CITY OF COMMERCE, GEORGIA

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CITY OF COMMERCE, GEORGIA
AUDITED FINANCIAL STATEMENTS
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Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of Commerce, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Commerce, Georgia as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Commerce, Georgia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Commerce, Georgia as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2011, on our consideration of the City of Commerce, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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.

To the Honorable Mayor and Members of the City Council
City of Commerce, Georgia

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce, Georgia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and the Schedules of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds on pages 77 through 79 are presented for purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the Schedules of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section 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.

Wilcox & Birings, P.C.

Suwanee, Georgia
August 29, 2011

CITY OF COMMERCE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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 $50,787,310 (presented as "net assets"). Of this amount, $7,364,365 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's obligations to citizens and creditors. $34,532,444 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 $8,890,501.**

- **The City's total net assets decreased by $175,384 in fiscal year 2011.**

- **As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,808,826. Of this amount, 23% of this total amount $1,117,518 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 $1,234,640 or 27% 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.

<u>Government-wide financial statements</u>
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 Assets 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 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 absences.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the City include general government and administration, public safety, public services, library, parks and recreation, planning and development, and downtown development expenditures. The business-type activities of the City include the City's Natural Gas, Electric, 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 10 and 11 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 eight 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, Confiscated Assets, Fire District, SPLOST #3, SPLOST #4, SPLOST #5, Grant, and Library Expansion funds. The General Fund and SPLOST 2005 Fund are the only major funds.

The basic governmental fund financial statements can be found on pages 12 to 16 of this report.

Proprietary Funds

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 17 to 20 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 21 to 59 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 60 to 79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 $50,787,310 as of June 30, 2011 and by $50,962,694 as of June 30, 2010.

The largest portion of the City's net assets 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 ASSETS – PRIMARY GOVERNMENT

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 5,734,817	$ 5,492,190	$ 12,591,933	$ 13,198,481	$ 18,326,750	$ 18,690,671
Capital assets	15,895,800	15,885,657	36,890,684	37,673,534	52,786,484	53,559,191
Total assets	21,630,617	21,377,847	49,482,617	50,872,015	71,113,234	72,249,862
Long-term liabilities	279,741	352,216	18,053,781	19,021,368	18,333,522	19,373,584
Other liabilities	999,749	838,811	992,653	1,074,773	1,992,402	1,913,584
Total liabilities	1,279,490	1,191,027	19,046,434	20,096,141	20,325,924	21,287,168
Net assets:						
Invested in capital assets, net of related debt	15,641,372	15,545,840	18,891,072	19,512,594	34,532,444	35,058,434
Restricted	3,345,417	3,087,088	5,545,084	5,471,909	8,890,501	8,558,997
Unrestricted	1,364,338	1,553,892	6,000,027	5,791,371	7,364,365	7,345,263
Total net assets	$ 20,351,127	$ 20,186,820	$ 30,436,183	$ 30,775,874	$ 50,787,310	$ 50,962,694

An additional portion of the City's net assets (17.5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets $7,364,365, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2011 and June 30, 2010, the City is able to report positive balances in all three categories of net assets, 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, 2011 and June 30, 2010. Governmental activities increased the City's net assets by $164,307 for the year ended June 30, 2011 and by $54,958 for the year ended June 30, 2010. Business-type activities decreased the City's net assets by $339,691 for the year ended June 30, 2011 and by $461,893 for the year ended June 30, 2010.

CITY OF COMMERCE, GEORGIA'S CHANGES IN NET ASSETS – PRIMARY GOVERNMENT

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 1,690,112	$ 1,712,230	$ 13,260,303	$ 12,586,004	$ 14,950,415	$ 14,298,234
Operating grants and Contributions	59,619	37,989	-	-	59,619	37,989
Capital grants and Contributions	831,356	12,813	145,533	743,177	976,889	755,990
General revenues:						
Taxes	2,096,869	2,936,170	-	-	2,096,869	2,936,170
Investment revenue	40,529	64,366	285,385	402,422	325,914	466,788
Gain on sale of assets	-	-	-	-	-	-
Other	107,487	95,663	-	-	107,487	95,663
Total revenues	4,825,972	4,859,231	13,691,221	13,731,603	18,517,193	18,590,834
Expenses:						
General government	327,785	478,155	-	-	327,785	478,155
Public safety	2,145,416	2,334,325	-	-	2,145,416	2,334,325
Public services	1,559,515	1,571,182	-	-	1,559,515	1,571,182
Library	215,079	222,410	-	-	215,079	222,410
Parks and recreation	505,524	534,879	-	-	505,524	534,879
Planning and Development	209,516	263,529	-	-	209,516	263,529
Downtown development	136,152	170,600	-	-	136,152	170,600
Interest	11,860	12,282	-	-	11,860	12,282
Natural gas system	-	-	3,669,605	3,790,123	3,669,605	3,790,123
Electric system	-	-	5,409,325	5,122,572	5,409,325	5,122,572
Water and sewer System	-	-	4,403,408	4,402,574	4,403,408	4,402,574
Revolving loan	-	-	99,392	94,938	99,392	94,938
Total expenses	5,110,847	5,587,362	13,581,730	13,410,207	18,692,577	18,997,569
Excess (deficiency) in net assets before contributions and transfers	(284,875)	(728,131)	109,491	321,396	(175,384)	(406,735)
Contributions	(576,818)	(290,787)	576,818	290,787	-	-
Transfers	1,026,000	1,073,876	(1,026,000)	(1,073,876)	-	-
Change in net assets	164,307	54,958	(339,691)	(461,693)	(175,384)	(406,735)
Net assets July 1,	20,186,820	20,131,862	30,775,874	31,237,567	50,962,694	51,369,429
Net assets June 30	$ 20,351,127	$ 20,186,820	$ 30,436,183	$ 30,775,874	$ 50,787,310	$ 50,962,694

FINANCIAL ANALYSIS OF THE GOVERNMENTAL 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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,808,826. Approximately 23% of this total amount or $1,117,518 constitutes unassigned fund balance. The remainder of the fund balance is categorized as non-spendable, restricted, or assigned. The City had non-spendable fund balance of $276,950 which consisted of prepaid expenses of $235,096 and inventory of $41,854. Restricted fund balance consisted of amounts restricted for capital projects of $2,945,045, public safety of $390,372, and cemetery maintenance of $10,000. $68,941 of fund balance was assigned to budgeted reserves for the next 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 $1,234,640, while total fund balance reached $1,590,531. 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 27% of total expenditures, while total fund balance represents 34% of that same amount.

The General Fund's fund balance increased by $221,617 during the current fiscal year. Key factors in this increase are as follows:

- **Total expenditures decreased by $239,697 for a percentage decrease of 4.9%. This decrease was mainly due to decreases in public safety expenditures. Public safety expenditures decreased by $327,480. Expenditures decreased mostly due to a decrease in capital expenditures and salaries.**

The other governmental funds' fund balances decreased by $168,203 during the current fiscal year. The decreases were mainly due to fund balance decreases in the SPLOST #4 Fund, SPLOST #5 Fund, and the Library Expansion Fund. The decreases in all of 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.

Unrestricted net assets of the respective proprietary funds are Natural Gas System - $1,460,786, Electric System - $2,463,590, Water and Sewer System - $1,932,678, and Revolving Loan Fund - $142,973. The Electric System and Water and Sewer System had increases in fund net assets of $121,099 and 24,167. The Natural Gas System and Revolving Loan Funds had decreases in fund net assets of $394,276, and $90,681. The decrease in net assets of the Natural Gas System was due to decreases in charges for services and utilities purchased for resale. The decrease in the Revolving Loan Fund was due to the provision for bad debt incurred on one of the notes receivable.

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 $45,200, a decrease in budgeted expenditures of $152,199, a decrease in budgeted transfers in of $167,000, and an increase in budgeted transfers out of $30,399. The largest budget revisions were for a decrease of transfers in to the General Fund from the Gas System Fund of $167,000 and a decrease in $167,000 for expenditures in the recreation department for land acquisition. These revisions were made because the City was approved for a grant for land acquisition and the majority of the City's portion of the land acquisition was paid for out of the SPLOST #4 Fund. 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, 2011, amounts to $52,786,484 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 $231,003 on infrastructure.**
- **The City spent $206,892 on construction in progress for library expansion.**
- **The City spent $525,560 on construction in progress for water and sewer system improvements.**
- **The City spent $1,349,068 on buildings and improvements to its utility systems.**
- **The City spent $389,263 on water and sewer system improvements.**
- **The City spent $203,756 on machinery and equipment.**

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 2,815,609	$ 2,616,689	$ 319,770	$ 319,770	$ 3,135,379	$ 2,936,459
Construction in progress	206,892	-	528,123	1,299,965	735,015	1,299,965
Buildings and improvements	6,290,908	6,348,008	18,162,638	16,813,570	24,453,546	23,161,578
Utility system infrastructure	-	-	38,012,206	37,558,461	38,012,206	37,558,461
Furniture, fixtures and equipment	659,493	2,857,609	14,625	14,625	674,118	2,872,234
Machinery and equipment	-	-	3,102,283	2,898,527	3,102,283	2,898,527
Computers and equipment	347,838	357,766	469,759	469,759	817,597	827,525
Infrastructure	8,772,154	8,541,151	-	-	8,772,154	8,541,151
Vehicles	1,417,714	1,604,506	511,069	497,967	1,928,783	2,102,473
Accumulated depreciation	(4,614,808)	(6,440,072)	(24,229,789)	(22,199,110)	(28,844,597)	(28,639,182)
Total	$ 15,895,800	$ 15,885,657	$ 36,890,684	$ 37,673,534	$ 52,786,484	$ 53,559,191

Additional information on the City's capital assets can be found in note 5 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had $18,790,695 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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds	$ -	$ -	$ 15,328,540	$ 15,493,018	$ 15,328,540	$ 15,493,018
Notes payable	26,594	40,028	94,089	318,504	120,683	358,532
Capital leases payable	227,834	299,789	3,113,638	3,290,579	3,341,472	3,590,368
Total	$ 254,428	$ 339,817	$ 18,536,267	$ 19,102,101	$ 18,790,695	$ 19,441,918

The City's total debt (including compensated absences and other long-term operating liabilities) decreased by $668,846, 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 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2011-2012 budget, General Fund revenues and transfers in are budgeted to decrease by 3.9% from the 2010-2011 budget year with taxes making up about 43% of general fund budgeted revenues and transfers in. The 2011-2012 General Fund Budget includes a decrease of $55,092 in tax revenue. The 2011-2012 budget also includes $1,195,600 in local option sales tax revenues, and $916,784 in transfers from its business type activities. General Fund expenditures are budgeted to decrease by 2.5% from the 2010-2011 budget.

The City has budgeted $14,888,655 in revenues for its business-type activities for the 2011-2012 year. This is a decrease of 6.1% from the 2010-2011 budget year with charges for services making up 94% of budgeted revenues. The decrease in revenues is mostly attributable to a decrease in reserve usage. The City has budgeted $4,405,895 in expenditures for its Natural Gas System Fund, $6,121,847 in expenditures for it's Electric System Fund, and $4,354,015 in expenditures in it's Water and Sewer System Fund.

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 City Clerk at P.O. Box 348, Commerce, Georgia 30529.

