW) of wholesale power. The City is pursuing power sale agreements and will be extending services to the new wastewater treatment facility that is currently underway, to help offset the excess power costs. The City does expect to see increases in both revenues and expenses as residential and commercial growth occurs; however, it will be less than the other proprietary funds due to a limited electrical service territory.

The Water & Sewer fund is due for a rate review in fiscal year. The City has engaged with Engineers and other key personnel to begin this process. A decision will be made on rate increases to be implemented in conjunction with the annual Consumer Price Index (CPI). No other rate adjustments are planned. The City does anticipate both revenues and expenditures for the Water & Sewer fund to increase over the next three to five years as industrial and residential growth occurs. In anticipation of this growth, the City has secured grant funding to expand the current treatment plant and distribution facility, and costs will start to show in the years to ahead.

The Gas fund is not anticipating any rate reviews or changes in the margins set by the City. The City does anticipate both revenues and expenditures for the gas department to increase over the next three to five years as industrial and residential growth occurs. Overall prices are always subject to changes in market conditions.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with general overview of the City's primary government finances. If you have questions about this report or need any additional information, contact the Finance Director at P.O. Box 348, Commerce, Georgia 30529.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2025

	PRIMARY GOVERNMENT			
ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Cash	$ 19,387,343	$ 20,425,937	$ 39,813,280	$ 54,049
Investments	-	3,795,840	3,795,840	-
Receivables	823,826	3,041,817	3,865,643	7,678
Internal balances	173,467	(173,467)	-	-
Due from component unit/primary government	-	-	-	162,478
Inventories	40,572	-	40,572	-
Prepaid items	216,527	261,945	478,472	19,635
Restricted assets:				
Cash	239,774	729,645	969,419	-
Investments	-	10,194,941	10,194,941	-
Non-current assets:				
Net pension asset	1,115,088	475,097	1,590,185	-
Capital assets:				
Capital assets not being depreciated	3,021,970	7,645,322	10,667,292	421,012
Capital assets being depreciated	42,086,031	83,830,254	125,916,285	2,454,635
Less: accumulated depreciation	(16,565,075)	(52,250,786)	(68,815,861)	(1,533,821)
Capital assets, net of depreciation	28,542,926	39,224,790	67,767,716	1,341,826
Intangible right to use assets				
Right to Use Lease Asset	340,149	-	340,149	349,816
Subscription assets	353,042	-	353,042	-
Less: accumulated amortization	(287,589)	-	(287,589)	(20,989)
Intangible assets, net of amortization	405,602	-	405,602	328,827
Total Capital Assets	28,948,528	39,224,790	68,173,318	1,670,653
TOTAL ASSETS	50,945,125	77,976,545	128,921,670	1,914,493
DEFERRED OUTFLOWS OF RESOURCES				
Deferred for bond refunding	-	128,483	128,483	-
Pension expense	345,127	136,045	481,172	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	345,127	264,528	609,655	-
TOTAL ASSETS & DEFERRED OUTFLOWS	51,290,252	78,241,073	129,531,325	1,914,493
LIABILITIES				
Accounts payable	3,076,633	1,188,119	4,264,752	22,299
Accrued interest payable	57,692	11,804	69,496	271
Other accrued items	296,561	70,839	367,400	8,877
Due to primary government	-	-	-	3,558
Due to component units	158,920	-	158,920	-
Unearned revenue	1,036,208	-	1,036,208	-
Amounts held in trust	19,314	-	19,314	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	201,635	-	201,635	29,278
Notes from direct borrowings	-	151,666	151,666	12,169
Financed purchases payable	18,641	-	18,641	-
Revenue bonds from direct borrowings	514,210	1,015,000	1,529,210	-
Right to Use Lease Liability	101,543	-	101,543	3,156
SBITA Liability	37,678	-	37,678	-
Due in more than one year				
Compensated absences payable	391,409	146,677	538,086	-
Customer Deposits	-	457,542	457,542	-
Notes from direct borrowings	-	1,412,501	1,412,501	-
Financed purchases payable	38,927	-	38,927	-
Revenue bonds from direct borrowings	10,742,558	3,230,000	13,972,558	-
Right to Use Lease Liability	76,179	-	76,179	337,810
SBITA Liability	163,613	-	163,613	-
TOTAL LIABILITIES	16,931,721	7,684,148	24,615,869	417,418
DEFERRED INFLOWS OF RESOURCES				
Pension expense	815,547	283,174	1,098,721	-
TOTAL DEFERRED INFLOWS OF RESOURCES	815,547	283,174	1,098,721	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	17,747,268	7,967,322	25,714,590	417,418

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2025

Continued

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	16,121,607	33,009,587	49,131,194	1,317,518
Restricted for:				
Capital projects	-	435,161	435,161	
Municipal Competitive Trust Agreement	-	11,239,710	11,239,710	
Sales tax referendum projects	6,906,505	-	6,906,505	-
Public safety programs	661,877	-	661,877	-
Recreation and culture programs	21,733	-	21,733	-
Cemetery	10,579	-	10,579	-
Unrestricted	9,820,683	25,589,293	35,409,976	179,557
TOTAL NET POSITION	$ 33,542,984	$ 70,273,751	$ 103,816,735	$ 1,497,075

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	$ 2,239,771	$ 1,935,579	$ 3,837,657	$ -	$ 3,533,465	$ -	$ 3,533,465	$ -
Judicial	115,062	380,193	-	-	265,131	-	265,131	-
Public safety	3,568,178	37,554	111,659	-	(3,418,965)	-	(3,418,965)	-
Public works	3,521,880	1,198,428	-	1,601,523	(721,929)	-	(721,929)	-
Recreation and culture	1,329,546	116,235	-	660,566	(552,745)	-	(552,745)	-
Housing and development	984,697	34,781	72,630	-	(877,286)	-	(877,286)	-
Interest	371,891	-	-	-	(371,891)	-	(371,891)	-
Total Governmental Activities	12,131,025	3,702,770	4,021,946	2,262,089	(2,144,220)	-	(2,144,220)	-
BUSINESS-TYPE ACTIVITIES								
Water and sewer	6,632,920	8,234,502	-	-	-	1,601,582	1,601,582	-
Internet Service	215,507	207,411	-	-	-	(8,096)	(8,096)	-
Electric System	9,774,303	9,287,247	-	-	-	(487,056)	(487,056)	-
Natural Gas System	8,251,776	10,489,946	-	-	-	2,238,170	2,238,170	-
Revolving Loan	124,709	-	-	-	-	(124,709)	(124,709)	-
Total Business-Type Activities	24,999,215	28,219,106	-	-	-	3,219,891	3,219,891	-
TOTAL PRIMARY GOVERNMENT	$ 37,130,240	$ 31,921,876	$ 4,021,946	$ 2,262,089	(2,144,220)	3,219,891	1,075,671	-
COMPONENT UNITS								
Development Authority	$ 267,404	$ 5,937	$ 278,303	-	-	-	-	16,836
Civic Center	30,076	48,897	-	-	-	-	-	18,821
TOTAL COMPONENT UNITS	$ 297,480	$ 54,834	$ 278,303	$ -	-	-	-	35,657
GENERAL REVENUES								
Property taxes					2,842,274	-	2,842,274	-
Sales taxes					2,246,454	-	2,246,454	-
Insurance premium taxes					708,785	-	708,785	-
Other taxes					990,244	-	990,244	-
Total taxes					6,787,757	-	6,787,757	-
Unrestricted investment earnings					104,662	1,686,435	1,791,097	53
Gain on sale of capital assets					48,611	26,055	74,666	-
TRANSFERS					(2,830,735)	2,830,735	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					4,110,295	4,543,225	8,653,520	53
CHANGES IN NET POSITION					1,966,075	7,763,116	9,729,191	35,710
NET POSITION, Beginning					31,938,333	62,510,635	94,448,968	1,478,229
CHANGE IN ACCOUNTING PRINCIPLE					(361,424)	-	(361,424)	(16,864)
NET POSITION, Beginning as restated					31,576,909	62,510,635	94,087,544	1,461,365
NET POSITION, Ending					$ 33,542,984	$ 70,273,751	$ 103,816,735	$ 1,497,075

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	GENERAL	SPLOST	FISCAL RECOVERY PLAN ACT	ADMIN COMPLEX FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash	$ 9,790,804	$ 7,311,169	$ 1,082,702	$ 345,007	$ 857,662	$ 19,387,344
Receivables	659,951	163,875	-	-	-	823,826
Interfund receivables	779,882	-	-	3,041,818	177,737	3,999,437
Prepaid items	216,527	-	-	-	-	216,527
Inventories	40,572	-	-	-	-	40,572
Restricted assets:						
Cash	32,312	-	-	-	207,462	239,774
TOTAL ASSETS	$ 11,520,048	$ 7,475,044	$ 1,082,702	$ 3,386,825	$ 1,242,861	$ 24,707,480
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 1,082,932	$ 568,539	$ 23,568	$ 1,313,235	$ 88,361	$ 3,076,635
Other accrued items	296,561	-	-	-	-	296,561
Interfund payables	3,818,321	-	7,650	-	-	3,825,971
Due to component units	158,920	-	-	-	-	158,920
Unearned revenue	-	-	1,036,208	-	-	1,036,208
Amounts held in trust	-	-	-	-	19,313	19,313
TOTAL LIABILITIES	5,356,734	568,539	1,067,426	1,313,235	107,674	8,413,608
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	77,902	-	-		-	77,902
TOTAL DEFERRED INFLOWS OF RESOURCES	77,902	-			-	77,902
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,434,636	568,539	1,067,426	1,313,235	107,674	8,491,510
FUND BALANCES						
Nonspendable:						
Prepaid expenditure	216,527	-	-	-	-	216,527
Inventories	40,572	-	-	-	-	40,572
Restricted:						
Sales tax referendum projects	-	6,906,505	-	-	-	6,906,505
Cemetery	10,579	-	-	-	-	10,579
By Contributors	21,733	-	-	-	-	21,733
Public safety programs	-	-	-	-	661,877	661,877
Assigned:						
Debt service	-	-	-	2,073,590	-	2,073,590
Capital equipment and infrastructure	-	-	-	-	473,310	473,310
Next year's budget	321,069	-	-	-	-	321,069
Unassigned:	5,474,932	-	15,276	-	-	5,490,208
TOTAL FUND BALANCES	6,085,412	6,906,505	15,276	2,073,590	1,135,187	16,215,970
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 11,520,048	$ 7,475,044	$ 1,082,702	$ 3,386,825	$ 1,242,861	$ 24,707,480

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2025

Total Fund Balances for Governmental Funds (page 4)		$ 16,215,970
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		28,542,926
Intangible assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		405,602
Some assets and deferred outflows/inflows are not available in the current period, and therefore, are not reported in the funds.		
Net pension asset	1,115,088	
Deferred outflows(inflows) - pension expense	(470,420)	
		644,668
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	77,902	
		77,902
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest	(57,692)	
Compensated absences	(593,044)	
Financed Purchases	(57,568)	
SBITA Liability	(201,291)	
Revenue bond payable	(11,256,768)	
Lease liability	(177,722)	
		(12,344,085)
Rounding		1
Total net position of governmental activities (page 2)		$ 33,542,984

