

CITY OF COMMERCE, GEORGIA

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

Year Ended June 30, 2023

**CITY OF COMMERCE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

January 11, 2024

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, 2023, 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, 2023, 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 January 11, 2024, on our consideration of the CITY OF COMMERCE, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CITY OF COMMERCE, GEORGIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF COMMERCE, GEORGIA's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Commerce, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2023. 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 \$82,573,282 (presented as "net position"). Of this amount, \$29,498,424 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. \$35,747,354 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 \$17,327,504.

The City's total net position increased by \$5,696,138 in fiscal year 2023.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,705,970. Of this amount, 42.3% or \$5,379,478 is unassigned and available for use within the City's designation and policies.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,370,117 or 61.35% 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, Capital Projects 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 56 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 57 to 63 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 \$82,573,282 as of June 30, 2023, and by \$76,877,144 as of June 30, 2022.

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, 2023

(\$ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 16,238	\$ 14,669	\$ 34,609	\$ 33,414	\$ 50,847	\$ 48,083
Capital assets (net of depreciation)	15,799	15,323	28,725	35,714	44,524	51,037
TOTAL ASSETS	<u>32,037</u>	<u>29,992</u>	<u>63,334</u>	<u>69,128</u>	<u>95,371</u>	<u>99,120</u>
Total deferred outflows of resources	1,140	195	731	397	1,871	592
Liabilities:						
Long-term liabilities outstanding	673	307	9,063	16,778	9,736	17,085
Other liabilities	3,514	2,029	1,419	2,173	4,933	4,202
TOTAL LIABILITIES	<u>4,187</u>	<u>2,336</u>	<u>10,482</u>	<u>18,951</u>	<u>14,669</u>	<u>21,287</u>
Total deferred inflows of resources	-	1,130	-	418	-	1,548
Net position						
Net investment in capital assets	15,579	14,988	20,168	19,309	35,747	34,297
Restricted	5,156	4,938	12,172	12,912	17,328	17,850
Unrestricted	8,255	6,795	21,243	17,935	29,498	24,730
TOTAL NET POSITION	<u>\$ 28,990</u>	<u>\$ 26,721</u>	<u>\$ 53,583</u>	<u>\$ 50,156</u>	<u>\$ 82,573</u>	<u>\$ 76,877</u>

Table may not add due to rounding

An additional portion of the City's net position, approximately 20.99%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$29,498,424, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2023, and June 30, 2022, 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

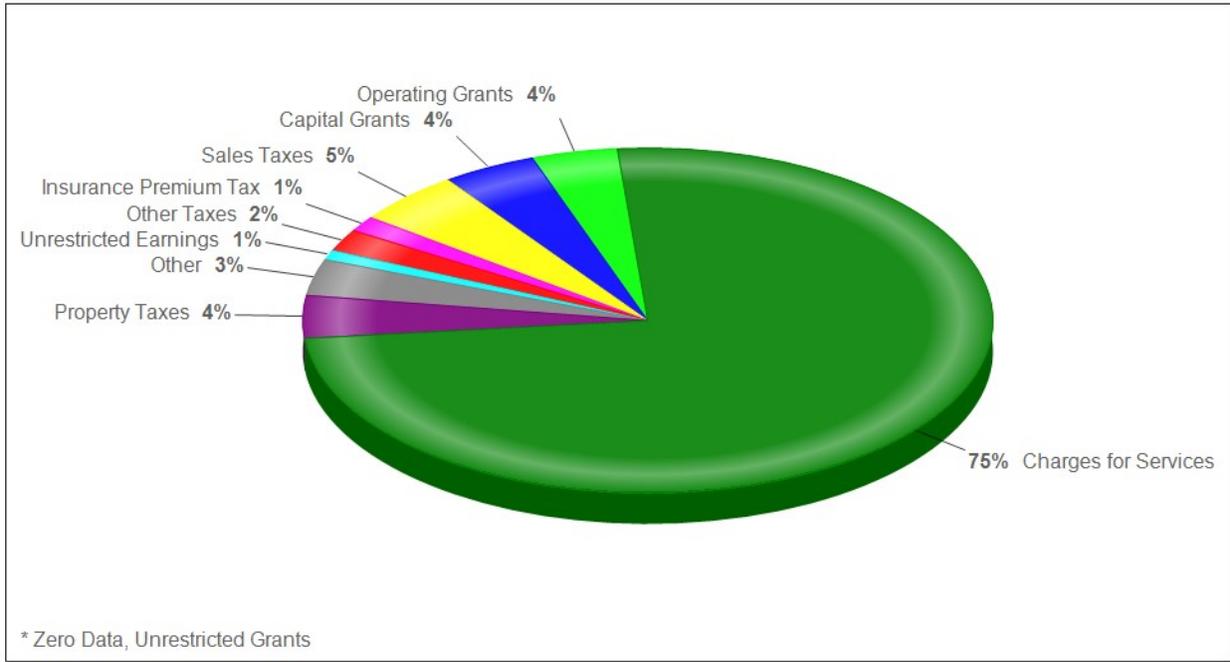
The following table provides a summary of the City's operations for the years ending June 30, 2023, and June 30, 2022. Governmental activities increased the City's net position by \$1,971,761 for the year ending June 30, 2023, and increased net position by \$2,480,226 for the year ending June 30, 2022. Business-type activities increased the City's net position by \$3,426,666 for the year ending June 30, 2023, and increased the City's net position by \$3,563,089 for the year ending June 30, 2022.

CITY OF COMMERCE, GEORGIA'S CHANGES IN NET POSITION
JUNE 30, 2023
(\$ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
REVENUES						
Program revenues:	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Charges for services	\$ 3,462	\$ 3,345	\$ 29,657	\$ 25,495	\$ 33,119	\$ 28,840
Operating grants and contributions	1,792	405	-	-	1,792	405
Capital grants and contributions	1,955	1,875	-	-	1,955	1,875
General Revenues:						
Property taxes	1,770	1,426	-	-	1,770	1,426
Sales taxes	2,222	2,325	-	-	2,222	2,325
Insurance premium tax	623	542	-	-	623	542
Other taxes	938	653	-	-	938	653
Unrestricted investment earnings	9	1	414	263	423	264
Other	925	23	555	-	1,480	23
TOTAL REVENUES	<u>13,696</u>	<u>10,595</u>	<u>30,626</u>	<u>25,758</u>	<u>44,322</u>	<u>36,353</u>
EXPENSES						
General Government	1,757	1,469	-	-	1,757	1,469
Judicial	-	-	-	-	-	-
Public safety	3,209	2,717	-	-	3,209	2,717
Public works	3,533	1,939	-	-	3,533	1,939
Health and welfare	3	7	-	-	3	7
Recreation and culture	1,219	982	-	-	1,219	982
Housing and development	1,167	705	-	-	1,167	705
Interest	4	88	-	-	4	88
Water and sewer system	-	-	7,254	6,339	7,254	6,339
Electric system	-	-	8,944	8,058	8,944	8,058
Natural gas system	-	-	11,675	7,831	11,675	7,831
Internet service	-	-	159	175	159	175
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENSES	<u>10,892</u>	<u>7,907</u>	<u>28,032</u>	<u>22,403</u>	<u>38,924</u>	<u>30,310</u>
Increases in net assets before transfers	2,804	2,688	2,594	3,355	5,398	6,043
Transfers	(833)	(208)	833	208	-	-
Increase in net position	1,971	2,480	3,427	3,563	5,398	6,043
Net position, beginning of year	26,721	24,241	50,156	46,593	76,877	70,834
Prior Period Adjustment	298	-	-	-	298	-
Net position, end of year	<u>\$ 28,990</u>	<u>\$ 26,721</u>	<u>\$ 53,583</u>	<u>\$ 50,156</u>	<u>\$ 82,573</u>	<u>\$ 76,877</u>

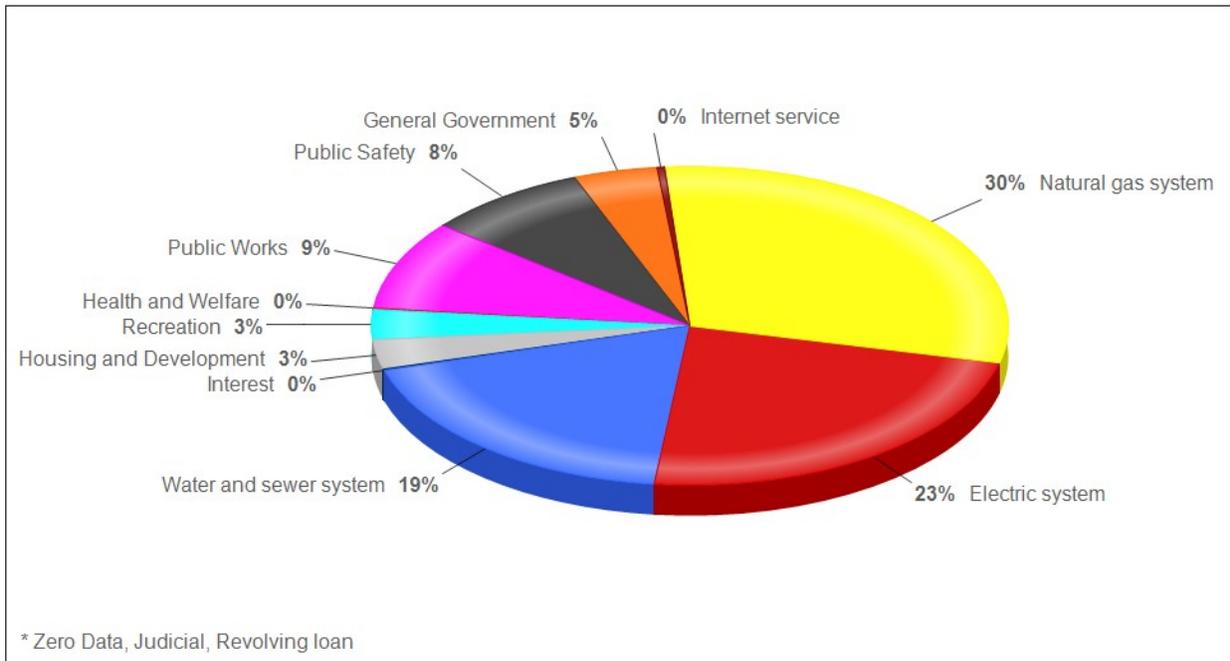
Total government-wide revenues for 2023 were \$44.32 million. These revenues consisted of \$5.55 million in taxes, \$3.75 million in grants and contributions, \$0.42 million in investment earnings and \$33.12 million in charges for services. Of this amount, \$3.5 million was in governmental activities and \$29.7 million in business-type activities.

REVENUES BY SOURCE-GOVERNMENT-WIDE ACTIVITY



Government-wide expenses were \$38.92 million for 2023, of which \$10.89 million were for governmental activities and \$28.03 million for business-type activities.

EXPENSES BY FUNCTION-GOVERNMENT-WIDE ACTIVITY



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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

General Fund

The General Fund is the main fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5,370,117, while the total fund balance reached \$7,347,750. 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 61.35% of total expenditures, and transfers out, while total fund balance represents 83.95% of that same amount.

The General Fund's fund balance increased by \$1,727,715 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 \$123,100 in the SPLOST Fund. This is primarily a result of holding funds to spend on approved projects in future years.