BASIC FINANCIAL STATEMENTS

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and investments	$ 1,208,772	$ 4,969,396	$ 6,178,168	$ 21,141
Receivables, net	425,941	823,371	1,249,312	-
Prepaid expenses	235,096	101,055	336,151	1,042
Inventory	41,854	-	41,854	-
Internal balances	632,087	(632,087)	-	-
Due from component unit	800	-	800	-
Restricted cash and investments	3,190,267	6,901,257	10,091,524	-
Long-term receivables	-	105,663	105,663	-
Unamortized portion of debt issue costs	-	323,278	323,278	-
Nondepreciable capital assets	3,022,501	847,893	3,870,394	319,907
Depreciable capital assets	12,873,299	36,042,791	48,916,090	629,699
Total assets	$ 21,630,617	$ 49,482,617	$ 71,113,234	$ 971,789
LIABILITIES				
Current liabilities:				
Accounts payable	$ 680,569	$ 63,605	$ 744,174	$ -
Accrued expenses	130,117	149,857	279,974	8,306
Deferred revenue	9,699	-	9,699	-
Due to related party	72,988	-	72,988	-
Due to primary government	-	-	-	800
Capital leases	79,782	184,859	264,641	-
Notes payable	26,594	94,089	120,683	212,266
Revenue bonds payable	-	500,243	500,243	-
Total current liabilities	999,749	992,653	1,992,402	221,372
Noncurrent liabilities:				
Customer deposits	-	223,062	223,062	-
Compensated absences	131,689	73,643	205,332	863
Capital leases	148,052	2,928,779	3,076,831	-
Revenue bonds payable	-	14,828,297	14,828,297	-
Total noncurrent liabilities	279,741	18,053,781	18,333,522	863
Total liabilities	1,279,490	19,046,434	20,325,924	222,235
NET ASSETS				
Invested in capital assets, net of related debt	15,641,372	18,891,072	34,532,444	737,340
Restricted for:				
Capital projects	2,945,045	-	2,945,045	-
Debt service	-	1,303,777	1,303,777	-
Restricted assets	-	4,241,307	4,241,307	-
Public safety	390,372	-	390,372	-
Cemetery	10,000	-	10,000	-
Unrestricted	1,364,338	6,000,027	7,364,365	12,214
Total net assets	20,351,127	30,436,183	50,787,310	749,554
Total liabilities and net assets	$ 21,630,617	$ 49,482,617	$ 71,113,234	$ 971,789

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF COMMERCE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 1,184,327	$(856,542)	$ 375,732	$ -
Public safety	2,252,559	(107,143)	753,361	52,087
Public services	1,559,515	-	472,092	-
Library	215,079	-	11,305	7,532
Parks and recreation	505,524	-	63,383	-
Planning and development	209,516	-	14,239	-
Downtown development authority	136,152	-	-	-
Interest	11,860	-	-	-
Total governmental activities	6,074,532	(963,685)	1,690,112	59,619
Business-type activities				
Gas system	3,390,136	279,469	3,840,913	-
Electric system	5,129,856	279,469	5,757,209	-
Water and sewer system	3,998,661	404,747	3,662,181	-
Revolving loan	99,392	-	-	-
Total business-type activities	12,618,045	963,685	13,260,303	-
Total primary government	$ 18,692,577	$ -	$ 14,950,415	$ 59,619
Component Unit				
Downtown Development Authority	$ 177,620	$ -	$ -	$ -

General revenues:
- **Taxes:**
  - Local option sales
  - Property
  - Insurance premium
  - Franchise
  - Beer and wine
  - Motor vehicle
  - Other
- **Payments from City of Commerce**
- **Investment return**
- **Other**

Contributions

Transfers

Total general revenues, contributions and transfers

Change in net assets

Net assets – beginning

Net assets – ending

Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Component Unit
Capital grants and Contributions	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
$ 782,793	$ 830,740	$ -	$ 830,740	$ -
20,200	(1,319,768)	-	(1,319,768)	-
-	(1,087,423)	-	(1,087,423)	-
28,363	(167,879)	-	(167,879)	-
-	(442,141)	-	(442,141)	-
-	(195,277)	-	(195,277)	-
-	(136,152)	-	(136,152)	-
-	(11,860)	-	(11,860)	-
831,356	(2,529,760)	-	(2,529,760)	-
-	-	171,308	171,308	-
-	-	347,884	347,884	-
145,533	-	(595,694)	(595,694)	-
-	-	(99,392)	(99,392)	-
145,533	-	(175,894)	(175,894)	-
$ 976,889	$(2,529,760)	$(175,894)	$(2,705,654)	$ -
$ -	$ -	$ -	$ -	$(177,620)
	$ 1,061,657	$ -	$ 1,061,657	$ -
	371,754	-	371,754	-
	284,878	-	284,878	-
	172,800	-	172,800	-
	172,502	-	172,502	-
	22,834	-	22,834	-
	10,444	-	10,444	-
	-	-	-	136,152
	40,529	285,385	325,914	211
	107,487	-	107,487	11,923
	(576,818)	576,818	-	10,964
	1,026,000	(1,026,000)	-	-
	2,694,067	(163,797)	2,530,270	159,250
	164,307	(339,691)	(175,384)	(18,370)
	20,186,820	30,775,874	50,962,694	767,924
	$ 20,351,127	$ 30,436,183	$ 50,787,310	$ 749,554

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF COMMERCE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	SPLOST #4	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,208,772	$ -	$ -	$ 1,208,772
Property taxes receivable	47,560	-	-	47,560
Other taxes receivable	154,946	-	-	154,946
Intergovernmental receivable	40,913	157,530	-	198,443
Other receivables	24,992	-	-	24,992
Prepaid expenses	235,096	-	-	235,096
Inventory	41,854	-	-	41,854
Due from other funds	754,120	-	12,231	766,351
Due from component unit	800	-	-	800
Restricted cash and cash equivalents	10,000	2,792,353	387,914	3,190,267
Total assets	$ 2,519,053	$ 2,949,883	$ 400,145	$ 5,869,081
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 680,569	$ -	$ -	$ 680,569
Accrued expenses	130,117	-	-	130,117
Deferred revenue	32,617	-	9,700	42,317
Due to other funds	12,231	4,911	117,122	134,264
Due to related party	72,988	-	-	72,988
Total liabilities	928,522	4,911	126,822	1,060,255
Fund balances:				
Non-spendable	276,950	-	-	276,950
Restricted for:				
Capital projects	-	2,944,972	73	2,945,045
Public safety	-	-	390,372	390,372
Cemetery	10,000	-	-	10,000
Assigned	68,941	-	-	68,941
Unassigned	1,234,640	-	(117,122)	1,117,518
Total fund balances	1,590,531	2,944,972	273,323	4,808,826
Total liabilities and fund balances	$ 2,519,053	$ 2,949,883	$ 400,145	$ 5,869,081

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total Governmental Fund Balances	**$**	**4,808,826**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $4,614,808.		**15,895,800**
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes receivable		**32,618**
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	**(**	**131,689)**
Capital leases payable	**(**	**227,834)**
Notes payable	**(**	**26,594)**
Net assets of governmental activities	**$**	**20,351,127**

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	SPLOST #4	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,093,264	$ -	$ -	$ 2,093,264
Charges for services	615,919	-	191,550	807,469
Fines and forfeitures	427,602	-	84,123	511,725
Late payment fees	214,532	-	-	214,532
Licenses and permits	124,829	-	-	124,829
Intergovernmental	79,819	777,793	23,056	880,668
Other	139,044	-	-	139,044
Investment return	5,035	32,613	2,881	40,529
Donations	5,000	-	5,307	10,307
Total revenues	3,705,044	810,406	306,917	4,822,367
EXPENDITURES				
Current operating				
General government	257,690	-	-	257,690
Public safety	1,970,414	-	8,032	1,978,446
Public services	1,233,912	-	-	1,233,912
Library	192,932	-	-	192,932
Parks and recreation	518,987	-	-	518,987
Planning and development	205,542	-	-	205,542
Downtown development	136,152	-	-	136,152
Capital Outlay	-	807,233	366,810	1,174,043
Debt Service				
Principal	114,390	-	-	114,390
Interest	11,860	-	-	11,860
Total expenditures	4,641,879	807,233	374,842	5,823,954
Excess (deficiency) of revenues over (under) expenditures	(936,835)	3,173	(67,925)	(1,001,587)
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	29,001	-	-	29,001
Transfers in	1,159,850	-	75,138	1,234,988
Transfers out	(30,399)	(44,739)	(133,850)	(208,988)
Net other financing sources (uses)	1,158,452	(44,739)	(58,712)	1,055,001
Net changes in fund balance	221,617	(41,566)	(126,637)	53,414
Fund balance - beginning of year	1,368,914	2,986,538	399,960	4,755,412
Fund balance - end of year	$ 1,590,531	$ 2,944,972	$ 273,323	$ 4,808,826

SEE NOTES TO FINANCIAL STATEMENTS.

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – total governmental funds	**$**	**53,414**
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		**753,955**
Depreciation expense	**(**	**743,812)**
A certain amount of property tax revenues in the statement of activities that does not provide current financial resources and is not reported as revenue in the funds		**3,605**
Long-term compensated absences were reported in the statement of activities, but they did not require the use of current financial resources. Therefore, long-term compensated absences were not reported as expenditures in governmental funds		**11,756**
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Capital leases payable		**100,956**
Notes payable		**13,434**
The issuance of long-term debt provides current financial resources to governmental funds, which increases long-term liabilities on the statement of activities:		
Capital leases payable	**(**	**29,001)**
Change in Net Assets of Governmental Activities	**$**	**164,307**

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final budget Over (Under)
REVENUES				
Taxes	$ 2,278,180	$ 2,278,180	$ 2,093,264	$(184,916)
Charges for services	630,548	630,548	615,919	(14,629)
Fines and forfeitures	496,000	496,000	427,602	(68,398)
Late payment fees	200,000	200,000	214,532	14,532
Licenses and permits	139,250	139,250	124,829	(14,421)
Intergovernmental	142,500	187,700	79,819	(107,881)
Other	116,890	116,890	139,044	22,154
Investment return	20,000	20,000	5,035	(14,965)
Donations	-	-	5,000	5,000
Total revenues	4,023,368	4,068,568	3,705,044	(363,524)
EXPENDITURES				
Current operating				
General government	375,109	375,109	257,690	117,419
Public safety	2,211,354	2,256,554	1,970,414	286,140
Public services	1,347,162	1,347,162	1,233,912	113,250
Library	249,714	219,315	192,932	26,383
Parks and recreation	747,140	580,140	518,987	61,153
Planning and development	212,012	212,012	205,542	6,470
Downtown development	147,385	147,385	136,152	11,233
Debt service	143,927	143,927	126,250	17,677
Total expenditures	5,433,803	5,281,604	4,641,879	639,725
Excess (deficiency) of revenues over (under) expenditures	(1,410,435)	(1,213,036)	(936,835)	276,201
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	70,000	70,000	29,001	(40,999)
Sales of surplus property	5,000	5,000	-	(5,000)
Transfers in	1,335,435	1,168,435	1,159,850	(8,585)
Transfers out	-	(30,399)	(30,399)	-
Net other financing sources (uses)	1,410,435	1,213,036	1,158,452	(54,584)
Net change in fund balance	-	-	221,617	221,617
Fund balance - beginning of year	1,368,914	1,368,914	1,368,914	-
Fund balance - end of year	$ 1,368,914	$ 1,368,914	$ 1,590,531	$ 221,617

