CITY OF COMMERCE, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended June 30, 2016

CITY OF COMMERCE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2016

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INDEPENDENT AUDITORS' REPORT

November 17, 2016

To the 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, 2016, and the related notes to the financial statements, which collectively comprise the CITY OF COMMERCE, GEORGIA'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, 2016, 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 the Net Pension Liability-City of Commerce Retirement Plan, Schedule of Contributions-City of Commerce Retirement Plan, Schedule of Notes to Required Supplementary Information-City of Commerce Retirement Plan, and 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 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 combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the Schedule of Projects Constructed with Special Sales Tax Proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the Schedule of Projects Constructed with Special Sales Tax Proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 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, 2016. 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 $54,266,299 (presented as "net position"). Of this amount, $12,734,906 was reported as "unrestricted net position." Unrestricted net position represents the amount available to be used to meet the City's obligations to citizens and creditors. $32,669,160 of net position consisted of investments in capital assets. The remainder of net position consisted of amounts restricted by state law or debt agreements, and totaled $8,862,233.

The City's total net position increased by $1,101,465 in fiscal year 2016.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $5,561,662. Of this amount, 39.7% or $2,207,705 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 $2,207,705 or 36.35% 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 position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 funds.

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 48 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 49 to 57 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 $54,266,299 as of June 30, 2016 and by $53,164,833 as of June 30, 2015.

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 in acquisition 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, 2016
($ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	$ 6,047	$ 6,101	$ 17,335	$ 15,659	$ 23,382	$ 21,760
Capital assets (net of depreciation)	15,703	15,794	31,182	32,479	46,885	48,273
TOTAL ASSETS	21,750	21,895	48,517	48,138	70,267	70,033
Total deferred outflows of resources	386	201	1,093	1,149	1,479	1,350
Liabilities:						
Long-term liabilities outstanding	764	449	14,967	15,704	15,731	16,153
Other liabilities	442	316	706	923	1,148	1,239
TOTAL LIABILITIES	1,206	765	15,673	16,627	16,879	17,392
Total deferred inflows of resources	429	584	172	242	601	826
Net position						
Net investment in capital assets	15,503	15,781	17,166	17,429	32,669	33,210
Restricted	3,117	2,343	5,745	4,264	8,862	6,607
Unrestricted	1,881	2,623	10,854	10,725	12,735	13,348
TOTAL NET POSITION	$ 20,501	$ 20,747	$ 33,765	$ 32,418	$ 54,266	$ 53,165

Table may not add due to rounding

An additional portion of the City's net position 15.20% represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position $12,734,906, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2016, and June 30, 2015, 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, 2016 and June 30, 2015. Governmental activities increased the City's net position by $(245,763) for the year ended June 30, 2016, and decreased net position by $(1,225,986) for the year ended June 30, 2015. Business-type activities increased the City's net position by $1,347,227 for the year ended June 30, 2016, and increased the City's net position by $238,957 for the year ended June 30, 2015.

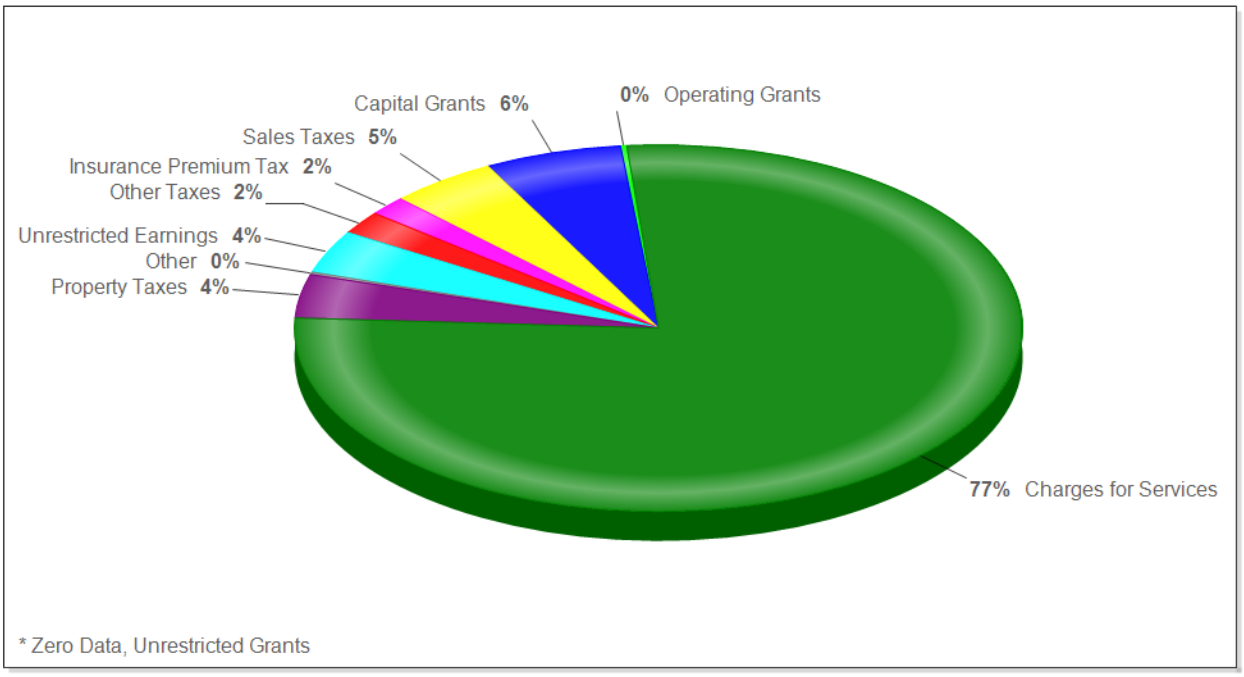
CITY OF COMMERCE, GEORGIA'S CHANGES IN NET POSITION
JUNE 30, 2016

($ In thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
REVENUES						
Program revenues:	2016	2015	2016	2015	2016	2015
Charges for services	$ 2,757	$ 2,914	$ 13,614	$ 14,197	$ 16,371	$ 17,111
Operating grants and contributions	51	147	-	1	51	147
Capital grants and contributions	1,298	1,029	-	-	1,298	1,029
General Revenues:						
Property taxes	816	769	-	-	816	769
Sales taxes	1,009	1,040	-	-	1,009	1,040
Insurance premium tax	377	353	-	-	377	353
Other taxes	422	436	-	-	422	436
Unrestricted investment earnings	3	3	809	324	812	327
Other	22	5	-	-	22	5
TOTAL REVENUES	6,755	6,696	14,423	14,522	21,178	21,218
EXPENSES						
General Government	1,185	1,019	-	-	1,185	1,019
Judicial	-	-	-	-	-	-
Public safety	2,113	1,801	-	-	2,113	1,801
Public works	2,000	1,784	-	-	2,000	1,784
Health and welfare	3	3	-	-	3	3
Recreation and culture	1,256	956	-	-	1,256	956
Housing and development	318	280	-	-	318	280
Interest	-	2	-	-	-	2
Water and sewer system	-	-	4,210	3,925	4,210	3,925
Electric system	-	-	6,484	6,167	6,484	6,167
Natural gas system	-	-	2,507	3,054	2,507	3,054
Revolving loan	-	-	-	-	-	-
TOTAL EXPENSES	6,875	5,845	13,202	13,146	20,075	18,991
Increases in net assets before transfers	(120)	851	1,221	1,376	1,101	2,227
Transfers	(126)	398	126	(398)	-	-
Increase in net position	(246)	1,249	1,347	978	1,101	2,227
Net position, beginning of year	20,747	21,973	32,418	32,179	53,165	54,152
Prior Period Adjustment	-	(947)	-	-	-	(947)
Change in accounting principle	-	(1,528)	-	(739)	-	(2,267)
Net position, end of year	$ 20,501	$ 20,747	$ 33,765	$ 32,418	$ 54,266	$ 53,165

