

CITY OF COMMERCE, GEORGIA

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

Year Ended June 30, 2022

**CITY OF COMMERCE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

December 12, 2022

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CITY OF COMMERCE, GEORGIA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Net Pension Liability - City of Commerce Retirement Plan, Schedule of Contributions - City of Commerce Retirement Plan, Schedule of Notes to Required Supplementary Information - City of Commerce Retirement Plan, Budgetary Comparison Schedule - General Fund, and Budgetary Comparison Schedule - Fiscal Recovery Plan listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the Schedule of Projects Constructed with Special Purpose Local Sales Tax, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, on our consideration of the CITY OF COMMERCE, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CITY OF COMMERCE, GEORGIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF COMMERCE, GEORGIA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bates, Carter & Co., LLP". The signature is written in a cursive style and is centered within a light gray rectangular box.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Commerce, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2022. Please consider this information in conjunction with the City's basic financial statements, which follow.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$76,877,144 (presented as "net position"). Of this amount, \$24,729,474 was reported as "unrestricted net position." Unrestricted net position represents the amount available to be used to meet the City's obligations to citizens and creditors. \$34,297,046 of net position consisted of investments in capital assets. The remainder of net position consisted of amounts restricted by state law or debt agreements, and totaled \$17,850,624.

The City's total net position increased by \$6,043,315 in fiscal year 2022.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,721,573. Of this amount, 46.5% or \$4,982,541 is unassigned and available for use within the City's designation and policies.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,982,541 or 61.04% of the total general fund amended budget expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 3 to 6 of this report.

Proprietary Fund

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

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

The basic proprietary fund financial statements can be found on pages 7 to 9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 to 51 of this report.

Other Information

In addition to the primary government financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on page 66 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by \$76,877,144 as of June 30, 2022 and by \$70,833,829 as of June 30, 2021.

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

CITY OF COMMERCE, GEORGIA'S NET POSITION
JUNE 30, 2022

(\$ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current and other assets	\$ 14,669	\$ 10,672	\$ 33,414	\$ 28,534	\$ 48,083	\$ 39,206
Capital assets (net of depreciation)	15,323	14,643	35,714	37,285	51,037	51,928
TOTAL ASSETS	<u>29,992</u>	<u>25,315</u>	<u>69,128</u>	<u>65,819</u>	<u>99,120</u>	<u>91,134</u>
Total deferred outflows of resources	195	183	397	496	592	679
Liabilities:						
Long-term liabilities outstanding	307	351	16,778	18,496	17,085	18,847
Other liabilities	2,029	785	2,173	1,181	4,202	1,966
TOTAL LIABILITIES	<u>2,336</u>	<u>1,136</u>	<u>18,951</u>	<u>19,677</u>	<u>21,287</u>	<u>20,813</u>
Total deferred inflows of resources	1,130	121	418	45	1,548	166
Net position						
Net investment in capital assets	14,988	14,186	19,309	19,183	34,297	33,369
Restricted	4,938	4,378	12,912	13,150	17,850	17,528
Unrestricted	6,795	5,677	17,935	14,260	24,730	19,937
TOTAL NET POSITION	<u>\$ 26,721</u>	<u>\$ 24,241</u>	<u>\$ 50,156</u>	<u>\$ 46,593</u>	<u>\$ 76,877</u>	<u>\$ 70,834</u>

Table may not add due to rounding

An additional portion of the City's net position, approximately 23.22%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$24,729,474, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2022, and June 30, 2021, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories - governmental and business-type activities.

Analysis of the City's Operations

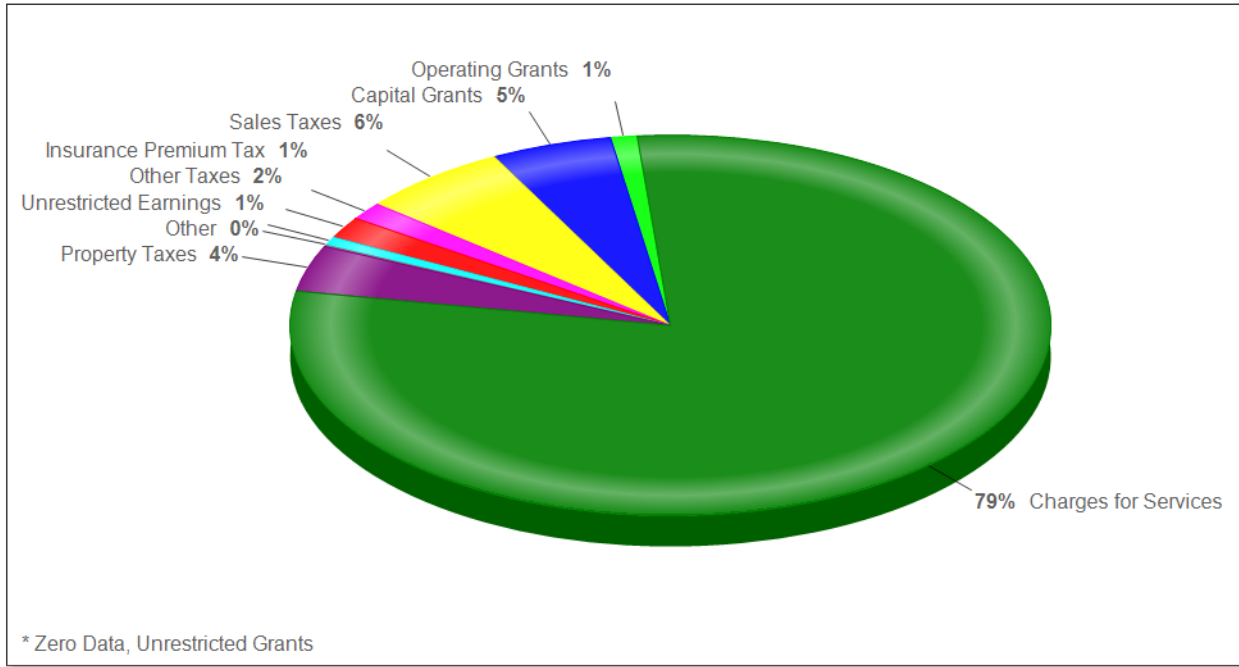
The following table provides a summary of the City's operations for the years ending June 30, 2022 and June 30, 2021. Governmental activities increased the City's net position by \$2,480,226 for the year ending June 30, 2022, and increased net position by \$1,678,530 for the year ending June 30, 2021. Business-type activities increased the City's net position by \$3,563,089 for the year ending June 30, 2022, and increased the City's net position by \$3,425,749 for the year ending June 30, 2021.

CITY OF COMMERCE, GEORGIA'S CHANGES IN NET POSITION
JUNE 30, 2022
(\$ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
REVENUES						
Program revenues:	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Charges for services	\$ 3,345	\$ 3,670	\$ 25,495	\$ 18,939	\$ 28,840	\$ 22,609
Operating grants and contributions	405	719	-	-	405	719
Capital grants and contributions	1,875	1,458	-	-	1,875	1,458
General Revenues:						
Property taxes	1,426	1,189	-	-	1,426	1,189
Sales taxes	2,325	1,807	-	-	2,325	1,807
Insurance premium tax	542	526	-	-	542	526
Other taxes	653	489	-	-	653	489
Unrestricted investment earnings	1	-	263	1,137	264	1,137
Other	23	33	-	-	23	33
TOTAL REVENUES	<u>10,595</u>	<u>9,891</u>	<u>25,758</u>	<u>20,076</u>	<u>36,353</u>	<u>29,967</u>
EXPENSES						
General Government	1,469	1,390	-	-	1,469	1,390
Judicial	-	-	-	-	-	-
Public safety	2,717	2,584	-	-	2,717	2,584
Public works	1,939	2,340	-	-	1,939	2,340
Health and welfare	7	3	-	-	7	3
Recreation and culture	982	904	-	-	982	904
Housing and development	705	931	-	-	705	931
Interest	88	8	-	-	88	8
Water and sewer system	-	-	6,339	5,603	6,339	5,603
Electric system	-	-	8,058	7,407	8,058	7,407
Natural gas system	-	-	7,831	3,572	7,831	3,572
Internet service	-	-	175	121	175	121
Revolving loan	-	-	-	-	-	-
TOTAL EXPENSES	<u>7,907</u>	<u>8,160</u>	<u>22,403</u>	<u>16,703</u>	<u>30,310</u>	<u>24,863</u>
Increases in net assets before transfers	2,688	1,731	3,355	3,373	6,043	5,104
Transfers	(208)	(52)	208	52	-	-
Increase in net position	<u>2,480</u>	<u>1,679</u>	<u>3,563</u>	<u>3,425</u>	<u>6,043</u>	<u>5,104</u>
Net position, beginning of year	24,241	22,562	46,593	43,168	70,834	65,730
Net position, end of year	<u>\$ 26,721</u>	<u>\$ 24,241</u>	<u>\$ 50,156</u>	<u>\$ 46,593</u>	<u>\$ 76,877</u>	<u>\$ 70,834</u>

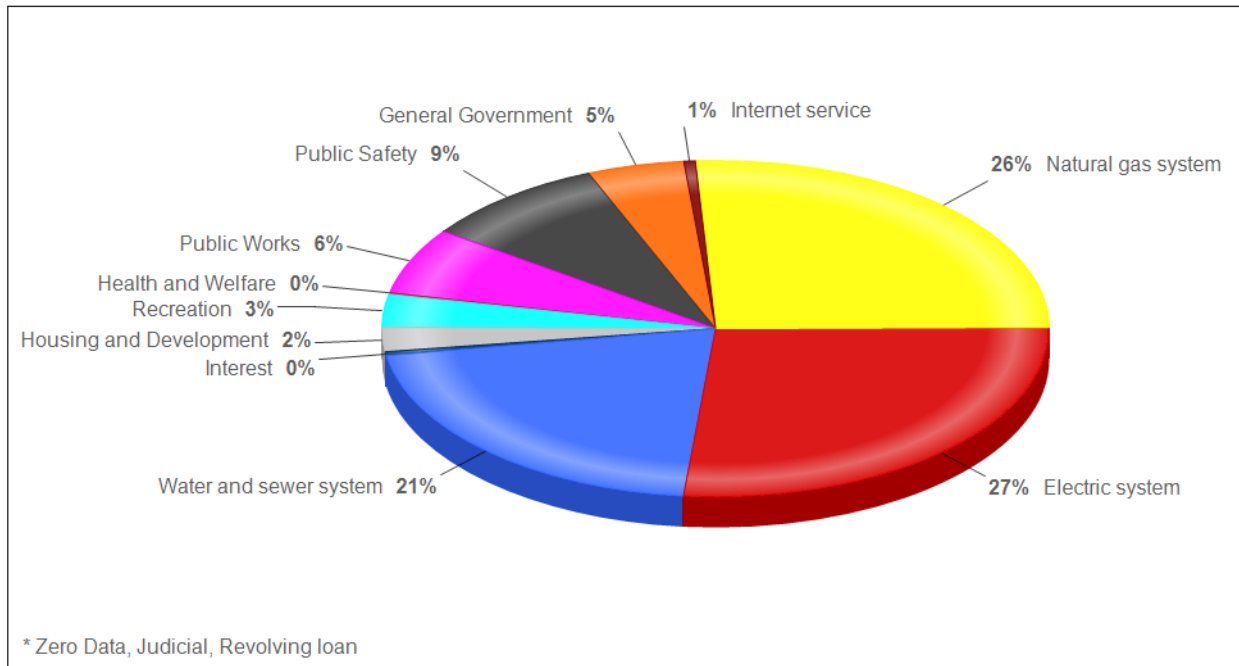
Total government-wide revenues for 2022 were \$36.35 million. These revenues consisted of \$4.95 million in taxes, \$2.28 million in grants and contributions, \$0.26 million in investment earnings and \$28.84 million in charges for services. Of this amount, \$3.3 million was in governmental activities and \$25.5 million in business-type activities.

