CITY OF COMMERCE, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended June 30, 2014

CITY OF COMMERCE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2014

TABLE OF CONTENTS

	Page
Independent Auditors' Report	i-iii
Management's Discussion and Analysis	iv-xi
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position - Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9
COMPONENT UNITS	
Combining Statement of Net Position	10
Combining Statement of Activities	11
NOTES TO FINANCIAL STATEMENTS	12 - 47
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Pension Funding Progress	48
Budgetary Comparison Schedule -General Fund	49
COMBINING STATEMENTS AND SCHEDULES	
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51
Supplemental Budgetary Comparison Schedule	
-Confiscated Assets Special Revenue Fund	52
-Fire District Special Revenue Fund	53
SUPPLEMENTAL INFORMATION	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax	54
COMPLIANCE AND INTERNAL CONTROL REPORTS	
Schedule of Expenditures of Federal Awards	55
Independent Auditors' 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*	56-57
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in accordance with OMB Circular A-133	58-59
Auditor's Schedule of Findings and Questioned Costs	60-61

BatesCarter
Exceeding expectations. Always.

PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

INDEPENDENT AUDITORS' REPORT

December 11, 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF COMMERCE, GEORGIA, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF COMMERCE, GEORGIA, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management 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 supplementary information identified above and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

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

Bates, Carter & Co, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Commerce, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2014. 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 $54,151,865 (presented as "net position"). Of this amount, $11,643,733 was reported as "unrestricted net position." Unrestricted net position represent the amount available to be used to meet the City's obligations to citizens and creditors. $34,486,633 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 $8,021,498.

The City's total net position increased by $618,960 in fiscal year 2014.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $5,467,075. Of this amount, 28.1% or $1,536,606 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 $1,536,606 or 26.9% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the primary government, but also two legally separate authorities, the Downtown Development Authority ("DDA") and the Civic Center and Tourism Authority, for which the City is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Fund

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 to 47 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 48 to 54 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by $54,151,865 as of June 30, 2014 and by $53,532,905 as of June 30, 2013.

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

CITY OF COMMERCE, GEORGIA'S NET POSITION
JUNE 30, 2014
($ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	$ 6,515	$ 5,908	$ 14,288	$ 14,068	$ 20,803	$ 19,976
Capital assets (net of depreciation)	16,651	17,168	33,948	35,081	50,599	52,249
TOTAL ASSETS	23,166	23,076	48,236	49,149	71,402	72,225
Total deferred outflows of resources	-	-	1,144	140	1,144	140
Liabilities:						
Long-term liabilities outstanding	178	196	16,829	17,263	17,007	17,459
Other liabilities	1,015	1,076	373	298	1,388	1,374
TOTAL LIABILITIES	1,193	1,272	17,202	17,561	18,395	18,833
Net position						
Net investment in capital assets	16,597	17,079	17,889	18,350	34,486	35,429
Restricted	3,291	2,991	4,731	7,407	8,022	10,398
Unrestricted	2,085	1,734	9,559	5,972	11,644	7,706
TOTAL NET POSITION	$ 21,973	$ 21,804	$ 32,179	$ 31,729	$ 54,152	$ 53,533

Table may not add due to rounding

An additional portion of the City's net assets 14.98% represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets $11,643,733, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2014, and June 30, 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories - governmental and business-type activities.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2014 and June 30, 2013. Governmental activities increased the City's net assets by $169,015 for the year ended June 30, 2014, and increased net assets by $1,517,801 for the year ended June 30, 2013. Business-type activities increased the City's net assets by $449,944 for the year ended June 30, 2014, and increased the City's net assets by $622,515 for the year ended June 30, 2013.

CITY OF COMMERCE, GEORGIA'S CHANGES IN NET POSITION
JUNE 30, 2014
($ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
REVENUES						
Program revenues:	2014	2013	2014	2013	2014	2013
Charges for services	$ 2,779	$ 2,656	$ 14,287	$ 13,502	$ 17,066	$ 16,158
Operating grants and contributions	134	237	500	-	634	737
Capital grants and contributions	-	1,709	-	130	-	1,839
General Revenues:						
Property taxes	783	712	-	-	783	712
Sales taxes	1,775	1,936	-	-	1,775	1,936
Insurance premium tax	338	326	-	-	338	326
Other taxes	416	412	-	-	416	412
Unrestricted investment earnings	2	3	398	220	400	223
Other	16	4	-	-	16	4
TOTAL REVENUES	6,243	7,995	15,185	13,852	21,428	21,847
EXPENSES						
General Government	1,311	1,183	-	-	1,311	1,183
Judicial	25	26	-	-	25	26
Public safety	2,162	2,194	-	-	2,162	2,194
Public works	1,953	1,671	-	-	1,953	1,671
Recreation and culture	793	753	-	-	793	753
Housing and development	352	389	-	-	352	389
Interest	3	6	-	-	3	6
Water and sewer system	-	-	4,491	4,284	4,491	4,284
Electric system	-	-	5,995	5,750	5,995	5,750
Natural gas system	-	-	3,724	3,340	3,724	3,340
Revolving loan	-	-	-	110	-	110
TOTAL EXPENSES	6,599	6,222	14,210	13,484	20,809	19,706
Increases in net assets before transfers	(356)	1,773	975	368	619	2,141
Transfers	525	(255)	(525)	255	-	-
Increase in net assets	169	1,518	450	623	619	2,141
Net position, beginning of year	21,804	20,257	31,729	30,484	53,533	50,741
Prior Period Adjustment	-	29	-	831	-	860
Change in accounting principle	-	-	-	(209)	-	(209)
Net position, beginning of year, restated	21,804	20,286	31,729	31,106	53,533	51,392
Net position, end of year	$ 21,973	$ 21,804	$ 32,179	$ 31,729	$ 54,152	$ 53,533

Total government-wide revenues for 2014 were $21.43 million. These revenues consisted of $3.31 million in taxes, $0.63 million in grants and contributions, $0.40 million in investment earnings and $17.07 million in charges for services. Of this amount, $6.2 million was in governmental activities and $15.2 million in business-type activities.

Government-wide expenses were $20.81 million for 2014, of which $6.60 million were for governmental activities and $14.21 million for business-type activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

The General Fund is the main fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,536,606, while total fund balance reached $2,186,412. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the fund's total operational expenditures. Unreserved fund balance represents 26.9% of total expenditures, while total fund balance represents 38.32% of that same amount.

The General Fund's fund balance increased by $377,946 during the current fiscal year. This is primarily a result of a one-time transfer for the purchase of ERP software and related hardware to update the City's aged platform. Of the FY 2014 increase in fund balance, $369,973 has been assigned to offset the FY 2015 budget. $230,644 is allocated for the purchase of the ERP software, $ 69,356 is allocated for a one-time pay increase for employees, and $69,973 is for transfers to the Civic Center for operations.

SPLOST Funds

The SPLOST Capital Projects Fund accounts for funds received from a local 1% sales tax reserved for construction of various capital projects. During the current fiscal year, the fund balance increased by $337,943 in the SPLOST Fund. This is primarily a result of spending for approved projects using prior year funds.

The "other governmental funds" fund balances decreased by $(37,970) during the current fiscal year. The decreases were mainly due to capital spending from the Confiscated Assets Fund. Due to the nature of the Confiscated Asset Fund, revenues are not predictable or stable and reserves from prior years are often used if necessary.

Proprietary Funds

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

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

and Sewer System is $3,450,467. The Water and Sewer's decrease in net position of $- is primarily a result of a one-time transfer into the general fund to purchase new account software.

The Electric System Fund is used to account for the provision of electricity services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electric system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for electric system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Electric Fund is $3,798,631. In the current year, the Electric system had an increase in net position of $-, which is primarily a result of an unusually strong demand during the winter months.

The Natural Gas System Fund is used to account for the provision of natural gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas system and billing and collection activities This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. Unrestricted net position in the Natural Gas Fund is $2,251,669. In the current year, the Natural Gas Fund had an increase in net position of $-, which is primarily a result of an unusually strong demand during the winter months.