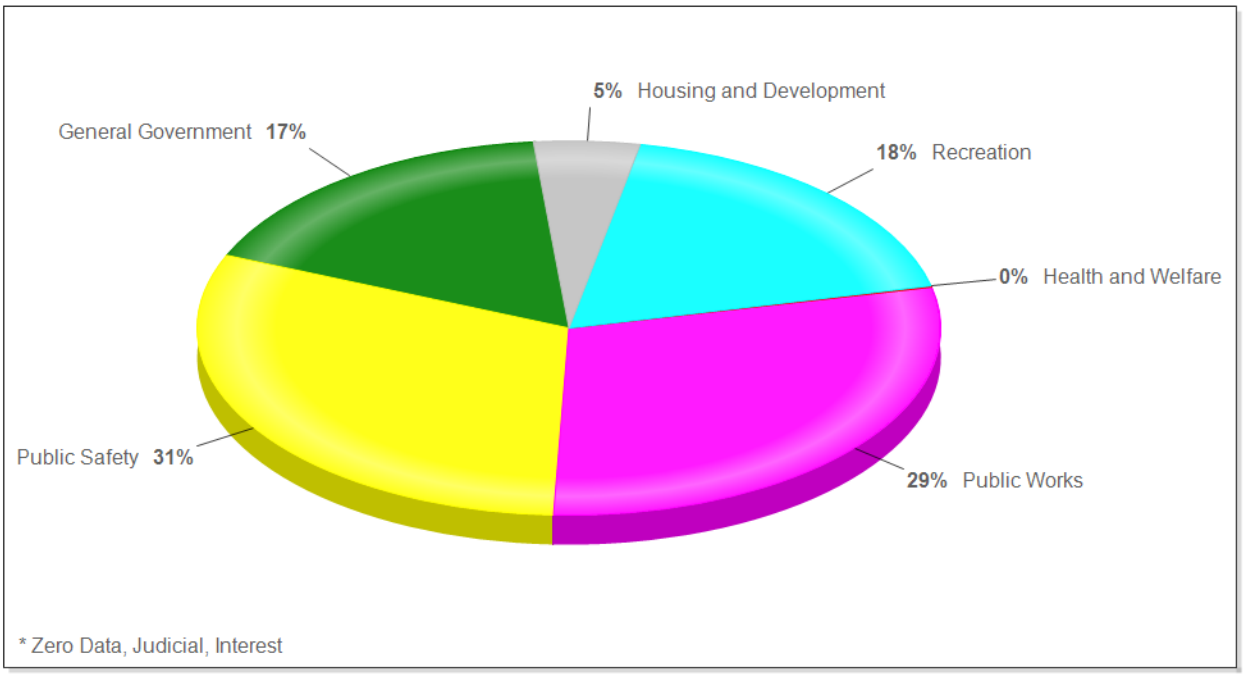
Total government-wide revenues for 2016 were $21.18 million. These revenues consisted of $2.62 million in taxes, $1.35 million in grants and contributions, $0.81 million in investment earnings and $16.37 million in charges for services. Of this amount, $2.8 million was in governmental activities and $13.6 million in business-type activities.

REVENUES BY SOURCE-GOVERNMENT-WIDE ACTIVITY



Government-wide expenses were $20.08 million for 2016, of which $6.88 million were for governmental activities and $13.20 million for business-type activities.

EXPENSES BY FUNCTION-GOVERNMENT-WIDE ACTIVITY



Note: Graph may not equal 100% due to rounding.

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.

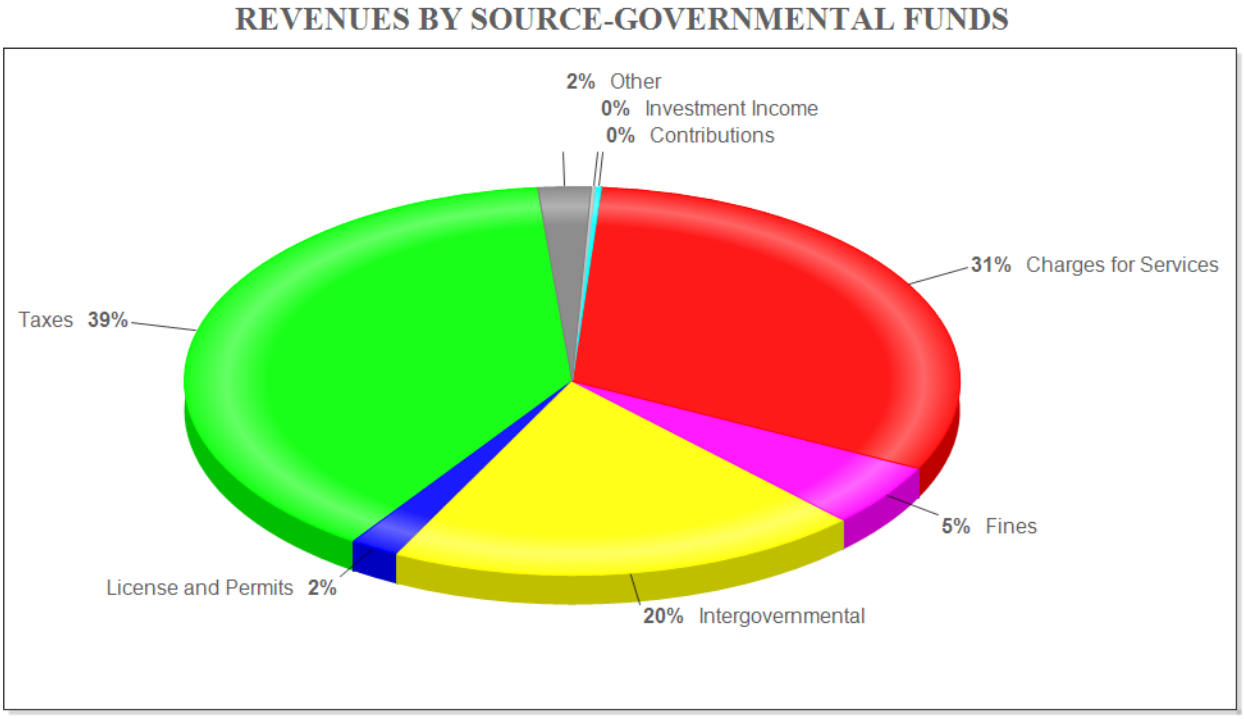
The General Fund is the main fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $2,207,705, while total fund balance reached $2,454,143. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 36.35% of total expenditures, while total fund balance represents 40.40% of that same amount.

The General Fund's fund balance increased by $168,627 during the current fiscal year. This is primarily a result of increased revenues and controlled spending throughout the fiscal year.

SPLOST Funds

The SPLOST Capital Projects Fund accounts for funds received from a local 1% sales tax reserved for various capital projects. During the current fiscal year, the fund balance decreased by $(357,670) in the SPLOST Fund. This is primarily a result of spending for approved projects using prior year funds.

The "other governmental funds" fund balances increased by $22,023 during the current fiscal year. The increases were mainly due to reduced capital spending. In addition, 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.



Note: Graph may not equal 100% due to rounding.

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 $3,708,755.

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 $4,225,095. In the current year, the Electric system had an increase in net position of $870,132, which is primarily a result of increased demand during the summer and winter months and improved investment returns.

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 $2,884,536. In the current year, the Natural Gas Fund had an increase in net position of $365,871, which is primarily a result of demand during the winter months.

General Fund Budgetary Highlights

The City made minor revisions to the original appropriations approved by the City Council. 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, 2016, amounts to $46,884,542 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 $274,687 on machinery and equipment.
The City spent $343,219 on vehicles.
The City spent $397,475 on infrastructure.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Land	$ 2,817,024	$ 2,817,024	$ 319,771	$ 319,771	$ 3,136,795	$ 3,136,795
Construction in process	97,364	67,756	214,145	89,741	311,509	281,901
Building and improvements	7,412,874	7,401,543	18,264,916	18,264,916	25,677,790	25,666,459
Utility system infrastructure	-	-	41,666,866	41,275,361	41,666,866	41,275,361
Furniture, fixtures and equipment	1,119,730	1,091,168	-	14,624	1,119,730	1,105,792
Machinery and equipment	-	-	1,422,697	1,213,800	1,422,697	1,213,800
Computers and equipment	549,824	549,824	328,302	328,302	878,126	878,126
Infrastructure	9,426,252	9,057,997	-	-	9,426,252	9,057,997
Vehicles	1,984,928	1,745,746	707,262	634,824	2,692,190	2,380,570
Accumulated depreciation	(7,705,130)	(6,936,961)	(31,742,279)	(29,662,274)	(39,447,409)	(36,599,235)
Total	$ 15,702,866	$ 15,794,097	$ 31,181,680	$ 32,479,065	$ 46,884,546	$ 48,273,162

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 $14,681,489 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, 2016

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Capital leases payable	$ -	$ 12,881	$ 2,126,489	$ 2,375,940	$ 2,126,489	$ 2,388,821
Notes Payable	200,000	-	-	-	200,000	-
Revenue bonds	-	-	12,355,000	13,140,000	12,355,000	13,140,000
Total	$ 200,000	$ 12,881	$ 14,481,489	$ 15,515,940	$ 14,681,489	$ 15,528,821

The City's total debt (not including compensated absences and other long-term operating liabilities) decreased by $(847,332), 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 2016-2017 budget, General Fund revenues and expenditures are budgeted to decrease by 0.70% from the 2015-2016 budget year. This decrease is indicative of a relatively flat budget.