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

REVENUES	GENERAL	SPLOST	FISCAL RECOVERY PLAN ACT	ADMIN COMPLEX FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Taxes	$ 6,348,433	$ -	$ -	$ -	$ 384,669	$ 6,733,102
Licenses and permits	271,748	-	-	-	-	271,748
Intergovernmental	1,408,132	2,262,083	2,586,825	-	-	6,257,040
Fines and forfeitures	380,768	-	-	-	35,944	416,712
Charges for services	2,901,761	-	-	-	-	2,901,761
Contributions and donations	26,988	-	-	-	-	26,988
Investment income	84,342	2,167	12,279	5,013	864	104,665
Miscellaneous	112,549	-	-	-	-	112,549
TOTAL REVENUES	11,534,721	2,264,250	2,599,104	5,013	421,477	16,824,565
EXPENDITURES						
Current Expenditures						
General government	2,150,323	-	-	659	-	2,150,982
Judicial	114,090	-	-	-	-	114,090
Public safety	3,120,185	-	-	-	10,135	3,130,320
Public works	2,497,688	454,772	-	-	-	2,952,460
Recreation and culture	1,116,632	-	-	-	-	1,116,632
Housing and development	933,294	-	-	-	-	933,294
Capital outlay	256,361	1,032,305	-	8,470,869	644,107	10,403,642
Debt service						
Principal	103,148	-	50,059	498,879	38,124	690,210
Interest	10,030	-	2,441	354,695	7,282	374,448
TOTAL EXPENDITURES	10,301,751	1,487,077	52,500	9,325,102	699,648	21,866,078
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	1,232,970	777,173	2,546,604	(9,320,089)	(278,171)	(5,041,513)
OTHER FINANCING SOURCES (USES)						
Sale of City property	48,611	-	-	-	-	48,611
Proceeds from leases/SBITAs	256,361	-	-	-	-	256,361
Transfers in	275,916	-	-	4,181,457	787,382	5,244,755
Transfers out	(4,968,839)	(279,718)	(2,551,017)	-	(275,916)	(8,075,490)
TOTAL OTHER FINANCING SOURCES (USES)	(4,387,951)	(279,718)	(2,551,017)	4,181,457	511,466	(2,525,763)
NET CHANGE IN FUND BALANCES	(3,154,981)	497,455	(4,413)	(5,138,632)	233,295	(7,567,276)
FUND BALANCES, Beginning of year	9,240,393	6,409,050	19,689	7,212,222	901,892	23,783,246
FUND BALANCES, End of year	$ 6,085,412	$ 6,906,505	$ 15,276	$ 2,073,590	$ 1,135,187	$ 16,215,970

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Net change in fund balances (page 6)		$ (7,567,276)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	10,403,642	
Depreciation expense	(1,240,327)	
Amortization expense	(135,415)	
		9,027,900
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	77,902	
		77,902
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(23,246)	
		(23,246)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Proceeds from borrowing including premiums and discounts	(256,361)	
Principal payments on long-term debt, including payments to refunding escrow	690,210	
Accrued interest on bonds, current year	(57,692)	
Accrued interest on bonds, prior year	60,249	
		436,406
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, current year	(593,044)	
Compensated absences, prior year	520,131	
		(72,913)
Net pension liability (asset) is not available during the current period and therefore is not reported in the funds.		
End of year	1,115,088	
Beginning of year	191,237	
		1,306,325
Contributions made after pension measurement date and changes to the pension plan actuarial assumptions are reported in deferred outflows.		
End of year	345,127	
Beginning of year	(748,603)	
		(403,476)
Projected pension plan activity is reported in deferred inflows.		
End of year	(815,547)	
Beginning of year	-	
		(815,547)
Changes in net position of governmental activities (page 3)		$ 1,966,075

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
ASSETS	WATER & SEWER FUND	ELECTRIC SYSTEM FUND	NATURAL GAS SYSTEM FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
Current Assets					
Cash	$ 12,045,764	$ 662,190	$ 7,169,864	$ 548,119	$ 20,425,937
Investments	-	3,795,840	-	-	3,795,840
Receivables (net of allowance for uncollectibles)	879,072	1,206,031	930,405	26,309	3,041,817
Interfund receivables	571,668	-	-	27,098	598,766
Prepaid items	155,686	51,149	54,628	482	261,945
Restricted assets:					
Cash	435,161	294,484	-	-	729,645
Investments	-	10,194,941	-	-	10,194,941
TOTAL CURRENT ASSETS	14,087,351	16,204,635	8,154,897	602,008	39,048,891
Noncurrent Assets					
Net pension asset	195,168	157,630	122,299	-	475,097
Capital assets					
Capital assets not being depreciated	6,787,748	721,072	136,502	-	7,645,322
Capital assets being depreciated	52,497,117	11,084,882	19,777,725	470,530	83,830,254
Less: accumulated depreciation	(34,120,890)	(8,725,090)	(8,984,798)	(420,008)	(52,250,786)
Total capital assets (net of accumulated depreciation)	25,163,975	3,080,864	10,929,429	50,522	39,224,790
TOTAL NONCURRENT ASSETS	25,359,143	3,238,494	11,051,728	50,522	39,699,887
TOTAL ASSETS	39,446,494	19,443,129	19,206,625	652,530	78,748,778
DEFERRED OUTFLOWS OF RESOURCES					
Deferred for bond refunding	128,483	-	-	-	128,483
Pension expense	63,360	38,890	33,795	-	136,045
TOTAL DEFERRED OUTFLOWS OF RESOURCES	191,843	38,890	33,795	-	264,528
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	39,638,337	19,482,019	19,240,420	652,530	79,013,306
LIABILITIES					
Current Liabilities					
Accounts payable	121,814	695,926	360,796	9,584	1,188,120
Accrued interest	11,804	-	-	-	11,804
Other accrued items	33,851	15,543	21,445	-	70,839
Interfund payables	-	53,426	718,806	-	772,232
Notes from direct borrowings	151,666	-	-	-	151,666
Revenue bonds payable	1,015,000	-	-	-	1,015,000
TOTAL CURRENT LIABILITIES	1,334,135	764,895	1,101,047	9,584	3,209,661
Noncurrent Liabilities					
Customer deposits	113,674	186,093	157,775	-	457,542
Compensated absences payable	83,942	27,514	35,221	-	146,677
Notes from direct borrowings	1,412,501	-	-	-	1,412,501
Revenue bonds payable	3,230,000	-	-	-	3,230,000
TOTAL NONCURRENT LIABILITIES	4,840,117	213,607	192,996	-	5,246,720
TOTAL LIABILITIES	6,174,252	978,502	1,294,043	9,584	8,456,381
DEFERRED INFLOWS OF RESOURCES					
Pension expense	142,025	65,395	75,754	-	283,174
TOTAL DEFERRED INFLOWS OF RESOURCES	142,025	65,395	75,754	-	283,174
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	6,316,277	1,043,897	1,369,797	9,584	8,739,555
NET POSITION					
Net investment in capital assets	19,350,908	2,976,716	10,631,441	50,522	33,009,587
Restricted for capital projects	435,161	-	-	-	435,161
Restricted for Municipal Competitive Trust Agreement	-	11,239,710	-	-	11,239,710
Unrestricted	13,535,991	4,221,696	7,239,182	592,424	25,589,293
TOTAL NET POSITION	$ 33,322,060	$ 18,438,122	$ 17,870,623	$ 642,946	$ 70,273,751

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	WATER & SEWER FUND	ELECTRIC SYSTEM FUND	NATURAL GAS SYSTEM FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
OPERATING REVENUES					
Charges for sales and services:					
Charges for services	$ 8,193,618	$ 9,161,492	$ 10,299,324	$ 206,296	$ 27,860,730
Connection fees	-	-	85,503	1,115	86,618
Other operating revenue	40,884	125,755	105,119	-	271,758
Total Operating Revenues	8,234,502	9,287,247	10,489,946	207,411	28,219,106
OPERATING EXPENSES					
Salaries and benefits	1,079,913	827,592	849,625	-	2,757,130
Supplies	494,379	206,577	145,557	10,933	857,446
Other services and charges	800,146	31,357	75,507	182,056	1,089,066
Insurance premiums	86,031	71,430	69,092	37,529	264,082
Depreciation	1,454,912	374,538	626,819	31,889	2,488,158
Professional fees	1,165,940	38,954	63,755	7,988	1,276,637
Repairs and maintenance	626,836	107,736	73,165	-	807,737
Utilities	535,704	8,231	11,821	69,821	625,577
Utilities purchased for resale	-	8,107,888	6,336,435	-	14,444,323
Total Operating Expenses	6,243,861	9,774,303	8,251,776	340,216	24,610,156
OPERATING INCOME (LOSS)	1,990,641	(487,056)	2,238,170	(132,805)	3,608,950
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	117,970	1,507,875	60,106	484	1,686,435
Interest expense	(209,059)	-	-	-	(209,059)
Issuance costs	(180,000)	-	-	-	(180,000)
Gain (loss) on sale of capital assets	26,055	-	-	-	26,055
Total Nonoperating Revenues (Expenses)	(245,034)	1,507,875	60,106	484	1,323,431
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,745,607	1,020,819	2,298,276	(132,321)	4,932,381
Transfer in	2,830,735	-	-	-	2,830,735
CHANGE IN NET POSITION	4,576,342	1,020,819	2,298,276	(132,321)	7,763,116
TOTAL NET POSITION, Beginning of year	28,745,718	17,417,303	15,572,347	775,267	62,510,635
TOTAL NET POSITION, End of year	$ 33,322,060	$ 18,438,122	$ 17,870,623	$ 642,946	$ 70,273,751

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR PROPRIETARY FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customer	$ 8,146,839	$ 9,288,901	$ 10,240,041	$ 222,184	$ 27,897,965
Payments to suppliers	(3,567,894)	(8,404,048)	(4,492,826)	(335,981)	(16,800,749)
Payments to employees	(1,044,252)	(863,444)	(830,828)	-	(2,738,524)
Net cash provided by (used in) operating activities	3,534,693	21,409	4,916,387	(113,797)	8,358,692
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(4,201,746)	(964,669)	(4,386,198)	-	(9,552,613)
Transfers in	2,830,735	-	-	-	2,830,735
Debt issuance costs	(180,000)	-	-	-	(180,000)
Principal payments on debt	(1,143,867)	-	(150,974)	-	(1,294,841)
Proceeds from notes from direct borrowings	29,568	-	-	-	29,568
Interest paid	(156,517)	-	(289)	-	(156,806)
Net cash provided (used) by capital and related financing activities	(2,821,827)	(964,669)	(4,537,461)	-	(8,323,957)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	117,970	1,797,824	60,107	484	1,976,385
Purchase of investments	-	(501,560)	-	-	(501,560)
Net cash provided (used) by investing activities	117,970	1,296,264	60,107	484	1,474,825
Net increase (decrease) in cash and cash equivalents	830,836	353,004	439,033	(113,313)	1,509,560
CASH, Beginning of year	11,650,089	603,670	6,730,831	661,432	19,646,022
CASH, End of year	$ 12,480,925	$ 956,674	$ 7,169,864	$ 548,119	$ 21,155,582
Cash	$ 12,045,764	$ 662,190	$ 7,169,864	$ 548,119	$ 20,425,937
Restricted Cash	435,161	294,484	-	-	729,645
Total Cash	$ 12,480,925	$ 956,674	$ 7,169,864	$ 548,119	21,155,582
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 1,990,641	$ (487,056)	$ 2,238,170	$ (132,805)	$ 3,608,950
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,454,912	374,538	626,819	31,889	2,488,158
(Increase) decrease in:					
Accounts receivable	(79,158)	(2,606)	(258,550)	14,773	(325,541)
Deferred outflows for pensions	81,840	56,460	35,062	-	173,362
Prepaid expenses	21,221	8,586	10,728	-	40,535
Increase (decrease) in:					
Accounts payable	(82,656)	159,763	(119,302)	8,634	(33,561)
Compensated absences	53,826	18,532	19,936	1,804	94,098
Customer deposits	(8,505)	4,260	8,645	-	4,400
Other accrued items	8,074	6,377	21,445	-	35,896
Net pension liability (asset)	(250,104)	(182,616)	(133,400)	-	(566,120)
Deferred inflows for pension	142,025	65,395	75,754	-	283,174
Due to other governments	-	-	7,118	(35,373)	(28,255)
Interfund balances	202,577	(224)	2,383,962	(2,719)	2,583,596
Net cash provided by (used in) operating activities	$ 3,534,693	$ 21,409	$ 4,916,387	$ (113,797)	$ 8,358,692
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES					
Net unrealized gain (loss) on investments	$ -	$ (289,949)	$ -	$ -	$ (289,949)
Amortization of deferred charges	$ (54,975)	$ -	$ -	$ -	$ (54,975)
Net book value of retirements from capital assets	$ 26,055	$ -	$ -	$ -	$ 26,055

