

**CITY OF COMMERCE, GEORGIA**

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

**Year Ended June 30, 2020**

**CITY OF COMMERCE, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

December 16, 2020

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

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements, which collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *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, and Budgetary Comparison Schedule - General Fund 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.

### *Other 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 Sales Tax Proceeds 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 Sales Tax Proceeds, 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 combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the Schedule of Projects Constructed with Special Sales Tax Proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020 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 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, 2020. 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 \$65,729,550 (presented as "net position"). Of this amount, \$15,459,181 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. \$33,899,857 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 \$16,370,512.

The City's total net position increased by \$2,475,586 in fiscal year 2020.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,416,803. Of this amount, 44.1% or \$3,267,530 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 \$3,267,530 or 41.80% 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 absence.

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 fund 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 seven 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, SPLOST, Confiscated Assets and Fire District. The General Fund and SPLOST Fund 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 49 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 pages 50 to 61 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 \$65,729,550 as of June 30, 2020 and by \$63,253,964 as of June 30, 2019.

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, 2020**  
(\$ In thousands)

	<b>GOVERNMENTAL ACTIVITIES</b>		<b>BUSINESS-TYPE ACTIVITIES</b>		<b>TOTAL</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>						
Current and other assets	\$ 8,621	\$ 8,454	\$ 24,691	\$ 23,162	\$ 33,312	\$ 31,616
Capital assets (net of depreciation)	15,068	15,337	39,155	39,563	54,223	54,900
<b>TOTAL ASSETS</b>	<u>23,689</u>	<u>23,791</u>	<u>63,846</u>	<u>62,725</u>	<u>87,535</u>	<u>86,516</u>
Total deferred outflows of resources	<u>130</u>	<u>111</u>	<u>550</u>	<u>636</u>	<u>680</u>	<u>747</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	472	544	20,236	21,057	20,708	21,601
Other liabilities	678	482	910	1,255	1,588	1,737
<b>TOTAL LIABILITIES</b>	<u>1,150</u>	<u>1,026</u>	<u>21,146</u>	<u>22,312</u>	<u>22,296</u>	<u>23,338</u>
Total deferred inflows of resources	<u>107</u>	<u>480</u>	<u>82</u>	<u>191</u>	<u>189</u>	<u>671</u>
<b>Net position</b>						
Net investment in capital assets	14,666	14,916	19,234	21,367	33,900	36,283
Restricted	3,579	3,729	12,792	8,927	16,371	12,656
Unrestricted	4,317	3,751	11,142	10,564	15,459	14,315
<b>TOTAL NET POSITION</b>	<u>\$ 22,562</u>	<u>\$ 22,396</u>	<u>\$ 43,168</u>	<u>\$ 40,858</u>	<u>\$ 65,730</u>	<u>\$ 63,254</u>

Table may not add due to rounding

An additional portion of the City's net position 24.91% represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$15,459,181, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2020, and June 30, 2019, 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**

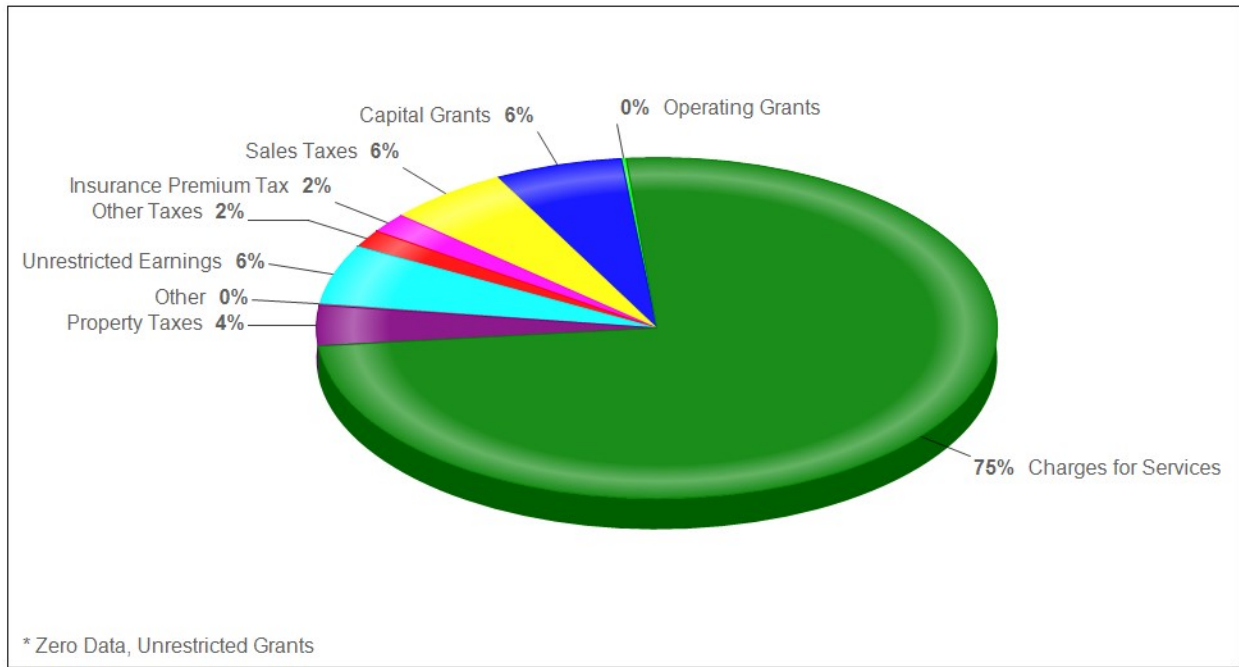
The following table provides a summary of the City's operations for the years ended June 30, 2020 and June 30, 2019. Governmental activities increased the City's net position by \$165,664 for the year ended June 30, 2020, and increased net position by \$907,664 for the year ended June 30, 2019. Business-type activities increased the City's net position by \$2,309,922 for the year ended June 30, 2020, and increased the City's net position by \$3,101,782 for the year ended June 30, 2019.

**CITY OF COMMERCE, GEORGIA'S CHANGES IN NET POSITION**  
**JUNE 30, 2020**  
(\$ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
REVENUES						
Program revenues:	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Charges for services	\$ 3,588	\$ 2,939	\$ 16,206	\$ 16,011	\$ 19,794	\$ 18,950
Operating grants and contributions	70	62	-	-	70	62
Capital grants and contributions	1,267	1,421	346	1,227	1,613	2,648
General Revenues:						
Property taxes	1,013	914	-	-	1,013	914
Sales taxes	1,525	1,381	-	-	1,525	1,381
Insurance premium tax	499	470	-	-	499	470
Other taxes	459	427	-	-	459	427
Unrestricted investment earnings	-	3	1,492	1,483	1,492	1,486
Other	33	2	(30)	-	3	2
<b>TOTAL REVENUES</b>	<u>8,454</u>	<u>7,619</u>	<u>18,014</u>	<u>18,721</u>	<u>26,468</u>	<u>26,340</u>
EXPENSES						
General Government	1,516	1,436	-	-	1,516	1,436
Judicial	-	-	-	-	-	-
Public safety	2,514	2,321	-	-	2,514	2,321
Public works	2,113	1,794	-	-	2,113	1,794
Health and welfare	3	3	-	-	3	3
Recreation and culture	967	889	-	-	967	889
Housing and development	915	582	-	-	915	582
Interest	10	12	-	-	10	12
Water and sewer system	-	-	5,835	4,845	5,835	4,845
Electric system	-	-	7,053	6,941	7,053	6,941
Natural gas system	-	-	2,948	3,347	2,948	3,347
Internet service	-	-	118	147	118	147
Revolving loan	-	-	-	14	-	14
<b>TOTAL EXPENSES</b>	<u>8,038</u>	<u>7,037</u>	<u>15,954</u>	<u>15,294</u>	<u>23,992</u>	<u>22,331</u>
Increases in net assets before transfers	416	582	2,060	3,427	2,476	4,009
Transfers	(250)	325	250	(325)	-	-
Increase in net position	166	907	2,310	3,102	2,476	4,009
Net position, beginning of year	22,396	21,489	40,858	37,756	63,254	59,245
Net position, end of year	<u>\$ 22,562</u>	<u>\$ 22,396</u>	<u>\$ 43,168</u>	<u>\$ 40,858</u>	<u>\$ 65,730</u>	<u>\$ 63,254</u>

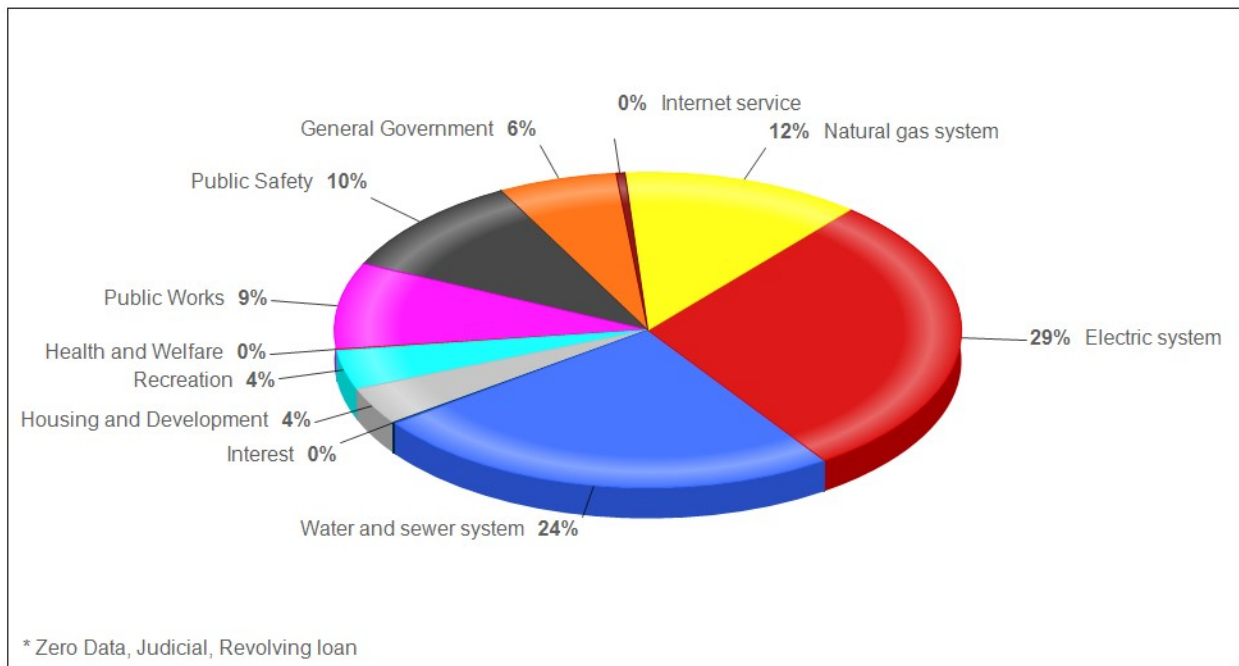
Total government-wide revenues for 2020 were \$26.47 million. These revenues consisted of \$3.50 million in taxes, \$1.68 million in grants and contributions, \$1.49 million in investment earnings and \$19.79 million in charges for services. Of this amount, \$3.6 million was in governmental activities and \$16.2 million in business-type activities.