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. Rate increases for the additional power are anticipated to be phased in at a rate of .005 cents per kilowatthour (KWH) either quarterly or semiannually throughout the 2016-2017 fiscal year.

The Water & Sewer fund will have a rate review in fiscal year 2016-2017 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 in the margins set by the City. Overall prices are always subject to changes in market conditions.

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, 2016

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	$ 6,172,914	$ 5,698,743	$ 11,871,657	$ 69,132
Investments	-	2,577,166	2,577,166	-
Notes receivable	-	9,281	9,281	-
Receivables	419,155	1,677,316	2,096,471	-
Internal balances	(1,011,805)	1,011,805	-	-
Due from primary government	-	-	-	83,598
Inventories	24,923	-	24,923	-
Prepaid items	201,440	124,435	325,875	3,907
Restricted assets:				
Cash	240,982	649,466	890,448	2,457
Investments	-	5,561,378	5,561,378	-
Non-current assets:				
Notes receivable	-	26,151	26,151	-
Capital assets:				
Capital assets not being depreciated	2,914,388	533,916	3,448,304	319,907
Capital assets being depreciated	20,493,608	62,390,043	82,883,651	2,300,756
Less: accumulated depreciation	(7,705,130)	(31,742,279)	(39,447,409)	(914,899)
Capital assets, net of depreciation	15,702,866	31,181,680	46,884,546	1,705,764
TOTAL ASSETS	21,750,475	48,517,421	70,267,896	1,864,858
DEFERRED OUTFLOWS OF RESOURCES				
Deferred for bond refunding	-	935,912	935,912	-
Pension expense	385,681	157,244	542,925	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	385,681	1,093,156	1,478,837	-
TOTAL ASSETS & DEFERRED OUTFLOWS	22,136,156	49,610,577	71,746,733	1,864,858
LIABILITIES				
Accounts payable	262,786	650,475	913,261	6,306
Accrued interest payable	-	39,350	39,350	1,946
Other accrued items	94,163	15,870	110,033	4,116
Due to component units	83,598	-	83,598	-
Unearned revenue	1,734	-	1,734	-
Noncurrent liabilities:				
Due within one year				
Compensated absences payable	34,648	-	34,648	940
Notes payable	22,937	-	22,937	25,865
Capital leases payable	-	260,843	260,843	-
Revenue bonds payable	-	810,000	810,000	-
Due in more than one year				
Compensated absences payable	67,257	51,625	118,882	-
Customer Deposits	-	222,527	222,527	-
Notes payable	177,063	-	177,063	105,752
Capital leases payable	-	1,865,646	1,865,646	-
Revenue bonds payable	-	11,545,000	11,545,000	-
Net pension liability	461,671	211,953	673,624	-
TOTAL LIABILITIES	1,205,857	15,673,289	16,879,146	144,925
DEFERRED INFLOWS OF RESOURCES				
Pension expense	428,840	172,448	601,288	440
TOTAL DEFERRED INFLOWS OF RESOURCES	428,840	172,448	601,288	440
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	1,634,697	15,845,737	1,807,145	145,365
NET POSITION				
Net investment in capital assets	15,502,866	17,166,294	32,669,160	1,574,147
Restricted for:				
Municipal Competitive Trust Agreement	-	5,561,378	5,561,378	
Sales tax referendum projects	2,784,913	-	2,784,913	-
Public safety programs	322,606	-	322,606	-
Housing and development programs	-	183,261	183,261	-
Cemetery	10,075	-	10,075	-
Unrestricted	1,880,999	10,853,907	12,734,906	145,346
TOTAL NET POSITION	$ 20,501,459	$ 33,764,840	$ 54,266,299	$ 1,719,493

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

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	$ 1,185,074	$ 1,321,629	$ 18,637	$ -	$ 155,192	$ -	$ 155,192	$ -
Judicial	-	337,435	-	-	337,435	-	337,435	-
Public safety	2,113,191	185,309	32,471	-	(1,895,411)	-	(1,895,411)	-
Public works	1,999,574	771,618	-	683,781	(544,175)	-	(544,175)	-
Public health and welfare	3,180	31,500	-	-	28,320	-	28,320	-
Recreation and culture	1,256,115	105,022	-	613,771	(537,322)	-	(537,322)	-
Housing and development	317,918	4,925	-	-	(312,993)	-	(312,993)	-
Interest	323	-	-	-	(323)	-	(323)	-
Total Governmental Activities	6,875,375	2,757,438	51,108	1,297,552	(2,769,277)	-	(2,769,277)	-
BUSINESS-TYPE ACTIVITIES								
Water and sewer	4,209,776	3,949,598	-	-	-	(260,178)	(260,178)	-
Electric System	6,484,246	6,793,691	-	-	-	309,445	309,445	-
Natural Gas System	2,506,935	2,870,748	-	-	-	363,813	363,813	-
Total Business-Type Activities	13,200,957	13,614,037	-	-	-	413,080	(260,178)	-
TOTAL PRIMARY GOVERNMENT	$ 20,076,332	$ 16,371,475	$ 51,108	$ 1,297,552	(2,769,277)	413,080	(3,029,455)	-
COMPONENT UNITS								
Development Authority	$ 121,038	$ 3,137	$ 134,200	$ -	$ -	$ -	$ -	$ 16,299
Civic Center	214,221	133,862	73,810	-	-	-	-	(6,549)
TOTAL COMPONENT UNITS	$ 335,259	$ 136,999	$ 208,010	$ -	-	-	-	9,750
GENERAL REVENUES								
Property taxes					815,933	-	815,933	-
Sales taxes					1,009,075	-	1,009,075	-
Insurance premium taxes					376,838	-	376,838	-
Other taxes					422,242	-	422,242	-
Total taxes					2,624,088	-	2,624,088	-
Unrestricted investment earnings					2,973	808,538	811,511	79
Gain on sale of capital assets					22,062	-	22,062	-
TRANSFERS					(125,609)	125,609	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					2,523,514	934,147	3,457,661	79
CHANGES IN NET POSITION					(245,763)	1,347,227	1,101,464	9,829
NET POSITION, Beginning					20,747,222	32,417,613	53,164,835	1,709,664
NET POSITION, Ending					$ 20,501,459	$ 33,764,840	$ 54,266,299	$ 1,719,493

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

ASSETS	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash	$ 2,759,727	$ 3,333,378	$ 79,810	$ 6,172,915
Receivables	282,335	136,820	-	419,155
Interfund receivables	545,863	-	50,949	596,812
Prepaid items	201,440	-	-	201,440
Inventories	24,923	-	-	24,923
Restricted assets:				
Cash	10,075	-	230,907	240,982
TOTAL ASSETS	$ 3,824,363	$ 3,470,198	$ 361,666	$ 7,656,227
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 87,295	$ 175,234	$ 257	$ 262,786
Other accrued items	94,163	-	-	94,163
Interfund payables	1,061,497	510,051	37,069	1,608,617
Due to component units	83,598	-	-	83,598
Unearned revenue	-	-	1,734	1,734
TOTAL LIABILITIES	1,326,553	685,285	39,060	2,050,898
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	43,667	-	-	43,667
TOTAL DEFERRED INFLOWS OF RESOURCES	43,667	-	-	43,667
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,370,220	685,285	39,060	2,094,565
FUND BALANCES				
Nonspendable:				
Prepaid expenditure	201,440	-	-	201,440
Inventories	24,923	-	-	24,923
Restricted:				
Sales tax referendum projects	-	2,784,913	-	2,784,913
Cemetery	10,075	-	-	10,075
Public safety programs	-	-	322,606	322,606
Assigned:				
Next year's budget	10,000	-	-	10,000
Unassigned:	2,207,705	-	-	2,207,705
TOTAL FUND BALANCES	2,454,143	2,784,913	322,606	5,561,662
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,824,363	$ 3,470,198	$ 361,666	$ 7,656,227

