

CITY OF COMMERCE, GEORGIA

**ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)**

Year Ended June 30, 2013

**CITY OF COMMERCE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2013**

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INDEPENDENT AUDITORS' REPORT

January 21, 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF COMMERCE, GEORGIA, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF COMMERCE, GEORGIA, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1(D)9 to the financial statements, the City adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement 65, "Items Previously Reported as Assets and Liabilities". Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Pension Funding Progress, Schedule of Other Post Retirement Benefits Funding Progress, Budgetary Comparison Schedule-General Fund listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-12, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014 on our consideration of the CITY OF COMMERCE, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF COMMERCE, GEORGIA's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Commerce, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2013. Please consider this information in conjunction with the City's basic financial statements, which follow.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,532,905 (presented as "net position"). Of this amount, \$7,706,125 was reported as "unrestricted net position." Unrestricted net position represent the amount available to be used to meet the City's obligations to citizens and creditors. \$35,429,788 of net assets consisted of investments in capital assets. The remainder of net assets consisted of amounts restricted by state law or debt agreements, and totaled \$10,396,992.

The City's total net position increased by \$2,140,316 in fiscal year 2013.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,789,157. Of this amount, 32.1% or \$1,538,445 is unassigned and available for use within the City's designation and policies.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,538,445 or 26.97% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the primary government, but also a legally separate authority, the Downtown Development Authority ("DDA"), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains seven governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, SPLOST, Confiscated Assets and Fire District. The General Fund and SPLOST Fund are the only major fund.

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

Proprietary Fund

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 to 42 of this report.

Other Information

In addition to the primary government financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on pages 45 to 49 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by \$53,532,905 as of June 30, 2013 and by \$50,740,907 as of June 30, 2012.

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

CITY OF COMMERCE, GEORGIA'S NET POSITION

JUNE 30, 2013

(\$ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 5,908	\$ 5,187	\$ 14,068	\$ 13,703	\$ 19,976	\$ 18,890
Capital assets (net of depreciation)	<u>17,168</u>	<u>15,831</u>	<u>35,081</u>	<u>36,086</u>	<u>52,249</u>	<u>51,917</u>
TOTAL ASSETS	<u>23,076</u>	<u>21,018</u>	<u>49,149</u>	<u>49,789</u>	<u>72,225</u>	<u>70,807</u>
Total deferred outflows of resources	-	-	140	158	140	158
Liabilities:						
Long-term liabilities outstanding	196	327	17,263	18,280	17,459	18,607
Other liabilities	<u>1,076</u>	<u>434</u>	<u>298</u>	<u>1,184</u>	<u>1,374</u>	<u>1,618</u>
TOTAL LIABILITIES	<u>1,272</u>	<u>761</u>	<u>17,561</u>	<u>19,464</u>	<u>18,833</u>	<u>20,225</u>
Net position						
Net investment in capital assets	17,079	15,831	18,350	18,661	35,429	34,492
Restricted	2,991	3,202	7,407	5,542	10,398	8,744
Unrestricted	<u>1,734</u>	<u>1,224</u>	<u>5,972</u>	<u>6,281</u>	<u>7,706</u>	<u>7,505</u>
TOTAL NET POSITION	<u>\$ 21,804</u>	<u>\$ 20,257</u>	<u>\$ 31,729</u>	<u>\$ 30,484</u>	<u>\$ 53,533</u>	<u>\$ 50,741</u>

Table may not add due to rounding

An additional portion of the City's net assets 13.72% represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$7,706,125, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2013, and June 30, 2012, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories - governmental and business-type activities.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2013 and June 30, 2012. Governmental activities increased the City's net assets by \$1,517,801 for the year ended June 30, 2013, and decreased net assets by \$94,056 for the year ended June 30, 2012. Business-type activities increased the City's net assets by \$622,515 for the year ended June 30, 2013, and increased the City's net assets by \$47,653 for the year ended June 30, 2012.

**CITY OF COMMERCE, GEORGIA'S CHANGES IN NET POSITION
JUNE 30, 2013
(\$ In thousands)**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
REVENUES						
Program revenues:	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Charges for services	\$ 2,656	\$ 1,674	\$ 13,502	\$ 12,574	\$ 16,158	\$ 14,248
Operating grants and contributions	237	76	-	-	237	76
Capital grants and contributions	1,709	782	130	494	1,839	1,276
General Revenues:						
Property taxes	712	359	-	-	712	359
Sales taxes	1,936	1,229	-	-	1,936	1,229
Insurance premium tax	326	307	-	-	326	307
Other taxes	412	392	-	-	412	392
Unrestricted investment earnings	3	4	220	126	223	130
Other	4	156	-	60	4	216
TOTAL REVENUES	<u>7,995</u>	<u>4,979</u>	<u>13,852</u>	<u>13,254</u>	<u>21,847</u>	<u>18,233</u>
EXPENSES						
General Government	1,183	755	-	-	1,183	755
Judicial	26	24	-	-	26	24
Public safety	2,194	2,054	-	-	2,194	2,054
Public works	1,671	1,659	-	-	1,671	1,659
Health and welfare	-	-	-	-	-	-
Recreation and culture	753	555	-	-	753	555
Housing and development	389	200	-	-	389	200
Interest	6	10	-	-	6	10
Water and sewer system	-	-	4,284	4,324	4,284	4,324
Electric system	-	-	5,750	5,513	5,750	5,513
Natural gas system	-	-	3,340	3,184	3,340	3,184
Revolving loan	-	-	110	-	110	-
TOTAL EXPENSES	<u>6,222</u>	<u>5,257</u>	<u>13,484</u>	<u>13,021</u>	<u>7,262</u>	<u>18,278</u>
Increases in net assets before transfers	1,773	(279)	368	233	2,141	(46)
Transfers	(255)	185	255	(185)	-	-
Increase in net assets	1,518	(94)	623	48	2,141	(46)
Net assets, beginning of year	<u>20,257</u>	<u>20,351</u>	<u>30,484</u>	<u>30,436</u>	<u>50,741</u>	<u>50,787</u>
Prior Period Adjustment	29	-	831	-	860	-
Change in accounting principle	-	-	(209)	-	(209)	-
Net assets, beginning of year, restated	<u>20,286</u>	<u>20,351</u>	<u>31,106</u>	<u>30,436</u>	<u>51,392</u>	<u>50,787</u>
Net assets, end of year	<u>\$ 21,804</u>	<u>\$ 20,257</u>	<u>\$ 31,729</u>	<u>\$ 30,484</u>	<u>\$ 53,533</u>	<u>\$ 50,741</u>

Total government-wide revenues for 2013 were \$21.85 million. These revenues consisted of \$3.39

million in taxes, \$2.08 million in grants and contributions, \$0.22 million in investment earnings and \$16.16 million in charges for services. Of this amount, \$8 million was in governmental activities and \$13.85 million in business-type activities.

Government-wide expenses were \$7.26 million for 2013, of which \$6.22 million were for governmental activities and \$13.48 million for business-type activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

The General Fund is the chief fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,538,445, while total fund balance reached \$1,808,466. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the fund's total operational expenditures. Unreserved fund balance represents 26.97% of total expenditures, while total fund balance represents 31.71% of that same amount.

The General Fund's fund balance increased by \$145,573 during the current fiscal year. This is primarily a result of an increase in property taxes from the prior year.

SPLOST Funds

The SPLOST Capital Projects Fund accounts for funds received from a local 1% sales tax reserved for construction of various capital projects. The SPLOST Fund's fund balance decreased by \$73,794. This is primarily a result of spending for approved projects using prior year funds.

The other governmental funds' fund balances decreased by \$47,779 during the current fiscal year. The decreases were mainly due to fund balance decreases in the Confiscated Assets Fund. The decreases in these funds were due to the funds collecting lower revenues than expenditure spending on capital projects.

Proprietary Funds

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

The Water and Sewer System Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Water and Sewer System is \$836,075. The Water and Sewer's increase in net position of \$271,419 is primarily a result of an increase in charges for services.

The Electric System Fund is used to account for the provision of electricity services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electric system and

billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for electric system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Water and Sewer System is \$3,358,080. The Water and Sewer's increase in net position of \$181,827 is primarily a result of an increase in charges for services.

The Natural Gas System Fund is used to account for the provision of natural gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position of the Water and Sewer System is \$1,767,610. The Water and Sewer's increase in net position of \$275,897 is primarily a result of an increase in charges for services.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in budgeted revenues of \$132,505 and an increase in budgeted expenditures of \$132,505. The only budget revisions noted were for expense increases in public safety and public works, and a decrease in recreation. Additionally, revenue increases to the intergovernmental and transfers in budget line items assisted in offsetting these budget adjustments. No other budget revisions were material.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$52,248,293 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, machinery and equipment, computer equipment, utility infrastructure, infrastructure assets, and vehicles.

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

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

The City spent \$1,811,899 on buildings and improvements.

The City spent \$175,490 on machinery and equipment.

The City spent \$70,976 on vehicles.