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 $385,149 and an increase in budgeted expenditures of $385,149. The budget revisions were for unanticipated tax revenues, grants, and insurance payments. In addition, an appropriation was allocated for the purchase of ERP software that was to be funded with a one-time transfer made available from bond refinancing savings. The budget revisions were approved by the City Council on June 16, 2014. All other budget revisions were minor in nature and were authorized by city staff throughout the year. These minor adjustments are common operating occurrences and did not change the total of the original appropriations.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to $50,599,043 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 $206,850 on machinery and equipment.
The City spent $189,422 on vehicles.
The City spent $722,493 on infrastructure.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2014	2013	2014	2013	2014	2013
Land	$ 2,817,024	$ 2,817,024	$ 319,771	$ 319,771	$ 3,136,795	$ 3,136,795
Construction in process	84,278	59,334	43,872	56,250	128,150	103,206
Building and improvements	8,373,505	8,373,505	18,264,916	18,264,915	26,638,421	26,638,420
Utility system infrastructure	-	-	40,862,147	40,139,654	40,862,147	40,139,654
Furniture, fixtures and equipment	1,028,756	966,492	14,625	14,625	1,043,381	981,117
Machinery and equipment	-	-	1,118,967	974,381	1,118,967	974,381
Computers and equipment	319,452	319,452	328,302	328,302	647,754	647,754
Infrastructure	9,057,997	9,044,507	-	-	9,057,997	9,044,507
Vehicles	1,719,111	1,559,473	690,151	660,367	2,409,262	2,219,840
Accumulated depreciation	(6,749,037)	(5,972,044)	(27,694,794)	(25,677,716)	(34,443,831)	(31,649,760)
Total	$ 16,651,086	$ 17,167,743	$ 33,947,957	$ 35,080,549	$ 50,599,043	$ 52,248,292

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had $16,578,510 in outstanding debt consisting of revenue bonds, capital leases and notes payable. All of the debt was secured by specific revenue sources or capital assets.

CITY OF COMMERCE, GEORGIA'S OUTSTANDING DEBT - PRIMARY GOVERNMENT
JUNE 30, 2014

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2014	2013	2014	2013	2014	2013
Capital leases payable	$ 53,598	$ 88,333	$ 2,614,912	$ 2,843,651	$ 2,668,510	$ 2,931,984
Notes Payable	-	-	-	-	-	-
Revenue bonds	-	-	13,910,000	14,290,000	13,910,000	14,290,000
Total	$ 53,598	$ 88,333	$ 16,524,912	$ 17,133,651	$ 16,578,510	$ 17,221,984

The City's total debt (not including compensated absences and other long-term operating liabilities) decreased by $643,474, during the current fiscal year mostly attributable to the repayment of long-term debt. Additional information on the City's long-term debt can be found in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2014-2015 budget, General Fund revenues and expenditures are budgeted to increase by 4.19% from the 2013-2014 budget year. This increase is due to planned capital expenditures for ERP software and the construction of a new fire station located in the East Jackson Fire District. In addition, the City

will increase the transfers to the Civic Center for operations during the 2014-2015 fiscal year. These increases will be funded primarily through a reduction in reserves and no tax increases are planned.

Electric rates will be reviewed for possible increases due to the planned expansion of plant Vogtle. As a member of the Municipal Electric Association of Georgia (MEAG) the city is obligated to purchase an additional 5 Megawatts (MW) of wholesale power. It is planned to start phasing in rate increases for the additional power starting in the 2014-2015 at a rate of .005 cents per kilowatt-hour (KWH) either quarterly or semi-annually.

The water & Sewer fund will have a rate review in fiscal year 2014-2015 and a determination will be made on rate increases to be implemented in conjunction with the annual Consumer Price Index (CPI). No other rate adjustments are planned.

The Gas fund is not anticipating any rate reviews or changes.

REQUEST FOR INFORMATION

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

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2014

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	$ 5,568,489	$ 4,623,220	$ 10,191,709	$ 159,534
Investments	-	2,448,716	2,448,716	-
Notes receivable	-	13,375	13,375	-
Receivables (net of allowance for uncollectibles)	383,804	1,857,535	2,241,339	-
Internal balances	24,703	(24,703)	-	-
Due from component units	125,529	-	125,529	-
Inventories	43,981	-	43,981	-
Prepaid items	215,797	128,694	344,491	3,252
Restricted assets:				
Cash	152,345	626,876	779,221	29,044
Investments	-	4,570,110	4,570,110	-
Non-current assets:				
Notes receivable	-	44,440	44,440	-
Capital assets:				
Capital assets not being depreciated	2,901,302	363,643	3,264,945	319,907
Capital assets being depreciated	20,498,821	61,279,108	81,777,929	2,300,756
Less: accumulated depreciation	(6,749,037)	(27,694,794)	(34,443,831)	(790,243)
Capital assets, net of depreciation	16,651,086	33,947,957	50,599,043	1,830,420
TOTAL ASSETS	23,165,734	48,236,220	71,401,954	2,022,250
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	1,144,074	1,144,074	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	1,144,074	1,144,074	-
TOTAL ASSETS & DEFERRED OUTFLOWS	23,165,734	49,380,294	72,546,028	2,022,250
LIABILITIES				
Accounts payable	922,004	317,827	1,239,831	-
Accrued interest payable	-	46,234	46,234	2,940
Other accrued items	79,684	8,107	87,791	708
Due to primary government	-	-	-	125,529
Unearned revenue	12,855	-	12,855	1,283
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	42,289	-	42,289	330
Notes payable	-	-	-	61,919
Capital leases payable	40,720	238,972	279,692	-
Revenue bonds payable	-	770,000	770,000	-
Due in more than one year				
Compensated absences payable	82,091	46,866	128,957	-
Customer Deposits	-	257,694	257,694	-
Notes payable	-	-	-	157,818
Capital leases payable	12,881	2,375,940	2,388,821	-
Revenue bonds payable	-	13,140,000	13,140,000	-
TOTAL LIABILITIES	1,192,524	17,201,640	18,394,164	350,527
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,192,524	17,201,640	1,192,524	350,527
NET POSITION				
Net investment in capital assets	16,597,485	17,889,148	34,486,633	1,610,294
Restricted for:				
Debt service	-	3,477	3,477	
Muncipal Competitive Trust Agreement	-	4,570,110	4,570,110	
Sales tax referendum projects	3,010,966	-	3,010,966	-
Public safety programs	269,697	-	269,697	-
Recreation and culture programs	-	-	-	29,044
Housing and development programs	-	157,193	157,193	-
Cemetary	10,055	-	10,055	-
Unrestricted	2,085,007	9,558,726	11,643,733	32,385
TOTAL NET POSITION	$ 21,973,210	$ 32,178,654	$ 54,151,864	$ 1,671,723

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNIT
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	$ 1,311,489	$ 1,185,193	$ 21,057	$ -	$ (105,239)	$ -	$ (105,239)	$ -
Judicial	24,873	519,416	-	-	494,543	-	494,543	-
Public safety	2,161,919	151,895	39,255	-	(1,970,769)	-	(1,970,769)	-
Public works	1,952,672	774,048	73,431	1,453	(1,103,740)	-	(1,103,740)	-
Public health and welfare	-	14,000	-	-	14,000	-	14,000	-
Recreation and culture	793,144	130,232	-	-	(662,912)	-	(662,912)	-
Housing and development	353,278	4,125	-	-	(349,153)	-	(349,153)	-
Interest	2,858	-	-	-	(2,858)	-	(2,858)	-
Total Governmental Activities	6,600,233	2,778,909	133,743	1,453	(3,686,128)	-	(3,686,128)	-
BUSINESS-TYPE ACTIVITIES								
Water and sewer	4,491,279	3,645,828	500,000	-	-	(345,451)	(345,451)	-
Electric System	5,994,796	6,270,090	-	-	-	275,294	275,294	-
Natural Gas System	3,724,027	4,370,629	-	-	-	646,602	646,602	-
Total Business-Type Activities	14,210,102	14,286,547	500,000	-	-	576,445	(345,451)	-
TOTAL PRIMARY GOVERNMENT	$ 20,810,335	$ 17,065,456	$ 633,743	$ 1,453	(3,686,128)	576,445	(4,031,579)	-
COMPONENT UNITS								
Development Authority	$ 172,157	$ 18,881	$ 180,654	$ -	$ -	$ -	$ -	$ 27,378
Civic Center	189,033	80,951	-	891,379	-	-	-	783,297
TOTAL COMPONENT UNITS	$ (361,190)	$ 99,832	$ 180,654	$ 891,379	-	-	-	810,675
GENERAL REVENUES								
Property taxes					783,150	-	783,150	-
Sales taxes					1,774,355	-	1,774,355	-
Insurance premium taxes					337,566	-	337,566	-
Other taxes					416,461	-	416,461	-
Total taxes					3,311,532	-	3,311,532	-
Unrestricted investment earnings					2,424	398,465	400,889	96
Gain on sale of capital assets					16,221	-	16,221	-
TRANSFERS					524,966	(524,966)	-	29,508
TOTAL GENERAL REVENUES AND TRANSFERS					3,855,143	(126,501)	3,728,642	29,604
CHANGES IN NET POSITION					169,015	449,944	618,959	840,279
NET POSITION, Beginning					21,804,195	31,728,710	53,532,905	831,444
NET POSITION, Ending					$ 21,973,210	$ 32,178,654	$ 54,151,864	$ 1,671,723