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, 2016

Total Fund Balances for Governmental Funds (page 3)		$ 5,561,662
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.		15,702,866
Some assets and deferred outflows are not available in the current period, and therefore, are not reported in the funds.		
Deferred inflows (outflows) - pension expense	(43,159)	(43,159)
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	43,667	43,667
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	(101,905)	
Notes payable	(200,000)	
Net pension liability	(461,671)	
		(763,576)
Rounding		(1)
Total net position of governmental activities (page 1)		$ 20,501,459

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, 2016

REVENUES	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Taxes	$ 2,637,749	$ -	$ -	$ 2,637,749
Licenses and permits	140,502	-	-	140,502
Intergovernmental	427,833	901,456	-	1,329,289
Fines and forfeitures	343,200	-	15,840	359,040
Charges for services	1,933,833	-	168,177	2,102,010
Contributions and donations	18,637	-	-	18,637
Investment income	2,766	733	206	3,705
Miscellaneous	155,887	-	-	155,887
TOTAL REVENUES	5,660,407	902,189	184,223	6,746,819
EXPENDITURES				
Current Expenditures				
General government	1,157,897	-	-	1,157,897
Public safety	1,973,669	-	20,896	1,994,565
Public works	1,351,227	278,955	-	1,630,182
Recreation and culture	745,030	-	-	745,030
Housing and development	325,610	-	-	325,610
Intergovernmental	383,816	-	-	383,816
Capital outlay	123,675	613,109	23,606	760,390
Debt service				
Principal	12,878	-	-	12,878
Interest	323	-	-	323
TOTAL EXPENDITURES	6,074,125	892,064	44,502	7,010,691
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(413,718)	10,125	139,721	(263,872)
OTHER FINANCING SOURCES (USES)				
Sale of county property	22,461	-	-	22,461
Proceeds from notes payable	200,000	-	-	200,000
Transfers in	359,884	-	-	359,884
Transfers out	-	(367,795)	(117,698)	(485,493)
TOTAL OTHER FINANCING SOURCES (USES)	582,345	(367,795)	(117,698)	96,852
NET CHANGE IN FUND BALANCES	168,627	(357,670)	22,023	(167,020)
FUND BALANCES, Beginning of year	2,285,516	3,142,583	300,583	5,728,682
FUND BALANCES, End of year	$ 2,454,143	$ 2,784,913	$ 322,606	$ 5,561,662

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, 2016

Net change in fund balances (page 5)		$ (167,020)
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	760,390	
Depreciation expense	(851,223)	
		(90,833)
In the statement of activities, only the gain/loss on the sale of various capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.		
Net book value of capital assets sold	(399)	
		(399)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	43,667	
		43,667
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(57,329)	
		(57,329)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Proceeds from borrowing including premiums and discounts	(200,000)	
Principal payments on long-term debt, including payments to refunding escrow	12,878	
		(187,122)
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	(101,905)	
Compensated absences, prior year	134,597	
		32,692
Net pension liability is not available during the current period and therefore is not reported in the funds.		
End of year	(461,671)	
Beginning of year	301,948	
		(159,723)
Contributions made after pension measurement date are reported in deferred outflows.		
End of year	385,681	
Beginning of year	(200,890)	
		184,791
Projected pension plan activity is reported in deferred inflows.		
End of year	(428,840)	
Beginning of year	584,351	
		155,511
Rounding		2
Changes in net position of governmental activities (page 2)		$ (245,763)

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
ASSETS	WATER & SEWER FUND	ELECTRIC SYSTEM	NATURAL GAS SYSTEM	NONMAJOR REVOLVING LOAN FUND	TOTAL
Current Assets					
Cash	$ 2,048,755	$ 1,079,381	$ 2,570,607	$ -	$ 5,698,743
Investments	-	2,577,166	-	-	2,577,166
Receivables (net of allowance for uncollectibles)	506,042	974,474	196,711	89	1,677,316
Notes receivable	-	-	-	9,281	9,281
Interfund receivables	443,600	241,336	326,869	-	1,011,805
Prepaid items	61,386	30,842	32,207	-	124,435
Restricted assets:					
Cash	466,205	-	-	183,261	649,466
Investments	-	5,561,378	-	-	5,561,378
TOTAL CURRENT ASSETS	3,525,988	10,464,577	3,126,394	192,631	17,309,590
Noncurrent Assets					
Notes receivables	-	-	-	26,151	26,151
Capital assets					
Capital assets not being depreciated	362,156	103,576	68,184	-	533,916
Capital assets being depreciated	40,607,384	10,090,767	11,691,892	-	62,390,043
Less: accumulated depreciation	(21,395,276)	(5,744,889)	(4,602,114)	-	(31,742,279)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	19,574,264	4,449,454	7,157,962	-	31,181,680
TOTAL NONCURRENT ASSETS	19,574,264	4,449,454	7,157,962	26,151	31,207,831
TOTAL ASSETS	23,100,252	14,914,031	10,284,356	218,782	48,517,421
DEFERRED OUTFLOWS OF RESOURCES					
Deferred for bond refunding	935,912	-	-	-	935,912
Pension expense	81,572	40,932	34,740	-	157,244
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,017,484	40,932	34,740	-	1,093,156
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	24,117,736	14,954,963	10,319,096	218,782	49,610,577
LIABILITIES					
Current Liabilities					
Accounts payable	41,928	506,594	101,953	-	650,475
Accrued interest	27,284	60	12,006	-	39,350
Other accrued items	8,654	3,577	3,639	-	15,870
Capital leases payable	-	28,384	232,459	-	260,843
Revenue bonds payable	810,000	-	-	-	810,000
TOTAL CURRENT LIABILITIES	887,866	538,615	350,057	-	1,776,538
Noncurrent Liabilities					
Customer deposits	53,318	103,139	66,070	-	222,527
Compensated absences payable	28,182	11,087	12,356	-	51,625
Capital leases payable	-	-	1,865,646	-	1,865,646
Revenue bonds payable	11,545,000	-	-	-	11,545,000
Net pension liability	119,833	48,619	43,501	-	211,953
TOTAL NONCURRENT LIABILITIES	11,746,333	162,845	1,987,573	-	13,896,751
TOTAL LIABILITIES	12,634,199	701,460	2,337,630	-	15,673,289
DEFERRED INFLOWS OF RESOURCES					
Pension expense	89,415	45,960	37,073	-	172,448
TOTAL DEFERRED INFLOWS OF RESOURCES	89,415	45,960	37,073	-	172,448
NET POSITION					
Net investment in capital assets	7,685,367	4,421,070	5,059,857	-	17,166,294
Restricted for Municipal Competitive Trust Agreement	-	5,561,378	-	-	5,561,378
Restricted for housing and development	-	-	-	183,261	183,261
Unrestricted	3,708,755	4,225,095	2,884,536	35,521	10,853,907
TOTAL NET POSITION	$ 11,394,122	$ 14,207,543	$ 7,944,393	$ 218,782	$ 33,764,840

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, 2016

	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	$ 3,879,903	$ 6,787,640	$ 2,863,528	$ -	$ 13,531,071
Connection fees	-	-	5,411	-	5,411
Other operating revenue	69,695	6,051	1,809	-	77,555
Total Operating Revenues	3,949,598	6,793,691	2,870,748	-	13,614,037
OPERATING EXPENSES					
Salaries and benefits	651,773	642,066	550,324	-	1,844,163
Supplies	107,713	46,887	71,703	-	226,303
Other services and charges	421,096	(7,811)	15,104	-	428,389
Insurance premiums	73,334	35,456	32,635	-	141,425
Depreciation	1,359,693	348,926	371,386	-	2,080,005
Professional fees	608,974	10,608	7,862	-	627,444
Repairs and maintenance	172,827	72,474	15,704	-	261,005
Utilities	348,532	8,217	7,185	-	363,934
Utilities purchased for resale	-	5,325,786	1,324,738	-	6,650,524
Total Operating Expenses	3,743,942	6,482,609	2,396,641	-	12,623,192
OPERATING INCOME (LOSS)	205,656	311,082	474,107	-	990,845
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	2,053	802,873	2,058	1,554	808,538
Interest expense	(465,834)	(1,637)	(110,294)	-	(577,765)
Total Nonoperating Revenues (Expenses)	(463,781)	801,236	(108,236)	1,554	230,773
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(258,125)	1,112,318	365,871	1,554	1,221,618
Transfer in	367,795	-	-	-	367,795
Transfer out	-	(242,186)	-	-	(242,186)
CHANGE IN NET POSITION	109,670	870,132	365,871	1,554	1,347,227
TOTAL NET POSITION, Beginning of year	11,284,452	13,337,411	7,578,522	217,228	32,417,613
TOTAL NET POSITION, End of year	$ 11,394,122	$ 14,207,543	$ 7,944,393	$ 218,782	$ 33,764,840