The City spent \$28,697 on infrastructure.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,817,024	\$ 2,817,024	\$ 319,771	\$ 319,770	\$ 3,136,795	\$ 3,136,794
Construction in process	59,334	254,033	56,250	575,298	115,584	310,283
Building and improvements	8,373,505	6,338,242	18,264,915	18,264,916	26,638,420	24,603,158
Utility system infrastructure	-	-	40,139,654	38,860,123	40,139,654	38,860,123
Furniture, fixtures and equipment	966,492	791,002	14,625	14,625	981,117	805,627
Machinery and equipment	-	-	974,381	900,153	974,381	900,153
Computers and equipment	319,452	319,452	328,302	328,302	647,754	647,754
Infrastructure	9,044,507	9,015,810	-	-	9,044,507	9,015,810
Vehicles	1,559,473	1,488,497	660,367	499,369	2,219,840	1,987,866
Accumulated depreciation	(5,972,044)	(5,193,099)	(25,677,716)	(23,676,448)	(31,649,760)	(28,867,547)
Total	<u>\$ 17,167,743</u>	<u>\$ 15,830,961</u>	<u>\$ 35,080,549</u>	<u>\$ 36,086,108</u>	<u>\$ 52,248,292</u>	<u>\$ 51,917,069</u>

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had in outstanding debt consisting of revenue bonds, capital leases and notes payable. All of the debt was secured by specific revenue sources or capital assets.

**CITY OF COMMERCE, GEORGIA'S OUTSTANDING DEBT - PRIMARY GOVERNMENT
JUNE 30, 2013**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2013	2012	2013	2012	2013	2012
Capital leases payable	\$ 88,333	\$ 203,161	\$ 2,843,651	\$ 3,062,589	\$ 2,931,984	\$ 3,265,750
Notes Payable	-	12,714	-	157,899	-	170,613
Revenue bonds	-	-	14,290,000	14,828,297	14,290,000	14,828,297
Total	<u>\$ 88,333</u>	<u>\$ 215,875</u>	<u>\$ 17,133,651</u>	<u>\$ 18,048,785</u>	<u>\$ 17,221,984</u>	<u>\$ 18,264,660</u>

The City's total debt (not including compensated absences and other long-term operating liabilities) decreased by \$1,042,676, during the current fiscal year mostly attributable to the repayment of long-term debt. Additional information on the City's long-term debt can be found in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2013-2014 budget, General Fund revenues and transfers in are budgeted to decrease by 4.9% from the 2012-2013 budget year. The 2013-2014 The 2013-2014 budget also includes \$900,060 in local option sales tax revenues, and \$666,667 in property tax revenues. General Fund expenditures are budgeted to decrease by 4.9% from the 2012-2013 budget.

REQUEST FOR INFORMATION

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

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2013

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT</u>
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>TOTAL</u>	<u>UNIT</u>
ASSETS	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>		<u>DOWNTOWN</u>
				<u>DEVELOPMENT</u>
				<u>AUTHORITY</u>
Cash	\$ 4,537,377	\$ 3,509,859	\$ 8,047,236	\$ 70,550
Investments	-	2,329,842	2,329,842	-
Notes receivable	-	29,856	29,856	-
Receivables (net of allowance for uncollectibles)	411,501	1,538,052	1,949,553	-
Internal balances	428,127	(428,127)	-	-
Due from component units	8,042	-	8,042	-
Inventories	36,323	-	36,323	-
Prepaid items	213,653	209,781	423,434	1,932
Restricted assets:				
Cash	273,519	2,525,764	2,799,283	-
Investments	-	4,296,235	4,296,235	-
Non-current assets:				
Notes receivable	-	57,814	57,814	-
Capital assets:				
Capital assets not being depreciated	2,876,358	376,021	3,252,379	319,907
Capital assets being depreciated	20,263,429	60,382,245	80,645,674	807,217
Less: accumulated depreciation	(5,972,044)	(25,677,717)	(31,649,761)	(226,542)
Capital assets, net of depreciation	17,167,743	35,080,549	52,248,292	900,582
TOTAL ASSETS	23,076,285	49,149,625	72,225,910	973,064
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	139,968	139,968	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	139,968	139,968	-
LIABILITIES				
Accounts payable	792,823	-	792,823	-
Accrued interest payable	-	68,686	68,686	2,619
Other accrued items	214,987	7,112	222,099	241
Due to primary government	-	-	-	8,042
Unearned revenue	11,122	-	11,122	-
Amounts held in trust	57,551	-	57,551	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	38,264	-	38,264	-
Notes payable	-	-	-	97,443
Capital leases payable	60,119	228,739	288,858	-
Revenue bonds payable	-	655,000	655,000	-
Due in more than one year				
Compensated absences payable	69,010	66,521	135,531	3,226
Customer Deposits	-	222,289	222,289	-
Notes payable	-	-	-	30,049
Capital leases payable	28,214	2,614,912	2,643,126	-
Revenue bonds payable	-	13,697,624	13,697,624	-
TOTAL LIABILITIES	1,272,090	17,560,883	18,832,973	141,620
NET POSITION				
Net investment in capital assets	17,079,410	18,350,378	35,429,788	773,090
Restricted for:				
Debt service	-	2,907,481	2,907,481	-
Municipal Competitive Trust Agreement	-	4,296,235	4,296,235	-
Sales tax referendum projects	2,673,023	-	2,673,023	-
Public safety programs	307,667	-	307,667	-
Housing and development programs	-	202,541	202,541	-
Cemetery	10,045	-	10,045	-
Unrestricted	1,734,050	5,972,075	7,706,125	58,354
TOTAL NET POSITION	\$ 21,804,195	\$ 31,728,710	\$ 53,532,905	\$ 831,444

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

PROGRAM REVENUES.....			NET (EXPENSE) AND CHANGES IN NET POSITION.....			COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	\$ 1,182,733	\$ 1,132,220	\$ 5,000	\$ -	\$ (45,513)	\$ -	\$ (45,513)	\$ -
Judicial	25,800	464,958	-	-	439,158	-	439,158	-
Public safety	2,193,765	201,110	86,220	-	(1,906,435)	-	(1,906,435)	-
Public works	1,671,459	739,717	68,583	1,708,512	845,353	-	845,353	-
Public health and welfare	-	14,000	-	-	14,000	-	14,000	-
Recreation and culture	752,542	102,852	77,500	-	(572,190)	-	(572,190)	-
Housing and development	389,597	1,350	-	-	(388,247)	-	(388,247)	-
Interest	6,266	-	-	-	(6,266)	-	(6,266)	-
Total Governmental Activities	6,222,162	2,656,207	237,303	1,708,512	(1,620,140)	-	(1,620,140)	-
BUSINESS-TYPE ACTIVITIES								
Water and sewer	4,283,508	3,708,222	-	129,601	-	(445,685)	(445,685)	-
Electric System	5,750,048	5,950,596	-	-	-	200,548	200,548	-
Natural Gas System	3,340,347	3,843,441	-	-	-	503,094	503,094	-
Housing and development	109,999	-	-	-	-	(109,999)	(109,999)	-
Total Business-Type Activities	13,483,902	13,502,259	-	129,601	-	147,958	(445,685)	-
TOTAL PRIMARY GOVERNMENT	\$ 19,706,064	\$ 16,158,466	\$ 237,303	\$ 1,838,113	(1,620,140)	147,958	(2,065,825)	-
COMPONENT UNITS								
Development Authority	177,634	25,236	196,672	-	-	-	-	44,274
TOTAL COMPONENT UNITS	\$ 177,634	\$ 25,236	\$ 196,672	\$ -	-	-	-	44,274
GENERAL REVENUES								
Property taxes					712,112	-	712,112	-
Sales taxes					1,935,497	-	1,935,497	-
Insurance premium taxes					326,023	-	326,023	-
Other taxes					412,018	-	412,018	-
Total taxes					3,385,650	-	3,385,650	-
Unrestricted investment earnings					2,765	219,907	222,672	76
Gain on sale of capital assets					4,176	-	4,176	-
TRANSFERS					(254,650)	254,650	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					3,137,941	474,557	3,612,498	76
CHANGES IN NET POSITION								
NET POSITION, Beginning					1,517,801	622,515	2,140,316	44,350
PRIOR PERIOD ADJUSTMENT					20,257,071	30,483,835	50,740,906	787,094
CHANGE IN ACCOUNTING PRINCIPLE					29,323	831,050	860,373	-
NET POSITION, Beginning as restated					-	(208,690)	(208,690)	-
NET POSITION, Ending					\$ 21,804,195	\$ 31,728,710	\$ 53,532,905	\$ 831,444

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 1,655,886	\$ 2,769,366	\$ 112,126	\$ 4,537,378
Receivables (net of allowance for uncollectibles)	284,579	126,921	-	411,500
Interfund receivables	886,601	-	20,294	906,895
Due from component unit	8,042	-	-	8,042
Prepaid items	213,653	-	-	213,653
Inventories	36,323	-	-	36,323
Restricted assets:				
Cash	10,045	-	263,474	273,519
TOTAL ASSETS	<u>\$ 3,095,129</u>	<u>\$ 2,896,287</u>	<u>\$ 395,894</u>	<u>\$ 6,387,310</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 791,301	\$ -	\$ 1,523	\$ 792,824
Other accrued items	214,987	-	-	214,987
Interfund payables	179,922	223,264	75,582	478,768
Unearned revenue	-	-	11,122	11,122
Amounts held in trust	57,551	-	-	57,551
TOTAL LIABILITIES	<u>1,243,761</u>	<u>223,264</u>	<u>88,227</u>	<u>1,555,252</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	42,902	-	-	42,902
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>42,902</u>	<u>-</u>	<u>-</u>	<u>42,902</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,286,663</u>	<u>223,264</u>	<u>88,227</u>	<u>1,598,154</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditure	213,653	-	-	213,653
Inventories	36,323	-	-	36,323
Restricted:				
Sales tax referendum projects	-	2,673,023	-	2,673,023
Cemetery	10,045	-	-	10,045
Public safety programs	-	-	307,667	307,667
Assigned:				
Next year's budget	10,000	-	-	10,000
Unassigned:	1,538,445	-	-	1,538,445
TOTAL FUND BALANCES	<u>1,808,466</u>	<u>2,673,023</u>	<u>307,667</u>	<u>4,789,156</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,095,129</u>	<u>\$ 2,896,287</u>	<u>\$ 395,894</u>	<u>\$ 6,387,310</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
For the Year Ended June 30, 2013