REVENUES BY SOURCE-GOVERNMENT-WIDE ACTIVITY



Government-wide expenses were \$30.31 million for 2022, of which \$7.91 million were for governmental activities and \$22.40 million for business-type activities.

EXPENSES BY FUNCTION-GOVERNMENT-WIDE ACTIVITY



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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

General Fund

The General Fund is the main fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,982,541, while total fund balance reached \$5,322,324. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 65.26% of total expenditures, and transfers out, while total fund balance represents 69.71% of that same amount.

The General Fund's fund balance increased by \$1,224,652 during the current fiscal year. This is primarily a result of increased property values affecting property tax revenue, less transfers out to other funds, and controlled spending throughout the fiscal year.

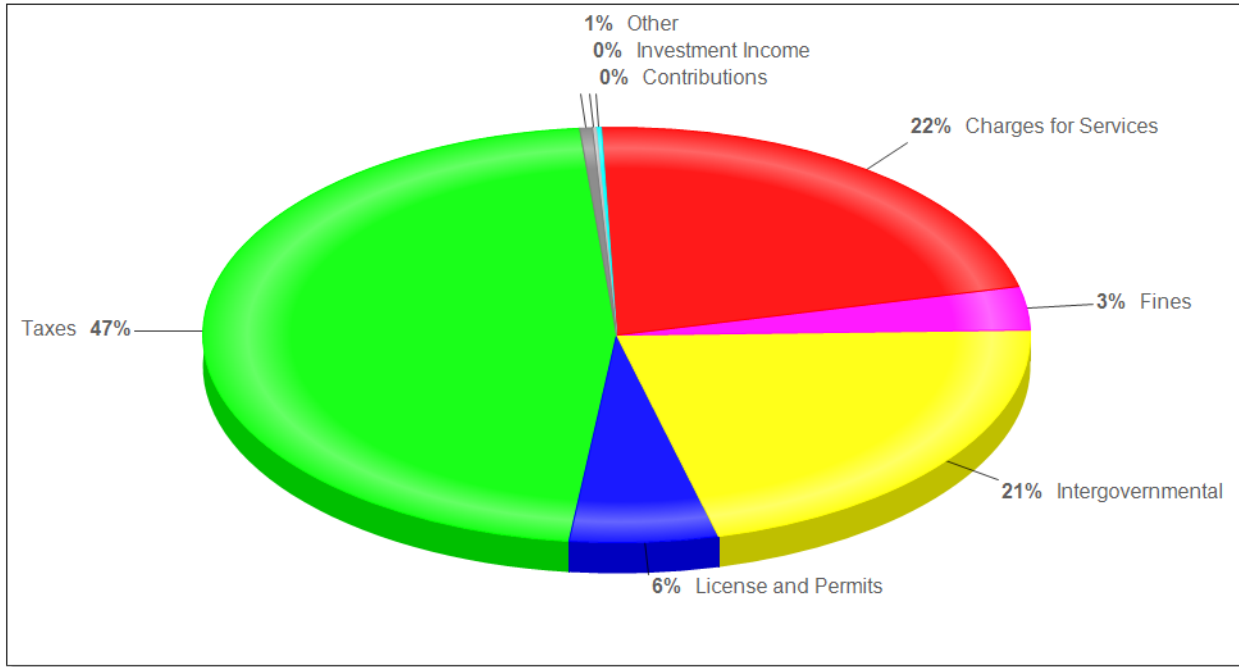
SPLOST Fund

The SPLOST Capital Projects Fund accounts for funds received from a local 1% sales tax reserved for various capital projects. During the current fiscal year, the fund balance increased by \$750,131 in the SPLOST Fund. This is primarily a result of holding funds to spend on approved projects in future years.

Fiscal Recovery Plan Act Fund

The Fiscal Recovery Fund accounts for funds received from the American Rescue Plan Act (ARPA). During the current fiscal year, the fund balance increased by \$607 in the Fiscal Recovery Fund. This is primarily a result of interest revenue that was not projected.

REVENUES BY SOURCE-GOVERNMENTAL FUNDS



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

Proprietary Funds

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

The Water and Sewer System Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Water and Sewer System is \$8,916,414. For the fiscal year ending June 30, 2022, the Water and Sewer system had an increase in net position of \$3,556,326, the majority of which can be attributed to new tap fees for new customers as a result of continued growth in the area. Overall, Water and Sewer did see a slight increase in new customers and consumption demand also increased.

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

reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Electric Fund is \$3,841,770. In the current year, the Electric system had a decrease in net position of \$(496,600), which is primarily a result of increased cost from electricity purchased for resale.

The Natural Gas System Fund is used to account for the provision of natural gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Natural Gas Fund is \$4,794,130. In the current fiscal year 2022, the Natural Gas Fund had an increase in net position of \$464,603, which results from controlled spending, increased consumption, and less needed intergovernmental transfers.

General Fund Budgetary Highlights

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

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$51,036,973 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, machinery and equipment, computer equipment, utility infrastructure, infrastructure assets, and vehicles.

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

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

- The City spent \$57,266 on buildings and improvements.
- The City spent \$810,982 on machinery and equipment.
- The City spent \$560,706 on vehicles.
- The City spent \$1,194,231 on infrastructure.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 2,796,645	\$ 2,796,645	\$ 319,771	\$ 319,771	\$ 3,116,416	\$ 3,116,416
Construction in process	413,599	39,213	540,517	164,237	954,116	203,450
Building and improvements	7,983,949	7,926,683	26,252,621	26,252,621	34,236,570	34,179,304
Utility system infrastructure	-	-	49,761,173	49,351,093	49,761,173	49,351,093
Furniture, fixtures and equipment	-	-	-	-	-	-
Machinery and equipment	3,323,873	2,536,843	3,354,146	3,314,186	6,678,019	5,851,029
Computers and equipment	-	-	415,702	402,319	415,702	402,319
Infrastructure	10,459,568	10,459,568	-	-	10,459,568	10,459,568
Vehicles	3,427,470	3,138,092	1,422,353	1,194,519	4,849,823	4,332,611
Accumulated depreciation	<u>(13,081,766)</u>	<u>(12,254,265)</u>	<u>(46,352,648)</u>	<u>(43,713,714)</u>	<u>(59,434,414)</u>	<u>(55,967,979)</u>
Total	<u>\$ 15,323,338</u>	<u>\$ 14,642,779</u>	<u>\$ 35,713,635</u>	<u>\$ 37,285,032</u>	<u>\$ 51,036,973</u>	<u>\$ 51,927,811</u>

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$16,459,184 in outstanding debt consisting of revenue bonds, financed purchases, and notes payable. All of the debt was secured by specific revenue sources or capital assets.

OUTSTANDING DEBT - PRIMARY GOVERNMENT

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Financed Purchases	\$ 110,377	\$ 126,995	\$ 577,412	\$ 822,267	\$ 687,789	\$ 949,262
Notes Payable	53,091	78,864	8,563,304	9,173,696	8,616,395	9,252,560
Revenue bonds	-	-	7,155,000	8,080,000	7,155,000	8,080,000
Total	<u>\$ 163,468</u>	<u>\$ 205,859</u>	<u>\$ 16,295,716</u>	<u>\$ 18,075,963</u>	<u>\$ 16,459,184</u>	<u>\$ 18,281,822</u>

The City's total debt (not including compensated absences and other long-term operating liabilities) decreased by \$1,822,638, during the current fiscal year mostly attributable to the reduction from payment on revenue bonds for business-type activities. Additional information on the City's long-term debt can be found in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2022-2023 budget, General Fund revenues and expenditures are budgeted to increase by \$1,056,295 or almost 12% from the 2021-2022 actuals. This increase is indicative of an increasing supply cost and property values from increased building costs.

Electric rates will be reviewed for possible increases due to the planned expansion of plant Vogtle. As a member of the Municipal Electric Association of Georgia (MEAG) the city is obligated to purchase an additional 5 Megawatts (MW) of wholesale power. Rate increases for the additional power are anticipated to be phased in at a rate of .005 cents per kilowatt hour (KWH) either quarterly or semiannually when the additions at plant Vogtle go live. The City does expect to see increases in both revenues and expenses as residential and commercial growth occur; however, it will be less than the other proprietary funds due to a limited electrical service territory.

The Water & Sewer fund is due for a rate review in fiscal year 2022-2023 and a determination will be made on rate increases to be implemented in conjunction with the annual Consumer Price Index (CPI). No other rate adjustments are planned. The City does anticipate both revenues and expenditures for the Water & Sewer fund to increase over the next three to five years as industrial and residential growth occur. In anticipation for this growth, the City has completed a capacity and delivery study for the Grove Creek Reservoir, the distribution system, and the North Side Treatment Plant. This study resulted in the need to expand the current treatment plant and distribution facility and costs will start to show in the years to ahead.

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

REQUEST FOR INFORMATION

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

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2022

ASSETS	<u>PRIMARY GOVERNMENT</u>			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Cash	\$ 12,555,978	\$ 12,562,116	\$ 25,118,094	\$ 74,893
Investments	-	2,662,106	2,662,106	-
Receivables	826,164	3,072,795	3,898,959	-
Internal balances	(1,151,620)	1,151,620	-	-
Due from component unit/primary government	-	-	-	22,381
Inventories	57,428	-	57,428	-
Prepaid items	240,307	253,676	493,983	5,590
Restricted assets:				
Cash	241,547	1,595,391	1,836,938	2,691
Investments	-	11,317,740	11,317,740	-
Non-current assets:				
Net pension asset	1,899,438	798,451	2,697,889	-
Capital assets:				
Capital assets not being depreciated	3,210,244	860,288	4,070,532	319,907
Capital assets being depreciated	25,194,860	81,205,995	106,400,855	2,415,543
Less: accumulated depreciation	(13,081,766)	(46,352,648)	(59,434,414)	(1,318,259)
Capital assets, net of depreciation	<u>15,323,338</u>	<u>35,713,635</u>	<u>51,036,973</u>	<u>1,417,191</u>
TOTAL ASSETS	<u>29,992,580</u>	<u>69,127,530</u>	<u>99,120,110</u>	<u>1,522,746</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred for bond refunding	-	320,774	320,774	-
Pension expense	194,897	76,202	271,099	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>194,897</u>	<u>396,976</u>	<u>591,873</u>	<u>-</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>30,187,477</u>	<u>69,524,506</u>	<u>99,711,983</u>	<u>1,522,746</u>
LIABILITIES				
Accounts payable	443,492	2,103,520	2,547,012	31,241
Accrued interest payable	-	30,464	30,464	674
Other accrued items	211,479	38,210	249,689	8,070
Due to component units	22,381	-	22,381	-
Unearned revenue	1,351,733	-	1,351,733	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	48,869	-	48,869	6,118
Notes from direct borrowings	26,285	622,091	648,376	10,947
Financed purchases payable	17,102	208,282	225,384	-
Revenue bonds from direct borrowings	-	945,000	945,000	-
Due in more than one year				
Compensated absences payable	94,863	54,772	149,635	-
Customer Deposits	-	427,192	427,192	-
Notes from direct borrowings	26,805	7,941,213	7,968,018	34,490
Financed purchases payable	93,275	369,129	462,404	-
Revenue bonds from direct borrowings	-	6,210,000	6,210,000	-
TOTAL LIABILITIES	<u>2,336,284</u>	<u>18,949,873</u>	<u>21,286,157</u>	<u>91,540</u>
DEFERRED INFLOWS OF RESOURCES				
Pension expense	1,130,388	418,294	1,548,682	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,130,388</u>	<u>418,294</u>	<u>1,548,682</u>	<u>-</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>3,466,672</u>	<u>19,368,167</u>	<u>22,834,839</u>	<u>91,540</u>
NET POSITION				
Net investment in capital assets	14,988,431	19,308,615	34,297,046	1,371,754
Restricted for:				
Capital projects	607	1,055,212	1,055,819	-
Municipal Competitive Trust Agreement	-	11,733,424	11,733,424	-
Sales tax referendum projects	4,520,326	-	4,520,326	-
Public safety programs	384,512	-	384,512	-
Recreation and culture programs	21,687	-	21,687	-
Housing and development programs	-	124,495	124,495	-
Cemetery	10,361	-	10,361	-
Unrestricted	6,794,881	17,934,593	24,729,474	59,452
TOTAL NET POSITION	<u>\$ 26,720,805</u>	<u>\$ 50,156,339</u>	<u>\$ 76,877,144</u>	<u>\$ 1,431,206</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