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF COMMERCE, GEORGIA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES				
	NATURAL GAS SYSTEM	ELECTRIC SYSTEM	WATER AND SEWER SYSTEM	OTHER ENTERPRISE FUND REVOLVING LOAN FUND	TOTALS
ASSETS					
Current assets:					
Cash and investments	$ 1,508,925	$ 2,569,295	$ 891,176	$ -	$ 4,969,396
Accounts receivable, net	118,728	311,220	167,934	-	597,882
Other receivables	-	-	-	24	24
Notes receivable	-	-	-	37,286	37,286
Intergovernmental receivable	-	-	188,179	-	188,179
Prepaid expenses	26,044	26,114	48,897	-	101,055
Total current assets	1,653,697	2,906,629	1,296,186	37,310	5,893,822
Noncurrent assets:					
Restricted cash and investments	71,165	4,167,465	2,490,459	172,168	6,901,257
Notes receivable	-	-	-	105,663	105,663
Unamortized portion of debt issue costs	21,323	-	301,955	-	323,278
Net capital assets	8,407,241	5,536,226	22,947,217	-	36,890,684
Total noncurrent assets	8,499,729	9,703,691	25,739,631	277,831	44,220,882
Total assets	$ 10,153,426	$ 12,610,320	$ 27,035,817	$ 315,141	$ 50,114,704
LIABILITIES					
Current liabilities:					
Accounts payable	$ -	$ -	$ 63,605	$ -	$ 63,605
Accrued expenses	29,843	8,833	111,181	-	149,857
Due to other funds	166,242	421,277	44,568	-	632,087
Capital leases	184,859	-	-	-	184,859
Note payable	-	-	94,089	-	94,089
Revenue bonds payable	-	-	500,243	-	500,243
Total current liabilities	380,944	430,110	813,686	-	1,624,740
Noncurrent liabilities:					
Customer deposits	71,165	98,326	53,571	-	223,062
Compensated absences	18,149	12,929	42,565	-	73,643
Capital leases	2,928,779	-	-	-	2,928,779
Revenue bonds payable	-	-	14,828,297	-	14,828,297
Total noncurrent liabilities	3,018,093	111,255	14,924,433	-	18,053,781
Total liabilities	3,399,037	541,365	15,738,119	-	19,678,521
FUND NET ASSETS					
Invested in capital assets, net of related debt	5,293,603	5,536,226	8,061,243	-	18,891,072
Restricted for debt service	-	-	1,303,777	-	1,303,777
Restricted for restricted assets	-	4,069,139	-	172,168	4,241,307
Unrestricted	1,460,786	2,463,590	1,932,678	142,973	6,000,027
Total fund net assets	6,754,389	12,068,955	11,297,698	315,141	30,436,183
Total liabilities and fund net assets	$ 10,153,426	$ 12,610,320	$ 27,035,817	$ 315,141	$ 50,114,704

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES				
	NATURAL GAS SYSTEM	ELECTRIC SYSTEM	WATER AND SEWER SYSTEM	OTHER ENTERPRISE FUND REVOLVING LOAN FUND	TOTALS
OPERATING REVENUES					
Charges for services	$ 3,840,218	$ 5,756,298	$ 3,517,434	$ -	$ 13,113,950
Other	695	911	144,747	-	146,353
Total operating revenues	3,840,913	5,757,209	3,662,181	-	13,260,303
OPERATING EXPENSES					
Personal services	622,155	603,227	1,491,362	-	2,716,744
Contractual services	56,498	44,834	133,888	-	235,220
Utilities purchased for resale	2,359,041	4,262,840	-	-	6,621,881
Utilities	11,033	10,335	263,747	-	285,115
Repairs and maintenance	14,899	34,861	230,193	-	279,953
Materials and supplies	44,156	73,978	230,998	-	349,132
Depreciation	404,480	335,400	1,290,799	-	2,030,679
Bad debt	8,986	43,850	28,930	99,392	181,158
Total operating expenses	3,521,248	5,409,325	3,669,917	99,392	12,699,882
Operating income (loss)	319,665	347,884	(7,736)	(99,392)	560,421
NONOPERATING REVENUES (EXPENSES)					
Interest and investment earnings	10,416	223,215	43,043	8,711	285,385
Interest expense	(146,558)	-	(679,635)	-	(826,193)
Amortization	(1,799)	-	(53,856)	-	(55,655)
Total nonoperating revenues (expenses)	(137,941)	223,215	(690,448)	8,711	(596,463)
Income (loss) before contributions and transfers	181,724	571,099	(698,184)	(90,681)	(36,042)
CAPITAL CONTRIBUTIONS	-	-	722,351	-	722,351
TRANSFERS	(576,000)	(450,000)	-	-	(1,026,000)
Change in fund net assets	(394,276)	121,099	24,167	(90,681)	(339,691)
Total fund net assets – beginning	7,148,665	11,947,856	11,273,531	405,822	30,775,874
Total fund net assets – ending	$ 6,754,389	$ 12,068,955	$ 11,297,698	$ 315,141	$ 30,436,183

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF COMMERCE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES				
	NATURAL GAS SYSTEM	ELECTRIC SYSTEM	WATER AND SEWER SYSTEM	OTHER ENTERPRISE FUND REVOLVING LOAN FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 3,876,343	$ 5,743,806	$ 3,663,302	$ 34,406	$ 13,317,857
Payments to suppliers	(2,860,912)	(4,828,871)	(1,894,346)	-	(9,584,129)
Payments to employees	(265,391)	(226,505)	(785,390)	-	(1,277,286)
Net cash provided (used) by operating activities	750,040	688,430	983,566	34,406	2,456,442
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(576,000)	(450,000)	-	-	(1,026,000)
Payments of amounts due to other funds	-	-	-	(103,645)	(103,645)
Net cash provided (used) by noncapital financing activities	(576,000)	(450,000)	-	(103,645)	(1,129,645)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Receipts of capital contributions	-	-	392,265	-	392,265
Proceeds from capital debt	-	-	2,770,585	-	2,770,585
Closing costs paid on capital debt	-	-	(92,750)	-	(92,750)
Purchases of capital assets	(42,706)	(34,878)	(603,374)	-	(680,958)
Principal paid on capital debt	(176,941)	-	(3,105,000)	-	(3,281,941)
Interest paid on capital debt	(147,909)	-	(684,829)	-	(832,738)
Net cash provided (used) by capital and related financing activities	(367,556)	(34,878)	(1,323,103)	-	(1,725,537)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of investments	-	523,046	4,892,748	-	5,415,794
Purchase of investments	-	(848,556)	(3,434,578)	-	(4,283,134)
Lending of notes receivable	-	-	-	(11,917)	(11,917)
Investment earnings	10,416	236,239	56,283	8,748	311,686
Net cash provided (used) by investing activities	10,416	(89,271)	1,514,453	(3,169)	1,432,429
Increase (decrease) in cash and cash Equivalents	(183,100)	114,281	1,174,916	(72,408)	1,033,689
Cash and cash equivalents – beginning of year	1,763,190	305,313	2,206,719	244,576	4,519,798
Cash and cash equivalents – end of year	$ 1,580,090	$ 419,594	$ 3,381,635	$ 172,168	$ 5,553,487

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF COMMERCE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES				
	NATURAL GAS SYSTEM	ELECTRIC SYSTEM	WATER AND SEWER SYSTEM	OTHER ENTERPRISE FUND REVOLVING LOAN FUND	TOTALS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 319,665	$ 347,884	$(7,736)	$(99,392)	$ 560,421
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	404,480	335,400	1,290,799	-	2,030,679
Change in assets and liabilities:					
Accounts receivable	30,678	(15,482)	(866)	-	14,330
Notes receivable	-	-	-	133,798	133,798
Prepaid expenses	(22,320)	(22,899)	(38,189)		(83,408)
Accounts payable	(152,914)	(376,729)	51,796	-	(477,847)
Accrued expenses	1,693	1,581	4,239	-	7,513
Internal balances	164,232	419,592	(315,819)	-	268,005
Customer deposits	4,752	2,079	1,987	-	8,818
Compensated absences	(226)	(2,996)	(2,645)	-	(5,867)
Net cash provided by operating activities	$ 750,040	$ 688,430	$ 983,566	$ 34,406	$ 2,456,442
RECONCILIATION OF CASH AND INVESTMENTS TO STATEMENT OF NET ASSETS					
Cash and investments	$ 1,508,925	$ 2,569,295	$ 891,176	$ -	$ 4,969,396
Restricted cash and investments	71,165	4,167,465	2,490,459	172,168	6,901,257
Total cash and investments	1,580,090	6,736,760	3,381,635	172,168	11,870,653
Less: investments and restricted investments	-	(6,317,166)	-	-	(6,317,166)
Total cash and cash equivalents, end of year	$ 1,580,090	$ 419,594	$ 3,381,635	$ 172,168	$ 5,553,487
SUPPLEMENTAL DISCLOSURES					
Noncash capital and related financing activities:					
Property acquired through capital contributions	$ -	$ -	$ 576,818	$ -	$ 290,787

SEE NOTES TO FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the primary government of the City have been prepared in accordance 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. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements in accordance with GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

These financial statements are prepared in accordance with GASB issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.* This Statement has established financial reporting requirements for state and local governments throughout the United States. As part of the implementation of GASB Statement No. 34, the City has prepared required supplementary information titled *Management's Discussion and Analysis, which* precedes the primary government financial statements.

REPORTING ENTITY

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate holding entities) for which the City may or not be financially accountable and, as such, be includable with the City's financial statements in accordance with generally accepted accounting principles. 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 to or 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 or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The component unit discussed below should be included in the City's reporting entity because of its operational or financial relationship with the City.

Discretely Presented Component Unit

***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, 2011.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION

Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all the nonfiduciary activities of the primary government and its component unit. The effect of Interfund activity, within the governmental and business-type activities columns, 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.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

***General Fund* - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.**

***SPLOST #4 Fund* - The SPLOST #4 Fund is a capital projects fund. It is used to account for all activities related to the 2005 Special Purpose Local Option Sales Tax (SPLOST) as restricted by law. SPLOST is the primary revenue of the fund, and capital outlay expenditures for water and sewer system and roads and bridges improvements are the primary expenditures of the fund.**

Proprietary funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

***Natural Gas System Fund* – 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.**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION – Continued

Proprietary funds - continued

Electric System Fund **- 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.**

Water and Sewer System Fund **– 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.**

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted for the General, Special Revenue, Debt Service and Proprietary (Enterprise) Funds. The budgets for the General Fund, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the Proprietary (Enterprise) Funds are adopted 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.

A legally authorized, non-appropriated budget is prepared for the SPLOST #3, SPLOST #4, SPLOST #5, Grant, and Library Expansion Capital Project Funds. Expenditures for these funds are controlled on a project basis and are carried forward each year until the project is completed.

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, Debt Service 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, Debt Service, 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. Encumbrances outstanding at year-end are reservations of fund balances since they do not constitute expenditures or liabilities. The City of Commerce has no recorded encumbrances at June 30, 2011.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, the City considers all highly liquid investments with original maturities of three months or less and certificates of deposit that are not restricted to be cash and cash equivalents. Investments are reported at fair value based on the last reported sales price as of the balance sheet date.

ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Accounts receivable are recorded in the General and Proprietary Funds. Receivables are stated at their net realizable value (face value less the allowance for uncollectible accounts). Delinquent taxes receivable are fully reserved by the deferral of the related revenues until payment is received. Utility receivables are recognized only when billed. No accrual of earned, but unbilled receivables is made at year-end. The City had no allowances for doubtful accounts at June 30, 2011.

PREPAID EXPENSES

Payments made for services that will benefit periods beyond June 30, 2011 are recorded as prepaid expenses.

RESTRICTED CASH AND INVESTMENTS

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.