Total Fund Balances for Governmental Funds (page 3)	\$	4,789,156
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.		17,167,743
Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds:		
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	42,902	42,902
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	(107,274)	
Capital leases	(88,333)	(195,607)
Rounding		1
Total net position of governmental activities (page 1)	\$	<u>21,804,195</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

REVENUES	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Taxes	\$ 2,570,597	\$ 789,775	\$ -	\$ 3,360,372
Licenses and permits	95,229	-	-	95,229
Intergovernmental	232,303	-	-	232,303
Fines and forfeitures	470,259	-	27,854	498,113
Charges for services	1,810,591	-	172,015	1,982,606
Contributions and donations	5,000	-	-	5,000
Investment income	2,305	2,864	461	5,630
Miscellaneous	80,260	-	-	80,260
TOTAL REVENUES	<u>5,266,544</u>	<u>792,639</u>	<u>200,330</u>	<u>6,259,513</u>
EXPENDITURES				
Current Expenditures				
General government	1,087,014	-	-	1,087,014
Judicial	25,800	-	-	25,800
Public safety	1,995,315	-	2,332	1,997,647
Public works	1,299,573	-	-	1,299,573
Recreation and culture	651,200	-	-	651,200
Housing and development	379,917	-	-	379,917
Capital outlay	105,702	220,133	84,244	410,079
Debt service				
Principal	153,816	-	9,185	163,001
Interest	5,640	-	626	6,266
TOTAL EXPENDITURES	<u>5,703,977</u>	<u>220,133</u>	<u>96,387</u>	<u>6,020,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(437,433)</u>	<u>572,506</u>	<u>103,943</u>	<u>239,016</u>
OTHER FINANCING SOURCES (USES)				
Sale of county property	4,176	-	-	4,176
Capital leases	35,458	-	-	35,458
Transfers in	611,947	68,575	-	680,522
Transfers out	(68,575)	(714,875)	(151,722)	(935,172)
TOTAL OTHER FINANCING SOURCES (USES)	<u>583,006</u>	<u>(646,300)</u>	<u>(151,722)</u>	<u>(215,016)</u>
NET CHANGE IN FUND BALANCES	<u>145,573</u>	<u>(73,794)</u>	<u>(47,779)</u>	<u>24,000</u>
FUND BALANCES, Beginning of year	1,633,570	2,746,817	355,446	4,735,833
PRIOR PERIOD ADJUSTMENT	29,323	-	-	29,323
FUND BALANCES, Beginning of year, restated	<u>1,662,893</u>	<u>2,746,817</u>	<u>355,446</u>	<u>4,765,156</u>
FUND BALANCES, End of year	<u>\$ 1,808,466</u>	<u>\$ 2,673,023</u>	<u>\$ 307,667</u>	<u>\$ 4,789,156</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Net change in fund balances (page 5)		\$ 24,000
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 in the current period.		
Capital outlays	410,079	
Depreciation expense	<u>(778,945)</u>	(368,866)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	42,902	
Donated assets	<u>1,705,649</u>	1,748,551
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	<u>(17,624)</u>	(17,624)
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 issuance costs, 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.		
Proceeds from borrowing including premiums and discounts	(35,458)	
Principal payments on long-term debt, including payments to refunding escrow	<u>163,001</u>	127,543
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	(107,274)	
Compensated absences, prior year	<u>111,473</u>	4,199
Rounding		<u>(2)</u>
Changes in net position of governmental activities (page 2)		<u>\$ 1,517,801</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
ASSETS					
Current Assets					
Cash	\$ 1,482,604	\$ 609,831	\$ 1,417,424	\$ -	\$ 3,509,859
Investments	-	2,329,842	-	-	2,329,842
Receivables (net of allowance for uncollectibles)	453,389	824,822	259,621	220	1,538,052
Notes receivable	-	-	-	29,856	29,856
Interfund receivables	-	-	159,628	-	159,628
Prepaid items	148,843	30,917	30,021	-	209,781
Cash	2,290,803	-	-	234,961	2,525,764
Investments	-	4,296,235	-	-	4,296,235
TOTAL CURRENT ASSETS	<u>4,375,639</u>	<u>8,091,647</u>	<u>1,866,694</u>	<u>265,037</u>	<u>14,599,017</u>
Noncurrent Assets					
Notes receivables	-	-	-	57,814	57,814
Capital assets					
Capital assets not being depreciated	287,247	30,032	58,742	-	376,021
Capital assets being depreciated	39,156,058	9,917,144	11,309,043	-	60,382,245
Less: accumulated depreciation	(17,398,199)	(4,744,832)	(3,534,686)	-	(25,677,717)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>22,045,106</u>	<u>5,202,344</u>	<u>7,833,099</u>	<u>-</u>	<u>35,080,549</u>
TOTAL NONCURRENT ASSETS	<u>22,045,106</u>	<u>5,202,344</u>	<u>7,833,099</u>	<u>57,814</u>	<u>35,138,363</u>
TOTAL ASSETS	<u>26,420,745</u>	<u>13,293,991</u>	<u>9,699,793</u>	<u>322,851</u>	<u>49,737,380</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge for refunding	139,968	-	-	-	139,968
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>139,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,968</u>
LIABILITIES					
Current Liabilities					
Accrued interest	51,617	229	16,840	-	68,686
Other accrued items	4,081	1,352	1,679	-	7,112
Interfund payables	154,589	323,166	-	110,000	587,755
Capital leases payable	-	25,953	202,786	-	228,739
Revenue bonds payable	655,000	-	-	-	655,000
TOTAL CURRENT LIABILITIES	<u>865,287</u>	<u>350,700</u>	<u>221,305</u>	<u>110,000</u>	<u>1,547,292</u>
Noncurrent Liabilities					
Customer deposits	53,516	97,908	70,865	-	222,289
Compensated absences payable	42,145	14,676	9,700	-	66,521
Capital leases payable	-	82,672	2,532,240	-	2,614,912
Revenue bonds payable	13,697,624	-	-	-	13,697,624
TOTAL NONCURRENT LIABILITIES	<u>13,793,285</u>	<u>195,256</u>	<u>2,612,805</u>	<u>-</u>	<u>16,601,346</u>
TOTAL LIABILITIES	<u>14,658,572</u>	<u>545,956</u>	<u>2,834,110</u>	<u>110,000</u>	<u>18,148,638</u>
NET POSITION					
Net investment in capital assets	8,158,585	5,093,720	5,098,073	-	18,350,378
Restricted for debt service	2,907,481	-	-	-	2,907,481
Municipal Competitive Trust Agreement	-	4,296,235	-	-	4,296,235
Restricted for housing and development	-	-	-	202,541	202,541
Unrestricted	836,075	3,358,080	1,767,610	10,310	5,972,075
TOTAL NET POSITION	<u>\$ 11,902,141</u>	<u>\$ 12,748,035</u>	<u>\$ 6,865,683</u>	<u>\$ 212,851</u>	<u>\$ 31,728,710</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
OPERATING REVENUES					
Charges for sales and services:					
Pledged as security for revenue bonds:					
Charges for services	\$ 3,638,063	\$ 5,948,582	\$ 3,837,046	\$ -	\$ 13,423,691
Connection fees	-	-	4,938	-	4,938
Other operating revenue	70,159	2,014	1,457	-	73,630
Total Operating Revenues	<u>3,708,222</u>	<u>5,950,596</u>	<u>3,843,441</u>	<u>-</u>	<u>13,502,259</u>
OPERATING EXPENSES					
Salaries and benefits	983,935	618,933	526,101	-	2,128,969
Supplies	227,289	50,699	65,838	-	343,826
Other services and charges	434,467	7,702	7,562	(1)	449,730
Insurance premiums	74,959	35,107	33,428	-	143,494
Depreciation	1,279,218	325,224	396,827	-	2,001,269
Professional fees	73,853	8,404	11,667	-	93,924
Repairs and maintenance	245,429	36,697	26,182	-	308,308
Utilities	304,849	13,083	9,856	-	327,788
Utilities purchased for resale	-	4,650,197	2,133,272	-	6,783,469
Housing and development	-	-	-	110,000	110,000
Total Operating Expenses	<u>3,623,999</u>	<u>5,746,046</u>	<u>3,210,733</u>	<u>109,999</u>	<u>12,690,777</u>
OPERATING INCOME (LOSS)	<u>84,223</u>	<u>204,550</u>	<u>632,708</u>	<u>(109,999)</u>	<u>811,482</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	-	-	-	3,371	3,371
Investment earnings-pledged as security for revenue bonds	2,229	212,348	1,959	-	216,536
Interest expense	(659,509)	(4,002)	(129,614)	-	(793,125)
Total Nonoperating Revenues (Expenses)	<u>(657,280)</u>	<u>208,346</u>	<u>(127,655)</u>	<u>3,371</u>	<u>(573,218)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
TRANSFERS	(573,057)	412,896	505,053	(106,628)	238,264
Capital grants	129,601	-	-	-	129,601
Transfer in	714,875	-	-	-	714,875
Transfer out	-	(231,069)	(229,156)	-	(460,225)
CHANGE IN NET POSITION	<u>271,419</u>	<u>181,827</u>	<u>275,897</u>	<u>(106,628)</u>	<u>622,515</u>
TOTAL NET POSITION, Beginning of year	11,535,475	12,113,228	6,515,653	319,479	30,483,835
CHANGE IN ACCOUNTING PRINCIPLE	(189,166)	-	(19,524)	-	(208,690)
PRIOR PERIOD ADJUSTMENT	284,413	452,980	93,657	-	831,050
TOTAL NET POSITION, Beginning of year, restated	<u>11,630,722</u>	<u>12,566,208</u>	<u>6,589,786</u>	<u>319,479</u>	<u>31,106,195</u>
TOTAL NET POSITION, End of year	<u>\$ 11,902,141</u>	<u>\$ 12,748,035</u>	<u>\$ 6,865,683</u>	<u>\$ 212,851</u>	<u>\$ 31,728,710</u>