FUNCTIONS/PROGRAMSPROGRAM REVENUES.....			NET (EXPENSE) AND CHANGES IN NET POSITION.....			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	\$ 1,468,756	\$ 1,720,816	\$ 361,760	\$ -	\$ 613,820	\$ -	\$ 613,820	\$ -
Judicial	-	236,116	-	-	236,116	-	236,116	-
Public safety	2,717,457	377,704	43,636	199,950	(2,096,167)	-	(2,096,167)	-
Public works	1,938,700	850,034	-	1,088,705	39	-	39	-
Public health and welfare	7,132	31,000	-	-	23,868	-	23,868	-
Recreation and culture	982,109	104,850	-	281,463	(595,796)	-	(595,796)	-
Housing and development	705,067	24,238	-	304,918	(375,911)	-	(375,911)	-
Interest	88,262	-	-	-	(88,262)	-	(88,262)	-
Total Governmental Activities	<u>7,907,483</u>	<u>3,344,758</u>	<u>405,396</u>	<u>1,875,036</u>	<u>(2,282,293)</u>	<u>-</u>	<u>(2,282,293)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES								
Water and sewer	6,339,016	9,373,626	-	-	-	3,034,610	3,034,610	-
Internet Service	174,934	213,682	-	-	-	38,748	38,748	-
Electric System	8,058,143	7,383,910	-	-	-	674,233	(674,233)	-
Natural Gas System	7,830,567	8,524,194	-	-	-	693,627	693,627	-
Total Business-Type Activities	<u>22,402,660</u>	<u>25,495,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,092,752</u>	<u>3,092,752</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 30,310,143</u>	<u>\$ 28,840,170</u>	<u>\$ 405,396</u>	<u>\$ 1,875,036</u>	<u>(2,282,293)</u>	<u>3,092,752</u>	<u>810,459</u>	<u>-</u>
COMPONENT UNITS								
Development Authority	\$ 202,554	\$ 8,670	\$ 164,120	-	-	-	-	(29,764)
Civic Center	216,771	133,101	-	-	-	-	-	(83,670)
TOTAL COMPONENT UNITS	<u>\$ 419,325</u>	<u>\$ 141,771</u>	<u>\$ 164,120</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(113,434)</u>
GENERAL REVENUES								
Property taxes					1,425,709	-	1,425,709	-
Sales taxes					2,325,369	-	2,325,369	-
Insurance premium taxes					542,766	-	542,766	-
Other taxes					653,741	-	653,741	-
Total taxes					4,947,585	-	4,947,585	-
Unrestricted investment earnings					808	261,912	262,720	7
Gain on sale of capital assets					22,551	-	22,551	-
TRANSFERS					(208,425)	208,425	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>4,762,519</u>	<u>470,337</u>	<u>5,232,856</u>	<u>7</u>
CHANGES IN NET POSITION					2,480,226	3,563,089	6,043,315	(113,427)
NET POSITION, Beginning					24,240,579	46,593,250	70,833,829	1,544,633
NET POSITION, Ending					<u>\$ 26,720,805</u>	<u>\$ 50,156,339</u>	<u>\$ 76,877,144</u>	<u>\$ 1,431,206</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	GENERAL	SPLOST	FISCAL RECOVERY PLAN ACT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 5,865,133	\$ 4,161,675	\$ 1,323,516	\$ 1,205,654	\$ 12,555,978
Receivables	475,380	350,784	-	-	826,164
Interfund receivables	511,609	83,000	-	38,118	632,727
Prepaid items	240,307	-	-	-	240,307
Inventories	57,428	-	-	-	57,428
Restricted assets:					
Cash	32,048	-	-	209,500	241,548
TOTAL ASSETS	<u>\$ 7,181,905</u>	<u>\$ 4,595,459</u>	<u>\$ 1,323,516</u>	<u>\$ 1,453,272</u>	<u>\$ 14,554,152</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 259,010	\$ 40,800	\$ -	\$ 143,682	\$ 443,492
Other accrued items	211,479	-	-	-	211,479
Interfund payables	1,347,564	34,333	-	402,450	1,784,347
Due to component units	22,381	-	-	-	22,381
Unearned revenue	-	-	1,322,909	28,824	1,351,733
TOTAL LIABILITIES	<u>1,840,434</u>	<u>75,133</u>	<u>1,322,909</u>	<u>574,956</u>	<u>3,813,432</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	19,147	-	-	-	19,147
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,147</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,859,581</u>	<u>75,133</u>	<u>1,322,909</u>	<u>574,956</u>	<u>3,832,579</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditure	240,307	-	-	-	240,307
Inventories	57,428	-	-	-	57,428
Restricted:					
Capital outlay projects	-	-	607	-	607
Sales tax referendum projects	-	4,520,326	-	-	4,520,326
Cemetery	10,361	-	-	-	10,361
By Contributors	21,687	-	-	-	21,687
Public safety programs	-	-	-	384,512	384,512
Assigned:					
Capital equipment and infrastructure	-	-	-	493,804	493,804
Next year's budget	10,000	-	-	-	10,000
Unassigned:	4,982,541	-	-	-	4,982,541
TOTAL FUND BALANCES	<u>5,322,324</u>	<u>4,520,326</u>	<u>607</u>	<u>878,316</u>	<u>10,721,573</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,181,905</u>	<u>\$ 4,595,459</u>	<u>\$ 1,323,516</u>	<u>\$ 1,453,272</u>	<u>\$ 14,554,152</u>

The accompanying notes are an integral part of this statement.

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

Total Fund Balances for Governmental Funds (page 3)		\$ 10,721,573
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		15,323,338
Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds.		
Net pension asset	1,899,438	
Deferred inflows (outflows) - pension expense	<u>(935,491)</u>	963,947
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	<u>19,147</u>	19,147
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(143,732)	
Financed Purchases	(110,377)	
Notes from direct borrowings	<u>(53,090)</u>	(307,199)
Rounding		<u>(1)</u>
Total net position of governmental activities (page 1)		\$ <u><u>26,720,805</u></u>

The accompanying notes are an integral part of this statement.

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

	GENERAL	SPLOST	FISCAL RECOVERY PLAN ACT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 4,950,768	\$ -	\$ -	\$ -	\$ 4,950,768
Licenses and permits	611,373	-	-	-	611,373
Intergovernmental	383,396	1,875,022	-	-	2,258,418
Fines and forfeitures	236,857	-	-	120,964	357,821
Charges for services	2,055,158	-	-	255,825	2,310,983
Contributions and donations	22,000	-	-	-	22,000
Investment income	39	13	607	161	820
Miscellaneous	64,580	-	-	-	64,580
TOTAL REVENUES	<u>8,324,171</u>	<u>1,875,035</u>	<u>607</u>	<u>376,950</u>	<u>10,576,763</u>
EXPENDITURES					
Current Expenditures					
General government	1,477,755	-	-	-	1,477,755
Public safety	2,366,424	-	-	51,546	2,417,970
Public works	1,739,419	266,680	-	-	2,006,099
Recreation and culture	857,283	-	-	-	857,283
Housing and development	526,392	-	-	-	526,392
Capital outlay	-	336,943	-	1,218,705	1,555,648
Debt service					
Principal	42,391	-	-	-	42,391
Interest	5,262	-	-	-	5,262
Issuance costs	-	-	-	83,000	83,000
TOTAL EXPENDITURES	<u>7,014,926</u>	<u>603,623</u>	<u>-</u>	<u>1,353,251</u>	<u>8,971,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	<u>1,309,245</u>	<u>1,271,412</u>	<u>607</u>	<u>(976,301)</u>	<u>1,604,963</u>
OTHER FINANCING SOURCES (USES)					
Sale of City property	22,551	-	-	-	22,551
Transfers in	512,856	-	-	620,000	1,132,856
Transfers out	(620,000)	(521,281)	-	(200,000)	(1,341,281)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(84,593)</u>	<u>(521,281)</u>	<u>-</u>	<u>420,000</u>	<u>(185,874)</u>
NET CHANGE IN FUND BALANCES	<u>1,224,652</u>	<u>750,131</u>	<u>607</u>	<u>(556,301)</u>	<u>1,419,089</u>
FUND BALANCES, Beginning of year	4,097,672	3,770,195	-	1,434,617	9,302,484
FUND BALANCES, End of year	<u>\$ 5,322,324</u>	<u>\$ 4,520,326</u>	<u>\$ 607</u>	<u>\$ 878,316</u>	<u>\$ 10,721,573</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances (page 5)		\$ 1,419,089
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlays	1,555,648	
Depreciation expense	<u>(870,996)</u>	684,652
<p>In the statement of activities, only the gain/loss on the sale of various capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.</p>		
Net book value of capital assets sold/disposed	<u>(4,094)</u>	(4,094)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	<u>19,147</u>	19,147
<p>Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.</p>		
Property taxes	<u>(22,330)</u>	(22,330)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.</p>		
Principal payments on long-term debt, including payments to refunding escrow	<u>42,391</u>	42,391
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, current year	(143,732)	
Compensated absences, prior year	<u>145,283</u>	1,551
<p>Net pension liability (asset) is not available during the current period and therefore is not reported in the funds.</p>		
End of year	1,899,438	
Beginning of year	<u>(562,858)</u>	1,336,580
<p>Contributions made after pension measurement date and changes to the pension plan actuarial assumptions are reported in deferred outflows.</p>		
End of year	194,897	
Beginning of year	<u>(182,626)</u>	12,271
<p>Projected pension plan activity is reported in deferred inflows.</p>		
End of year	(1,130,388)	
Beginning of year	<u>121,356</u>	(1,009,032)
Rounding		<u>1</u>
Changes in net position of governmental activities (page 2)		<u>\$ 2,480,226</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	ELECTRIC SYSTEM FUND	NATURAL GAS SYSTEM FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
ASSETS					
Current Assets					
Cash	\$ 6,795,263	\$ 930,446	\$ 4,832,507	\$ 3,900	\$ 12,562,116
Investments	-	2,662,106	-	-	2,662,106
Receivables (net of allowance for uncollectibles)	1,011,824	1,050,442	986,995	23,534	3,072,795
Interfund receivables	899,230	-	37,858	372,358	1,309,446
Prepaid items	162,242	30,813	58,407	2,214	253,676
Restricted assets:					
Cash	1,055,212	415,684	-	124,495	1,595,391
Investments	-	11,317,740	-	-	11,317,740
TOTAL CURRENT ASSETS	9,923,771	16,407,231	5,915,767	526,501	32,773,270
Noncurrent Assets					
Net pension asset	356,564	263,278	178,609	-	798,451
Capital assets					
Capital assets not being depreciated	756,953	30,032	73,303	-	860,288
Capital assets being depreciated	56,132,223	10,311,517	14,331,153	431,102	81,205,995
Less: accumulated depreciation	(31,078,393)	(7,631,114)	(7,346,199)	(296,942)	(46,352,648)
Total capital assets (net of accumulated depreciation)	25,810,783	2,710,435	7,058,257	134,160	35,713,635
TOTAL NONCURRENT ASSETS	26,167,347	2,973,713	7,236,866	134,160	36,512,086
TOTAL ASSETS	36,091,118	19,380,944	13,152,633	660,661	69,285,356
DEFERRED OUTFLOWS OF RESOURCES					
Deferred for bond refunding	320,774	-	-	-	320,774
Pension expense	37,453	21,395	17,354	-	76,202
TOTAL DEFERRED OUTFLOWS OF RESOURCES	358,227	21,395	17,354	-	396,976
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	36,449,345	19,402,339	13,169,987	660,661	69,682,332
LIABILITIES					
Current Liabilities					
Accounts payable	332,811	688,570	1,062,412	19,727	2,103,520
Accrued interest	29,359	-	1,105	-	30,464
Other accrued items	20,015	5,642	12,553	-	38,210
Interfund payables	-	157,826	-	-	157,826
Notes from direct borrowings	622,091	-	-	-	622,091
Financed purchases payable	-	-	208,282	-	208,282
Revenue bonds payable	945,000	-	-	-	945,000
TOTAL CURRENT LIABILITIES	1,949,276	852,038	1,284,352	19,727	4,105,393
Noncurrent Liabilities					
Customer deposits	105,139	163,654	158,399	-	427,192
Compensated absences payable	22,730	12,058	19,984	-	54,772
Notes from direct borrowings	7,941,213	-	-	-	7,941,213
Financed purchases payable	-	-	369,129	-	369,129
Revenue bonds payable	6,210,000	-	-	-	6,210,000
TOTAL NONCURRENT LIABILITIES	14,279,082	175,712	547,512	-	15,002,306
TOTAL LIABILITIES	16,228,358	1,027,750	1,831,864	19,727	19,107,699
DEFERRED INFLOWS OF RESOURCES					
Pension expense	213,843	105,865	98,586	-	418,294
TOTAL DEFERRED INFLOWS OF RESOURCES	213,843	105,865	98,586	-	418,294
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	16,442,201	1,133,615	1,930,450	19,727	19,525,993
NET POSITION					
Net investment in capital assets	10,035,518	2,693,530	6,445,407	134,160	19,308,615
Restricted for capital projects	1,055,212	-	-	-	1,055,212
Restricted for Municipal Competitive Trust Agreement	-	11,733,424	-	-	11,733,424
Restricted for housing and development	-	-	-	124,495	124,495
Unrestricted	8,916,414	3,841,770	4,794,130	382,279	17,934,593
TOTAL NET POSITION	\$ 20,007,144	\$ 18,268,724	\$ 11,239,537	\$ 640,934	\$ 50,156,339