INVENTORIES

The governmental fund type fuel inventory is valued at cost using the first-in first-out or FIFO method with fuel inventory charged to expenditures when consumed. All other governmental fund type inventories are accounted for using the purchase method, whereby inventories are charged to expenditures when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITAL ASSETS

Capital assets which include land, buildings and improvements, furniture, machinery and equipment, office equipment, computer equipment, infrastructure assets, utility systems infrastructure, and vehicles. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life of 5 years or more. Capital assets are recorded at historical cost, appraised value, or estimated historical cost or replacement cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewal and betterments are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	**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 items for collections.**

The sale or disposal of capital assets is recorded by removing the cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

The City capitalizes interest costs as part of the cost of construction of various construction projects when material.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, drainage, sidewalks, etc. The City fully implemented the provisions of GASB Statement No. 34 in the fiscal year ending June 30, 2007.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

INTEREST EXPENSE AND CAPITALIZED INTEREST

Interest expense on long-term debt has been included as a direct function expense in the governmental and business-type activities. Total interest expense from governmental activities was $11,860. Total interest expense from business-type activities was $826,193. Of this amount, $146,558 was charged to the natural gas system and $679,635 was charged to the water and sewer system.

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Total interest costs incurred by the City's proprietary funds for the year ended June 30, 2011 were $828,350. Of this amount, $826,193 of interest costs were charged to expense, and $2,157 of interest costs were capitalized by the proprietary funds for the year ended June 30, 2011.

BOND DISCOUNTS AND ISSUANCE COSTS

Proprietary Fund bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as unamortized portion of bond issue costs; whereas, issuance costs are recorded as deferred charges.

COMPENSATED ABSENCES

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave up to 250 hours. The estimated portion of the liability for accumulated leave attributable to the City's governmental activities and business-type activities are recorded as long-term liabilities in the government-wide statement of net assets. Current amounts due are not recorded in the governmental-wide statement of net assets due to their immaterial nature. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. Estimated liabilities of required salary related payments are not recognized due to their immaterial nature.

LONG-TERM DEBT

Long-term debt is recorded on the statement of net assets in the government-wide and proprietary fund financial statements, and any related interest expense is recorded on the statement of activities in the government-wide financial statements and the statement of revenues, expenses, and changes in net assets in the proprietary fund financial statements.

Long-term liabilities expected to be financed from governmental fund types are not recorded in the governmental fund financial statements. Payments of principal and interest are recorded as expenditures on the statement of revenues, expenditures and changes in fund balance in the governmental fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GOVERNMENTAL FUND BALANCES

In accordance with GASB Statement No. 54 Fund *Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

***Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.**

***Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.**

***Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal voting action of the highest level of decision making authority, the Mayor and City Council, and does not lapse at year end.**

***Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor and City Council or City Manager.**

***Unassigned* – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.**

The City's non-spendable fund balance is comprised of amounts which are not in a spendable form. The City's non-spendable fund balance totaled $276,950 and is comprised of prepaid expenses of $235,096 and inventory of $41,854.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The City's governmental fund balances follow:

	General	SPLOST #4	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Non-spendable				
Prepaid expenses	$ 235,096	$ -	$ -	$ 235,096
Inventory	41,854	-	-	41,854
Restricted for:				
Capital projects	-	2,944,972	73	2,945,045
Public safety			390,372	390,372
Cemetery	10,000	-	-	10,000
Assigned to:				
Budgeted reserves	68,941	-	-	68,941
Unassigned	1,234,640	-	(117,122)	1,117,518
Total fund balances	$ 1,590,531	$ 2,944,972	$ 273,323	$ 4,808,826

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

USE OF 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 amount of revenues and expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

USE OF RESTRICTED/UNRESTRICTED NET ASSETS

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

REVENUE RECOGNITION

***Property Taxes* - City property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are recorded as deferred revenue. Property taxes attach as an enforceable lien on property 91 days after their due date. Taxes were levied on September 13, 2010, which is the date that the millage rate was established, and were billed on October 8, 2010 and were payable by December 20, 2010. Jackson County bills and collects property taxes for the City. The millage rate for the 2010 tax digest was set at 2.29 mills.**

***Sales Taxes* - Sales tax is considered to be measurable when they have been collected by the State and are recognized as revenue at that time.**

***Licenses and Permits, Charges for Services, Fines and Forfeitures and Miscellaneous Revenues (Except Investment Earnings)* - are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.**

ALLOCATION OF INDIRECT COSTS

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 - CASH AND INVESTMENTS

Cash

Custodial credit risk **for cash deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits to be 110% collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia, or industrial revenue bonds or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The collateral pledged by the banks' trust department but not in the City's name is composed of bonds of U.S. Government Agencies. The City has no policy on custodial credit risk other than it complies with the State of Georgia requirements.**

At June 30, 2011, the carrying amount of the City's cash was $9,952,526 and the bank balance was $10,292,556. The bank balances differ from the carrying amounts due to outstanding checks and deposits, and reconciling items. The City's deposits are covered by Federal Depository Insurance or by collateral held by pledging financial institution or it's agent in the City's name. The City has not adopted a formal deposit policy.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were $21,141 and the bank balance was $21,141. The entire bank balance was covered by Federal Depository Insurance at June 30, 2011.

Investments

State statutes authorize the City to invest only in certificates of deposit of banks and savings and loan associations which have deposits insured by the FDIC with any uninsured amounts collateralized by direct obligations of the United States or the State of Georgia; obligations of the United States and of its agencies and instrumentalities; or bonds or certificates of indebtedness of the State of Georgia and of its agencies and its instrumentalities. The City has not adopted a formal investment policy.

As of June 30, 2011, the City had the following investments:

Investment	Rating	Maturity	Fair Value
Primary Government			
Business-type activities			
Federated US Treasury Cash Reserves SS	AAAm	07/07/11-12/31/11	$ 1,873,610
Total cash equivalents			$ 1,873,610
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/01/11-10/02/12	1,410,241
Intermediate Portfolio	Not Rated	07/01/11-10/01/40	3,234,172
Intermediate Tax Restricted Portfolio	Not Rated	07/01/11-02/23/18	1,672,753
Total investments			$ 6,317,166

NOTE 2 - CASH AND INVESTMENTS – Continued

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 by 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 the business day of the sale or redemption.

Credit Risk. **The City has no policy regarding credit risk. The investment in the Federated US Treasury Cash Reserves SS is rated AAAm by Standard and Poor's. The City's investments in the Municipal Competitive Trust are not rated. 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 by permissible under the laws of the State of Georgia.**

Custodial Credit Risk. **For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's $1,873,610 investment in Federated US Treasury Cash Reserves SS is an investment in money market funds. An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of the investment at $1.00 per share, it is possible to lose money by investing in the funds. Fund shares are not guaranteed by the US Government. The fund is a managed portfolio and its holdings are subject to change. The fund shares are held in an investment account in the City's name. Custodial Credit Risk is not required for external investment pools, therefore, the Municipal Competitive Trust is exempt from this requirement. The City has no policy on custodial credit risk.**

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 uses the specific identification of maturity of its investments. The Federated US Treasury Cash Reserves SS maturity range is from 07/07/11 – 12/31/11, the Municipal Competitive Trust Short-term Portfolio maturity range is from 07/01/11 – 10/02/12, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/01/11 – 10/01/40, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 07/01/11 – 02/23/18.**

Concentration of Credit Risk. **The City places no limit on the amount that the City 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.**

Foreign Currency Risk. **The City has no foreign currency risk as all investments are in U.S. dollar-denominated assets.**

NOTE 2 - CASH AND INVESTMENTS – Continued

The City's cash and investments are reported as follows:

Cash and cash equivalents	$ 9,952,526
Investments	6,317,166
Total cash and investments	$ 16,269,692

	Governmental Activities	Business-Type Activities	Total Cash and Investments
Cash and investments	$ 1,208,772	$ 4,969,396	$ 6,178,168
Restricted cash and investments	3,190,267	6,901,257	10,091,524
Total	$ 4,399,039	$ 11,870,653	$ 16,269,692

NOTE 3 - RECEIVABLES

	Governmental Activities		Business-type Activities	Total
	General	SPLOST #4		
Current receivables:				
Property taxes	$ 47,560	$ -	$ -	$ 47,560
Sales and other taxes	154,946	-	-	154,946
Accounts	-	-	597,882	597,882
Intergovernmental	40,913	157,530	188,179	386,622
Notes	-	-	37,286	37,286
Other	24,992	-	24	25,016
Total current	268,411	157,530	823,371	1,249,312
Long-term receivables:				
Notes	-	-	105,663	105,663
Total receivables	$ 268,411	$ 157,530	$ 929,034	$ 1,354,975

NOTE 3 – RECEIVABLES - Continued

The notes receivable in the business-type activities consisted of the following at June 30, 2011:

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.	$	77,229
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.		56,206
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 property. The note matures May 20, 2014.		9,514
Note receivable made to a local business through the Community Development Block Grant – Employment Incentive Program. Original amount of note was $108,000. Payments receivable in monthly installments of $1,043 over 10 years, Including interest at 3.0%. Collateralized by furniture, fixtures, equipment and personal guarantees of the principals of the company. The note matures April 8, 2020. This note was significantly impaired at year end and a provision for bad debt has been recorded for $99,391 the full unpaid amount of the note.		99,391
Allowance for bad debt	(	99,391)
Total note receivable, net		142,949
Less: Current portion	(	37,286)
Long-term portion	$	105,663

At June 30, 2011, scheduled maturities of the notes receivable were the following:

2012	$	28,176
2013		29,033
2014		29,916
2015		12,125
2016		9,029
2017 - 2020		34,670
Total maturities of note receivable	$	142,949

NOTE 4 - INTERFUND BALANCES

Interfund balances resulted from the time lag between the dates that Interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

Interfund receivables and payables consisted of the following at June 30, 2011:

Fund	Interfund Receivables	Interfund Payables
GENERAL FUND		
Due from SPLOST #4 Fund	$ 4,911	$ -
Due to Fire District Fund	-	12,231
Due from SPLOST #5 Fund	112,292	-
Due from Grant Fund	4,830	-
Due from Gas System Fund	166,242	-
Due from Electric System Fund	421,277	-
Due from Water & Sewer System Fund	44,568	-
Total General Fund	754,120	12,231
SPLOST #4 FUND		
Due to General Fund	-	4,911
Total SPLOST #4 Fund	-	4,911
OTHER GOVERNMENTAL FUNDS		
Special Revenue Fund		
Fire District Fund		
Due from General Fund	12,231	-
Capital Project Funds		
SPLOST #5 Fund		
Due to General Fund	-	112,292
Grant Fund		
Due to General Fund	-	4,830
Total Other Governmental Funds	12,231	117,122
Total Governmental Funds	$ 766,351	$ 134,264
PROPRIETARY FUNDS		
Gas System Fund		
Due to General Fund	$ -	$ 166,242
Total Gas System Fund	-	166,242
Electric System Fund		
Due to General Fund	-	421,277
Total Electric System Fund	-	421,277
Water & Sewer System Fund		
Due to General Fund	-	44,568
Total Water & Sewer System Fund	-	44,568
Total Proprietary Funds	$ -	$ 632,087

NOTE 5 - CAPITAL ASSETS

GOVERNMENTAL ACTIVITIES

Following is a summary of changes in the capital assets of governmental activities:

	Balance July 1 2010	Increases	Decreases	Balance June 30, 2011
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	$ 2,616,689	$ 198,920	$ -	$ 2,815,609
Construction in progress	-	206,892	-	206,892
Subtotal	2,616,689	405,812	-	3,022,501
Other capital assets:				
Buildings and improvements	6,348,008	-	(57,100)	6,290,908
Infrastructure	8,541,151	231,003	-	8,772,154
Furniture, fixtures and equipment	2,857,609	55,884	(2,254,000)	659,493
Computer equipment and software	357,766	20,200	(30,128)	347,838
Vehicles	1,604,506	41,056	(227,848)	1,417,714
Subtotal	19,709,040	348,143	(2,569,076)	17,488,107
Accumulated depreciation:				
Buildings and improvements	(1,628,781)	(170,833)	57,100	(1,742,514)
Infrastructure	(1,210,696)	(287,454)	-	(1,498,150)
Furniture, fixtures and equipment	(2,553,059)	(71,450)	2,254,000	(370,509)
Computer equipment and software	(218,988)	(62,166)	30,128	(251,026)
Vehicles	(828,548)	(151,909)	227,848	(752,609)
Subtotal	(6,440,072)	(743,812)	2,569,076	(4,614,808)
Net other capital assets	13,268,968	(395,669)	-	12,873,299
Total governmental activities capital assets	$ 15,885,657	$ 10,143	$ -	$ 15,895,800

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 98,484
Public safety	225,429
Public services	334,426
Library	21,335
Parks and recreation	54,482
Planning and development	9,656
Total governmental activities depreciation expense	$ 743,812

NOTE 5 - CAPITAL ASSETS - Continued

BUSINESS-TYPE ACTIVITIES

Following is a summary of changes in the capital assets of business-type activities:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land	$ 319,770	$ -	$ -	$ 319,770
Construction in progress	1,299,965	525,560	(1,297,402)	528,123
Subtotal	1,619,735	525,560	(1,297,402)	847,893
Other capital assets:				
Buildings and improvements	16,813,570	1,349,068	-	18,162,638
Electric system	8,670,373	21,776	-	8,692,149
Gas system	10,612,399	42,706	-	10,655,105
Water and sewer system	18,275,689	389,263	-	18,664,952
Machinery and equipment	2,898,527	203,756	-	3,102,283
Furniture and fixtures	14,625	-	-	14,625
Computer equipment and software	469,759	-	-	469,759
Vehicles	497,967	13,102	-	511,069
Subtotal	58,252,909	2,019,671	-	60,272,580
Accumulated depreciation:				
Buildings and improvements	(4,274,608)	(483,573)	-	(4,758,181)
Electric system	(3,214,814)	(283,655)	-	(3,498,469)
Gas system	(2,064,263)	(368,849)	-	(2,433,112)
Water and sewer system	(9,477,007)	(631,105)	-	(10,108,112)
Machinery and equipment	(2,500,507)	(186,193)	-	(2,686,700)
Furniture and fixtures	(8,409)	(1,462)	-	(9,871)
Computer equipment and software	(247,508)	(50,339)	-	(297,847)
Vehicles	(411,994)	(25,503)	-	(437,497)
Subtotal	(22,199,110)	(2,030,679)	-	(24,229,789)
Net other capital assets	36,053,799	(11,008)	-	36,042,791
Net business-type activities capital assets	$ 37,673,534	$ 514,552	$(1,297,402)	$ 36,890,684

Depreciation was charged to functions as follows:

Business-type activities:	
Gas System	$ 404,480
Electric System	335,400
Water and Sewer System	1,290,799
Total business-type activities depreciation expense	$ 2,030,679

NOTE 5 - CAPITAL ASSETS - Continued

COMPONENT UNIT ACTIVITIES

Following is a summary of changes in the capital assets of component unit activities:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
COMPONENT UNIT:				
Not being depreciated:				
Land	$ 319,907	$ -	$ -	$ 319,907
Subtotal	319,907	-	-	319,907
Other capital assets:				
Buildings and improvements	717,359	-	-	717,359
Park improvements	78,646	-	-	78,646
Furniture, fixtures & equipment	8,746	-	-	8,746
Computer equipment	2,466	-	-	2,466
Subtotal	807,217	-	-	807,217
Accumulated depreciation:				
Buildings and improvements	(142,055)	(19,232)	-	(161,287)
Park improvements	(9,830)	(3,933)	-	(13,763)
Furniture, fixtures & equipment	(73)	(874)	-	(947)
Computer equipment	(1,028)	(493)	-	(1,521)
Subtotal	(152,986)	(24,532)	-	(177,518)
Net other capital assets	654,231	(24,532)	-	626,699
Net component unit capital assets	$ 974,138	$(24,532)	$ -	$ 949,606

Depreciation was charged to functions as follows:

Component unit:	
Downtown Development authority	$ 24,532
Total component unit depreciation expense	$ 24,532

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Type of Debt	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due within One Year
Governmental activities:					
Capital lease obligations	$ 299,789	$ 29,001	$(100,956)	$ 227,834	$ 79,782
Notes payable	40,028	-	(13,434)	26,594	26,594
Compensated absences	143,445	-	(11,756)	131,689	-
Total general long-term debt	$ 483,262	$ 29,001	$(126,146)	$ 386,117	$ 106,376
Business-type activities:					
Revenue bonds payable	$ 15,545,000	$ 2,665,000	$(2,775,000)	$15,435,000	$ 515,000
Less: unamortized discounts, premiums, and loss on advance refunding	(51,982)	133,707	(188,185)	(106,460)	(14,757)
Revenue bonds payable, net	15,493,018	2,798,707	(2,963,185)	15,328,540	500,243
Capital lease obligations	3,290,579	-	(176,941)	3,113,638	184,859
Notes payable	318,504	105,585	(330,000)	94,089	94,089
Compensated absences	79,510	-	(5,867)	73,643	-
Total proprietary fund debt	$ 19,181,611	$ 2,904,292	$(3,475,993)	$18,609,910	$ 779,191
Component Unit					
Notes payable	$ 249,172	$ -	$(36,906)	$ 212,266	$ 212,266
Compensated absences	-	863	-	863	-
Total component unit debt	$ 249,172	$ -	$(36,906)	$ 212,266	$ 212,266

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities, amounts to be repaid from business-type activities, and amounts to be repaid from component units.

GOVERNMENTAL ACTIVITIES:

As of June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

NOTE PAYABLE

Note payable to First Commerce Bank in the original amount of $26,594 dated June 17, 2011, unsecured, interest rate of 4.00% with final maturity dated June 30, 2012. The note was used to finance the replacement of the City Hall roof.	$ 26,594
Total note payable	$ 26,594
Current portion	$ 26,594
Noncurrent portion	-
Total note payable	$ 26,594

NOTE 6 - LONG-TERM DEBT - Continued

GOVERNMENTAL ACTIVITIES: - Continued:

CAPITAL LEASE OBLIGATIONS

The City has financed vehicles and equipment under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital leases payable and the related assets have been recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases are $35,370, $101,570, $37,876, $200,890, and $29,001. The leases payable were incurred for the lease of vehicles and equipment in the original amounts of $35,370, $101,570, $37,876, $200,890, and $29,001. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2011:

June 30, 2012	$ 87,974
June 30, 2013	79,836
June 30, 2014	59,842
June 30, 2015	17,054
Total minimum lease payments	244,706
Amount representing interest	(16,872)
Present value of lease obligations for governmental activities	227,834
Less: current maturities	79,782
Long-term maturities	$ 148,052

Leased assets under capital leases in capital assets at June 30, 2011, include the following:

Vehicles	$ 366,831
Furniture, fixtures, & equipment	37,876
Less: accumulated depreciation	(79,987)
Total	$ 324,720

Total depreciation expense on the assets for the year ended June 30, 2011, was $36,785. This depreciation is included in the total depreciation expense shown in Note 5.

COMPENSATED ABSENCES

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave as referred to in Note 1. The General Fund has been used to liquidate compensated absences from Governmental Activities in prior years.

Noncurrent portion	$ 131,689

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2011, 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, 2011, all required transfers have been made to the sinking fund.

The bond ordinance also requires the City to maintain a debt service coverage ratio of at least 1.20 to 1.00. At June 30, 2011 the City's debt service coverage ratio was 1.10 to 1.00 leaving the City .10 to 1.00 under the required ratio.

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, 2011, the City's has complied with these requirements. The City's water and sewerage revenues are used as security for the revenue bonds.

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE - Continued

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 2.805%, 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 advance 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 as follows:

Reacquisition price of 2002 series bonds		**$ 2,575,000**
Net carrying amount of 2002 series bonds:		
Principal balance	**$ 2,575,000**	
Unamortized bond issue cost, bond discount, and deferred Loss on advance refunding	**(188,185)**	
		2,386,815
Loss on advance refunding		**$ 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, 2011, all required transfers have been made to the sinking fund.

The bond ordinance also requires the City to maintain a debt service coverage ratio of at least 1.20 to 1.00. At June 30, 2011 the City's debt service coverage ratio was 1.10 to 1.00 leaving the City .10 to 1.00 under the required ratio.

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 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, (c) to pay an amount equal to 100% of principal of 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, 2011, the City has complied with these requirements. The City's water and sewerage revenues are used as security for the revenue bonds.

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE - Continued

The following is a summary of the maturity of revenue bonds and interest thereon:

	Revenue Bonds Series 2006	Revenue Bonds Series 2010	Total
Amount of original issue	$ 12,770,000	$ 2,665,000	$ 15,435,000
Less: amount redeemed	-	-	-
Amount outstanding June 30, 2010	12,770,000	2,665,000	15,435,000
Add: unamortized premium	139,942	-	139,942
Less: unamortized discount	(69,194)	-	(69,194)
Less: unamortized deferred loss on advance refunding	-	(177,208)	(177,208)
Net amount outstanding, June 30, 2010	12,840,748	2,487,792	15,328,540
Less: current maturities	379,062	121,181	500,243
Long-term maturities	$ 12,461,686	$ 2,366,611	$ 14,828,297

Year Ending June 30,	Principal	Interest	Total Debt Service Requirements
2012	$ 515,000	$ 649,231	$ 1,164,231
2013	630,000	629,935	1,259,935
2014	655,000	608,322	1,263,322
2015	675,000	585,739	1,260,739
2016	695,000	561,946	1,256,946
2017-2021	3,900,000	2,401,801	6,301,801
2022-2026	4,850,000	1,420,375	6,270,375
2027-2029	3,515,000	241,988	3,756,988
Totals	$15,435,000	$ 7,099,337	$ 22,534,337

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

NOTES PAYABLE

Note payable to Georgia Environmental Facilities Authority in the original amount of $575,000, interest rate of 3.0%, secured by the City's full faith and credit and revenue raising power, accrued interest only due January 1, 2013. Draws on the note were $188,179 as of June 30, 2011. The note is 50% forgivable through 2010 GEFA Appropriations Language. Therefore, the note balance is stated at 50% of the original amount. Beginning January 1, 2013 the note is scheduled to be repaid in 11 monthly installments of principal and interest, however, the City expects to repay the loan as soon as the project is completed. Therefore, the outstanding note balance is being shown as being due short term. The note payable is being used for sewer repairs and leak detection.	$ 94,089
Total notes payable	94,089
Less: current maturities	94,089
Long-term maturities	$ -

CAPITAL LEASE OBLIGATIONS

The City has financed the construction of utility infrastructure under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital lease payable and the related asset has been recorded at the present value of the future minimum lease payments at the inception of the leases, which in this case is $3,000,000 and $1,000,000. The following is a schedule of future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2011:

June 30, 2012	$ 324,848
June 30, 2013	324,849
June 30, 2014	324,848
June 30, 2015	324,849
June 30, 2016	324,848
June 30, 2017-2021	1,624,243
June 30, 2022-2025	893,177
Total minimum lease payments	4,141,662
Amount representing interest	(1,028,024)
Present value of lease obligations for business-type activities	3,113,638
Less: current maturities	184,859
Long-term maturities	$ 2,928,779

Leased equipment under capital leases in capital assets at June 30, 2011, include the following:

Utility infrastructure	$ 4,000,000
Less: accumulated depreciation	(541,667)
Total	$ 3,458,333

Total depreciation expense on the equipment for the year ended June 30, 2011, was $100,000. This depreciation is included in the total depreciation expense shown in note 5.