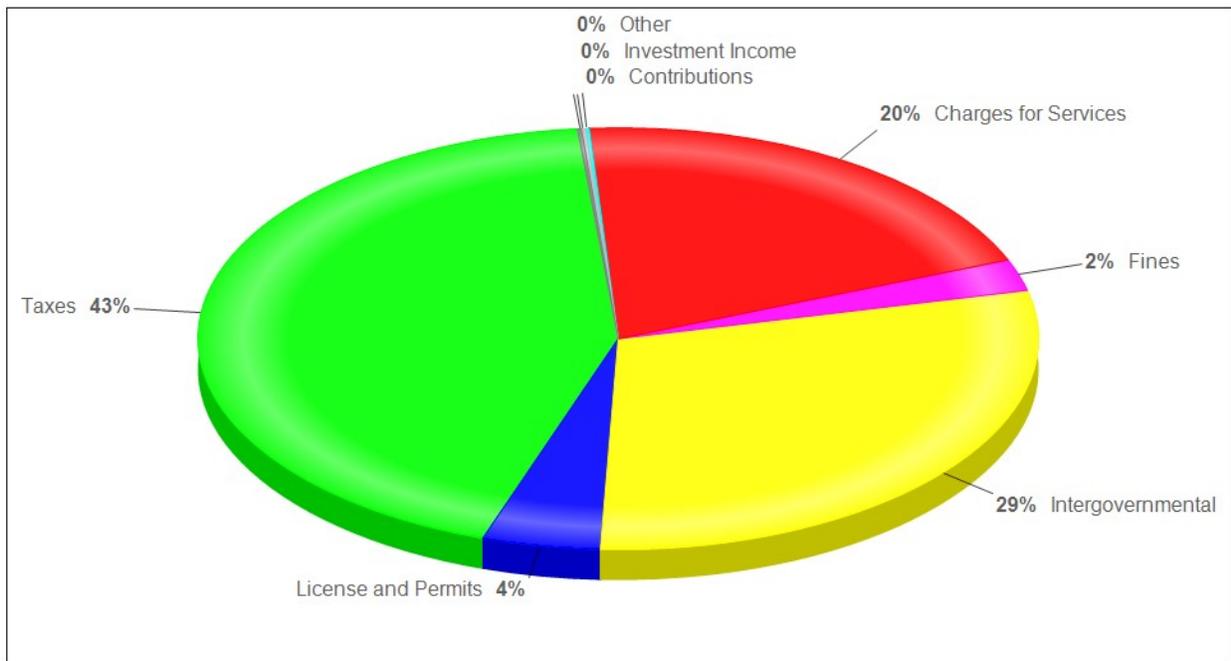
Fiscal Recovery Plan Act Fund

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 \$8,754 in the Fiscal Recovery Fund. This is primarily a result of interest revenue that was not projected.

Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlay including the acquisition or construction of capital facilities, vehicle replacement, heavy equipment, and other capital assets. During the current fiscal year, the fund balance decreased by \$268,753 in the Capital Projects Fund.

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 \$11,058,835. For the fiscal year ending June 30, 2023, the Water and Sewer system had an increase in net position of \$2,553,655, 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 \$3,454,211. In the current year, the Electric system had a decrease in net position of \$(820,437), 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 \$6,249,061. In the current fiscal year 2023, the Natural Gas Fund had an increase in net position of \$1,612,990, 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, 2023, amounts to \$44,523,114 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 \$85,665 on buildings and improvements.
- The City spent \$789,032 on machinery and equipment.
- The City spent \$597,007 on vehicles.
- The City spent \$2,210,630 on infrastructure.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 2,796,645	\$ 2,796,645	\$ 319,771	\$ 319,771	\$ 3,116,416	\$ 3,116,416
Construction in process	590,393	413,599	822,329	540,517	1,412,722	954,116
Building and improvements	8,069,614	7,983,949	18,264,916	26,252,621	26,334,530	34,236,570
Utility system infrastructure	-	-	50,865,579	49,761,173	50,865,579	49,761,173
Furniture, fixtures and equipment	-	-	-	-	-	-
Machinery and equipment	3,678,720	3,323,873	3,788,331	3,354,146	7,467,051	6,678,019
Computers and equipment	-	-	415,702	415,702	415,702	415,702
Infrastructure	11,107,191	10,459,568	-	-	11,107,191	10,459,568
Vehicles	3,751,431	3,427,470	1,695,399	1,422,353	5,446,830	4,849,823
Accumulated depreciation	<u>(14,195,412)</u>	<u>(13,081,766)</u>	<u>(47,447,494)</u>	<u>(46,352,648)</u>	<u>(61,642,906)</u>	<u>(59,434,414)</u>
Total	<u>\$ 15,798,582</u>	<u>\$ 15,323,338</u>	<u>\$ 28,724,533</u>	<u>\$ 35,713,635</u>	<u>\$ 44,523,115</u>	<u>\$ 51,036,973</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 \$8,528,744 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Financed Purchases	\$ 93,275	\$ 110,377	\$ 369,130	\$ 577,412	\$ 462,405	\$ 687,789
Notes Payable	26,806	53,091	1,829,533	8,563,304	1,856,339	8,616,395
Revenue bonds	-	-	6,210,000	7,155,000	6,210,000	7,155,000
Total	<u>\$ 120,081</u>	<u>\$ 163,468</u>	<u>\$ 8,408,663</u>	<u>\$ 16,295,716</u>	<u>\$ 8,528,744</u>	<u>\$ 16,459,184</u>

The City's total debt (not including compensated absences and other long-term operating liabilities) decreased by \$7,930,440, during the current fiscal year mostly attributable to the sale of infrastructure, resulting in debt settlement. 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 2023-2024 budget, General Fund revenues and expenditures are budgeted to increase by \$1,090,764 or 12.5 % from the 2022-2023 actuals. This increase is indicative of an increasing supply cost, personnel costs, 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 being phased in at a rate of .005 cents per kilowatt hour (KWH) semiannually now that Vogtle Plant #3 is 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 2023-2024 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 secured grant funding to expand the current treatment plant and distribution facility and costs will start to show in the years to ahead.

The Gas fund is not anticipating any rate reviews or changes in the margins set by the City. The City does anticipate both revenues and expenditures for the gas department to increase over the next three to five years as industrial and residential growth 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, 2023

ASSETS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Cash	\$ 14,430,878	\$ 16,972,072	\$ 31,402,950	\$ 75,878
Investments	-	2,726,273	2,726,273	-
Receivables	901,708	2,528,858	3,430,566	-
Internal balances	28,330	(28,330)	-	-
Due from component unit/primary government	-	-	-	85,918
Inventories	52,484	-	52,484	-
Prepaid items	289,514	238,586	528,100	4,470
Restricted assets:				
Cash	264,281	1,303,886	1,568,167	-
Investments	-	10,867,814	10,867,814	-
Non-current assets:				
Notes receivable	-	-	-	342,819
Right to Use Lease Asset (net of amortization)	272,119	-	272,119	-
Capital assets:				
Capital assets not being depreciated	3,387,038	1,142,100	4,529,138	319,907
Capital assets being depreciated	26,606,956	75,029,926	101,636,882	2,415,543
Less: accumulated depreciation	(14,195,412)	(47,447,494)	(61,642,906)	(1,388,440)
Capital assets, net of depreciation	<u>15,798,582</u>	<u>28,724,532</u>	<u>44,523,114</u>	<u>1,347,010</u>
TOTAL ASSETS	<u>32,037,896</u>	<u>63,333,691</u>	<u>95,371,587</u>	<u>1,856,095</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred for bond refunding	-	247,627	247,627	-
Pension expense	1,139,508	483,771	1,623,279	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,139,508</u>	<u>731,398</u>	<u>1,870,906</u>	<u>-</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>33,177,404</u>	<u>64,065,089</u>	<u>97,242,493</u>	<u>1,856,095</u>
LIABILITIES				
Accounts payable	553,473	1,350,964	1,904,437	4,141
Accrued interest payable	-	17,317	17,317	514
Other accrued items	228,351	50,771	279,122	5,337
Due to component units	85,918	-	85,918	-
Unearned revenue	2,366,556	-	2,366,556	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	63,580	-	63,580	3,370
Notes from direct borrowings	26,806	146,067	172,873	11,852
Financed purchases payable	17,600	218,155	235,755	-
Revenue bonds from direct borrowings	-	970,000	970,000	-
Right to Use Lease Liability	63,962	-	63,962	2,950
Due in more than one year				
Compensated absences payable	123,420	54,302	177,722	-
Customer Deposits	-	434,717	434,717	-
Notes from direct borrowings	-	1,683,464	1,683,464	23,212
Financed purchases payable	75,675	150,974	226,649	-
Revenue bonds from direct borrowings	-	5,240,000	5,240,000	-
Right to Use Lease Liability	215,845	-	215,845	344,016
Net pension liability	365,941	165,353	531,294	-
TOTAL LIABILITIES	<u>4,187,127</u>	<u>10,482,084</u>	<u>14,669,211</u>	<u>395,392</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>4,187,127</u>	<u>10,482,084</u>	<u>14,669,211</u>	<u>395,392</u>
NET POSITION				
Net investment in capital assets	15,579,020	20,168,334	35,747,354	1,307,800
Restricted for:				
Capital projects	-	794,282	794,282	-
Municipal Competitive Trust Agreement	-	11,252,860	11,252,860	-
Sales tax referendum projects	4,643,426	-	4,643,426	-
Public safety programs	480,382	-	480,382	-
Recreation and culture programs	21,698	-	21,698	-
Housing and development programs	-	124,495	124,495	-
Cemetery	10,361	-	10,361	-
Unrestricted	8,255,390	21,243,034	29,498,424	152,903
TOTAL NET POSITION	<u>\$ 28,990,277</u>	<u>\$ 53,583,005</u>	<u>\$ 82,573,282</u>	<u>\$ 1,460,703</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