The accompanying notes are an integral part of this statement.

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

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	ELECTRIC SYSTEM FUND	NATURAL GAS SYSTEM FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
OPERATING REVENUES					
Charges for sales and services:					
Charges for services	\$ 8,124,805	\$ 7,369,490	\$ 8,431,962	\$ 210,062	\$ 24,136,319
Connection fees	-	-	84,972	3,620	88,592
Other operating revenue	<u>1,248,821</u>	<u>14,420</u>	<u>7,260</u>	<u>-</u>	<u>1,270,501</u>
Total Operating Revenues	<u>9,373,626</u>	<u>7,383,910</u>	<u>8,524,194</u>	<u>213,682</u>	<u>25,495,412</u>
OPERATING EXPENSES					
Salaries and benefits	819,801	557,125	656,648	-	2,033,574
Supplies	330,956	127,701	131,566	19,651	609,874
Other services and charges	913,428	10,734	43,338	29,541	997,041
Insurance premiums	67,509	38,922	37,183	2,560	146,174
Depreciation	1,793,409	318,812	484,941	41,772	2,638,934
Professional fees	1,060,608	22,555	36,917	22,190	1,142,270
Repairs and maintenance	485,632	89,133	33,212	130	608,107
Utilities	418,042	6,624	14,527	59,090	498,283
Utilities purchased for resale	-	6,886,537	6,360,659	-	13,247,196
Total Operating Expenses	<u>5,889,385</u>	<u>8,058,143</u>	<u>7,798,991</u>	<u>174,934</u>	<u>21,921,453</u>
OPERATING INCOME (LOSS)	<u>3,484,241</u>	<u>(674,233)</u>	<u>725,203</u>	<u>38,748</u>	<u>3,573,959</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	435	261,052	413	12	261,912
Interest expense	<u>(449,631)</u>	<u>-</u>	<u>(31,576)</u>	<u>-</u>	<u>(481,207)</u>
Total Nonoperating Revenues (Expenses)	<u>(449,196)</u>	<u>261,052</u>	<u>(31,163)</u>	<u>12</u>	<u>(219,295)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	3,035,045	(413,181)	694,040	38,760	3,354,664
Transfer in	521,281	-	-	-	521,281
Transfer out	<u>-</u>	<u>(83,419)</u>	<u>(229,437)</u>	<u>-</u>	<u>(312,856)</u>
CHANGE IN NET POSITION	<u>3,556,326</u>	<u>(496,600)</u>	<u>464,603</u>	<u>38,760</u>	<u>3,563,089</u>
TOTAL NET POSITION, Beginning of year	16,450,818	18,765,324	10,774,934	602,174	46,593,250
TOTAL NET POSITION, End of year	<u>\$ 20,007,144</u>	<u>\$ 18,268,724</u>	<u>\$ 11,239,537</u>	<u>\$ 640,934</u>	<u>\$ 50,156,339</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR PROPRIETARY FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customer	\$ 9,205,305	\$ 7,263,761	\$ 8,094,893	\$ 214,779	\$ 24,778,738
Payments to suppliers	(3,752,021)	(6,927,911)	(5,859,603)	(198,547)	(16,738,082)
Payments to employees	(901,526)	(644,693)	(675,181)	-	(2,221,400)
	<u>4,551,758</u>	<u>(308,843)</u>	<u>1,560,109</u>	<u>16,232</u>	<u>5,819,256</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in (out)	-	(83,419)	(229,437)	-	(312,856)
	<u>-</u>	<u>(83,419)</u>	<u>(229,437)</u>	<u>-</u>	<u>(312,856)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(721,822)	(96,222)	(284,378)	(13,383)	(1,115,805)
Transfers in	521,281	-	-	-	521,281
Principal payments on debt	(1,535,392)	-	(244,856)	-	(1,780,248)
Interest paid	(370,730)	-	(32,852)	-	(403,582)
	<u>(2,106,663)</u>	<u>(96,222)</u>	<u>(562,086)</u>	<u>(13,383)</u>	<u>(2,778,354)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	435	54,285	415	12	55,147
Purchase of investments	-	(260,919)	-	-	(260,919)
	<u>435</u>	<u>(206,634)</u>	<u>415</u>	<u>12</u>	<u>(205,772)</u>
Net increase (decrease) in cash and cash equivalents	2,445,530	(695,118)	769,001	2,861	2,522,274
CASH, Beginning of year	<u>5,404,945</u>	<u>2,041,248</u>	<u>4,063,506</u>	<u>125,534</u>	<u>11,635,233</u>
CASH, End of year	<u>\$ 7,850,475</u>	<u>\$ 1,346,130</u>	<u>\$ 4,832,507</u>	<u>\$ 128,395</u>	<u>\$ 14,157,507</u>
Cash	\$ 6,795,263	\$ 930,446	\$ 4,832,507	\$ 3,900	\$ 12,562,116
Restricted Cash	1,055,212	415,684	-	124,495	1,595,391
Total Cash	<u>\$ 7,850,475</u>	<u>\$ 1,346,130</u>	<u>\$ 4,832,507</u>	<u>\$ 128,395</u>	<u>\$ 14,157,507</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 3,484,241	\$ (674,233)	\$ 725,203	\$ 38,748	\$ 3,573,959
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,793,409	318,812	484,941	41,772	2,638,934
(Increase) decrease in:					
Accounts receivable	(190,711)	(136,222)	(462,985)	1,097	(788,821)
Deferred outflows for pensions	(3,824)	9,687	10,958	-	16,821
Prepaid expenses	(24,319)	(3,360)	(11,356)	-	(39,035)
Increase (decrease) in:					
Accounts payable	99,609	116,366	815,376	16,663	1,048,014
Compensated absences	(6,219)	(5,326)	1,246	(97)	(10,396)
Customer deposits	22,390	16,073	33,684	-	72,147
Other accrued items	1,421	(1,515)	2,966	-	2,872
Net pension liability (asset)	(263,918)	(184,879)	(121,672)	-	(570,469)
Deferred inflows for pension	190,815	94,465	87,969	-	373,249
Due to other governments	-	-	2,871	(9,955)	(7,084)
Interfund balances	(551,136)	141,289	(9,092)	(71,996)	(490,935)
	<u>4,551,758</u>	<u>(308,843)</u>	<u>1,560,109</u>	<u>16,232</u>	<u>5,819,256</u>
Net cash provided by (used in) operating activities	<u>\$ 4,551,758</u>	<u>\$ (308,843)</u>	<u>\$ 1,560,109</u>	<u>\$ 16,232</u>	<u>\$ 5,819,256</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES					
Net unrealized gain (loss) on investments	\$ -	\$ 206,765	\$ -	\$ -	\$ 206,765
Amortization of deferred charges	\$ (81,910)	\$ -	\$ -	\$ -	\$ (81,910)

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2022

	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	HOSPITAL AUTHORITY	TOTAL COMPONENT UNITS
ASSETS				
Cash	\$ 67,143	\$ -	\$ 7,750	\$ 74,893
Due from primary government	4,998	17,383	-	22,381
Prepaid items	3,176	2,414	-	5,590
Restricted assets:				
Cash	-	2,691	-	2,691
Capital assets:				
Capital assets not being depreciated	319,907	-	-	319,907
Capital assets being depreciated	813,395	1,602,148	-	2,415,543
Less: accumulated depreciation	<u>(434,892)</u>	<u>(883,367)</u>	<u>-</u>	<u>(1,318,259)</u>
Capital assets, net of depreciation	<u>698,410</u>	<u>718,781</u>	<u>-</u>	<u>1,417,191</u>
TOTAL ASSETS	<u>773,727</u>	<u>741,269</u>	<u>7,750</u>	<u>1,522,746</u>
LIABILITIES				
Accounts payable	14,113	17,128	-	31,241
Accrued interest payable	-	674	-	674
Other accrued items	2,019	6,051	-	8,070
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	5,379	739	-	6,118
Notes from direct borrowings	-	10,947	-	10,947
Due after one year				
Notes from direct borrowings	<u>-</u>	<u>34,490</u>	<u>-</u>	<u>34,490</u>
TOTAL LIABILITIES	<u>21,511</u>	<u>70,029</u>	<u>-</u>	<u>91,540</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>21,511</u>	<u>70,029</u>	<u>-</u>	<u>91,540</u>
NET POSITION				
Net invested in capital assets	698,410	673,344	-	1,371,754
Unrestricted	<u>53,806</u>	<u>(2,104)</u>	<u>7,750</u>	<u>59,452</u>
TOTAL NET POSITION	<u>\$ 752,216</u>	<u>\$ 671,240</u>	<u>\$ 7,750</u>	<u>\$ 1,431,206</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2022**

PROGRAM REVENUES.....			NET (EXPENSE) AND CHANGES IN NET POSITION....			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	HOSPITAL AUTHORITY	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	TOTAL COMPONENT UNITS
COMPONENT UNITS								
GOVERNMENTAL ACTIVITIES								
Downtown Development Authority	\$ 202,554	\$ 8,669	\$ 164,120	-	\$ -	\$ 29,765	\$ -	\$ (29,765)
Civic Center	216,771	133,102	-	-	-	-	83,669	(83,669)
TOTAL COMPONENT UNITS	<u>\$ 419,325</u>	<u>\$ 141,771</u>	<u>\$ 164,120</u>	<u>\$ -</u>	<u>-</u>	<u>29,765</u>	<u>83,669</u>	<u>(113,434)</u>
GENERAL REVENUES								
Unrestricted investment earnings					-	7	-	7
TOTAL GENERAL REVENUES					<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
CHANGES IN NET POSITION					-	(29,758)	(83,669)	(113,427)
NET POSITION, Beginning					<u>7,750</u>	<u>781,974</u>	<u>754,909</u>	<u>1,544,633</u>
NET POSITION, Ending					<u>\$ 7,750</u>	<u>\$ 752,216</u>	<u>\$ 671,240</u>	<u>\$ 1,431,206</u>

The accompanying notes are an integral part of this statement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

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

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

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

Brief description of the blended component unit follows:

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

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

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

Brief descriptions of the discretely presented component units follows:

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

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

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

The Downtown Development Authority, Civic Center, Hospital Authority, and Public Facilities Authority did not issue separate financial statements for the year ended June 30, 2022.