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 2,500,232	$ 2,910,671	$ 157,584	$ 5,568,487
Receivables (net of allowance for uncollectibles)	246,145	137,660	-	383,805
Interfund receivables	164,966	15,649	-	180,615
Due from component unit	125,529	-	-	125,529
Prepaid items	215,797	-	-	215,797
Inventories	43,981	-	-	43,981
Restricted assets:				
Cash	10,055	-	142,290	152,345
TOTAL ASSETS	$ 3,306,705	$ 3,063,980	$ 299,874	$ 6,670,559
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 920,482	$ -	$ 1,522	$ 922,004
Other accrued items	79,684	-	-	79,684
Interfund payables	87,098	53,014	15,800	155,912
Unearned revenue	-	-	12,855	12,855
TOTAL LIABILITIES	1,087,264	53,014	30,177	1,170,455
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	33,029	-	-	33,029
TOTAL DEFERRED INFLOWS OF RESOURCES	33,029	-	-	33,029
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,120,293	53,014	30,177	1,203,484
FUND BALANCES				
Nonspendable:				
Prepaid expenditure	215,797	-	-	215,797
Inventories	43,981	-	-	43,981
Restricted:				
Sales tax referendum projects	-	3,010,966	-	3,010,966
Cemetary	10,055	-	-	10,055
Public safety programs	-	-	269,697	269,697
Assigned:				
Next year's budget	379,973	-	-	379,973
Unassigned:	1,536,606	-	-	1,536,606
TOTAL FUND BALANCES	2,186,412	3,010,966	269,697	5,467,075
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,306,705	$ 3,063,980	$ 299,874	$ 6,670,559

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2014

Total Fund Balances for Governmental Funds (page 3)		$ 5,467,075
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		16,651,086
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	33,029	
		33,029
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(124,380)	
Capital leases	(53,601)	
		(177,981)
Rounding		1
Total net position of governmental activities (page 1)		$ 21,973,210

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

REVENUES	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Taxes	$ 2,540,288	$ 781,117	$ -	$ 3,321,405
Licenses and permits	139,847	-	-	139,847
Intergovernmental	39,255	73,431	-	112,686
Fines and forfeitures	526,670	-	-	526,670
Charges for services	1,885,599	-	150,851	2,036,450
Contributions and donations	21,057	-	-	21,057
Investment income	2,192	1,454	229	3,875
Miscellaneous	75,943	-	-	75,943
TOTAL REVENUES	5,230,851	856,002	151,080	6,237,933
EXPENDITURES				
Current Expenditures				
General government	1,214,020	-	-	1,214,020
Judicial	24,873	-	-	24,873
Public safety	1,968,725	-	5,604	1,974,329
Public works	1,336,494	249,202	-	1,585,696
Recreation and culture	659,862	-	-	659,862
Housing and development	344,496	-	-	344,496
Capital outlay	90,518	118,373	51,444	260,335
Debt service				
Principal	63,888	-	9,489	73,377
Interest	2,540	-	318	2,858
TOTAL EXPENDITURES	5,705,416	367,575	66,855	6,139,846
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(474,565)	488,427	84,225	98,087
OTHER FINANCING SOURCES (USES)				
Sale of county property	16,221	-	-	16,221
Capital leases	38,645	-	-	38,645
Transfers in	797,645	-	-	797,645
Transfers out	-	(150,484)	(122,195)	(272,679)
TOTAL OTHER FINANCING SOURCES (USES)	852,511	(150,484)	(122,195)	579,832
NET CHANGE IN FUND BALANCES	377,946	337,943	(37,970)	677,919
FUND BALANCES, Beginning of year	1,808,466	2,673,023	307,667	4,789,156
FUND BALANCES, End of year	$ 2,186,412	$ 3,010,966	$ 269,697	$ 5,467,075

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net change in fund balances (page 5)		$ 677,919
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	260,335	
Depreciation expense	(776,994)	
		(516,659)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	33,029	
		33,029
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(42,902)	
		(42,902)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Proceeds from borrowing including premiums and discounts	(38,645)	
Principal payments on long-term debt, including payments to refunding escrow	73,377	
		34,732
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, current year	(124,381)	
Compensated absences, prior year	107,274	
		(17,107)
Rounding		3
Changes in net position of governmental activities (page 2)		$ 169,015

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

ASSETS	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
Current Assets					
Cash	$ 1,846,999	$ 734,511	$ 2,041,710	$ -	$ 4,623,220
Investments	-	2,448,716	-	-	2,448,716
Receivables (net of allowance for uncollectibles)	763,663	797,512	296,216	144	1,857,535
Notes receivable	-	-	-	13,375	13,375
Interfund receivables	71,449	-	-	-	71,449
Prepaid items	66,491	31,736	30,467	-	128,694
Restricted assets:					
Cash	469,683	-	-	157,193	626,876
Investments	-	4,570,110	-	-	4,570,110
TOTAL CURRENT ASSETS	3,218,285	8,582,585	2,368,393	170,712	14,339,975
Noncurrent Assets					
Notes receivables	-	-	-	44,440	44,440
Capital assets					
Capital assets not being depreciated	274,869	30,032	58,742	-	363,643
Capital assets being depreciated	39,916,971	9,922,274	11,439,863	-	61,279,108
Less: accumulated depreciation	(18,693,184)	(5,104,173)	(3,897,437)	-	(27,694,794)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	21,498,656	4,848,133	7,601,168	-	33,947,957
TOTAL NONCURRENT ASSETS	21,498,656	4,848,133	7,601,168	44,440	33,992,397
TOTAL ASSETS	24,716,941	13,430,718	9,969,561	215,152	48,332,372
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge for refunding	1,144,074	-	-	-	1,144,074
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,144,074	-	-	-	1,144,074
LIABILITIES					
Current Liabilities					
Accounts payable	317,827	-	-	-	317,827
Accrued interest	30,718	174	15,342	-	46,234
Other accrued items	4,165	2,077	1,865	-	8,107
Interfund payables	-	87,118	9,034	-	96,152
Capital leases payable	-	26,739	212,233	-	238,972
Revenue bonds payable	770,000	-	-	-	770,000
TOTAL CURRENT LIABILITIES	1,122,710	116,108	238,474	-	1,477,292
Noncurrent Liabilities					
Customer deposits	63,906	111,661	82,127	-	257,694
Compensated absences payable	25,696	12,814	8,356	-	46,866
Capital leases payable	-	55,933	2,320,007	-	2,375,940
Revenue bonds payable	13,140,000	-	-	-	13,140,000
TOTAL NONCURRENT LIABILITIES	13,229,602	180,408	2,410,490	-	15,820,500
TOTAL LIABILITIES	14,352,312	296,516	2,648,964	-	17,297,792
NET POSITION					
Net investment in capital assets	8,054,759	4,765,461	5,068,928	-	17,889,148
Restricted for debt service	3,477	-	-	-	3,477
Restricted for Municipal Competitive Trust Agreement	-	4,570,110	-	-	4,570,110
Restricted for housing and development	-	-	-	157,193	157,193
Unrestricted	3,450,467	3,798,631	2,251,669	57,959	9,558,726
TOTAL NET POSITION	$ 11,508,703	$ 13,134,202	$ 7,320,597	$ 215,152	$ 32,178,654

