CITY OF HARLEM, GEORGIA

ANNUAL FINANCIAL REPORT

As of and for the Year Ended December 31, 2025

And Reports of Independent Auditor

Cherry Bekaert LLP

Your Guide Forward

CITY OF HARLEM, GEORGIA
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Your Guide Forward

Report of Independent Auditor

To the Honorable Mayor and Members of City Council
City of Harlem, Georgia
Harlem, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harlem, Georgia (the "City") as of and for the year ended December 31, 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 financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, and the Special Purpose Local Option Sales Tax 2023-2028 Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the governmental activities beginning net position has been restated to correct certain errors. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and schedule of employer's contributions, as 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 and State Reporting Section

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining non-major fund financial statements and the schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 is fairly stated, in all material respects, in relation to the 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 June 26, 2026 on our consideration of the City'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 solely 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'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 the City's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Augusta, Georgia
June 26, 2026

As management of the City of Harlem (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended December 31, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year ended December 31, 2025 by approximately $25.8 million. Of that amount, $10 million (unrestricted net position) may be used to meet the City's ongoing obligations to the citizens and creditors.

- The City's total net position increased by approximately $3.5 million for the year ended December 31, 2025. Of the $3.5 million increase, $411,532 was due to the restatement of beginning net position disclosed in Note 15 and approximately $3.1 million was due to the change in net position for the year ended December 31, 2025.

- As of December 31, 2025, the City's governmental funds reported combined ending fund balances of approximately $15.6 million, a decrease of approximately $1.1 million in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview 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 assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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 net position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e., roads, drainage improvements, and storm drains, etc.), to assess the overall health or financial condition of the City. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the statement of net position and the statement of activities, the City is divided into two categories of activities:

Governmental Activities – All of the City's basic services are reported in this category including the police, fire, transportation, culture and recreation, and general administration. Property taxes, sales taxes, insurance premium taxes, and franchise fees finance most of these activities.

Component Unit – The Urban Redevelopment Authority (the "URA") serves to promote the development of certain City property in accordance with the Urban Redevelopment Plan adopted by the City. Although legally separate from the City, the City appoints a voting majority of the members of the URA.

Reporting the City's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds – The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left in the funds at year-end are those available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions.

The relationships or difference between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is detailed in a reconciliation following the fund financial statements. The City maintains nine individual governmental funds.

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Special Purpose Local Option Sales Tax ("SPLOST") 2023-2028 Fund, and the non-major funds. The General Fund, the American Rescue Plan ("ARP") Fund, and the SPLOST 2023-2028 Fund are considered to be major funds.

Notes to the Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by approximately $25.8 million at the close of the current fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the City's net position (41%) is investment in capital assets (e.g., infrastructure, buildings and improvements, vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. Another large portion of the City's net position (39%) is unrestricted, which represents the net position of the City which is not restricted for any project or other purpose. The City uses its 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 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.

Summary of Net Position
December 31, 2025 and 2024

	Governmental Activities	
	2025	2024 Restated
Current and other assets	$ 16,418,654	$ 17,922,760
Capital assets	14,684,837	10,609,961
Total Assets	31,103,491	28,532,721
Deferred outflows of resources	176,792	102,987
Long-term liabilities outstanding	4,000,000	4,000,000
Other liabilities	1,487,222	1,830,194
Total Liabilities	5,487,222	5,830,194
Deferred inflows of resources	-	80,735
Net Position:		
Net investment in capital assets	10,684,837	6,609,961
Restricted	5,157,455	6,623,562
Unrestricted	9,950,769	9,491,256
Total Net Position	$ 25,793,061	$ 22,724,779

Governmental Activities

The City's governmental revenues increased by approximately 26.5% ($1,885,000) when compared to 2024.

The most significant governmental expense for the City in 2025 was public works. Public works expenses totaled approximately $2 million, an increase of 19.6% from 2024. This increase is due to the public works department expending resources to clean up debris related to hurricane Helene. Another significant governmental expense in 2025 was public safety which consists of operations of the Public Safety Department. Public safety expenses totaled approximately $1,032,000 in 2025, an increase of 2.5% from 2024.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental activities increased the City's net position by approximately $3.5 million in 2025. A summary of this increase is as follows:

Changes in Net Position
Years Ended December 31, 2025 and 2024

	Governmental Activities	
	2025	2024 Restated
Revenues:		
Program Revenues:		
Charges for services	$ 1,039,753	$ 839,191
Operating grants	806,261	1,128,872
Capital grants/contributions	1,230,730	1,156,545
General Revenues:		
Taxes	2,426,692	2,196,457
Sales tax	963,349	940,938
Other	2,539,494	859,722
Total Revenues	9,006,279	7,121,725
Expenses:		
General government	741,665	862,294
Municipal court	86,445	81,014
Public safety	1,032,702	1,006,179
Sanitation	656,574	421,993
Fire	610,410	578,741
Public works	2,050,738	1,715,094
Community development	197,627	200,871
Health and welfare	95,791	75,079
Civic center	2,699	7,113
Parks	92,850	88,936
Culture and recreation	200,916	155,896
Interest and bond issuance costs	169,580	217,182
Total Expenses	5,937,997	5,410,392
Change in net position	3,068,282	1,711,333
Net position, beginning as previously reported	22,313,247	20,601,914
Adjustment to net position (Note 15)	411,532	-
Net position, beginning, as restated	22,724,779	20,601,914
Net position, ending	$ 25,793,061	$ 22,313,247

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2025, the City had $14.7 million (net of accumulated depreciation) of capital assets. This investment in capital assets includes police and fire equipment, park facilities, roads, and drains. Major capital asset additions were building and improvements totaling approximately $1,925,000, vehicles and equipment totaling approximately $1,942,000 and infrastructure totaling $1,075,000 in 2025.

Capital Assets at Year-End
December 31, 2025

	Governmental Activities
Land	$ 1,109,237
Buildings and improvements	8,799,905
Vehicle and equipment	4,476,753
Infrastructure	10,435,724
	24,821,619
Less accumulated depreciation	(10,136,782)
	$ 14,684,837

See Note 4 to financial statements for more detailed information on the capital asset activity and Note 15 for correction of errors.

Debt

At year-end, the City had debt outstanding in the amount of $4 million. See Note 5 to the financial statements for more detailed information on long-term debt activity.

General Fund Budgetary Highlights

For the year, actual revenue and expenditures were consistent with the amounts that were budgeted.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider many factors when setting the fiscal year 2025 budget including: property tax rates, expected sales tax, insurance premium tax, and various fees that will be collected. Another factor is the economy. The local economy of the City remains strong. The City continues to experience stable economic conditions and a relatively stable 2025 tax digest will provide consistent tax revenue.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Mayor, City of Harlem at 320 N. Louisville Street, Harlem, Georgia 30814.