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

COMPENSATED ABSENCES

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave as referred to in Note 1. The Gas System Fund, Electric System Fund, and the Water and Sewer System Fund have been used to liquidate compensated absences from Business-type Activities in prior years.

Noncurrent portion	**$ 73,643**

COMPONENT UNIT

NOTES PAYABLE

Note payable to Community Bank & Trust in the original amount of $157,332 dated October 19, 2009, secured by land, interest rate of 6.00% with final maturity dated October 19, 2011. The note payable was used to to finance the purchase of land.	**$ 131,771**
Note payable to Northeast Georgia Bank in the original amount of $91,840 dated December 11, 2009, secured by building and land, interest rate of 6.00% with maturity dated December 1, 2011. The note payable was used to finance the purchase of a building and land.	**80,495**
Total notes payable	**$ 212,266**
Current portion	**$ 212,266**
Noncurrent portion	**-**
Total note payable	**$ 212,266**

COMPENSATED ABSENCES

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave as referred to in Note 1. The Downtown Development Authority has been used to liquidate compensated absences from Component Unit Activities in prior years.

Noncurrent portion	**$ 863**

NOTE 6 - LONG-TERM DEBT – Continued

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

NOTES PAYABLE

	Governmental Activities		Business-type Activities		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2012	$ 26,594	$ 1,064	$ 94,089	$ 2,823	$ 124,570
Total	$ 26,594	$ 1,064	$ 94,089	$ 2,823	$ 124,570

	Component Unit		
Year Ending June 30,	Principal	Interest	Total
2012	$ 212,266	$ 12,736	$ 225,002
Total	$ 212,266	$ 12,736	$ 225,002

CAPITAL LEASES PAYABLE

	Governmental Activities		Business-type Activities		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2012	$ 79,782	$ 8,193	$ 184,859	$ 139,989	$ 412,823
2013	74,538	5,298	193,760	131,088	404,684
2014	57,148	2,694	202,786	122,062	384,690
2015	16,366	687	212,233	112,616	341,902
2016	-	-	221,902	102,946	324,848
2017-2021	-	-	1,275,630	348,613	1,624,243
2022-2025	-	-	822,468	70,710	893,178
Total	$ 227,834	$ 16,872	$ 3,113,638	$ 1,028,024	$ 4,386,368

NOTE 6 - LONG-TERM DEBT – Continued

ANNUAL DEBT SERVICE REQUIREMENTS - Continued

REVENUE BONDS PAYABLE

	Business-type Activities		
Year Ending June 30,	Principal	Interest	Total
2012	$ 515,000	$ 649,231	$ 1,164,231
2013	630,000	629,935	1,259,935
2014	655,000	608,322	1,263,322
2015	675,000	585,739	1,260,739
2016	695,000	561,946	1,256,946
2017-2021	3,900,000	2,401,801	6,301,801
2022-2026	4,850,000	1,420,375	6,270,375
2027-2029	3,515,000	241,988	3,756,988
Total	$ 15,435,000	$ 7,099,337	$ 22,534,337

CONDUIT DEBT

COMPONENT UNIT

The Downtown Development Authority has issued multiple limited recourse promissory notes to provide financial assistance to local businesses for the purpose of financing capital improvements to the businesses property. The promissory notes are secured by the property financed and are payable by the revenues of the projects. The DDA is not obligated for the repayment of the notes. The DDA merely served as an intermediary to assist the local businesses in obtaining financing for its capital improvements. Accordingly, the notes are not reported as liabilities in these financial statements.

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

	Transfers In	Transfers Out
General Fund:		
Electric System Fund	$ 450,000	$ -
Gas System Fund	576,000	-
Fire District Fund	133,850	-
Library Expansion Fund	-	30,399
Total General Fund	1,159,850	30,399
SPLOST #4 Fund		
Library Expansion Fund	-	44,739
Total Confiscated Assets Fund	-	44,739
Fire District Fund:		
General Fund	-	133,850
Total Fire District Fund	-	133,850
Library Expansion Fund		
General Fund	30,399	-
SPLOST #4 Fund	44,739	-
Total Library Expansion Fund	75,138	-
Enterprise Funds:		
Gas System Fund:		
General Fund	-	576,000
Electric System Fund:		
General Fund	-	450,000
Total Enterprise Funds	-	1,026,000
Totals	$ 1,234,988	$ 1,234,988

Transfers are primarily used to move funds from:

- **The proprietary funds to the General Fund for an allocated amount of information technology services and salaries and wages and related costs of personnel who perform administrative services.**
- **The Fire District Fund to subsidize the operations of the Fire Department.**
- **Between the General Fund and Library Expansion Fund to fund Library expansion.**
- **Between the SPLOST #4 Fund and the Library Expansion to fund Library expansion.**

During the year ended June 30, 2011, the City made transfers of $133,850 from the Fire District Fund to the General Fund to subsidize Fire Department operations. The City made transfers of $576,000 from the Gas System Fund and $450,000 from the Electric System Fund to subsidize information technology services and salaries and wages and related costs of personnel who perform administrative services. The City also made transfers of $30,399 from the General Fund and $44,739 from the SPLOST #4 Fund to fund the Library expansion capital outlay project.

NOTE 8 - RESTRICTED GOVERNMENT-WIDE CASH AND INVESTMENTS

Governmental activities

Restricted cash and investments are composed of the following at June 30, 2011:

	Cash	Total
SPLOST #4 Account	$ 2,490,423	$ 2,490,423
GEFA Reserve Water Conservation Account	301,930	301,930
Confiscated Asset Accounts	261,643	261,643
Fire District Fees Account	126,198	126,198
Cemetery Maintenance Certificate of Deposit	10,000	10,000
Library Expansion Fund Account	73	73
Total	$ 3,190,267	$ 3,190,267

Business-type activities

Restricted cash and investments are composed of the following at June 30, 2011:

	Cash	Investments	Total
Municipal Competitive Trust Reserve Funded Debt Account	$ -	$ 1,672,753	$ 1,672,753
Municipal Competitive Trust Credit Support Operating Account	-	1,458,732	1,458,732
Water & Sewerage Bonds Debt Service Reserve Account	1,280,692	-	1,280,692
Municipal Competitive Trust Generation Trust Account	-	937,654	937,654
Water & Sewerage Bonds Debt Service Account	592,918	-	592,918
2006 Water and Sewerage Bonds Construction Account	536,655	-	536,655
Customer Deposits	223,062	-	223,062
Revolving Loan Fund Account	172,168	-	172,168
Retainage	26,623	-	26,623
Total	$ 2,832,118	$ 4,069,139	$ 6,901,257

NOTE 9 - RESTRICTED FUND CASH AND INVESTMENTS

Governmental funds

Restricted cash and investments are composed of the following at June 30, 2011:

	Cash	Total
General Fund		
Cemetery Maintenance Certificate of Deposit	$ 10,000	$ 10,000
Total General Fund	10,000	10,000
SPLOST #4 Fund		
SPLOST #4 Account	2,490,423	2,490,423
GEFA Reserve Water Conservation Account	301,930	301,930
Total 2005 SPLOST Fund	2,792,353	2,792,353
Confiscated Assets Fund		
Federal Confiscations Account	226,661	226,661
State Confiscations Account	25,282	25,282
Safekeeping Account	9,700	9,700
Total Confiscated Assets Fund	261,643	261,643
Fire District Fund		
Fire District Fees Account	126,198	126,198
Total Fire District Fund	126,198	126,198
Library Expansion Fund		
Library Expansion Fund Account	73	73
Total Library Expansion Fund	73	73
Total Governmental funds	$ 3,190,267	$ 3,190,267

NOTE 9 - RESTRICTED FUND CASH AND INVESTMENTS - Continued

Proprietary Funds

Restricted cash and investments are composed of the following at June 30, 2011:

	Cash	Investments	Total
Gas System			
Customer Deposits	$ 71,165	$ -	$ 71,165
Total Gas System	71,165	-	71,165
Electric System			
Municipal Competitive Trust Reserve Funded Debt Account	-	1,672,753	1,672,753
Municipal Competitive Trust Credit Support Operating Acct	-	1,458,732	1,458,732
Municipal Competitive Trust Generation Trust Account	-	937,654	937,654
Customer Deposits	98,326	-	98,326
Total Electric System	98,326	4,069,139	4,167,465
Water and Sewer System			
Water & Sewerage Bonds Debt Service Reserve Acct	1,280,692	-	1,280,692
Water & Sewerage Bonds Debt Service Account	592,918	-	592,918
2006 Water & Sewerage Bonds Construction Account	536,655	-	536,655
Customer Deposits	53,571	-	53,571
Retainage	26,623	-	26,623
Total Water and Sewer System	2,490,459	-	2,490,459
Revolving Loan Fund Account	172,168	-	172,168
Total Revolving Loan Fund	172,168	-	172,168
Total	$ 2,832,118	$ 4,069,139	$ 6,901,257

NOTE 10 - LIABILITIES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS:

Governmental activities

Liabilities payable from restricted assets are composed of the following at June 30, 2011:

Deferred revenue pending court	$ 9,700
Total	$ 9,700

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2011:

Portion of 2006 Water and Sewerage Revenue Bonds Payable to be used for construction	$ 536,655
Current Portion of 2006 and 2010 Water and Sewerage Revenue Bonds	515,000
Customer Deposits	223,062
Accrued Interest on 2006 and 2010 Water and Sewer Revenue Bonds	54,833
Retainage payable for GEFA note	26,623
Total	$ 1,356,173

NOTE 12 - RESTRICTED NET ASSETS

Governmental Activities

Restricted net assets are comprised of the following at June 30, 2011:

Restricted for:	
Capital projects	**$ 2,945,045**
Public Safety	**390,372**
Cemetery	**10,000**
Total net assets restricted for governmental activities	**$ 3,345,417**

Business-type Activities

Restricted net assets are comprised of the following at June 30, 2011:

Restricted for:	
Debt service	**$ 1,303,777**
Municipal Competitive Trust Agreement	**4,069,139**
Employment Incentive Program Revolving Loan	**172,168**
Total net assets restricted for business-type activities	**$ 5,545,084**

NOTE 13 - PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Commerce Retirement Plan ("CRP"), provides retirement and death benefits to plan members and beneficiaries. CRP plan is affiliated with the Georgia Municipal Employees Benefit System ("GMEBS"), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for CRP, that authority rests with the City of Commerce. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by written request to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy

CRP members are not required and do not contribute to CRP. CRP is a noncontributory plan. The City is required to contribute 100% of the amount necessary to fund CRP at an actuarially determined rate; the current rate is 8.82% of covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. 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. The total amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/(surplus) actuarial accrued liability. In a year when the 10-year or 30-year corridor applies, the following year, the prior year bases are combined into one 10-year or 30-year base. These amortization periods, if applicable, are closed for this plan year.

