CITY OF STATHAM, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
June 30, 2025

CITY OF STATHAM, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

December 20, 2025

To the Mayor and City Council
CITY OF STATHAM
Statham, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF STATHAM, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of CITY OF STATHAM, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Management has omitted the Management's Discussion & Analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF STATHAM's basic financial statements. The combining and individual nonmajor fund financial statements, and Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements or our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Bates, Carter & Co., LLP

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
June 30, 2025

	PRIMARY GOVERNMENT		
ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Cash	$ 5,277,822	$ 2,289,005	$ 7,566,827
Receivables (net of allowance for uncollectibles)	358,984	162,423	521,407
Internal balances	479,841	(479,841)	-
Prepaid items	139,774	14,452	154,226
Restricted assets:			
Cash	106,653	9,518	116,171
Non-current assets:			
Capital assets:			
Capital assets not being depreciated	365,949	550,310	916,259
Capital assets being depreciated	3,845,559	11,773,945	15,619,504
Less: accumulated depreciation	(1,868,504)	(5,688,779)	(7,557,283)
Capital assets, net of depreciation	2,343,004	6,635,476	8,978,480
Right to Use Assets:			
Leased asset	114,051	-	114,051
Accumulated amortization	(62,728)	-	(62,728)
Right to Use assets, net of amortization	51,323	-	51,323
TOTAL ASSETS	8,757,401	8,631,033	17,388,434
LIABILITIES			
Accounts payable	120,278	130,262	250,540
Accrued interest payable	-	1,250	1,250
Other accrued items	49,435	2,921	52,356
Unearned revenue	886,507	-	886,507
Amounts held in trust	35,759	-	35,759
Customer Deposits	-	154,300	154,300
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	21,477	2,968	24,445
Notes from direct borrowings	-	26,885	26,885
Financed purchases payable	21,420	-	21,420
Revenue bonds payable	-	273,197	273,197
Right to use liability	22,770	-	22,770
Due in more than one year:			
Compensated absences payable	32,215	4,452	36,667
Notes from direct borrowings	-	48,043	48,043
Financed purchases payable	20,153	-	20,153
Right to use liability	30,732	-	30,732
Revenue bonds payable	-	273,197	273,197
TOTAL LIABILITIES	1,240,746	917,475	2,158,221
NET POSITION			
Net investment in capital assets	2,299,252	6,014,154	8,313,406
Restricted for:			
Capital outlay projects	1,439,804	-	1,439,804
Debt service	-	9,518	9,518
Public safety programs	106,653	-	106,653
Unrestricted	3,670,946	1,689,886	5,360,832
TOTAL NET POSITION	$ 7,516,655	$ 7,713,558	$ 15,230,213

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
		.............PROGRAM REVENUES............			....NET (EXPENSE) AND CHANGES IN NET POSITION.... ....PRIMARY GOVERNMENT.............		
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	$ 753,961	$ 357,451	$ 181,879	$ -	$ (214,631)	$ -	$ (214,631)
Judicial	87,360	-	-	-	(87,360)	-	(87,360)
Public safety	1,503,042	7,609	-	-	(1,495,433)	-	(1,495,433)
Public works	618,403	6,358	178,888	953,559	520,402	-	520,402
Public health and welfare	75,863	-	-	-	(75,863)	-	(75,863)
Recreation and culture	222,991	12,000	-	-	(210,991)	-	(210,991)
Housing and development	96,993	234,327	-	-	137,334	-	137,334
Interest	1,390	-	-	-	(1,390)	-	(1,390)
Total Governmental Activities	3,360,003	617,745	360,767	953,559	(1,427,932)	-	(1,427,932)
BUSINESS-TYPE ACTIVITIES							
Water and sewer	1,588,186	1,838,307	-	252,000	-	502,121	502,121
Total Business-Type Activities	1,588,186	1,838,307	-	252,000	-	502,121	502,121
TOTAL PRIMARY GOVERNMENT	$ 4,948,189	$ 2,456,052	$ 360,767	$ 1,205,559	(1,427,932)	502,121	(925,811)
GENERAL REVENUES							
Property taxes					1,044,903	-	1,044,903
Sales taxes					652,057	-	652,057
Insurance premium taxes					269,050	-	269,050
Franchise taxes					256,566	-	256,566
Alcohol beverage taxes					47,019	-	47,019
Real estate recording taxes					22,016	-	22,016
Other taxes					17,893	-	17,893
Total taxes					2,309,504	-	2,309,504
Unrestricted investment earnings					113,603	13,722	127,325
Gain(Loss) on sale of capital assets					27,550	-	27,550
TRANSFERS					250,121	(250,121)	-
TOTAL GENERAL REVENUES AND TRANSFERS					2,700,778	(236,399)	2,464,379
CHANGES IN NET POSITION					1,272,846	265,722	1,538,568
NET POSITION, Beginning					6,243,809	7,374,828	13,618,637
PRIOR PERIOD ADJUSTMENT					-	73,008	73,008
NET POSITION, Beginning as restated					6,243,809	7,447,836	13,691,645
NET POSITION, Ending					$ 7,516,655	$ 7,713,558	$ 15,230,213