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, 2016

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	$ 3,974,011	$ 6,748,600	$ 2,877,988	$ 54,087	$ 13,654,686
Payments to suppliers	(2,086,710)	(5,647,235)	(1,804,051)	-	(9,537,996)
Payments to employees	(692,223)	(665,882)	(561,681)	-	(1,919,786)
Net cash provided by (used in) operating activities	1,195,078	435,483	512,256	54,087	2,196,904
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in (out)	-	(242,186)	-	-	(242,186)
Net Cash provided (used) by non-capital financing activities	-	(242,186)	-	-	(242,186)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(440,181)	(164,053)	(178,387)	-	(782,621)
Transfers in	367,795	-	-	-	367,795
Principal payments on debt	(785,000)	(27,549)	(221,902)	-	(1,034,451)
Interest paid	(337,692)	(1,696)	(111,977)	-	(451,365)
Net cash provided (used) by capital and related financing activities	(1,195,078)	(193,298)	(512,266)	-	(1,900,642)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	2,053	668,730	2,058	1,555	674,396
Purchase of investments	-	(667,648)	-	-	(667,648)
Net cash provided (used) by investing activities	2,053	1,082	2,058	1,555	6,748
Net increase (decrease) in cash and cash equivalents	2,053	1,081	2,048	55,642	60,824
CASH, Beginning of year	2,512,907	1,078,300	2,568,559	127,619	6,287,385
CASH, End of year	$ 2,514,960	$ 1,079,381	$ 2,570,607	$ 183,261	$ 6,348,209
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 205,656	$ 311,082	$ 474,107	$ -	$ 990,845
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,359,693	348,926	371,386	-	2,080,005
(Increase) decrease in:					
Accounts receivable	27,742	(34,434)	10,110	53,990	57,408
Due from other governments	(334,091)	-	-	97	(333,994)
Deferred outflows for pensions	(38,478)	(19,822)	(15,914)	-	(74,214)
Prepaid expenses	(592)	666	(1,711)	-	(1,637)
Increase (decrease) in:					
Accounts payable	(19,551)	58,348	(6,104)	-	32,693
Compensated absences	3,179	(2,008)	8,526	-	9,697
Customer deposits	(3,329)	(10,657)	(2,870)	-	(16,856)
Other accrued items	(3,478)	(3,325)	(1,250)	-	(8,053)
Net pension liability	34,263	16,784	14,968	-	66,015
Deferred inflows for pension	(35,936)	(15,445)	(17,687)	-	(69,068)
Interfund balances	-	(214,632)	(321,305)	-	(535,937)
Net cash provided by (used in) operating activities	$ 1,195,078	$ 435,483	$ 512,256	$ 54,087	$ 2,196,904
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES					
Net unrealized gain (loss) on investments	$ -	$ 134,143	$ -	$ -	$ 134,143

The accompanying notes are an integral part of this statement.

CITY OF COMMERCE, GEORGIA
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2016

	DOWNTOWN DEVELOPMENT AUTHORITY	CIVIC CENTER	TOTAL
ASSETS			
Cash	$ 69,132	$ -	$ 69,132
Due from component units	14,684	68,914	83,598
Prepaid items	2,463	1,444	3,907
Restricted assets:			
Cash	-	2,457	2,457
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	(295,776)	(619,123)	(914,899)
Capital assets, net of depreciation	831,348	874,416	1,705,764
TOTAL ASSETS	917,627	947,231	1,864,858
LIABILITIES			
Accounts payable	1,507	4,799	6,306
Accrued interest payable	227	1,719	1,946
Other accrued items	668	3,448	4,116
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	387	553	940
Notes payable	14,266	11,599	25,865
Due in more than one year			
Notes payable	-	105,752	105,752
TOTAL LIABILITIES	17,055	127,870	144,925
DEFERRED INFLOWS OF RESOURCES			
Deferred credit for refunding	-	440	440
TOTAL DEFERRED INFLOWS OF RESOURCES	-	440	440
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	17,055	128,310	145,365
NET POSITION			
Net invested in capital assets	817,082	757,065	1,574,147
Unrestricted	83,490	61,856	145,346
TOTAL NET POSITION	$ 900,572	$ 818,921	$ 1,719,493

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, 2016

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: DOWNTOWN DEVELOPMENT AUTHORITY	NET (EXPENSE) AND CHANGES IN NET POSITION: CIVIC CENTER	NET (EXPENSE) AND CHANGES IN NET POSITION: TOTAL
COMPONENT UNITS							
GOVERNMENTAL ACTIVITIES							
Downtown Development Authority	$ 121,038	$ 3,137	$ 134,200	$ -	$ (16,299)	$ -	$ 16,299
Civic Center	214,221	133,862	73,810	-	-	6,549	(6,549)
TOTAL COMPONENT UNITS	$ 335,259	$ 136,999	$ 208,010	$ -	(16,299)	6,549	9,750
GENERAL REVENUES							
Unrestricted investment earnings					69	10	79
TOTAL GENERAL REVENUES					69	10	79
CHANGES IN NET POSITION					16,368	(6,539)	9,829
NET POSITION, Beginning					884,204	825,460	1,709,664
NET POSITION, Ending					$ 900,572	$ 818,921	$ 1,719,493

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; and
- Organizations for which the primary government is financially accountable.

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

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the city 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 units 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, 2016.

(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 City is reported separately from a legally separate component unit for which the City 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 City 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 City'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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by October 20th of each year. The 2015 property taxes were levied October 20, 2015, and were due December 20, 2015. The taxes are subject to lien after March 20, 2016. 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.

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.

Restricted Assets

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during 2016.

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

Building	20-40 years
Site Improvements	5-25 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.

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 City has two types of items that qualify for reporting in this category. These two items consist of the deferred charge on refunding and the deferred charge on pension expense. 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. The deferred charge in pension expense represents contributions made into the defined benefit pension plan after the measurement date. These contributions will be recognized as pension expense in the next fiscal 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 City has two types of items that qualify for reporting in this category, unavailable revenue related to property tax and the deferred outflow of pension expense. Both items only arise under the modified accrual basis of accounting. Accordingly, the items are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes.

Compensated Absences

It is the City'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.

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.

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 2016 was $129,874. None of these costs were capitalized in 2016.

Fund Equity/Net Position

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

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

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

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

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

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

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

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

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

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2016 are as follows:

Net investment in capital assets:	Governmental Activities	Business Activities	Component Units
Cost of capital assets	$ 23,407,996	$ 62,923,959	$ 2,620,663
Accumulated depreciation	(7,705,130)	(31,742,279)	(914,899)
Book value	15,702,866	31,181,680	1,705,764
Capital leases related debt	(200,000)	(2,126,489)	-
Unspent construction proceeds	-	466,103	-
Revenue bonds related to capital assets	-	(12,355,000)	-
Notes payable related to capital assets	-	-	(131,617)
Net investment in capital assets	$ 15,502,866	$ 17,166,294	$ 1,574,147

Management Estimates

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

Allocation of Indirect Cost

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

NOTE 2 - FUND BALANCE/NET POSITION

The governmental activities statement of net position reports $3,117,594 of restricted net position, of which, $130,759 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	$ 10,075
SPLOST	
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	2,784,913
Nonmajor Funds	
Public Safety programs -	
Confiscated Assets Fund - For funds restricted for law enforcement purposes.	191,847
Fire District Fund - For funds restricted for fire services from a separate tax levy.	130,759
	322,606
Total Restricted Fund Balance	$ 3,117,594
Assigned:	
General Fund	
Appropriated as a resource in next year's budget	$ 10,000
Total Assigned Fund Balance	$ 10,000

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 has no recorded encumbrances at June 30, 2016.