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customer	\$ 3,986,514	\$ 5,929,909	\$ 3,791,270	\$ 73	\$ 13,707,766
Payments to suppliers	(1,718,166)	(4,904,963)	(2,707,932)	-	(9,331,061)
Payments to employees	(1,013,733)	(627,487)	(541,135)	-	(2,182,355)
Net cash provided by (used in) operating activities	<u>1,254,615</u>	<u>397,459</u>	<u>542,203</u>	<u>73</u>	<u>2,194,350</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in (out)	-	(231,069)	(229,156)	-	(460,225)
Net Cash provided (used) by non-capital financing activities	<u>-</u>	<u>(231,069)</u>	<u>(229,156)</u>	<u>-</u>	<u>(460,225)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(524,305)	(311,324)	(160,081)	-	(995,710)
Transfers in	714,875	-	-	-	714,875
Capital Grant Earned	129,601	-	-	-	129,601
Principal payments on debt	(787,899)	(25,190)	(193,747)	-	(1,006,836)
Interest paid	(635,793)	(4,055)	(126,204)	-	(766,052)
Net cash provided (used) by capital and related financing activities	<u>(1,103,521)</u>	<u>(340,569)</u>	<u>(480,032)</u>	<u>-</u>	<u>(1,924,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	2,228	318,416	1,959	3,371	325,974
Purchase of investments	-	(167,563)	-	-	(167,563)
Principal payments received on lease receivable	-	-	-	28,976	28,976
Proceeds from sale of investments	-	51,538	-	-	51,538
Net cash provided (used) by investing activities	<u>2,228</u>	<u>202,391</u>	<u>1,959</u>	<u>32,347</u>	<u>238,925</u>
Net increase (decrease) in cash and cash equivalents	153,322	28,212	(165,026)	32,420	48,928
CASH, Beginning of year	<u>3,620,085</u>	<u>581,619</u>	<u>1,582,450</u>	<u>202,541</u>	<u>5,986,695</u>
CASH, End of year	<u>\$ 3,773,407</u>	<u>\$ 609,831</u>	<u>\$ 1,417,424</u>	<u>\$ 234,961</u>	<u>\$ 6,035,623</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 84,223	\$ 204,550	\$ 632,708	\$ (109,999)	\$ 811,482
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,279,218	325,224	396,827	-	2,001,269
(Increase) decrease in:					
Accounts receivable	274,607	(20,687)	-	-	253,920
Due from other governments	-	-	(52,171)	72	(52,099)
Prepaid expenses	12,685	(219)	436	-	12,902
Increase (decrease) in:					
Accounts payable	(368,772)	(387,575)	(90,962)	-	(847,309)
Compensated absences	341	160	(7,274)	-	(6,773)
Customer deposits	3,685	-	-	-	3,685
Other accrued items	(30,139)	(8,714)	(7,760)	-	(46,613)
Interfund balances	(1,233)	284,720	(329,601)	110,000	63,886
Net cash provided by (used in) operating activities	<u>\$ 1,254,615</u>	<u>\$ 397,459</u>	<u>\$ 542,203</u>	<u>\$ 73</u>	<u>\$ 2,194,350</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES					
Net unrealized gain (loss) on investments	\$ -	\$ (106,067)	\$ -	\$ -	\$ (106,067)

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- 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 (the primary government) 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. Discrete 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.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Brief descriptions of the discretely presented component unit follows:

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

The DDA did not issue separate financial statements for the year ended June 30, 2013.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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. 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.

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

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

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

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. *Deposits and Investments*

The government'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.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

2. *Receivables and Payables*

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

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 20th of each year. The 2013 property taxes were levied October 20, 2013, and were due December 20, 2013. The taxes are subject to lien after March 20, 2014. 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 and fire district special revenue fund.

3. *Inventories and Prepaid Items*

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

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.

4. *Restricted Assets*

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

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

5. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during 2013.

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

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

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

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

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

6. *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 has only one type of item that qualifies for reporting in this category. It is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is part of the interest expense for the year.

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 only one type of item that qualifies for reporting in this category. This item 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 revenues from two sources: property taxes.

7. *Compensated Absences*

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

8. *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.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

9. Bond Premiums and Discounts

Cumulative effect of a change in accounting principle:

Bond and loan issuance costs are expensed as incurred. These previously had been deferred and amortized. During 2013, the City implemented GASB Statement 65 "*Items Previously Reported As Assets and Liabilities.*" For the Water and Sewer Fund, \$118,887 and \$70,279 of the issuance costs related to the 2006 and 2010 series revenue bonds, respectively, was written off as the cumulative effect of a change in accounting principle. For the natural gas system, \$19,524 of the issuance costs was written off as the cumulative effect of a change in accounting principle.

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

Amortization costs for premiums, discounts, and amounts deferred for refunding (see Note 7) for the years 2013 was \$31,330. None of these costs were capitalized in 2013.

10. 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:

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.

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.

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.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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 represent 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 are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

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

12. Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2013 are as follows:

	Governmental Activities	Business Activities	Component Unit Downtown Development Authority
Net investment in capital assets:			
Cost of capital assets	\$ 23,139,787	\$ 60,758,266	\$ 1,127,124
Accumulated depreciation	(5,972,044)	(25,677,717)	(226,542)
Book value	17,167,743	35,080,549	900,582
Capital leases related debt	(88,333)	(2,843,651)	-
Unspent construction proceeds	-	466,104	-
Revenue bonds related to capital assets	-	(14,352,624)	-
Notes payable related to capital assets	-	-	(127,492)
Invested in capital assets, net of related debt	<u>\$ 17,079,410</u>	<u>\$ 18,350,378</u>	<u>\$ 773,090</u>

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

13. 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.

14. 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 \$2,990,735 of restricted net position, of which \$132,420 is restricted by enabling legislation.

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

Restricted:

General Fund

<i>Cemetery</i> - For unspent funds for cemetery maintenance	\$ 10,045
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SPLOST

SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	2,673,023
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Nonmajor Funds

Public Safety programs -

<i>Confiscated Assets Fund</i> - For funds restricted for law enforcement purposes.	175,247
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<i>Fire District Fund</i> - For funds restricted for fire services from a separate tax levy.	132,420
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Total Restricted Fund Balance	<u>\$ 2,990,735</u>
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Assigned:

General Fund

Appropriated as a resource in next year's budget	\$ 10,000
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Total Assigned Fund Balance	<u>\$ 10,000</u>
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CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

Budgeting Policy

- The City Manager submits to the Mayor and City Council a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and revenues for the General Fund, Special Revenue and Proprietary (Enterprise) Funds.
- Public Hearings are conducted to obtain taxpayer comments.
- The budget is then approved by the Mayor and City Council, and becomes the basis for the millage levied by them.
- Management may not make any budget revisions without the prior approval of the City Council. Budget revisions that alter the total expenditures of any department or line item within a department must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Proprietary (Enterprise) Funds.
- All appropriations lapse at the end of the fiscal year.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City of Commerce has no recorded encumbrances at June 30, 2013.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

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

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(C) DEFICIT FUND EQUITY

At June 30, 2013, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2013, the City had the following investments, some of which are cash equivalents:

Investment Type	Fair Value	INVESTMENT MATURITIES (in Years)		Rating (1)
		Less Than 1	1-5	
Municipal Competitive Trust:				
Short-term Portfolio	\$ 1,615,815	\$ 1,615,815	\$ -	AAAm
Intermediate Portfolio	1,263,324	1,263,324	-	AAAm
Intermediate Extended Portfolio	2,030,414	2,030,414	-	AAAm
Intermediate Tax Extended Portfolio	1,716,523	1,716,523	-	AAAm
Total	<u>\$ 6,626,076</u>	<u>\$ 6,626,076</u>	<u>\$ -</u>	
Maximum Investment		100.00%	0.00%	

1. Standard & Poor's

Cash per Statement of Net position (page 1)

Cash	\$ 8,047,236
Restricted cash	2,799,283
Deposits	<u>\$ 10,846,519</u>

Investments Statement of Net position (page 1)

Investments	\$ 2,329,842
Restricted Investments	4,296,235
Investments as listed above	<u>\$ 6,626,076</u>

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

Credit Risk. State statutes authorize the 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, 2013, the ratings of its investments are shown above.