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

ASSETS	GENERAL	SPLOST	T-SPLOST	ARPA FUND	NONMAJOR DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Cash	$ 3,007,686	$ 580,377	$ 714,048	$ 975,712	$ -	$ 5,277,823
Receivables (net of allowance for uncollectibles)	200,472	47,848	110,664	-	-	358,984
Interfund receivables	517,531	-	-	-	-	517,531
Prepaid items	139,774	-	-	-	-	139,774
Restricted assets:						
Cash	106,653	-	-	-	-	106,653
TOTAL ASSETS	$ 3,972,116	$ 628,225	$ 824,712	$ 975,712	$ -	$ 6,400,765
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 120,278	$ -	$ -	$ -	$ -	$ 120,278
Other accrued items	49,435	-	-	-	-	49,435
Interfund payables	-	13,133	-	24,557	-	37,690
Unearned revenue	8,200	-	-	878,307	-	886,507
Amounts held in trust	35,759	-	-	-	-	35,759
TOTAL LIABILITIES	213,672	13,133	-	902,864	-	1,129,669
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	83,392	-	-	-	-	83,392
TOTAL DEFERRED INFLOWS OF RESOURCES	83,392	-	-	-	-	83,392
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	297,064	13,133	-	902,864	-	1,213,061
FUND BALANCES						
Nonspendable:						
Prepaid expenditure	139,774	-	-	-	-	139,774
Restricted:						
Capital outlay projects	-	615,092	824,712	-	-	1,439,804
Public safety programs	106,653	-	-	-	-	106,653
Unassigned	3,428,625	-	-	72,848	-	3,501,473
TOTAL FUND BALANCES	3,675,052	615,092	824,712	72,848	-	5,187,704
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,972,116	$ 628,225	$ 824,712	$ 975,712	$ -	$ 6,400,765

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2025

Total Fund Balances for Governmental Funds (page 3)		$ 5,187,704
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.		2,343,004
Right to Use lease assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		51,323
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	83,392	
		83,392
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	(53,692)	
Financed purchases	(41,573)	
Lease liability	(53,502)	
		(148,767)
Rounding		(1)
Total net position of governmental activities (page 1)		$ 7,516,655

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

REVENUES	GENERAL	SPLOST	T-SPLOST	ARPA FUND	NONMAJOR DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Taxes	$ 2,305,543	$ -	$ -	$ -	$ -	$ 2,305,543
Licenses and permits	234,327	-	-	-	-	234,327
Intergovernmental	-	462,442	654,863	181,880	-	1,299,185
Fines and forfeitures	299,432	-	-	-	-	299,432
Charges for services	80,222	-	-	-	-	80,222
Contributions and donations	1,050	-	-	-	-	1,050
Investment income	79,320	15,805	202	33,417	-	128,744
Miscellaneous	3,764	-	-	-	-	3,764
TOTAL REVENUES	3,003,658	478,247	655,065	215,297	-	4,352,267
EXPENDITURES						
Current Expenditures						
General government	710,716	16	-	-	-	710,732
Judicial	87,358	-	-	-	-	87,358
Public safety	1,375,641	-	-	-	-	1,375,641
Public works	499,073	76,308	-	-	-	575,381
Public health and welfare	75,863	-	-	-	-	75,863
Culture and Recreation	222,991	-	-	-	-	222,991
Housing and development	96,993	-	-	-	-	96,993
Intergovernmental	12,342	-	-	-	-	12,342
Capital outlay	292,994	352,350	-	-	-	645,344
Debt service						
Principal	22,205	-	-	-	38,181	60,386
Interest	328	-	-	-	1,062	1,390
TOTAL EXPENDITURES	3,396,504	428,674	-	-	39,243	3,864,421
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(392,846)	49,573	655,065	215,297	(39,243)	487,846
OTHER FINANCING SOURCES (USES)						
Sale of county property	35,350	-	-	-	-	35,350
Transfers in	700,000	192,636	-	-	39,243	931,879
Transfers out	(231,879)	(268,000)	-	(181,879)	-	(681,758)
TOTAL OTHER FINANCING SOURCES (USES)	503,471	(75,364)	-	(181,879)	39,243	285,471
NET CHANGE IN FUND BALANCES	110,625	(25,791)	655,065	33,418	-	773,317
FUND BALANCES, Beginning of year	3,564,427	640,883	169,647	39,430	-	4,414,387
FUND BALANCES, End of year	$ 3,675,052	$ 615,092	$ 824,712	$ 72,848	$ -	$ 5,187,704

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, 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, 2025