NOTE 13 - PENSION PLAN - Continued

Annual Pension Cost

For the current year, the City's annual pension cost of $315,885 for CRP was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2011 actuarial valuation based on the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial assumptions included the following:

- **Rate of return on investment** — **7.75% per year**
- **Projected salary increases** — **3.50% per year plus age and service based merit increases**
- **Cost of living adjustments** — **3.50% per year**

Three-Year Trend Information for CRP

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	$576,418	100%	$0
06/30/10	$300,606	100%	$0
06/30/11	$315,885	100%	$0

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for CRP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
03/01/09	$5,331,187	$7,419,039	$2,087,852	71.86%	$3,554,710	58.73%
01/01/10	$6,842,600	$6,976,340	$133,740	98.08%	$3,569,712	3.75%
01/01/11	$7,330,626	$7,445,515	$114,889	98.46%	$3,520,890	3.26%

The schedule of funding progress for CRP presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Effect of Plan Changes on the Actuarial Accrued Liability

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

Effect of Plan Changes on Recommended Contributions

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

NOTE 13 - PENSION PLAN - Continued

Method Used to Determine the Actuarial Value of Assets

Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

NOTE 14 - DEFINED CONTRIBUTION PENSION PLAN

The City is a participant in the Georgia Municipal Association 401 (a) Defined Contribution Plan. The Georgia Municipal Association administers the plan. The City must abide by the terms of the plan and the trust made by the Trustees of the plan. The City may terminate its participation in the plan if it adopts a resolution terminating its participation in the plan, and the resolution must specify when the participation will end. Currently, the only eligible employee to participate in the plan is the City Manager. The City makes all contributions to the plan, and the employee participant makes no contributions. The City may amend its contribution requirements by submitting a resolution and adoption agreement to the Trustees for Trustee approval. The City's required contribution rate to the plan is 13% of the employee's gross salary, and the City contributed $14,279 to the plan for the year ended June 30, 2011.

NOTE 15 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code 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 plan is not available to employees until termination, retirement, death or unforeseeable emergencies.

In accordance with Section 457 of the Internal Revenue Code, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and liabilities of the deferred compensation plans are not included in the accompanying primary government financial statements.

NOTE 16 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS

The City had no expenditures over appropriations for the year ended June 30, 2011.

NOTE 17 - DEFICIT FUND BALANCES/NET ASSETS

The City had deficit fund balances/net assets in two of its nonmajor governmental funds at June 30, 2011. The SPLOST #5 Fund had a deficit fund balance of $112,292 and the Grant Fund had a deficit fund balance of $4,830. The deficits in each of these funds are the result of expenditures being made before any revenues being earned in the funds. In the near future, revenues will be earned in these funds which should eliminate these deficits.

NOTE 18 - LITIGATION

The City is a party to legal proceedings, which normally occur, in governmental operations. It is the opinion of the City attorney that these legal proceedings are not likely to have a material adverse impact on the affected funds of the City, and accordingly, no provision for losses has been recorded.

NOTE 19 - 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.

The City is contingently liable for $53,242,320 of MEAG Power's principal bonds outstanding at June 30, 2011 in the event of default by MEAG Power.

Gas System

The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Municipal Gas Authority of Georgia ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with MGAG, the City is obligated to take from MGAG, and MGAG is obligated to provide, all of the City's natural gas requirements. The price paid by the City to MGAG under its contracts is intended to cover the City's share of all the costs of MGAG, including scheduled debt service of MGAG. Such payments are required to be made by the City whether or not the MGAG's facilities or natural gas properties or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under its gas supply or transportation contracts with MGAG. To the extent the required payments are not made from the revenues of the System or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City is contingently liable for $8,057,696 of MGAG's outstanding debt at June 30, 2011 in the event of default by MGAG.

Water and Sewer System

The City is currently was approved for a Clean Water State Revolving Fund (CWSRF) loan of $575,000 and a CWSRF subsidy of $287,500 for improvements to the water and sewer system. The City had expended $188,179 of the funds from this project through June 30, 2010, leaving $386,821 remaining to be spent. The loan is being used to purchase leak equipment and replace meters.

The City was awarded a $500,000 Community Development Block Grant in a previous year for the purpose of rehabilitating the sewer collection system serving two low and moderate income neighborhoods. The project is to eliminate sewer overflow and backup in the neighborhoods. The City is required to match $103,004 of the project. As of June 30, 2011 the City had expended $24,621 of these funds, leaving $475,379 remaining to be spent.

NOTE 19 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

Library Expansion Fund

The City has entered into a contract with the Piedmont Regional Library System (the "System") for the design and construction of a library expansion project. The City is required to match up to a maximum of $583,036 of the project which will be paid to the System to be deposited into a project fund established by the System. As of June 30, 2011, the City has paid $202,062 in matching funds to the System .

Component Unit

The City could be considered a responsible party for two notes payable incurred by the Downtown Development Authority in the event that the DDA does not repay the notes. A City Council Member signed the notes, therefore, the possibility exists that the City could be responsible for the repayment of these debts. The total balances of the notes payable were $212,266, at June 30, 2011.

NOTE 20 - OPERATING LEASE COMMITMENTS

The City leases office equipment under capital leases. Future minimum rental commitments for equipment operating leases as of June 30, 2011 are as follows:

	General Fund	Component Unit
2012	$ 7,332	$ 1,788
2013	7,332	1,490
2014	7,060	-
2015	3,504	-
2016	109	-
Total	$ 25,337	$ 3,278

Total rent expenditures under these operating leases for the year ended June 30, 2011 was $7,332 for the General Fund and $1,788 for the Downtown Development Authority Component Unit.

NOTE 21 - RISK MANAGEMENT

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

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member 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 proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 22 - RELATED ORGANIZATIONS AND RELATED PARTY 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, 2011.

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, 2011 the City was holding $72,988, in cash payable to the Civic Center and Tourism Authority, which has been reflected as a related party payable in the General Fund.

NOTE 23 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Northeast Georgia area, is a member of the Northeast Regional Development Center ("NRDC"). The City paid $5,636 in annual dues to NRDC. Membership in a Regional Development Center ("RDC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Northeast Regional Development Center, 305 Research Drive, Athens, GA 30601.

NOTE 24 - GRANTS

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NOTE 25 - SPLOST #3

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, streets and bridges, water and sewer capital outlay, and recreational capital outlay.

The following is a schedule of the activity relating to the SPLOST #3 tax for the year ending June 30, 2011:

	Water and Sewer	Roads, Streets, and Bridges	Recreation	Total
Gross Special Sales Tax	$ -	$ -	$ -	$ -
Project Expenditures				
Capital expenditures	-	(47,626)	-	(47,626)
Total Project Expenditures	-	(47,626)	-	(47,626)
Net (over) under expended for year ended June 30, 2010	-	(47,626)	-	(47,626)
Investment return	-	17	-	17
Net changes in fund balances		(47,609)	-	(47,609)
Fund balance - July 1, 2010	-	47,609	-	47,609
Fund balance - June 30, 2011	$ -	$ -	$ -	$ -

NOTE 26 - SPLOST #4

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, streets and bridges, water and sewer capital outlay, and recreational capital outlay.

The following is a schedule of the activity relating to the SPLOST #4 for the year ending June 30, 2011:

	Water and Sewer	Roads, Streets, and Bridges	Recreation	Library	Total
Gross Special Sales Tax	$ 544,456	$ 171,113	$ 31,112	$ 31,112	$ 777,793
Project Expenditures					
Capital expenditures	576,818	221,062	9,353	44,739	851,972
Total Project Expenditures	576,818	221,062	9,353	44,739	851,972
Net (over) under expended for year ended June 30, 2011	(32,362)	(49,949)	21,759	(13,627)	(74,179)
Investment return	23,408	6,751	1,227	1,227	32,613
Net changes in fund balances	(8,954)	(43,198)	22,986	(12,400)	(41,566)
Fund balance - July 1, 2010	1,840,374	1,046,576	75,452	24,136	2,986,538
Fund balance - June 30, 2011	$ 1,831,420	$ 1,003,378	$ 98,438	$ 11,736	$ 2,944,972

NOTE 27 - SPLOST #5

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, streets and bridges, water and sewer capital outlay, and recreational capital outlay.

The following is a schedule of the activity relating to the SPLOST #5 for the year ending June 30, 2011:

	Water and Sewer	Roads, Streets, and Bridges	Recreation	Total
Gross Special Sales Tax	$ -	$ -	$ -	$ -
Project Expenditures				
Capital expenditures	-	-	112,292	112,292
Total Project Expenditures	-	-	112,292	112,292
Net changes in fund balances	-	-	(112,292)	(112,292)
Fund balance - July 1, 2010	-	-	-	-
Fund balance - June 30, 2011	$ -	$ -	$(112,292)	$(112,292)

NOTE 28 - LANDFILL CLOSURE AND POST CLOSURE CARE

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.

REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

CITY OF COMMERCE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE		CAPITAL PROJECTS				
	Confiscated Assets	Fire District	SPLOST #3	SPLOST #5	Grant	Library Expansion	Totals
ASSETS							
Due from other funds	$ -	$ 12,231	$ -	$ -	$ -	$ -	$ 12,231
Restricted cash and investments	261,643	126,198	-	-	-	73	387,914
Total assets	$ 261,643	$ 138,429	$ -	$ -	$ -	$ 73	$ 400,145
LIABILITIES AND FUND BALANCES							
Liabilities:							
Deferred revenue	$ 9,700	$ -	$ -	$ -	$ -	$ -	$ 9,700
Due to other funds	-	-		112,292	4,830	-	117,122
Total liabilities	9,700	-	-	112,292	4,830	-	126,822
Fund balances:							
Restricted for:							
Capital projects	-	-	-	-	-	73	73
Public safety	251,943	138,429	-	-		-	390,372
Unassigned	-	-	-	(112,292)	(4,830)	-	(117,122)
Total fund balances	251,943	138,429	-	(112,292)	(4,830)	73	273,323
Total liabilities and fund balances	$ 261,643	$ 138,429	$ -	$ -	$ -	$ 73	$ 400,145

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE		CAPITAL PROJECTS				
	Confiscated Assets	Fire District	SPLOST #3	SPLOST #5	Grant	Library Expansion	Totals
REVENUES							
Charges for services	$ -	$ 191,550	$ -	$ -	$ -	$ -	$ 191,550
Fines & forfeitures	84,123	-	-	-	-	-	84,123
Intergovernmental	-	-	-	-	-	23,056	23,056
Donations	-	-	-	-	-	5,307	5,307
Investment return	1,786	391	17	-	-	687	2,881
Total revenues	85,909	191,941	17	-	-	29,050	306,917
EXPENDITURES							
Current operating							
Public safety	6,907	1,125	-	-	-	-	8,032
Capital outlay	-	-	47,626	112,292	4,830	202,062	366,810
Total expenditures	6,907	1,125	47,626	112,292	4,830	202,062	374,842
Excess (deficiency) of revenues over (under) expenditures	79,002	190,816	(47,609)	(112,292)	(4,830)	(173,012)	(67,925)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	75,138	75,138
Transfers out	-	(133,850)	-	-	-	-	(133,850)
Net other financing sources (uses)	-	(133,850)	-	-	-	75,138	(58,712)
Net changes in fund balances	79,002	56,966	(47,609)	(112,292)	(4,830)	(97,874)	(126,637)
Fund balance - beginning of year	172,941	81,463	47,609	-	-	97,947	399,960
Fund balance - end of year	$ 251,943	$ 138,429	$ -	$(112,292)	$(4,830)	$ 73	$ 273,323

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF COMMERCE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - CONFISCATED ASSETS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Confiscated Assets Fund			
	Original Budget	Final Budget	Actual	Variance with Final budget Over (Under)
REVENUES				
Fines & forfeitures	$ -	$ -	$ 84,123	$ 84,123
Investment return	2,300	2,300	1,786	(514)
Total revenues before budgeted surplus carryover	2,300	2,300	85,909	83,609
Budgeted surplus carryover	172,940	172,940	172,940	-
Total revenues and budgeted surplus Carryover	175,240	175,240	258,849	83,609
EXPENDITURES				
Current operating				
Public safety	175,240	175,240	6,907	168,333
Total expenditures	175,240	175,240	6,907	168,333
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	-	-	251,942	251,942
Adjustments				
To adjust for budgeted surplus carryover	-	-	(172,940)	(172,940)
Net change in fund balance	-	-	79,002	79,002
Fund balance - beginning of year	172,941	172,941	172,941	-
Fund balance - end of year	$ 172,941	$ 172,941	$ 251,943	$ 79,002

NOTE: The budgetary basis of accounting used is modified accrual.