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2025

ASSETS	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	HOSPITAL AUTHORITY	TOTAL COMPONENT UNITS
Cash	$ 46,299	$ -	$ 7,750	$ 54,049
Receivables (net of allowance for uncollectibles)	700	6,978	-	7,678
Due from primary government	-	162,478	-	162,478
Prepaid items	4,471	15,164	-	19,635
Restricted assets:				
Capital assets:				
Capital assets not being depreciated	421,012	-	-	421,012
Capital assets being depreciated	852,487	1,602,148	-	2,454,635
Less: accumulated depreciation	(511,172)	(1,022,649)	-	(1,533,821)
Capital assets, net of depreciation	762,327	579,499	-	1,341,826
Intangible right to use assets				
Right to Use Lease Asset	349,816	-	-	349,816
Less: accumulated amortization	(20,989)	-	-	(20,989)
Intangible assets, net of amortization	328,827	-	-	328,827
Total Capital assets	1,091,154	579,499	-	1,670,653
TOTAL ASSETS	1,142,624	764,119	7,750	1,914,493
LIABILITIES				
Accounts payable	14,997	7,302	-	22,299
Accrued interest payable	92	179	-	271
Other accrued items	4,518	4,359	-	8,877
Due to primary government	3,558	-	-	3,558
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	26,799	2,479	-	29,278
Lease liability	3,156	-	-	3,156
Notes from direct borrowings	-	12,169	-	12,169
Due in more than one year				
Lease liability	337,810	-	-	337,810
TOTAL LIABILITIES	390,930	26,488	-	417,418
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	390,930	26,488	-	417,418
NET POSITION				
Net invested in capital assets	750,188	567,330	-	1,317,518
Unrestricted	1,506	170,301	7,750	179,557
TOTAL NET POSITION	$ 751,694	$ 737,631	$ 7,750	$ 1,497,075

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	HOSPITAL AUTHORITY	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	TOTAL COMPONENT UNITS
	.....PROGRAM REVENUES.....				....NET (EXPENSE) AND CHANGES IN NET POSITION....			
COMPONENT UNITS								
GOVERNMENTAL ACTIVITIES								
Downtown Development Authority	$ 267,404	$ 5,937	$ 278,303	-	$ -	$ 16,836	$ -	$ 16,836
Civic Center	30,076	48,897	-	-	-	-	18,821	18,821
TOTAL COMPONENT UNITS	$ 297,480	$ 54,834	$ 278,303	$ -	-	16,836	18,821	35,657
GENERAL REVENUES								
Unrestricted investment earnings					-	53	-	53
TOTAL GENERAL REVENUES					-	53	-	53
CHANGES IN NET POSITION					-	16,889	18,821	35,710
NET POSITION, Beginning					7,750	751,669	718,810	1,478,229
CHANGE IN ACCOUNTING PRINCIPLE					-	(16,864)	-	(16,864)
NET POSITION, Beginning as restated					7,750	734,805	718,810	1,461,365
NET POSITION, Ending					$ 7,750	$ 751,694	$ 737,631	$ 1,497,075

The accompanying notes are an integral part of this statement.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Commerce, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

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

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

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the city are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Each blended and discretely presented component unit has a June 30 year-end.

Brief description of the blended component unit follows:

COMMERCE PUBLIC FACILITIES AUTHORITY - The Commerce Public Facilities Authority is a related organization of the City. The Public Facilities Authority was formed to authorize and manage lease agreements and to facilitate major City developments. The Authority is made up of the Mayor, Council Members and one residential citizen of the City of Commerce, Georgia.

Decisions of the Authority require a majority vote of the Council Members of the City of Commerce. Thus, the Authority's governing body is substantially the same as the governing Board of the City of Commerce and the City is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from any other remedies. The Public Facilities Authority is a blended component unit of the City.

Brief descriptions of the discretely presented component units follows:

COMMERCE DOWNTOWN DEVELOPMENT AUTHORITY - The Commerce Downtown Development Authority ("DDA") is governed by a board appointed by the City Council and Mayor. The DDA was created for the purpose of administering activities with regard to the revitalization and promotion of downtown Commerce. The DDA provides community promotions, streetscape maintenance, downtown beautification, and building oversight and maintenance for the City owned cultural center. The DDA is required to submit a budget to the City Council for approval. The City Council determines a monthly allocation that it pays to the DDA for its operations. The City also pays the salary and some other expenses related to downtown development. The DDA is a component unit of the City.

COMMERCE CIVIC CENTER AND TOURISM AUTHORITY - The Commerce Civic Center and Tourism Authority is a related organization of the City. The Civic Center and Tourism Authority was formed to acquire, construct, improve, equip, alter, repair, operate, and maintain public projects in the City of Commerce, embracing buildings and facilities to be used for amusement, recreational, civic, cultural, and educational purposes. The Civic Center is required to submit a budget to the City Council for approval. The City Council determines a monthly allocation that it pays to the Civic Center for its operations. The City also pays the salary and some other expenses related to downtown development. The Civic Center is a component unit of the City.

COMMERCE HOSPITAL AUTHORITY - The Commerce Hospital Authority is a related organization of the City. The Hospital Authority was formed to help out the local area. Since Northridge Hospital is private, the Authority was created to help apply for federal funding. The Hospital Authority does not have any staff, therefore it has no salary cost associated. The Hospital Authority is a component unit of the City.

The Downtown Development Authority, Civic Center, Hospital Authority, and Public Facilities Authority did not issue separate financial statements for the year ended June 30, 2025.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Change in Accounting Principle

In fiscal year 2025, the City implemented GASB Statement No. 101, "*Compensated Absences*" and as a result recognized a change in accounting principle as of July 1, 2024 in order to retroactively report the change to the earliest period reported.

GASB Statement No. 101 enhances the relevance and consistency of information about governments' compensated absences. It establishes requirements for liability accounting for paid leave and supersedes GASB 16. These changes were incorporated in the City's fiscal year 2025 financial statements and had an effect on the beginning net position of the governmental activities and component units.

The implementation of GASB Statement No. 101 and change in accounting principle had the following effect on net position as of July 1, 2024:

	Governmental Activities	Component Unit Downtown Development Authority
Net Position, July 1	$ 31,938,333	$ 1,478,229
Compensated absences	(361,424)	(16,864)
Change in accounting principle	(361,424)	(16,864)
Restated Net Position, July 1	$ 31,576,909	$ 1,461,365

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

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

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

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

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

The City receives its business type operating revenues from sales of water and sewer, electric, and gas service as well as connection fees. Of these billed amounts, the City recognizes SK Battery American, representing 45% and 19% of the total billed natural gas and water & sewer revenue, respectively, and J M Huber Corporation, representing 15% of the total billed natural gas revenue, as major customers.

The government reports the following major governmental funds:

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

The *SPLOST Capital Projects Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The *Fiscal Recovery Plan Act Fund* accounts for funds received for relief to address the continued impact of COVID-19 on the economy, public health, and state and local governments, individuals, and businesses.

The *Admin Complex Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlay related to the Administrative Complex building.

The government reports the following major proprietary funds:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the three major proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

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

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

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 20th of each year. The 2024 property taxes were levied October 21, 2024, and were due December 21, 2024. The taxes are subject to lien after March 21, 2025. Interest and penalties are assessed on taxes not paid by this date.

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

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during fiscal year 2025.

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

Building	20-40 years
Site improvements	5-25 years
Natural gas system	10-40 years
Electric system	10-33 years
Water and sewer system	10-30 years
Machinery and equipment	5-10 years
Furniture, fixtures and equipment	10-15 years
Computer equipment	5-10 years
Other infrastructure	20-40 years
Vehicles	5-15 years

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

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

Right to Use Intangible Assets

Intangible assets are classified as right-to-use lease or subscription assets under GASBs No. 87 or No. 96 and are amortized based on the underlying asset life.

The City is a lessee for noncancellable leases and subscription-based information technology arrangements (SBITA). The City recognizes a lease or SBITA liability and an intangible right-to-use asset in the governmental activities of the City. The City recognizes lease or SBITA liabilities in excess of a $100,000 threshold.

At the commencement of a lease, the City initially measures the lease or SBITA liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The intangible right-to-use asset is initially measured as the initial amount of the lease or SBITA liability, adjusted for payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the intangible right-to-use asset is amortized on a straight-line basis over its useful life.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease or subscription term includes the noncancellable period of the agreement. Payments included in the measurement of the liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease or SBITA liabilities and will remeasure the intangible right-to-use asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two

types of items that qualify for reporting in this category. These two items consist of the deferred charge on refunding and the deferred charge on pension expense. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is part of the interest expense for the year. The deferred charge in pension expense represents contributions made into the defined benefit pension plan after the measurement date and differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability. The contributions will be recognized as pension expense in the next fiscal year and any other deferred charges related to pension expense will be recognized using a systematic and rational method over a closed five-year period, beginning in the current reporting period.

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave up to 250 hours and sick leave up to 1,040 hours is permitted to be accrued. In accordance with the provisions of Statement of Governmental Accounting Standards No. 101, "Compensated Absences," a liability is reported for leave attributable to services already rendered and are more likely than not to be used for time off or otherwise paid in cash or settled though noncash means.

Long-term Obligations

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

Bond Premiums and Discounts

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

Amortization costs for premiums, discounts, and amounts deferred for refunding (see Note 7) for the year 2025 was $54,975. None of these costs were capitalized in 2025.

Fund Equity/Net Position

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

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

Nonspendable - Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another resolution.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's manager to assign fund balances.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

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

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

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2025 are as follows:

Net investment in capital assets:	Governmental Activities	Business Activities	Component Units
Cost of capital assets	$ 45,801,192	$ 91,475,576	$ 3,225,463
Accumulated depreciation/amortization	(16,852,664)	(52,250,786)	(1,554,810)
Book value	28,948,528	39,224,790	1,670,653
Financed purchases payable	(57,568)	-	-
Accounts payable for fixed assets	(1,474,279)	(406,036)	
Retainage payable for fixed assets	(4,300)	-	
Right to use lease liability	(177,722)	-	(340,966)
SBITA liability	(201,291)	-	-
Revenue bonds from direct borrowings	(11,256,768)	(4,245,000)	-
Add back unspent proceeds	345,007	-	-
Notes from direct borrowings	-	(1,564,167)	(12,169)
Net investment in capital assets	$ 16,121,607	$ 33,009,587	$ 1,317,518

Management Estimates

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

Allocation of Indirect Cost

The City allocates indirect costs for general government services, such as finance, personnel, purchasing, legal, technology, management, etc., to its business-type activities. Allocations are charged to programs based on use of general government services determined by various allocation methodologies.

NOTE 2 - FUND BALANCE/NET POSITION

The governmental activities statement of net position reports $7,600,694 of restricted net position, of which $7,568,382 is restricted by enabling legislation.

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

Restricted:	
General Fund	
By contributors - For unspent funds designated for use by the Library	$ 21,733
Cemetery - For unspent funds for cemetery maintenance.	10,579
SPLOST	
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum.	6,906,505
Nonmajor Funds	
Public Safety programs -	
Confiscated Assets Fund - For funds restricted for law enforcement purposes.	188,149
Fire District Fund - For funds restricted for fire services from a separate tax levy.	473,728
Total Public Safety Programs	661,877
Total Restricted Fund Balance	$ 7,600,694
Assigned:	
General Fund	
Appropriated as a resource in next year's budget	$ 321,069
Admin Complex Fund - For funds designated for debt service on bonds payable.	2,073,590
Nonmajor Capital Projects Fund - For funds designated for future City projects.	473,310
Total Assigned Fund Balance	$ 2,867,969

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

Budgeting Policy

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

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City has no recorded encumbrances at June 30, 2025.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

There are no excesses of expenditures over appropriations at the department level (the legal level of control).

(C) DEFICIT FUND EQUITY

At June 30, 2025, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2025, the City had the following investments, some of which are cash equivalents:

Investment Type	Fair Value	Less Than 1 FMV Level 1	Less Than 1 FMV Level 2	1-5 FMV Level 2	6-10 FMV Level 2	Rating (1)
		INVESTMENT MATURITIES (in Years)				
Municipal Competitive Trust:						
Short-term	$ 5,143,754	$ 154,582	$ 3,692,325	$ 1,296,847	$ -	AAAm
Intermediate	3,728,913	106,949	1,292,497	1,614,514	714,953	AAAm
Intermediate Extended	5,412,598	32,953	1,290,001	3,110,353	979,291	AAAm
Total	$ 14,285,265	$ 294,484	$ 6,274,823	$ 6,021,714	$ 1,694,244	
Maximum Investment		2.06%	43.93%	42.15%	11.86%	

1. Standard & Poor's

Cash per Statement of Net position (page 1)		
Cash	$	39,813,280
Restricted cash		969,419
less cash equivalents that are investments		(294,484)
Deposits	$	40,488,215
Investments Statement of Net position (page 1)		
Investments	$	3,795,840
Restricted Investments		10,194,941
Investments included in cash equivalents		294,484
Investments as listed above	$	14,285,265

The City is involved in an external investment pool, the Municipal Competitive Trust, which is administered by the Municipal Electric Authority of Georgia ("MEAG"), a governmental entity. Due to the anticipated deregulation of the retail sale of electricity in the State of Georgia, the City entered into a Municipal Competitive Trust agreement with the Municipal Electric Authority of Georgia ("MEAG"). The City purchases for resale, electric power from MEAG. The City is a beneficiary of this trust, and the City and MEAG deposit monies in the trust from time to time. All monies are held by the trustee, NC Shareholder Services for the City's benefit and are invested in investment securities. The pool is not registered with the SEC as an investment company. The City has recorded the assets in the Electric System Enterprise Fund. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia. The fair value of the City's position in the pool changes with market conditions and is calculated based on the fair market value of net assets held in the pool at the close of each business day. The pool determines participant's shares sold and redeemed based on the market value per share at the close of business day of the sale or redemption. Detailed information about the external investment pool's fiduciary net position is available in the separately issued MEAG Power financial report which is publicly available at www.meagpower.org/resources.