CITY OF HARLEM, GEORGIA
STATEMENT OF NET POSITION

DECEMBER 31, 2025

	Government	Component Unit
	Governmental Activities	Urban Redevelopment Authority
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 15,968,794	$ 125,498
Receivables, net:		
Taxes	251,301	-
Accounts	92,042	-
Prepaid expenses	106,517	-
Capital Assets:		
Land	1,109,237	-
Depreciable, net of accumulated depreciation	13,575,600	-
Assets held for sale	-	218,510
Total Assets	31,103,491	344,008
DEFERRED OUTFLOWS OF RESOURCES		
Investment experience differences	66,062	-
Contributions to pension plan	110,730	-
Total Deferred Outflows of Resources Related to Pension	176,792	-
LIABILITIES		
Current Liabilities:		
Accounts payable	664,515	-
Accrued expenses	112,536	-
Other liabilities	375	500
Unearned revenue	82,609	-
Noncurrent Liabilities:		
Due within one year:		
Compensated absences	206,049	-
Line of credit	-	181,840
Note payable	938,460	-
Due in more than one year	3,061,540	-
Net pension liability	421,138	-
Total Liabilities	5,487,222	182,340
NET POSITION		
Net investment in capital assets	10,684,837	-
Restricted for:		
Capital projects	5,157,455	-
Unrestricted	9,950,769	161,668
Total Net Position	$ 25,793,061	$ 161,668

The accompanying notes to financial statements are an integral part of these statements.

CITY OF HARLEM, GEORGIA
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
					Primary Government		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	Urban Redevelopment Authority
Primary Government							
Functions/Programs:							
Governmental Activities:							
General government	$ 741,665	$ 125,005	$ -	$ 1,230,730	$ 614,070	$ 614,070	$ -
Municipal court	86,445	77,777	-	-	(8,668)	(8,668)	-
Public safety	1,032,702	-	-	-	(1,032,702)	(1,032,702)	-
Fire	610,410	-	-	-	(610,410)	(610,410)	-
Community development	197,627	-	-	-	(197,627)	(197,627)	-
Health and welfare	95,791	-	-	-	(95,791)	(95,791)	-
Civic center	2,699	-	-	-	(2,699)	(2,699)	-
Parks	92,850	-	-	-	(92,850)	(92,850)	-
Public works (highways and streets)	2,050,738	-	806,261	-	(1,244,477)	(1,244,477)	-
Culture and recreation	200,916	35,888	-	-	(165,028)	(165,028)	-
Sanitation	656,574	801,083	-	-	144,509	144,509	-
Interest and fiscal charges on debt service	169,580	-	-	-	(169,580)	(169,580)	-
Total Governmental Activities	5,937,997	1,039,753	806,261	1,230,730	(2,861,253)	(2,861,253)	-
Total Primary Government	$ 5,937,997	$ 1,039,753	$ 806,261	$ 1,230,730	(2,861,253)	(2,861,253)	-
Component Unit:							
Urban Redevelopment Authority	$ 8,492	$ -	$ -	$ -	-	-	(8,492)
General Revenues:							
Property taxes					1,729,338	1,729,338	-
Sales taxes					963,349	963,349	-
Other taxes					697,354	697,354	-
Payments in lieu of taxes					7,431	7,431	-
Unrestricted investment earnings					599,613	599,613	3,730
Gain (loss) on asset disposal					185,730	185,730	-
Other income					1,746,720	1,746,720	9,000
Total General Revenues					5,929,535	5,929,535	12,730
Change in Net Position					3,068,282	3,068,282	4,238
Net position, beginning of year, as previously reported					22,313,247	22,313,247	157,430
Correction of errors - see Note 15					411,532	411,532	-
Net position, beginning of year as restated					22,724,779	22,724,779	157,430
Net Position, end of year					$ 25,793,061	$ 25,793,061	$ 161,668

The accompanying notes to financial statements are an integral part of these statements.

CITY OF HARLEM, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET

DECEMBER 31, 2025

	General	ARP Fund	SPLOST 2023-2028 Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 13,175,483	$ -	$ 1,738,952	$ 1,054,359	$ 15,968,794
Taxes receivable	157,665	-	93,636	-	251,301
Accounts receivable	80,786	-	-	11,256	92,042
Prepaid expenses	106,517	-	-	-	106,517
Total Assets	$ 13,520,451	$ -	$ 1,832,588	$ 1,065,615	$ 16,418,654
LIABILITIES					
Accounts payable	$ 404,584	$ -	$ 199,177	$ 2,629	$ 606,390
Accrued expenses	171,036	-	-	-	171,036
Unearned revenue	-	-	-	82,609	82,609
Total Liabilities	575,620	-	199,177	85,238	860,035
FUND BALANCE					
Non-Spendable:					
Prepaid expenditures	106,517	-	-	-	106,517
Restricted for:					
Capital projects	2,560,737	-	1,633,411	887,048	5,081,196
Committed to:					
Capital outlay	6,078,337	-	-	31,550	6,109,887
Assigned to:					
Public safety	-	-	-	10,414	10,414
Operations	(1,082,950)	-	-	51,365	(1,031,585)
Unassigned	5,282,190	-	-	-	5,282,190
Total Fund Balance	12,944,831	-	1,633,411	980,377	15,558,619
Total Liabilities and Fund Balance	$ 13,520,451	$ -	$ 1,832,588	$ 1,065,615	$ 16,418,654

The accompanying notes to financial statements are an integral part of these statements.

CITY OF HARLEM, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2025

Amounts reported for governmental activities in the statement of net position are different because:	
Ending fund balances - Governmental funds	$ 15,558,619
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds:	
Historical cost of capital assets	24,821,619
Accumulated depreciation	(10,136,782)
	14,684,837
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	176,792
Deferred inflows of resources related to pensions	-
	176,792
Certain liabilities, including notes payable which are not due and payable in the current period, therefore, are not reported in the funds:	
Revenue bonds payable	(4,000,000)
Compensated absences	(206,049)
Net pension liability	(421,138)
	(4,627,187)
Net position of governmental activities	$ 25,793,061

The accompanying notes to financial statements are an integral part of these statements.