## REVENUES BY SOURCE-GOVERNMENT-WIDE ACTIVITY



Government-wide expenses were \$23.99 million for 2020, of which \$8.04 million were for governmental activities and \$15.95 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.

The General Fund is the main fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,267,530, while total fund balance reached \$3,550,518. 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 45.13% of total expenditures, and transfers out, while total fund balance represents 49.04% of that same amount.

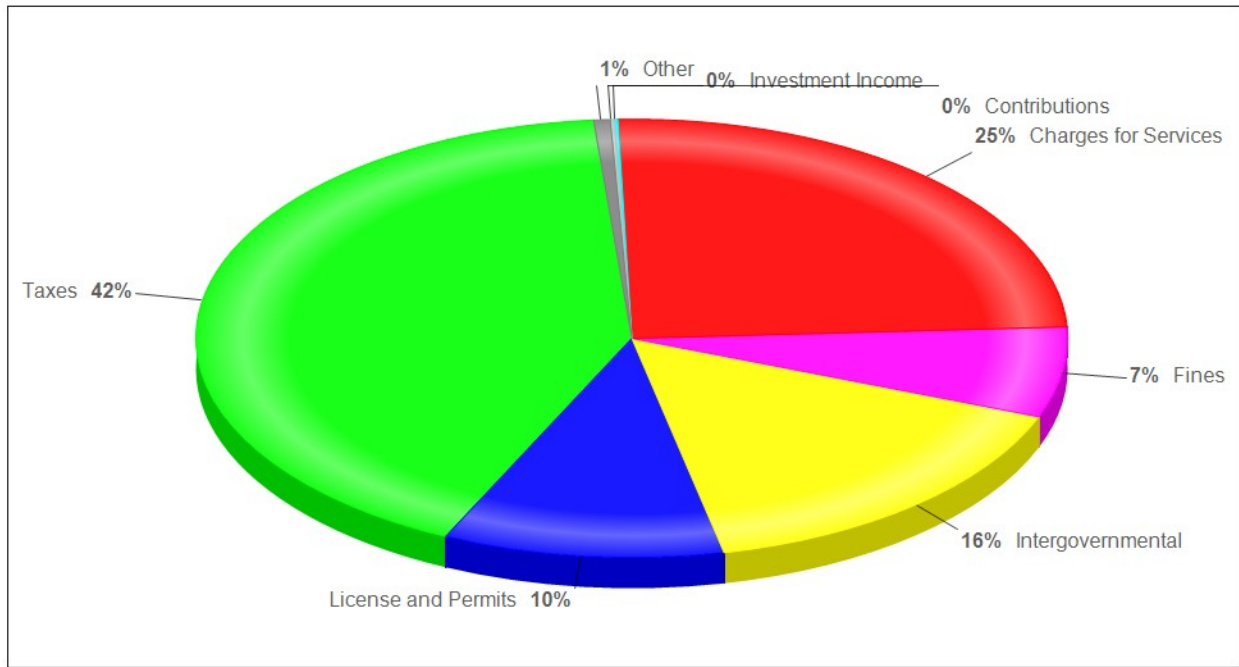
The General Fund's fund balance increased by \$253,880 during the current fiscal year. This is primarily a result of increased revenues and controlled spending throughout the fiscal year.

### **SPLOST Funds**

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 decreased by \$215,557 in the SPLOST Fund. This is primarily a result of spending for approved projects using prior year funds.

The "other governmental funds" fund balances increased by \$362,651 during the current fiscal year. The increases were mainly due to reduced capital spending. In addition, due to the nature of the Confiscated Asset Fund, revenues are not predictable or stable and reserves from prior years are only used if necessary.

## 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 \$2,700,780. For the fiscal year ended 2020, the Water and Sewer system had an increase in net position of \$701,961, the majority of which can be attributed to capital contributions from SPLOST. Overall, Water and Sewer did see a slight increase in new customers and consumption demand.

The Electric System Fund is used to account for the provision of electricity services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electric system, and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for electric system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Electric Fund is \$4,637,761. In the current year, the Electric system had an increase in net position of \$1,154,593, which is primarily a result of increased demand during the

summer and winter months and improved investment returns. The majority of this surplus is being set aside in a restricted capacity to help lower the wholesale costs for electricity when the City starts to receive power from the nuclear plant expansion at Plant Vogtle in November of 2021.

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 \$3,590,364. In the current fiscal year 2020, the Natural Gas Fund had an increase in net position of \$378,268, which results from controlled spending 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, 2020, amounts to \$54,223,251 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 \$34,445 on buildings and improvements.
- The City spent \$45,599 on machinery and equipment.
- The City spent \$52,964 on vehicles.
- The City spent \$413,037 on infrastructure.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,817,024	\$ 2,817,024	\$ 319,771	\$ 319,771	\$ 3,136,795	\$ 3,136,795
Construction in process	6,684	44,147	-	10,224,869	6,684	10,269,016
Building and improvements	7,917,529	7,448,546	26,252,621	18,264,916	34,170,150	25,713,462
Utility system infrastructure	-	-	48,884,521	45,436,179	48,884,521	45,436,179
Furniture, fixtures and equipment	-	1,485,747	-	-	-	1,485,747
Machinery and equipment	2,162,951	-	3,138,461	2,086,731	5,301,412	2,086,731
Computers and equipment	-	589,764	378,416	328,302	378,416	918,066
Infrastructure	10,459,568	10,430,780	-	-	10,459,568	10,430,780
Vehicles	3,046,295	2,975,785	1,160,808	1,160,808	4,207,103	4,136,593
Accumulated depreciation	(11,341,934)	(10,454,441)	(40,979,462)	(38,258,880)	(52,321,396)	(48,713,321)
Total	<u>\$ 15,068,117</u>	<u>\$ 15,337,352</u>	<u>\$ 39,155,136</u>	<u>\$ 39,562,696</u>	<u>\$ 54,223,253</u>	<u>\$ 54,900,048</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 \$20,168,251 in outstanding debt consisting of revenue bonds, capital leases and notes payable. All of the debt was secured by specific revenue sources or capital assets.

**CITY OF COMMERCE, GEORGIA'S OUTSTANDING DEBT - PRIMARY GOVERNMENT  
JUNE 30, 2020**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
Capital leases payable	\$ 210,339	\$ 292,083	\$ 1,101,167	\$ 1,367,732	\$ 1,311,506	\$ 1,659,815
Notes Payable	104,137	128,923	9,772,608	9,477,223	9,876,745	9,606,146
Revenue bonds	-	-	8,980,000	9,860,000	8,980,000	9,860,000
Total	<u>\$ 314,476</u>	<u>\$ 421,006</u>	<u>\$ 19,853,775</u>	<u>\$ 20,704,955</u>	<u>\$ 20,168,251</u>	<u>\$ 21,125,961</u>

The City's total debt (not including compensated absences and other long-term operating liabilities) decreased by \$957,710, during the current fiscal year mostly attributable to the acquisition of GEFA notes payable for water and sewer capital outlay. 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 2020-2021 budget, General Fund revenues and expenditures are budgeted to decrease by \$142,231 or almost 2% from the 2019-2020 actuals. This decrease is indicative of a relatively flat budget along with controlled spending with stable revenues.



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

The Water & Sewer fund is due for a rate review in fiscal year 2020-2021 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 conducted a capacity and delivery study for the Grove Creek Reservoir, the distribution system, and the North Side Treatment Plant. This study will help staff to plan and implement a capital improvement strategy.

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, 2020**

ASSETS	<b>PRIMARY GOVERNMENT</b>			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Cash	\$ 7,308,339	\$ 6,728,288	\$ 14,036,627	\$ 74,880
Investments	-	2,744,802	2,744,803	-
Receivables	592,165	1,727,197	2,319,362	-
Internal balances	(278,176)	278,177	-	-
Due from component unit/primary government	-	-	-	203,839
Inventories	30,858	-	30,858	-
Prepaid items	231,893	242,275	474,168	5,879
Restricted assets:				
Cash	235,273	7,261,607	7,496,880	2,691
Investments	-	5,529,866	5,529,866	-
Non-current assets:				
Net pension asset	500,226	178,740	678,966	-
Capital assets:				
Capital assets not being depreciated	2,823,708	319,771	3,143,479	319,907
Capital assets being depreciated	23,586,343	79,814,827	103,401,170	2,368,434
Less: accumulated depreciation	(11,341,934)	(40,979,462)	(52,321,396)	(1,177,897)
Capital assets, net of depreciation	<u>15,068,117</u>	<u>39,155,136</u>	<u>54,223,253</u>	<u>1,510,444</u>
TOTAL ASSETS	<u>23,688,695</u>	<u>63,846,088</u>	<u>87,534,783</u>	<u>1,797,733</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred for bond refunding	-	493,140	493,140	-
Pension expense	130,043	56,591	186,634	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>130,043</u>	<u>549,731</u>	<u>679,774</u>	<u>-</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>23,818,738</u>	<u>64,395,819</u>	<u>88,214,557</u>	<u>1,797,733</u>
LIABILITIES				
Accounts payable	323,782	837,536	1,161,318	21,454
Accrued interest payable	-	39,783	39,783	1,011
Other accrued items	150,771	33,011	183,782	5,706
Due to component units	203,839	-	203,839	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	53,402	-	53,402	5,098
Notes from direct borrowings	25,271	598,913	624,184	69,011
Capital leases payable	83,344	278,900	362,244	-
Revenue bonds from direct borrowings	-	900,000	900,000	-
Due in more than one year				
Compensated absences payable	103,663	63,224	166,887	-
Customer Deposits	-	319,150	319,150	-
Notes from direct borrowings	78,866	9,173,695	9,252,561	-
Capital leases payable	126,995	822,267	949,262	-
Revenue bonds from direct borrowings	-	8,080,000	8,080,000	-
TOTAL LIABILITIES	<u>1,149,933</u>	<u>21,146,479</u>	<u>22,296,412</u>	<u>102,280</u>
DEFERRED INFLOWS OF RESOURCES				
Pension expense	106,756	81,839	188,595	250
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>106,756</u>	<u>81,839</u>	<u>188,595</u>	<u>250</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>1,256,689</u>	<u>21,228,318</u>	<u>22,485,007</u>	<u>102,530</u>
NET POSITION				
Net investment in capital assets	14,665,798	19,234,059	33,899,857	1,441,433
Restricted for:				
Capital projects	-	2,414,001	2,414,001	-
Municipal Competitive Trust Agreement	-	10,253,002	10,253,002	-
Sales tax referendum projects	3,018,260	-	3,018,260	-
Public safety programs	550,542	-	550,542	-
Housing and development programs	-	124,470	124,470	-
Cemetery	10,237	-	10,237	-
Unrestricted	4,317,212	11,141,969	15,459,181	253,770
TOTAL NET POSITION	<u>\$ 22,562,049</u>	<u>\$ 43,167,501</u>	<u>\$ 65,729,550</u>	<u>\$ 1,695,203</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