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

Credit Risk. State statutes authorize the City to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2025, the ratings of its investments are shown above.

Concentration of credit risk. The City places no limit on the amount it may invest in any one issuer. External investment pools are excluded from the concentration of credit risk requirement; therefore, the Municipal Competitive Trust is exempt from this requirement.

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

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

As of June 30, 2025, all of the City's deposits were fully insured and collateralized.

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

> Under the dedicated method, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.
>
> Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balance held by any one covered depository under the multibank pooled method.

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

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and enterprise funds are summarized below. The City does not maintain an allowance for uncollectible accounts due to the utilization of a third party collection agency after a 30 day aging period.

	Governmental Activities		Business-type Activities			
	General Fund	SPLOST	Water & Sewer Fund	Electric System	Natural Gas System	Nonmajor Proprietary Funds
Receivables:						
Property Taxes	$ 90,006	$ -	$ -	$ -	$ -	$ -
Other taxes	236,328	-	-	-	-	-
Accounts	278,805	-	879,072	1,206,031	930,405	26,309
Intergovernmental	54,812	163,875	-	-	-	-
Total Gross Receivables	659,951	163,875	879,072	1,206,031	930,405	26,309
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Net Receivables	$ 659,951	$ 163,875	$ 879,072	$ 1,206,031	$ 930,405	$ 26,309

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

	UNAVAILABLE	UNEARNED
Property taxes (General Fund)	$ 77,902	$ -
Grant drawdowns prior to meeting all eligibility requirements (Fiscal Recovery Plan Act Fund)	-	1,036,208
Total unavailable/ unearned revenue for governmental funds	$ 77,902	$ 1,036,208

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 2,796,645	$ -	$ -	$ -	$ 2,796,645
Construction in progress	4,969,253	9,413,714	-	(14,157,642)	225,325
Total non-depreciable capital assets	7,765,898	9,413,714	-	(14,157,642)	3,021,970
Depreciable Assets:					
Buildings and improvements	8,120,626	242,902	-	14,157,642	22,521,170
Machinery and equipment	4,138,904	204,499	-	(464,722)	3,878,681
Vehicles	3,888,192	262,182	(60,091)	464,722	4,555,005
Infrastructure	11,107,191	23,984	-	-	11,131,175
Total depreciable capital assets	27,254,913	733,567	(60,091)	14,157,642	42,086,031
Less Accumulated Depreciation for:					
Buildings and improvements	(4,005,787)	(250,781)	-	-	(4,256,568)
Machinery and equipment	(2,389,300)	(289,465)	-	46,472	(2,632,293)
Vehicles	(2,977,407)	(310,688)	60,091	(46,472)	(3,274,476)
Infrastructure	(6,012,345)	(389,393)	-	-	(6,401,738)
Total accumulated depreciation	(15,384,839)	(1,240,327)	60,091	-	(16,565,075)
Total depreciable capital assets, net	11,870,074	(506,760)	-	14,157,642	25,520,956
Governmental activities capital assets, net	$ 19,635,972	$ 8,906,954	$ -	$ -	$ 28,542,926

Additions to governmental activities capital assets for fiscal year ending June 30, 2025, consist of the following:

Capital Outlay, depreciable assets	$ 10,147,281
Capital Outlay, amortizable assets (See note 8)	256,360
Total Additions	$ 10,403,641
Non-depreciable capital assets additions	$ 9,413,714
Depreciable capital assets additions	733,567
Amortizable capital assets additions (See note 8)	256,360
Total	$ 10,403,641

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

Governmental Activities:	
General Government	$ 53,716
Public Safety	389,493
Public Works	578,465
Recreation and Culture	200,570
Housing and Development	18,083
Total depreciation expense: Governmental Activities	$ 1,240,327

Capital asset activity for business-type funds for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 2,684,503	$ -	$ -	$ -	$ 2,684,503
Construction in progress	1,825,991	4,495,823	-	(1,360,995)	4,960,819
Total non-depreciable capital assets	4,510,494	4,495,823	-	(1,360,995)	7,645,322
Depreciable Assets:					
Buildings and improvements	18,603,219	-	-	-	18,603,219
Water and sewer system	29,105,266	9,725	-	1,004,515	30,119,506
Electric system	9,290,361	201,413	-	-	9,491,774
Natural gas system	14,072,909	4,156,983	-	356,480	18,586,372
Internet system	415,702	-	-	-	415,702
Machinery and equipment	3,922,243	538,024	-	-	4,460,267
Vehicles	1,980,704	150,646	(38,026)	60,091	2,153,415
Total depreciable capital assets	77,390,404	5,056,791	(38,026)	1,421,086	83,830,254
Less Accumulated Depreciation for:					
Buildings and improvements	(11,067,505)	(386,388)	-	-	(11,453,893)
Water and sewer system	(19,745,860)	(778,512)	-	-	(20,524,372)
Electric system	(7,164,984)	(319,854)	26,055	-	(7,458,783)
Natural gas system	(7,585,901)	(535,169)	-	-	(8,121,070)
Internet system	(357,350)	(23,773)	-	-	(381,123)
Machinery and equipment	(2,487,715)	(249,113)	-	-	(2,736,828)
Vehicles	(1,357,302)	(195,350)	38,026	(60,091)	(1,574,717)
Total accumulated depreciation	(49,766,617)	(2,488,159)	64,081	(60,091)	(52,250,786)
Total depreciable capital assets, net	27,623,787	2,568,632	26,055	1,360,995	31,579,468
Business-type activities capital assets, net	$ 32,134,281	$ 7,064,455	$ 26,055	$ -	$ 39,224,790

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

Business-type Activities:	
Water and Sewer System	$ 1,454,913
Electric System	374,538
Natural Gas System	626,819
Internet System	31,889
Total depreciation expense: Business-type Activities	$ 2,488,159

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2025, and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Governmental Activities:					
Fleet Building Improvements	$ -	$ 9,948	$ -	$ (9,948)	SPLOST
B&GC - Chaney Park	100,000	97,051	2,949	-	SPLOST
Fire Station #2	384,056	118,326	-	265,730	Fire District Fees
Total Governmental Activities	$ 484,056	$ 225,325	$ 2,949	$ 255,782	
Business-type Activities:					
Lead Service Line	$ 97,920	$ 29,567	$ -	$ 68,353	GEFA
Grove Creek WPCP	53,000,000	3,381,927	49,618,073	-	SLFRF Grant/GEFA/ Electric/Water & Sewer
Groundwater Source Development (Wells)	200,000	156,635	43,365	-	Water & Sewer Fund
Automatic Reading Meters	1,200,000	1,392,690	-	(192,690)	Gas/Electric/Water & Sewer
Total Business-type Activities	$ 54,497,920	$ 4,960,819	$49,661,438	$ (124,337)	

Discretely Presented Component Units

Activity for Downtown Development Authority for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental activities:					
Non-depreciable Assets:					
Land	$ 421,012	$ -	$ -	$ -	$ 421,012
Total non-depreciable capital assets	421,012	-	-	-	421,012
Depreciable assets:					
Buildings and improvements	796,005	-	-	-	796,005
Machinery and equipment	17,390	39,093	-	-	56,483
Total depreciable capital assets	813,395	39,093	-	-	852,488
Less Accumulated Depreciation for:					
Buildings	(465,614)	(22,203)	-	-	(487,817)
Machinery and equipment	(14,919)	(8,436)	-	-	(23,355)
Total accumulated depreciation	(480,533)	(30,639)	-	-	(511,172)
Total depreciable capital assets, net	332,862	8,454	-	-	341,316
Governmental activities capital assets, net	$ 753,874	$ 8,454	$ -	$ -	$ 762,328

Activity for the Civic Center for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental activities:					
Depreciable assets:					
Buildings and improvements	$ 1,488,100	$ -	$ -	$ -	$ 1,488,100
Machinery and equipment	114,049	-	-	-	114,049
Total depreciable capital assets	1,602,149	-	-	-	1,602,149
Less Accumulated Depreciation for:					
Buildings	(922,130)	(38,155)	-	-	(960,285)
Machinery and equipment	(54,559)	(7,805)	-	-	(62,364)
Total accumulated depreciation	(976,689)	(45,960)	-	-	(1,022,649)
Total depreciable capital assets, net	625,460	(45,960)	-	-	579,500
Governmental activities capital assets, net	$ 625,460	$ (45,960)	$ -	$ -	$ 579,500

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Financed purchases	$ 75,675	$ -	$ (18,107)	$ 57,568	$ 18,641	$ 38,927
Bonds payable	11,755,647	-	(498,879)	11,256,768	514,210	10,742,558
Compensated absences (net change)	520,131	72,913	-	593,044	201,635	391,409
Governmental activities long-term liabilities	$ 12,351,453	$ 72,913	$ (516,986)	$ 11,907,380	$ 734,486	$ 11,172,894
Business-type Activities:						
Revenue bonds	$ 5,240,000	$ -	$ (995,000)	$ 4,245,000	$ 1,015,000	$ 3,230,000
Notes from direct borrowings	1,683,466	29,568	(148,867)	1,564,167	151,666	1,412,501
Financed purchases	150,974	-	(150,974)	-	-	-
Compensated absences (net change)	54,382	92,295	-	146,677	-	146,677
Business-type activities long-term liabilities	$ 7,128,822	$ 121,863	$ (1,294,841)	$ 5,955,844	$ 1,166,666	$ 4,789,178

The City implemented GASB 101, "Compensated Absences" in fiscal year 2025 and as a result, had a change in accounting principle in the compensated absences liability of $361,242 for the governmental activities.

Notes from direct borrowings, financed purchases and compensated absences are generally liquidated by the general fund. The revenue bonds, financed purchases and notes from direct borrowings for business type activity are liquidated by the Electric, Natural Gas, Water and Sewer, and Internet enterprise funds. Compensated absences for business type activities are liquidated by each of the enterprise funds.

GOVERNMENTAL ACTIVITIES

FINANCED PURCHASES

After implementation of GASB 87 "Leases," the City has reclassified agreements that transfer ownership of the underlying asset by the end of the contract and do not contain termination options as financed purchases. These financed purchases relate to vehicles and equipment for public safety which bear interest at various rates from 1.75% to 2.87%. The annual requirements to amortize these agreements as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 18,641	$ 1,677	$ 20,318
2027	19,184	1,134	20,318
2028	19,743	575	20,318
Total	$ 57,568	$ 3,386	$ 60,954

GENERAL OBLIGATION REVENUE BONDS PAYABLE

On March 21, 2022, the City entered into a contract with City of Commerce Public Facilities Authority to issue Series 2022 Taxable Draw Down Revenue Bonds not to exceed $12,000,000 for the purpose of providing funds to renovate the Commerce Civic Center and pay the costs of issuance. The bonds bear an interest of 3.05%, payable semi-annually on November 1 and May 1. Principal payments on the bonds are due with each payment.

The annual requirements to amortize this debt as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 514,210	$ 339,493	$ 853,703
2027	530,013	323,690	853,703
2028	545,471	308,232	853,703
2029	563,066	290,638	853,704
2030	580,370	273,333	853,703
2031-2035	3,179,916	1,088,601	4,268,517
2036-2040	3,699,578	568,940	4,268,518
2041-2042	1,644,144	63,263	1,707,407
Total	$ 11,256,768	$ 3,256,190	$ 14,512,958

BUSINESS TYPE ACTIVITIES

As of June 30, 2025, the the long-term debt payable from proprietary fund resources consisted of the following:

REVENUE BONDS PAYABLE

Water and Sewerage Revenue Refunding and Improvement Bonds Series 2006:
On June 29, 2006, the City issued $12,770,000 the City of Commerce, GA, Water and Sewerage Revenue Refunding and Improvement Bonds Series 2006. The bonds bear interest at variable rates ranging from 3.625% to 5.00%, payable semi-annually on June 1 and December 1. Principal payments on the bonds are due each December 1.