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	\$ 1,757,030	\$ 1,641,147	\$ 1,334,793	\$ -	\$ 1,218,910	\$ -	\$ 1,218,910	\$ -
Judicial	-	256,570	-	-	256,570	-	256,570	-
Public safety	3,208,812	309,887	100,905	219,134	(2,578,886)	-	(2,578,886)	-
Public works	3,531,541	1,072,719	-	1,117,265	(1,341,557)	-	(1,341,557)	-
Public health and welfare	3,179	20,500	-	-	17,321	-	17,321	-
Recreation and culture	1,219,392	113,860	-	293,885	(811,647)	-	(811,647)	-
Housing and development	1,167,232	47,209	356,335	324,936	(438,752)	-	(438,752)	-
Interest	4,266	-	-	-	(4,266)	-	(4,266)	-
Total Governmental Activities	<u>10,891,452</u>	<u>3,461,892</u>	<u>1,792,033</u>	<u>1,955,220</u>	<u>(3,682,307)</u>	<u>-</u>	<u>(3,682,307)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES								
Water and sewer	7,254,027	8,417,223	-	-	-	1,163,196	1,163,196	-
Internet Service	158,145	238,483	-	-	-	80,338	80,338	-
Electric System	8,944,279	7,714,814	-	-	-	1,229,465	(1,229,465)	-
Natural Gas System	11,675,099	13,286,087	-	-	-	1,610,988	1,610,988	-
Total Business-Type Activities	<u>28,031,550</u>	<u>29,656,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,625,057</u>	<u>1,625,057</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 38,923,002</u>	<u>\$ 33,118,499</u>	<u>\$ 1,792,033</u>	<u>\$ 1,955,220</u>	<u>(3,682,307)</u>	<u>1,625,057</u>	<u>(2,057,250)</u>	<u>-</u>
COMPONENT UNITS								
Development Authority	\$ 212,320	\$ 14,620	\$ 180,090	-	-	-	-	(17,610)
Civic Center	9,527	56,599	-	-	-	-	-	47,072
TOTAL COMPONENT UNITS	<u>\$ 221,847</u>	<u>\$ 71,219</u>	<u>\$ 180,090</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,462</u>
GENERAL REVENUES								
Property taxes					1,769,653	-	1,769,653	-
Sales taxes					2,221,558	-	2,221,558	-
Insurance premium taxes					623,093	-	623,093	-
Other taxes					937,867	-	937,867	-
Total taxes					5,552,171	-	5,552,171	-
Unrestricted investment earnings					9,368	414,005	423,373	35
Gain on sale of capital assets					925,324	554,809	1,480,133	-
TRANSFERS					(832,795)	832,795	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>5,654,068</u>	<u>1,801,609</u>	<u>7,455,677</u>	<u>35</u>
CHANGES IN NET POSITION					1,971,761	3,426,666	5,398,427	29,497
NET POSITION, Beginning					26,720,805	50,156,339	76,877,144	1,431,206
PRIOR PERIOD ADJUSTMENT					297,711	-	297,711	-
NET POSITION, Beginning as restated					<u>27,018,516</u>	<u>50,156,339</u>	<u>77,174,855</u>	<u>1,431,206</u>
NET POSITION, Ending					<u>\$ 28,990,277</u>	<u>\$ 53,583,005</u>	<u>\$ 82,573,282</u>	<u>\$ 1,460,703</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	GENERAL	SPLOST	FISCAL RECOVERY PLAN ACT	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash	\$ 7,079,237	\$ 4,400,028	\$ 2,499,089	\$ 234,956	\$ 217,568	\$ 14,430,878
Receivables	585,744	315,964	-	-	-	901,708
Interfund receivables	86,870	9,815	25,378	-	77,512	199,575
Prepaid items	289,514	-	-	-	-	289,514
Inventories	52,484	-	-	-	-	52,484
Restricted assets:						
Cash	32,064	-	-	-	232,217	264,281
TOTAL ASSETS	\$ 8,125,913	\$ 4,725,807	\$ 2,524,467	\$ 234,956	\$ 527,297	\$ 16,138,440
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 312,293	\$ 62,183	\$ 173,418	\$ -	\$ 5,580	\$ 553,474
Other accrued items	228,351	-	-	-	-	228,351
Interfund payables	124,673	20,198	-	9,905	16,467	171,243
Due to component units	85,918	-	-	-	-	85,918
Unearned revenue	-	-	2,341,688	-	24,868	2,366,556
TOTAL LIABILITIES	751,235	82,381	2,515,106	9,905	46,915	3,405,542
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	26,928	-	-	-	-	26,928
TOTAL DEFERRED INFLOWS OF RESOURCES	26,928	-	-	-	-	26,928
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	778,163	82,381	2,515,106	9,905	46,915	3,432,470
FUND BALANCES						
Nonspendable:						
Prepaid expenditure	289,514	-	-	-	-	289,514
Inventories	52,484	-	-	-	-	52,484
Restricted:						
Sales tax referendum projects	-	4,643,426	-	-	-	4,643,426
Cemetery	10,361	-	-	-	-	10,361
By Contributors	21,698	-	-	-	-	21,698
Public safety programs	-	-	-	-	480,382	480,382
Assigned:						
Capital equipment and infrastructure	1,593,576	-	-	225,051	-	1,818,627
Next year's budget	10,000	-	-	-	-	10,000
Unassigned:	5,370,117	-	9,361	-	-	5,379,478
TOTAL FUND BALANCES	7,347,750	4,643,426	9,361	225,051	480,382	12,705,970
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,125,913	\$ 4,725,807	\$ 2,524,467	\$ 234,956	\$ 527,297	\$ 16,138,440

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, 2023

Total Fund Balances for Governmental Funds (page 3) \$ 12,705,970

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	15,798,582
Right to Use lease assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	272,119

Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds.

Deferred inflows (outflows) - pension expense	1,139,508	1,139,508
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Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.

Property Taxes	26,928	26,928
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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	(187,000)	
Financed Purchases	(93,275)	
Notes from direct borrowings	(26,806)	
Net pension liability	(365,941)	
Lease liability	(279,807)	
		(952,829)
Rounding		(1)

Total net position of governmental activities (page 1) **\$ 28,990,277**

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, 2023

	GENERAL	SPLOST	FISCAL RECOVERY PLAN ACT	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 5,544,390	\$ -	\$ -	\$ -	\$ -	\$ 5,544,390
Licenses and permits	573,989	-	-	-	-	573,989
Intergovernmental	1,479,914	1,955,172	304,119	-	-	3,739,205
Fines and forfeitures	257,649	-	-	-	48,219	305,868
Charges for services	2,300,982	-	-	-	259,920	2,560,902
Contributions and donations	8,000	-	-	-	-	8,000
Investment income	17	46	8,754	347	250	9,414
Miscellaneous	21,134	-	-	-	-	21,134
TOTAL REVENUES	10,186,075	1,955,218	312,873	347	308,389	12,762,902
EXPENDITURES						
Current Expenditures						
General government	1,613,972	-	-	-	-	1,613,972
Public safety	2,667,260	11,663	-	-	65,433	2,744,356
Public works	2,235,039	687,493	-	-	-	2,922,532
Recreation and culture	1,019,280	-	-	-	-	1,019,280
Housing and development	1,151,312	-	-	-	-	1,151,312
Capital outlay	18,464	604,286	-	1,306,289	-	1,929,039
Debt service						
Principal	43,387	-	-	60,341	-	103,728
Interest	4,266	-	-	20,409	-	24,675
TOTAL EXPENDITURES	8,752,980	1,303,442	-	1,387,039	65,433	11,508,894
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,433,095	651,776	312,873	(1,386,692)	242,956	1,254,008
OTHER FINANCING SOURCES (USES)						
Sale of City property	48,077	-	-	-	-	48,077
Extraordinary items	877,247	-	-	-	-	877,247
Proceeds from leases	-	-	-	340,149	-	340,149
Transfers in	147,086	-	-	777,790	-	924,876
Transfers out	(777,790)	(528,676)	(304,119)	-	(147,086)	(1,757,671)
TOTAL OTHER FINANCING SOURCES (USES)	294,620	(528,676)	(304,119)	1,117,939	(147,086)	432,678
NET CHANGE IN FUND BALANCES	1,727,715	123,100	8,754	(268,753)	95,870	1,686,686
FUND BALANCES, Beginning of year	5,322,324	4,520,326	607	493,804	384,512	10,721,573
PRIOR PERIOD ADJUSTMENT	297,711	-	-	-	-	297,711
FUND BALANCES, Beginning of year, restated	5,620,035	4,520,326	607	493,804	384,512	11,019,284
FUND BALANCES, End of year	\$ 7,347,750	\$ 4,643,426	\$ 9,361	\$ 225,051	\$ 480,382	\$ 12,705,970

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances (page 5)		\$	1,686,686
<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	1,929,039		
Depreciation expense	(1,113,646)		
Amortization expense	<u>(68,030)</u>		747,363
<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	26,928		
Extraordinary items	<u>877,247</u>		904,175
<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>(19,147)</u>		(19,147)
<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>			
Proceeds from borrowing including premiums and discounts	(1,217,396)		
Principal payments on long-term debt, including payments to refunding escrow	<u>103,728</u>		(1,113,668)
<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	(187,000)		
Compensated absences, prior year	<u>143,732</u>		(43,268)
<p>Net pension liability (asset) is not available during the current period and therefore is not reported in the funds.</p>			
End of year	(365,941)		
Beginning of year	<u>(1,899,438)</u>		(2,265,379)
<p>Contributions made after pension measurement date and changes to the pension plan actuarial assumptions are reported in deferred outflows.</p>			
End of year	1,139,508		
Beginning of year	<u>(194,897)</u>		944,611
<p>Projected pension plan activity is reported in deferred inflows.</p>			
End of year	-		
Beginning of year	<u>1,130,388</u>		1,130,388
Changes in net position of governmental activities (page 2)		\$	<u>1,971,761</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	ELECTRIC SYSTEM FUND	NATURAL GAS SYSTEM FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
ASSETS					
Current Assets					
Cash	\$ 9,985,891	\$ 485,406	\$ 6,042,154	\$ 458,621	\$ 16,972,072
Investments	-	2,726,273	-	-	2,726,273
Receivables (net of allowance for uncollectibles)	814,769	968,183	710,814	35,092	2,528,858
Interfund receivables	-	-	405	11,563	11,968
Prepaid items	154,958	37,762	43,439	2,427	238,586
Restricted assets:					
Cash	794,281	385,046	-	124,559	1,303,886
Investments	-	10,867,814	-	-	10,867,814
TOTAL CURRENT ASSETS	11,749,899	15,470,484	6,796,812	632,262	34,649,457
Noncurrent Assets					
Capital assets					
Capital assets not being depreciated	985,471	30,032	126,597	-	1,142,100
Capital assets being depreciated	49,028,705	10,752,677	14,786,292	462,252	75,029,926
Less: accumulated depreciation	(31,237,636)	(7,984,999)	(7,878,577)	(346,282)	(47,447,494)
Total capital assets (net of accumulated depreciation)	<u>18,776,540</u>	<u>2,797,710</u>	<u>7,034,312</u>	<u>115,970</u>	<u>28,724,532</u>
TOTAL NONCURRENT ASSETS	18,776,540	2,797,710	7,034,312	115,970	28,724,532
TOTAL ASSETS	30,526,439	18,268,194	13,831,124	748,232	63,373,989
DEFERRED OUTFLOWS OF RESOURCES					
Deferred for bond refunding	247,627	-	-	-	247,627
Pension expense	224,144	156,292	103,335	-	483,771
TOTAL DEFERRED OUTFLOWS OF RESOURCES	471,771	156,292	103,335	-	731,398
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	30,998,210	18,424,486	13,934,459	748,232	64,105,387
LIABILITIES					
Current Liabilities					
Accounts payable	129,483	689,960	504,678	26,840	1,350,961
Accrued interest	16,611	-	706	-	17,317
Other accrued items	23,800	12,154	14,817	-	50,771
Interfund payables	3,044	37,256	-	-	40,300
Notes from direct borrowings	146,067	-	-	-	146,067
Financed purchases payable	-	-	218,155	-	218,155
Revenue bonds payable	970,000	-	-	-	970,000
TOTAL CURRENT LIABILITIES	1,289,005	739,370	738,356	26,840	2,793,571
Noncurrent Liabilities					
Customer deposits	113,254	176,033	145,430	-	434,717
Compensated absences payable	22,364	11,721	20,217	-	54,302
Notes from direct borrowings	1,683,464	-	-	-	1,683,464
Financed purchases payable	-	-	150,974	-	150,974
Revenue bonds payable	5,240,000	-	-	-	5,240,000
Net pension liability	89,324	49,075	26,955	-	165,354
TOTAL NONCURRENT LIABILITIES	7,148,406	236,829	343,576	-	7,728,811
TOTAL LIABILITIES	8,437,411	976,199	1,081,932	26,840	10,522,382
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	8,437,411	976,199	1,081,932	26,840	10,522,382
NET POSITION					
Net investment in capital assets	10,707,682	2,741,216	6,603,466	115,970	20,168,334
Restricted for capital projects	794,282	-	-	-	794,282
Restricted for Municipal Competitive Trust Agreement	-	11,252,860	-	-	11,252,860
Restricted for housing and development	-	-	-	124,495	124,495
Unrestricted	11,058,835	3,454,211	6,249,061	480,927	21,243,034
TOTAL NET POSITION	\$ 22,560,799	\$ 17,448,287	\$ 12,852,527	\$ 721,392	\$ 53,583,005