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
OPERATING REVENUES					
Charges for sales and services:					
Charges for services	$ 3,597,194	$ 6,268,542	$ 4,356,682	$ -	$ 14,222,418
Connection fees	-	-	12,859	-	12,859
Other operating revenue	48,634	1,548	1,088	-	51,270
Total Operating Revenues	3,645,828	6,270,090	4,370,629	-	14,286,547
OPERATING EXPENSES					
Salaries and benefits	868,100	637,730	548,063	-	2,053,893
Supplies	167,121	52,596	60,321	-	280,038
Other services and charges	621,607	5,188	8,231	-	635,026
Insurance premiums	74,882	33,284	32,836	-	141,002
Depreciation	1,294,985	359,341	362,751	-	2,017,077
Professional fees	344,657	6,360	12,649	-	363,666
Repairs and maintenance	235,142	38,017	29,452	-	302,611
Utilities	342,426	9,515	7,830	-	359,771
Utilities purchased for resale	-	4,849,528	2,541,339	-	7,390,867
Total Operating Expenses	3,948,920	5,991,559	3,603,472	-	13,543,951
OPERATING INCOME (LOSS)	(303,092)	278,531	767,157	-	742,596
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,509	393,423	1,212	2,301	398,445
Investment earnings-pledged as security for revenue bonds	20	-	-	-	20
Interest expense	(542,359)	(3,237)	(120,555)	-	(666,151)
Capital grants	500,000	-	-	-	500,000
Total Nonoperating Revenues (Expenses)	(40,830)	390,186	(119,343)	2,301	232,314
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(343,922)	668,717	647,814	2,301	974,910
Transfer in	150,484	-	-	-	150,484
Transfer out	(200,000)	(282,550)	(192,900)	-	(675,450)
CHANGE IN NET POSITION	(393,438)	386,167	454,914	2,301	449,944
TOTAL NET POSITION, Beginning of year	11,902,141	12,748,035	6,865,683	212,851	31,728,710
TOTAL NET POSITION, End of year	$ 11,508,703	$ 13,134,202	$ 7,320,597	$ 215,152	$ 32,178,654

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customer	$ 3,345,944	$ 6,311,153	$ 4,345,296	$ 74	$ 14,002,467
Payments to suppliers	(1,468,798)	(5,231,355)	(2,524,441)	(110,000)	(9,334,594)
Payments to employees	(884,462)	(638,869)	(549,221)	-	(2,072,552)
Net cash provided by (used in) operating activities	992,684	440,929	1,271,634	(109,926)	2,595,321
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in (out)	(200,000)	(282,550)	(192,900)	-	(675,450)
Net Cash provided (used) by non-capital financing activities	(200,000)	(282,550)	(192,900)	-	(675,450)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(748,536)	(5,128)	(130,820)	-	(884,484)
Proceeds from bond refunding	13,910,000	-	-	-	13,910,000
Transfers in	150,484	-	-	-	150,484
Capital Grant Earned	500,000	-	-	-	500,000
Principal payments on debt	-	(25,952)	(202,787)	-	(228,739)
Payment to escrow agent	(15,588,753)	-	-	-	(15,588,753)
Interest paid	(474,132)	(3,292)	(122,053)	-	(599,477)
Net cash provided (used) by capital and related financing activities	(2,250,937)	(34,372)	(455,660)	-	(2,740,969)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	1,528	342,184	1,212	2,302	347,226
Purchase of investments	-	(341,511)	-	-	(341,511)
Principal payments received on lease receivable	-	-	-	29,856	29,856
Net cash provided (used) by investing activities	1,528	673	1,212	32,158	35,571
Net increase (decrease) in cash and cash equivalents	(1,456,725)	124,680	624,286	(77,768)	(785,527)
CASH, Beginning of year	3,773,407	609,831	1,417,424	234,961	6,035,623
CASH, End of year	$ 2,316,682	$ 734,511	$ 2,041,710	$ 157,193	$ 5,250,096
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (303,092)	$ 278,531	$ 767,157	$ -	$ 742,596
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,294,985	359,341	362,751	-	2,017,077
(Increase) decrease in:					
Accounts receivable	(310,274)	27,310	-	-	(282,964)
Due from other governments	-	-	(36,595)	74	(36,521)
Prepaid expenses	82,352	(819)	(446)	-	81,087
Increase (decrease) in:					
Accounts payable	317,826	-	-	-	317,826
Compensated absences	(16,449)	(1,862)	(1,344)	-	(19,655)
Customer deposits	10,390	13,753	11,262	-	35,405
Other accrued items	87	723	186	-	996
Interfund balances	(83,141)	(236,048)	168,663	(110,000)	(260,526)
Net cash provided by (used in) operating activities	$ 992,684	$ 440,929	$ 1,271,634	$ (109,926)	$ 2,595,321
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES					
Net unrealized gain (loss) on investments	$ -	$ (106,067)	$ -	$ -	$ (106,067)

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2014

	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	TOTAL
ASSETS			
Cash	$ 79,966	$ 79,568	$ 159,534
Prepaid items	1,475	1,777	3,252
Restricted assets:			
Cash	-	29,044	29,044
Capital assets:			
Capital assets not being depreciated	319,907	-	319,907
Capital assets being depreciated	807,217	1,493,539	2,300,756
Less: accumulated depreciation	(249,620)	(540,623)	(790,243)
Capital assets, net of depreciation	877,504	952,916	1,830,420
TOTAL ASSETS	958,945	1,063,305	2,022,250
LIABILITIES			
Accrued interest payable	896	2,044	2,940
Other accrued items	319	389	708
Due to primary government	17,088	108,441	125,529
Unearned revenue	1,283	-	1,283
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	173	157	330
Notes payable	50,983	10,936	61,919
Due in more than one year			
Notes payable	29,312	128,506	157,818
TOTAL LIABILITIES	100,054	250,473	350,527
NET POSITION			
Net invested in capital assets	796,820	813,474	1,610,294
Restricted for:			
Recreation and culture programs	-	29,044	29,044
Unrestricted	62,071	(29,686)	32,385
TOTAL NET POSITION	$ 858,891	$ 812,832	$ 1,671,723

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	TOTAL
	.....PROGRAM REVENUES.....				....NET (EXPENSE) AND CHANGES IN NET POSITION....		
COMPONENT UNITS							
GOVERNMENTAL ACTIVITIES							
Downtown Development Authority	$ 172,157	$ 18,881	$ 180,654	$ -	$ (27,378)	$ -	$ 27,378
Civic Center	189,033	80,951	-	891,379	-	(783,297)	783,297
TOTAL COMPONENT UNITS	$ (361,190)	$ 99,832	$ 180,654	$ 891,379	(27,378)	(783,297)	810,675
GENERAL REVENUES							
Unrestricted investment earnings					69	27	96
TRANSFERS					-	29,508	29,508
TOTAL GENERAL REVENUES					69	29,535	29,604
CHANGES IN NET POSITION					27,447	812,832	840,279
NET POSITION, Beginning					831,444	-	831,444
NET POSITION, Ending					$ 858,891	$ 812,832	$ 1,671,723

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Brief descriptions of the discretely presented component unit follows:

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

City also pays the salary and some other expenses related to downtown development. The DDA is a component unit of the City.

COMMERCE CIVIC CENTER AND TOURISM AUTHORITY - The Commerce Civic Center and Tourism Authority is a related organization of the City. The Civic Center and Tourism Authority was formed to acquire, construct, improve, equip, alter, repair, operate, and maintain public projects in the City of Commerce, embracing buildings and facilities to be used for amusement, recreational, civic, cultural, and educational purposes. The Civic Center is required to submit a budget to the City Council for approval. The City Council determines a monthly allocation that it pays to the Civic Center for its operations. The City also pays the salary and some other expenses related to downtown development. The Civic Center is a component unit of the City.

The Downtown Development Authority and Civic Center did not issue separate financial statements for the year ended June 30, 2014.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits that are not restricted, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded as fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

2. Receivables and Payables

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

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 20th of each year. The 2013 property taxes were levied October 20, 2013, and were due December 20, 2013. The taxes are subject to lien after March 20, 2014. Interest and penalties are assessed on taxes not paid by this date.

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

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

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Certain funds are held by the General and Enterprise Funds in accounts restricted for customer deposits, debt service, capital expenditures, and the Municipal Competitive Trust Agreement with the Municipal Electric Authority of Georgia. These funds are held in cash and/or investments as allowed by State law and the requirments 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.

5. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitlized during during 2014.

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

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

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

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of item that qualifies for reporting in this category. It is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is part of the interest expense for the year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. This item only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes.

7. Compensated Absences

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

8. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

9. Bond Premiums and Discounts

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

Amortization costs for premiums, discounts, and amounts deferred for refunding (see Note 7) for the year 2014 was $89,126. None of these costs were capitalized in 2014.