CITY OF HARLEM, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2025

	General	ARP Fund	SPLOST 2023-2028 Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenue:					
Taxes	$ 2,434,363	$ -	$ -	$ -	$ 2,434,363
Permits and licenses	127,980	-	-	-	127,980
Fines and forfeitures	77,777	-	-	1,119	78,896
Intergovernmental revenue	955,853	-	997,280	283,125	2,236,258
Charges for services	809,409	-	-	3,496	812,905
Interest	506,724	-	58,058	34,831	599,613
Culture and recreation	1,266,585	-	371,970	-	1,638,555
Grants	764,017	-	-	-	764,017
Other	125,878	-	-	-	125,878
Total Revenue	7,068,586	-	1,427,308	322,571	8,818,465
Expenditures:					
Current Operating:					
General government	624,795	-	-	1,243	626,038
Public safety	924,832	-	69,544	8,051	1,002,427
Fire	540,716	-	735,234	21,570	1,297,520
Public works (highways and streets)	4,003,453	-	-	-	4,003,453
Health and welfare	92,395	-	-	-	92,395
Culture and recreation	195,537	-	-	28,106	223,643
Sanitation	656,574	-	-	-	656,574
Community development	175,648	-	-	-	175,648
Parks	958,327	-	371,969	-	1,330,296
Buildings	-	-	400,130	-	400,130
Municipal court	86,763	-	-	-	86,763
Capital outlay	-	-	37,376	117,620	154,996
Debt Service:					
Interest	169,580	-	-	-	169,580
Total Expenditures	8,428,620	-	1,614,253	176,590	10,219,463
Excess (deficiency) of revenues over (under) expenditures	(1,360,034)	-	(186,945)	145,981	(1,400,998)
Other Financial Sources (Uses):					
Sale of general capital assets	277,084	-	-	-	277,084
Total Other Financing Sources	277,084	-	-	-	277,084
Net change in fund balances	(1,082,950)	-	(186,945)	145,981	(1,123,914)
Fund balance, beginning of year, as previously reported	14,027,781	44,709	1,820,356	789,687	16,682,533
Restatement to fund balance - see Note 16	-	(44,709)	-	44,709	-
Fund balance, beginning of year, as restated	14,027,781	-	1,820,356	834,396	16,682,533
Fund balance, end of year	$ 12,944,831	$ -	$ 1,633,411	$ 980,377	$ 15,558,619

The accompanying notes to financial statements are an integral part of these statements.

CITY OF HARLEM, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (1,123,914)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Current year capital outlay	$ 4,941,559	
Gain on disposal of capital assets	185,730	
Proceeds from sale of capital assets	(273,154)	
Depreciation expense	(736,859)	
		4,117,276
The issuance of long-term debt (e.g., notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term related accounts.		
Compensated absences	(21,034)	
		(21,034)
In the fund financials, contributions to pension plans are expensed when paid. In the statement of activities, pension expense is recognized for the change in the City's proportionate share of the collective net pension liability and related deferred inflows and outflows.		95,954
Change in net position of governmental activities		$ 3,068,282

CITY OF HARLEM, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 2,160,750	$ 2,213,050	$ 2,434,363	$ 221,313
Permits and licenses	95,900	104,560	127,980	23,420
Fines and forfeitures	130,000	76,120	77,777	1,657
Intergovernmental	915,000	915,000	955,853	40,853
Charges for services	783,150	797,550	809,409	11,859
Use of money/property	428,000	423,000	506,724	83,724
Culture and recreation	49,500	1,627,090	1,266,585	(360,505)
Grants	6,000	760,586	764,017	3,431
Other	50,120	84,459	125,878	41,419
Total Revenues	4,618,420	7,001,415	7,068,586	67,171
Expenditures:				
General government	660,600	660,600	624,795	35,805
Public safety	991,400	991,400	924,832	66,568
Fire	553,150	553,150	540,716	12,434
Public works, highways	868,175	4,063,329	4,003,453	59,876
Health and welfare	88,500	93,050	92,395	655
Culture and recreation	212,665	207,015	195,537	11,478
Sanitation	643,500	657,900	656,574	1,326
Community services	203,410	203,410	175,648	27,762
Municipal court	89,900	89,900	86,763	3,137
Parks	127,120	1,010,791	958,327	52,464
Debt Service:				
Interest	180,000	180,000	169,580	10,420
Total Expenditures	4,618,420	8,710,545	8,428,620	281,925
Revenue over (under) expenditures	-	(1,709,130)	(1,360,034)	349,096
Other Financial Sources:				
Transfers in	-	1,807,220	-	(1,807,220)
Sale of general capital assets	-	275,000	277,084	2,084
Total Other Financial Sources	-	2,082,220	277,084	(1,805,136)
Net change in fund balances	$ -	$ 373,090	(1,082,950)	$ (1,456,040)
Fund balance, beginning of year			14,027,781	
Fund balance, end of year			$ 12,944,831	

The accompanying notes to financial statements are an integral part of these statements.

CITY OF HARLEM, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – SPLOST 2023-2028 FUND

YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	$ -	$ 997,280	$ 997,280	$ -
Culture and recreation	-	371,970	371,970	-
Interest earned	-	58,055	58,058	3
Total Revenues	-	1,427,305	1,427,308	3
Expenditures:				
Public safety	-	69,545	69,544	1
Fire	-	770,915	735,234	35,681
Buildings	-	400,130	400,130	-
Parks	-	371,970	371,969	1
Capital outlay	-	37,380	37,376	4
Total Expenditures	-	1,649,940	1,614,253	35,687
Excess (deficiency) of revenue over (under) expenditures	-	(222,635)	(186,945)	35,690
Other Financial Sources:				
Transfers in	-	1,807,220	-	(1,807,220)
Sale of general capital assets	-	275,000	-	(275,000)
Total Other Financial Sources	-	2,082,220	-	(2,082,220)
Net change in fund balances	$ -	$ 1,859,585	(186,945)	$ (2,046,530)
Fund balance, beginning of year			1,820,356	
Fund balance, end of year			$ 1,633,411	

The accompanying notes to financial statements are an integral part of these statements.

Note 1—Summary of significant accounting policies

The accounting and reporting policies of the City of Harlem, Georgia (the "City") reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to state and local governments.

Introduction – The City complies with U.S. GAAP pronouncements.

A. Financial reporting entity – basis of presentation

Primary Government – The City was created in 1870. The City provides the following services: public safety, streets and highways, public improvements, culture and recreation, and general and administrative services. The accompanying financial statements present the City's primary government funds for which the City is financially accountable.

Discretely Presented Component Unit:
Urban Redevelopment Authority – The component unit column in the government-wide financial statements includes the financial data of the Urban Redevelopment Authority (the "URA"). It is reported in a separate column to emphasize that it is legally separate from the City. The URA is governed by a five-member board appointed by the Mayor and City Council. The URA serves to promote the development of certain City property in accordance with the Urban Redevelopment Plan adopted by the City. The URA entered an intergovernmental agreement with the City to convey an option for the URA for the purchase of certain real property. Because the financial statements of the URA include only one fund, the fund level is the same as the government-wide level. Therefore, no fund level financial statements for the URA are included in this report.

No separately issued financial statements are available for the URA.

B. Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and statement of activities and report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements, if applicable. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include the following: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 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 in program revenues are reported as general revenues.

Each major fund is reported in a separate column in the fund financial statements. The combined amounts for these funds are reflected in a single column in the fund balance sheets and statements of revenues, expenditures, and changes in fund balances.

Note 1—Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as does the proprietary fund. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of timing and 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 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Major revenue sources that are susceptible to accrual are property taxes, sales taxes, insurance premium taxes, and intergovernmental revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues, and investment of idle funds. Primary expenditures are for general administration, public safety, public works, streets, recreation, and capital acquisition.

Sales Tax 2023-2028 Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City projects.

The government reports the following non-major governmental funds:

The American Rescue Plan (“ARP”) is a special revenue fund used to account for funds received to support the City’s response to and recovery from the COVID-19 public health emergency.