(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, 2016, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2016, 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	$1,440,639	$1,440,639	$ -	AAAm
Intermediate Portfolio	1,136,527	1,136,527	-	AAAm
Intermediate Extended Portfolio	4,894,882	4,894,882	-	AAAm
Intermediate Tax Extended Portfolio	666,496	666,496	-	AAAm
Total	$8,138,544	$8,138,544	$ -	
Maximum Investment		100.00%	0.00%	

1. Standard & Poor's

Cash per Statement of Net position (page 1)	
Cash	$ 11,871,657
Restricted cash	890,448
Deposits	$ 12,762,105
Investments Statement of Net position (page 1)	
Investments	$ 2,577,166
Restricted Investments	5,561,378
Investments as listed above	$ 8,138,544

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 City 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, 2016, 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 City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City 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, 2016, 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	$ 52,936	$ -	$ -	$ -	$ -	$ -
Other taxes	120,347	136,820	-	-	-	-
Accounts	109,052	-	506,042	974,474	196,711	89
Notes	-	-	-	-	-	35,432
Total Gross Receivables	282,335	136,820	506,042	974,474	196,711	35,521
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Net Receivables	$ 282,335	$ 136,820	$ 506,042	$ 974,474	$ 196,711	$ 35,521

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)	$ 43,667	$ -
Other	-	1,734
Total unavailable/ unearned revenue for governmental funds	$ 43,667	$ 1,734

The notes receivable in the business-type activities consisted of the following at June 30, 2016:

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.	$ 35,432
Total note receivable, net	35,432
Less: Current portion	(9,281)
Long-term portion	$ 26,151

At June 30, 2016, scheduled maturities of the notes receivable were the following:

2017	$ 9,281
2018	9,563
2019	9,854
2020	6,734
Total maturities of notes receivable	$ 26,151

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 2,817,024	$ -	$ -	$ -	$ 2,817,024
Construction in progress	67,756	403,224	-	(373,616)	97,364
Total non-depreciable capital assets	2,884,780	403,224	-	(373,616)	2,914,388
Depreciable Assets:					
Buildings and improvements	7,401,543	-	-	11,331	7,412,874
Machinery and equipment	1,640,992	80,415	(51,853)	-	1,669,554
Vehicles	1,745,746	270,781	(31,599)	-	1,984,928
Infrastructure	9,057,997	5,970	-	362,285	9,426,252
Total depreciable capital assets	19,846,278	357,166	(83,452)	373,616	20,493,608
Less Accumulated Depreciation for:					
Buildings and improvements	(1,986,742)	(208,996)	-	-	(2,195,738)
Machinery and equipment	(1,029,086)	(119,701)	51,454	-	(1,097,332)
Vehicles	(1,183,374)	(197,233)	31,599	-	(1,349,008)
Infrastructure	(2,737,759)	(325,293)	-	-	(3,063,052)
Total accumulated depreciation	(6,936,961)	(851,223)	83,053	-	(7,705,130)
Total depreciable capital assets, net	12,909,317	(494,057)	(399)	-	12,788,478
Governmental activities capital assets, net	$ 15,794,097	$ (90,833)	$ (399)	$ -	$ 15,702,866

Additions to governmental activities capital assets for fiscal year ending June 30, 2016, consist of the following:

Capital Outlay	$ 760,390
Total Additions	$ 760,390
Non-depreciable capital assets additions	$ 403,224
Depreciable capital assets additions	357,166
Total	$ 760,390

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

Governmental Activities:	
General Government	$ 87,346
Public Safety	211,901
Public Works	404,202
Public Health and Welfare	3,180
Recreation and Culture	144,594
Housing and Development	-
Total depreciation expense: Governmental Activities	$ 851,223

Capital asset activity for business-type funds for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 319,771	$ -	$ -	$ -	$ 319,771
Construction in progress	89,741	124,404	-	-	214,145
Total non-depreciable capital assets	409,512	124,404	-	-	533,916
Depreciable Assets:					
Buildings and improvements	18,264,916	-	-	-	18,264,916
Water and sewer system	21,303,314	94,548	-	-	21,397,862
Electric system	8,896,985	128,012	-	-	9,024,999
Natural gas system	11,075,061	168,945	-	-	11,244,006
Machinery and equipment	1,556,727	194,272	-	-	1,750,999
Vehicles	634,824	72,438	-	-	707,262
Total depreciable capital assets	61,731,827	658,215	-	-	62,390,043
Less Accumulated Depreciation for:					
Buildings and improvements	(6,800,589)	(502,251)	-	-	(7,302,840)
Water and sewer system	(12,929,709)	(745,153)	-	-	(13,674,862)
Electric system	(4,641,147)	(311,392)	-	-	(4,952,539)
Natural gas system	(3,859,099)	(357,062)	-	-	(4,216,161)
Machinery and equipment	(967,625)	(126,448)	-	-	(1,094,073)
Vehicles	(464,105)	(37,699)	-	-	(501,804)
Total accumulated depreciation	(29,662,274)	(2,080,005)	-	-	(31,742,279)
Total depreciable capital assets, net	32,069,553	(1,421,790)	-	-	30,647,764
Business-type activities capital assets, net	$ 32,479,065	$ (1,297,386)	$ -	$ -	$ 31,181,680

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

Business-type Activities:	
Water and Sewer System	$ 1,359,693
Electric System	348,926
Natural Gas System	371,386
Total depreciation expense: Business-type Activities	$ 2,080,005

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, 2016, 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	$ 300,000	$ 88,730	$ -	$ 211,270	Grant/SPLOST
Smallwood Park	50,000	8,634	-	41,366	SPLOST
Total Governmental Activities	$ 350,000	$ 97,364	$ -	$ 252,636	
Business-type Activities:					
Transformer Park	$ 140,000	$ 59,742	$ -	$ 80,258	Electric Fund Revenues
Southside Water Projecr	1,400,000	36,961	-	1,363,039	SPLOST
Sediment Extractors	250,000	10,000	-	240,000	SPLOST
State Street 10" Main Project	110,000	54,198	-	55,802	SPLOST
Manson Manor Electric Project	75,000	13,802	-	61,198	Electric Fund Revenues
Steel Service Replacements	50,000	9,442	-	40,558	Gas Operating Fund
Two-Way Pump Station	90,000	30,000	-	60,000	SPLOST
Total Business-type Activities	$ 230,000	$ 214,145	$ -	$ 140,258	

Discretely Presented Component Units

Activity for Downtown Development Authority for the year ended June 30, 2016, 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	(265,786)	(22,204)	-	-	(287,990)
Machinery and equipment	(6,912)	(874)	-	-	(7,786)
Total accumulated depreciation	(272,698)	(23,078)	-	-	(295,776)
Total depreciable capital assets, net	534,519	(23,078)	-	-	511,441
Governmental activities capital assets, net	$ 854,426	$ (23,078)	$ -	$ -	$ 831,348

Activity for the Civic Center for the year ended June 30, 2016, 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	1,493,539	-	-	-	1,493,539
Less Accumulated Depreciation for:					
Buildings	(578,710)	(38,162)	-	-	(616,872)
Machinery and equipment	(1,163)	(1,088)	-	-	(2,251)
Total accumulated depreciation	(579,873)	(39,250)	-	-	(619,123)
Total depreciable capital assets, net	913,666	(39,250)	-	-	874,416
Governmental activities capital assets, net	$ 913,666	$ (39,250)	$ -	$ -	$ 874,416

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Capital leases	$ 12,878	$ -	$ (12,878)	$ -	$ -	$ -
Notes Payable	-	200,000	-	200,000	22,937	177,063
Compensated absences	134,597	101,905	(134,597)	101,905	34,648	67,257
Net pension liability	301,948	375,066	(215,343)	461,671	-	461,671
Governmental activities long-term liabilities	$ 449,423	$ 676,971	$ (362,818)	$ 763,576	$ 57,585	$ 705,991
Business-type Activities:						
Revenue bonds	$ 13,140,000	$ -	$ (785,000)	$ 12,355,000	$ 810,000	$ 11,545,000
Capital Leases	2,375,940	-	(249,451)	2,126,489	260,843	1,865,646
Compensated absences	41,928	51,625	(41,928)	51,625	-	51,625
Net pension liability	145,938	155,018	(89,003)	211,953	-	211,953
Business-type activities long-term liabilities	$ 15,703,806	$ 206,643	$ (1,165,382)	$ 14,745,067	$ 1,070,843	$ 13,674,224

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.