10. Fund Equity/Net Position

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

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

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

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

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

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

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

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

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

12. Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2014 are as follows:

Net investment in capital assets:	Governmental Activities	Business Activities	Component Units
Cost of capital assets	$ 23,400,123	$ 61,642,751	$ 2,620,663
Accumulated depreciation	(6,749,037)	(27,694,794)	(790,243)
Book value	16,651,086	33,947,957	1,830,420
Capital leases related debt	(53,601)	(2,614,912)	-
Unspent construction proceeds	-	466,103	-
Revenue bonds related to capital assets	-	(13,910,000)	-
Notes payable related to capital assets	-	-	(220,126)
Invested in capital assets, net of related debt	$ 16,597,485	$ 17,889,148	$ 1,610,294

13. Management Estimates

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

14. Allocation of Indirect Cost

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

NOTE 2 - FUND BALANCE/NET POSITION

The governmental activities statement of net position reports $3,290,718 of restricted net position, of which, $157,584 is restricted by enabling legislation.

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

Restricted:	
General Fund	
Cemetery - For unspent funds for cemetery maintenance	$ 10,055
SPLOST	
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	3,010,966
Nonmajor Funds	
Public Safety programs -	
Confiscated Assets Fund - For funds restricted for law enforcement purposes.	112,113
Fire District Fund - For funds restricted for fire services from a separate tax levy.	157,584
Total Restricted Fund Balance	$3,290,718
Assigned:	
General Fund	
Appropriated as a resource in next year's budget	$ 379,973
Total Assigned Fund Balance	$ 379,973

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

Budgeting Policy

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

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City of Commerce has no recorded encumbrances at June 30, 2014.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

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

(C) DEFICIT FUND EQUITY

At June 30, 2014, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2014, the City had the following investments, some of which are cash equivalents:

		INVESTMENT MATURITIES (in Years)		
Investment Type	Fair Value	Less Than 1	1-5	Rating (1)
Municipal Competitive Trust:				
Short-term Portfolio	$1,333,814	$1,333,814	$ -	AAAm
Intermediate Portfolio	1,219,007	1,219,007	-	AAAm
Intermediate Extended Portfolio	2,785,224	2,785,224	-	AAAm
Intermediate Tax Extended Portfolio	1,680,780	1,680,780	-	AAAm
Total	$7,018,825	$7,018,825	$ -	
Maximum Investment		100.00%	0.00%	

1. Standard & Poor's

Cash per Statement of Net position (page 1)	
Cash	$ 10,191,709
Restricted cash	779,221
Deposits	$ 10,970,930
Investments Statement of Net position (page 1)	
Investments	$ 2,448,716
Restricted Investments	4,570,110
Investments as listed above	$ 7,018,825

The City is involved in an external investment pool, the Municipal Competitive Trust, which is administered by the Municipal Electric Authority of Georgia ("MEAG"), a governmental entity. Due to the anticipated deregulation of the retail sale of electricity in the state of Georgia, the City entered into a Municipal Competitive Trust agreement with the Municipal Electric Authority of Georgia ("MEAG"). The City purchases for resale, electric power from MEAG. The City is a beneficiary of this trust, and the City and MEAG deposit monies in the trust from time to time. All monies are held by the trustee, NC Shareholder Services for the City's benefit and are invested in investment securities. The pool is not registered with the SEC as an investment company. The City has recorded the assets in the Electric System Enterprise Fund. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible

under the laws of the State of Georgia. The fair value of the City's position in the pool changes with market conditions and is calculated based on the fair market value of net assets held in the pool at the close of each business day. The pool determines participant's shares sold and redeemed based on the market value per share at the close of business day of the sale or redemption.

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

Credit Risk. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2014, the ratings of its investments are shown above.

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

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

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2014, all of the City's deposits were insured or was adequately collateralized with securities held by the pledging financial institution's name.

State statutes require collateral pledged in the amount of 110% of deposits. Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below.

> Under the dedicated method, a depository shall secure the deposits of each of its public depositors separately.
>
> Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1.

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

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and enterprise funds are summarized below. The City does not maintain an allowance for uncollectible accounts due to the utilization of a third party collection agency after a 90 day aging period:

	Governmental Activities		Business-type Activities			
	General Fund	SPLOST	Water & Sewer Fund	Electric System	Natural Gas System	Nonmajor: Revolving Loan
Receivables:						
Property Taxes	$ 49,804	$ -	$ -	$ -	$ -	$ -
Other taxes	119,990	137,660	-	-	-	-
Accounts	45,629	-	454,900	797,512	296,216	145
Intergovernmental	30,722	-	308,763	-	-	-
Notes	-	-	-	-	-	57,814
Total Gross Receivables	246,145	137,660	763,663	797,512	296,216	57,959
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Net Receivables	$ 246,145	$ 137,660	$ 763,663	$ 797,512	$ 296,216	$ 57,959

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

	UNAVAILABLE	UNEARNED
Property taxes (General Fund)	$ 33,029	$ -
Other	-	12,855
Total unavailable/ unearned revenue for governmental funds	$ 33,029	$ 12,855

The notes receivable in the business-type activities consisted of the following at June 30, 2014:

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.	$ 53,181
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.	4,634
Total note receivable, net	57,815
Less: Current portion	(13,375)
Long-term portion	$ 44,440

At June 30, 2014, scheduled maturities of the notes receivable were the following:

2015	$ 13,375
2016	9,007
2017	9,281
2018	9,563
2019 - 2020	16,589
Total maturities of notes receivable	$ 57,815

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 2,817,024	$ -	$ -	$ -	$ 2,817,024
Construction in progress	59,334	38,434	-	(13,490)	84,278
Total non-depreciable capital assets	2,876,358	38,434	-	(13,490)	2,901,302
Depreciable Assets:					
Buildings and improvements	8,373,505	-	-	-	8,373,505
Machinery and equipment	1,285,944	62,264	-	-	1,348,208
Vehicles	1,559,473	159,638	-	-	1,719,111
Infrastructure	9,044,507	-	-	13,490	9,057,997
Total depreciable capital assets	20,263,429	221,902	-	13,490	20,498,821
Less Accumulated Depreciation for:					
Buildings and improvements	(2,109,695)	(227,757)	-	-	(2,337,452)
Machinery and equipment	(828,734)	(87,994)	-	-	(916,727)
Vehicles	(921,493)	(148,525)	-	-	(1,070,018)
Infrastructure	(2,112,122)	(312,718)	-	-	(2,424,840)
Total accumulated depreciation	(5,972,044)	(776,994)	-	-	(6,749,037)
Total depreciable capital assets, net	14,291,385	(555,092)	-	-	13,749,784
Governmental activities capital assets, net	$ 17,167,743	$ (516,658)	$ -	$ -	$ 16,651,086

Additions to governmental activities capital assets for fiscal year ending June 30, 2014, consist of the following:

Capital Outlay	$ 260,336
Total Additions	$ 260,336
Non-depreciable capital assets additions	$ 38,434
Depreciable capital assets additions	221,902
Total	$ 260,336

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

Governmental Activities:	
General Government	$ 83,364
Public Safety	190,381
Public Works	366,063
Recreation and Culture	130,196
Housing and Development	6,989
Rounding	1
Total depreciation expense: Governmental Activities	$ 776,994

Capital asset activity for business-type funds for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 319,770	$ -	$ -	$ -	$ 319,771
Construction in progress	56,250	586,686	-	(599,064)	43,872
Total non-depreciable capital assets	376,020	586,686	-	(599,064)	363,643
Depreciable Assets:					
Buildings and improvements	18,264,916	-	-	-	18,264,916
Water and sewer system	20,454,761	17,263	-	599,064	21,071,088
Electric system	8,830,187	5,130	-	-	8,835,317
Natural gas system	10,854,707	101,036	-	-	10,955,743
Machinery and equipment	1,317,308	144,586	-	-	1,461,894
Vehicles	660,367	29,784	-	-	690,151
Total depreciable capital assets	60,382,246	297,799	-	599,064	61,279,108
Less Accumulated Depreciation for:					
Buildings and improvements	(5,778,820)	(511,171)	-	-	(6,289,991)
Water and sewer system	(11,454,688)	(721,191)	-	-	(12,175,879)
Electric system	(4,046,468)	(296,805)	-	-	(4,343,273)
Natural gas system	(3,178,227)	(336,415)	-	-	(3,514,642)
Machinery and equipment	(748,260)	(107,005)	-	-	(855,265)
Vehicles	(471,253)	(44,491)	-	-	(515,744)
Total accumulated depreciation	(25,677,716)	(2,017,078)	-	-	(27,694,794)
Total depreciable capital assets, net	34,704,530	(1,719,279)	-	599,064	33,584,314
Business-type activities capital assets, net	$ 35,080,550	$ (1,132,593)	$ -	$ -	$ 33,947,957