Water and Sewerage Revenue Refunding Bonds Series 2010:
On December 9, 2010, the City issued the $2,665,000 City of Commerce, GA, Water and Sewerage Revenue Refunding Bonds Series 2010. The bonds bear interest at annual rate of 2.80%, payable semi-annually on June 1 and December 1. Principal payments on the bonds are due each December 1.

Water and Sewerage Revenue Refunding Bonds Series 2013:
On October 30, 2013, the City entered into a contract with City of Commerce Public Facilities Authority to issue $13,910,000 of Series 2013 Revenue Refunding Bonds which mature June 1, 2029, and bear interest 2.65%. The bonds fully refunded the Water and Sewerage Revenue Refunding and Improvement Bonds, Series 2006 and fully refunded the Water and Sewerage Revenue Refunding Bonds, Series 2010. The refunding reduced the aggregate debt services payments by $1,992,632 and resulted in an economic gain (the difference between the present value of old and new debt service payments) of about $717,340. The accounting loss on the refunding was approximately $1,144,074. This loss was deferred and is being amortized over the remaining life of the new debt in accordance with GASB No. 23 using the effective interest rate method.

The annual requirements to amortize this debt as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 1,015,000	$ 99,044	$ 1,114,044
2027	1,050,000	71,683	1,121,683
2028	1,075,000	43,526	1,118,526
2029	1,105,000	14,641	1,119,641
Total	$ 4,245,000	$ 228,894	$ 4,473,894

NOTES FROM DIRECT BORROWINGS

In fiscal year 2018, two notes from direct borrowings for construction from the Georgia Environmental Finance Authority were authorized up to the amount of $10,130,000. The construction was completed in fiscal year 2021. The notes from direct borrowings have an interest rates of 1.90% and final maturity date of October 1, 2034. The authorized note in related to the Banks County Sewer Pretreatment Facility Project for $8,000,000 was liquidated during Fiscal Year 2023. The outstanding note is being used for the Banks County Industrial Water and Sewer Project.

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

The annual requirements to amortize this debt as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 151,720	$ 27,841	$ 179,561
2027	154,628	24,933	179,561
2028	157,591	21,969	179,560
2029	160,612	18,949	179,561
2030	163,690	15,870	179,560
2031-2035	746,358	31,737	778,095
Total	$ 1,534,599	$ 141,299	$ 1,675,898

In fiscal year 2025, a note payable to Georgia Environmental Finance Authority authorized up to the amount of $12,000,000 with an interest rate of 3.25%, which will be amortized over 20 years at the completion of construction. This note is secured by the City's full faith and credit and revenue raising power. Accrued interest during the construction period is due on the first day of each month with an interest rate of 5.25%. The note payable is being used for the construction of a new wastewater treatment plant. There were no draws on the note as of June 30, 2025.

In fiscal year 2025, a note payable to Georgia Environmental Finance Authority authorized up to the amount of $97,920 with an interest rate of 0.00%, which will be amortized over 20 years at the completion of construction. This note is secured by the City's full faith and credit and revenue raising power. The note is 100% forgivable through GEFA Appropriations Language, if all funds are drawn. The note payable is being used for identifying lead service lines in the drinking water system. Draws on the note were $29,568 as of June 30, 2025.

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Compensated absences (net change)	$ 20,802	$ 5,997	$ -	$ 26,799	$ -	$ 26,799
Total long-term liabilities	$ 20,802	$ 5,997	$ -	$ 26,799	$ -	$ 26,799

The City implemented GASB 101, "Compensated Absences" in fiscal year 2025 and as a result, had a change in accounting principle in the compensated absences liability of $16,864 for the Downtown Development Authority.

Activity for the Civic Center and Tourism Authority for the year ended June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Notes from direct borrowings	$ 23,788	$ -	$ (11,619)	$ 12,169	$ 12,169	$ -
Compensated absences (net change)	-	2,479	-	2,479	-	2,479
Total long-term liabilities	$ 23,788	$ 2,479	$ (11,619)	$ 14,648	$ 12,169	$ 2,479

As of June 30, 2025, the long-term debt payable by the Civic Center and Tourism Authority consisted of the following:

NOTES FROM DIRECT BORROWINGS

Note from direct borrowing to Pinnacle Bank in the original amount of $150,000 dated December 3, 2012, interest rate of 2.98% with final maturity dated December 3, 2020. The note from direct borrowing was refinanced on January 8, 2021, interest rate of 2.98% with final maturity dated January 8, 2026. The note from direct borrowing was used to finance the repair of the roof of the Commerce Civic Center.	$ 12,169
Total notes from direct borrowings	$ 12,169
Current portion	(12,169)
Noncurrent portion	$ -

The annual requirements to amortize these component unit note from direct borrowing as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 12,169	$ 736	$ 12,905
Total	$ 12,169	$ 736	$ 12,905

NOTE 8 - INTANGIBLE CAPITAL ASSETS AND LIABILITIES

RIGHT TO USE LEASE ASSETS

Right to use lease asset activity for the City for the period ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increase	Remeasurement	Decrease	Balance June 30, 2025
Governmental Activities:					
Lease assets:					
Equipment	$ 340,149	$ -	$ -	$ -	$ 340,149
Total lease assets	340,149	-	-	-	340,149
Less accumulated amortization for:					
Equipment	(136,060)	(68,029)	-	-	(204,089)
Total accumulated amortization	(136,060)	(68,029)	-	-	(204,089)
Total lease assets, net	$ 204,089	$ (68,029)	$ -	$ -	$ 136,060

The City of Commerce is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the Governmental fund of the City. The City recognizes all applicable lease liabilities.

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2025:

	Balance June 30, 2024	Increase	Remeasurement	Decrease	Balance June 30, 2025
Lease assets:					
Parking Lot	$ 349,816	$ -	$ -	$ -	$ 349,816
Total lease assets	349,816	-	-	-	349,816
Less accumulated amortization for:					
Parking Lot	(13,993)	(6,996)	-	-	(20,989)
Total accumulated amortization	(13,993)	(6,996)	-	-	(20,989)
Total lease assets, net	$ 335,823	$ (6,996)	$ -	$ -	$ 328,827

The Downtown Development Authority of Commerce is a lessee for a cancellable leases of Norfolk Railways parking lot. The Downtown Development Authority recognizes a lease liability and an intangible right-to-use lease asset. The Downtown Development Authority recognizes all applicable lease liabilities.

LEASE LIABILITIES

Long-term lease liability activity for the period ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025	Due within one year	Due in more than one year
Lease liabilities:						
Equipment	$ 215,846	$ -	$ (38,124)	$ 177,722	$ 101,543	$ 76,179
Total lease liabilities	$ 215,846	$ -	$ (38,124)	$ 177,722	$ 101,543	$ 76,179

On September 22, 2022, the City entered into a 60 month lease as Lessee for the use of Axon Tasers. An initial lease liability was recorded in the amount of $191,267. As of June 30, 2025, the value of the lease liability was $83,247. The City is required to make yearly payments. The lease has an interest rate of 6%. The equipment estimated useful life was 60 months as of the contract commencement. The net value of the right to use asset as of June 30, 2025 of $76,507 is included with Equipment on the lease asset activities table above.

On September 22, 2022, the City entered into a 60 month lease as Lessee for the use of Axon Cameras. An initial lease liability was recorded in the amount of $143,882. As of June 30, 2025, the value of the lease liability was $94,475. The City is required to make yearly payments. The lease has an interest rate of 6%. The equipment estimated useful life was 60 months as of the contract commencement. The net value of the right to use asset as of June 30, 2025 of $59,553 is included with Equipment on the lease asset activities table above.

The future minimum lease obligations and the net present value of these minimum lease payments for the period ended June 30, 2025 are as follows:

June 30,	Principal	Interest	Total
2026	$ 101,543	$ 14,551	$ 116,094
2027	76,179	4,571	80,750
Total	$ 177,722	$ 19,122	$ 196,844

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2025:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025	Due within one year	Due in more than one year
Lease liabilities:						
Parking Lot	$ 344,016	$ -	$ (3,050)	$ 340,966	$ 3,156	$ 337,810
Total lease liabilities	$ 344,016	$ -	$ (3,050)	$ 340,966	$ 3,156	$ 337,810

On January 19, 2018, the City entered into a long term lease as Lessee for the use of approximately 23,305 square feet of parking lot space owned by Norfolk Southern Railway Company. An initial lease liability was recorded in the amount of $349,816. As of June 30, 2025, the value of the lease liability was $340,966. The City can cancel this lease agreement at any time, but expect to make yearly payments for the next 50 years. The lease has an interest rate of 10%. The net value of the right to use asset as of June 30, 2025 of $328,827 is included with parking lot on the lease asset activities table above.

The future minimum lease obligations and the net present value of these minimum lease payments for the period ended June 30, 2025 are as follows:

June 30,	Principal	Interest	Total
2026	$ 3,156	$ 341	$ 3,497
2027	3,264	338	3,602
2028	3,375	334	3,709
2029	3,490	331	3,821
2030	3,608	328	3,936
2031 - 2035	19,940	1,582	21,522
2036 - 2040	23,474	1,475	24,949
2041 - 2045	27,573	1,350	28,923
2046 - 2050	32,327	1,203	33,530
2051 - 2055	37,839	1,030	38,869
2056 - 2060	44,232	829	45,061
2061 - 2065	51,645	593	52,238
2066 - 2070	60,240	318	60,558
2071 - 2072	26,803	40	26,843
Total	$ 340,966	$ 10,092	$ 351,058

RIGHT TO USE SUBSCRIPTION ASSETS

Subscription-Based Information Technology Arrangements (SBITA) asset activity for the City for the period ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Right-to-Use Assets				
Subscription assets	$ 96,682	$ 256,360	$ -	$ 353,042
Less accumulated amortization for:				
Subscription assets	(16,114)	-	(67,386)	(83,500)
Total Subscription assets, net	$ 80,568	$ 256,360	$ (67,386)	$ 269,542

The City has two software arrangements that require recognition under GASB No. 96 *Subscription-Based Information Technology Arrangements*. The software amortization expense is included in the Statement of Revenue, Expense and Changes in Fund Net Position related to the City's intangible assets as a Right-to-Use Software Arrangement. The City recognizes a subscription-based information technology arrangement (SBITA) liability and an intangible right-to-use asset for the contracts noted below.

The City has entered into subscription-based information technology arrangements (SBITAs) involving Flock Safety for a license plate reader subscription and BS&A for a subscription for accounting software.

RIGHT TO USE SUBSCRIPTION LIABILITIES

Subscription-Based Information Technology Arrangements (SBITA) liability activity for the City for the period ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Subscription liability	$ 80,031	$ 256,361	$ (135,101)	$ 201,291	$ 37,678	$ 163,613
Total	$ 80,031	$ 256,361	$ (135,101)	$ 201,291	$ 37,678	$ 163,613

The City has recorded $201,291 as intangible right-to-use software arrangements in the Statement of Revenue, Expense and Changes in Fund Net Position. These arrangements for the software mentioned above met the criteria of a SBITA; thus, requiring it to be recorded by the City as intangible assets and a subscription liability. These assets will be amortized over the subscription term of four years. All subscription liabilities have been discounted using the incremental borrowing rate of 3.05%. The City will re-evaluate these subscription contracts at the end of their expected renewal period.