NOTES PAYABLE

The City entered into a contract with City of Commerce Public Facilities Authority to issue a note payable to South Bank in the original amount of $200,000 dated July 6, 2015, interest rate of 1.950% with final maturity dated August 15, 2023. The note payable was used to finance the Commerce Fire Station.	$ 200,000
Total notes payable	200,000
Current Portion	22,937
Noncurrent portion	$ 177,063

The annual requirements to amortize this note payable as of June 30, 2016, is as follows:

June 30	Principal	Interest	Total
2017	$ 22,937	$ 4,398	$ 27,335
2018	23,834	3,501	27,335
2019	24,306	3,029	27,335
2020	24,786	2,549	27,335
2021	25,271	2,065	27,336
2022-2024	78,866	3,139	82,005
Total	$ 200,000	$ 18,681	$ 218,681

BUSINESS TYPE ACTIVITIES

As of June 30, 2016, 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 advanced 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, 2016, are as follows:

June 30	Principal	Interest	Total
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	880,000	249,630	1,129,630
2021	900,000	226,045	1,126,045
2022 -2026	4,850,000	755,383	5,605,383
2027 -2029	3,230,000	129,850	3,359,850
Total	$ 12,355,000	$ 2,245,015	$ 14,600,015

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 3.030% to 4.590%. The vehicle and infrastructure have estimated useful lives of ten and forty years, respectively. This year, $155,004 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of June 30, 2016, are as follows:

June 30	Principal	Interest	Total
2017	$ 260,843	$ 93,250	$ 354,093
2018	243,289	81,559	324,848
2019	254,625	70,224	324,849
2020	266,356	58,492	324,848
2021	278,900	45,948	324,848
2022-2025	822,476	70,709	893,185
Total	$ 2,126,489	$ 420,182	$ 2,546,671

As of June 30, 2016, 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	(1,432,361)
Net	$ 4,284,746

COMPONENT UNITS

Activity for the Downtown Development Authority for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Notes Payables	$ 29,278	$ -	$ (15,012)	$ 14,266	$ 14,266	$ -
Compensated absences	-	(173)	560	387	-	387
Total long-term liabilities	$ 29,278	$ (173)	$ (14,452)	$ 14,653	$ 14,266	$ 387

Activity for the Civic Center and Tourism Authority for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Notes Payables	$ 128,567	$ -	$ (11,155)	$ 117,351	$ 11,599	$ 105,752
Compensated absences	510	353	(310)	553	510	43
Total long-term liabilities	$ 129,077	$ 353	$ (11,465)	$ 117,904	$ 12,109	$ 105,795

As of June 30, 2016, the long-term debt payable by the Downtown Development Authority consisted of the following:

NOTES PAYABLE

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.	$ 14,266
Total notes payable	14,266
Current portion	14,266

As of June 30, 2016, 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.	$ 117,243
Total notes payable	117,243
Current Portion	11,599
Noncurrent portion	$ 105,644

The annual requirements to amortize these component unit note payables as of June 30, 2016, are as follows:

June 30	Principal	Interest	Total
2017	$ 11,599	$ 3,492	$ 15,091
2018	11,944	3,146	15,090
2019	12,300	2,790	15,090
2020	12,666	2,424	15,090
2021	68,734	2,046	70,780
Total	$ 117,243	$ 13,898	$ 131,141

NOTE 8 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2016, are as follows:

	Due From			
Due To	General Fund	SPLOST	Other nonmajor governmental funds	Total
General Fund	$ -	$ 508,794	$ 37,069	$ 545,863
Other nonmajor governmental funds	50,949	-	-	50,949
Water and Sewer Fund	442,343	-	-	442,343
Electric System	241,336	-	-	241,336
Natural Gas System	326,869	-	-	326,869
Total	$ 1,061,497	$ 508,794	$ 37,069	$1,607,360

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, 2016, are as follows:

	Transfers Out			
Transfers In	Fire Districts	SPLOST	Electric System	Total
General Fund	$ 117,698	$ -	$ 242,186	$ 359,884
Water and Sewer Fund	-	367,795	-	367,795
Total	$ 117,698	$ 367,795	$ 242,186	$ 727,679

Transfers are used to supplement operating budgets.

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Commerce Retirement Plan (CRP), provides retirement and death benefits to plan members and beneficiaries. CRP 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.

Participant counts as of January 1, 2016 (the most recent actuarial valuation date) and covered compensation (base on covered earnings for the preceding year) are shown below:

Retirees, beneficiaries and disables receiving benefits	44
Terminated plan participants entitled to but not yet receiving benefits	27
Active employees participating in the Plan	82
Total number of Plan participants	153
Covered compensation for active participants	$ 2,937,895

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 annual City contribution meets or exceeds the minimum funding requirements of Georgia Statute 47-20.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the January 1, 2016 valuation was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases	3.25% plus service based merit increases
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females set forward two years for males and set forward one year for females.

The actuarial assumptions used in the 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15	6.45
Fixed income	25	1.55
Real estate	10	3.75
TOTAL	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Change in the Net Pension Liability

	Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2014	$ 9,135,617	$ 8,687,731	$ 447,886
Changes for the year:			
Service cost	206,658	-	206,658
Interest	690,028	-	690,028
Difference between expected and actual experience	(277,694)	-	(277,694)
Contribution-employer	-	304,346	(304,346)
Net investment income	-	104,993	(104,993)
Benefit payments	(464,055)	(464,055)	-
Administrative expense	-	(16,085)	16,085
Other charges	-	-	-
Net changes	154,937	(70,801)	225,738
Balances at September 30, 2015	$ 9,290,554	$ 8,616,930	$ 673,624

The following presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1 % Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 1,820,069	$ 673,624	$ (278,749)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of $(180,130). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 407,566
Changes of assumptions	-	193,722
Net difference between projected and actual earnings on pension plan investments	271,937	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	270,988	-
TOTAL	$ 542,925	$ 601,288

City contributions subsequent to the measurement date of $270,988 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year July 1, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	$ (212,719)
2018	(212,719)
2019	(16,211)
2020	112,299
Thereafter	-

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 member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the 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 $5,339,159 in 2016.

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 with MGAG, the city is obligated to take from

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

Payments to MGAG are made monthly on net obligations based upon long-term contracts. The total payments under these contracts amounted to $1,428,463 in 2016.

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 no supplemental payments in lieu of taxes from the Housing Authority for the year ended June 30, 2016.

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 $10,968 for the year ended June 30, 2016. Future minimum rental payments are as follows:

June 30	General Fund	Component Unit
2017	$ 17,047	$ 1,521
2018	8,743	-
2019	2,864	-
2020	1,417	-
2021	109	-
Total	$ 30,180	$ 1,521

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 $6,555 to the NEGRC for the year ended June 30, 2016. 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, 2016:

SPLOST #4 Schedule:

	Water and Sewer	Road, Streets and Bridges	Recreation	Total
Gross Special Sales Tax	$ -	$ 69,619	$ -	$ 69,619
Intergovernmental Revenue	-	37,623	-	37,623
Total Project Revenue	-	107,242	-	107,242
Project Expenditures				
Capital Expenditures	268,372	309,762	-	578,134
Total Project Expenditures	268,372	309,762	-	578,134
Net (over) under expended for year ending June 30, 2016	(268,372)	(202,520)	-	(508,515)
Investment return	328	103	19	450
Transfers in/out	-	-	-	-
Net changes in fund balance	(268,044)	(202,417)	19	(470,442)
Fund balance - July 1, 2015	281,617	205,931	5,873	493,421
Fund balance - June 30, 2016	$ 13,573	$ 3,514	$ 5,892	$ 22,979

SPLOST #5 Schedule:

	Water and Sewer	Road, Streets and Bridges	Recreation	Total
Gross Special Sales Tax	$ 357,396	$ 218,408	$ 218,408	$ 794,212
Project Expenditures				
Capital Expenditures	99,422	565,769	16,534	681,725
Total Project Expenditures	99,422	565,769	16,534	681,725
Net (over) under expended for year ending June 30, 2016	257,974	(347,361)	201,874	112,487
Investment return	128	78	78	284
Net changes in fund balance	258,102	(347,283)	201,952	112,771
Fund balance - July 1, 2015	1,420,640	865,948	362,575	2,649,163
Fund balance - June 30, 2016	$ 1,678,742	$ 518,665	$ 564,527	$ 2,761,934

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2016
"Unaudited"

For the Year Ended June 30,	2016	2015
Net pension liability	$ 673,624	$ 447,886
Covered-employee payroll	$ 2,937,895	$ 3,082,436
Net pension liability as a percentage of its covered-employee payroll	22.93%	14.53%
Plan fiduciary net position as a percentage of the total pension liability	92.75%	95.10%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2016
"Unaudited"

For the Year Ended June 30,	2016	2015	2014	2013	2012
Contractually required contribution	$ 270,988	$ 283,919	$ 262,073	$ 280,187	$ 288,004
Contributions in relation to the contractually required contribution	270,988	283,919	315,461	321,341	315,885
Contribution deficiency (excess)	$ -	$ -	$ (53,388)	$ (41,154)	$ (27,881)
County's covered-employee payroll	$ 3,082,436	$ 3,082,436	$ 2,620,514	$ 2,957,071	$ 3,418,337
Contributions as a percentage of covered-employee payroll	8.79%	9.21%	12.04%	10.87%	9.24%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available, data from 5 previous years presented.