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, 2023

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	\$ 8,191,829	\$ 7,714,788	\$ 13,207,935	\$ 233,333	\$ 29,347,885
Connection fees	-	-	37,562	5,150	42,712
Other operating revenue	225,394	26	40,590	-	266,010
Total Operating Revenues	<u>8,417,223</u>	<u>7,714,814</u>	<u>13,286,087</u>	<u>238,483</u>	<u>29,656,607</u>
OPERATING EXPENSES					
Salaries and benefits	871,558	703,363	793,797	-	2,368,718
Supplies	514,137	128,630	148,173	7,235	798,175
Other services and charges	1,829,103	11,338	70,781	32,421	1,943,643
Insurance premiums	65,516	36,825	52,155	2,699	157,195
Depreciation	1,756,784	353,885	532,379	49,340	2,692,388
Professional fees	953,309	22,464	84,807	7,444	1,068,024
Repairs and maintenance	461,285	99,016	59,371	-	619,672
Utilities	487,797	5,514	11,393	59,006	563,710
Utilities purchased for resale	-	7,583,244	9,900,157	-	17,483,401
Total Operating Expenses	<u>6,939,489</u>	<u>8,944,279</u>	<u>11,653,013</u>	<u>158,145</u>	<u>27,694,926</u>
OPERATING INCOME (LOSS)	<u>1,477,734</u>	<u>(1,229,465)</u>	<u>1,633,074</u>	<u>80,338</u>	<u>1,961,681</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	2,855	409,028	2,002	120	414,005
Interest expense	(314,538)	-	(22,086)	-	(336,624)
Gain (loss) on sale of capital assets	554,809	-	-	-	554,809
Total Nonoperating Revenues (Expenses)	<u>243,126</u>	<u>409,028</u>	<u>(20,084)</u>	<u>120</u>	<u>632,190</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	1,720,860	(820,437)	1,612,990	80,458	2,593,871
Transfer in	832,795	-	-	-	832,795
CHANGE IN NET POSITION	<u>2,553,655</u>	<u>(820,437)</u>	<u>1,612,990</u>	<u>80,458</u>	<u>3,426,666</u>
TOTAL NET POSITION, Beginning of year					
	20,007,144	18,268,724	11,239,537	640,934	50,156,339
TOTAL NET POSITION, End of year	<u>\$ 22,560,799</u>	<u>\$ 17,448,287</u>	<u>\$ 12,852,527</u>	<u>\$ 721,392</u>	<u>\$ 53,583,005</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, 2023

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR PROPRIETARY FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customer	\$ 8,622,393	\$ 7,809,452	\$ 13,549,299	\$ 226,925	\$ 30,208,069
Payments to suppliers	(3,593,730)	(8,013,160)	(10,832,148)	258,889	(22,180,149)
Payments to employees	<u>(822,785)</u>	<u>(625,597)</u>	<u>(770,303)</u>	<u>-</u>	<u>(2,218,685)</u>
Net cash provided by (used in) operating activities	<u>4,205,878</u>	<u>(829,305)</u>	<u>1,946,848</u>	<u>485,814</u>	<u>5,809,235</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,123,894)	(441,159)	(508,433)	(31,150)	(2,104,636)
Proceeds from sale of capital assets	6,944,973	-	-	-	6,944,973
Transfers in	832,795	-	-	-	832,795
Principal payments on debt	(7,678,771)	-	(208,282)	-	(7,887,053)
Interest paid	<u>(254,139)</u>	<u>-</u>	<u>(22,488)</u>	<u>-</u>	<u>(276,627)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,279,036)</u>	<u>(441,159)</u>	<u>(739,203)</u>	<u>(31,150)</u>	<u>(2,490,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	2,855	303,808	2,002	121	308,786
Purchase of investments	<u>-</u>	<u>490,978</u>	<u>-</u>	<u>-</u>	<u>490,978</u>
Net cash provided (used) by investing activities	<u>2,855</u>	<u>794,786</u>	<u>2,002</u>	<u>121</u>	<u>799,764</u>
Net increase (decrease) in cash and cash equivalents	2,929,697	(475,678)	1,209,647	454,785	4,118,451
CASH, Beginning 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, End of year	<u>\$ 10,780,172</u>	<u>\$ 870,452</u>	<u>\$ 6,042,154</u>	<u>\$ 583,180</u>	<u>\$ 18,275,958</u>
Cash	\$ 9,985,891	\$ 485,406	\$ 6,042,154	\$ 458,621	\$ 16,972,072
Restricted Cash	794,281	385,046	-	124,559	1,303,886
Total Cash	<u>\$ 10,780,172</u>	<u>\$ 870,452</u>	<u>\$ 6,042,154</u>	<u>\$ 583,180</u>	<u>\$ 18,275,958</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 1,477,734	\$ (1,229,465)	\$ 1,633,074	\$ 80,338	\$ 1,961,681
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,756,784	353,885	532,379	49,340	2,692,388
(Increase) decrease in:					
Accounts receivable	197,055	82,259	276,181	(11,558)	543,937
Deferred outflows for pensions	(186,691)	(134,897)	(85,981)	-	(407,569)
Prepaid expenses	7,284	(6,949)	14,968	-	15,303
Increase (decrease) in:					
Accounts payable	(192,141)	1,390	(557,118)	25,040	(722,829)
Compensated absences	(366)	(337)	233	(213)	(683)
Customer deposits	8,115	12,379	(12,969)	-	7,525
Other accrued items	3,785	6,512	2,264	-	12,561
Net pension liability (asset)	445,888	312,353	205,564	-	963,805
Deferred inflows for pension	(213,843)	(105,865)	(98,586)	-	(418,294)
Due to other governments	-	-	(614)	(17,928)	(18,542)
Interfund balances	902,274	(120,570)	37,453	360,795	1,179,952
Net cash provided by (used in) operating activities	<u>\$ 4,205,878</u>	<u>\$ (829,305)</u>	<u>\$ 1,946,848</u>	<u>\$ 485,814</u>	<u>\$ 5,809,235</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES					
Net unrealized gain (loss) on investments	\$ -	\$ 105,220	\$ -	\$ -	\$ 105,220
Amortization of deferred charges	\$ (73,147)	\$ -	\$ -	\$ -	\$ (73,147)
Net book value of retirements from capital assets	<u>\$ (6,390,164)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,390,164)</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2023

	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	HOSPITAL AUTHORITY	TOTAL COMPONENT UNITS
ASSETS				
Cash	\$ 68,128	\$ -	\$ 7,750	\$ 75,878
Due from primary government	90	85,828	-	85,918
Prepaid items	3,521	949	-	4,470
Restricted assets:				
Non-current assets:				
Lease asset (net)	342,819	-	-	342,819
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>(457,713)</u>	<u>(930,727)</u>	<u>-</u>	<u>(1,388,440)</u>
Capital assets, net of depreciation	<u>675,589</u>	<u>671,421</u>	<u>-</u>	<u>1,347,010</u>
TOTAL ASSETS	<u><u>1,090,147</u></u>	<u><u>758,198</u></u>	<u><u>7,750</u></u>	<u><u>1,856,095</u></u>
LIABILITIES				
Accounts payable	2,797	1,344	-	4,141
Accrued interest payable	-	514	-	514
Other accrued items	2,373	2,964	-	5,337
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	3,370	-	-	3,370
Lease liability	2,950	-	-	2,950
Notes from direct borrowings	-	11,852	-	11,852
Due in more than one year				
Due after one year				
Notes from direct borrowings	-	23,212	-	23,212
Lease liability	<u>344,016</u>	<u>-</u>	<u>-</u>	<u>344,016</u>
TOTAL LIABILITIES	<u><u>355,506</u></u>	<u><u>39,886</u></u>	<u><u>-</u></u>	<u><u>395,392</u></u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u><u>355,506</u></u>	<u><u>39,886</u></u>	<u><u>-</u></u>	<u><u>395,392</u></u>
NET POSITION				
Net invested in capital assets	671,443	636,357	-	1,307,800
Unrestricted	<u>63,198</u>	<u>81,955</u>	<u>7,750</u>	<u>152,903</u>
TOTAL NET POSITION	<u><u>\$ 734,641</u></u>	<u><u>\$ 718,312</u></u>	<u><u>\$ 7,750</u></u>	<u><u>\$ 1,460,703</u></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, 2023**

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	\$ 212,320	\$ 14,620	\$ 180,090	-	\$ -	\$ 17,610	\$ -	\$ (17,610)
Civic Center	9,527	56,599	-	-	-	-	(47,072)	47,072
TOTAL COMPONENT UNITS	<u>\$ 221,847</u>	<u>\$ 71,219</u>	<u>\$ 180,090</u>	<u>\$ -</u>	<u>-</u>	<u>17,610</u>	<u>(47,072)</u>	<u>29,462</u>
GENERAL REVENUES								
Unrestricted investment earnings					-	35	-	35
TOTAL GENERAL REVENUES					<u>-</u>	<u>35</u>	<u>-</u>	<u>35</u>
CHANGES IN NET POSITION					-	(17,575)	47,072	29,497
NET POSITION, Beginning					<u>7,750</u>	<u>752,216</u>	<u>671,240</u>	<u>1,431,206</u>
NET POSITION, Ending					<u>\$ 7,750</u>	<u>\$ 734,641</u>	<u>\$ 718,312</u>	<u>\$ 1,460,703</u>

The accompanying notes are an integral part of this statement.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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, 2023.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

(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, 2023

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

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

The City receives its business type operating revenues from sales of water and sewer, electric, and gas service as well as connection fees. Of these billed amounts, the City recognizes SK Battery American Gas and J M Huber Corporation as major customers representing 52% and 11% of the total billed revenue, respectively.

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 *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlay including the acquisition or construction of capital facilities, vehicle replacement, heavy equipment, and other capital assets.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

The government reports the following major proprietary funds:

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

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

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

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

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

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

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

Receivables and Payables

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

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 20th of each year. The 2022 property taxes were levied October 20, 2022, and were due December 20, 2022. The taxes are subject to lien after March 20, 2023. 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.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during fiscal year 2023.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

Right to Use Intangible Assets

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

The City is a lessee for a noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the governmental activities of the City. The City recognizes lease liabilities in excess of a \$100,000 threshold.

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

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

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

Deferred Outflows/Inflows of Resources

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

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 2023 was \$73,147. None of these costs were capitalized in 2023.

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, 2023

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, 2023

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2023 are as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Component Units</u>
Net investment in capital assets:			
Cost of capital assets	\$ 29,993,994	\$ 76,172,026	\$ 2,735,450
Accumulated depreciation	<u>(14,195,412)</u>	<u>(47,447,494)</u>	<u>(1,388,440)</u>
Book value	15,798,582	28,724,532	1,347,010
Financed purchases payable	(93,275)	(369,131)	-
Accounts payable for fixed assets	(91,793)	(126,054)	
Retainage payable for fixed assets		(21,480)	
Right to use asset, net of amortization	272,119	-	342,819
Right to use liability	(279,808)	-	(346,966)
Revenue bonds from direct borrowings	-	(6,210,000)	-
Notes from direct borrowings	<u>(26,805)</u>	<u>(1,829,533)</u>	<u>(35,063)</u>
Net investment in capital assets	<u>\$ 15,579,020</u>	<u>\$ 20,168,334</u>	<u>\$ 1,307,800</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, 2023

NOTE 2 - FUND BALANCE/NET POSITION

The governmental activities statement of net position reports \$5,155,867 of restricted net position, of which \$5,123,808 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	\$ 21,698
<i>Cemetery</i> - For unspent funds for cemetery maintenance.	10,361

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.	4,643,426
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Nonmajor Funds

Public Safety programs -

<i>Confiscated Assets Fund</i> - For funds restricted for law enforcement purposes.	185,302
<i>Fire District Fund</i> - For funds restricted for fire services from a separate tax levy.	<u>295,080</u>
Total Public Safety Programs	<u>480,382</u>

Total Restricted Fund Balance	<u><u>\$ 5,155,867</u></u>
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Assigned:

General Fund

Appropriated as a resource in next year's budget	\$ 10,000
Capital equipment and infrastructure	1,593,576
<i>Capital Projects Fund</i> - For funds designated for future City projects.	<u>225,051</u>
Total Assigned Fund Balance	<u><u>\$ 1,828,627</u></u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023.