FUNCTIONS/PROGRAMS	.....PROGRAM 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	\$ 1,515,835	\$ 1,956,640	\$ 14,929	\$ -	\$ 455,734	\$ -	\$ 455,734	\$ -
Judicial	-	463,325	-	-	463,325	-	463,325	-
Public safety	2,513,723	334,286	54,842	133,631	(1,990,964)	-	(1,990,964)	-
Public works	2,112,737	721,424	-	741,680	(649,633)	-	(649,633)	-
Public health and welfare	3,179	14,000	-	-	10,821	-	10,821	-
Recreation and culture	966,558	80,530	-	188,108	(697,920)	-	(697,920)	-
Housing and development	914,715	15,535	-	203,783	(695,397)	-	(695,397)	-
Interest	9,509	-	-	-	(9,509)	-	(9,509)	-
Total Governmental Activities	<u>8,036,256</u>	<u>3,585,740</u>	<u>69,771</u>	<u>1,267,202</u>	<u>(3,113,543)</u>	<u>-</u>	<u>(3,113,543)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES								
Water and sewer	5,834,647	5,415,907	-	346,432	-	(72,308)	(72,308)	-
Internet Service	117,983	192,929	-	-	-	74,946	74,946	-
Electric System	7,053,003	7,085,760	-	-	-	32,757	32,757	-
Natural Gas System	2,948,451	3,510,933	-	-	-	562,482	562,482	-
Total Business-Type Activities	<u>15,954,084</u>	<u>16,205,529</u>	<u>-</u>	<u>346,432</u>	<u>-</u>	<u>597,877</u>	<u>597,877</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 23,990,340</u>	<u>\$ 19,791,269</u>	<u>\$ 69,771</u>	<u>\$ 1,613,634</u>	<u>(3,113,543)</u>	<u>597,877</u>	<u>(2,515,666)</u>	<u>-</u>
COMPONENT UNITS								
Development Authority	\$ 212,976	\$ 15,005	\$ 189,282	-	-	-	-	(8,689)
Civic Center	118,334	94,937	-	-	-	-	-	(23,397)
TOTAL COMPONENT UNITS	<u>\$ 331,310</u>	<u>\$ 109,942</u>	<u>\$ 189,282</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,086)</u>
GENERAL REVENUES								
Property taxes					1,013,256	-	1,013,256	-
Sales taxes					1,524,648	-	1,524,648	-
Insurance premium taxes					498,607	-	498,607	-
Other taxes					459,132	-	459,132	-
Total taxes					3,495,643	-	3,495,643	-
Unrestricted investment earnings					392	1,491,763	1,492,155	44
Gain on sale of capital assets					33,454	(30,000)	3,454	-
TRANSFERS					(250,282)	250,282	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>3,279,207</u>	<u>1,712,045</u>	<u>4,991,252</u>	<u>44</u>
CHANGES IN NET POSITION					165,664	2,309,922	2,475,586	(32,042)
NET POSITION, Beginning					22,396,385	40,857,579	63,253,964	1,727,245
NET POSITION, Ending					<u>\$ 22,562,049</u>	<u>\$ 43,167,501</u>	<u>\$ 65,729,550</u>	<u>\$ 1,695,203</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash	\$ 3,944,981	\$ 3,020,055	\$ 343,303	\$ 7,308,339
Receivables	374,854	217,311	-	592,165
Interfund receivables	213,260	-	297,483	510,743
Prepaid items	231,893	-	-	231,893
Inventories	30,858	-	-	30,858
Restricted assets:				
Cash	10,237	-	225,036	235,273
<b>TOTAL ASSETS</b>	<u>\$ 4,806,083</u>	<u>\$ 3,237,366</u>	<u>\$ 865,822</u>	<u>\$ 8,909,271</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 258,954	\$ 56,910	\$ 7,919	\$ 323,783
Other accrued items	150,771	-	-	150,771
Interfund payables	616,846	162,196	9,878	788,920
Due to component units	203,839	-	-	203,839
<b>TOTAL LIABILITIES</b>	<u>1,230,410</u>	<u>219,106</u>	<u>17,797</u>	<u>1,467,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	25,155	-	-	25,155
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>25,155</u>	<u>-</u>	<u>-</u>	<u>25,155</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>1,255,565</u>	<u>219,106</u>	<u>17,797</u>	<u>1,492,468</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenditure	231,893	-	-	231,893
Inventories	30,858	-	-	30,858
Restricted:				
Sales tax referendum projects	-	3,018,260	-	3,018,260
Cemetery	10,237	-	-	10,237
Public safety programs	-	-	550,542	550,542
Assigned:				
Capital equipment and infrastructure	-	-	297,483	297,483
Next year's budget	10,000	-	-	10,000
Unassigned:	3,267,530	-	-	3,267,530
<b>TOTAL FUND BALANCES</b>	<u>3,550,518</u>	<u>3,018,260</u>	<u>848,025</u>	<u>7,416,803</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 4,806,083</u>	<u>\$ 3,237,366</u>	<u>\$ 865,822</u>	<u>\$ 8,909,271</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF**  
**NET POSITION**  
**For the Year Ended June 30, 2020**

<b>Total Fund Balances for Governmental Funds (page 3)</b>		\$ 7,416,803
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.		15,068,117
Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds.		
Net pension asset	500,226	
Deferred inflows (outflows) - pension expense	<u>23,287</u>	
		523,513
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	<u>25,155</u>	
		25,155
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	(157,065)	
Capital leases	(210,339)	
Notes from direct borrowings	<u>(104,137)</u>	
		(471,541)
Rounding		<u>2</u>
<b>Total net position of governmental activities (page 1)</b>		<b><u><u>\$ 22,562,049</u></u></b>

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, 2020**

	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 3,510,667	\$ -	\$ -	\$ 3,510,667
Licenses and permits	876,839	-	-	876,839
Intergovernmental	60,536	1,266,840	-	1,327,376
Fines and forfeitures	466,977	-	92,711	559,688
Charges for services	1,844,663	-	238,818	2,083,481
Contributions and donations	9,236	-	-	9,236
Investment income	95	361	296	752
Miscellaneous	65,732	-	-	65,732
<b>TOTAL REVENUES</b>	<b><u>6,834,745</u></b>	<b><u>1,267,201</u></b>	<b><u>331,825</u></b>	<b><u>8,433,771</u></b>
<b>EXPENDITURES</b>				
Current Expenditures				
General government	1,344,721	-	-	1,344,721
Public safety	2,245,322	-	33,286	2,278,608
Public works	1,397,186	318,790	-	1,715,976
Recreation and culture	791,721	1,000	-	792,721
Housing and development	826,886	84,704	-	911,590
Capital outlay	191,139	413,037	77,507	681,683
Debt service				
Principal	83,531	-	23,000	106,531
Interest	9,509	-	-	9,509
<b>TOTAL EXPENDITURES</b>	<b><u>6,890,015</u></b>	<b><u>817,531</u></b>	<b><u>133,793</u></b>	<b><u>7,841,339</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<b><u>(55,270)</u></b>	<b><u>449,670</u></b>	<b><u>198,032</u></b>	<b><u>592,432</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of City property	58,824	-	-	58,824
Transfers in	600,326	-	350,000	950,326
Transfers out	(350,000)	(665,227)	(185,381)	(1,200,608)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>309,150</u></b>	<b><u>(665,227)</u></b>	<b><u>164,619</u></b>	<b><u>(191,458)</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b><u>253,880</u></b>	<b><u>(215,557)</u></b>	<b><u>362,651</u></b>	<b><u>400,974</u></b>
FUND BALANCES, Beginning of year	3,296,638	3,233,817	485,374	7,015,829
FUND BALANCES, End of year	<b><u>\$ 3,550,518</u></b>	<b><u>\$ 3,018,260</u></b>	<b><u>\$ 848,025</u></b>	<b><u>\$ 7,416,803</u></b>

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, 2020**

<b>Net change in fund balances (page 5)</b>		\$ 400,974
<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	681,683	
Depreciation expense	<u>(925,548)</u>	(243,865)
<p>In the statement of activities, only the gain/loss on the sale of various capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.</p>		
Net book value of capital assets sold	<u>(25,370)</u>	(25,370)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	<u>25,155</u>	25,155
<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>(40,180)</u>	(40,180)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.</p>		
Principal payments on long-term debt, including payments to refunding escrow	<u>106,531</u>	106,531
<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	(157,065)	
Compensated absences, prior year	<u>123,218</u>	(33,847)
<p>Net pension liability (asset) is not available during the current period and therefore is not reported in the funds.</p>		
End of year	500,226	
Beginning of year	<u>(916,117)</u>	(415,891)
<p>Contributions made after pension measurement date and changes to the pension plan actuarial assumptions are reported in deferred outflows.</p>		
End of year	130,043	
Beginning of year	<u>(111,023)</u>	19,020
<p>Projected pension plan activity is reported in deferred inflows.</p>		
End of year	(106,756)	
Beginning of year	<u>479,893</u>	373,137
<b>Changes in net position of governmental activities (page 2)</b>		<u>\$ 165,664</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2020**

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS**

	<b>WATER &amp; SEWER FUND</b>	<b>ELECTRIC SYSTEM FUND</b>	<b>NATURAL GAS SYSTEM FUND</b>	<b>NONMAJOR PROPRIETARY FUNDS</b>	<b>TOTAL</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 1,507,856	\$ 1,599,199	\$ 3,617,289	\$ 3,944	\$ 6,728,288
Investments	-	2,744,802	-	-	2,744,802
Receivables (net of allowance for uncollectibles)	571,540	888,137	245,930	21,590	1,727,197
Interfund receivables	124,107	-	-	195,256	319,363
Prepaid items	151,301	34,980	55,994	-	242,275
<b>Restricted assets:</b>					
Cash	2,414,001	4,723,136	-	124,470	7,261,607
Investments	-	5,529,866	-	-	5,529,866
<b>TOTAL CURRENT ASSETS</b>	<b>4,768,805</b>	<b>15,520,120</b>	<b>3,919,213</b>	<b>345,260</b>	<b>24,553,398</b>
<b>Noncurrent Assets</b>					
Net pension asset	81,818	58,170	38,752	-	178,740
<b>Capital assets</b>					
Capital assets not being depreciated	230,997	30,032	58,742	-	319,771
Capital assets being depreciated	55,477,148	10,115,678	13,828,185	393,816	79,814,827
Less: accumulated depreciation	(27,410,313)	(6,985,058)	(6,370,693)	(213,398)	(40,979,462)
Total capital assets (net of accumulated depreciation)	28,297,832	3,160,652	7,516,234	180,418	39,155,136
<b>TOTAL NONCURRENT ASSETS</b>	<b>28,379,650</b>	<b>3,218,822</b>	<b>7,554,986</b>	<b>180,418</b>	<b>39,333,876</b>
<b>TOTAL ASSETS</b>	<b>33,148,455</b>	<b>18,738,942</b>	<b>11,474,199</b>	<b>525,678</b>	<b>63,887,274</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred for bond refunding	493,140	-	-	-	493,140
Pension expense	26,416	15,808	14,367	-	56,591
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>519,556</b>	<b>15,808</b>	<b>14,367</b>	<b>-</b>	<b>549,731</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>33,668,011</b>	<b>18,754,750</b>	<b>11,488,566</b>	<b>525,678</b>	<b>64,437,005</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	153,072	501,558	175,180	7,726	837,536
Accrued interest	35,304	-	4,479	-	39,783
Other accrued items	16,577	8,204	8,230	-	33,011
Interfund payables	-	9,049	32,137	-	41,186
Notes from direct borrowings	598,913	-	-	-	598,913
Capital leases payable	-	-	278,900	-	278,900
Revenue bonds payable	900,000	-	-	-	900,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,703,866</b>	<b>518,811</b>	<b>498,926</b>	<b>7,726</b>	<b>2,729,329</b>
<b>Noncurrent Liabilities</b>					
Customer deposits	72,839	132,681	113,630	-	319,150
Compensated absences payable	28,546	17,363	17,315	-	63,224
Notes from direct borrowings	9,173,695	-	-	-	9,173,695
Capital leases payable	-	-	822,267	-	822,267
Revenue bonds payable	8,080,000	-	-	-	8,080,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>17,355,080</b>	<b>150,044</b>	<b>953,212</b>	<b>-</b>	<b>18,458,336</b>
<b>TOTAL LIABILITIES</b>	<b>19,058,946</b>	<b>668,855</b>	<b>1,452,138</b>	<b>7,726</b>	<b>21,187,665</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension expense	16,362	34,480	30,997	-	81,839
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,362</b>	<b>34,480</b>	<b>30,997</b>	<b>-</b>	<b>81,839</b>
<b>TOTAL Liabilities &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>19,075,308</b>	<b>703,335</b>	<b>1,483,135</b>	<b>7,726</b>	<b>21,269,504</b>
<b>NET POSITION</b>					
Net investment in capital assets	9,477,922	3,160,652	6,415,067	180,418	19,234,059
Restricted for capital projects	2,414,001	-	-	-	2,414,001
Restricted for Municipal Competitive Trust Agreement	-	10,253,002	-	-	10,253,002
Restricted for housing and development	-	-	-	124,470	124,470
Unrestricted	2,700,780	4,637,761	3,590,364	213,064	11,141,969
<b>TOTAL NET POSITION</b>	<b>\$ 14,592,703</b>	<b>\$ 18,051,415</b>	<b>\$ 10,005,431</b>	<b>\$ 517,952</b>	<b>\$ 43,167,501</b>