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

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the 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, 2013, all of the City's deposits were insured or was adequately collateralized with securities held by the pledging financial institution's name.

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State statutes require collateral pledged in the amount of 110% of deposits. 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.

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.

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

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and nonmajor governmental and Internal Service Funds in the aggregate. The City does not maintain an allowance for uncollectible accounts due to the utilization of a third party collection agency after a 90 day aging period:

	General <u>Fund</u>	SPLOST	Business - type Activities
Receivables:			
Property Taxes	\$ 49,794	\$ -	\$ -
Other taxes	113,833	126,921	-
Accounts	75,259	-	1,538,052
Intergovernmental	45,693	-	-
Notes	-	-	87,670
Total Gross Receivables	<u>284,579</u>	<u>126,921</u>	<u>1,625,722</u>
Less: Allowance for Uncollectibles	-	-	-
Total Net Receivables	<u>\$ 284,579</u>	<u>\$ 126,921</u>	<u>\$ 1,625,722</u>

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

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	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Property taxes (General Fund)	\$ 42,902	\$ -
Other	-	11,122
Total unavailable/ unearned revenue for governmental funds	\$ 42,902	\$ 11,122

The notes receivable in the business-type activities consisted of the following at June 30, 2013:

Note receivable made to a local business through the Community Development Block Grant- Employment Incentive Program. Original amount of note was \$88,173. Payments receivable in monthly installments of \$851 over 10 years, including Interest at 3%. Collateralized by personal guarantees of the principals of the Company. The note matures February 1, 2020. \$ 61,663

Note receivable made to a local business through the Community Development Block Grant- Employment Incentive Program. Original amount of note was \$160,762. Payments receivable in monthly installments of \$1,552 over 10 years, including Interest at 3%. Collateralized by personal guarantees of the principals of the Company. The note matures September 1, 2014. 22,826

Note receivable made to a local business through the Community Development Block Grant- Employment Incentive Program. Original amount of note was \$15,000. Payments receivable in monthly installments of \$270 over 5 years, including Interest at 3%. Collateralized by personal guarantees of the principals of the Company. The note matures May 20, 2014. 3,181

Total note receivable, net 87,670

Less: Current portion (29,856)

Long-term portion \$ 57,814

At June 30, 2013, scheduled maturities of the notes receivable were the following:

2014	\$	29,856
2015		13,375
2016		9,007
2017		9,281
2018		9,563
2019 - 2020		16,588
Total maturities of notes receivable	\$	87,670

CITY OF COMMERCE, GEORGIA
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June 30, 2013

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Transfer</u>	<u>Ending Balance</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 2,817,024	\$ -	\$ -	\$ -	\$ 2,817,024
Construction in progress	254,033	28,665	-	(223,364)	59,334
Total non-depreciable capital assets	<u>3,071,057</u>	<u>28,665</u>	<u>-</u>	<u>(223,364)</u>	<u>2,876,358</u>
Depreciable Assets:					
Buildings and improvements	6,338,242	1,811,899	-	223,364	8,373,505
Machinery and equipment	1,110,454	175,490	-	-	1,285,944
Vehicles	1,488,497	70,976	-	-	1,559,473
Infrastructure	9,015,810	28,697	-	-	9,044,507
Total depreciable capital assets	<u>17,953,003</u>	<u>2,087,062</u>	<u>-</u>	<u>223,364</u>	<u>20,263,429</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(1,915,123)	(194,572)	-	-	(2,109,695)
Machinery and equipment	(689,727)	(139,007)	-	-	(828,734)
Vehicles	(783,391)	(138,102)	-	-	(921,493)
Infrastructure	(1,804,858)	(307,264)	-	-	(2,112,122)
Total accumulated depreciation	<u>(5,193,099)</u>	<u>(778,945)</u>	<u>-</u>	<u>-</u>	<u>(5,972,044)</u>
Total depreciable capital assets, net	<u>12,759,904</u>	<u>1,308,117</u>	<u>-</u>	<u>-</u>	<u>14,291,385</u>
Governmental activities capital assets, net	<u>\$ 15,830,961</u>	<u>\$ 1,336,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,167,743</u>

Additions to governmental activities capital assets for fiscal year ending June 30, 2013 consist of the following:

Capital Outlay	\$ 410,078
Donated assets	1,705,649
Total Additions	<u>\$ 2,115,727</u>
Non-depreciable capital assets additions	\$ 28,665
Depreciable capital assets additions	2,087,062
Total	<u>\$ 2,115,727</u>

CITY OF COMMERCE, GEORGIA
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 94,119
Public Safety	203,111
Public Works	371,275
Recreation and Culture	102,213
Housing and Development	8,227
Total depreciation expense: Governmental Activities	<u>\$ 778,945</u>

Capital asset activity for business-type funds for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 319,770	\$ -	\$ -	\$ 1	\$ 319,771
Construction in progress	<u>575,298</u>	<u>196,029</u>	-	<u>(715,077)</u>	<u>56,250</u>
Total non-depreciable capital assets	<u>895,068</u>	<u>196,029</u>	-	<u>(715,076)</u>	<u>376,021</u>
Depreciable Assets:					
Buildings and improvements	18,264,916	-	-	-	18,264,916
Water and sewer system	19,461,615	278,070	-	715,075	20,454,760
Electric system	8,679,861	150,326	-	-	8,830,187
Natural gas system	10,718,647	136,060	-	-	10,854,707
Machinery and equipment	1,243,080	74,228	-	-	1,317,308
Vehicles	<u>499,369</u>	<u>160,998</u>	-	-	<u>660,367</u>
Total depreciable capital assets	<u>58,867,488</u>	<u>799,682</u>	-	<u>715,075</u>	<u>60,382,245</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(5,267,648)	(511,172)	-	-	(5,778,820)
Water and sewer system	(10,754,533)	(700,155)	-	-	(11,454,689)
Electric system	(3,762,787)	(283,681)	-	-	(4,046,468)
Natural gas system	(2,803,523)	(374,704)	-	-	(3,178,227)
Machinery and equipment	(637,641)	(110,619)	-	-	(748,260)
Vehicles	<u>(450,316)</u>	<u>(20,937)</u>	-	-	<u>(471,253)</u>
Total accumulated depreciation	<u>(23,676,448)</u>	<u>(2,001,268)</u>	-	-	<u>25,677,717</u>
Total depreciable capital assets, net	<u>35,191,040</u>	<u>(1,201,586)</u>	-	<u>715,075</u>	<u>34,704,528</u>
Business-type activities capital assets, net	<u>\$ 36,086,108</u>	<u>\$ (1,005,557)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 35,080,549</u>

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

Business-type Activities:	
Water and Sewer System	1,279,218
Electric System	325,224
Natural Gas System	396,827
Rounding	(1)
Total depreciation expense: Business-type Activities	<u>\$ 2,001,268</u>

CITY OF COMMERCE, GEORGIA
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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, 2013 and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Governmental Activities:				
Transportation Enhancement	\$ 52,534	\$ -	\$ (52,534)	Grant/SPLOST
Highway 98 Resurfacing	6,800	-	(6,800)	SPLOST
Total Governmental Activities	<u>\$ 59,334</u>	<u>\$ -</u>	<u>\$ (59,334)</u>	
Business-type Activities				
CDBG Spring Street	\$ 56,250	\$ -	\$ (56,250)	Local Funds/Grant
Total Business-type Activities	<u>\$ 56,250</u>	<u>\$ -</u>	<u>\$ (56,250)</u>	

Discretely Presented Component Units

Activity for Downtown Development Authority for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Non-depreciable Assets:					
Land	\$ 319,907	\$ -	\$ -	\$ -	\$ 319,907
Total non-depreciable capital assets	<u>319,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,907</u>
Depreciable assets:					
Buildings and improvements	796,005	-	-	-	796,005
Machinery and equipment	11,212	-	-	-	11,212
Total depreciable capital assets	<u>807,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,217</u>
Less Accumulated Depreciation for:					
Buildings	(198,215)	(23,164)	-	-	(221,379)
Machinery and equipment	(3,836)	(1,327)	-	-	(5,163)
Total accumulated depreciation	<u>(202,051)</u>	<u>(24,491)</u>	<u>-</u>	<u>-</u>	<u>(226,542)</u>
Total depreciable capital assets, net	<u>605,166</u>	<u>(24,491)</u>	<u>-</u>	<u>-</u>	<u>580,675</u>
Governmental activities capital assets, net	<u>\$ 925,073</u>	<u>\$ (24,491)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,582</u>