Net change in fund balances (page 5)		$ 773,317
Amounts reported for governmental activities in the statement of activities are different because:		
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 expense in the current period.		
Capital outlays	645,344	
Depreciation expense	(193,357)	
Amortization expense	(22,810)	
		429,177
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.		
Net book value of capital assets disposed of	(7,801)	
		(7,801)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	83,392	
		83,392
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(80,480)	
		(80,480)
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.		
Principal payments on long-term debt	60,386	
		60,386
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.		
Compensated absences, current year	(53,692)	
Compensated absences, prior year	68,549	
		14,857
Rounding		(2)
Changes in net position of governmental activities (page 2)		$ 1,272,846

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS
	WATER & SEWER FUND
ASSETS	
Current Assets	
Cash	$ 2,289,005
Receivables (net of allowance for uncollectibles)	162,423
Interfund receivables	24,557
Prepaid items	14,452
Restricted assets:	
Cash	9,518
TOTAL CURRENT ASSETS	2,499,955
Noncurrent Assets	
Capital assets	
Capital assets not being depreciated	550,310
Capital assets being depreciated/amortized	11,773,945
Less: accumulated depreciation/amortization	(5,688,779)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION/AMORTIZATION)	6,635,476
TOTAL NONCURRENT ASSETS	6,635,476
TOTAL ASSETS	9,135,431
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	9,135,431
LIABILITIES	
Current Liabilities	
Accounts payable	130,262
Accrued interest	1,250
Other accrued items	2,921
Interfund payables	504,398
Compensated absences payable	2,968
Notes from direct borrowings	26,885
Revenue bonds payable	273,197
TOTAL CURRENT LIABILITIES	941,881
Noncurrent Liabilities	
Customer deposits	154,300
Compensated absences payable	4,452
Notes from direct borrowings	48,043
Revenue bonds payable	273,197
TOTAL NONCURRENT LIABILITIES	479,992
TOTAL LIABILITIES	1,421,873
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,421,873
NET POSITION	
Net investment in capital assets	6,014,154
Restricted for debt service	9,518
Unrestricted	1,689,886
TOTAL NET POSITION	$ 7,713,558

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS
	WATER & SEWER FUND
OPERATING REVENUES	
Charges for sales and services:	
Pledged as security for revenue bonds:	
Charges for services	$ 1,688,521
Other operating revenue	
Connection fees	7,900
Other	141,886
Total Operating Revenues	1,838,307
OPERATING EXPENSES	
Salaries and benefits	148,594
Supplies	36,981
Other services and charges	96,348
Depreciation/amortization	400,083
Repairs and maintenance	115,093
Utilities	37,742
Water purchases	756,030
Total Operating Expenses	1,590,871
OPERATING INCOME	247,436
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	13,722
Interest expense	2,685
Total Nonoperating Revenues (Expenses)	16,407
INCOME (LOSS) BEFORE TRANSFERS	263,843
Water connection fees	241,500
Sewer connection fees	10,500
Transfer in	449,879
Transfer out	(700,000)
CHANGE IN NET POSITION	265,722
TOTAL NET POSITION, Beginning of year	7,374,828
PRIOR PERIOD ADJUSTMENT	73,008
TOTAL NET POSITION, Beginning of year, restated	7,447,836
TOTAL NET POSITION, End of year	$ 7,713,558

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS
	WATER & SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	$ 1,802,358
Payments to suppliers	(4,611,381)
Payments to employees	(100,653)
Net cash provided by (used in) operating activities	(2,909,676)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in (out)	(700,000)
Net Cash provided (used) by non-capital financing activities	(700,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(286,858)
Water/Sewer tap fees in excess of cost	252,000
Transfers in/out	449,879
Principal payments on debt	(266,480)
Interest paid	(25,957)
Net cash provided by (used in) capital and related financing activities	122,584
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	13,722
Net cash provided by (used in) investing activities	13,722
Net increase (decrease) in cash and cash equivalents	(3,473,370)
CASH, Beginning of year	5,938,035
CASH, Prior period adjustment	(166,142)
CASH, Beginning of year restated	5,771,893
CASH, End of year	$ 2,298,523
RECONCILIATION OF CASH	
Cash	$ 2,289,005
Restricted Cash	9,518
Total Cash	$ 2,298,523

The accompanying notes are an integral part of this statement.

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

		WATER & SEWER FUND
Operating income (loss)	$	247,436
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation/amortization		400,083
(Increase) decrease in:		
Accounts receivable		(35,949)
Prepaid expenses		(14,452)
Increase (decrease) in:		
Accounts payable		(646,893)
Customer deposits		45,020
Other accrued items		2,921
Interfund balances		(2,907,842)
Net cash provided by (used in) operating activities	$	(2,909,676)
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Amortization of premium on bonds payable	$	23,196

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Statham (the "City") 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;
- 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 primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government 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. The City has no component units that meet the criteria for component units requiring discrete presentation in the primary governmental financial reporting entity.

(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 any 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 primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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

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

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

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

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

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 government 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 with the exception of federal and state grant revenue, which has a 12 month availability period. 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 tax, 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.