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, 2020**

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS**

	<b>WATER &amp; SEWER FUND</b>	<b>ELECTRIC SYSTEM FUND</b>	<b>NATURAL GAS SYSTEM FUND</b>	<b>NONMAJOR PROPRIETARY FUNDS</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>					
Charges for sales and services:					
Charges for services	\$ 4,378,936	\$ 7,075,499	\$ 3,468,451	\$ 191,259	\$ 15,114,145
Connection fees	-	-	10,911	1,670	12,581
Other operating revenue	<u>1,036,971</u>	<u>10,261</u>	<u>31,571</u>	<u>-</u>	<u>1,078,803</u>
Total Operating Revenues	<u>5,415,907</u>	<u>7,085,760</u>	<u>3,510,933</u>	<u>192,929</u>	<u>16,205,529</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	736,313	694,592	638,882	-	2,069,787
Supplies	280,225	74,666	133,828	11,635	500,354
Other services and charges	655,226	6,184	39,866	(6,183)	695,093
Insurance premiums	64,036	36,732	38,173	-	138,941
Depreciation	1,880,308	329,857	471,036	39,382	2,720,583
Professional fees	1,054,848	11,148	21,551	7,964	1,095,511
Repairs and maintenance	318,461	70,564	46,537	300	435,862
Utilities	361,348	7,434	8,893	64,885	442,560
Utilities purchased for resale	-	5,821,826	1,496,791	-	7,318,617
Total Operating Expenses	<u>5,350,765</u>	<u>7,053,003</u>	<u>2,895,557</u>	<u>117,983</u>	<u>15,417,308</u>
OPERATING INCOME (LOSS)	<u>65,142</u>	<u>32,757</u>	<u>615,376</u>	<u>74,946</u>	<u>788,221</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	1,380	1,488,935	1,294	154	1,491,763
Interest expense	(483,882)	-	(52,894)	-	(536,776)
Gain (loss) on sale of capital assets	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Total Nonoperating Revenues (Expenses)	<u>(512,502)</u>	<u>1,488,935</u>	<u>(51,600)</u>	<u>154</u>	<u>924,987</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>					
	(447,360)	1,521,692	563,776	75,100	1,713,208
Intergovernmental capital grants	346,432	-	-	-	346,432
Transfer in	802,889	-	-	-	802,889
Transfer out	<u>-</u>	<u>(367,099)</u>	<u>(185,508)</u>	<u>-</u>	<u>(552,607)</u>
CHANGE IN NET POSITION	<u>701,961</u>	<u>1,154,593</u>	<u>378,268</u>	<u>75,100</u>	<u>2,309,922</u>
TOTAL NET POSITION, Beginning of year	<u>13,890,742</u>	<u>16,896,822</u>	<u>9,627,163</u>	<u>442,852</u>	<u>40,857,579</u>
TOTAL NET POSITION, End of year	<u>\$ 14,592,703</u>	<u>\$ 18,051,415</u>	<u>\$ 10,005,431</u>	<u>\$ 517,952</u>	<u>\$ 43,167,501</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, 2020**

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS**

	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR PROPRIETARY FUNDS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customer	\$ 5,531,301	\$ 7,231,336	\$ 3,525,485	\$ 183,126	\$ 16,471,248
Payments to suppliers	(4,005,461)	(5,620,070)	(739,538)	(155,639)	(10,520,708)
Payments to employees	(731,515)	(669,184)	(609,293)	-	(2,009,992)
Net cash provided by (used in) operating activities	<u>794,325</u>	<u>942,082</u>	<u>2,176,654</u>	<u>27,487</u>	<u>3,940,548</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers in (out)	<u>137,662</u>	<u>(367,099)</u>	<u>(185,508)</u>	<u>-</u>	<u>(414,945)</u>
Net cash provided (used) by non-capital financing activities	<u>137,662</u>	<u>(367,099)</u>	<u>(185,508)</u>	<u>-</u>	<u>(414,945)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(2,113,820)	(22,631)	(522,568)	(19,353)	(2,678,372)
Transfers in	665,227	-	-	-	665,227
Intergovernmental	346,432	-	-	-	346,432
Principal payments on debt	(1,273,005)	-	(266,565)	-	(1,539,570)
Proceeds from notes from direct borrowings	688,390	-	-	-	688,390
Interest paid	(376,092)	-	(54,940)	-	(431,032)
Net cash provided (used) by capital and related financing activities	<u>(2,062,868)</u>	<u>(22,631)</u>	<u>(844,073)</u>	<u>(19,353)</u>	<u>(2,948,925)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment earnings	1,380	1,282,168	1,294	154	1,284,996
Purchase of investments	-	3,356,467	-	-	3,356,467
Net cash provided (used) by investing activities	<u>1,380</u>	<u>4,638,635</u>	<u>1,294</u>	<u>154</u>	<u>4,641,463</u>
Net increase (decrease) in cash and cash equivalents	(1,129,501)	5,190,987	1,148,367	8,288	5,218,141
CASH, Beginning of year	<u>5,051,358</u>	<u>1,131,348</u>	<u>2,468,922</u>	<u>120,126</u>	<u>8,771,754</u>
CASH, End of year	<u>\$ 3,921,857</u>	<u>\$ 6,322,335</u>	<u>\$ 3,617,289</u>	<u>\$ 128,414</u>	<u>\$ 13,989,895</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 65,142	\$ 32,757	\$ 615,376	\$ 74,946	\$ 788,221
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,880,308	329,857	471,036	39,382	2,720,583
(Increase) decrease in:					
Accounts receivable	114,782	135,758	4,557	(16,538)	238,559
SKAPS note receivable	-	-	-	6,735	6,735
Deferred outflows for pensions	(3,232)	(4,770)	(4,554)	-	(12,556)
Prepaid expenses	(9,868)	(993)	(31,495)	-	(42,356)
Increase (decrease) in:					
Accounts payable	(61,527)	382	38,405	5,952	(16,788)
Compensated absences	1,512	504	7,486	-	9,502
Customer deposits	612	9,818	9,995	-	20,425
Other accrued items	3,524	1,489	1,405	-	6,418
Net pension liability (asset)	86,870	40,909	37,331	-	165,110
Deferred inflows for pension	(83,876)	(12,724)	(12,079)	-	(108,679)
Due to other governments	-	-	864	(7,360)	(6,496)
Interfund balances	(1,199,922)	409,095	1,038,327	(75,630)	171,870
Net cash provided by (used in) operating activities	<u>\$ 794,325</u>	<u>\$ 942,082</u>	<u>\$ 2,176,654</u>	<u>\$ 27,487</u>	<u>\$ 3,940,548</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>					
Net unrealized gain (loss) on investments	\$ -	\$ 206,765	\$ -	\$ -	\$ 206,765
Amortization of deferred charges	\$ (98,762)	\$ -	\$ -	\$ -	\$ (98,762)
Net book value of deletions from capital assets	<u>\$ (30,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,000)</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA  
 COMPONENT UNITS  
 COMBINING STATEMENT OF NET POSITION  
 June 30, 2020**

	<b>DOWNTOWN DEVELOPMENT AUTHORITY</b>	<b>CIVIC CENTER</b>	<b>HOSPITAL AUTHORITY</b>	<b>TOTAL COMPONENT UNITS</b>
<b>ASSETS</b>				
Cash	\$ 67,130	\$ -	\$ 7,750	\$ 74,880
Due from primary government	92,672	111,167	-	203,839
Prepaid items	2,953	2,926	-	5,879
Restricted assets:				
Cash	-	2,691	-	2,691
Capital assets:				
Capital assets not being depreciated	319,907	-	-	319,907
Capital assets being depreciated	813,395	1,555,039	-	2,368,434
Less: accumulated depreciation	<u>(389,252)</u>	<u>(788,645)</u>	<u>-</u>	<u>(1,177,897)</u>
Capital assets, net of depreciation	<u>744,050</u>	<u>766,394</u>	<u>-</u>	<u>1,510,444</u>
<b>TOTAL ASSETS</b>	<u><b>906,805</b></u>	<u><b>883,178</b></u>	<u><b>7,750</b></u>	<u><b>1,797,733</b></u>
<b>LIABILITIES</b>				
Accounts payable	8,380	13,074	-	21,454
Accrued interest payable	-	1,011	-	1,011
Other accrued items	1,855	3,851	-	5,706
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	4,642	456	-	5,098
Notes from direct borrowings	-	69,011	-	69,011
Due in more than one year				
<b>TOTAL LIABILITIES</b>	<u>14,877</u>	<u>87,403</u>	<u>-</u>	<u>102,280</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credit for refunding	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>14,877</u>	<u>87,653</u>	<u>-</u>	<u>102,530</u>
<b>NET POSITION</b>				
Net invested in capital assets	744,050	697,383	-	1,441,433
Unrestricted	<u>147,878</u>	<u>98,142</u>	<u>7,750</u>	<u>253,770</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 891,928</b></u>	<u><b>\$ 795,525</b></u>	<u><b>\$ 7,750</b></u>	<u><b>\$ 1,695,203</b></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, 2020**

	.....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	\$ 212,976	\$ 15,005	\$ 189,282	-	\$ -	\$ 8,689	\$ -	\$ (8,689)
Civic Center	118,334	94,937	-	-	-	-	23,397	(23,397)
TOTAL COMPONENT UNITS	<u>\$ 331,310</u>	<u>\$ 109,942</u>	<u>\$ 189,282</u>	<u>\$ -</u>	<u>-</u>	<u>8,689</u>	<u>23,397</u>	<u>(32,086)</u>
GENERAL REVENUES								
Unrestricted investment earnings					-	44	-	44
TOTAL GENERAL REVENUES					<u>-</u>	<u>44</u>	<u>-</u>	<u>44</u>
CHANGES IN NET POSITION								
NET POSITION, Beginning					-	(8,645)	(23,397)	(32,042)
NET POSITION, Ending					<u>7,750</u>	<u>900,573</u>	<u>818,922</u>	<u>1,727,245</u>
NET POSITION, Ending					<u>\$ 7,750</u>	<u>\$ 891,928</u>	<u>\$ 795,525</u>	<u>\$ 1,695,203</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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.