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

Business-type Activities:	
Water and Sewer System	$ 1,294,986
Electric System	359,341
Natural Gas System	362,751
Total depreciation expense: Business-type Activities	$ 2,017,078

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2014, and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Governmental Activities:					
Transportation Enhancement	$ 320,000	$ 60,426	$ 250,000	$ 9,574	Grant/SPLOST
ROW Erosion & Beautification	5,000	3,311	-	1,689	SPLOST
Accounting Management System	230,644	20,541	200,000	10,103	Bond Refinancing/Reserves
Total Governmental Activities	$ 555,644	$ 84,278	$ 450,000	$ 21,366	
Business-type Activities					
Fire Hydrant Rehab	$ 125,000	$ 13,872	$ 60,000	$ 51,128	Local Funds/Grant
Two-Way Pump Station	90,000	30,000	-	60,000	Local Funds/Grant
Total Business-type Activities	$ 215,000	$ 43,872	$ 60,000	$ 111,128	

Discretely Presented Component Units

Activity for Downtown Development Authority for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental activities:					
Non-depreciable Assets:					
Land	$ 319,907	$ -	$ -	$ -	$ 319,907
Total non-depreciable capital assets	319,907	-	-	-	319,907
Depreciable assets:					
Buildings and improvements	796,005	-	-	-	796,005
Machinery and equipment	11,212	-	-	-	11,212
Total depreciable capital assets	807,217	-	-	-	807,217
Less Accumulated Depreciation for:					
Buildings	(221,379)	(22,203)	-	-	(243,582)
Machinery and equipment	(5,163)	(875)	-	-	(6,038)
Total accumulated depreciation	(226,542)	(23,078)	-	-	(249,620)
Total depreciable capital assets, net	580,675	(23,078)	-	-	557,597
Governmental activities capital assets, net	$ 900,582	$ (23,078)	$ -	$ -	$ 877,504

Activity for the Civic Center for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental activities:					
Depreciable assets:					
Buildings and improvements	$ -	$ -	$ -	$1,488,100	$ 1,488,100
Machinery and equipment	-	5,439	-	-	5,439
Total depreciable capital assets	-	5,439	-	1,488,100	1,493,539
Less Accumulated Depreciation for:					
Buildings	-	(38,156)	-	$ (502,393)	(540,549)
Machinery and equipment	-	(74)	-	-	(74)
Total accumulated depreciation	-	(38,230)	-	(502,393)	(540,623)
Total depreciable capital assets, net	-	(32,791)	-	985,707	952,916
Governmental activities capital assets, net	$ -	$ (32,791)	$ -	$ 985,707	$ 952,916

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Capital leases	$ 88,333	$ 38,645	$ (73,380)	$ 53,598	$ 40,720	$ 12,881
Compensated absences	107,274	107,274	(90,167)	124,381	42,289	82,091
Governmental activities long-term liabilities	$ 195,607	$ 145,919	$ (163,547)	$ 177,979	$ 83,009	$ 94,972
Business-type Activities:						
Revenue bonds	$ 14,290,000	$ 13,910,000	$ (14,290,000)	$ 13,910,000	$ 770,000	$ 13,140,000
Less: Original issue discounts	(61,249)	-	61,249	-	-	-
Add: Original issue Premiums	123,872	-	(123,872)	-	-	-
Total Revenue Bonds	14,352,623	13,910,000	(14,352,623)	13,910,000	770,000	13,140,000
Capital Leases	2,843,651	-	(228,739)	2,614,912	238,972	2,375,940
Compensated absences	66,521	66,521	(86,176)	46,866	-	46,866
Business-type activities long-term liabilities	$ 17,262,795	$ 13,976,521	$ (14,667,538)	$ 16,571,778	$ 1,008,972	$ 15,562,806

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

CAPITAL LEASES

Vehicles and various other equipment items are acquired under capital lease agreements which bear interest at various rates from 3.230% to 4.200%. Minimum future lease obligations for these leases, as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 40,720	$ 1,824	$ 42,544
2016	12,878	382	13,260
Total	$ 53,598	$ 2,206	$ 55,804

As of June 30, 2014, the capital assets purchased under these capital lease agreements are as follows:

	Governmental Activities
Vehicles	$ 275,019
Less accumulated depreciation	(109,502)
Net	$ 165,517

BUSINESS TYPE ACTIVITIES
As of June 30, 2014, the the long-term debt payable from proprietary fund resources consisted of the following:

REVENUE BONDS PAYABLE

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

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

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

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

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

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

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

The annual requirements to amortize this debt as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 770,000	$ 358,413	$ 1,128,413
2016	785,000	337,809	1,122,809
2017	810,000	316,675	1,126,675
2018	835,000	294,879	1,129,879
2019	850,000	272,553	1,122,553
2020 -2024	4,620,000	946,338	5,566,338
2025 -2029	5,240,000	354,570	5,594,570
Total	$ 13,910,000	$ 2,881,237	$ 16,791,237

CAPITAL LEASES

The City has financed the construction of utility infrastructure and a vehicle under capital lease agreements which bear interest at various rates from 3.230% to 4.200%. Minimum future lease obligations for these leases, as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 238,972	$ 115,120	$ 354,092
2016	249,451	104,941	354,392
2017	260,843	93,250	354,093
2018	243,289	81,559	324,848
2019	254,625	70,224	324,849
2020-2024	1,216,549	172,488	1,389,037
2025-2026	151,183	2,662	153,845
Total	$ 2,614,912	$ 640,244	$ 3,255,156

As of June 30, 2014, the capital assets purchased under these capital lease agreements are as follows:

	Governmental Activities
Utility infrastructure	$ 5,556,109
Vehicles	160,998
Less accumulated depreciation	(1,122,342)
Net	$ 4,594,765

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Notes Payables	$ 127,492	$ -	$ (47,197)	$ 80,295	$ 50,983	$ 29,312
Compensated absences	3,226	1,382	(4,435)	173	173	-
Total long-term liabilitiess	$ 130,718	$ 1,382	$ (51,632)	$ 80,468	$ 51,156	$ 29,312

Activity for the Civic Center and Tourism Authority for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Notes Payables	$ -	$ 150,000	$ (10,620)	$ 139,380	$ 10,936	$ 128,506
Compensated absences	-	1,046	(889)	157	157	-
Total long-term liabilitiess	$ -	$ 151,046	$ (11,509)	$ 139,537	$ 11,093	$ 128,506

As of June 30, 2014, the long-term debt payable by the Downtown Development Authority consisted of the following:

NOTES PAYABLE

Note payable to Community Bank & Trust in the original amount of $103,312 dated October 21, 2011, secured by land, interest rate of 3.50% with final maturity dated October 21, 2014. The note payable was used to finance the purchase of land.	$ 36,515
Note payable to Northeast Georgia in the original amount of $70,486 dated January 17, 2012, secured by building and land, interest rate of 3.50% with an original maturity date of January 17, 2014. This loan was renewed in January 2014, at the same interest rate, with a maturity date of December 22, 2016. The note payable was used to finance the purchase of a building and land.	43,780
Total notes payable	80,295
Current Portion	29,312
Noncurrent portion	$ 50,983

As of June 30, 2014, the long-term debt payable by the Civic Center and Tourism Authority consisted of the following:

NOTES PAYABLE

Note payable to Pinnacle Bank in the original amount of $150,000 dated December 3, 2012, interest rate of 2.980% with final maturity dated December 3, 2020. The note payable was used to finance the repair of the roof of the Commerce Civic Center.	$ 139,442
Total notes payable	139,442
Current Portion	10,936
Noncurrent portion	$ 128,506

The annual requirements to amortize these component unit note payables as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	$ 61,920	$ 6,963	$ 68,883
2016	40,575	5,314	45,889
2017	11,598	3,492	15,090
2018	11,944	3,146	15,090
2019	12,300	2,790	15,090
2020-2024	81,400	4,470	85,870
Total	$ 219,737	$ 26,175	$ 245,912

NOTE 8 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2014, are as follows:

	Due From					
Due To	General Fund	SPLOST	Other nonmajor governmental funds	Natural Gas System	Electric System	Total
General Fund	$ -	$ 53,014	$ 15,800	$ 9,034	$ 87,118	$164,966
SPLOST	15,649	-	-	-	-	15,649
Water and Sewer	71,449	-	-	-	-	71,449
Total	$87,098	$ 53,014	$ 15,800	$ 9,034	$ 87,118	$252,064

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

Interfund transfers as of the year ended June 30, 2014, are as follows:

	Transfers Out					
Transfers In	Fire Districts	SPLOST	Natural Gas System	Electric System	Water and Sewer Fund	Total
General Fund	$ 122,195	$ -	$ 192,900	$ 282,550	$ 200,000	$ 797,645
Water and Sewer Fund	-	150,484	-	-	-	150,484
Total	$ 122,195	$ 150,484	$ 192,900	$ 282,550	$ 200,000	$ 948,129

Transfers are used to supplement operating budgets.