Future subscription payments under SBITA agreements are as follows:

June 30,	Principal	Interest	Total
2026	$ 37,678	$ 2,441	$ 40,119
2027	40,972	4,076	45,048
2028	61,060	3,741	64,801
2029	61,581	5,584	67,165
Total	$ 201,291	$ 15,842	$ 217,133

NOTE 9 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2025, are as follows:

	Due From				
Due To	General Fund	Fiscal Recovery Plan Act	Electric System	Natural Gas System	Total
General Fund	$ -	$ 7,650	$ 53,426	$ 718,806	$ 779,882
Admin Complex	3,041,818	-	-	-	3,041,818
Other nonmajor governmental funds	177,737	-	-	-	177,737
Water and Sewer Fund	571,668	-	-	-	571,668
Nonmajor proprietary funds	27,098	-	-	-	27,098
Total	$ 3,818,321	$ 7,650	$ 53,426	$ 718,806	$ 4,598,203

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

Interfund transfers as of the year ended June 30, 2025, are as follows:

	Transfers Out				
Transfers In	General Fund	SPLOST	Fiscal Recovery Plan Act	Other nonmajor governmental funds	Total
General Fund	$ -	$ -	$ -	$ 275,916	$ 275,916
Admin Complex Fund	4,181,457	-	-	-	4,181,457
Other nonmajor governmental funds	787,382	-	-	-	787,382
Water and Sewer Fund	-	279,718	2,551,017	-	2,830,735
Total	$ 4,968,839	$ 279,718	$ 2,551,017	$ 275,916	$ 8,075,490

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

NOTE 10 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Commerce Retirement Plan (CRP), provides retirement and death benefits to plan members and beneficiaries. CRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association (GMA). GMEBS acts as a common investment and administrative agent for participating cities in Georgia. The Georgia Constitution enables the governing authority of the City, the City Council, to establish, and amend from time-to-time, the contribution rates for the City and its plan participants. The Plan issues a stand-alone report. This report may be obtained from: Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

The GMA, in its role as Plan Sponsor, has the sole authority to amend the provisions of the GMEBS Plan. The City has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan.

Participant counts as of January 1, 2025 (the most recent actuarial valuation date) and covered compensation (base on covered earnings for the preceding year) are shown below:

Retirees, beneficiaries and disables receiving benefits	70
Terminated plan participants entitled to but not yet receiving benefits	50
Active employees participating in the Plan	59
Total number of Plan participants	179
Covered compensation for active participants	$ 3,526,297
Contributions as a percentage of covered payroll	7.54 %

Funding Policy

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

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of September 30, 2024, and the total pension liability(asset) used to calculate the net pension liability(asset) was determined by an actuarial valuation as of that date.

The total pension liability(asset) in the January 1, 2025 valuation was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	2.25% plus service based merit increases
Investment rate of return	7.375%

Mortality rates for active participants, vested participants, and deferred beneficiaries were based on the Sex-distinct Pri-2012 head-count weighted Employee Mortality Table. Mortality rates for healthy retirees and beneficiaries, and disabled participants were based on the Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table and Disabled Retiree Mortality Table, respectively, with rates multiplied by 1.25.

The actuarial assumptions used in the 2025 valuation were based on the results of an actuarial

experience study for the period January 1, 2015 through June 30, 2019.

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

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45%	6.60%
International equity	20	7.03%
Domestic fixed income	20	2.70%
Real estate	10	3.40%
Global fixed income	5	3.70%
TOTAL	100 %	

* Rates shown are net of inflation

The discount rate used to measure the total pension liability(asset) was 7.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability(asset).

Change in the Net Pension Liability(Asset)

	Pension Liability	Fiduciary Net Position	Net Pension Liability(Asset)
Balances at June 30, 2024	$ 12,430,141	$ 12,147,880	$ 282,261
Changes for the year:			
Service cost	200,453	-	200,453
Interest	903,437	-	903,437
Difference between expected and actual experience	128,192	-	128,192
Contribution-employer	-	265,798	(265,798)
Net investment income	-	2,859,104	(2,859,104)
Benefit payments	(761,128)	(761,128)	-
Administrative expense	-	(20,374)	20,374
Other charges	-	-	-
Net changes	470,954	2,343,400	(1,872,446)
Balances at June 30, 2025*	$ 12,901,095	$ 14,491,280	$ (1,590,185)

*Measurement date of September 30, 2024.

The following presents the City's net pension liability(asset) calculated using the discount rate of 7.375%, as well as what the City's proportionate share of the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1 % Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability(asset)	$ 81,891	$ (1,590,185)	$ (2,966,565)

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

For the year ended June 30, 2025, the City recognized pension expense of $81,942. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 269,711	$ -
Changes of assumptions	-	1,098,721
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	211,462	-
TOTAL	$ 481,173	$ 1,098,721

City contributions subsequent to the measurement date of $211,462 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability(asset) in the year June 30, 2026.

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

Year Ended June 30,	
2026	$ (141,649)
2027	$ 214,487
2028	$ (505,405)
2029	$ (396,443)
2030	$ -
Thereafter	$ -
Total	$ (829,010)

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the City and are not reported in these financial statements.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the members governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, an all expenses incurred for investigation, negotiation of defense.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

The City has potential liabilities under MEAG and MGAG Contracts as follows:

ELECTRICAL SYSTEM

The City has entered into Power Sales Contracts with the Municipal Electric Authority of Georgia ("MEAG") pursuant to which the City purchases electric power and energy for resale to its customers. MEAG was created by the State of Georgia for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of Georgia which owned and operated electric distribution systems as of March 18, 1975.

Under the terms of its Power Sales Contracts with MEAG, the City is obligated to take from MEAG, and MEAG is obligated to provide all electric power and energy required by the City in excess of the amount received by the City as an allotment from federally owned projects through the Southeastern Power Administration ("SEPA"). An allotment of SEPA power has been assigned by the City to MEAG and is transmitted to the City by MEAG through Georgia's Integrated Transmission System for a separate charge. Under its Power Sales Contracts with MEAG, the City has the right to receive additional power as needed from the Integrated Transmission System.

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default.

Payments to MEAG are made monthly on net obligations based upon long-term contracts and power supply needs. The total payments, net of refunds and reimbursements, under these contracts amounted to $6,757,888 in fiscal year 2025.

MEAG Power created and established for the Beneficiaries (as that term is defined in the Municipal Competitive Trust), including the City of Commerce (the "Participant"), as of January 1, 1999, a trust referred to as the Municipal Competitive Trust; WHEREAS, a second replacement amendment, dated September 14, 2009, stated The Trustee shall pay all or any

portion of the amounts contained in the New Generation and Capacity Funding Account as directed in writing by the Beneficiary for any of the purposes permitted under Article 6(a)(3), of said agreement. The New Generation and Capacity Funding Account was created to be funded from contributions by the Participant for such purposes to be applied as a credit against the Participant's obligation share of capital and financing costs related to Vogtle's Plant 3 and Plant 4 reactors, in which Municipal Electric Authority of Georgia owns 22.3% on behalf of 49 city-owned utilities. The City of Commerce elected to contribute, and as of September 2022 a monthly redemption of $75,000 has commenced. Additionally, each Beneficiary shall have the right to withdraw part or all funds from the New Generation and Capacity Funding Account for any purpose after January 1, 2037. The total payments (refunds) under these contracts amounted to $1,350,000 in fiscal year 2025.

GAS SYSTEM

The City has entered into a gas supply contract and certain supplemental gas supply contracts with the Municipal Gas Authority of Georgia ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with MGAG, the city is obligated to take from MGAG, and MGAG is obligated to provide all of the City's natural gas requirements. The price paid by the City to MGAG under its contracts is intended to cover the City's share of all the costs of MGAG, including scheduled debt service of MGAG. Such payments are required to be made by the City whether or not the MGAG's facilities or natural gas properties or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under its gas supply or transportation contracts with MGAG. To the extent the required payments are not made from the revenues of the system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments.

Payments to MGAG are made monthly on net obligations based upon long-term contracts. The total payments, net of refunds and reimbursements, under these contracts amounted to $6,336,435 in fiscal year 2025.

GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 13 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Commerce Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received $3,380 in lieu of taxes from the Housing Authority for the year ended June 30, 2025.

In enacting Section 48-4-100 et seq. of the Official Code of Georgia Annotated (hereinafter the "Land Bank Act"), the Georgia General Assembly found that there exists in the State of Georgia a continuing need to strengthen and revitalize the economy of the State of Georgia and local units of government in this state and that it is in the best interests of the State of Georgia and local units of government in this State to assemble or dispose of public property, including dilapidated, abandoned and tax delinquent property, in a coordinated manner to foster the development of that property and to promote economic growth in the State of Georgia.

The “Land Bank Act” permits any county or counties and at least one city located in each participating county to enter into an intergovernmental contract establishing a land bank, the purpose of which would be to acquire tax delinquent and other properties in order to foster the public purpose of returning property which is nonrevenue generating and nontax producing to an effective utilization status in order to provide housing, new industry and jobs for the citizens of the State of Georgia.

In 2022, the City entered into an agreement with Jackson County, under Article IX, Section Ill, Paragraph I of the Constitution of the State of Georgia, which authorizes intergovernmental contracts for up to fifty (50) years for the provision of services or uses of property not otherwise prohibited by law, and the provisions of the Land Bank Act to create the Commerce Land Bank, a public body corporate and politic within the State of Georgia to exercise the powers, duties, functions, and responsibilities of a land bank under the Land Bank Act.

Pursuant to the authority contained in the Development Authorities Law (O.C.G.A. Section 36-62-1, et seq.) is necessary to develop and promote trade, commerce, industry, and employment opportunities for the public good and the general welfare and to promote the general welfare of the state; and the City of Commerce Mayor and Council declared that it is in the public interest and is vital to the public welfare of the people of the City of Commerce and the State of Georgia to activate the Development Authority of the City of Commerce, Georgia.

In 2021, a resolution was enacted and therefore created and activated within the City of Commerce the public body corporate and politic known as the "Commerce Industrial Development Authority" (hereinafter called "Authority"). The “Authority” shall consist of a board of seven directors to be appointed by the city council, one direct from each ward and three directors at large. Directors of the authority must be residents of the city and, if appointed from a ward, residents of the ward from which they are appointed.

The "Authority" does not have the same powers as that of the Jackson County Industrial Development Authority and is not a replacement or competitor of the Jackson County Industrial Development Authority, but is hereby vested with all the powers, duties, and responsibilities set forth in the Industrial Development Authority Act of 1963 (1967 Ga. Laws, page 531).

The “Authority” is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in the City of Commerce. The Authority is also authorized to issue debt to aid it in these activities as well.

For financial reporting purposes, the “Authority” is not a component unit of the City of Commerce, Georgia (the “City”). The “Authority” is so classified because the City does not provide significant funding to the Authority; the City is not financially accountable for the Authority.

NOTE 14 -TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the Georgia Development Authority Law, adopted in 1969, for the purpose of attracting or retaining businesses within the City. The abatements may be granted to any business located within or promising to relocate to the City and meeting the eligibility criteria to “develop and promote trade, commerce, industry, and employment opportunities for the public good and general welfare and to promote the general welfare of the state” (OCGA 36-62-9). The abatements are provided through a direct reduction of the business’ property tax bill. The Georgia law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill its commitment, however, a memorandum of understanding is issued for each abatement outlining the terms in which a recapture would apply. The City has tax abatement agreements with one entity as of June 30, 2025.

In fiscal year 2019 and 2022, the City entered into agreements with Jackson County Industrial Development Authority, Jackson County, Georgia, and SK Battery America, Inc. In return for property tax benefit, the company is required to commit to creating jobs and capital investments within a defined period as part of a performance and accountability agreement that includes provisions for the company to pay back a prorated portion of the benefit if they fail to meet the performance criteria by a specified date. For the fiscal year ended June 30, 2025, the City abated property taxes totaling $13,881,261. The City's portion of the abatements is 10.8% and 6.9%, resulting in the City receiving a payment of $1,200,201 for fiscal year 2025. The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not currently subject to any tax abatement agreements entered into by other governmental entities.

NOTE 15 - LITIGATION

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

NOTE 16 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

The solid waste landfill located at the end of MLK Drive was closed in the early 1980s. During that time, the City took corrective action at the closed landfill site by covering the site with a layer of dirt to stabilize it. The site has been stabilized since that time. The City now uses the site as an area to grind yard waste into mulch. The City keeps the site locked and has no other plans for the site.

There is no recognition of a liability for closure and postclosure care costs based on landfill capacity used to date. The percentage of landfill capacity used to date is 100%, and it has an estimated remaining landfill life of zero years. There is no reported liability for closure and postclosure care at the balance sheet date. There is no estimated total current cost of closure and postclosure care remaining to be recognized. There are no assets restricted for payment of closure and postclosure care costs. Per City officials, the City will maintain the landfill site as an area to grind yard waste into mulch for the foreseeable future, and the City is not aware of any proposed changes in EPD legislation or regulations.

NOTE 17 - CERTAIN SIGNIFICANT ESTIMATES

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

The estimate for unbilled revenue related to enterprise funds is a significant estimate. The estimate is calculated based on the subsequent month billing schedule after year end.