(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, 2023, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the City had the following investments, some of which are cash equivalents:

INVESTMENT MATURITIES (in Years)

<u>Investment Type</u>	Fair Value	Less Than 1	Less Than 1	1-5	6-10	Rating (1)
		FMV Level 1	FMV Level 2	FMV Level 2	FMV Level 2	
Municipal Competitive Trust:						
Short-term	\$ 5,211,309	\$ 183,786	\$ 5,027,523	\$ -	\$ -	AAAm
Intermediate	3,308,696	115,385	798,016	2,288,342	106,953	AAAm
Intermediate Extended	5,459,129	85,876	668,248	3,931,032	773,974	AAAm
Total	<u>\$ 13,979,134</u>	<u>\$ 385,047</u>	<u>\$ 6,493,787</u>	<u>\$ 6,219,374</u>	<u>\$ 880,927</u>	
Maximum Investment		2.75%	46.45%	44.49%	6.30%	

1. Standard & Poor's

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Cash per Statement of Net position (page 1)	
Cash	\$ 31,402,950
Restricted cash	1,568,167
less cash equivalents that are investments	<u>(385,047)</u>
Deposits	<u><u>\$ 32,586,070</u></u>
Investments Statement of Net position (page 1)	
Investments	\$ 2,726,273
Restricted Investments	10,867,814
Investments included in cash equivalents	<u>385,047</u>
Investments as listed above	<u><u>\$ 13,979,134</u></u>

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.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the ratings of its investments are shown above.

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

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

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

As of June 30, 2023, 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, 2023

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	\$ 36,201	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	212,455	315,964	-	-	-	-
Accounts	246,047	-	814,769	968,183	710,814	35,092
Intergovernmental	91,041	-	-	-	-	-
Total Gross Receivables	<u>585,744</u>	<u>315,964</u>	<u>814,769</u>	<u>968,183</u>	<u>710,814</u>	<u>35,092</u>
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Net Receivables	<u>\$ 585,744</u>	<u>\$ 315,964</u>	<u>\$ 814,769</u>	<u>\$ 968,183</u>	<u>\$ 710,814</u>	<u>\$ 35,092</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)	\$ 26,928	\$ -
Grant drawdowns prior to meeting all eligibility requirements (Fiscal Recovery Plan Act Fund)	-	2,341,688
Other (Nonmajor Governmental Funds)	-	24,868
Total unavailable/ unearned revenue for governmental funds	<u>\$ 26,928</u>	<u>\$ 2,366,556</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2023 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	413,599	824,416	-	(647,623)	590,393
Total non-depreciable capital assets	<u>3,210,244</u>	<u>824,416</u>	<u>-</u>	<u>(647,623)</u>	<u>3,387,038</u>
Depreciable Assets:					
Buildings and improvements	7,983,949	85,665	-	-	8,069,614
Machinery and equipment	3,323,873	354,847	-	-	3,678,720
Vehicles	3,427,470	323,961	-	-	3,751,431
Infrastructure	10,459,568	-	-	647,623	11,107,191
Total depreciable capital assets	<u>25,194,860</u>	<u>764,473</u>	<u>-</u>	<u>647,623</u>	<u>26,606,956</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(3,519,796)	(240,160)	-	-	(3,759,956)
Machinery and equipment	(1,853,938)	(234,673)	-	-	(2,088,611)
Vehicles	(2,475,950)	(248,219)	-	-	(2,724,169)
Infrastructure	(5,232,082)	(390,594)	-	-	(5,622,676)
Total accumulated depreciation	<u>(13,081,766)</u>	<u>(1,113,646)</u>	<u>-</u>	<u>-</u>	<u>(14,195,412)</u>
Total depreciable capital assets, net	<u>12,113,094</u>	<u>(349,173)</u>	<u>-</u>	<u>-</u>	<u>12,411,544</u>
Governmental activities capital assets, net	<u>\$ 15,323,338</u>	<u>\$ 475,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,798,582</u>

Additions to governmental activities capital assets for fiscal year ending June 30, 2023, consist of the following:

Capital Outlay	\$ 1,588,889
Total Additions	<u>\$ 1,588,889</u>
Non-depreciable capital assets additions	\$ 824,416
Depreciable capital assets additions	764,473
Total	<u>\$ 1,588,889</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	7,132
Total depreciation expense: Governmental Activities	<u>\$ 1,113,646</u>

Capital asset activity for business-type funds for the year ended June 30, 2023, 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>540,517</u>	<u>848,861</u>	<u>-</u>	<u>(567,053)</u>	<u>822,329</u>
Total non-depreciable capital assets	<u>860,288</u>	<u>848,861</u>	<u>-</u>	<u>(567,053)</u>	<u>1,142,100</u>
Depreciable Assets:					
Buildings and improvements	26,252,621	-	(7,987,705)	-	18,264,916
Water and sewer system	27,157,989	138,902	-	567,053	27,863,944
Electric system	9,094,022	159,828	-	-	9,253,850
Natural gas system	13,509,162	238,623	-	-	13,747,785
Internet system	415,702	-	-	-	415,702
Machinery and equipment	3,354,146	434,185	-	-	3,788,331
Vehicles	<u>1,422,353</u>	<u>273,046</u>	<u>-</u>	<u>-</u>	<u>1,695,399</u>
Total depreciable capital assets	<u>81,205,995</u>	<u>1,244,584</u>	<u>(7,987,705)</u>	<u>567,053</u>	<u>75,029,926</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(11,496,430)	(782,228)	1,597,541	-	(10,681,117)
Water and sewer system	(18,120,980)	(781,773)	-	-	(18,902,753)
Electric system	(6,571,365)	(296,358)	-	-	(6,867,723)
Natural gas system	(6,737,942)	(463,731)	-	-	(7,201,673)
Internet system	(289,242)	(41,570)	-	-	(330,812)
Machinery and equipment	(2,065,448)	(205,887)	-	-	(2,271,335)
Vehicles	<u>(1,071,241)</u>	<u>(120,840)</u>	<u>-</u>	<u>-</u>	<u>(1,192,081)</u>
Total accumulated depreciation	<u>(46,352,648)</u>	<u>(2,692,387)</u>	<u>1,597,541</u>	<u>-</u>	<u>(47,447,494)</u>
Total depreciable capital assets, net	<u>34,853,347</u>	<u>(1,447,803)</u>	<u>(6,390,164)</u>	<u>567,053</u>	<u>27,582,432</u>
Business-type activities capital assets, net	<u>\$ 35,713,635</u>	<u>\$ (598,942)</u>	<u>\$ (6,390,164)</u>	<u>\$ -</u>	<u>\$ 28,724,532</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Business-type Activities:	
Water and Sewer System	\$ 1,756,784
Electric System	353,885
Natural Gas System	532,378
Internet System	49,340
Total depreciation expense: Business-type Activities	<u><u>\$ 2,692,387</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, 2023, 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	\$ 32,350	\$ -	\$ 567,650	SPLOST
Civic Center Remodel	<u>12,000,000</u>	<u>558,043</u>	<u>166,775</u>	<u>11,275,182</u>	Revenue Bonds
Total Governmental Activities	<u><u>\$ 12,600,000</u></u>	<u><u>\$ 590,393</u></u>	<u><u>\$ 166,775</u></u>	<u><u>\$ 11,842,832</u></u>	
Business-type Activities:					
Water Plant Pump	\$ 600,000	\$ -	\$ -	\$ 600,000	ARPA
Beck Road Sewer Upgrade	800,000	80,940	-	719,060	SPLOST
Bana Road Extension	200,000	14,561	-	185,439	Gas Fund
Water Plant Project - Northside WWTP UV/Filter	597,000	347,935	-	249,065	SPLOST
Water Plant Project - Raw Water Pump	758,400	325,600	-	432,800	ARPA
DOT Projects - Banks County Relocation	<u>110,000</u>	<u>53,293</u>	<u>-</u>	<u>56,707</u>	Gas Fund
Total Business-type Activities	<u><u>\$ 3,065,400</u></u>	<u><u>\$ 822,329</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,243,071</u></u>	

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Discretely Presented Component Units

Activity for Downtown Development Authority for the year ended June 30, 2023, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Ending <u>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	(422,957)	(22,203)	-	-	(445,160)
Machinery and equipment	<u>(11,935)</u>	<u>(618)</u>	<u>-</u>	<u>-</u>	<u>(12,553)</u>
Total accumulated depreciation	<u>(434,892)</u>	<u>(22,821)</u>	<u>-</u>	<u>-</u>	<u>(457,713)</u>
Total depreciable capital assets, net	<u>378,503</u>	<u>(22,821)</u>	<u>-</u>	<u>-</u>	<u>355,682</u>
Governmental activities capital assets, net	<u>\$ 698,410</u>	<u>\$ (22,821)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 675,589</u>

Activity for the Civic Center for the year ended June 30, 2023, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Ending <u>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	(845,818)	(38,155)	-	-	(883,973)
Machinery and equipment	<u>(37,549)</u>	<u>(9,205)</u>	<u>-</u>	<u>-</u>	<u>(46,754)</u>
Total accumulated depreciation	<u>(883,367)</u>	<u>(47,360)</u>	<u>-</u>	<u>-</u>	<u>(930,727)</u>
Total depreciable capital assets, net	<u>718,782</u>	<u>(47,360)</u>	<u>-</u>	<u>-</u>	<u>671,422</u>
Governmental activities capital assets, net	<u>\$ 718,782</u>	<u>\$ (47,360)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,422</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2023, 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	\$ 110,377	\$ -	\$ (17,102)	\$ 93,275	\$ 17,600	\$ 75,675
Notes from direct borrowings	53,091	-	(26,285)	26,806	26,806	-
Compensated absences	143,732	188,551	(145,283)	187,000	63,580	123,420
Governmental activities long-term liabilities	<u>\$ 307,200</u>	<u>\$ 188,551</u>	<u>\$ (188,670)</u>	<u>\$ 307,081</u>	<u>\$ 107,986</u>	<u>\$ 199,095</u>
Business-type Activities:						
Revenue bonds	\$ 7,155,000	\$ -	\$ (945,000)	\$ 6,210,000	\$ 970,000	\$ 5,240,000
Notes from direct borrowings	8,563,304	-	(6,733,771)	1,829,533	146,067	1,683,466
Financed purchases	577,412	-	(208,282)	369,130	218,155	150,975
Compensated absences	54,772	64,600	(65,071)	54,301	-	54,301
Business-type activities long-term liabilities	<u>\$ 16,350,488</u>	<u>\$ 64,600</u>	<u>\$ (7,952,124)</u>	<u>\$ 8,462,964</u>	<u>\$ 1,334,222</u>	<u>\$ 7,128,742</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, Water and Sewer, and Internet enterprise funds. Compensated absences for business type activities are liquidated by each of the enterprise funds.