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.

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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, and Hospital Authority did not issue separate financial statements for the year ended June 30, 2020.

**(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.

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

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

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

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

The 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.

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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, 2020**

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 2019 property taxes were levied October 20, 2019, and were due December 20, 2019. The taxes are subject to lien after March 20, 2020. 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, 2020**

The City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as unavailable revenue in the general fund and fire district special revenue 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 2020.

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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.

***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.

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

***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. 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 2020 was \$98,762. None of these costs were capitalized in 2020.

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***Fund Equity/Net Position***

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

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

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

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

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

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

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

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

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

**Net Investment in Capital Assets**

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2020 are as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Component Units</u>
Net investment in capital assets:			
Cost of capital assets	\$ 26,410,051	\$ 80,134,598	\$ 2,688,341
Accumulated depreciation	<u>(11,341,934)</u>	<u>(40,979,462)</u>	<u>(1,177,897)</u>
Book value	15,068,117	39,155,136	1,510,444
Capital leases related debt	(210,339)	(1,101,167)	-
Accounts payable for fixed assets	(87,843)	(67,301)	
Revenue bonds related to capital assets	-	(8,980,000)	-
Notes payable related to capital assets	<u>(104,137)</u>	<u>(9,772,609)</u>	<u>(69,011)</u>
Net investment in capital assets	<u><u>\$ 14,665,798</u></u>	<u><u>\$ 19,234,059</u></u>	<u><u>\$ 1,441,433</u></u>

**Management Estimates**

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

**CITY OF COMMERCE, GEORGIA**  
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***Allocation of Indirect Cost***

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

**NOTE 2 - FUND BALANCE/NET POSITION**

The governmental activities statement of net position reports \$3,579,039 of restricted net position, of which \$343,303 is restricted by enabling legislation.

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

Restricted:

General Fund

*Cemetery* - For unspent funds for cemetery maintenance. \$ 10,237

SPLOST

*SPLOST* - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum. 3,018,260

Nonmajor Funds

Public Safety programs -

*Confiscated Assets Fund* - For funds restricted for law enforcement purposes. 207,239

*Fire District Fund* - For funds restricted for fire services from a separate tax levy. 343,303

Total Public Safety Programs 550,542

Total Restricted Fund Balance \$ 3,579,039

Assigned:

General Fund

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

Nonmajor Capital Projects Fund

For encumbrances \$ 297,483

Total Assigned Fund Balance \$ 307,483

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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. Any changes in total departmental expenditures/expenses must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Proprietary (Enterprise) Funds.
- All appropriations lapse at the end of the fiscal year.

***Encumbrances***

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City has no recorded encumbrances at June 30, 2020.



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**(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, 2020, no funds had deficit fund equity.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

As of June 30, 2020, the City had the following investments, some of which are cash equivalents:

<u>Investment Type</u>	<u>INVESTMENT MATURITIES (in Years)</u>					Rating (1)
	Fair Value	Less Than 1 FMV Level 1	Less Than 1 FMV Level 2	1-5 FMV Level 2	6-10 FMV Level 2	
Municipal Competitive Trust:						
Short-term Portfolio	\$ 4,849,283	\$ 1,829,329	\$ 3,019,954	\$ -	\$ -	AAAm
Intermediate Portfolio	2,805,044	977,120	1,827,925	72,894	15,941	AAAm
Intermediate Extended Portfolio	5,343,478	1,916,688	3,426,790	1,475,649	1,002,977	AAAm
Total	<u>\$ 12,997,805</u>	<u>\$ 4,723,137</u>	<u>\$ 8,274,669</u>	<u>\$ 1,548,543</u>	<u>\$ 1,018,918</u>	
Maximum Investment		36.34%	63.66%	11.91%	7.84%	

1. Standard & Poor's

Cash per Statement of Net position (page 1)	
Cash	\$ 14,036,627
Restricted cash	7,496,880
less cash equivalents that are investments	<u>(4,723,136)</u>
Deposits	<u>\$ 16,810,371</u>

Investments Statement of Net position (page 1)	
Investments	\$ 2,744,803
Restricted Investments	5,529,866
Investments included in cash equivalents	<u>4,723,136</u>
Investments as listed above	<u>\$ 12,997,805</u>

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

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

*Credit Risk.* State statutes authorize the City to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2020, 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.

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*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, 2020, 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.

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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	\$ 34,687	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	226,108	217,311	-	-	-	-
Accounts	114,059	-	571,540	888,137	245,930	21,590
Total Gross Receivables	374,854	217,311	571,540	888,137	245,930	21,590
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Net Receivables	<u>\$ 374,854</u>	<u>\$ 217,311</u>	<u>\$ 571,540</u>	<u>\$ 888,137</u>	<u>\$ 245,930</u>	<u>\$ 21,590</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)	<u>\$ 25,155</u>	<u>\$ -</u>
Total unavailable/ unearned revenue for governmental funds	<u>\$ 25,155</u>	<u>\$ -</u>

**CITY OF COMMERCE, GEORGIA**  
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**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for governmental funds for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Non-Depreciable Assets:					
Land and land improvements	\$ 2,817,024	\$ -	\$ -	\$ -	\$ 2,817,024
Construction in progress	44,147	43,924	-	(81,387)	6,684
Total non-depreciable capital assets	<u>2,861,171</u>	<u>43,924</u>	<u>-</u>	<u>(81,387)</u>	<u>2,823,708</u>
Depreciable Assets:					
Buildings and improvements	7,448,547	447,482	-	21,500	7,917,529
Machinery and equipment	2,075,510	27,554	-	59,887	2,162,951
Vehicles	2,975,785	133,935	(63,425)	-	3,046,295
Infrastructure	10,430,780	28,788	-	-	10,459,568
Total depreciable capital assets	<u>22,930,622</u>	<u>637,759</u>	<u>(63,425)</u>	<u>81,387</u>	<u>23,586,343</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(2,821,537)	(233,041)	-	-	(3,054,578)
Machinery and equipment	(1,435,304)	(120,686)	-	-	(1,555,990)
Vehicles	(2,049,992)	(208,747)	38,055	-	(2,220,684)
Infrastructure	(4,147,608)	(363,074)	-	-	(4,510,682)
Total accumulated depreciation	<u>(10,454,441)</u>	<u>(925,548)</u>	<u>38,055</u>	<u>-</u>	<u>(11,341,934)</u>
Total depreciable capital assets, net	<u>12,476,181</u>	<u>(287,789)</u>	<u>(25,370)</u>	<u>-</u>	<u>12,244,409</u>
Governmental activities capital assets, net	<u>\$ 15,337,352</u>	<u>\$ (243,865)</u>	<u>\$ (25,370)</u>	<u>\$ -</u>	<u>\$ 15,068,117</u>

Additions to governmental activities capital assets for fiscal year ending June 30, 2020, consist of the following:

Capital Outlay	\$ <u>681,683</u>
Total Additions	\$ <u>681,683</u>
Non-depreciable capital assets additions	\$ 43,924
Depreciable capital assets additions	<u>637,759</u>
Total	<u>\$ 681,683</u>

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

Governmental Activities:	
General Government	\$ 129,280
Public Safety	218,804
Public Works	397,788
Public Health and Welfare	3,179
Recreation and Culture	169,365
Housing and Development	<u>7,132</u>
Total depreciation expense: Governmental Activities	<u><u>\$ 925,548</u></u>

Capital asset activity for business-type funds for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
<b>Business-type Activities:</b>					
Non-Depreciable Assets:					
Land and land improvements	\$ 319,771	\$ -	\$ -	\$ -	\$ 319,771
Construction in progress	<u>10,224,869</u>	<u>1,595,451</u>	<u>(30,000)</u>	<u>(11,790,320)</u>	<u>-</u>
Total non-depreciable capital assets	<u>10,544,640</u>	<u>1,595,451</u>	<u>(30,000)</u>	<u>(11,790,320)</u>	<u>319,771</u>
Depreciable Assets:					
Buildings and improvements	18,264,916	-	-	7,987,705	26,252,621
Water and sewer system	23,421,639	318,191	-	3,123,500	26,863,330
Electric system	8,881,302	22,631	-	-	8,903,933
Natural gas system	12,774,176	343,083	-	-	13,117,259
Internet system	359,063	19,353	-	-	378,416
Machinery and equipment	2,415,032	44,314	-	679,115	3,138,461
Vehicles	<u>1,160,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,160,808</u>
Total depreciable capital assets	<u>67,276,936</u>	<u>747,572</u>	<u>-</u>	<u>11,790,320</u>	<u>79,814,827</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(8,807,440)	(896,330)	-	-	(9,703,770)
Water and sewer system	(15,840,806)	(765,045)	-	-	(16,605,851)
Electric system	(5,726,060)	(279,775)	-	-	(6,005,835)
Natural gas system	(5,424,357)	(429,372)	-	-	(5,853,729)
Internet system	(170,936)	(37,842)	-	-	(208,778)
Machinery and equipment	(1,496,684)	(204,318)	-	-	(1,701,002)
Vehicles	<u>(792,597)</u>	<u>(107,900)</u>	<u>-</u>	<u>-</u>	<u>(900,497)</u>
Total accumulated depreciation	<u>(38,258,880)</u>	<u>(2,720,582)</u>	<u>-</u>	<u>-</u>	<u>(40,979,462)</u>
Total depreciable capital assets, net	<u>29,018,056</u>	<u>(1,973,010)</u>	<u>-</u>	<u>11,790,320</u>	<u>38,835,365</u>
Business-type activities capital assets, net	<u><u>\$ 39,562,696</u></u>	<u><u>\$ (377,559)</u></u>	<u><u>\$ (30,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,155,136</u></u>

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

Business-type Activities:	
Water and Sewer System	\$ 1,880,308
Electric System	329,857
Natural Gas System	471,036
Internet System	39,382
Rounding	(1)
Total depreciation expense: Business-type Activities	<u>\$ 2,720,582</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, 2020, 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</u> <u>Authorization</u>	<u>Expended</u> <u>To Date</u>	<u>Contracts</u> <u>in</u> <u>Progress</u>	<u>Authorized</u> <u>Not</u> <u>Obligated</u>	<u>Source</u>
<b>Governmental Activities:</b>					
CHIP Rehab Projects	\$ 60,000	\$ 4,094	\$ -	\$ 55,906	GENERAL FUND
Multi-Purpose Fields	600,000	2,590	-	597,410	SPLOST
<b>Total Governmental Activities</b>	<u>\$ 660,000</u>	<u>\$ 6,684</u>	<u>\$ -</u>	<u>\$ 653,316</u>	