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

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

NOTE 18 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the ten (10) county Piedmont, Georgia, area are members of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid annual dues in the amount of $7,391 to the NEGRC for the year ended June 30, 2025. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines regional commissions as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of a regional commission beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the NEGRC may be obtained from: Northeast Georgia Regional Commission, 305 Research Drive, Athens, Georgia 30605.

NOTE 19 - SPLOST

The City has entered into an agreement with Jackson County to adopt a 1 percent local option sales tax. The proceeds of the sales tax are to be used for: roads, street and bridges, water and sewer capital outlay, and recreational capital outlay.

The following is a schedule of the activity relating to the SPLOST # 5, SPLOST #6, and SPLOST #7 for the year ending June 30, 2025:

SPLOST #5 Schedule:

	Water and Sewer	Road, Streets and Bridges	Recreation	Total
Gross Special Sales Tax	$ -	$ -	$ -	$ -
Project Expenditures				
Capital Expenditures	29	-	8,493	8,522
Total Project Expenditures	29	-	8,493	8,522
Net (over) under expended for year ending June 30, 2025	(29)	-	(8,493)	(8,522)
Investment return	3	-	2	5
Net changes in fund balance	(26)	-	(8,491)	(8,517)
Fund balance - July 1, 2024	5,828	(5,800)	8,489	8,517
Fund balance - June 30, 2025	$ 5,802	$ (5,800)	$ (2)	$ -

SPLOST #6 Schedule:

	Water and Sewer	Road, Streets and Bridges	Recreation	Public Safety	Tourism and Culture	Total
Gross Special Sales Tax	$ -	$ -	$ -	$ -	$ -	$ -
Project Expenditures						
Capital Expenditures	279,718	174,359	1,023,812	-	-	1,477,889
Total Project Expenditures	279,718	174,359	1,023,812	-	-	1,477,889
Net (over) under expended for year ending June 30, 2025	(279,718)	(174,359)	(1,023,812)	-	-	(1,477,889)
Investment return	-	-	-	-	-	-
Net changes in fund balance	(279,718)	(174,359)	(1,023,812)	-	-	(1,477,889)
Fund balance - July 1, 2024	1,053,343	1,110,816	1,292,920	358,841	621,130	4,437,050
Fund balance - June 30, 2025	$ 773,625	$ 936,457	$ 269,108	$ 358,841	$ 621,130	$ 2,959,161

SPLOST #7 Schedule:

	Water and Sewer	Road, Streets and Bridges	Recreation	Total
Gross Special Sales Tax	$ 660,566	$ 660,566	$ 660,566	$ 1,981,698
Project Expenditures				
Capital Expenditures	-	-	-	-
Total Project Expenditures	-	-	-	-
Net (over) under expended for year ending June 30, 2025	660,566	660,566	660,566	1,981,698
Investment return	721	721	721	2,163
Net changes in fund balance	661,287	661,287	661,287	1,983,861
Fund balance - July 1, 2024	654,495	654,494	654,494	1,963,483
Fund balance - June 30, 2025	$ 1,315,782	$ 1,315,781	$ 1,315,781	$ 3,947,344

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2025
"Unaudited"

For the Year Ended June 30,	2025	2024	2023	2022	2021	2020
Net pension liability (asset)	$ (1,590,185)	$ 282,261	$ 531,294	$ (2,697,889)	$ (790,840)	$ (678,996)
Covered payroll	$ 3,526,297	$ 3,536,016	$ 3,464,546	$ 3,750,995	$ 3,195,835	$ 3,087,120
Net pension liability (asset) as a percentage of its covered payroll	(45.10)%	7.98%	15.34%	(71.92)%	(24.75)%	(21.99)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	112.33%	97.93%	110.75%	123.95%	107.34%	106.56%
Total pension liability - ending (a)	$ 12,901,095	$ 12,430,141	$ 11,798,763	$ 11,265,300	$ 10,780,661	$ 10,354,806
Plan fiduciary net position - ending (b)	14,491,280	12,147,880	11,267,469	13,963,189	11,571,501	11,033,772
Net pension liability (asset)- ending (a) - (b)	$ (1,590,185)	$ 282,261	$ 531,294	$ (2,697,889)	$ (790,840)	$ (678,966)

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2025
"Unaudited"

(cont.)

For the Year Ended June 30,	2019	2018	2017	2016
Net pension liability (asset)	$ (1,259,967)	$ (1,026,051)	$ (255,837)	$ 673,624
Covered payroll	$ 2,719,555	$ 2,426,144	$ 2,257,242	$ 2,937,895
Net pension liability (asset) as a percentage of its covered payroll	(46.33)%	(42.29)%	(11.33)%	22.93%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.75%	110.75%	102.79%	92.75%
Total pension liability - ending (a)	$ 9,971,191	$ 9,542,675	$ 9,157,022	$ 9,290,554
Plan fiduciary net position - ending (b)	11,231,158	10,568,727	9,412,860	8,616,930
Net pension liability (asset)- ending (a) - (b)	$ (1,259,967)	$ (1,026,052)	$ (255,838)	$ 673,624

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2025
"Unaudited"

For the Year Ended June 30,	2025	2024	2023	2022	2021	2020
Contractually required contribution	$ 281,949	$ 264,522	$ 194,365	$ 227,517	$ 223,226	$ 23,992
Contributions in relation to the contractually required contribution	281,949	264,522	194,365	227,517	223,226	23,992
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 3,523,297	$ 3,536,016	$ 3,464,546	$ 3,750,995	$ 3,195,835	$ 3,087,120
Contributions as a percentage of covered payroll	8.00%	7.48%	5.61%	6.07%	6.98%	0.78%

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2025
"Unaudited"

(cont.)

For the Year Ended June 30,	2019	2018	2017	2016
Contractually required contribution	$ 22,645	$ 194,365	$ 265,350	$ 270,988
Contributions in relation to the contractually required contribution	22,645	194,365	265,350	270,988
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 2,719,555	$ 2,426,144	$ 2,257,242	$ 2,937,895
Contributions as a percentage of covered payroll	0.83%	8.01%	11.76%	9.22%

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2025
"Unaudited"

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2025. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2025 reported in that schedule:

Valuation Date	January 1, 2025
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for remaining unfunded liability
Remaining Amortization period	N/A
Asset Valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less that the market value at end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Investment rate of return	7.375%
Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	2.25%

CITY OF COMMERCE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2025
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 9,240,393	$ 9,240,393	$ 9,240,393	$ -
RESOURCES (INFLOWS)				
Taxes	6,015,240	6,242,095	6,348,433	106,338
Licenses and permits	476,542	476,542	271,748	(204,794)
Intergovernmental	1,054,713	1,054,713	1,408,132	353,419
Fines and forfeitures	267,731	358,413	380,768	22,355
Charges for services	2,688,743	2,791,380	2,901,761	110,381
Contributions and donations	28,000	36,856	26,988	(9,868)
Investment income	-	84,343	84,342	(1)
Miscellaneous	21,350	97,169	112,549	15,380
Sale of City property	20,000	20,000	48,611	28,611
Capital lease issued	-	256,360	256,361	1
Transfers in	686,945	686,945	275,916	(411,029)
Total Resources (Inflows)	11,259,264	12,104,816	12,115,609	10,793
AMOUNTS AVAILABLE FOR APPROPRIATION	20,499,657	21,345,209	21,356,002	10,793
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	294,048	294,048	280,106	13,942
Administrative	670,978	4,976,559	4,970,478	6,081
Finance	844,937	1,226,297	1,148,090	78,207
Data processing/MIS	400,739	441,647	394,386	47,261
Human resources	-	5,279	629	4,650
Total General Government	2,210,702	6,943,830	6,793,689	150,141
Judicial				
Municipal court	122,765	122,765	114,090	8,675
Total Judicial	122,765	122,765	114,090	8,675
Public Safety				
Police	3,092,318	3,144,244	2,781,414	362,830
Fire	673,890	673,890	526,930	146,960
Total Public Safety	3,766,208	3,818,134	3,308,344	509,790
Public Works				
Public works	2,337,300	2,479,077	2,319,981	159,096
Garage	536,851	536,851	535,500	1,351
Total Public Works	2,874,151	3,015,928	2,855,481	160,447
Recreation and Culture				
Recreation	805,153	824,830	791,019	33,811
Library	464,188	461,688	391,673	70,015
Total Recreation and Culture	1,269,341	1,286,518	1,182,692	103,826
Housing and development				
Planning and zoning	512,427	512,427	447,656	64,771
Code enforcement	96,435	96,435	78,403	18,032
Downtown Development Authority	407,235	490,235	490,235	-
Total Housing and Development	1,016,097	1,099,097	1,016,294	82,803
TOTAL CHARGES TO APPROPRIATIONS	11,259,264	16,286,272	15,270,590	1,015,682
CHANGE IN FUND BALANCE	-	(4,181,456)	(3,154,981)	1,026,475
FUND BALANCE, End of year	$ 9,240,393	$ 5,058,937	$ 6,085,412	$ 1,026,475

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF COMMERCE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
FISCAL RECOVERY PLAN ACT
For the Year Ended June 30, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	$ 19,689	$ 19,689	$ 19,689	$ -
RESOURCES (INFLOWS)				
Intergovernmental	31,755,836	31,755,836	2,586,825	(29,169,011)
Investment income	-	-	12,279	12,279
Total Resources (Inflows)	31,755,836	31,755,836	2,599,104	(29,156,732)
AMOUNTS AVAILABLE FOR APPROPRIATION	31,775,525	31,775,525	2,618,793	(29,156,732)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public works	31,755,836	31,755,836	2,551,017	29,204,819
TOTAL CHARGES TO APPROPRIATIONS	31,755,836	31,755,836	2,551,017	29,204,819
CHANGE IN FUND BALANCE	-	-	48,087	48,087
FUND BALANCE, End of year	$ 19,689	$ 19,689	$ 67,776	$ 48,087

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

CITY OF COMMERCE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	SPECIAL REVENUE FUNDS			
ASSETS	CONFISCATED ASSETS	FIRE DISTRICT	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Cash	$ -	$ 532,244	$ 325,418	$ 857,662
Interfund receivables	-	-	177,737	177,737
Restricted assets:				
Cash	207,462	-	-	207,462
TOTAL ASSETS	$ 207,462	$ 532,244	$ 503,155	$ 1,242,861
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 58,516	$ 29,845	$ 88,361
Amounts held in trust	19,313	-	-	19,313
TOTAL LIABILITIES	19,313	58,516	29,845	107,674
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	19,313	58,516	29,845	107,674
FUND BALANCES				
Restricted:				
Public safety programs	188,149	473,728	-	661,877
Assigned:				
Capital equipment and infrastructure	-	-	473,310	473,310
TOTAL FUND BALANCES	188,149	473,728	473,310	1,135,187
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 207,462	$ 532,244	$ 503,155	$ 1,242,861

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	SPECIAL REVENUE FUNDS			
REVENUES	CONFISCATED ASSETS	FIRE DISTRICT	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Taxes	$ -	$ 384,669	$ -	$ 384,669
Fines and forfeitures	35,944	-	-	35,944
Investment income	141	461	262	864
TOTAL REVENUES	36,085	385,130	262	421,477
EXPENDITURES				
Current Expenditures				
Public safety	10,135	-	-	10,135
Capital outlay	187,999	118,325	337,783	644,107
Principal	-	-	38,124	38,124
Interest	-	-	7,282	7,282
TOTAL EXPENDITURES	198,134	118,325	383,189	699,648
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(162,049)	266,805	(382,927)	(278,171)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	787,382	787,382
Transfers out	-	(275,916)	-	(275,916)
TOTAL OTHER FINANCING SOURCES (USES)	-	(275,916)	787,382	511,466
NET CHANGE IN FUND BALANCES	(162,049)	(9,111)	404,455	233,295
FUND BALANCES, Beginning of year	350,198	482,839	68,855	901,892
FUND BALANCES, End of year	$ 188,149	$ 473,728	$ 473,310	$ 1,135,187

CITY OF COMMERCE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	$ 350,198	$ 350,198	$ 350,198	$ -
RESOURCES (INFLOWS)				
Fines and forfeitures	395,224	395,224	35,944	(359,280)
Investment income	30	30	141	111
Total Resources (Inflows)	395,254	395,254	36,085	(359,169)
AMOUNTS AVAILABLE FOR APPROPRIATION	745,452	745,452	386,283	(359,169)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	395,254	395,254	198,134	197,120
TOTAL CHARGES TO APPROPRIATIONS	395,254	395,254	198,134	197,120
CHANGE IN FUND BALANCE	-	-	(162,049)	(162,049)
FUND BALANCE, End of year	$ 350,198	$ 350,198	$ 188,149	$ (162,049)