GOVERNMENTAL ACTIVITIES

FINANCED PURCHASES

After implementation of GASB 87 "Leases," the City has reclassified agreements that transfer ownership of the underlying asset by the end of the contract and do not contain termination options as financed purchases. These financed purchases relate to vehicles and equipment for public safety which bear interest at various rates from 1.75% to 2.87%. The annual requirements to amortize these agreements as of June 30, 2023, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 93,275</u>	<u>\$ 8,315</u>	<u>\$ 101,590</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

The annual requirements to amortize this note payable as of June 30, 2023, is as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 26,806	\$ 530	\$ 27,336
Total	<u>\$ 26,806</u>	<u>\$ 530</u>	<u>\$ 27,336</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, 2023, no draws have been made.

BUSINESS TYPE ACTIVITIES

As of June 30, 2023, 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.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Water and Sewerage Revenue Refunding Bonds Series 2010:

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

Water and Sewerage Revenue Refunding Bonds Series 2013:

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

The annual requirements to amortize this debt as of June 30, 2023, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,075,000	43,526	1,118,526
2029-2030	1,105,000	14,641	1,119,641
Total	<u>\$ 6,210,000</u>	<u>\$ 506,283</u>	<u>\$ 6,716,283</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTES FROM DIRECT BORROWINGS

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

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

The annual requirements to amortize this debt as of June 30, 2023, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 146,067	\$ 33,493	\$ 179,560
2025	148,867	30,694	179,561
2026	151,720	27,841	179,561
2027	154,628	24,933	179,561
2028	157,591	21,969	179,560
2029-2033	834,438	63,364	897,802
2034-2036	236,222	3,192	239,414
Total	<u>\$ 1,829,533</u>	<u>\$ 205,486</u>	<u>\$ 2,035,019</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 218,155	\$ 12,611	\$ 230,766
2025	150,975	2,662	153,637
Total	<u>\$ 369,130</u>	<u>\$ 15,273</u>	<u>\$ 384,403</u>

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2023:

	<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:						
Compensated absences	\$ 5,379	\$ 3,370	\$ (5,379)	\$ 3,370	\$ 3,370	\$ -
Total long-term liabilities	<u>\$ 5,379</u>	<u>\$ 3,370</u>	<u>\$ (5,379)</u>	<u>\$ 3,370</u>	<u>\$ 3,370</u>	<u>\$ -</u>

Activity for the Civic Center and Tourism Authority for the year ended June 30, 2023:

	<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:						
Notes from direct borrowings	\$ 45,437	\$ -	\$ (10,374)	\$ 35,064	\$ 11,853	\$ 23,211
Compensated absences	739	-	(739)	-	-	-
Total long-term liabilities	<u>\$ 46,176</u>	<u>\$ -</u>	<u>\$ (11,113)</u>	<u>\$ 35,064</u>	<u>\$ 11,853</u>	<u>\$ 23,211</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

As of June 30, 2023, 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>\$ 35,064</u>
Total notes from direct borrowings	\$ 35,064
Current portion	<u>(11,853)</u>
Noncurrent portion	<u><u>\$ 23,211</u></u>

The annual requirements to amortize these component unit note from direct borrowing as of June 30, 2023, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,853	\$ 1,053	\$ 12,906
2025	11,617	714	12,331
2026	11,594	736	12,330
Total	<u><u>\$ 35,064</u></u>	<u><u>\$ 2,503</u></u>	<u><u>\$ 37,567</u></u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - LEASES

RIGHT TO USE LEASE ASSETS

The City implemented GASB 87, "Leases" in 2023.

Right to use lease asset activity for the City for the period ended June 30, 2023, was as follows:

	Balance June 30, 2022	Increase	Remeasurement	Decrease	Balance June 30, 2023
Governmental Activities:					
Lease assets:					
Equipment	\$ -	\$ 340,149	\$ -	\$ -	\$ 340,149
Total lease assets	<u>-</u>	<u>340,149</u>	<u>-</u>	<u>-</u>	<u>340,149</u>
Less accumulated amortization for:					
Equipment	-	(68,030)	-	-	(68,030)
Total accumulated amortization	<u>-</u>	<u>(68,030)</u>	<u>-</u>	<u>-</u>	<u>(68,030)</u>
Total lease assets, net	<u>\$ -</u>	<u>\$ 272,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,119</u>

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

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2023:

	Balance June 30, 2022	Increase	Remeasurement	Decrease	Balance June 30, 2023
Downtown Development Authority:					
Lease assets:					
Parking Lot	\$ -	\$ 349,816	\$ -	\$ -	\$ 349,816
Total lease assets	<u>-</u>	<u>349,816</u>	<u>-</u>	<u>-</u>	<u>349,816</u>
Less accumulated amortization for:					
Parking Lot	-	(6,997)	-	-	(6,997)
Total accumulated amortization	<u>-</u>	<u>(6,997)</u>	<u>-</u>	<u>-</u>	<u>(6,997)</u>
Total lease assets, net	<u>\$ -</u>	<u>\$ 342,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,819</u>

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

LEASE LIABILITIES

The City implemented GASB 87, "Leases" in 2023.

Long-term lease liability activity for the period ended June 30, 2023, was as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due within</u> <u>one year</u>	<u>Due in more than</u> <u>one year</u>
Lease liabilities:						
Equipment	\$ -	\$ 340,149	\$ (60,342)	\$ 279,807	\$ 63,962	\$ 215,845
Total lease liabilities	<u>\$ -</u>	<u>\$ 340,149</u>	<u>\$ (60,342)</u>	<u>\$ 279,807</u>	<u>\$ 63,962</u>	<u>\$ 215,845</u>

On September 22, 2022, the City entered into a 60 month lease as Lessee for the use of Axon Tasers. An initial lease liability was recorded in the amount of \$191,267. As of June 30, 2023, the value of the lease liability was \$157,337. The City is required to make yearly payments. The lease has an interest rate of 6%. The equipment estimated useful life was 60 months as of the contract commencement. The net value of the right to use asset as of June 30, 2023 of \$153,013 is included with Equipment on the lease asset activities table above.

On September 22, 2022, the City entered into a 60 month lease as Lessee for the use of Axon Cameras. An initial lease liability was recorded in the amount of \$143,882. As of June 30, 2023, the value of the lease liability was \$122,471. The City is required to make yearly payments. The lease has an interest rate of 6%. The equipment estimated useful life was 60 months as of the contract commencement. The net value of the right to use asset as of June 30, 2023 of \$119,106 is included with Equipment on the lease asset activities table above.

The future minimum lease obligations and the net present value of these minimum lease payments for the period ended June 30, 2023 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 63,962	\$ 16,788	\$ 80,750
2024	67,799	12,951	80,750
2025	71,867	8,883	80,750
2026	76,179	4,571	80,750
Total	<u>\$ 279,807</u>	<u>\$ 43,193</u>	<u>\$ 323,000</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2023:

	Balance <u>June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2023</u>	Due within <u>one year</u>	Due in more than <u>one year</u>
Lease liabilities:						
Parking Lot	\$ -	\$ 349,816	\$ (2,850)	\$ 346,966	\$ 2,949	\$ 344,017
Total lease liabilities	<u>\$ -</u>	<u>\$ 349,816</u>	<u>\$ (2,850)</u>	<u>\$ 346,966</u>	<u>\$ 2,949</u>	<u>\$ 344,017</u>

On January 19, 2018, the City entered into a long term lease as Lessee for the use of approximately 23,305 square feet of parking lot space owned by Norfolk Southern Railway Company. An initial lease liability was recorded in the amount of \$349,816. As of June 30, 2023, the value of the lease liability was \$346,966. The City can cancel this lease agreement at any time, but expect to make yearly payments for the next 50 years. The lease has an interest rate of 10%. The net value of the right to use asset as of June 30, 2023 of \$342,819 is included with parking lot on the lease asset activities table above.

The future minimum lease obligations and the net present value of these minimum lease payments for the period ended June 30, 2023 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,949	\$ 347	\$ 3,296
2025	3,051	344	3,395
2026	3,156	341	3,497
2027	3,264	338	3,602
2028	3,375	334	3,709
2029 - 2033	18,666	1,620	20,286
2034 - 2038	21,997	1,520	23,517
2039 - 2043	25,860	1,402	27,262
2044 - 2048	30,341	1,264	31,605
2049 - 2053	35,536	1,103	36,639
2054 - 2058	41,561	913	42,474
2059 - 2063	48,548	692	49,240
2064 - 2068	56,649	434	57,083
2069 - 2072	52,013	132	52,145
Total	<u>\$ 346,966</u>	<u>\$ 10,784</u>	<u>\$ 357,750</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2023, are as follows:

	Due From						Total
	General Fund	SPLOST	Other nonmajor governmental funds	Capital Projects Fund	Electric System	Water and Sewer Fund	
Due To							
General Fund	\$ -	\$ 20,198	\$ 16,467	\$ 9,905	\$ 37,256	\$ 3,044	\$ 86,870
Fiscal Recovery Plan Act	25,378	-	-	-	-	-	25,378
SPLOST	9,815	-	-	-	-	-	9,815
Other nonmajor governmental funds	77,512	-	-	-	-	-	77,512
Natural Gas System	405	-	-	-	-	-	405
Nonmajor proprietary funds	11,563	-	-	-	-	-	11,563
Total	\$ 124,673	\$ 20,198	\$ 16,467	\$ 9,905	\$ 37,256	\$ 3,044	\$ 211,543

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

Interfund transfers as of the year ended June 30, 2023, are as follows:

	Transfers Out				Total
	General Fund	SPLOST	Fiscal Recovery Plan Act	Other nonmajor governmental funds	
Transfers In					
General Fund	\$ -	\$ -	\$ -	\$ 147,086	\$ 147,086
Capital Projects Fund	777,790	-	-	-	777,790
Water and Sewer Fund	-	528,676	304,119	-	832,795
Total	\$ 777,790	\$ 528,676	\$ 304,119	\$ 147,086	\$ 1,757,671

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Participant counts as of January 1, 2023 (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	45
Active employees participating in the Plan	81
Total number of Plan participants	180
Covered compensation for active participants	\$ 3,464,546
Contributions as a percentage of covered payroll	4.34%

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.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of September 30, 2022, 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, 2023 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 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

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

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45%	6.40%
International equity	20	6.80%
Domestic fixed income	20	0.40%
Real estate	10	3.90%
Global fixed income	5	0.46%
TOTAL	<u>100 %</u>	

* Rates shown are net of inflation

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Change in the Net Pension Liability(Asset)

	<u>Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability(Asset)</u>
Balances at June 30, 2022	\$ 11,265,300	\$ 13,963,189	\$ (2,697,889)
Changes for the year:			
Service cost	213,366	-	213,366
Interest	823,113	-	823,113
Difference between expected and actual experience	132,611	-	132,611
Contribution-employer	-	198,825	(198,825)
Net investment income	-	(2,235,608)	2,235,608
Benefit payments	(635,627)	(635,627)	-
Administrative expense	-	(23,310)	23,310
Other charges	-	-	-
Net changes	<u>533,463</u>	<u>(2,695,720)</u>	<u>3,229,183</u>
Balances at June 30, 2023*	<u>\$ 11,798,763</u>	<u>\$ 11,267,469</u>	<u>\$ 531,294</u>

*Measurement date of September 30, 2022.

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)	\$ 2,077,254	\$ 531,294	\$ (740,180)

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

For the year ended June 30, 2023, the City recognized pension expense of \$381,958. At June 30, 2023, 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	\$ 160,675	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,437,066	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	25,538	-
TOTAL	<u><u>\$ 1,623,279</u></u>	<u><u>\$ -</u></u>

City contributions subsequent to the measurement date of \$25,538 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, 2024.