Confiscation Fund is a special revenue fund used to account for funds received from seizures and forfeitures by the Police department.

The Local Maintenance Improvement Grant (“LMIG”) Fund is a capital project fund used to account for grant funds received for local maintenance and improvement projects.

The Technology Fund is a capital projects fund which accounts for the financial resources to be used for the information technology projects specific for the operations of the City’s courts.

The T-SPLOST Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City infrastructure projects.

Sales Tax 2017-2022 Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City projects.

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. State statutes and the City's official Investment Policy authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, banker's acceptances, money market mutual funds, and direct obligations of the state of Georgia.

As of December 31, 2025, the City did not hold any investments.

2. Receivables and payables

Accounts Receivable – All receivables are deemed collectible by the City and therefore, the City does not report an allowance for doubtful accounts.

Property tax receivables and revenues for property taxes are reflected in the government-wide statements based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed, including billable services for certain contracts, are recorded as receivables and revenues when they are earned in the government-wide statements. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements.

3. Prepaid expenses

Expenditures for insurance and similar services extending over more than one accounting period are allocated between accounting periods. Reported prepaid expenses are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources".

4. Capital assets – primary government

Capital assets, which include land, buildings, and infrastructure assets, are reported in the government-wide financial statements. Capital assets such as vehicles, furniture, and equipment are defined as assets with a cost of $5,000 or more. Infrastructure assets include City-owned roads and bridges. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets, including vehicles, furniture, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40-50 years
Vehicles and equipment	3-10 years
Infrastructure	30 years

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net 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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources for the City consist of pension contributions made after the measurement date.

In addition to liabilities, the statement of net 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources for the City consist of the net difference between projected and actual earnings on pension plan investments.

6. Unearned revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

7. Compensated absences, pension, and other postemployment benefits

In June 2022, Government Accounting Standards Board ("GASB") issued GASB Statement No. 101, *Compensated Absences* ("GASB 101"). This standard is to better meet the information needs by updating the recognition and measurement guidance for compensated absences. The Statement requires that liabilities for compensated absences be recognized by: (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. The City adopted this requirement effective January 1, 2024.

The vacation policy of the City provides for the accumulation of up to a certain amount of earned vacation leave with such leave being fully vested when earned. For the City's government-wide financial statements, an expense and a liability for compensated absences and the salary related payments are recorded when leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. No accrual has been established for accumulated sick leave of employees since the City has determined it did not merit accrual under GASB 101.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, related to the City of Harlem's Retirement Plan, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Compensated absences, pension, and other postemployment benefits (continued)

The City has established a single-employer defined benefit other postemployment benefit plan (the "OPEB Plan"). The OPEB Plan states that these retirees shall be entitled after separation from City employment to continue to participate in and be covered by the health insurance plan of the City with the same benefits as those offered to active employees provided that such retiree must have served at least 25 years of employment and enroll in a Medicare health insurance plan when the retiree becomes eligible, at which time the retiree will no longer participate in the City's OPEB Plan. The City has determined the effects of the OPEB Plan are immaterial to the basic financial statements.

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

9. Unemployment compensation benefits

The City is the reimbursing employer for unemployment compensation benefits. Reimbursements are made on the basis of regular billings received from the Georgia Unemployment Commission.

10. Net position/fund balance

In the fund financial statements, fund balance represents the difference between current assets and current liabilities. 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:

- *Non-Spendable* – Fund balances are reported as non-spendable when amounts cannot be spent because they are either: (a) not in spendable form, 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 through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

- *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 of Harlem City Council (the "Council") through the adoption of a formal policy. Only the Council may modify or rescind the commitment.

- *Assigned* – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Through policy, authorization to assign fund balance remains with the Council.

- *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 in the general fund only. Negative unassigned fund balances may be reported in all governmental funds.

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Flow assumptions

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, the City's policy is to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the City's policy is to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net position

Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position is classified in the following categories:

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

- *Restricted Net Position* – This category represents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through Constitutional provision enabling legislation.

- *Unrestricted Net Position* – This category represents the net position of the City which is not restricted for any project or other purpose. The City first applies unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net positions are available.

11. Use of estimates

The preparation of the basic financial statements in conformance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

E. Stewardship, compliance, and accountability

1. Budgetary information

During the year preceding the budget year, the City follows the administrative and fiscal procedures below in establishing the budgetary data reflected in the accompanying financial statements of the General Fund and SPLOST 2023-2028:

In October, City Department Heads prepare a tentative budget to be given to the City Manager for review. After the review is completed, the City Manager prepares a preliminary budget to be submitted to the Mayor and City Council. The City Clerk then publishes notice of a public hearing on the proposed budget. The hearing is held a week from the date the notice is published.

After the public hearing has been held, the budget is voted on and approved at the first City Council meeting in December.

Changes in and amendments to the adopted budget are approved during the course of the year, as long as reserves are available to fund these modifications.

Note 1—Summary of significant accounting policies (continued)

E. Stewardship, compliance, and accountability (continued)

1. Budgetary information (continued)

The accompanying statement of revenues, expenditures, and changes in fund balances, budget (budgetary basis) and actual, for the General Fund, and SPLOST 2023-2028, presents a comparison of the legally adopted budget with actual operating results on a budgetary basis. The City's budget is prepared using U.S. GAAP. Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is not used by the City.

2. Fund balance deficit

As of December 31, 2025, there were no funds with a deficit fund balance.

F. New accounting pronouncements

In fiscal year 2025, the City implemented GASB Statement No. 102, *Certain Risk Disclosures.* This statement requires a government to assess whether a concentration or constraint makes the primary government unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The implemented pronouncement did not have any impact on additional disclosures.

Note 2—Deposits, investments, and investment policies

A. Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the City's policy for cash to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. At December 31, 2025, the carrying amount of the City's deposits was $16,658,654 and cash on hand was $475 which are classified as cash and cash equivalents in the accompanying statement of net position. As of December 31, 2025, all of the deposits of the City were properly insured and collateralized as required by the Official Code of Georgia Annotated ("OCGA") Section 45-8-12(c) and as defined by GASB pronouncements. The City uses the pooled method to collateralize funds, which are held in the name of the City.

Note 3—Property taxes and other receivables

The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2025 that were levied on September 15, 2025, were due November 15, 2025. The unpaid taxes became a lien 30 days after the due date. Unpaid property taxes received within 60 days of the year-end are recognized and recorded as revenue.

The City receives approximately 2.5% of a 1% local option sales tax on all retail sales within the County. The proceeds of such tax collected each year are used to reduce, on a dollar-for-dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales taxes recognized and recorded as revenue during the year ended December 31, 2025 totaled $955,853.

Note 3—Property taxes and other receivables (continued)

The City also receives approximately 3% of a 1% SPLOST funds to be used as designated and approved after public hearings. The approved expenditures are generally for capital projects in the City. The SPLOST recognized and recorded as revenue during the year ended December 31, 2025 totaled $997,280.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to November 15 and are delinquent after that date.