Adoption of New Accounting Standard

GASB Statement No. 101, *Compensated Absences*, became effective for the fiscal year ending June 30th, 2025. The adoption of this standard did not result in a change in accounting principle or require a restatement of prior period financial statements, as the (entity/organization) was already in compliance with the provisions of the Statement.

Cumulative effect of prior period adjustments

In 2024 the City recognized a prior period adjustment for error correction as of July 1, 2024 in order to retroactively report the change to the earliest period reported. This adjustment was recorded to correct the cash and capital asset balances in the Water & Sewer Fund as an error correction.

	Business-Type Activities Water & Sewer Fund
Beginning net position, as previously reported	$ 7,374,828
To correct cash	(166,142)
To correct prepaid expenses	(655,000)
To correct capital assets being depreciated/amortized	1,272,000
To correct accumulated depreciation/amortization	(377,850)
Beginning net position, as restated	$ 7,447,836

The City 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 Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.
>
> The *ARPA Fund* accounts for funds received from the federal American Rescue Plan Act for economic relief.

The City reports the following major proprietary fund:

> The *Water and Sewer 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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary 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.

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

(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 July 31. Taxes are normally levied by October 10th of each year. The 2025 property taxes were levied October 10, 2024, and were due December 31, 2024. The taxes are subject to lien after March 31, 2025. Interest and penalties are assessed on taxes not paid by this date.

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

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

Inventories and Prepaid Items

Materials purchased and expendable supplies are shown as expenditures in governmental funds and expenses in proprietary funds when acquired and are not inventoried at year end because the amounts are not considered to be material.

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 restricted deposits and investments may be held by the General Fund. 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 $2,000 and an estimated useful life in excess of one year 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, or the appraised value at the time of the donation.

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 2025.

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

Buildings & Improvements	20-50 years
Infrastructure - Distribution Systems	20-50 years
Machinery and equipment	5-9 years
Vehicles	3-5 years

Right to Use Assets and Liabilities

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

The City is a lessee for a noncancellable lease of a building. The City recognizes a lease liability and an intangible right-to-use lease asset in the governmental activities of the City.

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

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any type of item that qualifies for reporting in this category.

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 so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category which only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes.

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with GASB No. 101, “Compensated Absences,” the city records a liability for all vacation time or sick time expected to be paid out to the employees upon leaving employment of the city. The City's policy is that only vacation time is paid out upon leaving the city so only vacation time is recorded in the liability. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in 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. Debt issuance costs are included in their entirety in expenditures/expenses in the year they are incurred.

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.

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

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. 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, 2025 are as follows:

Net investment in capital assets:	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 4,211,508	$ 12,324,255
Cost of right to use assets	114,051	-
Accumulated amortization	(62,728)	-
Accumulated depreciation	(1,868,504)	(5,688,779)
Net book value of capital assets	2,394,327	6,635,476
Finance Purchases related debt	(41,573)	-
Revenue bonds related to capital assets	-	(546,394)
Notes from direct borrowings	-	(74,928)
Right to use liability	(53,502)	-
Net investment in capital assets	$ 2,299,252	$ 6,014,154

Management Estimates

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

Allocation of Indirect Cost

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

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports $1,546,457 of restricted net position, of which $721,745 is restricted by enabling legislation.

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

Restricted:		
General Fund		
Public Safety - For monies restricted from collections of police confiscations and speed camera fines.	$	106,653
SPLOST Fund		
For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum.		615,092
Nonmajor Capital Projects Funds		
T-SPLOST Fund		
For funds received from the imposition of the Transportation Special Purpose Local Option Sales Tax (T-SPLOST) restricted by the voter approved referendum.		824,712
Total Restricted Fund Balance	$	1,546,457

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 any Debt Service 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 prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to June 30 of each year, the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Project, Special Revenue, Debt Service, and Proprietary Funds are adopted in a basis consistent with generally accepted accounting principles (GAAP).

Basis for Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, other, and capital outlay. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. All unexpended annual appropriations lapse at year end.

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, Debt Service, or Proprietary Funds. The City of Statham has no recorded encumbrances at June 30, 2025.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

The following cost centers had expenditures in excess of appropriations for the fiscal year ended June 30, 2025:

Judicial - The $11,260 excess of expenditures over appropriations is attributable to the Superior Court department being under budgeted.

Health and Welfare - The $5,863 excess of expenditures over appropriations is attributable to the Community Center department being under budgeted.

Housing and Development - The $21,494 excess of expenditures over appropriations is attributable to the Building Inspections department being under budgeted.

Transfers out - The $20,736 excess of transfers out of the General Fund beyond what was budgeted.

(C) DEFICIT FUND EQUITY

At June 30, 2025, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

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 government 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, 2025, 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.

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

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2025, all of the City's deposits were insured or were adequately collateralized with securities held by the pledging financial institution's name.

As of June 30, 2025, the City's bank balance of $7,750,450 was adequately collateralized with securities held by the pledging financial institution's name.