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,	
2024	\$ 384,703
2025	269,804
2026	293,549
2027	649,685
Thereafter	-
Total	<u><u>\$ 1,597,741</u></u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

DEFERRED COMPENSATION PLAN

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

NOTE 11 - RISK MANAGEMENT

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

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

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

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

ELECTRICAL SYSTEM

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

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

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

Payments to MEAG are made monthly on net obligations based upon long-term contracts and power supply needs. The total payments, net of refunds and reimbursements, under these contracts amounted to \$7,583,244 in fiscal year 2023.

MEAG Power created and established for the Beneficiaries (as that term is defined in the Municipal Competitive Trust), including the City of Commerce (the "Participant"), as of January 1, 1999, a trust referred to as the Municipal Competitive Trust; WHEREAS, a second

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

replacement amendment, dated September 14, 2009, stated The Trustee shall pay all or any portion of the amounts contained in the New Generation and Capacity Funding Account as directed in writing by the Beneficiary for any of the purposes permitted under Article 6(a)(3), of said agreement. The New Generation and Capacity Funding Account was created to be funded from contributions by the Participant for such purposes to be applied as a credit against the Participant's obligation share of capital and financing costs related to Vogtle's Plant 3 and Plant 4 reactors, in which Municipal Electric Authority of Georgia owns 22.3% on behalf of 49 city-owned utilities. The City of Commerce elected to contribute, and as of September 2022 a monthly redemption of \$75,000 has commenced. Additionally, each Beneficiary shall have the right to withdraw part or all funds from the New Generation and Capacity Funding Account for any purpose after January 1, 2037. The total payments under these contracts amounted to \$825,000 in fiscal year 2023.

GAS SYSTEM

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

Payments to MGAG are made monthly on net obligations based upon long-term contracts. The total payments, net of refunds and reimbursements, under these contracts amounted to \$9,900,157 in fiscal year 2023.

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.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Commerce Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$3,380 in lieu of taxes from the Housing Authority for the year ended June 30, 2023.

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

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

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

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

NOTE 14 -TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the Georgia Development Authority Law, adopted in 1969, for the purpose of attracting or retaining businesses within the City. The abatements may be granted to any business located within or promising to relocate to the City and meeting the eligibility criteria to "develop and promote trade, commerce, industry, and employment opportunities for the public good and general welfare and to promote the general welfare of the state" (OCGA 36-62-9). The abatements are provided through a direct reduction of the business' property tax bill. The Georgia law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill its commitment, however, a memorandum of understanding is issued for each abatement outlining the terms in which a recapture would apply. The City has tax abatement agreements with one entity as of June 30, 2023.

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the City abated property taxes totaling \$4,322,254. The City's portion of the abatement is 10.8%, resulting in the City receiving a payment of \$990,593 for fiscal year 2023. The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not currently subject to any tax abatement agreements entered into by other governmental entities.

NOTE 15 - LITIGATION

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

NOTE 16 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 17 - CERTAIN SIGNIFICANT ESTIMATES

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

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

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

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

NOTE 18 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the ten (10) county Piedmont, Georgia, area are members of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid annual dues in the amount of \$7,213 to the NEGRC for the year ended June 30, 2023. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

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

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

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 19 - SPLOST

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

The following is a schedule of the activity relating to the SPLOST # 5 and SPLOST #6 for the year ending June 30, 2023:

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	<u>31,723</u>	<u>-</u>	<u>68,182</u>	<u>99,905</u>
Total Project Expenditures	<u>31,723</u>	<u>-</u>	<u>68,182</u>	<u>99,905</u>
Net (over) under expended for year ending June 30, 2021	(31,723)	-	(68,182)	(99,905)
Investment return	<u>23</u>	<u>-</u>	<u>23</u>	<u>46</u>
Net changes in fund balance	(31,700)	-	(68,159)	(99,859)
Fund balance - July 1, 2022	<u>37,520</u>	<u>(5,800)</u>	<u>76,640</u>	<u>108,360</u>
Fund balance - June 30, 2023	<u>\$ 5,820</u>	<u>\$ (5,800)</u>	<u>\$ 8,481</u>	<u>\$ 8,501</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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	\$ 603,048	\$ 402,032	\$ 293,885	\$ 219,134	\$ 324,936	\$ 1,843,035
Project Expenditures						
Capital Expenditures	<u>496,954</u>	<u>575,355</u>	<u>17,760</u>	<u>78,339</u>	<u>451,668</u>	<u>1,620,076</u>
Total Project Expenditures	<u>496,954</u>	<u>575,355</u>	<u>17,760</u>	<u>78,339</u>	<u>451,668</u>	<u>1,620,076</u>
Net (over) under expended for year ending June 30, 2023	106,094	(173,323)	276,125	140,795	(126,732)	222,959
Investment return	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	106,094	(173,323)	276,125	140,795	(126,732)	222,959
Fund balance - July 1, 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>
Fund balance - June 30, 2023	<u>\$ 1,242,579</u>	<u>\$ 835,227</u>	<u>\$ 1,294,270</u>	<u>\$ 586,281</u>	<u>\$ 676,568</u>	<u>\$ 4,634,925</u>

City of Commerce, Georgia
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 20 - SUBSEQUENT EVENTS

In November 2023, the City's voters approved the issuance of general obligation bond to be issued not to exceed thirteen million dollars (\$13,000,000) to finance a double-gym recreational facility for the City at rates not to exceed 6.5% per annum.

NOTE 21 - EXTRAORDINARY ITEMS

Georgia Public Web ("GPW"), a Georgia non-profit corporation, is a telecommunication provider that provides broadband services along with infrastructure and consulting services. GPW was acquired by Accelacom on April 29, 2022 and the City's received \$877,247 as revenue related to the sale of the City's membership interest of 1.544%.

NOTE 22 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment to increase the revenue related to the portion of Payment in Lieu of Taxes (PILT) received in the current fiscal year, but related to prior year payments.

On July 1, 2022, the City restated its financial statements for the fiscal year ended June 30, 2023 to restate the following activity due to prior period adjustments:

		Governmental Activities General Fund
Fund Balance/Net Position, July 1	\$	5,322,324
Receivables		297,711
Restated Net Position, July 1	\$	<u>5,620,035</u>

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2023
"Unaudited"

<u>For the Year Ended June 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net pension liability (asset)	\$ 531,294	\$ (2,697,889)	\$ (790,840)	\$ (678,996)	\$ (1,259,967)
Covered payroll	\$ 3,464,546	\$ 3,750,995	\$ 3,195,835	\$ 3,087,120	\$ 2,719,555
Net pension liability (asset) as a percentage of its covered payroll	15.34%	(71.92)%	(24.75)%	(21.99)%	(46.33)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.75%	123.95%	107.34%	106.56%	112.64%
Total pension liability - ending (a)	11,798,763	11,265,300	10,780,661	10,354,806	9,971,191
Plan fiduciary net position - ending (b)	11,267,469	13,963,189	11,571,501	11,033,772	11,231,158
Net pension liability (asset)- ending (a) - (b)	<u>531,294</u>	<u>(2,697,889)</u>	<u>(790,840)</u>	<u>(678,966)</u>	<u>(1,259,967)</u>

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

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2023
"Unaudited"

<u>For the Year Ended June 30,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>(cont.) 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%
Total pension liability - ending (a)	9,542,675	9,157,022	9,290,554	9,135,617
Plan fiduciary net position - ending (b)	10,568,727	9,412,860	8,616,930	8,687,731
Net pension liability (asset)- ending (a) - (b)	<u>(1,026,052)</u>	<u>(255,838)</u>	<u>673,624</u>	<u>447,886</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2023
"Unaudited"

<u>For the Year Ended June 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 194,365	\$ 227,517	\$ 223,226	\$ 23,992	\$ 22,645
Contributions in relation to the contractually required contribution	194,365	227,517	223,226	23,992	22,645
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered payroll	\$ 4,473,477	\$ 3,750,995	\$ 3,195,835	\$ 3,087,120	\$ 2,719,555
Contributions as a percentage of covered payroll	4.34%	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.

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2023
"Unaudited"

<u>For the Year Ended June 30,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>(cont.) 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%

The accompanying notes are an integral part of this statement.

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, 2023
"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, 2023. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2023 reported in that schedule:

Valuation Date	January 1, 2023
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, 2023
(Required Supplementary Information)

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 5,620,035	\$ 5,620,035	\$ 5,620,035	\$ -
RESOURCES (INFLOWS)				
Taxes	4,551,889	5,059,209	5,544,390	485,181
Licenses and permits	186,740	456,740	573,989	117,249
Intergovernmental	1,026,713	1,671,022	1,479,914	(191,108)
Fines and forfeitures	333,000	333,000	257,649	(75,351)
Charges for services	1,977,422	2,138,327	2,300,982	162,655
Contributions and donations	14,000	14,000	8,000	(6,000)
Investment income	5	5	17	12
Miscellaneous	252,000	852,000	21,134	(830,866)
Sale of City property	3,000	913,077	925,324	12,247
Transfers in	873,596	873,596	147,086	(726,510)
Total Resources (Inflows)	<u>9,218,365</u>	<u>12,310,976</u>	<u>11,258,485</u>	<u>(1,052,491)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>14,838,400</u>	<u>17,931,011</u>	<u>16,878,520</u>	<u>(1,052,491)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	211,845	239,226	239,226	-
Administrative	443,717	484,717	481,016	3,701
Finance	631,239	1,498,539	594,685	903,854
Data processing/MIS	237,980	319,989	317,508	2,481
Total General Government	<u>1,524,781</u>	<u>2,542,471</u>	<u>1,632,435</u>	<u>910,036</u>
Public Safety				
Public safety administration	99,000	-	-	-
Police	2,867,539	2,970,539	2,709,812	260,727
Fire	319,556	428,556	322,892	105,664
Total Public Safety	<u>3,286,095</u>	<u>3,399,095</u>	<u>3,032,704</u>	<u>366,391</u>
Public Works				
Public works	1,765,810	2,486,710	2,482,286	4,424
Garbage	191,037	218,537	212,753	5,784
Total Public Works	<u>1,956,847</u>	<u>2,705,247</u>	<u>2,695,039</u>	<u>10,208</u>
Recreation and Culture				
Recreation	568,687	580,687	566,486	14,201
Library	289,683	292,283	282,794	9,489
Civic Center and Tourism Authority	997,698	1,451,544	170,000	1,281,544
Total Recreation and Culture	<u>1,856,068</u>	<u>2,324,514</u>	<u>1,019,280</u>	<u>1,305,234</u>
Housing and development				
Planning and zoning	378,024	1,020,622	979,124	41,498
Downtown Development Authority	209,250	214,250	172,188	42,062
Total Housing and Development	<u>587,274</u>	<u>1,234,872</u>	<u>1,151,312</u>	<u>83,560</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>9,211,065</u>	<u>12,206,199</u>	<u>9,530,770</u>	<u>2,675,429</u>
CHANGE IN FUND BALANCE	<u>7,300</u>	<u>104,777</u>	<u>1,727,715</u>	<u>1,622,938</u>
FUND BALANCE, End of year	<u>\$ 5,627,335</u>	<u>\$ 5,724,812</u>	<u>\$ 7,347,750</u>	<u>\$ 1,622,938</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, 2023**

