

December 12, 2025

To the Mayor and City Council  
City of Commerce, Georgia

We have audited 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 City of Commerce, Georgia for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 5, 2025. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Commerce, Georgia are described in Note 1 to the financial statements. As described in the financial statements, the City of Commerce, Georgia changed accounting policies related to compensated absences due to the implementation of standard GASB 101. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Commerce, Georgia's financial statements were:

Management's estimate for accumulated depreciation on capital assets is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

Management's estimate for unbilled revenue related to enterprise funds is based on the subsequent month billing schedule after year end.

Estimated liability for the net pension liability (NPL). This estimate is based on actuarial studies.

We evaluated the methods, assumptions, and data used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note 7 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. An adjustment of \$52,500 was necessary to correct the recognition of FLOCK SBITA agreement and recognize payment of full term in the ARPA Fund.
2. Adjustments of \$195,167, \$157,630, and \$122,299 were necessary to recognize adjustments to pension assets in the Water & Sewer, Electric, and Gas Funds, respectively.
3. An adjustment of \$198,209 is necessary to adjust construction in progress to match the asset listing in the Gas Fund.
4. Adjustments of \$303,995, \$8,995,069 and \$1,600,000 were necessary to correct beginning balances and interfund activity in the ARPA, Admin Complex, and Gas Funds.
5. An adjustment of \$219,846 was necessary to adjust unearned revenue related to ARPA.

6. An adjustment of \$853,573 was necessary to reverse the effect of a debt service transfer from the GF to the Admin Complex recorded twice in the General and Admin Complex Funds.
7. An adjustment of \$349,221 was necessary to record SBITA contract related to BS&A accounting software.
8. An Adjustment of \$58,516 was necessary to accrue significant items into the Fire District Fund.
9. An adjustment of \$3,327,884 was necessary to transfer assigned fund balance from SK Battery PILOT payments to the Admin Complex fund to be used for debt service.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 12, 2025.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Commerce, Georgia's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of 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, the Budgetary Comparison Schedule- General Fund, and the Budgetary Comparison Schedule- Fiscal Recovery

Fund which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax, and the Schedule of Expenditures of Federal Awards which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principals generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of City Council and management of the City of Commerce, Georgia and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Bates, Carter & Co., LLP*  
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