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

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

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

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

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

Receivables and Payables

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

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 20th of each year. The 2021 property taxes were levied October 20, 2021, and were due December 20, 2021. The taxes are subject to lien after March 20, 2022. Interest and penalties are assessed on taxes not paid by this date.

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

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

Inventories and Prepaid Items

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

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

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

Restricted Assets

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

Capital Assets

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

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

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

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

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

CITY OF COMMERCE, GEORGIA
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June 30, 2022

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

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

Deferred Outflows/Inflows of Resources

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

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

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

Compensated Absences

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

Long-term Obligations

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

Bond Premiums and Discounts

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

Amortization costs for premiums, discounts, and amounts deferred for refunding (see Note 7) for the year 2022 was \$81,910. None of these costs were capitalized in 2022.

Fund Equity/Net Position

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

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

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

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

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

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

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

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

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

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

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

Net Investment in Capital Assets

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

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Component Units</u>
Net investment in capital assets:			
Cost of capital assets	\$ 28,405,104	\$ 82,066,283	\$ 2,735,450
Accumulated depreciation	<u>(13,081,766)</u>	<u>(46,352,648)</u>	<u>(1,318,259)</u>
Book value	15,323,338	35,713,635	1,417,191
Financed purchases payable	(110,377)	(577,411)	-
Accounts payable for fixed assets	(171,440)	(67,059)	
Retainage payable for fixed assets		(42,246)	
Revenue bonds from direct borrowings	-	(7,155,000)	-
Notes from direct borrowings	<u>(53,090)</u>	<u>(8,563,304)</u>	<u>(45,437)</u>
Net investment in capital assets	<u><u>\$ 14,988,431</u></u>	<u><u>\$ 19,308,615</u></u>	<u><u>\$ 1,371,754</u></u>

Management Estimates

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

Allocation of Indirect Cost

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

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

NOTE 2 - FUND BALANCE/NET POSITION

The governmental activities statement of net position reports \$4,937,493 of restricted net position, of which \$4,904,838 is restricted by enabling legislation.

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

Restricted:

General Fund

<i>By contributors</i> - For unspent funds designated for use by the Library	\$ 21,687
<i>Cemetery</i> - For unspent funds for cemetery maintenance.	10,361

Fiscal Recovery Plan Act

<i>Capital outlay projects</i> - For unspent funds from the American Rescue Plan Act to be used for projects in compliance with Federal regulations.	607
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SPLOST

<i>SPLOST</i> - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum.	4,520,326
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Nonmajor Funds

Public Safety programs -

<i>Confiscated Assets Fund</i> - For funds restricted for law enforcement purposes.	202,411
<i>Fire District Fund</i> - For funds restricted for fire services from a separate tax levy.	182,101
Total Public Safety Programs	384,512

Total Restricted Fund Balance	\$ 4,937,493
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Assigned:

General Fund

Appropriated as a resource in next year's budget	\$ 10,000
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Nonmajor Funds

<i>Capital Projects Fund</i> - For funds designated for future City projects.	493,804
Total Assigned Fund Balance	\$ 503,804

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

Budgeting Policy

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

Encumbrances

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

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

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

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

(C) DEFICIT FUND EQUITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2022, the City had the following investments, some of which are cash equivalents:

<u>Investment Type</u>	<u>INVESTMENT MATURITIES (in Years)</u>					Rating (1)
	Fair Value	Less Than 1 FMV Level 1	Less Than 1 FMV Level 2	1-5 FMV Level 2	6-10 FMV Level 2	
	Municipal Competitive Trust:					
Short-term	\$ 5,607,033	\$ 196,805	\$ 5,410,228	\$ -	\$ -	AAAm
Intermediate	3,203,839	100,615	644,409	2,356,688	102,126	AAAm
Intermediate Extended	5,610,683	123,874	648,085	3,378,477	1,460,248	AAAm
Total	<u>\$ 14,421,555</u>	<u>\$ 421,294</u>	<u>\$ 6,702,722</u>	<u>\$ 5,735,165</u>	<u>\$ 1,562,374</u>	
Maximum Investment		2.92%	46.48%	39.77%	10.83%	

1. Standard & Poor's

Cash per Statement of Net position (page 1)	
Cash	\$ 25,118,094
Restricted cash	1,836,938
less cash equivalents that are investments	<u>(441,709)</u>
Deposits	<u>\$ 26,513,323</u>

Investments Statement of Net position (page 1)	
Investments	\$ 2,662,106
Restricted Investments	11,317,740
Investments included in cash equivalents	<u>441,709</u>
Investments as listed above	<u>\$ 14,421,555</u>

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

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

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

Credit Risk. State statutes authorize the City to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2022, the ratings of its investments are shown above.

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

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

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

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

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

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

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

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

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

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

NOTE 5 - RECEIVABLES

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>			
	General Fund	SPLOST	Water & Sewer Fund	Electric System	Natural Gas System	Nonmajor Proprietary Funds
Receivables:						
Property Taxes	\$ 21,372	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	300,233	350,784	-	-	-	-
Accounts	153,775	-	1,011,824	1,050,442	986,995	23,534
Total Gross Receivables	475,380	350,784	1,011,824	1,050,442	986,995	23,534
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Net Receivables	<u>\$ 475,380</u>	<u>\$ 350,784</u>	<u>\$ 1,011,824</u>	<u>\$ 1,050,442</u>	<u>\$ 986,995</u>	<u>\$ 23,534</u>

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Property taxes (General Fund)	\$ 19,147	\$ -
Grant drawdowns prior to meeting all eligibility requirements (Fiscal Recovery Plan Act Fund)	-	1,322,909
Other (Nonmajor Governmental Funds)	-	28,824
Total unavailable/ unearned revenue for governmental funds	<u>\$ 19,147</u>	<u>\$ 1,351,733</u>

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

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 2,796,645	\$ -	\$ -	\$ -	\$ 2,796,645
Construction in progress	39,213	394,488	(4,094)	(16,008)	413,599
Total non-depreciable capital assets	<u>2,835,858</u>	<u>394,488</u>	<u>(4,094)</u>	<u>(16,008)</u>	<u>3,210,244</u>
Depreciable Assets:					
Buildings and improvements	7,926,683	57,266	-	-	7,983,949
Machinery and equipment	2,536,843	771,022	-	16,008	3,323,873
Vehicles	3,138,092	332,872	(43,495)	-	3,427,470
Infrastructure	10,459,568	-	-	-	10,459,568
Total depreciable capital assets	<u>24,061,186</u>	<u>1,161,160</u>	<u>(43,495)</u>	<u>16,008</u>	<u>25,194,860</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(3,286,742)	(233,054)	-	-	(3,519,796)
Machinery and equipment	(1,710,292)	(143,646)	-	-	(1,853,938)
Vehicles	(2,385,745)	(133,699)	43,495	-	(2,475,949)
Infrastructure	(4,871,486)	(360,597)	-	-	(5,232,083)
Total accumulated depreciation	<u>(12,254,265)</u>	<u>(870,996)</u>	<u>43,495</u>	<u>-</u>	<u>(13,081,766)</u>
Total depreciable capital assets, net	<u>11,806,921</u>	<u>290,164</u>	<u>-</u>	<u>-</u>	<u>12,113,094</u>
Governmental activities capital assets, net	<u>\$ 14,642,779</u>	<u>\$ 684,652</u>	<u>\$ (4,094)</u>	<u>\$ -</u>	<u>\$ 15,323,338</u>

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

Capital Outlay	\$ 1,555,648
Total Additions	<u>\$ 1,555,648</u>
Non-depreciable capital assets additions	\$ 394,488
Depreciable capital assets additions	<u>1,161,160</u>
Total	<u>\$ 1,555,648</u>

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

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

Governmental Activities:	
General Government	\$ 77,286
Public Safety	153,027
Public Works	459,926
Public Health and Welfare	3,179
Recreation and Culture	170,446
Housing and Development	<u>7,132</u>
Total depreciation expense: Governmental Activities	<u>\$ 870,996</u>

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

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 319,771	\$ -	\$ -	\$ -	\$ 319,771
Construction in progress	<u>164,237</u>	<u>401,741</u>	<u>-</u>	<u>(25,461)</u>	<u>540,517</u>
Total non-depreciable capital assets	<u>484,008</u>	<u>401,741</u>	<u>-</u>	<u>(25,461)</u>	<u>860,288</u>
Depreciable Assets:					
Buildings and improvements	26,252,621	-	-	-	26,252,621
Water and sewer system	27,057,342	100,647	-	-	27,157,989
Electric system	8,997,798	96,225	-	-	9,094,023
Natural gas system	13,295,953	187,747	-	25,461	13,509,162
Internet system	402,319	13,383	-	-	415,702
Machinery and equipment	3,314,186	39,960	-	-	3,354,146
Vehicles	<u>1,194,519</u>	<u>227,834</u>	<u>-</u>	<u>-</u>	<u>1,422,353</u>
Total depreciable capital assets	<u>80,514,738</u>	<u>665,796</u>	<u>-</u>	<u>25,461</u>	<u>81,205,995</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(10,600,100)	(896,330)	-	-	(11,496,430)
Water and sewer system	(17,376,731)	(744,249)	-	-	(18,120,980)
Electric system	(6,289,689)	(281,676)	-	-	(6,571,365)
Natural gas system	(6,296,097)	(441,845)	-	-	(6,737,942)
Internet system	(249,010)	(40,232)	-	-	(289,242)
Machinery and equipment	(1,893,829)	(171,619)	-	-	(2,065,448)
Vehicles	<u>(1,008,258)</u>	<u>(62,983)</u>	<u>-</u>	<u>-</u>	<u>(1,071,241)</u>
Total accumulated depreciation	<u>(43,713,714)</u>	<u>(2,638,934)</u>	<u>-</u>	<u>-</u>	<u>(46,352,648)</u>
Total depreciable capital assets, net	<u>36,801,024</u>	<u>(1,973,138)</u>	<u>-</u>	<u>25,461</u>	<u>34,853,347</u>
Business-type activities capital assets, net	<u>\$ 37,285,032</u>	<u>\$ (1,571,397)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,713,635</u>

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

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

Business-type Activities:	
Water and Sewer System	\$ 1,793,409
Electric System	318,812
Natural Gas System	484,941
Internet System	41,772
Total depreciation expense: Business-type Activities	<u><u>\$ 2,638,934</u></u>

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

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Governmental Activities:					
Multi-Purpose Fields	\$ 600,000	\$ 8,590	\$ 6,000	\$ 585,410	SPLOST
State Street Parking	681,317	298,634	296,709	85,974	SPLOST
Civic Center Remodel	<u>15,000,000</u>	<u>106,375</u>	<u>166,775</u>	<u>14,726,850</u>	SPLOST / Draw Down
Total Governmental Activities	<u><u>\$ 16,281,317</u></u>	<u><u>\$ 413,599</u></u>	<u><u>\$ 469,484</u></u>	<u><u>\$ 15,398,234</u></u>	Revenue Bonds
Business-type Activities:					
Water Plant Pump	\$ 600,000	\$ 455,559	\$ 111,575	\$ 32,866	SPLOST
Beck Road Sewer Upgrade	800,000	70,397	64,397	665,206	SPLOST
Bana Road Extension	<u>200,000</u>	<u>14,561</u>	<u>-</u>	<u>185,439</u>	SPLOST
Total Business-type Activities	<u><u>\$ 1,600,000</u></u>	<u><u>\$ 540,517</u></u>	<u><u>\$ 175,972</u></u>	<u><u>\$ 883,511</u></u>	