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 the dedicated method to secure deposits of public funds.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and enterprise funds are summarized below:

	General Fund	SPLOST Fund	Water & Sewer Fund	TSPLOST Fund
Receivables:				
Property Taxes	$ 84,209	$ -	$ -	$ -
Accounts	45,244	-	172,757	-
Intergovernmental	71,019	47,848	-	110,664
Total Gross Receivables	200,472	47,848	172,757	110,664
Less: Allowance for Uncollectibles	-	-	(10,334)	-
Total Net Receivables	$ 200,472	$ 47,848	$ 162,423	$ 110,664

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:

	Unavailable	Unearned
Property taxes (General Fund)	$ 83,392	$ -
Grant drawdowns prior to meeting all eligibility requirements (ARPA Fund)	-	878,307
Revenue received prior to meeting all eligibility requirements (General Fund)	-	8,200
Total unavailable/ unearned revenue for governmental funds	$ 83,392	$ 886,507

Property taxes receivable at June 30, 2025, consist of the following:

Digest Year	General Fund
2024	$ 44,133
2023	25,616
2022	3,285
2021	2,264
2020	1,586
2019	620
2018	832
2017	414
2016	239
2015	367
2014	114
2013 & prior	1,359
Penalties	1,375
Interest	2,005
Total	$ 84,209

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 365,949	$ -	$ -	$ -	$ 365,949
Total non-depreciable capital assets	365,949	-	-	-	365,949
Depreciable Assets:					
Buildings and improvements	530,899	-	-	-	530,899
Machinery and Vehicles	1,165,071	241,785	(89,487)	-	1,317,369
Software	95,650	51,208	-	-	146,858
Infrastructure	1,498,082	352,351	-	-	1,850,433
Total depreciable capital assets	3,289,702	645,344	(89,487)	-	3,845,559
Less Accumulated Depreciation for:					
Buildings and improvements	(336,033)	(11,268)	-	-	(347,301)
Machinery and Vehicles	(856,121)	(133,677)	81,686	-	(908,112)
Software	(47,893)	(17,276)	-	-	(65,169)
Infrastructure	(516,786)	(31,136)	-	-	(547,922)
Total accumulated depreciation	(1,756,833)	(193,357)	81,686	-	(1,868,504)
Total depreciable capital assets, net	1,532,869	451,987	(7,801)	-	1,977,055
Governmental activities capital assets, net	$ 1,898,818	$ 451,987	$ (7,801)	$ -	$ 2,343,004

Additions to governmental activities capital assets for fiscal year ending June 30, 2025 consist of the following:

Capital Outlay	$ 645,344
Total Additions	$ 645,344
Depreciable capital assets additions	$ 645,344
Total Additions	$ 645,344

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

Governmental Activities:		
General Government	$	59,502
Public Safety		103,899
Public Works		29,956
Total depreciation expense: Governmental Activities	$	193,357

Capital asset activity for business-type funds for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 525,753	$ -	$ -	$ -	$ 525,753
Construction in progress	42,000	24,557	-	(42,000)	24,557
Total non-depreciable capital assets	567,753	24,557	-	(42,000)	550,310
Depreciable/amortizable Assets:					
Buildings and improvements	41,898	-	-	-	41,898
Distribution systems	9,664,575	126,606	-	42,000	9,833,181
Machinery and Vehicles	483,750	143,116	-	-	626,866
Intangible assets	1,272,000	-	-	-	1,272,000
Total depreciable/amortizable capital assets	11,462,223	269,722	-	42,000	11,773,945
Less Accumulated Depreciation for:					
Buildings and improvements	(28,234)	(1,047)	-	-	(29,281)
Distribution Systems	(4,401,208)	(194,036)	-	-	(4,595,244)
Machinery and Vehicles	(481,404)	(6,300)	-	-	(487,704)
Intangible assets	(377,850)	(198,700)	-	-	(576,550)
Total accumulated depreciation	(5,288,696)	(400,083)	-	-	(5,688,779)
Total depreciable capital assets, net	6,173,527	(130,361)	-	42,000	6,085,166
Business-type activities capital assets, net	$ 6,741,280	$ (105,804)	$ -	$ -	$ 6,635,476

Cumulative effect of a prior period adjustment:

Prior to fiscal year 2025, assets related to sewer capacity purchases were not included in capital assets. The effect of adding these costs to the proprietary fund asset listing increased the Business-Type Activities' Net Position by $239,150 as a prior period adjustment.