Note 4—Capital assets

A. General government

A summary of changes in capital assets follows:

	Balance (Restated)	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,109,237	$ -	$ -	$ 1,109,237
Total capital assets, not being depreciated	1,109,237	-	-	1,109,237
Capital assets, being depreciated:				
Infrastructure	9,360,907	1,074,817	-	10,435,724
Buildings and improvements	7,144,193	1,925,201	(269,489)	8,799,905
Vehicles and equipment	2,685,005	1,941,541	(149,793)	4,476,753
Total capital assets, being depreciated	19,190,105	4,941,559	(419,282)	23,712,382
Less accumulated depreciation:				
Infrastructure	(5,315,084)	(340,716)	-	(5,655,800)
Buildings and improvements	(2,652,145)	(216,151)	180,219	(2,688,077)
Vehicles and equipment	(1,762,706)	(179,992)	149,793	(1,792,905)
Total accumulated depreciation	(9,729,935)	(736,859)	330,012	(10,136,782)
Total capital assets, being depreciated	9,460,170	4,204,700	(89,270)	13,575,600
Governmental activities capital assets, net	$ 10,569,407	$ 4,204,700	$ (89,270)	$ 14,684,837

The City periodically receives donated infrastructure from developers, including streets, sidewalks, water and sewer systems, which are recorded as capital assets at estimated acquisition value upon acceptance.

Note 4—Capital assets (continued)

A. General government (continued)

Depreciation expense for the year ended December 31, 2025 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 107,783
Public safety	104,636
Fire	83,802
Community services	40,210
Public works	365,272
Museum	5,550
Civic center	2,699
Parks	26,907
Total depreciation expense - governmental activities	$ 736,859

B. Discretely presented component unit

A summary of changes in the Urban Redevelopment Authority assets held for sale follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Urban Redevelopment Authority				
Assets held for sale	$ 218,510	$ -	$ -	$ 218,510
Total assets held for sale	$ 218,510	$ -	$ -	$ 218,510

Note 5—Long-term liabilities

The following is a summary of the changes in noncurrent liabilities reported in the statement of net position for the year ended December 31, 2025:

	Balance January 1, 2025	2025 Additions	2025 Reductions	Balance December 31, 2025	Due Within One Year
Governmental activities:					
Revenue bonds, Series 2023	$ 4,000,000	$ -	$ -	$ 4,000,000	$ 938,460
Compensated absences	185,015	206,049	185,015	206,049	206,049
Net pension liability	362,552	58,586	-	421,138	-
Governmental activities long-term liabilities	$ 4,547,567	$ 264,635	$ 185,015	$ 4,627,187	$ 1,144,509
Discretely presented component unit:					
Urban Redevelopment Authority					
First State Bank line of credit	$ 182,683	$ -	$ 843	$ 181,840	$ 181,840
Discretely presented component unit long-term liabilities	$ 182,683	$ -	$ 843	$ 181,840	$ 181,840

For the governmental activities, compensated absences are generally liquidated by the general fund.

Note 5—Long-term liabilities (continued)

A. Governmental activities debt

1. Revenue bonds

In December 2023, the Columbia County Public Facilities Authority ("CCPFA") issued a revenue bond (City of Harlem Project – Series 2023) in the principal amount of $4,000,000 bearing interest of 4.24% for the purpose of providing funds to finance the cost of the renovation, construction, and equipping of improvements to park and recreational facilities, a new public works facility, demolition and construction of certain dilapidated properties. An intergovernmental contract between the City and CCPFA was executed to secure principal and interest payments of the Series 2023 bond by the City.

Interest is to be paid semi-annually on April 1 and October 1 of each year and principal is to be paid annually on October 1 of each year beginning in 2026.

The annual principal and interest requirements for the City's outstanding revenue debt as of December 31, 2025 is as follows:

	Principal	Interest	Total Payment
2026	$ 938,460	$ 169,600	$ 1,108,060
2027	978,350	129,809	1,108,159
2028	1,019,920	88,327	1,108,247
2029	1,063,270	45,083	1,108,353
	$ 4,000,000	$ 432,819	$ 4,432,819

B. Discretely presented component unit

1. Line of credit

The URA has a line of credit with a commercial bank with an available credit limit of $250,000, which matures on October 24, 2026. Amounts outstanding under the line bear interest at 4.5%. The line of credit is due and payable in full on demand. $181,840 was outstanding under the line of credit at December 31, 2025. The unused amount of the line of credit at December 31, 2025 was $68,160.

Note 6—Interfund receivables/transfers

Interfund receivables and payables result from timing differences related to charges for services or reimbursable expenses. At December 31, 2025, there were no interfund balances.

Note 7—Risk management

The City carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the City.

A. Risk pool

The City is exposed to various risks 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 for property and liability insurance and the Workers' Compensation Self-Insurance Fund, public entity risk pools currently operating as common risk management, and insurance programs for member local governments. The Georgia Municipal Association administers both risk pools.

The City carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the City.

As part of their agreement, the City must assist and cooperate in the defense and settlement of claims against the City. The City must furnish full cooperation to the pools' attorneys, claims adjusters, and any agent or independent contractor of the pools. In addition, the City must 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 claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.

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

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the City's insurance coverage.

Note 8—Pension plan

A. Plan description

The City Council approved the adoption of a defined benefit pension plan, the City of Harlem Retirement Plan (the "Plan"), covering all full-time employees in 1987, and closed entry to the Plan to new participants as of December 17, 2012. The Plan is administered by the Georgia Municipal Employees Benefit System ("GMEBS"), a statewide, agent multiple-employer, defined benefit pension plan that acts as a common investment and administrative agent for cities in the state of Georgia. GMEBS handles all administrative and investment functions relative to the Plan. All full-time City employees prior to December 17, 2012, were eligible to participate in the Plan after one year of service. Benefits vest after 10 years of service. City employees may retire at age 55 under the early retirement provisions if they have completed 10 years of service. Normal retirement is at age 60. Benefits are payable for life in an amount of covered compensation plus 2% of Participant Final Average Earnings, multiplied by years of service. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the GMEBS Pension Trust and Adoption Agreement executed by the City. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street SW, Atlanta, Georgia 30303.

Note 8—Pension plan (continued)

A. Plan description (continued)

As of July 1, 2024, the Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefits	19
Inactive Plan members entitled to, but not receiving benefits	25
Active Plan members	12
	56

B. Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by the Plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2025, the City's contribution rate was 31.6% of annual, covered payroll. City contributions to the Plan were $128,275 for the year ended December 31, 2025.

C. Net pension liability

The City's net pension liability was measured as of March 31, 2025, which would make it applicable to the fiscal year beginning January 1, 2025 and ending December 31, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025.