**CITY OF COMMERCE, GEORGIA**  
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***Discretely Presented Component Units***

Activity for Downtown Development Authority for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
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	(356,350)	(22,203)	-	-	(378,553)
Machinery and equipment	<u>(9,279)</u>	<u>(1,420)</u>	<u>-</u>	<u>-</u>	<u>(10,699)</u>
Total accumulated depreciation	<u>(365,629)</u>	<u>(23,623)</u>	<u>-</u>	<u>-</u>	<u>(389,252)</u>
Total depreciable capital assets, net	<u>447,766</u>	<u>(23,623)</u>	<u>-</u>	<u>-</u>	<u>424,143</u>
Governmental activities capital assets, net	<u>\$ 767,673</u>	<u>\$ (23,623)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,050</u>

Activity for the Civic Center for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Depreciable assets:					
Buildings and improvements	\$ 1,488,100	\$ -	\$ -	\$ -	\$ 1,488,100
Machinery and equipment	<u>66,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,939</u>
Total depreciable capital assets	<u>1,555,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,555,039</u>
Less Accumulated Depreciation for:					
Buildings	(731,350)	(38,156)	-	-	(769,506)
Machinery and equipment	<u>(12,289)</u>	<u>(6,850)</u>	<u>-</u>	<u>-</u>	<u>(19,139)</u>
Total accumulated depreciation	<u>(743,639)</u>	<u>(45,006)</u>	<u>-</u>	<u>-</u>	<u>(788,645)</u>
Total depreciable capital assets, net	<u>811,400</u>	<u>(45,006)</u>	<u>-</u>	<u>-</u>	<u>766,394</u>
Governmental activities capital assets, net	<u>\$ 811,400</u>	<u>\$ (45,006)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 766,394</u>



**CITY OF COMMERCE, GEORGIA**  
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NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020, 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>
<b>Governmental Activities:</b>						
Capital leases	\$ 292,083	\$ -	\$ (81,745)	\$ 210,339	\$ 83,344	\$ 126,995
Notes from direct borrowings	128,923	-	(24,786)	104,137	25,271	78,866
Compensated absences	123,218	105,018	(71,171)	157,065	53,402	103,663
Governmental activities long-term liabilities	<u>\$ 544,224</u>	<u>\$ 105,018</u>	<u>\$ (177,702)</u>	<u>\$ 471,541</u>	<u>\$ 162,017</u>	<u>\$ 309,524</u>
<b>Business-type Activities:</b>						
Revenue bonds	\$ 9,860,000	\$ -	\$ (880,000)	\$ 8,980,000	\$ 900,000	\$ 8,080,000
Notes from direct borrowings	9,477,223	688,390	(393,005)	9,772,608	598,913	9,173,695
Capital Leases	1,367,731	-	(266,564)	1,101,167	278,900	822,267
Compensated absences	53,722	37,550	(28,048)	63,224	-	63,224
Business-type activities long-term liabilities	<u>\$ 20,758,676</u>	<u>\$ 725,940</u>	<u>\$ (1,567,617)</u>	<u>\$ 19,916,999</u>	<u>\$ 1,777,813</u>	<u>\$ 18,139,186</u>

Notes payable, capital leases and compensated absences are generally liquidated by the general fund. The revenue bonds, capital leases and note payable for business type activity are liquidated by the Electric, Natural Gas, and Water and Sewer enterprise funds. Compensated absences for business type activities are liquidated by each of the enterprise funds.

GOVERNMENTAL ACTIVITIES

CAPITAL LEASES

Vehicles and various other equipment items are acquired under capital lease agreements which bear interest at various rates from 1.75% to 2.87%. The vehicles and equipment have estimated useful lives of five and ten years. This year, \$91,579 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of June 30, 2020, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 83,344	\$ 5,361	\$ 88,705
2022	16,618	3,801	20,419
2023	17,102	3,216	20,318
2024	17,600	2,718	20,318
2025	18,107	2,211	20,318
2026-2028	<u>57,567</u>	<u>3,387</u>	<u>60,954</u>
Total	<u>\$ 210,338</u>	<u>\$ 20,694</u>	<u>\$ 231,032</u>

**CITY OF COMMERCE, GEORGIA**  
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As of June 30, 2020, the capital assets purchased under these capital lease agreements are as follows:

	Governmental Activities
Vehicles	\$ 770,765
Less: accumulated depreciation	(335,029)
Net	\$ 435,736

**NOTES FROM DIRECT BORROWINGS**

The City entered into a contract with City of Commerce Public Facilities Authority to issue a notes 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 notes from direct borrowing was used to finance the Commerce Fire Station.

Total notes from direct borrowings	\$ 104,137
Current Portion	25,271
Noncurrent portion	\$ 78,866

The annual requirements to amortize this note payable as of June 30, 2020, is as follows:

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2021	\$	25,271	\$	2,065	\$	27,336
2022		25,776		1,559		27,335
2023		26,285		1,050		27,335
2024		26,805		530		27,335
Total	\$	104,137	\$	5,204	\$	109,341

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**BUSINESS TYPE ACTIVITIES**

As of June 30, 2020, the the long-term debt payable from proprietary fund resources consisted of the following:

**REVENUE BONDS PAYABLE**

Water and Sewerage Revenue Refunding and Improvement Bonds Series 2006:

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

Water and Sewerage Revenue Refunding Bonds Series 2010:

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

Water and Sewerage Revenue Refunding Bonds Series 2013:

On October 30, 2013, the City entered into a contract with City of Commerce Public Facilities Authority to issue \$13,910,000 of Series 2013 Revenue Refunding Bonds which mature June 1, 2029, and bear interest 2.650%. The bonds fully refunded the Water and Sewerage Revenue Refunding and Improvement Bonds, Series 2006 and fully refunded the Water and Sewerage Revenue Refunding Bonds, Series 2010. The refunding reduced the aggregate debt services payments by \$1,992,632 and resulted in an economic gain (the difference between the present value of old and new debt service payments) of about \$717,340. The accounting loss on the refunding was approximately \$1,144,074. This loss was deferred and is being amortized over the remaining life of the new debt in accordance with GASB No. 23 using the effective interest rate method.

**CITY OF COMMERCE, GEORGIA**  
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The annual requirements to amortize this debt as of June 30, 2020, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 900,000	\$ 226,045	\$ 1,126,045
2022	925,000	201,864	1,126,864
2023	945,000	177,086	1,122,086
2024	970,000	151,713	1,121,713
2025	995,000	125,676	1,120,676
2026-2030	4,245,000	354,570	4,599,570
Total	<u>\$ 8,980,000</u>	<u>\$ 1,236,954</u>	<u>\$ 10,216,954</u>

**NOTES FROM DIRECT BORROWINGS**

In fiscal year 2018, two construction notes from direct borrowings to Georgia Environmental Finance Authority were authorized up to the amount of \$10,130,000, with interest rates of 1.90% and secured by the City's full faith and credit and revenue raising power. These notes from direct borrowings are being used for the Banks County Industrial Sewer Project and the Banks County Sewer Pretreatment Facility Project. Draws on the notes were \$9,772,608 as of June 30, 2020.

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

Total notes from direct borrowings	\$ 9,772,608
Current Portion	598,913
Noncurrent portion	<u>\$ 9,173,695</u>

**CAPITAL LEASES**

The City has financed the construction of utility infrastructure under capital lease agreements which bear interest at various rates from 4.41% to 4.59%. The infrastructure has an estimated useful life of forty years. This year, \$138,902 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimal lease payments as of the inception date.

**CITY OF COMMERCE, GEORGIA**  
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Minimum future lease obligations for these leases, as of June 30, 2020, are as follows:

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021		\$ 278,900	\$ 45,948	\$ 324,848
2022		244,855	32,952	277,807
2023		208,282	22,484	230,766
2024		218,155	12,611	230,766
2025		150,975	2,662	153,637
Total		<u>\$ 1,101,167</u>	<u>\$ 116,657</u>	<u>\$ 1,217,824</u>

As of June 30, 2020, the capital assets purchased under these capital lease agreements are as follows:

	<u>Business-Type Activities</u>
Utility infrastructure	\$ 5,556,109
Less accumulated depreciation	(1,929,012)
Net	<u>\$ 3,627,097</u>

**COMPONENT UNITS**

Activity for the Downtown Development Authority for the year ended June 30, 2020:

	<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>
<b>Governmental activities:</b>						
Compensated absences	\$ 3,352	\$ 2,218	\$ (928)	\$ 4,642	\$ 4,642	\$ -
Total long-term liabilities	<u>\$ 3,352</u>	<u>\$ 2,218</u>	<u>\$ (928)</u>	<u>\$ 4,642</u>	<u>\$ 4,642</u>	<u>\$ -</u>

Activity for the Civic Center and Tourism Authority for the year ended June 30, 2020:

	<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>
<b>Governmental activities:</b>						
Notes from direct borrowings	\$ 81,700	\$ -	\$ (12,689)	\$ 69,011	\$ 69,011	\$ -
Compensated absences	-	456	-	456	456	-
Total long-term liabilities	<u>\$ 81,700</u>	<u>\$ 456</u>	<u>\$ (12,689)</u>	<u>\$ 69,467</u>	<u>\$ 69,467</u>	<u>\$ -</u>

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**June 30, 2020**

As of June 30, 2020, the long-term debt payable by the Civic Center and Tourism Authority consisted of the following:

**NOTES FROM DIRECT BORROWINGS**

Note payable to Pinnacle Bank in the original amount of \$150,000 dated December 3, 2012, interest rate of 2.980% with final maturity dated December 3, 2020. The note payable was used to finance the repair of the roof of the Commerce Civic Center.	<u>\$ 69,011</u>
Total notes from direct borrowings	69,011
Current portion	<u><u>69,011</u></u>

The annual requirements to amortize these component unit note payables as of June 30, 2020, are as follows:

	June 30 2021	Principal	Interest	Total
Total	\$ 69,011	\$ 2,047	\$ 2,047	\$ 71,058

**NOTE 8 - INTERFUND BALANCES AND ACTIVITY**

The composition of interfund balances as of June 30, 2020, are as follows:

Due To	Due From					Total
	General Fund	SPLOST	Other nonmajor governmental funds	Natural Gas System	Electric System	
General Fund	\$ -	\$ 162,196	\$ 9,878	\$ 32,137	\$ 9,049	\$ 213,260
Other nonmajor governmental funds	297,483	-	-	-	-	297,483
Water and Sewer Fund	124,107	-	-	-	-	124,107
Nonmajor Internet System	195,256	-	-	-	-	195,256
Total	<u>\$ 616,846</u>	<u>\$ 162,196</u>	<u>\$ 9,878</u>	<u>\$ 32,137</u>	<u>\$ 9,049</u>	<u>\$ 830,106</u>

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

**CITY OF COMMERCE, GEORGIA**  
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Interfund transfers as of the year ended June 30, 2020, are as follows:

	Transfers Out					Total
	General Fund	SPLOST	Non-major Fire District	Natural Gas System	Electric System	
<u>Transfers In</u>						
General Fund	\$ -	\$ -	\$ 185,381	\$ 185,508	\$ 229,437	\$ 600,326
Capital Projects Fund	350,000	-	-	-	-	350,000
Water and Sewer Fund	-	665,227	-	-	137,662	802,889
Total	<u>\$ 350,000</u>	<u>\$ 665,227</u>	<u>\$ 185,381</u>	<u>\$ 185,508</u>	<u>\$ 367,099</u>	<u>\$1,753,215</u>

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

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

***Plan Description***

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

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

**CITY OF COMMERCE, GEORGIA**  
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Participant counts as of January 1, 2020 (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	51
Terminated plan participants entitled to but not yet receiving benefits	40
Active employees participating in the Plan	84
Total number of Plan participants	175
Covered compensation for active participants	\$ 3,087,120
Contributions as a percentage of covered payroll	0.83%

***Funding Policy***

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

***Net Pension Liability(Asset)***

The City's net pension liability(asset) was measured as of September 30, 2019, 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, 2020 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 Pri-2012 head-count weighted Mortality Table.