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

Business-type Activities:	
Water & Sewer	$ 400,083
Total depreciation expense: Business-type Activities	$ 400,083

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, 2025, and the remainder of the authorized project expenditures for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Business-type Activities					
Oak Springs St Well System	$ 463,000	$ 24,557	$ 438,443	$ -	LMIG/Water & Sewer Fund
Total Business-type Activities	$ 463,000	$ 24,557	$ 438,443	$ -	

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Financed Purchases	$ 79,754	$ -	$ (38,181)	$ 41,573	$ 21,420	$ 20,153
Compensated absences	68,549	-	(14,857)	53,692	21,477	32,215
Governmental activities long-term liabilities	$ 148,303	$ -	$ (53,038)	$ 95,265	$ 42,897	$ 52,368
Business-type Activities:						
Revenue bonds	$ 740,000	$ -	$ (240,000)	$ 500,000	$ 250,000	$ 250,000
Add: Original issue Premiums	69,590	-	(23,196)	46,394	23,197	23,197
Total Revenue Bonds	809,590	-	(263,196)	546,394	273,197	273,197
Notes from direct borrowings	101,408	-	(26,480)	74,928	26,885	48,043
Compensated absences	-	7,420	-	7,420	2,968	4,452
Business-type activities long-term liabilities	$ 910,998	$ 7,420	$ (289,676)	$ 628,742	$ 303,050	$ 325,692

Financed purchases are generally liquidated by the General Fund and notes from direct borrowings are generally liquidated by the SPLOST fund. The financed purchases and notes from direct borrowings for business type activities are liquidated by the Water & Sewer enterprise fund.

FINANCED PURCHASES

Vehicles were acquired under financed purchase agreements which bear interest rates from 3.25% to 5.03%. The vehicles have an estimated useful life of five years. The net value of the financed purchases related to the vehicle purchases as of June 30, 2025 is $7,550.

The City also has a financed purchase with Axon Enterprise, Inc related to public safety equipment. The City is required to make yearly payments. The equipment estimated useful life was 60 months as of the contract commencement. The net value of the financed purchases related to the Axon agreements as of June 30, 2025 is $34,023.

Minimum future annual debt service required for these financed purchases, as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 29,616	$ 27	$ 29,643
2027	11,957	-	11,957
Total	$ 41,573	$ 27	$ 41,600

BUSINESS TYPE ACTIVITIES

As of June 30, 2025, the the long-term debt payable from proprietary fund resources consisted of the items described below.

REVENUE BONDS

The City issued revenue bonds to provide funds for the construction and expansion of the Water & Sewer System. The revenue bonds were issued in fiscal year 2012 in the original amount of $4,265,000 with a variable interest rate range of 2.00% - 5.00%. In fiscal year 2024, the Council approved a redemption of $1,115,000 of the Series 2012 bonds.

Minimum future annual debt service requirements for the general obligation bonds, as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 250,000	$ 24,600	$ 274,600
2027	250,000	15,000	265,000
Total	$ 500,000	$ 39,600	$ 539,600

NOTES FROM DIRECT BORROWINGS

In 2015, the City obtained a GEFA construction note payable in the original amount of $258,100. Upon completion of construction, the total draws on this construction note were $240,073. Debt payments are due in monthly installments of $2,320, with an interest rate of 1.52% and final maturity dated June 1, 2027. The note payable was used to finance the improvement and expansion of the City's water system. As of June 30, 2025, the outstanding balance was $74,928.

The annual debt service requirements to amortize this debt as of June 30, 2025, are as follows:

June 30,	Principal	Interest	Total
2026	$ 26,885	$ 952	$ 27,837
2027	27,297	641	27,938
2028	20,746	672	21,418
Total	$ 74,928	$ 2,265	$ 77,193

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 (including its taxing 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.

NOTE 8 - LEASES

RIGHT TO USE LEASE ASSETS

Right to use lease asset activity for the City for the period ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increase	Remeasurement	Decrease	Balance June 30, 2025
Governmental Activities:					
Lease assets:					
Buildings	$ 114,051	$ -	$ -	$ -	$ 114,051
Total lease assets	114,051	-	-	-	114,051
Less accumulated amortization for:					
Buildings	(39,918)	(22,810)	-	-	(62,728)
Total accumulated amortization	(39,918)	(22,810)	-	-	(62,728)
Total lease assets, net	$ 74,133	$ (22,810)	$ -	$ -	$ 51,323

LEASE LIABILITIES

Long-term lease liability activity for the period ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025	Due within one year	Due in more than one year
Lease liabilities:						
Buildings	$ 75,708	$ -	$ (22,205)	$ 53,503	$ 22,770	$ 30,733
Total lease liabilities	$ 75,708	$ -	$ (22,205)	$ 53,503	$ 22,770	$ 30,733

On October 1, 2022, the City entered into a 60 month lease as lessee for the property owned by Casto Brothers, LLC at 1906C Railroad Street. An initial lease liability was recorded in the amount of $114,052. As of June 30, 2025, the value of the lease liability was $53,503. The City is required to make yearly payments. The lease has an interest rate of 6%. The net value of the right to use asset as of June 30, 2025 of $51,323 is included on the lease asset activities table above.