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

(A) PLAN DESCRIPTION

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

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

The City's covered payroll for employees participating in the Plan as of January 1, 2014, (the most recent actuarial valuation date) was $2,957,071 (based on covered earnings of preceding year).

(B) FUNDING POLICY

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

Contributions totaling $315,461 ($315,461 employer and $0 employee) were made in accordance with actuarially determined contribution requirements determined by an actuarial valuation performed as of January 1, 2013. Employer contributions attributable to the 2013 Plan Year were made in 2014. The employer contribution represents 10.5% of covered payroll (using the prior year's earnings as a base).

(C) ANNUAL PENSION COST

The City's contributions to the Plan for the years ended June 30, 2014, 2013, and 2012 were $315,461, $321,341, and $315,885, respectively, and were equal to the required contribution for each year.

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

Actuarial Date of January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
2013	$8,091,603	$8,415,656	$324,053	96.1%	$2,957,071	11.0%

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

Fiscal Year June 30	Annual Pension Cost	Actual City Contribution	Percentage of APC Contributed	Net Pension Obligation
2014	$ 315,461	$ 315,461	100.0 %	$ -
2013	$ 321,341	$ 321,341	100.0 %	$ -
2012	$ 315,885	$ 315,885	100.0 %	$ -

The information was determined as part of the actuarial valuation as of January 1, 2013. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2013
Actuarial Cost method	Projected Unit Credit
Amortization method (see below)	Level Percent of Pay (Closed)
Remaining amortization period	average 10 years
(The estimated amortization period for all unfunded liabilities combined into one amount.)	
Asset valuation method	Market Value, smoothed
Actuarial assumptions:	
Investment rate return*	7.75%
Projected salary increases*	3.5%
*Includes inflation at	3.0%
Cost-of-living adjustments	3.5%
Post-retirement benefit increases	N/A

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

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

Derivation of annual pension cost:	2014	2013
Annual required contribution	$ 262,073	$ 280,187
Interest on net pension obligation	11,557	11,772
Amortization of net pension obligation	41,831	29,382
Annual pension cost	315,461	321,341
Contributions made with interest	(315,461)	(321,341)
Increase (decrease) in net pension obligation	-	-
Net pension obligation, beginning of year	-	-
Net pension obligation, end of year	$ -	$ -

DEFERRED COMPENSATION PLAN

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

NOTE 10 - RISK MANAGEMENT

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss

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

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

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

ELECTRICAL SYSTEM

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

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

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general

revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default.

Payments to MEAG are made monthly on net obligations based upon long-term contracts and power supple needs. The total payments under these contracts amounted to $4,856,278 in 2014.

GAS SYSTEM

The City has entered into a gas supply contract and certain supplemental gas supply contracts with the Municipal Gas Authority of Georgia ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts wiht 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 thereform is interrupted, interfered with, curtailed or terminated in whole or in part, or whehter or not any of its natural gas suppliers or transporters defaults in ints 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 ot make such payments.

Payments to MGAG are made monthly on net obligations based upon long-term contracts. The total payments under these contracts amounted to $2,688,714 in 2014.

WATER AND SEWER SYSTEM

In 2014, the City was awarded a $500,000 Community Development Block Grant for the Purpose of rehabilitating the sewer collection system in southeast Commerce. The project is to eliminate sewer overflow and backup. The City is required to match $90,000 of the project.

GRANTS

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

NOTE 12 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Commerce Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received $3,380 for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2014.

NOTE 13 - LITIGATION

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

NOTE 14 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

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

NOTE 15 - OPERATING LEASE COMMITMENTS

The City is obligated under various operating leases for equipment purchases that have an initial term in excess of 1 year. Total cost for such leases were $9,418 for the year ended June 30, 2014. Future minimum rental payments are as follows:

June 30	General Fund	Component Unit
2015	$ 16,702	$ 5,577
2016	9,325	3,549
2017	5,051	1,521
2018	1,790	-
Total	$ 32,868	$ 10,647

NOTE 16 - CERTAIN SIGNIFICANT ESTIMATES

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

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

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

NOTE 17 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the ten (10) county Piedmont, Georgia, area are members of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid annual dues in the amount of $6,550 to the NEGRC for the year ended June 30, 2014. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

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

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

NOTE 18 - SPLOST

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

The following is a schedule of the activity relating to the SPLOST # 4 and SPLOST #5 for the year ending June 30, 2014:

SPLOST #4 Schedule:

	Water and Sewer	Road, Streets and Bridges	Recreation	Total
Gross Special Sales Tax	$ -	$ 73,431	$ -	$ 73,431
Project Expenditures				
Capital Expenditures	150,484	348,815	-	499,299
Total Project Expenditures	150,484	348,815	-	499,299
Net (over) under expended for year ending June 30, 2014	(150,484)	(275,384)	-	(425,868)
Investment return	957	287	54	1,298
Transfers in	-	-	-	-
Net changes in fund balance	(149,527)	(275,097)	54	(424,570)
Fund balance - July 1, 2013	726,713	699,485	5,783	1,431,981
Fund balance - June 30, 2014	$ 577,186	$ 424,388	$ 5,837	$ 1,007,411

SPLOST #5 Schedule:

	Water and Sewer	Road, Streets and Bridges	Recreation	Total
Gross Special Sales Tax	$ 351,502	$ 214,807	$ 214,807	$ 781,116
Project Expenditures				
Capital Expenditures	-	480	18,280	18,760
Total Project Expenditures	-	480	18,280	18,760
Net (over) under expended for year ending June 30, 2014	351,502	214,327	196,527	762,356
Investment return	70	43	43	156
Transfers in/out	-	-	-	-
Net changes in fund balance	351,572	214,370	196,570	762,512
Fund balance - July 1, 2013	700,477	375,535	165,031	1,241,043
Fund balance - June 30, 2014	$ 1,052,049	$ 589,905	$ 361,601	$ 2,003,555

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS
For the Year Ended June 30, 2014
"Unaudited"

Actuarial Valuation Date (1/1)	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll (prior year)	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2007	$ 5,167,249	$ 5,154,394	100.2 %	$ (12,855)	$ 2,912,396	(0.4)%
2008	$ 5,533,143	$ 5,832,910	94.9 %	$ 299,767	$ 3,284,665	9.1 %
2009	$ 5,331,187	$ 7,419,039	71.9 %	$ 2,087,852	$ 3,554,710	58.7 %
2010	$ 6,842,600	$ 6,976,340	98.1 %	$ 133,740	$ 3,569,712	3.7 %
2011	$ 7,330,626	$ 7,445,515	98.5 %	$ 114,889	$ 3,520,890	3.3 %
2012	$ 7,677,891	$ 7,902,699	97.2 %	$ 224,808	$ 3,418,337	6.6 %
2013	$ 8,091,603	$ 8,415,656	96.1 %	$ 324,053	$ 2,957,071	11.0 %