D. Actuarial assumptions

The methods and assumptions used in the July 1, 2025 valuation were approved by the Board in December 2019 based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019 conducted in November and December 2019. The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375%
Projected salary increases	2.25% plus service-based merit increases
Cost of living adjustment	1.70%

Mortality rates for the valuation period were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Note 8—Pension plan (continued)

D. Actuarial assumptions (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of March 31, 2024 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%
	100%	

E. Discount rate

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to actuarially determine contribution rates assumed that City contributions will be made at rates equal to the actuarial determined rates. Based on those assumptions, the 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 Plan investments was applied to all of the projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability	$ 800,094	$ 421,138	$ 97,599

Note 8—Pension plan (continued)

F. Changes in the net pension liability

The changes in the components of the net pension liability for the City for the year ended December 31, 2025 were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at March 31, 2024	$ 3,292,803	$ 2,930,251	$ 362,552
Changes for the year:			
Service cost	29,556	-	29,556
Interest	239,955	-	239,955
Differences between expected and actual experience	57,590	-	57,590
Contributions – employer	-	127,039	(127,039)
Net investment income	-	152,353	(152,353)
Benefit payments, including refunds of employee contributions	(137,471)	(137,471)	-
Administrative expense	-	(10,877)	10,877
Net changes	189,630	131,044	58,586
Balances at March 31, 2025	$ 3,482,433	$ 3,061,295	$ 421,138

The required schedule of changes in the City's net pension liability and related ratios on page 31 presents multi-year trend information about whether the value of Plan assets are increasing or decreasing over time relative to the total pension liability.

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

For the year ended December 31, 2025, the City recognized pension expense of $95,954. At December 31, 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
Net difference between projected and actual earnings on pension plan investments	$ 66,062	$ -
Employer contributions subsequent to the measurement date	110,730	-
	$ 176,792	$ -

Note 8—Pension plan (continued)

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

City contributions subsequent to the measurement date of $110,730 are reported as deferred outflows of resources and will be recognized as an increase of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense as follows:

Years Ending December 31,		
2026	$	47,388
2027		40,833
2028		(34,752)
2029		12,593
	$	66,062

Note 9—Georgia Firefighters' Pension Fund

Certain employees of the Fire Department are covered by The Georgia Firefighters' Pension Fund ("GFPF"). The GFPF was established by the Georgia General Assembly in 1995 for the purpose of providing retirement benefits for qualified firefighters. The GFPF is a cost-sharing, multiple-employer defined benefit pension plan as defined in GASB Statement 68, *Accounting and Financial Reporting for Pensions.*

Any person employed as a firefighter or enrolled as a volunteer firefighter within the state of Georgia or any regular employee of the GFPF is eligible for membership in the GFPF. The various fire departments located within the state of Georgia, as employers of the members of the GFPF, do not make contributions to the fund. The state of Georgia provides non-employer contributions to the GFPF through the collection of insurance premiums tax. Since the City does not contribute directly to the GFPF, management has determined the related impact on the financial statements to be immaterial. The GFPF issues a publicly available financial report that can be obtained at http://gfpf.org/about/annualreports/.

Note 10—Other retirement plans

In 2011, the City Council approved the adoption of "The Georgia Municipal Association 457(b) Deferred Compensation Plan" (the "457(b) Plan"). The 457(b) Plan allows employees to voluntarily supplement their retirement savings through the deferral of income before it is taxed. All employees of the City are eligible to participate in the 457(b) Plan. The City does not contribute to the 457(b) Plan.

In December 2012, the City Council approved the adoption of "The Georgia Municipal Association 401(a) Defined Contribution Plan" (the "401(a) Plan"). All full-time employees with six months of service hired after December 17, 2012, are eligible to participate in the plan. The City contributes 3% of total compensation to the 401(a) Plan. Additionally, the City will match 100% of contributions to the 457(b) Plan up to 3% of total compensation through contributions to the 401(a) Plan. Matching and nonmatching contributions are 100% vested after a participant has been employed five years and matching contributions remain 0% vested until the participant satisfies the full vesting period. As of December 31, 2025, there were 19 plan participants. For the year ended December 31, 2025, the City made contributions of $21,125 to the Defined Contribution Plan.

Note 11—Joint venture

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Commission ("RC") and is required to pay annual dues thereto. During the year ended December 31, 2025, the City paid $4,446 in such dues and service charges. Membership in a RC is required by the OCGA Section 50-8-34 that provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: CSRA Regional Commission, 3626 Walton Way Ext. #300, Augusta, GA 30909.

Note 12—Housing Authority of Harlem, Georgia

The Housing Authority of Harlem, Georgia (the "Housing Authority"), is considered a related organization based in accordance with U.S. GAAP. Pursuant to OCGA 8-3-4, the Housing Authority is a separate legal entity from the City. Further, pursuant to OCGA 8-3-50, the City appoints a voting majority of the Housing Authority members. However, the City is not able to impose its will upon the Housing Authority nor does a financial benefit/burden relationship exist between them. In 2025, the City received $7,431 for the 2024 assessment year from the Harlem Housing Authority as payment in lieu of taxes.

Note 13—Commitments and contingencies

A. Commitments

The City guarantees the URA's line of credit as discussed in Note 5. No additional outstanding commitments existed for the City as of December 31, 2025.

As of December 31, 2025, material outstanding construction commitments were as follows:

Project	Fund	Outstanding Commitment
Public Works Building Project	Gen Fund – Capital Projects Funds	$ 1,863,218.00
Multi-Purpose Park	Gen Fund – Capital Projects Funds	2,201,542.00
Harlem City Park Upgrade	SPLOST 2023-2028 Funds	381,874.00
Harlem City Park Upgrade	ARP-SLFRF Funds	5,539.00

B. Contingencies

The City is subject to various legal proceedings covering a wide range of matters that arise in the ordinary course of its activities.

Grants and contracts require the fulfillment of certain conditions set forth in the agreements which may be subject to audit and adjustments by grantor/contracting agencies. In the opinion of management, any such adjustments would not be material to the City's financial statements.

Note 14—Landfill post-closure cost

The City contracts with a disposal company to dispose of its solid waste materials collected. In prior years the City maintained a landfill; however, it was closed during 2016. The state of Georgia requires the City to perform certain maintenance and monitoring functions at the closed landfill and to make periodic reports to the appropriate agencies. The estimated liability for post-closure cost is undeterminable; however, the City believes the maintenance cost is immaterial. However, changes in the post-closure care may occur for increases or decreases in cost due to inflation or deflation, changes in technology, changes to post-closure care requirements, and changes in the extent of environmental remediation required by law. If at such time the post-closure care cost is determined and is a material liability, appropriate disclosure will be reflected in the financial statements. Landfill services fees were $779,452 and there were no maintenance costs for the year ended December 31, 2025.

Note 15—Correction of errors

During 2025, the City determined that capital assets were understated due to the omission of certain donated infrastructure in 2021 and due to an error in 2024. The governmental activities beginning net position has been restated to reflect the correction of these errors.