The future minimum lease obligations and the net present value of these minimum lease payments for the period ended June 30, 2025 are as follows:

June 30,	Principal	Interest	Total
2026	$ 22,770	$ 216	$ 22,986
2027	23,346	100	23,446
2028	7,387	7	7,394
Total	$ 53,503	$ 323	$ 53,826

NOTE 9- INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2025, is as follows:

	Due From			
Due To	SPLOST	Water & Sewer Fund	ARPA	Total
General	$ 13,133	$ 504,398	$ -	$ 517,531
SPLOST	-	-	-	-
Water and Sewer Fund	-	-	24,557	24,557
Total	$ 13,133	$ 504,398	$ 24,557	$ 542,088

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

Interfund transfers as of the year ended June 30, 2025 are as follows:

	Transfers Out					
Transfers In	General Fund	SPLOST Fund	Nonmajor Debt Service Fund	Water & Sewer Fund	Nonmajor Solid Waste Fund	Total
General Fund	$ -	$ -	$ -	$ 187,500	$ -	$ 187,500
Debt Service Fund	43,040	1,381,294	-	-	-	1,424,334
Water & Sewer Fund	42,000	-	1,381,295	-	121,924	1,545,219
Total	$ 85,040	$ 1,381,294	$ 1,381,295	$ 187,500	$ 121,924	$ 3,157,053

Transfers are used to supplement operating budgets and fund capital projects and debt service.

NOTE 10 - RETIREMENT PLANS

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. Employees are eligible to participate in the plan after one year and having at least 1,000 hours of continuous service. The City will match employee contributions up to five percent (5%) of the employee's annual compensation not to exceed $7,500 per year. 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. The City contribution for fiscal year 2025 was $20,537.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as port 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 any 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, and all expenses incurred for investigation, negotiation of defense.

The city retains the fist $2,500 of each risk of loss in the form of a deductible. The City files all claims with GIRMA and GIRMA bills the City for any risk of loss up to the $2,500 deductible.

There were no significant reductions in insurance coverage from the prior year, and there have been no settled claims and in the past three years have not exceeded coverage.

NOTE 12 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Statham was not involved in any significant related party transactions during the current operating year.

NOTE 13 - LITIGATION

The City is a party to legal proceedings that normally occur in governmental operations. The results of any litigation, 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 14 - 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 allowance for doubtful accounts 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.

NOTE 15 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the twelve (12) county Northeast Georgia area, is a member 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 did not pay annual dues to the NEGRC for the year ended June 30, 2025; the City's membership dues were assessed and paid by Barrow County, Georgia. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

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

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

CITY OF STATHAM, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2025
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 3,564,427	$ 3,564,427	$ 3,564,427	$ -
RESOURCES (INFLOWS)				
Taxes	2,184,782	2,241,442	2,305,543	64,101
Licenses and permits	121,500	212,500	234,327	21,827
Fines and forfeitures	205,000	150,000	299,432	149,432
Charges for services	48,700	45,700	80,222	34,522
Contributions and donations	-	1,050	1,050	-
Investment income	18,000	83,000	79,320	(3,680)
Miscellaneous	3,000	4,000	3,764	(236)
Sale of county property	-	25,800	35,350	9,550
Transfers in	700,000	700,000	700,000	-
Total Resources (Inflows)	3,280,982	3,463,492	3,739,008	275,516
AMOUNTS AVAILABLE FOR APPROPRIATION	6,845,409	7,027,919	7,303,435	275,516
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	132,240	129,240	111,892	17,348
Elections	-	2,067	2,067	-
City Hall	509,215	552,215	480,851	71,364
Accounting	125,000	125,000	115,903	9,097
Total General Government	766,455	808,522	710,713	97,809
Judicial				
Superior court	76,100	76,100	87,360	(11,260)
Total Judicial	76,100	76,100	87,360	(11,260)
Public Safety				
Police	1,492,429	1,683,925	1,654,220	29,705
Total Public Safety	1,492,429	1,683,925	1,654,220	29,705
Public Works				
Public works administration	527,355	533,355	425,861	107,494
Public works	129,500	114,500	122,502	(8,002)
Total Public Works	656,855	647,855	548,363	99,492
Public Health and Welfare				
Community center	25,000	70,000	75,863	(5,863)
Total Public Health and Welfare	25,000	70,000	75,863	(5,863)
Culture and Recreation				
Library	73,000	73,000	70,028	2,972
Other recreation and culture	82,500	160,500	152,963	7,537
Total Culture and Recreation	155,500	233,500	222,991	10,509
Housing and development				
Building inspection	40,000	50,000	74,376	(24,376)
Planning and zoning	27,500	25,500	22,618	2,882
Total Housing and Development	67,500	75,500	96,994	(21,494)
Transfers out	41,143	211,143	231,879	(20,736)
TOTAL CHARGES TO APPROPRIATIONS	3,280,982	3,806,545	3,628,383	183,267
CHANGE IN FUND BALANCE	-	(343,053)	110,625	453,678
FUND BALANCE, End of year	$ 3,564,427	$ 3,221,374	$ 3,675,052	$ 453,678

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
1. The budgetary basis of accounting used in this schedule is the same as GAAP.
2. See Note 3 of the notes to the financial statements for budget violations.