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Capital leases	\$ 203,161	\$ 35,458	\$ (150,286)	\$ 88,333	\$ 60,119	\$ 28,214
Notes Payable	12,714	-	(12,714)	-	-	-
Compensated absences	<u>111,473</u>	<u>107,274</u>	<u>(111,473)</u>	<u>107,274</u>	<u>38,264</u>	<u>69,010</u>
Governmental activities long-term liabilities	<u>\$ 857,857</u>	<u>\$ 320,922</u>	<u>\$ (699,232)</u>	<u>\$ 479,547</u>	<u>\$ 256,885</u>	<u>\$ 222,662</u>
Business-type Activities:						
Revenue bonds	\$ 14,920,000	\$ -	\$ (630,000)	\$ 14,290,000	\$ 655,000	\$ 13,635,000
Less: Original issue discounts	(65,222)	-	3,974	(61,248)	-	(61,248)
Add: Original issue Premiums	<u>131,907</u>	<u>-</u>	<u>(8,035)</u>	<u>123,872</u>	<u>-</u>	<u>123,872</u>
Total Revenue Bonds	14,986,685	-	(634,061)	14,352,624	655,000	13,697,624
Notes payable	157,899	-	(157,899)	-	-	-
Capital Leases	3,062,600	-	(218,949)	2,843,651	228,739	2,614,912
Compensated absences	<u>73,295</u>	<u>66,521</u>	<u>(73,295)</u>	<u>66,521</u>	<u>-</u>	<u>66,521</u>
Business-type activities long-term liabilities	<u>\$ 18,596,277</u>	<u>\$ 66,521</u>	<u>\$ (1,400,002)</u>	<u>\$ 17,262,796</u>	<u>\$ 883,739</u>	<u>\$ 16,379,057</u>
Component Unit:						
Notes Payables	\$ 173,798	\$ -	\$ (46,306)	\$ 127,492	\$ 97,443	\$ 30,049
Compensated absences	<u>73,295</u>	<u>66,521</u>	<u>(73,295)</u>	<u>66,521</u>	<u>-</u>	<u>66,521</u>
Component Unit long-term liabilities	<u>\$ 18,596,277</u>	<u>\$ 66,521</u>	<u>\$ (1,400,002)</u>	<u>\$ 17,262,796</u>	<u>\$ 883,739</u>	<u>\$ 16,379,057</u>

Notes payable, capital leases and compensated absences are generally liquidated by the general fund. The revenue bonds, capital leases and note payable for business type activity are liquidated by the Electric, Gas and Water and Sewer enterprise funds. Compensated absences for business type activities are liquidated by each of the enterprise funds. As of July 1, 2012, the deferred charge on refunding in the amount of \$158,389 was reclassified as deferred outflow of resources.

CAPITAL LEASES

Vehicles and various other equipment items are acquired under capital lease agreements which bear interest at various rates from 3.230% to 4.200%. Minimum future lease obligations for these leases, as of June 30, 2013, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 60,119	\$ 3,208	\$ 63,327
2015	<u>28,214</u>	<u>1,070</u>	<u>29,284</u>
Total	<u>\$ 88,333</u>	<u>\$ 4,278</u>	<u>\$ 92,611</u>

CITY OF COMMERCE, GEORGIA
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As of June 30, 2013, the capital assets purchased under these capital lease agreements are as follows:

	<u>Governmental</u>
	<u>Activities</u>
Vehicles	\$ 236,375
Less accumulated depreciation	<u>(43,381)</u>
Net	<u>\$ 192,994</u>

BUSINESS TYPE ACTIVITIES

As of June 30, 2013, the the long-term debt payable from proprietary fund resources consisted of the following:

REVENUE BONDS PAYABLE

Water and Sewerage Revenue Refunding and Improvement Bonds Series 2006:

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

The \$12,770,000 original issue amount of bond proceeds of the City of Commerce, GA Water and Sewerage Revenue and Improvement Refunding Bonds Series 2006, along with a net premium of \$180,787 on those bonds, were used as follows:

- \$1,546,673 was deposited in the Construction Fund
- \$10,064,218 was paid to the Georgia Environmental Facilities Authority to prepay outstanding loans.
- \$959,807 was deposited in the Debt Service Reserve Account.
- \$89,390 was retained by the Underwriter as the Bond discount.
- \$123,090 was paid to the Bond Insurer as payment of the premium for the Policy.
- \$167,609 was deposited in the Cost of Issuance Account to pay for Bond issuance costs.

As part of the bond ordinance for the 2006 series bonds, the City is required to make monthly cash transfers to the Debt Service Account. The purpose of the debt service account is to pay principal and interest as they become due. As of June 30, 2013, all required transfers have been made to the sinking fund.

CITY OF COMMERCE, GEORGIA
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Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Water and Sewerage System and will revise them as necessary to (i) maintain and operate the System on a sound business like basis; (ii) to pay an amount equal to 100% of the principal of and interest on junior lien obligations referred to in the Bond Ordinance; (iii) to create and maintain a reserve therefore in the amount as required in the Bond Ordinance or such larger amounts as may be required in any proceedings authorizing such issue or issues of parity bonds; (iv) to make payments into the Sinking Fund equal to at least 120% of the amounts sufficient to discharge the payment of the principal of and the interest on the Series 2006 Bonds and the Series 2010 bonds and any future parity issues as the same become due and payable in the then current Sinking Fund Year; and (v) to create and maintain a reserve for extensions and improvements to the System. At June 30, 2013, the City's has complied with these requirements. The City's water and sewerage revenues are used as security for the revenue bonds.

Water and Sewerage Revenue Refunding Bonds Series 2010:

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

The \$2,665,000 original issue amount of bond proceeds of the City of Commerce, GA Water and Sewerage Revenue Refunding Bonds Series 2010, were used as follows:

- \$2,577,590 was paid to U.S. Bank National Association, as paying agent to refund \$2,575,000 of the Water and Sewerage Revenue Refunding Bonds Series 2002.
- The City advanced refunded the Water and Sewerage Revenue Refunding Bonds Series 2002 to reduce its total debt service payments over the next 10 years by \$167,840. However, because the City advance refunding the bonds, it incurred a loss on the advance refunding of \$188,185.
- \$87,410 was deposited into the City of Commerce, GA Water and Sewerage Revenue Refunding Bonds Series 2010 Cost of Issuance Fund Account to pay issuance and other related costs.

As part of the bond ordinance for the 2010 series bonds, the City is required to make monthly cash transfers to the City of Commerce, GA Water and Sewerage Refunding Bonds Series 2010 Debt Service Account. The purpose of the debt service account is to pay principal and interest as they become due. As of June 30, 2013, all required transfers have been made to the sinking fund.

CITY OF COMMERCE, GEORGIA
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Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Water and Sewerage System and will revise them as necessary to (a) operate and maintain said System on a sound business like basis (b) to make payments into the Sinking Fund equal to 120% of the amounts sufficient to discharge the payment of the principal of the interest on the Series 2006 Bonds and the Series 2010 Bonds and any future parity issues as they same become due and payable in the then current Sinking Fund Year, (c) to pay an amount equal to 100% of principal and interest on junior lien obligations, including, but not limited to any loans made by the Georgia Environmental Facilities Authority and the State Revolving Fund and any existing loans having a lien on the net revenues of the System, (d) to create and maintain a debt service reserve therefore in the amount as required by the debt service agreement in any proceedings authorizing any such issues of parity bonds, and (e) to create and maintain a reserve for extensions and improvements to the System. At June 30, 2013, the City has complied with these requirements. The City's water and sewerage revenues are used as security for the revenue bonds.

The annual requirements to amortize this debt as of June 30, 2013 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 655,000	\$ 608,322	\$ 1,263,322
2015	675,000	585,739	1,260,739
2016	695,000	561,946	1,256,946
2017	725,000	536,832	1,261,832
2018	750,000	510,708	1,260,708
2019 -2023	4,225,000	2,066,610	6,291,610
2024 -2028	5,340,000	922,450	6,262,450
2029	1,225,000	27,563	1,252,563
Total	<u>\$ 14,290,000</u>	<u>\$ 5,820,170</u>	<u>\$ 20,110,170</u>

CITY OF COMMERCE, GEORGIA
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CAPITAL LEASES

The City has financed the construction of utility infrastructure and a vehicle under capital lease agreements which bear interest at various rates from 3.230% to 4.200%. Minimum future lease obligations for these leases, as of June 30, 2013, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 228,739	\$ 125,353	\$ 354,092
2015	238,972	115,120	354,092
2016	249,451	104,641	354,092
2017	260,843	93,250	354,093
2018	243,289	81,559	324,848
2019-2023	1,253,019	230,101	1,483,120
2024-2025	<u>369,338</u>	<u>15,273</u>	<u>384,611</u>
Total	<u>\$ 2,843,651</u>	<u>\$ 765,297</u>	<u>\$ 3,608,948</u>

As of June 30, 2013, the capital assets purchased under these capital lease agreements are as follows:

	<u>Governmental</u>
	<u>Activities</u>
Utility infrastructure	\$ 4,144,338
Vehicles	160,998
Less accumulated depreciation	<u>(779,104)</u>
Net	<u>\$ 3,526,232</u>

COMPONENT UNITS

As of June 30, 2013, the long-term debt payable by the Downtown Development Authority consisted of the following:

CITY OF COMMERCE, GEORGIA
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NOTES PAYABLE

Note payable to Community Bank & Trust in the original amount of \$103,312 dated October 21, 2011, secured by land, interest rate of 3.50% with final maturity dated October 21, 2014. The note payable was used to finance the purchase of land.	\$ 70,498
Note payable to Northeast Georgia in the original amount of \$70,486 dated January 17, 2012, secured by building and land, interest rate of 3.50% with maturity dated January 17, 2014. The note payable was used to finance the purchase of a building and land.	56,994
Total notes payable	<u>127,492</u>
Current Portion	<u>97,443</u>
Noncurrent portion	<u>\$ 30,049</u>

NOTE 8 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2013, is as follows:

Due To	Due From				Total
	General Fund	SPLOST	Other nonmajor governmental funds	Electric System	
General Fund	\$ -	\$ 223,264	\$ 75,582	\$ 323,166	\$ 886,601
Other nonmajor governmental funds	20,294	-	-	-	20,294
Natural Gas System	159,628	-	-	-	159,628
Total	<u>\$ 179,922</u>	<u>\$ 223,264</u>	<u>\$ 75,582</u>	<u>\$ 323,166</u>	<u>\$ 1,066,523</u>

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

Interfund transfers as of the year ended June 30, 2013 are as follows:

Transfers In	Transfers Out					Total
	General Fund	Fire Districts	SPLOST	Natural Gas System	Electric System	
General Fund	\$ -	\$ 151,722	\$ -	\$ 229,156	\$ 231,069	\$ 611,947
SPLOST	68,575	-	-	-	-	68,575
Water and Sewer Fund	-	-	714,875	-	-	714,875
Total	<u>\$ 68,575</u>	<u>\$ 151,722</u>	<u>\$ 714,875</u>	<u>\$ 229,156</u>	<u>\$ 231,069</u>	<u>\$ 1,395,397</u>

Transfers are used to supplement operating budgets.