CITY OF COMMERCE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
CITY OF COMMERCE RETIREMENT PLAN
For the Year Ended June 30, 2016
"Unaudited"

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2016. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended 2016 reported in that schedule:

Valuation Date	January 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for remaining unfunded liability
Remaining Amortization period	N/A
Asset Valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less that the market value at end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Investment rate of return	7.75%
Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	3.25%

CITY OF COMMERCE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2016
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 2,285,516	$ 2,285,516	$ 2,285,516	$ -
RESOURCES (INFLOWS)				
Taxes	2,508,136	2,508,136	2,637,749	129,613
Licenses and permits	72,700	72,700	140,502	67,802
Intergovernmental	532,000	532,000	427,833	(104,167)
Fines and forfeitures	499,841	499,841	343,200	(156,641)
Charges for services	1,875,844	1,875,844	1,933,833	57,989
Contributions and donations	7,000	7,000	18,637	11,637
Investment income	1,000	1,000	2,766	1,766
Miscellaneous	65,921	65,921	155,887	89,966
Sale of county property	-	-	22,461	22,461
Contracts payable issued	10,000	10,000	-	(10,000)
Capital lease issued	77,000	77,000	-	(77,000)
Proceeds from notes payable	200,000	200,000	200,000	-
Transfers in	1,066,215	1,066,215	359,884	(706,331)
Total Resources (Inflows)	6,915,657	6,915,657	6,242,752	(672,905)
AMOUNTS AVAILABLE FOR APPROPRIATION	9,201,173	9,201,173	8,528,268	(672,905)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	152,167	153,167	153,156	11
Administrative	374,094	393,094	392,811	283
Finance	756,423	736,423	611,930	124,493
Total General Government	1,282,684	1,282,684	1,157,897	124,787
Public Safety				
Police	2,170,998	2,170,998	1,854,266	316,732
Fire	306,479	306,479	234,041	72,438
Total Public Safety	2,477,477	2,477,477	2,088,307	389,170
Public Works				
Public works	1,270,768	1,270,768	1,235,140	35,628
Garage	146,934	146,934	138,325	8,609
Total Public Works	1,417,702	1,417,702	1,373,465	44,237
Recreation and Culture				
Recreation	999,123	999,123	830,579	168,544
Library	229,055	229,055	224,458	4,597
Civic Center and Tourism Authority	86,528	86,528	73,810	12,718
Total Recreation and Culture	1,314,706	1,314,706	1,128,847	185,859
Housing and development				
Planning and zoning	293,220	293,220	195,742	97,478
Downtown Development Authority	129,868	129,868	129,868	-
Total Housing and Development	423,088	423,088	325,610	97,478
TOTAL CHARGES TO APPROPRIATIONS	6,915,657	6,915,657	6,074,126	841,531
CHANGE IN FUND BALANCE	-	-	168,627	168,627
FUND BALANCE, End of year	$ 2,285,516	$ 2,285,516	$ 2,454,143	$ 168,627

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, 2016

	SPECIAL REVENUE FUNDS		
ASSETS	CONFISCATED ASSETS	FIRE DISTRICT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Cash	$ -	$ 79,810	$ 79,810
Interfund receivables	-	50,949	50,949
Restricted assets:			
Cash	230,907	-	230,907
TOTAL ASSETS	$ 230,907	$ 130,759	$ 361,666
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 257	$ -	$ 257
Interfund payables	37,069	-	37,069
Unearned revenue	1,734	-	1,734
TOTAL LIABILITIES	39,060	-	39,060
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	39,060	-	39,060
FUND BALANCES			
Restricted:			
Public safety programs	191,847	130,759	322,606
TOTAL FUND BALANCES	191,847	130,759	322,606
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 230,907	$ 130,759	$ 361,666

CITY OF COMMERCE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	SPECIAL REVENUE FUNDS		
	CONFISCATED ASSETS	**FIRE DISTRICT**	**TOTAL NONMAJOR GOVERNMENTAL FUNDS**
REVENUES			
Fines and forfeitures	$ 15,840	$ -	$ 15,840
Charges for services	-	168,177	168,177
Investment income	126	80	206
TOTAL REVENUES	15,966	168,257	184,223
EXPENDITURES			
Current Expenditures			
Public safety	20,896	-	20,896
Capital outlay	23,606	-	23,606
Debt service			
TOTAL EXPENDITURES	44,502	-	44,502
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(28,536)	168,257	139,721
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(117,698)	(117,698)
TOTAL OTHER FINANCING SOURCES (USES)	-	(117,698)	(117,698)
NET CHANGE IN FUND BALANCES	(28,536)	50,559	22,023
FUND BALANCES, Beginning of year	220,383	80,200	300,583
FUND BALANCES, End of year	$ 191,847	$ 130,759	$ 322,606

CITY OF COMMERCE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 220,383	$ 220,383	$ 220,383	$ -
RESOURCES (INFLOWS)				
Fines and forfeitures	20,000	20,000	15,840	(4,160)
Investment income	-	-	126	126
Total Resources (Inflows)	20,000	20,000	15,966	(4,034)
AMOUNTS AVAILABLE FOR APPROPRIATION	240,383	240,383	236,349	(4,034)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	240,383	240,383	44,502	195,881
TOTAL CHARGES TO APPROPRIATIONS	240,383	240,383	44,502	195,881
CHANGE IN FUND BALANCE	(220,383)	(220,383)	(28,536)	191,847
FUND BALANCE, End of year	$ -	$ -	$ 191,847	$ 191,847

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, 2016

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 80,200	$ 80,200	$ 80,200	$ -
RESOURCES (INFLOWS)				
Charges for services	156,000	156,000	168,177	12,177
Investment income	-	-	80	80
Total Resources (Inflows)	156,000	156,000	168,257	12,257
AMOUNTS AVAILABLE FOR APPROPRIATION	236,200	236,200	248,457	12,257
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Transfers out	236,200	236,200	117,698	118,502
TOTAL CHARGES TO APPROPRIATIONS	236,200	236,200	117,698	118,502
CHANGE IN FUND BALANCE	(80,200)	(80,200)	50,559	130,759
FUND BALANCE, End of year	$ -	$ -	$ 130,759	$ 130,759

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, 2016

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	$ 3,624,624	$ 268,372
Road and Bridge Improvements	1,127,839	221,062	1,106,018	272,139
Recreation Improvements	205,061	124,197	217,181	-
Library Improvements	205,061	210,899	232,201	-
Totals	$ 5,126,536	$ 2,622,786	$ 5,180,024	540,511
JACKSON COUNTY SPLOST 5				
Water and Sewer System Improvements	$ 1,830,320	$ 1,830,320	$ -	99,422
Road and Bridge Improvements	1,118,530	1,118,530	24,565	565,769
Recreation Improvements	1,118,530	1,118,530	505,592	16,534
Totals	$ 4,067,380	$ 4,067,380	$ 530,157	681,725
			Total of all SPLOSTS above	**$ 1,222,236**

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

Expenditures	$ 892,064
Transfers in and out	367,795
Private Donations used to Supplement SPLOST Projects	-
Expenditures paid with other sources	(37,623)
Total	**$ 1,222,236**

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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*

November 17, 2016

To the 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, 2016, and the related notes to the financial statements, which collectively comprise the CITY OF COMMERCE, GEORGIA's basic financial statements, and have issued our report thereon dated November 17, 2016.

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