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

Discretely Presented Component Units

Activity for Downtown Development Authority for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Non-depreciable Assets:					
Land	\$ 319,907	\$ -	\$ -	\$ -	\$ 319,907
Total non-depreciable capital assets	<u>319,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,907</u>
Depreciable assets:					
Buildings and improvements	796,005	-	-	-	796,005
Machinery and equipment	<u>17,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,390</u>
Total depreciable capital assets	<u>813,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>813,395</u>
Less Accumulated Depreciation for:					
Buildings	(400,755)	(22,202)	-	-	(422,957)
Machinery and equipment	<u>(11,317)</u>	<u>(618)</u>	<u>-</u>	<u>-</u>	<u>(11,935)</u>
Total accumulated depreciation	<u>(412,072)</u>	<u>(22,820)</u>	<u>-</u>	<u>-</u>	<u>(434,892)</u>
Total depreciable capital assets, net	<u>401,323</u>	<u>(22,820)</u>	<u>-</u>	<u>-</u>	<u>378,503</u>
Governmental activities capital assets, net	<u>\$ 721,230</u>	<u>\$ (22,820)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,410</u>

Activity for the Civic Center for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Depreciable assets:					
Buildings and improvements	\$ 1,488,100	\$ -	\$ -	\$ -	\$ 1,488,100
Machinery and equipment	<u>114,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,049</u>
Total depreciable capital assets	<u>1,602,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,602,149</u>
Less Accumulated Depreciation for:					
Buildings	(807,662)	(38,156)	-	-	(845,818)
Machinery and equipment	<u>(28,344)</u>	<u>(9,205)</u>	<u>-</u>	<u>-</u>	<u>(37,549)</u>
Total accumulated depreciation	<u>(836,006)</u>	<u>(47,361)</u>	<u>-</u>	<u>-</u>	<u>(883,367)</u>
Total depreciable capital assets, net	<u>766,143</u>	<u>(47,361)</u>	<u>-</u>	<u>-</u>	<u>718,782</u>
Governmental activities capital assets, net	<u>\$ 766,143</u>	<u>\$ (47,361)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,782</u>

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

NOTE 7 - LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:						
Financed purchases	\$ 126,995	\$ -	\$ (16,618)	\$ 110,377	\$ 17,102	\$ 93,275
Notes from direct borrowings	78,864	-	(25,773)	53,091	26,285	26,806
Compensated absences	145,283	143,732	(145,283)	143,732	49,396	94,336
Governmental activities long-term liabilities	<u>\$ 351,142</u>	<u>\$ 143,732</u>	<u>\$ (187,674)</u>	<u>\$ 307,200</u>	<u>\$ 92,783</u>	<u>\$ 214,417</u>
Business-type Activities:						
Revenue bonds	\$ 8,080,000	\$ -	\$ (925,000)	\$ 7,155,000	\$ 945,000	\$ 6,210,000
Notes from direct borrowings	9,173,696	-	(610,392)	8,563,304	622,091	7,941,213
Financed purchases	822,267	-	(244,855)	577,412	208,282	369,130
Compensated absences	65,071	54,772	(65,071)	54,772	-	54,772
Business-type activities long-term liabilities	<u>\$ 18,141,034</u>	<u>\$ 54,772</u>	<u>\$ (1,845,318)</u>	<u>\$ 16,350,488</u>	<u>\$ 1,775,373</u>	<u>\$ 14,575,115</u>

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

GOVERNMENTAL ACTIVITIES

FINANCED PURCHASES

After implementation of GASB 87 "Leases," the City has reclassified agreements that transfer ownership of the underlying asset by the end of the contract and do not contain termination options as financed purchases. These financed purchases relate to vehicles and equipment for public safety which bear interest at various rates from 1.75% to 2.87%. The annual requirements to amortize these agreements as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 17,102	\$ 3,216	\$ 20,318
2024	17,600	2,718	20,318
2025	18,107	2,211	20,318
2026	18,641	1,677	20,318
2027	19,184	1,134	20,318
2028	19,743	575	20,318
Total	<u>\$ 110,377</u>	<u>\$ 11,531</u>	<u>\$ 121,908</u>

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

NOTES FROM DIRECT BORROWINGS

The City entered into a contract with City of Commerce Public Facilities Authority to issue a note from direct borrowing to South Bank in the original amount of \$200,000 dated July 6, 2015, interest rate of 1.95% with final maturity dated August 15, 2023. The note from direct borrowing was used to finance the Commerce Fire Station.

Total notes from direct borrowings	\$	53,091
Current Portion		<u>(26,285)</u>
Noncurrent portion	<u>\$</u>	<u>26,806</u>

The annual requirements to amortize this note payable as of June 30, 2022, is as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,285	\$ 1,050	\$ 27,335
2024	26,806	530	27,336
Total	<u>\$ 53,091</u>	<u>\$ 1,580</u>	<u>\$ 54,671</u>

GENERAL OBLIGATION REVENUE BONDS PAYABLE

On March 21, 2022, the City entered into a contract with City of Commerce Public Facilities Authority to issue Series 2022 Taxable Draw Down Revenue Bonds not to exceed \$12,000,000 for the purpose of providing funds to renovate the Commerce Civic Center and pay the costs of issuance. During the construction period, which must be completed by November 1, 2023, only interest payments will be required to be paid bi-annually at a rate of 3.05% per annum. After the completion date, the bonds will be amortized into equal semi-annual payments of the total amount expended with a final maturity date of May 1, 2042, and bear an interest rate of 3.05%. As of June 30, 2022, no draws have been made.

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

BUSINESS TYPE ACTIVITIES

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

REVENUE BONDS PAYABLE

Water and Sewerage Revenue Refunding and Improvement Bonds Series 2006:

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

Water and Sewerage Revenue Refunding Bonds Series 2010:

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

Water and Sewerage Revenue Refunding Bonds Series 2013:

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

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

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 945,000	\$ 177,086	\$ 1,122,086
2024	970,000	151,713	1,121,713
2025	995,000	125,676	1,120,676
2026	1,015,000	99,044	1,114,044
2027	1,050,000	71,683	1,121,683
2028-2029	2,180,000	58,168	2,238,168
Total	<u>\$ 7,155,000</u>	<u>\$ 683,370</u>	<u>\$ 7,838,370</u>

NOTES FROM DIRECT BORROWINGS

In fiscal year 2018, two notes from direct borrowings for construction from the Georgia Environmental Finance Authority were authorized up to the amount of \$10,130,000. The construction was completed in fiscal year 2021. The notes from direct borrowings have an interest rates of 1.90% and final maturity date of October 1, 2034. These notes from direct borrowings are being used for the Banks City Industrial Sewer Project and the Banks County Sewer Pretreatment Facility Project.

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

Total notes from direct borrowings	\$ 8,563,304
Current Portion	<u>(622,091)</u>
Noncurrent portion	<u>\$ 7,941,213</u>

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

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 622,091	\$ 157,304	\$ 779,395
2024	634,014	145,381	779,395
2025	646,166	133,229	779,395
2026	658,550	120,845	779,395
2027	671,172	108,222	779,394
2028-2032	3,553,822	343,151	3,896,973
2033-2035	1,777,489	41,099	1,818,588
Total	<u>\$ 8,563,304</u>	<u>\$ 1,049,231</u>	<u>\$ 9,612,535</u>

FINANCED PURCHASES

The City has financed the construction of utility infrastructure under financed purchase agreements which bear interest at various rates from 4.41% to 4.59%. The infrastructure has an estimated useful life of forty years. The annual requirements to amortize these agreements, as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 208,282	\$ 22,484	\$ 230,766
2024	218,155	12,611	230,766
2025	150,975	2,662	153,637
Total	<u>\$ 577,412</u>	<u>\$ 37,757</u>	<u>\$ 615,169</u>

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

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Compensated absences	\$ 4,759	\$ 5,379	\$ (4,759)	\$ 5,379	\$ 5,379	\$ -
Total long-term liabilities	<u>\$ 4,759</u>	<u>\$ 5,379</u>	<u>\$ (4,759)</u>	<u>\$ 5,379</u>	<u>\$ 5,379</u>	<u>\$ -</u>

Activity for the Civic Center and Tourism Authority for the year ended June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Notes from direct borrowings	\$ 56,063	\$ -	\$ (10,626)	\$ 45,437	\$ 10,947	\$ 34,490
Compensated absences	561	739	(561)	739	739	-
Total long-term liabilities	<u>\$ 56,624</u>	<u>\$ 739</u>	<u>\$ (11,187)</u>	<u>\$ 46,176</u>	<u>\$ 11,686</u>	<u>\$ 34,490</u>

As of June 30, 2022, the long-term debt payable by the Civic Center and Tourism Authority consisted of the following:

NOTES FROM DIRECT BORROWINGS

Note from direct borrowing to Pinnacle Bank in the original amount of \$150,000 dated December 3, 2012, interest rate of 2.98% with final maturity dated December 3, 2020. The note from direct borrowing was refinanced on January 8, 2021, interest rate of 2.98% with final maturity dated January 8, 2026. The note from direct borrowing was used to finance the repair of the roof of the Commerce Civic Center.

	<u>\$ 45,437</u>
Total notes from direct borrowings	\$ 45,437
Current portion	<u>(10,947)</u>
Noncurrent portion	<u>\$ 34,490</u>

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

The annual requirements to amortize these component unit note from direct borrowing as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,947	\$ 1,384	\$ 12,331
2024	11,278	1,053	12,331
2025	11,617	714	12,331
2026	11,595	736	12,331
Total	<u>\$ 45,437</u>	<u>\$ 3,887</u>	<u>\$ 49,324</u>

NOTE 8 - INTERFUND BALANCES AND ACTIVITY

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

<u>Due To</u>	Due From				<u>Total</u>
	<u>General Fund</u>	<u>SPLOST</u>	<u>Other nonmajor governmental funds</u>	<u>Electric System</u>	
General Fund	\$ -	\$ 34,333	\$ 319,450	\$ 157,826	\$ 511,609
SPLOST	-	-	83,000	-	83,000
Other nonmajor governmental funds	38,118	-	-	-	38,118
Water and Sewer Fund	899,230	-	-	-	899,230
Natural Gas System	37,858	-	-	-	37,858
Nonmajor proprietary funds	<u>372,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,358</u>
Total	<u>\$ 1,347,564</u>	<u>\$ 34,333</u>	<u>\$ 402,450</u>	<u>\$ 157,826</u>	<u>\$ 1,942,173</u>

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

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

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

	Transfers Out					Total
	General Fund	SPLOST	Other nonmajor governmental funds	Natural Gas System	Electric System	
<u>Transfers In</u>						
General Fund	\$ -	\$ -	\$ 200,000	\$ 229,437	\$ 83,419	\$ 512,856
Other nonmajor governmental funds	620,000	-	-	-	-	620,000
Water and Sewer Fund	-	521,281	-	-	-	521,281
Total	\$ 620,000	\$ 521,281	\$ 200,000	\$ 229,437	\$ 83,419	\$ 1,654,137

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

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

Participant counts as of January 1, 2022 (the most recent actuarial valuation date) and covered compensation (base on covered earnings for the preceding year) are shown below:

Retirees, beneficiaries and disables receiving benefits	54
Terminated plan participants entitled to but not yet receiving benefits	46
Active employees participating in the Plan	83
Total number of Plan participants	183
Covered compensation for active participants	\$ 3,750,995
Contributions as a percentage of covered payroll	6.07%

Funding Policy

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

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of September 30, 2021, and the total pension liability(asset) used to calculate the net pension liability(asset) was determined by an actuarial valuation as of that date.

The total pension liability(asset) in the January 1, 2022 valuation was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the Sex-district Pri-2012 head-count weighted Mortality Table.