The actuarial assumptions used in the 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2019.



**CITY OF COMMERCE, GEORGIA**  
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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%	6.41%
International equity	20	6.96
Domestic fixed income	20	1.96
Real estate	10	4.76
Global fixed income	5	3.06
Cash	-	
TOTAL	<u>100 %</u>	

\* Rates shown are net of inflation

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

**CITY OF COMMERCE, GEORGIA**  
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***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, 2019	\$ 9,971,191	\$ 11,231,158	\$ (1,259,967)
Changes for the year:			
Service cost	149,891	-	149,891
Interest	739,816	-	739,816
Difference between expected and actual experience	(209,553)	-	(209,553)
Contribution-employer	-	22,982	(22,982)
Net investment income	-	314,980	(314,980)
Benefit payments	(513,746)	(513,746)	-
Administrative expense	-	(21,602)	21,602
Other charges	217,207	-	217,207
Net changes	<u>383,615</u>	<u>(197,386)</u>	<u>581,001</u>
Balances at June 30, 2020*	<u>\$ 10,354,806</u>	<u>\$ 11,033,772</u>	<u>\$ (678,966)</u>

\*Measurement date of September 30, 2019.

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

	<u>1 % Decrease (6.375%)</u>	<u>Current Discount Rate (7.375%)</u>	<u>1% Increase (8.375%)</u>
City's net pension liability(asset)	<u>\$ 651,529</u>	<u>\$ (678,966)</u>	<u>\$ (1,776,613)</u>

**CITY OF COMMERCE, GEORGIA**  
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***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2020, the City recognized pension expense of \$91,674. At June 30, 2020, 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	\$ -	\$ (109,008)
Changes of assumptions	162,906	-
Net difference between projected and actual earnings on pension plan investments	-	(79,587)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	23,728	-
<b>TOTAL</b>	<u><u>\$ 186,634</u></u>	<u><u>\$ (188,595)</u></u>

City contributions subsequent to the measurement date of \$23,728 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, 2021.

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,	
2021	\$ (118,953)
2022	(60,278)
2023	51,913
2024	101,629
Thereafter	-
<b>Total</b>	<u><u>\$ (25,689)</u></u>

**CITY OF COMMERCE, GEORGIA**  
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**DEFERRED COMPENSATION PLAN**

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

**NOTE 10 - RISK MANAGEMENT**

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

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

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

**CITY OF COMMERCE, GEORGIA**  
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NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

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

**ELECTRICAL SYSTEM**

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

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

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

Payments to MEAG are made monthly on net obligations based upon long-term contracts and power supply needs. The total payments, net of refunds and reimbursements, under these contracts amounted to \$5,821,826 in fiscal year 2020.

**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

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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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 \$1,496,791 in fiscal year 2020.

#### GRANTS

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

#### NOTE 12 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Commerce Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$50,103 in lieu of taxes from the Housing Authority for the year ended June 30, 2020.

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

NOTE 13 - TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the Georgia Development Authority Law, adopted in 1969, for the purpose of attracting or retaining businesses within the City. The abatements may be granted to any business located within or promising to relocate to the City and meeting the eligibility criteria to “develop and promote trade, commerce, industry, and employment opportunities for the public good and general welfare and to promote the general welfare of the state” (OCGA 36-62-9). The abatements are provided through a direct reduction of the business’ property tax bill. The Georgia law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill its commitment, however, a memorandum of understanding is issued for each abatement outlining the terms in which a recapture would apply. The City has tax abatement agreements with one entity as of June 30, 2020.

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, 2020, the City abated property taxes totaling \$432,624. The City's portion of the abatement is 10.8%, resulting in the City receiving a payment of \$46,723. The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not currently subject to any tax abatement agreements entered into by other governmental entities.

NOTE 14 - LITIGATION

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

NOTE 15 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**NOTE 16 - OPERATING LEASE COMMITMENTS**

The City is obligated under various operating leases for equipment purchases that have an initial term in excess of 1 year. Total cost for such leases were \$13,274 for the year ended June 30, 2020. Future minimum rental payments are as follows:

<u>June 30</u>	<u>General Fund</u>
2021	\$ 2,835
2022	1,215
Total	<u>\$ 4,050</u>

**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 qualify as significant estimates and are based on actuarial studies and projections.



**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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 \$6,742 to the NEGRC for the year ended June 30, 2020. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

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

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

NOTE 19 - SPLOST

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

The following is a schedule of the activity relating to the SPLOST # 5 and SPLOST #6 for the year ending June 30, 2020:

**CITY OF COMMERCE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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>518,972</u>	<u>244,879</u>	<u>414,037</u>	<u>1,177,888</u>
Total Project Expenditures	<u>518,972</u>	<u>244,879</u>	<u>414,037</u>	<u>1,177,888</u>
Net (over) under expended for year ending June 30, 2020	(518,972)	(244,879)	(414,037)	(1,177,888)
Investment return	<u>163</u>	<u>99</u>	<u>99</u>	<u>361</u>
Net changes in fund balance	(518,809)	(244,780)	(413,938)	(1,177,527)
Fund balance - July 1, 2019	<u>592,016</u>	<u>244,879</u>	<u>523,714</u>	<u>1,360,609</u>
Fund balance - June 30, 2020	<u>\$ 73,207</u>	<u>\$ 99</u>	<u>\$ 109,776</u>	<u>\$ 183,082</u>

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	\$ 378,200	\$ 363,117	\$ 188,108	\$ 133,631	\$ 203,783	\$ 1,266,839
Project Expenditures						
Capital Expenditures	<u>146,255</u>	<u>73,909</u>	<u>-</u>	<u>-</u>	<u>84,704</u>	<u>304,868</u>
Total Project Expenditures	<u>146,255</u>	<u>73,909</u>	<u>-</u>	<u>-</u>	<u>84,704</u>	<u>304,868</u>
Net (over) under expended for year ending June 30, 2020	231,945	289,208	188,108	133,631	119,079	961,971
Investment return	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	231,945	289,208	188,108	133,631	119,079	961,971
Fund balance - July 1, 2019	<u>632,151</u>	<u>435,201</u>	<u>324,689</u>	<u>190,921</u>	<u>290,246</u>	<u>1,873,208</u>
Fund balance - June 30, 2020	<u>\$ 864,096</u>	<u>\$ 724,409</u>	<u>\$ 512,797</u>	<u>\$ 324,552</u>	<u>\$ 409,325</u>	<u>\$ 2,835,179</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, 2020  
“Unaudited”**

<u>For the Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net pension liability (asset)	\$ (678,996)	\$ (1,259,967)	\$ (1,026,051)	\$ (255,837)	\$ 673,624	\$ 447,886
Covered payroll	\$ 3,087,120	\$ 2,719,555	\$ 2,426,144	\$ 2,257,242	\$ 2,937,895	\$ 3,082,436
Net pension liability (asset) as a percentage of its covered payroll	(21.99)%	(46.33)%	(42.29)%	(11.33)%	22.93%	14.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.56%	112.64%	110.75%	102.79%	92.75%	95.10%

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

**CITY OF COMMERCE, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS -  
CITY OF COMMERCE RETIREMENT PLAN  
For the Year Ended June 30, 2020  
"Unaudited"**

<u>For the Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 23,992	\$ 22,645	\$ 194,365	\$ 265,350	\$ 270,988	\$ 283,919
Contributions in relation to the contractually required contribution	23,992	22,645	194,365	265,350	270,988	283,919
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,087,120	\$ 2,719,555	\$ 2,426,144	\$ 2,257,242	\$ 2,937,895	\$ 3,082,436
Contributions as a percentage of covered payroll	0.78%	0.83%	8.01%	11.76%	9.22%	9.21%

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

**CITY OF COMMERCE, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -**  
**CITY OF COMMERCE RETIREMENT PLAN**  
**For the Year Ended June 30, 2020**  
**"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, 2020. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2020 reported in that schedule:

Valuation Date	January 1, 2020
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, 2020**  
**(Required Supplementary Information)**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 3,296,638	\$ 3,296,638	\$ 3,296,638	\$ -
<b>RESOURCES (INFLOWS)</b>				
Taxes	3,072,126	3,216,126	3,510,667	294,541
Licenses and permits	259,290	843,290	876,839	33,549
Intergovernmental	69,075	69,075	60,536	(8,539)
Fines and forfeitures	492,500	492,500	466,977	(25,523)
Charges for services	1,870,012	1,877,012	1,844,663	(32,349)
Contributions and donations	22,000	22,626	9,236	(13,390)
Investment income	2,250	2,250	95	(2,155)
Miscellaneous	55,500	77,973	65,732	(12,241)
Sale of City property	-	35,596	58,824	23,228
Transfers in	1,181,248	1,181,248	600,326	(580,922)
Total Resources (Inflows)	<u>7,024,001</u>	<u>7,817,696</u>	<u>7,493,895</u>	<u>(323,801)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>10,320,639</u>	<u>11,114,334</u>	<u>10,790,533</u>	<u>(323,801)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Current Expenditures				
General Government				
Mayor and council	239,070	239,070	189,930	49,140
Administrative	365,501	379,701	378,761	940
Finance	533,770	559,270	555,429	3,841
Data processing/MIS	223,355	239,254	220,600	18,654
Total General Government	<u>1,361,696</u>	<u>1,417,295</u>	<u>1,344,720</u>	<u>72,575</u>
Public Safety				
Police	2,189,808	2,214,404	2,087,266	127,138
Fire	394,646	396,646	359,318	37,328
Total Public Safety	<u>2,584,454</u>	<u>2,611,050</u>	<u>2,446,584</u>	<u>164,466</u>
Public Works				
Public works	1,375,740	1,750,740	1,632,513	118,227
Garage	191,389	191,389	162,365	29,024
Total Public Works	<u>1,567,129</u>	<u>1,942,129</u>	<u>1,794,878</u>	<u>147,251</u>
Recreation and Culture				
Recreation	508,975	508,975	458,833	50,142
Library	268,139	268,939	236,861	32,078
Civic Center and Tourism Authority	144,547	144,547	96,027	48,520
Total Recreation and Culture	<u>921,661</u>	<u>922,461</u>	<u>791,721</u>	<u>130,740</u>
Housing and development				
Planning and zoning	369,023	704,723	676,111	28,612
Downtown Development Authority	220,038	220,038	186,001	34,037
Total Housing and Development	<u>589,061</u>	<u>924,761</u>	<u>862,112</u>	<u>62,649</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>7,024,001</u>	<u>7,817,696</u>	<u>7,240,015</u>	<u>577,681</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>253,880</u>	<u>253,880</u>
FUND BALANCE, End of year	<u>\$ 3,296,638</u>	<u>\$ 3,296,638</u>	<u>\$ 3,550,518</u>	<u>\$ 253,880</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, 2020**