During fiscal year 2021, the City received two (2) donated subdivisions that had storm drain systems. The City recorded the donated subdivisions in fiscal year 2021 but did not include the $367,677 in storm drain systems. The capital asset donations of the storm drain systems and the accumulated depreciation of $40,554 were not recorded in the government-wide financial statements for the previous fiscal years.

Additionally, the City noted an error in the amount of $43,855 related to a capital asset not properly recorded in 2024. Because the capital asset was placed in service on December 31, 2024, no restatement was required for accumulated depreciation.

The effected financial statement line items are as follows:

	As Previously Reported	Restated
Capital assets	$ 10,198,429	$ 10,609,961
Net investment in capital assets	6,198,429	6,609,961
Total net position	22,313,247	22,724,779

Note 16—Restatement of beginning fund balance – reclassification of the ARP Fund

For the fiscal year ended December 31, 2025 the City evaluated the classification of governmental funds for reporting purposes. In prior years, the ARP Fund was reported as a major governmental fund based on the relative significance of financial activity to the City's overall governmental funds.

During 2025, the ARP Fund activity no longer met the quantitative or qualitative criteria for major fund presentation under GASB Statement No. 34. As a result, and in accordance with GASB Statement No. 100, the City is required to disclose changes in fund classifications when they result from a reevaluation of circumstances or when prior presentation is no longer appropriate.

Note 16—Restatement of beginning fund balance – reclassification of the ARP Fund (continued)

The ARP Fund is now reported as a non-major governmental fund in the accompanying financial statements. This reclassification affects presentation only and does not impact governmental fund balances, net position, or change in fund balance for the current period.

Fund balance as restated, January 1, 2025:

	ARP Fund	Non-Major Governmental Fund
Fund balance, as previously reported, December 31, 2024	$ 44,709	$ 789,687
Adjustments to fund balance	(44,709)	44,709
Fund balance, as restated, January 1, 2025	$ -	$ 834,396

Note 17—Subsequent events

The City has evaluated subsequent events through June 26, 2026, the date which the financial statements were available to be issued. As of this date, there were no material subsequent events requiring adjustment to or disclosure in the financial statements for the year ended December 31, 2025.

CITY OF HARLEM, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability:										
Service cost	$ 29,556	$ 30,687	$ 28,857	$ 32,143	$ 30,182	$ 35,636	$ 39,252	$ 41,081	$ 52,796	$ 57,426
Interest on total pension liability	239,955	231,868	218,915	205,322	197,186	191,053	181,878	167,511	165,691	154,267
Differences between expected and actual experience	57,590	(16,761)	57,943	78,788	2,321	(8,189)	20,257	76,315	(29,694)	105,065
Changes of assumptions	-	-	-	-	-	29,880	-	51,773	-	-
Benefit payments, including refunds of employee contributions	(137,471)	(132,554)	(131,257)	(126,075)	(116,589)	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
Net Change in Total Pension Liability	189,630	113,240	174,458	190,178	113,100	131,789	127,103	226,320	(31,453)	198,286
Total pension liability - beginning	3,292,803	3,179,563	3,005,105	2,814,927	2,701,827	2,570,038	2,442,935	2,216,615	2,248,068	2,049,782
Total Pension Liability - Ending (a)	$ 3,482,433	$ 3,292,803	$ 3,179,563	$ 3,005,105	$ 2,814,927	$ 2,701,827	$ 2,570,038	$ 2,442,935	$ 2,216,615	$ 2,248,068
Plan Fiduciary Net Position:										
Contributions - employer	$ 127,039	$ 136,436	$ 138,967	$ 147,166	$ 158,112	$ 162,578	$ 152,731	$ 159,294	$ 155,680	$ 152,944
Net investment income	152,353	421,910	(179,206)	154,295	783,819	(132,166)	63,040	188,091	167,063	5,352
Benefit payments, including refunds of employee contributions	(137,471)	(132,554)	(131,257)	(126,075)	(116,589)	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
Administrative expense	(10,877)	(9,213)	(10,938)	(10,513)	(10,221)	(11,244)	(10,684)	(10,685)	(11,072)	(8,025)
Net Change in Fiduciary Net Position	131,044	416,579	(182,434)	164,873	815,121	(97,423)	90,803	226,340	91,425	31,799
Plan fiduciary net position - beginning	2,930,251	2,513,672	2,696,106	2,531,233	1,716,112	1,813,535	1,722,732	1,496,392	1,404,967	1,373,168
Plan Fiduciary Net Position - Ending (b)	$ 3,061,295	$ 2,930,251	$ 2,513,672	$ 2,696,106	$ 2,531,233	$ 1,716,112	$ 1,813,535	$ 1,722,732	$ 1,496,392	$ 1,404,967
Net Pension Liability (a) - (b)	$ 421,138	$ 362,552	$ 665,891	$ 308,999	$ 283,694	$ 985,715	$ 756,503	$ 720,203	$ 720,223	$ 843,101
Plan fiduciary net position as a percentage of the total pension liability	87.91%	88.99%	79.06%	89.72%	89.92%	63.52%	70.56%	70.52%	67.51%	62.50%
Covered-employee payroll	$ 406,370	$ 384,469	$ 393,317	$ 379,208	$ 425,406	$ 431,794	$ 469,860	$ 519,400	$ 518,351	$ 670,477
City's net pension liability as a percentage of covered-employee payroll	103.6%	94.3%	169.3%	81.5%	66.7%	228.3%	161.0%	138.7%	138.9%	125.7%

CITY OF HARLEM, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTION

DECEMBER 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 128,275	$ 140,880	$ 134,954	$ 140,305	$ 149,453	$ 160,998	$ 163,105	$ 149,273	$ 162,634	$ 152,944
Contributions in relation to the actuarially determined contribution	(128,275)	(140,880)	(134,954)	(140,305)	(149,453)	(160,998)	(163,105)	(149,273)	(162,634)	(152,944)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 406,370	$ 384,469	$ 393,317	$ 379,208	$ 425,406	$ 431,794	$ 469,860	$ 519,400	$ 518,351	$ 670,477
Contributions as a percentage of covered-employee payroll	31.6%	36.6%	34.3%	35.1%	35.1%	37.3%	34.7%	28.7%	31.4%	22.8%

***NOTE: This schedule will present 10 years of information once it is accumulated.**

Note 1—Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1 of the year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Closed level dollar for the remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
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 than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net investment rate of return	7.375%
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustments	1.70%

There were no changes in the methods or assumptions from the prior valuation.