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

CITY OF COMMERCE, GEORGIA
FIRE DISTRICT SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2025

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 482,839	$ 482,839	$ 482,839	$ -
RESOURCES (INFLOWS)				
Taxes	283,652	384,669	384,669	-
Investment income	-	-	461	461
Total Resources (Inflows)	283,652	384,669	385,130	461
AMOUNTS AVAILABLE FOR APPROPRIATION	766,491	867,508	867,969	461
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	474,608	575,625	118,325	457,300
Transfers out	336,945	336,945	275,916	61,029
TOTAL CHARGES TO APPROPRIATIONS	811,553	912,570	394,241	518,329
CHANGE IN FUND BALANCE	(527,901)	(527,901)	(9,111)	518,790
FUND BALANCE, End of year	$ (45,062)	$ (45,062)	$ 473,728	$ 518,790

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	REVOLVING LOAN FUND	**INTERNET SERVICE FUND**	**TOTAL NON-MAJOR PROPRIETARY FUNDS**
ASSETS			
Current Assets			
Cash	$ -	$ 548,119	$ 548,119
Receivables (net of allowance for uncollectibles)	-	26,309	26,309
Interfund receivables	-	27,098	27,098
Prepaid items	-	482	482
TOTAL CURRENT ASSETS	-	602,008	602,008
Noncurrent Assets			
Capital assets			
Capital assets being depreciated	-	470,530	470,530
Less: accumulated depreciation	-	(420,008)	(420,008)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	-	50,522	50,522
TOTAL NONCURRENT ASSETS	-	50,522	50,522
TOTAL ASSETS	-	652,530	652,530
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	-	652,530	652,530
LIABILITIES			
Current Liabilities			
Accounts payable	-	9,584	9,584
TOTAL CURRENT LIABILITIES	-	9,584	9,584
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	9,584	9,584
NET POSITION			
Net investment in capital assets	-	50,522	50,522
Unrestricted	-	592,424	592,424
TOTAL NET POSITION	$ -	$ 642,946	$ 642,946

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	REVOLVING LOAN FUND	INTERNET SERVICE FUND	TOTAL NON-MAJOR PROPRIETARY FUNDS
OPERATING REVENUES			
Charges for sales and services:			
Charges for services	$ -	$ 206,296	$ 206,296
Connection fees	-	1,115	1,115
Total Operating Revenues	-	207,411	207,411
OPERATING EXPENSES			
Supplies	-	10,933	10,933
Other services and charges	124,709	57,347	182,056
Insurance premiums	-	37,529	37,529
Depreciation	-	31,889	31,889
Professional fees	-	7,988	7,988
Utilities	-	69,821	69,821
Total Operating Expenses	124,709	215,507	340,216
OPERATING INCOME (LOSS)	(124,709)	(8,096)	(132,805)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	51	433	484
Total Nonoperating Revenues (Expenses)	51	433	484
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(124,658)	(7,663)	(132,321)
CHANGE IN NET POSITION	(124,658)	(7,663)	(132,321)
TOTAL NET POSITION, Beginning of year	124,658	650,609	775,267
TOTAL NET POSITION, End of year	$ -	$ 642,946	$ 642,946

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	REVOLVING LOAN FUND	INTERNET SERVICE FUND	TOTAL NON-MAJOR PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	$ -	$ 222,184	$ 222,184
Payments to suppliers	(124,709)	(211,272)	(335,981)
Net cash provided by (used in) operating activities	(124,709)	10,912	(113,797)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Net Cash provided (used) by non-capital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	51	433	484
Net cash provided (used) by investing activities	51	433	484
Net increase (decrease) in cash and cash equivalents	(124,658)	11,345	(113,313)
CASH, Beginning of year	124,658	536,774	661,432
CASH, End of year	$ -	$ 548,119	$ 548,119
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (124,709)	$ (8,096)	$ (132,805)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	31,889	31,889
(Increase) decrease in:			
Accounts receivable	-	14,773	14,773
Due from other governments	-	-	-
Inventory	-	-	-
Deferred outflows for pensions	-	-	-
Prepaid expenses	-	1,804	1,804
Increase (decrease) in:			
Accounts payable	-	8,634	8,634
Compensated absences	-	-	-
Amounts held in trust	-	-	-
Customer deposits	-	-	-
Other accrued items	-	-	-
Net pension liability	-	-	-
Deferred inflows for pension	-	-	-
Due to other governments	-	(35,373)	(35,373)
Interfund balances	-	(2,719)	(2,719)
Net cash provided by (used in) operating activities	$ (124,709)	$ 10,912	$ (113,797)

CITY OF COMMERCE, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2025

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES	
			PRIOR YEARS	CURRENT YEAR
JACKSON COUNTY SPLOST 5 (2)				
Water and Sewer System Improvements	$ 1,830,320	$ 1,830,320	$ 2,176,762	$ 29
Road and Bridge Improvements (1)	1,118,530	1,118,530	1,513,271	-
Recreation Improvements	1,118,530	1,118,530	1,325,330	8,493
Totals	$ 4,067,380	$ 4,067,380	$ 5,015,363	$ 8,522
JACKSON COUNTY SPLOST 6				
Recreation	$ 746,064	$ 746,064	$ 19,110	$ 1,023,812
Roads and Bridges (1)	1,000,000	1,000,000	848,757	174,359
Water and Sewer	1,500,000	1,500,000	1,634,176	279,718
Public Safety	530,000	530,000	583,578	-
Tourism and Culture	808,236	808,236	806,794	-
Totals	$ 4,584,300	$ 4,584,300	$ 3,892,415	$ 1,477,889
JACKSON COUNTY SPLOST 7				
Recreation & Community Improvements	$ 3,563,791	$ 3,563,791	$ -	$ -
Roads and Bridges	3,563,791	3,563,791	-	-
Water and Sewer	3,563,791	3,563,791	-	-
	$ 10,691,373	$ 10,691,373	$ -	$ -
			Total of all SPLOSTS above	**$ 1,486,411**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	$ 1,487,077
Transfers in and out	279,718
Expenditures paid with other sources	(280,384)
Total	**$ 1,486,411**

(1) Budget for Road and Bridge improvements has been offset to reflect LMIG funds received.
(2) SPLOST 5 Project closed in FY2025.

CITY OF COMMERCE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2025

FEDERAL GRANTOR/ PASS-THRU GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT/ CONTRACT NUMBER	PROGRAM OR AWARD AMOUNT	SUB-RECIPIENT EXPENDITURES	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed-through the Georgia Department of Community Affairs					
Home Investment Partnerships Program	14.239	2018-105	$ 612,000	$ -	$ 72,630
			612,000	-	72,630
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			**612,000**	**-**	**72,630**
U.S. DEPARTMENT OF JUSTICE					
Equitable Sharing Program	16.922	GA0780100	390,353	-	191,112
			390,353	-	191,112
TOTAL U.S. DEPARTMENT OF JUSTICE			**390,353**	**-**	**191,112**
UNITED STATES DEPARTMENT OF TREASURY					
State and Local Fiscal Recovery Funds	21.027	GA-0004874	2,645,796	-	523,841
Passed-through the Georgia Department of Planning and Budget					
State and Local Fiscal Recovery Funds	21.027	GA-0010545	33,001,100	-	2,010,484
State and Local Fiscal Recovery Funds	21.027	GA-0013933	157,500	-	52,500
			35,804,396	-	2,586,825
TOTAL UNITED STATES DEPARTMENT OF TREASURY			**35,804,396**	**-**	**2,586,825**
U. S. ENVIRONMENTAL PROTECTION AGENCY					
Passed-through the Georgia Environmental Finance Authority					
State Revolving Funds (Drinking Water)	66.468	DWLSL2022207	97,920	-	29,568
			97,920	-	29,568
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			**97,920**	**-**	**29,568**
GRAND TOTAL			**$ 36,929,336**	**$ -**	**$ 2,880,135**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. This schedule is prepared on the modified accrual basis of accounting.
2. The City did not elect to use the 10% de minimus cost rate as covered in 2 CFR §200.414 Indirect (F&A) costs.

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

December 12, 2025

To the Mayor and City Council
City of Commerce, Georgia, Georgia
Commerce, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component units of City of Commerce, Georgia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Commerce, Georgia's basic financial statements and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Commerce, Georgia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Commerce, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Commerce, Georgia'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs identified as 2025-001 and 2025-002, that we consider to be material weaknesses and significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Commerce, Georgia'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*.

City of Commerce, Georgia's Response to Findings

Government Audit Standards requires the auditor to perform limited procedures on the City of Commerce, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Commerce, Georgia's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Bates, Carter & Co., LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 12, 2025

Mayor and City Council
City of Commerce, Georgia
Commerce, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Commerce, Georgia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Commerce, Georgia's major federal programs for the year ended June 30, 2025. The City of Commerce, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Commerce, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Commerce, Georgia and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Commerce, Georgia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Commerce, Georgia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Commerce, Georgia's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Commerce, Georgia's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Commerce, Georgia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Commerce, Georgia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Commerce, Georgia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Bates, Carter & Co., LLP

CITY OF COMMERCE, GEORGIA
AUDITOR'S SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

I SUMMARY OF AUDITORS' RESULTS:

1. Report issued on Financial Statements - Unmodified opinion.
2. Internal Control (financial statements) – Two significant deficiencies, no material weakness.
3. Compliance (financial statements) – No material instance of noncompliance.
4. Compliance (major programs) - No significant deficiency, no material weakness.
5. Internal control (major programs) – No significant deficiency, no material weakness.
6. Audit findings required to be reported under the Uniform Guidance
    - i) Significant deficiencies in internal controls over major programs – None reported
    - ii) Material noncompliance related to major programs – None reported
    - iii) Known questioned costs greater than $25,000 for major programs – None reported
    - iv) Known questioned costs greater than $25,000 for a program not audited as major – None reported
    - v) Circumstances if report on compliance is other than unqualified - N/A
    - vi) Known fraud - N/A
    - vii) Misrepresentation in schedule of prior audit findings - None reported
7. Major programs for the year: Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing 21.027
8. Dollar threshold used to distinguish between Type A and Type B programs - $750,000.
9. Does the auditee qualify as a low risk auditee under the Uniform Guidance - No.

II AUDIT FINDINGS - GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

Significant Deficiencies

2025-001 Statement of Condition (Reissued):
During testing, we noted appropriate segregation of duties did not exist for the following key operational functions in the City.

- Bank reconciliations were completed and reviewed by the same individual
- Manual journal entries were completed and reviewed by the same individual

Criteria:
Internal controls should be in place which provide reasonable assurance that an individual can not misappropriate funds without such actions being detected during the normal course of business.

Effect of Condition:
Failure to properly segregate duties among the custody, approval, and reporting functions of operations can lead to misappropriation of funds that may not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Cause of Condition:
This is caused by the limited number of employees working for the City.

Recommendation:
We recommend the City segregate duties related to the custody, approval, and reporting functions of key operations.

Response:
Due to staffing shortages, certain duties were previously performed by a single individual, resulting in limited segregation of responsibilities. To strengthen internal controls, these duties have since been reassigned to the Accounting Technician, with oversight and approval provided by the Finance Director. Additionally, the City anticipates the approval of a new Accounting Manager position, which will further enhance the separation of duties and improve overall compliance.

2025-002 Statement of Condition:
During bank reconciliation testing for the City of Commerce's bank accounts, we noted the SPLOST #6 account was not reconciled for 6 months. During fieldwork, we noted that the June 2025 operating bank account had not been reconciled until October of 2025.

Criteria:
Internal controls should be in place to provide reasonable assurance that all bank reconciliations are completed timely.

Effect of Condition:
Failure to analyze and reconcile fiscal activity through the year.

Cause of Condition:
During implementation to update the cloud-based accounting software, the city was not able to complete reconciliations in the banking module.

Recommendation:
We recommend completion of the month close process by the end of the following month.

Response:
Monthly reconciliations are prepared using a standardized Excel template, with entries posted to the accounting system once reconciliations are completed and verified. During the period under review, certain entries were delayed due to concurrent system upgrades, departmental relocation, and the onboarding of additional staff. These factors temporarily impacted the timeliness of posting; however, reconciliations continued to be performed monthly to ensure accuracy and completeness.

III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no findings or questioned cost relating to Federal awards reported for the year ended June 30, 2025.