CITY OF COMMERCE, GEORGIA
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NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

(A) PLAN DESCRIPTION

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

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

The City's covered payroll for employees participating in the Plan as of January 1, 2012, (the most recent actuarial valuation date) was \$3,418,337 (based on covered earnings of preceding year).

(B) FUNDING POLICY

The City is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code set forth minimum funding standards for state and local governmental pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. City employees are not required to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report.

Contributions totaling \$321,341 (\$321,341 employer and \$0 employee) were made in accordance with actuarially determined contribution requirements determined by an actuarial valuation performed as of January 1, 2012. Employer contributions attributable to the 2012 Plan Year were made in 2013. The employer contribution represents 9.2% of covered payroll (using the prior year's earnings as a base).

(C) ANNUAL PENSION COST

The City's contributions to the Plan for the years ended June 30, 2013, 2012, and 2011 were \$321,341, \$315,885, and \$300,606, respectively, and were equal to the required contribution for each year.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The Schedule of Pension Funding Progress included in the required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. The data for the most current year are as follows:

Actuarial Date of <u>January 1</u>	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued Liability (AAL) - <u>Projected Unit Credit</u> (b)	Unfunded AAL <u>(UAAL)</u> (b-a)	Funded <u>Ratio</u> (a/b)	Covered <u>Payroll</u> (c)	UAAL as a Percent of <u>Covered Payroll</u> [(b-a)/c]
2012	<u>\$7,677,891</u>	<u>\$7,902,699</u>	<u>\$224,808</u>	<u>97.2%</u>	<u>\$3,418,337</u>	<u>6.6%</u>

The annual required contribution and percentage contributed for the current year and preceding two years are as follows:

Fiscal Year <u>June 30</u>	Annual <u>Pension Cost</u>	Actual City <u>Contribution</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
	\$ 321,341	\$ 321,341	100.0 %	\$ -
	\$ 315,885	\$ 315,885	100.0 %	\$ -
	\$ 300,606	\$ 300,606	100.0 %	\$ -

The information was determined as part of the actuarial valuation as of January 1, 2012. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2012
Actuarial Cost method	Projected Unit Credit
Amortization method (see below)	Level Percent of Pay (Closed)
Remaining amortization period	average 10 years
(The estimated amortization period for all unfunded liabilities combined into one amount.)	
Asset valuation method	Market Value, smoothed
Actuarial assumptions:	
Investment rate return*	7.75%
Projected salary increases*	3.5%
*Includes inflation at	3.0%
Cost-of-living adjustments	3.5%
Post-retirement benefit increases	N/A

The amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The City's annual pension cost and net pension obligation for the pension plan for the current year were determined as follows:

Derivation of annual pension cost:	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 280,187	\$ 288,004
Interest on net pension obligation	11,772	11,572
Amortization of net pension obligation	<u>29,382</u>	<u>16,309</u>
Annual pension cost	321,341	315,885
Contributions made with interest	<u>(321,341)</u>	<u>(315,885)</u>
Increase (decrease) in net pension obligation	-	-
Net pension obligation, beginning of year	<u>-</u>	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DEFERRED COMPENSATION PLAN

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

NOTE 10 - RISK MANAGEMENT

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to apy 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.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

The City has Potential Liability under MEAG and MGAG Contracts as follows:

ELECTRICAL SYSTEM

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

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

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

Payments to MEAG are made monthly on net obligations based upon long-term contracts and power supple needs. The total payments under these contracts amounted to \$4,668,413 in 2013.

GAS SYSTEM

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

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Payments to MGAG are made monthly on net obligations based upon long-term contracts. The total payments under these contracts amounted to \$2,247,827 in 2013.

WATER AND SEWER SYSTEM

In 2013, the City was awarded a \$500,000 Community Development Block Grant for the Purpose of rehabilitating the sewer collection system in southeast Commerce. The project is to eliminate sewer overflow and backup. The City is required to match \$90,000 of the project.

GRANTS

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

NOTE 11 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Commerce Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board, but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$3,380 for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2013.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The Commerce Civic Center and Tourism Authority is a related organization of the City. The Civic Center and Tourism Authority was formed to acquire, construct, improve, equip, alter, repair, operate, and maintain public projects in the City of Commerce, embracing buildings and facilities to be used for amusement, recreational, civic, cultural, and educational purposes. The City is currently holding a bank account for the Civic Center and Tourism Authority as a reserve account for improvements to be made for the Civic Center building. At June 30, 2013 the City was holding \$57,551 in cash payable to the Civic Center and Tourism Authority, which has been reflected as funds held in trust in the General Fund.

NOTE 12 - LITIGATION

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

NOTE 13 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

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

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 14 - OPERATING LEASE COMMITMENTS

The City is obligated under various operating leases for equipment purchases that have an initial term in excess of 1 year. Total cost for such leases were \$9,671 for the year ended June 30, 2013. Future minimum rental payments are as follows:

<u>June 30</u>	General Fund	Component Unit
2014	\$ 10,786	\$ 7,605
2015	3,539	5,577
2016	218	3,549
2017	-	1,521
Total	<u>\$ 14,543</u>	<u>\$ 18,252</u>

NOTE 15 - CERTAIN SIGNIFICANT ESTIMATES

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

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

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

NOTE 16 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the ten (10) county Piedmont, Georgia area are members of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid annual dues in the amount of \$6,544 to the NEGRC for the year ended June 30, 2013. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

NOTE 17 - SPLOST

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

The following is a schedule of the activity relating to the SPLOST # 4 and SPLOST #5 for the year ending June 30, 2013:

SPLOST #4 Schedule:

	<u>Water and Sewer</u>	<u>Road, Streets and Bridges</u>	<u>Recreation</u>	<u>Library</u>	<u>Total</u>
Gross Special Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Project Expenditures					
Capital Expenditures	714,875	48,938	-	-	763,813
Total Project Expenditures	714,875	48,938	-	-	763,813
Net (over) under expended for year ending June 30, 2013	(714,875)	(48,938)	-	-	(763,813)
Investment return	2,283	447	82	(40)	2,772
Transfers in	-	68,575	-	-	68,575
Net changes in fund balance	(712,592)	20,084	82	(40)	(692,466)
Fund balance - July 1, 2012	1,439,305	679,401	5,701	40	2,124,447
Fund balance - June 30, 2013	<u>\$ 726,713</u>	<u>\$ 699,485</u>	<u>\$ 5,783</u>	<u>\$ -</u>	<u>\$ 1,431,981</u>

CITY OF COMMERCE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

SPLOST #5 Schedule:

	<u>Water and Sewer</u>	<u>Road, Streets and Bridges</u>	<u>Recreation</u>	<u>Total</u>
Gross Special Sales Tax	\$ 355,399	\$ 217,188	\$ 217,188	\$ 789,775
Project Expenditures				
Capital Expenditures	-	21,865	-	21,865
Total Project Expenditures	-	21,865	149,330	21,865
Net (over) under expended for year ending June 30, 2013	355,399	195,323	67,858	767,910
Investment return	43	25	25	93
Transfers in/out	-	(30,669)	-	(30,669)
Net changes in fund balance	355,442	164,679	67,883	588,004
Fund balance - July 1, 2012	345,035	210,855	97,148	653,038
Fund balance - June 30, 2013	<u>\$ 700,477</u>	<u>\$ 375,534</u>	<u>\$ 165,031</u>	<u>\$ 1,241,042</u>

NOTE 18 - PRIOR PERIOD ADJUSTMENTS

On July 1, 2012, the City restated its financial statements for the fiscal year ended June 30, 2012. The restatement is related to an understatement of unbilled revenue related to the Water and Sewer utility, Electric utility, Gas utility and Garbage utility recorded following funds:

	Adjustment Amount Increase (Decrease) to Net Assets
Business-type activities:	
Water and sewer unbilled revenue adjustment	\$ 284,413
Electric fund unbilled revenue adjustment	452,980
Gas fund unbilled revenue adjustment	93,657
Total adjustments to net assets - business-type activities	<u>\$ 831,050</u>
Governmental activities:	
Garbage unbilled revenue adjustment	\$ 29,323
Total adjustments to net assets - governmental activities	<u>\$ 29,323</u>

NOTE 19 - SUBSEQUENT EVENTS

On October 30, 2013, the City entered into a contract with City of Commerce Public Facilities Authority to issue \$13,910,000 of Series 2013, Revenue Refunding Bonds. The bonds fully defeased the Water and Sewerage Revenue Refunding and Improvement Bonds, Series 2006 and fully refunded the Water and Sewerage Revenue Refunding Bonds, Series 2010.