The actuarial assumptions used in the 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

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

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

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45%	6.55%
International equity	20	7.30%
Domestic fixed income	20	0.40%
Real estate	10	3.65%
Global fixed income	5	0.50%
TOTAL	<u>100 %</u>	

* Rates shown are net of inflation

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

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

Change in the Net Pension Liability(Asset)

	<u>Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability(Asset)</u>
Balances at June 30, 2021	\$ 10,780,661	\$ 11,571,501	\$ (790,840)
Changes for the year:			
Service cost	170,191	-	170,191
Interest	786,676	-	786,676
Difference between expected and actual experience	95,893	-	95,893
Contribution-employer	-	204,624	(204,624)
Net investment income	-	2,785,330	(2,785,330)
Benefit payments	(568,121)	(568,121)	-
Administrative expense	-	(30,145)	30,145
Other charges	-	-	-
Net changes	<u>484,639</u>	<u>2,391,688</u>	<u>(1,907,049)</u>
Balances at June 30, 2022*	<u>\$ 11,265,300</u>	<u>\$ 13,963,189</u>	<u>\$ (2,697,889)</u>

*Measurement date of September 30, 2021.

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

	<u>1 % Decrease (6.375%)</u>	<u>Current Discount Rate (7.375%)</u>	<u>1% Increase (8.375%)</u>
City's net pension liability(asset)	<u>\$ (1,240,061)</u>	<u>\$ (2,697,889)</u>	<u>\$ (3,898,943)</u>

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

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

For the year ended June 30, 2022, the City recognized pension expense of \$(311,914). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,071	\$ -
Changes of assumptions	54,302	-
Net difference between projected and actual earnings on pension plan investments	-	(1,548,682)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	170,637	-
TOTAL	<u>\$ 271,010</u>	<u>\$ (1,548,682)</u>

City contributions subsequent to the measurement date of \$170,637 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability(asset) in the year June 30, 2023.

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

Year Ended June 30,	
2023	\$ (347,851)
2024	(298,135)
2025	(413,034)
2026	(389,289)
Thereafter	-
Total	<u>\$ (1,448,309)</u>

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

DEFERRED COMPENSATION PLAN

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

NOTE 10 - RISK MANAGEMENT

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

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

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

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

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

ELECTRICAL SYSTEM

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

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

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

Payments to MEAG are made monthly on net obligations based upon long-term contracts and power supply needs. The total payments, net of refunds and reimbursements, under these contracts amounted to \$6,886,537 in fiscal year 2022.

GAS SYSTEM

The City has entered into a gas supply contract and certain supplemental gas supply contracts with the Municipal Gas Authority of Georgia ("MGAG") under which the City buys natural gas

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

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

Payments to MGAG are made monthly on net obligations based upon long-term contracts. The total payments, net of refunds and reimbursements, under these contracts amounted to \$6,360,659 in fiscal year 2022.

GRANTS

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

NOTE 12 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Commerce Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$315,272 in lieu of taxes from the Housing Authority for the year ended June 30, 2022.

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

NOTE 13 - TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the Georgia Development Authority Law, adopted in 1969, for the purpose of attracting or retaining businesses within the City. The abatements may be granted to any business located within or promising to relocate to the City and meeting the eligibility criteria to “develop and promote trade, commerce, industry, and employment opportunities for the public good and general welfare and to promote the general welfare of the state” (OCGA 36-62-9). The abatements are provided through a direct reduction of the business’ property tax bill. The Georgia law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill its commitment, however, a memorandum of understanding is issued for each abatement outlining the terms in which a recapture would apply. The City has tax abatement agreements with one entity as of June 30, 2022.

In January 2019, the City entered into an agreement with Jackson County Industrial Development Authority, Jackson County, Georgia, and SK Battery America, Inc. In return for property tax benefit, the company is required to commit to creating jobs and capital investments within a defined period as part of a performance and accountability agreement that includes provisions for the company to pay back a prorated portion of the benefit if they fail to meet the performance criteria by a specified date. For the fiscal year ended June 30, 2022, the City abated property taxes totaling \$2,919,187. The City's portion of the abatement is 10.8%, resulting in the City receiving a payment of \$315,272. The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not currently subject to any tax abatement agreements entered into by other governmental entities.

NOTE 14 - LITIGATION

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

NOTE 15 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

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

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

NOTE 16 - CERTAIN SIGNIFICANT ESTIMATES

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

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

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

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

NOTE 17 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the ten (10) county Piedmont, Georgia, area are members of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid annual dues in the amount of \$6,858 to the NEGRC for the year ended June 30, 2022. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

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

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

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

NOTE 18 - SPLOST

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

The following is a schedule of the activity relating to the SPLOST # 5 and SPLOST #6 for the year ending June 30, 2022:

SPLOST #5 Schedule:

	<u>Water and Sewer</u>	<u>Road, Streets and Bridges</u>	<u>Recreation</u>	<u>Total</u>
Gross Special Sales Tax	\$ -	\$ -	\$ -	\$ -
Project Expenditures				
Capital Expenditures	-	5,815	15,105	20,920
Total Project Expenditures	-	5,815	15,105	20,920
Net (over) under expended for year ending June 30, 2021	-	(5,815)	(15,105)	(20,920)
Investment return	6	-	6	12
Net changes in fund balance	6	(5,815)	(15,099)	(20,908)
Fund balance - July 1, 2021	37,514	15	91,739	129,268
Fund balance - June 30, 2022	<u>\$ 37,520</u>	<u>\$ (5,800)</u>	<u>\$ 76,640</u>	<u>\$ 108,360</u>

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

SPLOST #6 Schedule:

	<u>Water and Sewer</u>	<u>Road, Streets and Bridges</u>	<u>Recreation</u>	<u>Public Safety</u>	<u>Tourism and Culture</u>	<u>Total</u>
Gross Special Sales Tax	\$ 603,338	\$ 377,264	\$ 281,463	\$ 199,950	\$ 304,918	\$ 1,766,933
Project Expenditures						
Capital Expenditures	<u>515,465</u>	<u>158,591</u>	<u>-</u>	<u>238,063</u>	<u>83,775</u>	<u>995,894</u>
Total Project Expenditures	<u>515,465</u>	<u>158,591</u>	<u>-</u>	<u>238,063</u>	<u>83,775</u>	<u>995,894</u>
Net (over) under expended for year ending June 30, 2021	87,873	218,673	281,463	(38,113)	221,143	771,039
Investment return	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	87,873	218,673	281,463	(38,113)	221,143	771,039
Fund balance - July 1, 2021	<u>1,048,612</u>	<u>789,877</u>	<u>736,682</u>	<u>483,599</u>	<u>582,157</u>	<u>3,640,927</u>
Fund balance - June 30, 2022	<u>\$ 1,136,485</u>	<u>\$ 1,008,550</u>	<u>\$ 1,018,145</u>	<u>\$ 445,486</u>	<u>\$ 803,300</u>	<u>\$ 4,411,966</u>

NOTE 19 - CONTINGENCIES

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacted many industries. The outbreak could have a continuous material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any predication as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the City, its performance, and its financial results.

**CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2022
“Unaudited”**

<u>For the Year Ended June 30, 2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net pension liability (asset)	\$ (2,697,889)	\$ (790,840)	\$ (678,996)	\$ (1,259,967)
Covered payroll	\$ 3,750,995	\$ 3,195,835	\$ 3,087,120	\$ 2,719,555
Net pension liability (asset) as a percentage of its covered payroll	(71.92)%	(24.75)%	(21.99)%	(46.33)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	123.95%	107.34%	106.56%	112.64%

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

**CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2022
“Unaudited”**

<u>For the Year Ended June 30, 2022</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net pension liability (asset)	\$ (1,026,051)	\$ (255,837)	\$ 673,624	\$ 447,886
Covered payroll	\$ 2,426,144	\$ 2,257,242	\$ 2,937,895	\$ 3,082,436
Net pension liability (asset) as a percentage of its covered payroll	(42.29)%	(11.33)%	22.93%	14.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.75%	102.79%	92.75%	95.10%

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

**CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2022
“Unaudited”**

<u>For the Year Ended June 30, 2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 227,517	\$ 223,226	\$ 23,992	\$ 22,645
Contributions in relation to the contractually required contribution	227,517	223,226	23,992	22,645
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,750,995	\$ 3,195,835	\$ 3,087,120	\$ 2,719,555
Contributions as a percentage of covered payroll	6.07%	6.98%	0.78%	0.83%

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

**CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2022
“Unaudited”**

<u>For the Year Ended June 30, 2022</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 194,365	\$ 265,350	\$ 270,988	\$ 283,919
Contributions in relation to the contractually required contribution	194,365	265,350	270,988	283,919
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,426,144	\$ 2,257,242	\$ 2,937,895	\$ 3,082,436
Contributions as a percentage of covered payroll	8.01%	11.76%	9.22%	9.21%

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Valuation Date	January 1, 2022
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for remaining unfunded liability
Remaining Amortization period	N/A
Asset Valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Investment rate of return	7.375%
Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	2.25%

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

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 4,097,672	\$ 4,097,672	\$ 4,097,672	\$ -
RESOURCES (INFLOWS)				
Taxes	3,498,752	3,598,752	4,950,768	1,352,016
Licenses and permits	188,040	188,040	611,373	423,333
Intergovernmental	354,772	354,772	383,396	28,624
Fines and forfeitures	490,000	490,000	236,857	(253,143)
Charges for services	1,807,522	1,807,522	2,055,158	247,636
Contributions and donations	14,000	14,000	22,000	8,000
Investment income	90	90	39	(51)
Miscellaneous	27,000	27,000	64,580	37,580
Sale of City property	2,000	2,000	22,551	20,551
Transfers in	969,997	969,997	512,856	(457,141)
Total Resources (Inflows)	<u>7,352,173</u>	<u>7,452,173</u>	<u>8,859,578</u>	<u>1,407,405</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>11,449,845</u>	<u>11,549,845</u>	<u>12,957,250</u>	<u>1,407,405</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	226,346	228,846	228,717	129
Administrative	411,975	427,992	427,900	92
Finance	589,872	586,412	558,247	28,165
Data processing/MIS	253,174	262,911	262,891	20
Total General Government	<u>1,481,367</u>	<u>1,506,161</u>	<u>1,477,755</u>	<u>28,406</u>
Public Safety				
Public safety administration	93,184	-	-	-
Police	2,389,324	2,360,703	2,098,193	262,510
Fire	307,965	404,123	315,884	88,239
Total Public Safety	<u>2,790,473</u>	<u>2,764,826</u>	<u>2,414,077</u>	<u>350,749</u>
Public Works				
Public works	1,442,970	2,164,129	2,163,876	253
Garbage	181,800	196,231	195,543	688
Total Public Works	<u>1,624,770</u>	<u>2,360,360</u>	<u>2,359,419</u>	<u>941</u>
Recreation and Culture				
Recreation	540,594	548,673	538,308	10,365
Library	269,232	288,199	287,975	224
Civic Center and Tourism Authority	147,574	134,074	31,000	103,074
Total Recreation and Culture	<u>957,400</u>	<u>970,946</u>	<u>857,283</u>	<u>113,663</u>
Housing and development				
Planning and zoning	330,137	370,332	369,392	940
Downtown Development Authority	220,454	189,454	157,000	32,454
Total Housing and Development	<u>550,591</u>	<u>559,786</u>	<u>526,392</u>	<u>33,394</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>7,404,601</u>	<u>8,162,079</u>	<u>7,634,926</u>	<u>527,153</u>
CHANGE IN FUND BALANCE	<u>(52,428)</u>	<u>(709,906)</u>	<u>1,224,652</u>	<u>1,934,558</u>
FUND BALANCE, End of year	<u>\$ 4,045,244</u>	<u>\$ 3,387,766</u>	<u>\$ 5,322,324</u>	<u>\$ 1,934,558</u>

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

**CITY OF COMMERCE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
FISCAL RECOVERY PLAN ACT
For the Year Ended June 30, 2022**