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

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

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

CITY OF COMMERCE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2014
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 1,808,466	$ 1,808,466	$ 1,808,466	$ -
RESOURCES (INFLOWS)				
Taxes	2,346,065	2,491,065	2,540,288	49,223
Licenses and permits	98,950	139,000	139,847	847
Intergovernmental	78,500	71,032	39,255	(31,777)
Fines and forfeitures	524,200	524,200	526,670	2,470
Charges for services	1,805,276	1,821,276	1,885,599	64,323
Contributions and donations	-	21,057	21,057	-
Investment income	-	-	2,192	2,192
Miscellaneous	75,333	81,843	75,943	(5,900)
Sale of county property	-	-	16,221	16,221
Contracts payable issued	10,000	10,000	-	(10,000)
Capital lease issued	74,000	74,000	38,645	(35,355)
Transfers in	937,251	1,137,251	797,645	(339,606)
Total Resources (Inflows)	5,949,575	6,370,724	6,083,362	(287,362)
AMOUNTS AVAILABLE FOR APPROPRIATION	7,758,041	8,179,190	7,891,828	(287,362)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	138,978	139,578	139,557	21
Administative	426,993	467,043	403,133	63,910
Finance	654,269	964,669	662,364	302,305
Total General Government	1,220,240	1,571,290	1,205,054	366,236
Judicial				
Municipal court	25,800	25,800	24,873	927
Total Judicial	25,800	25,800	24,873	927
Public Safety				
Police	2,078,129	2,094,374	1,852,014	242,360
Fire	244,389	244,389	222,062	22,327
Total Public Safety	2,322,518	2,338,763	2,074,076	264,687
Public Works				
Public works	1,218,722	1,242,926	1,242,315	611
Garage	129,569	129,569	111,232	18,337
Total Public Works	1,348,291	1,372,495	1,353,547	18,948
Recreation and Culture				
Recreation	441,930	450,680	450,467	213
Library	235,574	236,474	223,395	13,079
Civic Center and Tourism Authority	10,000	30,000	29,508	492
Total Recreation and Culture	687,504	717,154	703,370	13,784
Housing and development				
Planning and zoning	173,994	173,994	173,268	726
Downtown Development Authority	171,228	171,228	171,228	-
Total Housing and Development	345,222	345,222	344,496	726
TOTAL CHARGES TO APPROPRIATIONS	5,949,575	6,370,724	5,705,416	665,308
CHANGE IN FUND BALANCE	-	-	377,946	377,946
FUND BALANCE, End of year	$ 1,808,466	$ 1,808,466	$ 2,186,412	$ 377,946

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF COMMERCE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	SPECIAL REVENUE FUNDS		
	CONFISCATED ASSETS	FIRE DISTRICT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	$ -	$ 157,584	$ 157,584
Restricted assets:			
Cash	142,290	-	142,290
TOTAL ASSETS	$ 142,290	$ 157,584	$ 299,874
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 1,522	$ -	$ 1,522
Interfund payables	15,800	-	15,800
Unearned revenue	12,855	-	12,855
TOTAL LIABILITIES	30,177	-	30,177
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	30,177	-	30,177
FUND BALANCES			
Restricted:			
Public safety programs	112,113	157,584	269,697
TOTAL FUND BALANCES	112,113	157,584	269,697
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 142,290	$ 157,584	$ 299,874

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	SPECIAL REVENUE FUNDS		
	CONFISCATED ASSETS	FIRE DISTRICT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Charges for services	-	150,851	150,851
Investment income	98	131	229
TOTAL REVENUES	98	150,982	151,080
EXPENDITURES			
Current Expenditures			
Public safety	1,981	3,623	5,604
Capital outlay	51,444	-	51,444
Debt service			
Principal	9,489	-	9,489
Interest	318	-	318
TOTAL EXPENDITURES	63,232	3,623	66,855
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(63,134)	147,359	84,225
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(122,195)	(122,195)
TOTAL OTHER FINANCING SOURCES (USES)	-	(122,195)	(122,195)
NET CHANGE IN FUND BALANCES	(63,134)	25,164	(37,970)
FUND BALANCES, Beginning of year	175,247	132,420	307,667
FUND BALANCES, End of year	$ 112,113	$ 157,584	$ 269,697

CITY OF COMMERCE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 175,247	$ 175,247	$ 175,247	$ -
RESOURCES (INFLOWS)				
Fines and forfeitures	20,000	20,000	-	(20,000)
Investment income	-	-	98	98
Total Resources (Inflows)	20,000	20,000	98	(19,902)
AMOUNTS AVAILABLE FOR APPROPRIATION	195,247	195,247	175,345	(19,902)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	149,465	149,465	63,232	86,233
TOTAL CHARGES TO APPROPRIATIONS	149,465	149,465	63,232	86,233
CHANGE IN FUND BALANCE	(129,465)	(129,465)	(63,134)	66,331
FUND BALANCE, End of year	$ 45,782	$ 45,782	$ 112,113	$ 66,331

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF COMMERCE, GEORGIA
FIRE DISTRICT SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 132,420	$ 132,420	$ 132,420	$ -
RESOURCES (INFLOWS)				
Charges for services	177,000	177,000	150,851	(26,149)
Investment income	-	-	131	131
Total Resources (Inflows)	177,000	177,000	150,982	(26,018)
AMOUNTS AVAILABLE FOR APPROPRIATION	309,420	309,420	283,402	(26,018)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	-	-	3,623	(3,623)
Transfers out	252,454	252,454	122,195	130,259
TOTAL CHARGES TO APPROPRIATIONS	252,454	252,454	125,818	126,636
CHANGE IN FUND BALANCE	(75,454)	(75,454)	25,164	100,618
FUND BALANCE, End of year	$ 56,966	$ 56,966	$ 157,584	$ 100,618

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF COMMERCE, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2014

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES	
			PRIOR YEARS	CURRENT YEAR
JACKSON COUNTY SPLOST 4				
Water and Sewer System Improvements	$ 3,588,575	$ 2,066,628	$ 3,177,948	$ 150,484
Road and Bridge Improvements	1,127,839	221,062	526,764	348,815
Recreation Improvements	205,061	124,197	217,181	-
Library Improvements	205,061	210,899	232,201	-
Totals	$ 5,126,536	$ 2,622,786	$ 4,154,094	499,299
JACKSON COUNTY SPLOST 5				
Water and Sewer System Improvements	$ 1,830,320	$ 1,830,320	$ -	-
Road and Bridge Improvements	1,118,530	1,118,530	21,865	480
Recreation Impovements	1,118,530	1,118,530	263,037	18,280
Totals	$ 4,067,380	$ 4,067,380	$ 284,902	18,760
			Total of all SPLOSTS above	**$ 518,059**

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

Expenditures	$ 367,575
Transfers in and out	150,484
Total	**$ 518,059**

CITY OF COMMERCE , GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2014

FEDERAL GRANTOR/ PASS-THRU GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT/ CONTRACT NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
U.S. DEPARTMENT OF JUSTICE				
- Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0086	$ 147,063	$ 8,533
Total U.S. Department of Justice			**147,063**	**8,533**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed-through the Georgia Department of Community Affairs				
- Community Development Block Grant - Special Purpose	14.225	12p-x-078-2-5447	500,000	500,000
Total U.S. Department of Housing and Urban Development			**500,000**	**500,000**
GRAND TOTAL			**$ 647,063**	**$ 508,533**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
1 This schedule is prepared on the modified accrual basis of accounting.

BatesCarter
Exceeding expectations. Always.

PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

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

December 11, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of CITY OF COMMERCE, GEORGIA, as of and for the year ended June 30, 2014, which collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements and have issued our report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bates, Carter & Co, LLP

BatesCarter
Exceeding expectations. Always.

PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 11, 2014

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

Report on Compliance for Each Major Federal Program

We have audited 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 CITY OF COMMERCE, GEORGIA's major federal programs for the year ended June 30, 2014. CITY OF COMMERCE, GEORGIA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CITY OF COMMERCE, GEORGIA's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of CITY OF COMMERCE, GEORGIA's compliance.

Opinion on Each Major Federal Program

In our opinion, CITY OF COMMERCE, GEORGIA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of CITY OF COMMERCE, GEORGIA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CITY OF COMMERCE, GEORGIA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 CITY OF COMMERCE, GEORGIA's internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 Bates, Carter & Co, LLP

BatesCarter
Exceeding expectations. Always.

PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

CITY OF COMMERCE, GEORGIA
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

I SUMMARY OF AUDITORS' RESULTS:

1. Report issued on Financial Statements - Umodified opinion.
2. Internal Control (financial statements) – No significant deficiencies.
3. Compliance (financial statements) – No material instance of noncompliance.
4. Compliance (major programs) - Unmodified opinion, no instances of noncompliance.
5. Internal control (major programs) – No material weaknesses noted.
6. Audit findings required to be reported under A133 Section 510(a)
    - i) Significant deficiencies in internal controls over major programs – None reported
    - ii) Material noncompliance related to major programs – None reported
    - iii) Known questioned costs greater than $10,000 for major programs – None reported
    - iv) Known questioned costs greater than $10,000 for a program not audited as major – None reported
    - v) Circumstances if report on compliance is other than unqualified - N/A
    - vi) Known fraud - N/A
    - vii) Misrepresentation in schedule of prior audit findings - None reported
7. Major programs for the year: 14.225 - Community Development Block Grant - Special Purpose.
8. Dollar threshold used to distinguish between Type A and Type B programs - $300,000.
9. Does the auditee qualify as a low risk auditee under A133 Section 530 - No.

II AUDIT FINDINGS - GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

There were no findings reported for the year ended June 30, 2014.

III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no findings or questioned cost relating to Federal awards reported for the year ended June 30, 2014.