CITY OF STATHAM, GEORGIA
ARPA FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2025
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 39,430	$ 39,430	$ 39,430	$ -
RESOURCES (INFLOWS)				
Intergovernmental	-	1,060,196	181,880	(878,316)
Investment income	15,000	30,000	33,417	3,417
Total Resources (Inflows)	15,000	1,090,196	215,297	(874,899)
AMOUNTS AVAILABLE FOR APPROPRIATION	54,430	1,129,626	254,727	(874,899)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Transfers out	237,446	1,090,196	181,879	908,317
TOTAL CHARGES TO APPROPRIATIONS	237,446	1,090,196	181,879	908,317
CHANGE IN FUND BALANCE	(222,446)	-	33,418	33,418
FUND BALANCE, End of year	$ (183,016)	$ 39,430	$ 72,848	$ 33,418

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF STATHAM, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2025

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ -	$ -	$ -	$ -
RESOURCES (INFLOWS)				
Transfer in	361,493	41,143	39,243	(1,900)
Total Resources (Inflows)	361,493	41,143	39,243	(1,900)
AMOUNTS AVAILABLE FOR APPROPRIATION	361,493	41,143	39,243	(1,900)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public works	41,143	41,143	39,243	1,900
Transfers out	320,350	-	-	-
TOTAL CHARGES TO APPROPRIATIONS	361,493	41,143	39,243	1,900
FUND BALANCE, End of year	$ -	$ -	$ -	$ -

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

CITY OF STATHAM, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2025

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Barrow County - 2018 SPLOST				
Water & Sewer System Improvements, Facilities and Equipment	$ 854,691	$ -	$ 2,021,758	$ -
Road, Street, Curb, and Sidewalk Projects	854,691	-	-	-
Subtotal - 2018 SPLOST	1,709,382	-	2,021,758	-
Barrow County - 2023 SPLOST				
Water & Sewer System Improvements, Facilities and Equipment	3,373,000	3,373,000	-	125,964
Stormwater Capital Improvements and Equipment	1,500,000	1,500,000	-	56,018
Road, Street, Curb, and Sidewalk Projects	1,500,000	1,500,000	-	56,018
	6,373,000	6,373,000	-	238,000
Barrow County - 2023 T-SPLOST				
Road, Street, Curb, and Sidewalk Projects	4,381,000	4,381,000	13	-
	4,381,000	4,381,000	-	-
Totals	**$ 12,463,382**	**$ 10,754,000**	**$ 2,021,758**	**$ 238,000**

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

Expenditures	$ 162,652
Transfers out	75,364
Remove Bank Fees not applicable to the reporting	(16)
Total	**$ 238,000**

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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 20, 2025

To the Mayor and City Council
City of Statham
Statham, 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, each major fund, and the aggregate remaining fund information of the City of Statham, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Statham's basic financial statements and have issued our report thereon dated December 20, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as item 2025-001, that we consider to be a significant deficiency.

2025-001 Statement of Condition :
During fieldwork, we noted that system generated bank reconciliation did not agree to the general ledger for Water & Sewer Utility operating bank account.

Criteria:
To ensure accurate cash balances in the accounting records, the bank reconciliations are a key control to ensure the general ledger activity agrees to the bank statement and all reconciling items are accounted for and valid.

Effect of Condition:
The unidentified discrepancy between the bank reconciliation module and the general ledger module in the accounting system which has carried over from previous year(s) resulted in a prior period error correction.

Cause of Condition:
Either the bank reconciliation module in the accounting software is not operating properly or user errors occurred in previous years that have not been specifically identified.

Recommendation:
We recommend that the City resolve the reporting difference in a prior period adjustment and maintain current controls over the month close process to ensure future discrepancies are identified and corrected on a monthly basis.

Response:
The City will continue to maintain the current controls over the month-end closing process, including timely bank reconciliations, that will identify any discrepancies caused by the accounting software not operating properly and will address them in the period they occur.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Statham’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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2025-002 Statement of Condition:
The approved budget for the fiscal year ending June 30, 2025 was not maintained and expenditures were in excess of appropriations in the departments specified in Note 3 to the financial statements.

Criteria:
State law requires annual budgets to be balanced by fund and also expenditures should be within the approved budget amount for the legal level of budgetary control.

Effect of Condition:
The City's annual budget is not in compliance.

Cause of Condition:
A final budget adjustment after the fiscal year end was not prepared and approved by the City Council.

Recommendation:
We recommend the City implement controls to follow City budget policy to prepare balanced operating annual budgets and ensure each department does not exceed appropriations described in the budget.

Response:
The City concurs with this finding. The City will review budget to actual comparisons and recommend any necessary budget revisions.

City of Statham's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Statham's responses to the findings identified in our audit as described above. The City of Statham's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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