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 202,824	\$ 202,824	\$ 202,824	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	-	1,322,898	-	(1,322,898)
Investment income	-	696	607	(89)
Total Resources (Inflows)	-	1,323,594	607	(1,322,987)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>202,824</u>	<u>1,526,418</u>	<u>203,431</u>	<u>(1,322,987)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General government	-	1,323,594	-	1,323,594
TOTAL CHARGES TO APPROPRIATIONS	<u>-</u>	<u>1,323,594</u>	<u>-</u>	<u>1,323,594</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>607</u>	<u>607</u>
FUND BALANCE, End of year	<u>\$ 202,824</u>	<u>\$ 202,824</u>	<u>\$ 203,431</u>	<u>\$ 607</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

**CITY OF COMMERCE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022**

	SPECIAL REVENUE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CONFISCATED ASSETS	FIRE DISTRICT	CAPITAL PROJECTS	
ASSETS				
Cash	\$ -	\$ 187,126	\$ 1,018,528	\$ 1,205,654
Interfund receivables	38,118	-	-	38,118
Restricted assets:				
Cash	209,500	-	-	209,500
TOTAL ASSETS	\$ 247,618	\$ 187,126	\$ 1,018,528	\$ 1,453,272
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 16,383	\$ -	\$ 127,299	\$ 143,682
Interfund payables	-	5,025	397,425	402,450
Unearned revenue	28,824	-	-	28,824
TOTAL LIABILITIES	45,207	5,025	524,724	574,956
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	45,207	5,025	524,724	574,956
FUND BALANCES				
Restricted:				
Public safety programs	202,411	182,101	-	384,512
Assigned:				
Capital equipment and infrastructure	-	-	493,804	493,804
TOTAL FUND BALANCES	202,411	182,101	493,804	878,316
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 247,618	\$ 187,126	\$ 1,018,528	\$ 1,453,272

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

	SPECIAL REVENUE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CONFISCATED ASSETS	FIRE DISTRICT	CAPITAL PROJECTS	
REVENUES				
Fines and forfeitures	\$ 120,964	\$ -	\$ -	\$ 120,964
Charges for services	-	255,825	-	255,825
Investment income	19	33	109	161
TOTAL REVENUES	120,983	255,858	109	376,950
EXPENDITURES				
Current Expenditures				
Public safety	51,546	-	-	51,546
Capital outlay	69,850	238,063	910,792	1,218,705
Issuance costs	-	-	83,000	83,000
TOTAL EXPENDITURES	121,396	238,063	993,792	1,353,251
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(413)	17,795	(993,683)	(976,301)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	620,000	620,000
Transfers out	-	(200,000)	-	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(200,000)	620,000	420,000
NET CHANGE IN FUND BALANCES	(413)	(182,205)	(373,683)	(556,301)
FUND BALANCES, Beginning of year	202,824	364,306	867,487	1,434,617
FUND BALANCES, End of year	\$ 202,411	\$ 182,101	\$ 493,804	\$ 878,316

CITY OF COMMERCE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2022

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 202,824	\$ 202,824	\$ 202,824	\$ -
RESOURCES (INFLOWS)				
Fines and forfeitures	10,000	10,000	120,964	110,964
Investment income	-	-	19	19
Total Resources (Inflows)	<u>10,000</u>	<u>10,000</u>	<u>120,983</u>	<u>110,983</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>212,824</u>	<u>212,824</u>	<u>323,807</u>	<u>110,983</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	172,422	172,422	121,396	51,026
TOTAL CHARGES TO APPROPRIATIONS	<u>172,422</u>	<u>172,422</u>	<u>121,396</u>	<u>51,026</u>
CHANGE IN FUND BALANCE	<u>(162,422)</u>	<u>(162,422)</u>	<u>(413)</u>	<u>162,009</u>
FUND BALANCE, End of year	<u>\$ 40,402</u>	<u>\$ 40,402</u>	<u>\$ 202,411</u>	<u>\$ 162,009</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

**CITY OF COMMERCE, GEORGIA
FIRE DISTRICT SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2022**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 364,306	\$ 364,306	\$ 364,306	\$ -
RESOURCES (INFLOWS)				
Charges for services	230,000	230,000	255,825	25,825
Investment income	-	-	33	33
Total Resources (Inflows)	<u>230,000</u>	<u>230,000</u>	<u>255,858</u>	<u>25,858</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>594,306</u>	<u>594,306</u>	<u>620,164</u>	<u>25,858</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	321,641	321,641	238,063	83,578
Transfers out	219,142	219,142	200,000	19,142
TOTAL CHARGES TO APPROPRIATIONS	<u>540,783</u>	<u>540,783</u>	<u>438,063</u>	<u>102,720</u>
CHANGE IN FUND BALANCE	<u>(310,783)</u>	<u>(310,783)</u>	<u>(182,205)</u>	<u>128,578</u>
FUND BALANCE, End of year	<u>\$ 53,523</u>	<u>\$ 53,523</u>	<u>\$ 182,101</u>	<u>\$ 128,578</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2022

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	REVOLVING LOAN FUND	INTERNET SERVICE FUND	TOTAL NON-MAJOR PROPRIETARY FUNDS
ASSETS			
Current Assets			
Cash	\$ -	\$ 3,900	\$ 3,900
Receivables (net of allowance for uncollectibles)	-	23,534	23,534
Interfund receivables	-	372,358	372,358
Prepaid items	-	2,214	2,214
Restricted assets:			
Cash	124,495	-	124,495
TOTAL CURRENT ASSETS	<u>124,495</u>	<u>402,006</u>	<u>526,501</u>
Noncurrent Assets			
Capital assets			
Capital assets being depreciated	-	431,102	431,102
Less: accumulated depreciation	-	(296,942)	(296,942)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>-</u>	<u>134,160</u>	<u>134,160</u>
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>134,160</u>	<u>134,160</u>
TOTAL ASSETS	<u>124,495</u>	<u>536,166</u>	<u>660,661</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>124,495</u>	<u>536,166</u>	<u>660,661</u>
LIABILITIES			
Current Liabilities			
Accounts payable	-	19,727	19,727
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>19,727</u>	<u>19,727</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>19,727</u>	<u>19,727</u>
NET POSITION			
Net investment in capital assets	-	134,160	134,160
Restricted for housing and development	124,495	-	124,495
Unrestricted	-	382,279	382,279
TOTAL NET POSITION	<u>\$ 124,495</u>	<u>\$ 516,439</u>	<u>\$ 640,934</u>

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2022

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	REVOLVING LOAN FUND	INTERNET SERVICE FUND	TOTAL NON-MAJOR PROPRIETARY FUNDS
OPERATING REVENUES			
Charges for sales and services:			
Charges for services	\$ -	\$ 210,062	\$ 210,062
Connection fees	-	3,620	3,620
Total Operating Revenues	<u>-</u>	<u>213,682</u>	<u>213,682</u>
OPERATING EXPENSES			
Supplies	-	19,651	19,651
Other services and charges	-	29,541	29,541
Insurance premiums	-	2,560	2,560
Depreciation	-	41,772	41,772
Professional fees	-	22,190	22,190
Repairs and maintenance	-	130	130
Utilities	-	59,090	59,090
Total Operating Expenses	<u>-</u>	<u>174,934</u>	<u>174,934</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>38,748</u>	<u>38,748</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	12	-	12
Total Nonoperating Revenues (Expenses)	<u>12</u>	<u>-</u>	<u>12</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS			
	<u>12</u>	<u>38,748</u>	<u>38,760</u>
CHANGE IN NET POSITION			
	<u>12</u>	<u>38,748</u>	<u>38,760</u>
TOTAL NET POSITION, Beginning of year	124,482	477,692	602,174
TOTAL NET POSITION, End of year	<u>\$ 124,494</u>	<u>\$ 516,440</u>	<u>\$ 640,934</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2022

BUSINESS-TYPE ACTIVITIES-
ENTERPRISE FUNDS

	REVOLVING LOAN FUND	INTERNET SERVICE FUND	TOTAL NON-MAJOR PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	\$ -	\$ 214,779	\$ 214,779
Payments to suppliers	-	(198,547)	(198,547)
	<u>-</u>	<u>16,232</u>	<u>16,232</u>
Net cash provided by (used in) operating activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(13,384)	(13,384)
	<u>-</u>	<u>(13,384)</u>	<u>(13,384)</u>
Net cash provided (used) by capital and related financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	13	-	13
	<u>13</u>	<u>-</u>	<u>13</u>
Net cash provided (used) by investing activities			
Net increase (decrease) in cash and cash equivalents	13	2,848	2,861
CASH, Beginning of year	<u>124,482</u>	<u>1,052</u>	<u>125,534</u>
CASH, End of year	<u>\$ 124,495</u>	<u>\$ 3,900</u>	<u>\$ 128,395</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ -	\$ 38,748	\$ 38,748
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	41,772	41,772
(Increase) decrease in:			
Accounts receivable	-	1,097	1,097
Due from other governments	-	-	-
Inventory	-	-	-
Deferred outflows for pensions	-	-	-
Prepaid expenses	-	(97)	(97)
Increase (decrease) in:			
Accounts payable	-	16,663	16,663
Compensated absences	-	-	-
Amounts held in trust	-	-	-
Customer deposits	-	-	-
Other accrued items	-	-	-
Net pension liability	-	-	-
Deferred inflows for pension	-	-	-
Due to other governments	-	(9,955)	(9,955)
Interfund balances	-	(71,996)	(71,996)
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ 16,232</u>	<u>\$ 16,232</u>

The accompanying notes are an integral part of this statement.

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

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES	
			PRIOR YEARS	CURRENT YEAR
JACKSON COUNTY SPLOST 5				
Water and Sewer System Improvements	\$ 1,830,320	\$ 1,830,320	\$ 2,145,062	\$ -
Road and Bridge Improvements (1)	1,118,530	1,118,530	1,507,456	5,815
Recreation Improvements	1,118,530	1,118,530	1,242,066	15,105
Totals	\$ 4,067,380	\$ 4,067,380	\$ 4,894,584	20,920
JACKSON COUNTY SPLOST 6				
Recreation	\$ 746,064	\$ 746,064	\$ -	\$ -
Roads and Bridges (1)	1,000,000	1,000,000	390,400	158,591
Water and Sewer	1,500,000	1,500,000	432,521	515,465
Public Safety	530,000	530,000	39,736	238,063
Tourism and Culture	808,236	808,236	215,913	83,775
Totals	\$ 4,584,300	\$ 4,584,300	\$ 1,078,570	995,894
Total of all SPLOSTS above				\$ 1,016,814

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

Expenditures	\$ 603,623
Transfers in and out	521,281
Expenditures paid with other sources	(108,090)
Total	\$ 1,016,814

(1) Budget for Road and Bridge improvements has been offset to reflect LMIG funds received.

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

December 12, 2022

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the CITY OF COMMERCE, GEORGIA, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements and have issued our report thereon dated December 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CITY OF COMMERCE, GEORGIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below as item 2022-003.

COMPLIANCE

2022-001 Statement of Condition:

During the audit, we noted that the City used unauthorized SPLOST funding to pay issuance costs for the Draw Down Revenue Bond, Series 2022 related to the Civic Center remodeling project.

Criteria:

Uniform Code of Georgia (OGCA) §48-8-11(a)(1) stipulates that Special Purpose Local Option Sale Tax (SPLOST) proceeds must be used to fund voter-approved capital projects.

Effect of Condition:

Noncompliance with state law.

Cause of Condition:

SPLOST funds are restricted for special purposes and should be spent appropriately. Bond issuance costs are associated with a Recreation project not approved by SPLOST VI referendum.

Recommendation:

We recommend the City only use SPLOST funding for capital costs related to authorized projects.

Response:

The City agrees with the finding and has granted additional personnel approving credentials for SPLOST and other accounts payable expenditures.

CITY OF COMMERCE, GEORGIA's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Bates, Carter & Co., LLP". The signature is written in a cursive style and is centered within a light gray rectangular box.