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS
For the Year Ended June 30, 2013
"Unaudited"

Actuarial Valuation Date (1/1)	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll (prior year)	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2007	\$ 5,167,249	\$ 5,154,394	100.2 %	\$ (12,855)	\$ 2,912,396	(0.4)%
2008	\$ 5,533,143	\$ 5,832,910	94.9 %	\$ 299,767	\$ 3,284,665	9.1 %
2009	\$ 5,331,187	\$ 7,419,039	71.9 %	\$ 2,087,852	\$ 3,554,710	58.7 %
2010	\$ 6,842,600	\$ 6,976,340	98.1 %	\$ 133,740	\$ 3,569,712	3.7 %
2011	\$ 7,330,626	\$ 7,445,515	98.5 %	\$ 114,889	\$ 3,520,890	3.3 %
2012	\$ 7,677,891	\$ 7,902,699	97.2 %	\$ 224,808	\$ 3,418,337	6.6 %

See Note 9 to the financial statements for the actuarial methods and significant assumptions used to determine the Actuarial Required Contribution for the current year and the funded status of the plan.

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets available for benefits as a percentage of the actuarial accrued liability provides one indication of funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financial stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

CITY OF COMMERCE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2013
(Required Supplementary Information)

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 1,662,893	\$ 1,662,893	\$ 1,662,893	\$ -
RESOURCES (INFLOWS)				
Taxes	2,398,227	2,398,227	2,570,597	172,370
Licenses and permits	101,788	101,788	95,229	(6,559)
Intergovernmental	157,500	230,782	232,303	1,521
Fines and forfeitures	524,990	524,990	470,259	(54,731)
Charges for services	1,785,459	1,778,251	1,810,591	32,340
Contributions and donations	-	-	5,000	5,000
Investment income	-	-	2,305	2,305
Miscellaneous	37,600	61,243	80,260	19,017
Sale of county property	-	-	4,176	4,176
Capital lease issued	36,000	36,000	35,458	(542)
Transfers in	1,074,656	1,117,444	611,947	(505,497)
Total Resources (Inflows)	<u>6,116,220</u>	<u>6,248,725</u>	<u>5,918,125</u>	<u>(330,600)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>7,779,113</u>	<u>7,911,618</u>	<u>7,581,018</u>	<u>(330,600)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	153,252	153,252	125,120	28,132
Administrative	518,960	518,960	435,051	83,909
Finance	602,080	602,080	572,218	29,862
Total General Government	<u>1,274,292</u>	<u>1,274,292</u>	<u>1,132,389</u>	<u>141,903</u>
Judicial				
Municipal court	25,800	25,800	25,800	-
Total Judicial	<u>25,800</u>	<u>25,800</u>	<u>25,800</u>	<u>-</u>
Public Safety				
Police	2,089,047	2,065,147	1,857,221	207,926
Fire	272,486	315,274	303,233	12,041
Total Public Safety	<u>2,361,533</u>	<u>2,380,421</u>	<u>2,160,454</u>	<u>219,967</u>
Public Works				
Public works	1,234,162	1,330,880	1,308,290	22,590
Garage	141,239	111,589	105,608	5,981
Total Public Works	<u>1,375,401</u>	<u>1,442,469</u>	<u>1,413,898</u>	<u>28,571</u>
Recreation and Culture				
Recreation	473,824	460,824	457,642	3,182
Library	201,847	201,847	202,452	(605)
Total Recreation and Culture	<u>675,671</u>	<u>662,671</u>	<u>660,094</u>	<u>2,577</u>
Housing and development				
Planning and zoning	215,995	215,995	192,389	23,606
Downtown Development Authority	187,528	187,528	187,528	-
Total Housing and Development	<u>403,523</u>	<u>403,523</u>	<u>379,917</u>	<u>23,606</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>6,116,220</u>	<u>6,189,176</u>	<u>5,772,552</u>	<u>416,624</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>59,549</u>	<u>145,573</u>	<u>86,024</u>
FUND BALANCE, End of year	<u>\$ 1,662,893</u>	<u>\$ 1,722,442</u>	<u>\$ 1,808,466</u>	<u>\$ 86,024</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

**CITY OF COMMERCE, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013**

	SPECIAL REVENUE FUNDS		
	CONFISCATED ASSETS	FIRE DISTRICT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ -	\$ 112,126	\$ 112,126
Interfund receivables	-	20,294	20,294
Restricted assets:			
Cash	263,474	-	263,474
TOTAL ASSETS	\$ 263,474	\$ 132,420	\$ 395,894
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,523	\$ -	\$ 1,523
Interfund payables	75,582	-	75,582
Unearned revenue	11,122	-	11,122
TOTAL LIABILITIES	88,227	-	88,227
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	88,227	-	88,227
FUND BALANCES			
Restricted:			
Public safety programs	175,247	132,420	307,667
TOTAL FUND BALANCES	175,247	132,420	307,667
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 263,474	\$ 132,420	\$ 395,894

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS		
	CONFISCATED ASSETS	FIRE DISTRICT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Fines and forfeitures	\$ 27,854	\$ -	\$ 27,854
Charges for services	-	172,015	172,015
Investment income	286	175	461
TOTAL REVENUES	28,140	172,190	200,330
EXPENDITURES			
Current Expenditures			
Public safety	2,332	-	2,332
Capital outlay	84,244	-	84,244
Debt service			
Principal	9,185	-	9,185
Interest	626	-	626
TOTAL EXPENDITURES	96,387	-	96,387
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(68,247)	172,190	103,943
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(151,722)	(151,722)
TOTAL OTHER FINANCING SOURCES (USES)	-	(151,722)	(151,722)
NET CHANGE IN FUND BALANCES	(68,247)	20,468	(47,779)
FUND BALANCES, Beginning of year	243,494	111,952	355,446
FUND BALANCES, End of year	\$ 175,247	\$ 132,420	\$ 307,667

CITY OF COMMERCE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 243,494	\$ 243,494	\$ 243,494	\$ -
RESOURCES (INFLOWS)				
Fines and forfeitures	-	-	27,854	27,854
Investment income	-	-	286	286
Total Resources (Inflows)	-	-	28,140	28,140
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>243,494</u>	<u>243,494</u>	<u>271,634</u>	<u>28,140</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	243,246	243,246	96,387	146,859
TOTAL CHARGES TO APPROPRIATIONS	<u>243,246</u>	<u>243,246</u>	<u>96,387</u>	<u>146,859</u>
CHANGE IN FUND BALANCE	<u>(243,246)</u>	<u>(243,246)</u>	<u>(68,247)</u>	<u>174,999</u>
FUND BALANCE, End of year	<u>\$ 248</u>	<u>\$ 248</u>	<u>\$ 175,247</u>	<u>\$ 174,999</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

**CITY OF COMMERCE, GEORGIA
 FIRE DISTRICT SPECIAL REVENUE FUND
 SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2013**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 111,952	\$ 111,952	\$ 111,952	\$ -
RESOURCES (INFLOWS)				
Charges for services	177,000	177,000	172,015	(4,985)
Investment income	-	-	175	175
Total Resources (Inflows)	<u>177,000</u>	<u>177,000</u>	<u>172,190</u>	<u>(4,810)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>288,952</u>	<u>288,952</u>	<u>284,142</u>	<u>(4,810)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	24,444	24,444	-	24,444
Transfers out	<u>152,556</u>	<u>152,556</u>	<u>151,722</u>	<u>834</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>177,000</u>	<u>177,000</u>	<u>151,722</u>	<u>25,278</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>20,468</u>	<u>20,468</u>
FUND BALANCE, End of year	<u>\$ 111,952</u>	<u>\$ 111,952</u>	<u>\$ 132,420</u>	<u>\$ 20,468</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF COMMERCE, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2013

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES	
			PRIOR YEARS	CURRENT YEAR
JACKSON COUNTY SPLOST 4				
Water and Sewer System Improvements	\$ 3,588,575	\$ 2,066,628	\$ 2,463,073	\$ 714,875
Road and Bridge Improvements	1,127,839	221,062	546,401	(19,637)
Recreation Improvements	205,061	124,197	217,181	-
Library Improvements	205,061	210,899	232,201	-
Totals	<u>\$ 5,126,536</u>	<u>\$ 2,622,786</u>	<u>\$ 3,458,856</u>	<u>695,238</u>
JACKSON COUNTY SPLOST 5				
Water and Sewer System Improvements	\$ 1,830,320	\$ 1,830,320	\$ -	\$ -
Road and Bridge Improvements	1,118,530	1,118,530	-	21,865
Recreation Improvements	1,118,530	1,118,530	113,707	149,330
Totals	<u>\$ 4,067,380</u>	<u>\$ 4,067,380</u>	<u>\$ 113,707</u>	<u>171,195</u>
			Total of all SPLOSTS above	\$ <u>866,433</u>

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

Expenditures	\$ 220,133
Transfers in and out	646,300
Total	\$ <u>866,433</u>



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

January 21, 2014

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of CITY OF COMMERCE, GEORGIA, as of and for the year ended June 30, 2013, which collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements and have issued our report thereon dated January 21, 2014.

Internal Control Over Financial Reporting

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

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