	<b>SPECIAL REVENUE FUNDS</b>			<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
	<b>CONFISCATED ASSETS</b>	<b>FIRE DISTRICT</b>	<b>CAPITAL PROJECTS</b>	
ASSETS				
Cash	\$ -	\$ 343,303	\$ -	\$ 343,303
Interfund receivables	-	-	297,483	297,483
Restricted assets:				
Cash	225,036	-	-	225,036
<b>TOTAL ASSETS</b>	<b><u>\$ 225,036</u></b>	<b><u>\$ 343,303</u></b>	<b><u>\$ 297,483</u></b>	<b><u>\$ 865,822</u></b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 7,919	\$ -	-	\$ 7,919
Interfund payables	9,878	-	-	9,878
<b>TOTAL LIABILITIES</b>	<b><u>17,797</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>17,797</u></b>
<b>TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>17,797</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>17,797</u></b>
<b>FUND BALANCES</b>				
Restricted:				
Public safety programs	207,239	343,303	-	550,542
Assigned:				
Capital equipment and infrastructure	-	-	297,483	297,483
<b>TOTAL FUND BALANCES</b>	<b><u>207,239</u></b>	<b><u>343,303</u></b>	<b><u>297,483</u></b>	<b><u>848,025</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 225,036</u></b>	<b><u>\$ 343,303</u></b>	<b><u>\$ 297,483</u></b>	<b><u>\$ 865,822</u></b>

**CITY OF COMMERCE, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2020**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>CONFISCATED ASSETS</b>	<b>FIRE DISTRICT</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
REVENUES				
Fines and forfeitures	\$ 92,711	\$ -	\$ -	\$ 92,711
Charges for services	-	238,818	-	238,818
Investment income	110	186	-	296
TOTAL REVENUES	92,821	239,004	-	331,825
EXPENDITURES				
Current Expenditures				
Public safety	33,286	-	-	33,286
Capital outlay	24,990	-	52,517	77,507
Debt service				
Principal	23,000	-	-	23,000
TOTAL EXPENDITURES	81,276	-	52,517	133,793
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	11,545	239,004	(52,517)	198,032
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	350,000	350,000
Transfers out	-	(185,381)	-	(185,381)
TOTAL OTHER FINANCING SOURCES (USES)	-	(185,381)	350,000	164,619
NET CHANGE IN FUND BALANCES	11,545	53,623	297,483	362,651
FUND BALANCES, Beginning of year	195,694	289,680	-	485,374
FUND BALANCES, End of year	\$ 207,239	\$ 343,303	\$ 297,483	\$ 848,025



**CITY OF COMMERCE, GEORGIA**  
**CONFISCATED ASSETS SPECIAL REVENUE FUND**  
**SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2020**

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 195,694	\$ 195,694	\$ 195,694	\$ -
RESOURCES (INFLOWS)				
Fines and forfeitures	20,000	20,000	92,711	72,711
Investment income	150	150	110	(40)
Total Resources (Inflows)	<u>20,150</u>	<u>20,150</u>	<u>92,821</u>	<u>72,671</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>215,844</u>	<u>215,844</u>	<u>288,515</u>	<u>72,671</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	205,871	215,844	81,276	134,568
TOTAL CHARGES TO APPROPRIATIONS	<u>205,871</u>	<u>215,844</u>	<u>81,276</u>	<u>134,568</u>
CHANGE IN FUND BALANCE	<u>(185,721)</u>	<u>(195,694)</u>	<u>11,545</u>	<u>207,239</u>
FUND BALANCE, End of year	<u>\$ 9,973</u>	<u>\$ -</u>	<u>\$ 207,239</u>	<u>\$ 207,239</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 SCHEDULE**  
**For the Year Ended June 30, 2020**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 289,680	\$ 289,680	\$ 289,680	\$ -
RESOURCES (INFLOWS)				
Charges for services	185,000	185,000	238,818	53,818
Investment income	150	150	186	36
Total Resources (Inflows)	<u>185,150</u>	<u>185,150</u>	<u>239,004</u>	<u>53,854</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>474,830</u>	<u>474,830</u>	<u>528,684</u>	<u>53,854</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Transfers out	503,753	474,830	185,381	289,449
TOTAL CHARGES TO APPROPRIATIONS	<u>503,753</u>	<u>474,830</u>	<u>185,381</u>	<u>289,449</u>
CHANGE IN FUND BALANCE	<u>(318,603)</u>	<u>(289,680)</u>	<u>53,623</u>	<u>343,303</u>
FUND BALANCE, End of year	<u>\$ (28,923)</u>	<u>\$ -</u>	<u>\$ 343,303</u>	<u>\$ 343,303</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, 2020**

	<b>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</b>		
	<b>REVOLVING LOAN FUND</b>	<b>INTERNET SERVICE FUND</b>	<b>TOTAL NON-MAJOR PROPRIETARY FUNDS</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ -	\$ 3,944	\$ 3,944
Receivables (net of allowance for uncollectibles)	-	21,590	21,590
Interfund receivables	-	195,256	195,256
<b>Restricted assets:</b>			
Cash	124,470	-	124,470
<b>TOTAL CURRENT ASSETS</b>	<u>124,470</u>	<u>220,790</u>	<u>345,260</u>
<b>Noncurrent Assets</b>			
<b>Capital assets</b>			
Capital assets being depreciated	-	393,816	393,816
Less: accumulated depreciation	-	(213,398)	(213,398)
<b>TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</b>	<u>-</u>	<u>180,418</u>	<u>180,418</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>-</u>	<u>180,418</u>	<u>180,418</u>
<b>TOTAL ASSETS</b>	<u>124,470</u>	<u>401,208</u>	<u>525,678</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<u>124,470</u>	<u>401,208</u>	<u>525,678</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	-	7,726	7,726
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>7,726</u>	<u>7,726</u>
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>7,726</u>	<u>7,726</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	180,418	180,418
Restricted for housing and development	124,470	-	124,470
Unrestricted	-	213,064	213,064
<b>TOTAL NET POSITION</b>	<u>\$ 124,470</u>	<u>\$ 393,482</u>	<u>\$ 517,952</u>

The accompanying notes are an integral part of this statement.

**CITY OF COMMERCE, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2020**

	<b>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</b>		
	<b>REVOLVING LOAN FUND</b>	<b>INTERNET SERVICE FUND</b>	<b>TOTAL NON-MAJOR PROPRIETARY FUNDS</b>
<b>OPERATING REVENUES</b>			
Charges for sales and services:			
Charges for services	\$ -	\$ 191,259	\$ 191,259
Connection fees	-	1,670	1,670
Total Operating Revenues	<u>-</u>	<u>192,929</u>	<u>192,929</u>
<b>OPERATING EXPENSES</b>			
Supplies	-	11,635	11,635
Other services and charges	-	(6,183)	(6,183)
Depreciation	-	39,382	39,382
Professional fees	-	7,964	7,964
Repairs and maintenance	-	300	300
Utilities	-	64,885	64,885
Total Operating Expenses	<u>-</u>	<u>117,983</u>	<u>117,983</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>74,946</u>	<u>74,946</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	154	-	154
Total Nonoperating Revenues (Expenses)	<u>154</u>	<u>-</u>	<u>154</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>154</u>	<u>74,946</u>	<u>75,100</u>
CHANGE IN NET POSITION	<u>154</u>	<u>74,946</u>	<u>75,100</u>
TOTAL NET POSITION, Beginning of year	124,316	318,536	442,852
TOTAL NET POSITION, End of year	<u>\$ 124,470</u>	<u>\$ 393,482</u>	<u>\$ 517,952</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, 2020**

**BUSINESS-TYPE ACTIVITIES-**  
**ENTERPRISE FUNDS**

	<b>REVOLVING LOAN FUND</b>	<b>INTERNET SERVICE FUND</b>	<b>TOTAL NON-MAJOR PROPRIETARY FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customer	\$ 6,735	\$ 176,391	\$ 183,126
Payments to suppliers	<u>-</u>	<u>(155,639)</u>	<u>(155,639)</u>
Net cash provided by (used in) operating activities	<u>6,735</u>	<u>20,752</u>	<u>27,487</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>-</u>	<u>(19,352)</u>	<u>(19,352)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(19,352)</u>	<u>(19,352)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	<u>154</u>	<u>-</u>	<u>154</u>
Net cash provided (used) by investing activities	<u>154</u>	<u>-</u>	<u>154</u>
Net increase (decrease) in cash and cash equivalents	6,889	1,400	8,289
CASH, Beginning of year	<u>117,581</u>	<u>2,544</u>	<u>120,125</u>
CASH, End of year	<u><u>\$ 124,470</u></u>	<u><u>\$ 3,944</u></u>	<u><u>\$ 128,414</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)		\$ 74,946	\$ 74,946
Depreciation	-	39,382	39,382
(Increase) decrease in:			
Accounts receivable	6,735	(16,538)	(9,803)
Increase (decrease) in:			
Accounts payable	-	5,952	5,952
Due to other governments	-	(7,360)	(7,360)
Interfund balances	<u>-</u>	<u>(75,630)</u>	<u>(75,630)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 6,735</u></u>	<u><u>\$ 20,752</u></u>	<u><u>\$ 27,487</u></u>
Net book value of deletions from capital assets	<u><u>\$ (30,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (30,000)</u></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, 2020**

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES	
			PRIOR YEARS	CURRENT YEAR
<b>JACKSON COUNTY SPLOST 5</b>				
Water and Sewer System Improvements	\$ 1,830,320	\$ 1,830,320	\$ 1,590,397	\$ 518,972
Road and Bridge Improvements (1)	1,118,530	1,118,530	1,262,478	244,879
Recreation Improvements	1,118,530	1,118,530	809,979	414,037
Totals	<u>\$ 4,067,380</u>	<u>\$ 4,067,380</u>	<u>\$ 3,662,854</u>	<u>1,177,888</u>
<b>JACKSON COUNTY SPLOST 6</b>				
Recreation	\$ 746,064	\$ 746,064	\$ -	\$ -
Roads and Bridges	1,000,000	1,000,000	-	73,911
Water and Sewer	1,500,000	1,500,000	20,650	146,255
Public Safety	530,000	530,000	39,736	-
Tourism and Culture	808,236	808,236	61,500	84,704
Totals	<u>\$ 4,584,300</u>	<u>\$ 4,584,300</u>	<u>\$ 121,886</u>	<u>304,870</u>
<b>Total of all SPLOSTS above</b>				<b><u>\$ 1,482,758</u></b>

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

Expenditures	\$ 817,531
Transfers in and out	665,227
<b>Total</b>	<b><u>\$ 1,482,758</u></b>

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

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

December 16, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF COMMERCE, GEORGIA, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements, and have issued our report thereon dated December 16, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CITY OF COMMERCE, GEORGIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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*