CITY OF COMMERCE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) – FIRE DISTRICT FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Fire District Fund			
	Original Budget	Final Budget	Actual	Variance with Final budget Over (Under)
REVENUES				
Charges for services	$ 205,000	$ 205,000	$ 191,550	$(13,450)
Investment return	-	-	391	391
Total revenues before budgeted surplus carryover	205,000	205,000	191,941	(13,059)
Budgeted surplus carryover	82,008	82,008	82,008	-
Total revenues and budgeted surplus Carryover	287,008	287,008	273,949	(13,059)
EXPENDITURES				
Current operating				
Public safety	1,125	1,125	1,125	-
Total expenditures	1,125	1,125	1,125	-
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	285,883	285,883	272,824	(13,059)
Adjustments				
To adjust for budgeted surplus carryover	-	-	(82,008)	(82,008)
Excess (deficiency) of revenue over (under) Expenditures (GAAP basis)	285,883	285,883	190,816	(95,067)
OTHER FINANCING SOURCES (USES)				
Transfers out	(285,883)	(285,883)	(133,850)	152,033
Net other financing sources (uses)	(285,883)	(285,883)	(133,850)	152,033
Net change in fund balance	-	-	56,966	56,966
Fund balance - beginning of year	81,463	81,463	81,463	-
Fund balance - end of year	$ 81,463	$ 81,463	$ 138,429	$ 56,966

NOTE: The budgetary basis of accounting used is modified accrual.

CITY OF COMMERCE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPLOST #3 FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	SPLOST #3 Fund			
	Prior Years	Current Year	Total to Date	Original Amount Authorized
REVENUES				
Intergovernmental	$ 6,825,369	$ -	$ 6,825,369	$ 7,916,243
Investment return	374,849	17	374,866	-
Total revenues	7,200,218	17	7,200,235	7,916,243
EXPENDITURES				
Current operating				
Public safety	10	-	10	-
Capital outlay	7,152,599	47,626	7,200,225	7,916,243
Total expenditures	7,152,609	47,626	7,200,235	7,916,243
Net change in fund balance	$ 47,609	(47,609)	$ -	$ -
Fund balance - beginning of year		47,609		
Fund balance - end of year		$ -		

NOTE: The budgetary basis of accounting used is modified accrual.

CITY OF COMMERCE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPLOST #5 FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	SPLOST #5 Fund			
	Prior Years	Current Year	Total to Date	Original Amount Authorized
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ 4,067,380
Investment return	-	-	-	-
Total revenues	-	-	-	4,067,380
EXPENDITURES				
Capital outlay	-	112,292	112,292	4,067,380
Total expenditures	-	112,292	112,292	4,067,380
Net change in fund balance	$ -	(112,292)	$(112,292)	$ -
Fund balance - beginning of year		-		
Fund balance - end of year		$(112,292)		

NOTE: The budgetary basis of accounting used is modified accrual.

CITY OF COMMERCE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GRANT FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Grant Fund			
	Prior Years	Current Year	Total to Date	Original Amount Authorized
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ 250,000
Investment return	-	-	-	-
Total revenues	-	-	-	250,000
EXPENDITURES				
Capital outlay	-	4,830	4,830	250,000
Total expenditures	-	4,830	4,830	250,000
Net change in fund balance	$ -	(4,830)	$(4,830)	$ -
Fund balance - beginning of year		-		
Fund balance - end of year		$(4,830)		

NOTE: The budgetary basis of accounting used is modified accrual.

CITY OF COMMERCE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – LIBRARY EXPANSION FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Library Expansion Fund			
	Prior Years	Current Year	Total to Date	Original Amount Authorized
REVENUES				
Intergovernmental	$ 95,581	$ 23,057	$ 118,638	$ 82,015
Contributions	-	5,307	5,307	-
Investment return	3,091	687	3,778	-
Total revenues	98,672	29,051	127,723	82,015
EXPENDITURES				
Capital outlay	725	202,062	202,787	82,015
Total expenditures	725	202,062	202,787	82,015
Excess (deficiency) of revenues over (under) expenditures	97,947	(173,011)	(75,064)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	75,137	75,137	-
Net other financing sources (uses)	-	75,137	75,137	-
Net change in fund balance	$ 97,947	(97,874)	$ 73	$ -
Fund balance - beginning of year		97,947		
Fund balance - end of year		$ 73		

NOTE: The budgetary basis of accounting used is modified accrual.

SCHEDULE OF PROJECT LENGTH BUDGET
MAJOR GOVERNMENTAL FUND
CAPITAL PROJECT FUND

CITY OF COMMERCE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPLOST #4 FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	SPLOST #4 Fund			
	Prior Years	Current Year	Total to Date	Original Amount Authorized
REVENUES				
Intergovernmental	$ 4,587,060	$ 777,793	$ 5,364,853	$ 5,126,536
Investment return	170,435	32,613	203,048	-
Total revenues	4,757,495	810,406	5,567,901	5,126,536
EXPENDITURES				
Current operating				
Public services	135	-	135	-
Recreation	4	-	4	-
Library	4	-	4	-
Capital outlay	1,770,814	807,233	2,578,047	5,126,536
Total expenditures	1,770,957	807,233	2,578,190	5,126,536
Excess (deficiency) of revenues over (under) expenditures	2,986,538	3,173	2,989,711	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(44,739)	(44,739)	-
Net other financing sources (uses)	-	(44,739)	(44,739)	-
Net change in fund balance	$ 2,986,538	(41,566)	$ 2,944,972	$ -
Fund balance - beginning of year		2,986,538		
Fund balance - end of year		$ 2,944,972		

NOTE: The budgetary basis of accounting used is modified accrual.

REPORTS AND SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133

WILCOX & BIVINGS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

4485 Tench Road, Suite 1320
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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*

To the Honorable Mayor
and Members of the City Council
City of Commerce, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Commerce, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City of Commerce, Georgia's basic financial statements and have issued our report thereon dated August 29, 2011. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox & Bivings, P.C.

Suwanee, Georgia
August 29, 2011

WILCOX & BIVINGS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Commerce, Georgia

Compliance

We have audited the City of Commerce, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Commerce, Georgia's major federal programs for the year ended June 30, 2011. The City of Commerce, Georgia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Commerce, Georgia's management. Our responsibility is to express an opinion on the City of Commerce, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Commerce, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Commerce, Georgia's compliance with those requirements.

In our opinion, the City of Commerce, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the City of Commerce, Georgia is responsible for establishing and maintaining effective internal control over compliance with laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Commerce, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Commerce, Georgia's internal control over compliance.

To the Honorable Mayor and Members of the City Council
City of Commerce, Georgia

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox & Bivings, P.C.

Suwanee, Georgia
August 29, 2011

CITY OF COMMERCE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantors Number	Expenditures
United States Environmental Protection Agency/ Georgia Environmental Facilities Authority/ Capitalization Grant for Drinking Water State Revolving Fund	**66.458**	**DWSRF 10-023**	**$ 428,990**
United States Department of the Interior National Park Service/ Georgia Department of Natural Resources State Parks & Historic Sites/ Land and Water Conservation Fund Grant	**15.916**	**13-00921**	**94,375**
United States Environmental Protection Agency/ Georgia Environmental Facilities Authority/ ARRA - Capitalization Grant for Clean Water State Revolving Fund	**66.458**	**CWSRF 09-037**	**38,319**
United States Department of Housing and Development/ State of Georgia Department of Community Affairs/ Community Development Block Grants/State's Program And Non-Entitlement Grants in Hawaii	**14.228**	**10p-x-078-2-5231**	**22,621**
United States Department of Justice/ Community Oriented Policing Services/ COPS Hiring Program	**16.710**	**2010UMWX0086**	**21,888**
United States Department of Justice/ Office of Justice Programs/ ARRA – Edward Byrne Memorial Justice Assistance Grant Program Local Solicitation	**16.807**	**2009-SB-B9-2524**	**20,200**
United States Department of Housing and Development/ State of Georgia Department of Community Affairs/ State Community Development Block Grant Program For Non-Entitlement Communities	**14.219**	**N/A**	**11,917**
Total Federal Awards Expended			**$ 638,310**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Commerce, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF COMMERCE, GEORGIA
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – unqualified opinion on primary government.

Internal control over financial reporting:

- **No material weaknesses identified.**
- **No significant deficiencies identified.**
- **No noncompliance material to financial statements noted.**

Federal Awards

Internal control over major programs:

- **No material weaknesses identified.**
- **No significant deficiencies identified.**

Type of auditors' report issued on compliance for major programs - unqualified.

No audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a).

Identification of major programs:

- **United States Environmental Protection Agency/ Georgia Environmental Facilities Authority/ Capitalization Grant for Drinking Water State Revolving Fund.**

Dollar threshold used to distinguish between Type A and Type B programs - $300,000

Auditee does not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

- **No matters reported.**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- **No matters reported.**

CITY OF COMMERCE, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

There were no material weaknesses, significant deficiencies, items of noncompliance or questioned costs noted in the audit for the year ended June 30, 2010 that are required to be reported on for the year ending June 30, 2011.

CITY OF COMMERCE, GEORGIA
P.O. BOX 348
COMMERCE, GA 30529-0006
706-335-3164

CITY OF COMMERCE, GEORGIA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011

As there were no matters reported in the Auditors' Schedule of Findings and Questioned Costs or the Summary Schedule of Prior Year Audit Findings, there are no corrective actions required.

SCHEDULES REQUIRED BY THE STATE OF GEORGIA

CITY OF COMMERCE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST #3
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Estimate Amount	Amount Expended In Prior Year	Amount Expended In Current Year	Total	Estimated Percentage of Completion
PROJECTS					
Water and Sewer System Improvements	$ 6,160,500	$ 5,187,158	$ -	$ 5,187,158	100%
Road and Bridge Improvements	1,416,915	1,574,229	47,626	1,621,855	100%
Recreation Improvements	338,828	391,212	-	391,212	100%
Totals	$ 7,916,243	$ 7,152,599	$ 47,626	$ 7,200,225	

CITY OF COMMERCE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST #4
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Estimate Amount	Amount Expended In Prior Year	Amount Expended In Current Year	Total	Estimated Percentage of Completion
PROJECTS					
Water and Sewer System Improvements	$ 3,588,575	$ 1,489,810	$ 576,818	$ 2,066,628	58%
Road and Bridge Improvements	1,127,839	-	221,062	221,062	20%
Recreation Improvements	205,061	114,844	9,353	124,197	61%
Library Improvements	205,061	166,160	44,739	210,899	100%
Totals	$ 5,126,536	$ 1,770,814	$ 851,972	$ 2,622,786	

CITY OF COMMERCE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST #5
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Estimate Amount	Amount Expended In Prior Year	Amount Expended In Current Year	Total	Estimated Percentage of Completion
PROJECTS					
Water and Sewer System Improvements	$ 1,830,320	$ -	$ -	$ -	0%
Road and Bridge Improvements	1,118,530	-	-	-	0%
Recreation Improvements	1,118,530	-	112,292	112,292	10%
Totals	$ 4,067,380	$ -	$ 112,292	$ 112,292	