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 607	\$ 607	\$ 607	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	2,646,249	2,646,249	304,119	(2,342,130)
Investment income	600	600	8,754	8,154
Total Resources (Inflows)	<u>2,646,849</u>	<u>2,646,849</u>	<u>312,873</u>	<u>(2,333,976)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>2,647,456</u>	<u>2,647,456</u>	<u>313,480</u>	<u>(2,333,976)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public works	2,646,849	2,646,849	304,119	2,342,730
TOTAL CHARGES TO APPROPRIATIONS	<u>2,646,849</u>	<u>2,646,849</u>	<u>304,119</u>	<u>2,342,730</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>8,754</u>	<u>8,754</u>
FUND BALANCE, End of year	<u>\$ 607</u>	<u>\$ 607</u>	<u>\$ 9,361</u>	<u>\$ 8,754</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, 2023**

	<u>SPECIAL REVENUE FUNDS</u>		
	CONFISCATED ASSETS	FIRE DISTRICT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ -	\$ 217,568	\$ 217,568
Interfund receivables	-	77,512	77,512
Restricted assets:			
Cash	232,217	-	232,217
TOTAL ASSETS	<u>\$ 232,217</u>	<u>\$ 295,080</u>	<u>\$ 527,297</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,580	\$ -	\$ 5,580
Interfund payables	16,467	-	16,467
Unearned revenue	24,868	-	24,868
TOTAL LIABILITIES	<u>46,915</u>	<u>-</u>	<u>46,915</u>
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	<u>46,915</u>	<u>-</u>	<u>46,915</u>
FUND BALANCES			
Restricted:			
Public safety programs	<u>185,302</u>	<u>295,080</u>	<u>480,382</u>
TOTAL FUND BALANCES	<u>185,302</u>	<u>295,080</u>	<u>480,382</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 232,217</u>	<u>\$ 295,080</u>	<u>\$ 527,297</u>

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	SPECIAL REVENUE FUNDS		
	CONFISCATED ASSETS	FIRE DISTRICT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Fines and forfeitures	\$ 48,219	\$ -	\$ 48,219
Charges for services	-	259,920	259,920
Investment income	105	145	250
TOTAL REVENUES	48,324	260,065	308,389
EXPENDITURES			
Current Expenditures			
Public safety	65,433	-	65,433
TOTAL EXPENDITURES	65,433	-	65,433
EXCESS (DEFICIENCY) OF REVENUES OVER(Under) EXPENDITURES	(17,109)	260,065	242,956
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(147,086)	(147,086)
TOTAL OTHER FINANCING SOURCES (USES)	-	(147,086)	(147,086)
NET CHANGE IN FUND BALANCES	(17,109)	112,979	95,870
FUND BALANCES, Beginning of year	202,411	182,101	384,512
FUND BALANCES, End of year	\$ 185,302	\$ 295,080	\$ 480,382

CITY OF COMMERCE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2023

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 202,411	\$ 202,411	\$ 202,411	\$ -
RESOURCES (INFLOWS)				
Fines and forfeitures	232,231	262,231	48,219	(214,012)
Investment income	-	-	105	105
Total Resources (Inflows)	<u>232,231</u>	<u>262,231</u>	<u>48,324</u>	<u>(213,907)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>434,642</u>	<u>464,642</u>	<u>250,735</u>	<u>(213,907)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	232,231	262,231	65,433	196,798
TOTAL CHARGES TO APPROPRIATIONS	<u>232,231</u>	<u>262,231</u>	<u>65,433</u>	<u>196,798</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(17,109)</u>	<u>(17,109)</u>
FUND BALANCE, End of year	<u>\$ 202,411</u>	<u>\$ 202,411</u>	<u>\$ 185,302</u>	<u>\$ (17,109)</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, 2023**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 182,101	\$ 182,101	\$ 182,101	\$ -
RESOURCES (INFLOWS)				
Charges for services	240,000	240,000	259,920	19,920
Investment income	-	-	145	145
Miscellaneous	174,871	174,871	-	(174,871)
Total Resources (Inflows)	<u>414,871</u>	<u>414,871</u>	<u>260,065</u>	<u>(154,806)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>596,972</u>	<u>596,972</u>	<u>442,166</u>	<u>(154,806)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	191,924	191,924	-	191,924
Transfers out	222,947	222,947	147,086	75,861
TOTAL CHARGES TO APPROPRIATIONS	<u>414,871</u>	<u>414,871</u>	<u>147,086</u>	<u>267,785</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>112,979</u>	<u>112,979</u>
FUND BALANCE, End of year	<u>\$ 182,101</u>	<u>\$ 182,101</u>	<u>\$ 295,080</u>	<u>\$ 112,979</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, 2023

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	REVOLVING LOAN FUND	INTERNET SERVICE FUND	TOTAL NON-MAJOR PROPRIETARY FUNDS
ASSETS			
Current Assets			
Cash	\$ -	\$ 458,621	\$ 458,621
Receivables (net of allowance for uncollectibles)	-	35,092	35,092
Interfund receivables	-	11,563	11,563
Prepaid items	-	2,427	2,427
Restricted assets:			
Cash	124,559	-	124,559
TOTAL CURRENT ASSETS	<u>124,559</u>	<u>507,703</u>	<u>632,262</u>
Noncurrent Assets			
Capital assets			
Capital assets being depreciated	-	462,252	462,252
Less: accumulated depreciation	-	(346,282)	(346,282)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>-</u>	<u>115,970</u>	<u>115,970</u>
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>115,970</u>	<u>115,970</u>
TOTAL ASSETS	<u>124,559</u>	<u>623,673</u>	<u>748,232</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>124,559</u>	<u>623,673</u>	<u>748,232</u>
LIABILITIES			
Current Liabilities			
Accounts payable	-	26,840	26,840
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>26,840</u>	<u>26,840</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>26,840</u>	<u>26,840</u>
NET POSITION			
Net investment in capital assets	-	115,970	115,970
Restricted for housing and development	124,495	-	124,495
Unrestricted	64	480,863	480,927
TOTAL NET POSITION	<u>\$ 124,559</u>	<u>\$ 596,833</u>	<u>\$ 721,392</u>

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2023

	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	\$ -	\$ 233,333	\$ 233,333
Connection fees	-	5,150	5,150
Total Operating Revenues	<u>-</u>	<u>238,483</u>	<u>238,483</u>
OPERATING EXPENSES			
Supplies	-	7,235	7,235
Other services and charges	-	32,421	32,421
Insurance premiums	-	2,699	2,699
Depreciation	-	49,340	49,340
Professional fees	-	7,444	7,444
Utilities	-	59,006	59,006
Total Operating Expenses	<u>-</u>	<u>158,145</u>	<u>158,145</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>80,338</u>	<u>80,338</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	64	56	120
Total Nonoperating Revenues (Expenses)	<u>64</u>	<u>56</u>	<u>120</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>64</u>	<u>80,394</u>	<u>80,458</u>
CHANGE IN NET POSITION	<u>64</u>	<u>80,394</u>	<u>80,458</u>
TOTAL NET POSITION, Beginning of year	<u>124,495</u>	<u>516,439</u>	<u>640,934</u>
TOTAL NET POSITION, End of year	<u>\$ 124,559</u>	<u>\$ 596,833</u>	<u>\$ 721,392</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, 2023

BUSINESS-TYPE ACTIVITIES-
ENTERPRISE FUNDS

	REVOLVING LOAN FUND	INTERNET SERVICE FUND	TOTAL NON-MAJOR PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	\$ -	\$ 226,925	\$ 226,925
Payments to suppliers	-	258,889	258,889
	<u>-</u>	<u>485,814</u>	<u>485,814</u>
Net cash provided by (used in) operating activities	-	485,814	485,814
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(31,150)	(31,150)
	<u>-</u>	<u>(31,150)</u>	<u>(31,150)</u>
Net cash provided (used) by capital and related financing activities	-	(31,150)	(31,150)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	64	57	121
	<u>64</u>	<u>57</u>	<u>121</u>
Net cash provided (used) by investing activities	64	57	121
Net increase (decrease) in cash and cash equivalents	64	454,721	454,785
CASH, Beginning of year	124,495	3,900	128,395
	<u>124,495</u>	<u>3,900</u>	<u>128,395</u>
CASH, End of year	<u>\$ 124,559</u>	<u>\$ 458,621</u>	<u>\$ 583,180</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ -	\$ 80,338	\$ 80,338
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	49,340	49,340
(Increase) decrease in:			
Accounts receivable	-	(11,558)	(11,558)
Due from other governments	-	-	-
Inventory	-	-	-
Deferred outflows for pensions	-	-	-
Prepaid expenses	-	(213)	(213)
Increase (decrease) in:			
Accounts payable	-	25,040	25,040
Compensated absences	-	-	-
Amounts held in trust	-	-	-
Customer deposits	-	-	-
Other accrued items	-	-	-
Net pension liability	-	-	-
Deferred inflows for pension	-	-	-
Due to other governments	-	(17,928)	(17,928)
Interfund balances	-	360,795	360,795
	<u>-</u>	<u>360,795</u>	<u>360,795</u>
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ 485,814</u>	<u>\$ 485,814</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, 2023**

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	\$ 31,700
Road and Bridge Improvements (1)	1,118,530	1,118,530	1,513,271	-
Recreation Improvements	1,118,530	1,118,530	1,257,171	68,159
Totals	\$ 4,067,380	\$ 4,067,380	\$ 4,915,504	99,859
JACKSON COUNTY SPLOST 6				
Recreation	\$ 746,064	\$ 746,064	\$ -	\$ 17,760
Roads and Bridges (1)	1,000,000	1,000,000	548,991	575,355
Water and Sewer	1,500,000	1,500,000	947,986	496,954
Public Safety	530,000	530,000	277,799	78,339
Tourism and Culture	808,236	808,236	299,688	451,668
Totals	\$ 4,584,300	\$ 4,584,300	\$ 2,074,464	1,620,076
Total of all SPLOSTS above				\$ 1,719,935

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

Expenditures	\$ 1,303,442
Transfers in and out	528,676
Expenditures paid with other sources	(112,183)
Total	\$ 1,719,935

(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

January 8, 2024

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, and each major fund of City of Commerce, Georgia, as of and for the year ended June 30, 2023, 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 January 8, 2024.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described below as 2023-001 and 2023-002 to be significant deficiencies.

Significant Deficiencies:

2023-01 Statement of Condition:

During fieldwork, we noted that proceeds from the Axon Lease were not recorded.

Criteria:

In order to ensure proper internal controls, proceeds and related capital outlay for all approved agreements should be recorded.

Effect of Condition:

Capital outlay is understated due to the failure to record new debt agreements.

Cause of Condition:

The City did not properly account for new debt agreements.

Recommendation:

We recommend the City implementing a review process to ensure all approved contracts are recognized and recorded timely.

Response:

During the fiscal year there were changes in staff, and this lease was not properly communicated or recognized under new GASB laws. New processes will be implemented to have all contracts and lease agreements reviewed by the Finance Director to ensure that they are properly recorded.

2023-02 Statement of Condition:

During fieldwork, we noted the bank reconciliations for the Gas, Payroll, Capital, Electric, ARPA, and Operating Fund accounts were not properly reconciled.

Criteria:

In order to ensure proper internal controls, reconciliations should agree to the general ledger at year end.

Effect of Condition:

The risk of material misstatement and misappropriation of cash increases when cash is not correctly reconciled to the bank statements.

Cause of Condition:

Client completed the reconciliation before entering all transactions.

Recommendation:

We recommend bank reconciliations are properly reconciled to the book balance each month.

Response:

The City is implementing a new process to reconcile all accounts through the BS&A system. Currently, only several of them are being reconciled in the system, and the others are reconciled using Excel. There has been some confusion in the wording on the reconciliations using Excel, so moving forward there will be clear agreement to the General Ledger.

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.

Bates, Carter & Co., LLP