CITY OF HARLEM, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	Special Revenue Funds		Capital Project Funds				
	Confiscation Fund	ARP Fund	LMIG Fund	Technology Fund	T-SPLOST Fund	SPLOST 2017-2022 Fund	Combined Totals
ASSETS							
Cash and cash equivalents	$ 18,205	$ 59,438	$ 80,568	$ 31,550	$ 582,986	$ 281,612	$ 1,054,359
Accounts receivable	-	-	-	-	11,256	-	11,256
Total Assets	$ 18,205	$ 59,438	$ 80,568	$ 31,550	$ 594,242	$ 281,612	$ 1,065,615
LIABILITIES							
Accounts payable	$ 95	$ 2,534	$ -	$ -	$ -	$ -	$ 2,629
Unearned revenue	7,696	5,539	69,374	-	-	-	82,609
Total Liabilities	7,791	8,073	69,374	-	-	-	85,238
FUND BALANCE							
Restricted for:							
Capital projects	-	-	11,194	-	594,242	281,612	887,048
Committed to:							
Capital outlay	-	-	-	31,550	-	-	31,550
Assigned:							
Public safety	10,414	-	-	-	-	-	10,414
Operation	-	51,365	-	-	-	-	51,365
Total Fund Balance	10,414	51,365	11,194	31,550	594,242	281,612	980,377
Total Liabilities and Fund Balance	$ 18,205	$ 59,438	$ 80,568	$ 31,550	$ 594,242	$ 281,612	$ 1,065,615

CITY OF HARLEM, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2025

	Special Revenue Funds		Capital Project Funds				
	Confiscation Fund	ARP Fund	LMIG Fund	Technology Fund	T-SPLOST Fund	SPLOST 2017-2022 Fund	Total Non-Major Governmental Funds
Revenue:							
Fines and forfeitures	$ 1,119	$ -	$ -	$ -	$ -	$ -	$ 1,119
Intergovernmental revenue	-	49,675	109,461	-	123,989	-	283,125
Charges for services	-	-	-	3,496	-	-	3,496
Uses of money/property	613	6,657	3,217	895	15,237	8,212	34,831
Total Revenue	1,732	56,332	112,678	4,391	139,226	8,212	322,571
Expenditures:							
Current Operating:							
General government	-	-	-	-	1,243	-	1,243
Public safety	5,081	-	-	2,970	-	-	8,051
Fire	-	21,570	-	-	-	-	21,570
Parks	-	28,106	-	-	-	-	28,106
Capital outlay	-	-	109,462	-	8,158	-	117,620
Total Expenditures	5,081	49,676	109,462	2,970	9,401	-	176,590
Net change in fund balances	(3,349)	6,656	3,216	1,421	129,825	8,212	145,981
Fund balance, beginning of year	13,763	-	7,978	30,129	464,417	273,400	789,687
Adjustments to fund balance	-	44,709	-	-	-	-	44,709
Fund balance, beginning as adjusted or restated	13,763	44,709	7,978	30,129	464,417	273,400	834,396
Fund balance, end of year	$ 10,414	$ 51,365	$ 11,194	$ 31,550	$ 594,242	$ 281,612	$ 980,377

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and Members of City Council
City of Harlem, Georgia
Augusta, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harlem, Georgia (the "City"), as of and for the year ended December 31, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control that is less 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was 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 result 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.

Cherry Bekaert LLP

Augusta, Georgia
June 26, 2026

CITY OF HARLEM, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2025

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements**: No**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **Yes, Finding 2025-001**
4. Noncompliance, which is material to the financial statements: **No**

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2025-001 – Material Weaknesses – Restatement of Net Position

Criteria: Yearly, the City must produce financial statements in accordance with accounting principles generally accepted in the United States of America. A sound financial reporting and close process includes proper oversight and review of annual adjustments, such those related to capital assets.

Condition: During the preparation of the financial statements, staff noted that a donation of two capital assets were not properly reported in the City's financial records. The assets had an acquisition cost of $367,677 and would have accumulated depreciation of $40,554 by year ended December 31, 2024 if properly capitalized. Additionally, staff noted an error in the amount of $43,855 related to a capital asset not properly recorded in 2024. Collectively, these caused the City's capital assets and net position to be understated.

Cause: In discussion with management, it was determined this error was the result of a misinterpretation of the asset that was not recorded. Management discovered the error when recording similar information for 2025.

Effect: Understatement of capital assets and net position for the year ended December 31, 2024.

Recommendation: It is our recommendation that the reconciliation of the City's capital asset rollforward be reviewed quarterly and include a comparison to the Columbia County Property Appraiser's website to ensure all real property owned by the City is appropriately reflected in the City financial statements.

Views of Responsible Officials and Planned Corrective Actions:
Management concurs with the finding and will implement the recommendation.

C. Status

There were no findings in the prior year.

CITY OF HARLEM, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (2017-2022)

YEAR ENDED DECEMBER 31, 2025

Project	Original Estimated Cost	Amended Estimated Cost	Prior Years	Current Year	To Date	Percentage of Completion
Tier I						
Public buildings	$ 1,942,531	$ 1,955,481	$ 2,450,041	$ -	* $ 2,450,041	125%
Total - Tier I	1,942,531	1,955,481	2,450,041	-	2,450,041	
Tier II						
Vehicles and equipment	25,000	25,000	32,778	-	32,778	131%
Infrastructure (water and sewer)	25,000	25,000	-	-	-	0%
Transportation (roads and sidewalks)	25,000	25,000	372,297	-	372,297	1489%
Public buildings	223,755	262,606	-	-	-	0%
Recreation	25,000	25,000	-	-	-	0%
Total - Tier II	323,755	362,606	405,075	-	405,075	
Tier III						
Buildings	283,755	231,954	-	-	-	0%
Transportation (roads and sidewalks)	10,000	10,000	-	-	-	0%
Recreation	10,000	10,000	-	-	-	0%
Vehicles and equipment	10,000	10,000	-	-	-	0%
Infrastructure (water and sewer)	10,000	10,000	-	-	-	0%
Total - Tier III	323,755	271,954	-	-	-	
Grand Total	$ 2,590,041	$ 2,590,041	$ 2,855,116	$ -	$ 2,855,116	

* Consistent with the Intergovernmental Agreement with Columbia County, the City is reimbursing the General Fund for capital outlay expenditures for a public building which occurred in previous years.

CITY OF HARLEM, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (2023-2028)

YEAR ENDED DECEMBER 31, 2025

Project	Original Estimated Cost	Amended Estimated Cost	Prior Years	Current Year	To Date	Percentage of Completion
Tier I						
Recreation	$ 1,035,755	$ 1,035,755	$ -	$ 371,970	$ 371,970	36%
Transportation (roads and sidewalks)	1,250,000	1,250,000	-	-	-	0%
Vehicles and equipment	2,000,000	2,000,000	113,692	842,154	955,846	48%
Public buildings	1,150,000	1,150,000	-	400,129	400,129	35%
Total - Tier I	5,435,755	5,435,755	113,692	1,614,253	1,727,945	
Tier II						
Recreation	455,959	455,959	-	-	-	0%
Transportation (roads and sidewalks)	450,000	450,000	-	-	-	0%
Total - Tier II	905,959	905,959	-	-	-	
Tier III						
Recreation	455,959	455,959	-	-	-	0%
Vehicles and equipment	450,000	450,000	-	-	-	0%
Total - Tier III	905,959	905,959	-	-	-	
Grand Total	$ 7,247,673	$ 7,247,673	$ 113,692	$ 1,614,253	$ 1,727,945	