

CITY OF COMMERCE  
Commerce, California

Comprehensive Annual Financial Report

Year ended June 30, 2008

Prepared by

FINANCE DEPARTMENT

VILKO DOMIC

Director of Finance / City Treasurer



CITY OF COMMERCE  
Comprehensive Annual Financial Report  
Year ended June 30, 2008

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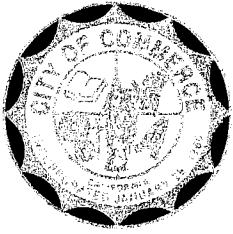
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# City of Commerce

Office of the  
City Administrator

March 25, 2009

To the Honorable Mayor, Members of the City Council and Citizens of the City of Commerce:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Commerce for the fiscal year ended June 30, 2008. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. In our opinion, the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of Commerce, California. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Mayer McCann Hoffman, PC., a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Commerce, California for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City

*"Where Quality Service Is Our Tradition"*

of Commerce, California's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

### **Profile of the City of Commerce**

The City of Commerce, incorporated in 1960 is located within the east-central portion of the County of Los Angeles, approximately 6 miles southeast of downtown Los Angeles and 20 miles northeast of the City of Long Beach and the Pacific Ocean. The City is oriented to industrial uses with industrially-zoned land comprising approximately 64% of all land in the City. Residentially-zoned property consists almost entirely of five separate neighborhoods with approximately 3,430 residential units. The City is a regional center of employment in the Los Angeles basin, with the business employee population of approximately 55,000 persons considerably exceeds a residential population of approximately 13,400. The City's land mass encompasses 6.6 square miles.

The City of Commerce, a general law city, was incorporated on January 28, 1960. The City operates under the Council-Administrator form of municipal government. The City Council appoints the City Administrator who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. Policymaking and legislative authority are vested in the City Council, which consists of the Mayor and four Council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government. The City Council is elected, biannually at large to four-year alternating terms, on a non-partisan basis. The Mayor is by the City Council from among its members, serving a one-year term.

The City of Commerce, as a contract city, provides a full range of services, including police (as a contract member of the Los Angeles County Sheriffs Department), fire protection (as a contract member of the Los Angeles County Fire Department), water service, street and infrastructure maintenance and construction, recreational and cultural services, planning and community development and general administration. The City of Commerce also is financially accountable for the legally separate Commerce Redevelopment Agency and the Commerce Financing Authority. The City has



accounted for the Agency and Authority as "blended" component units and therefore they have been included as an integral part of the City of Commerce's financial statements.

The annual budget serves as the foundation for the City of Commerce's financial planning and control. All departments of the City of Commerce are required to submit requests for appropriation to the City Administrator and Finance Director each year. The City Administrator and Finance Director use these requests as the starting point for developing a proposed budget. The City Administrator/Finance Director then presents this proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Commerce's fiscal year. The appropriated budget is prepared by fund (e.g., general), department (e.g., public works), and program (e.g., engineering). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments within the same fund require the City Administrator's approval. Supplemental appropriations during the year and/or transfers between funds, however, require approval of the City Council. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget. The City utilizes an encumbrance accounting system, whereby commitments such as purchase orders and unperformed contracts are recorded as reserved fund balances at year-end. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Commerce operates.

**Local Economy.** The City of Commerce economic environment remains relatively stable despite the fact that the entire global economy is suffering at level not seen since the Great Depression. The City's commercial and retail development continues to show levels of moderate growth, extrapolating into nominal increases in all revenue categories (sales tax, hotel visitor's tax revenue, and the card club revenues being the most prominent). In addition, the City Council's focus on diversifying its economic base remains a high priority, along with the maintenance of its arterial streets and/or roadways, continued public safety enhancements and beautification of our neighborhoods / business districts, the continued expansion of the Citadel Outlet Mall, and the redevelopment of the Telegraph corridor are integral policy objectives.

In fiscal year 2007-08 cumulative sales tax revenues increased 2.74% comprising approximately 31.23% of the total General Fund revenue. The gross sales tax receipts collected by The City of Commerce were spurred by new business, another strong year in the housing market and commensurate spending, increased sales tax revenues collected on rising gasoline prices, and the strength of our growing diversified base of businesses within Commerce. The sales tax from the city's future Urban Entertainment site, a Costco (scheduled to open in the summer of 2009), continued expansion of the Citadel Outlets, and potential enhancements in other areas of the city should further boost the city's diversified stream of sales tax revenues to the general fund during this economic cycle. It is estimated that these projects will generate close to \$3.5 million of

additional Sales Tax revenue, along with substantial amount of tax increment. These projects alone should place Commerce on the map as it enhances its economic diversity.

Hotel Visitors Tax (HVT) contributed \$2,187,982 to the general fund. This represents an increase of \$142,064, or 6.94%. In fiscal year 2007-08 HVT represented 4.17% of the City's total General Fund revenue base. With the current economic climate, it is projected that this revenue source could decrease until additional hotels come online within a future 3-5 year timeframe.

Card Club revenues continue to soar, with \$22.67 million recognized in the Card Club fund for fiscal year 2007-08. The Card Club fund contributed \$16.77 million to the general fund, which represents 32.02% of the total General Fund revenue. This being the largest component of the City's general fund, reflective of the current economic climate and people's propensity to cut back in tough times, staff is grappling whether or not Card Club revenues will remain stable or witness a decrease for the first time since the early 1990s.

Property values in Commerce remain relatively strong; however, statistics show that we aren't immune from the recent general slowdown in the housing market. Commerce's housing median home price of \$415,000 decreased from the previous year's amount and now mirrors the FY 2005-06 median sales price of \$417,500. In addition, single and multi-family transfer of ownership decreased by almost 45%, the same amount as in FY 2006-07. Even with that said, overall Property Tax revenues increased slightly, attributed primarily to the adjusted valuation of properties which were sold and subsequently reassessed, to include new construction.

As mentioned earlier, Telegraph Road is projected to experience an amazing transformation and rebirth. The major component of this transformation is the development of a large-scale retail and entertainment center anchored by a national regional retailer, consisting of approximately 200,000 plus square feet of improvements, a business to business Costco facility sitting on 12.18 acres of land scheduled to open in the summer of 2009, a 4,500 seat multi-purpose arena, and the construction of additional hotel rooms. This development is projected to generate approximately \$3.5 million in sales tax dollars, along with an unidentifiable property tax amount.

Making the most of The City of Commerce resources for the benefit of the entire community is at the heart and soul of the City Council's commitment to fiscal management and to economic development. The Council seeks to build Commerce's revenue base by attracting jobs and businesses to the City. Clearly, the ongoing emphasis is on sustainability, investment, and reinvestment. Their objectives will continue to build a strong healthy community and improve the quality of life for Commerce residents, businesses, and visitors.

**Long-term financial planning.** The City's five-year financial forecast for operating revenues and expenditures is based primarily on anticipated commercial, industrial and residential development. The forecast produces an evaluation of the City's financial position as projected growth triggers increased service demands. The forecast projects recurring expenditures increase at an annual average rate of 3.2%, while the average five-year rate for revenues is projected to increase at a slightly lower pace. The rise in

expenditures is attributed for the most part to employee Cost-of-Living Adjustments and benefits, as well as expansion of services to the population.

As opposed to preceding years, the Commerce City Council will not be entertaining a 5-year forecast of Capital Improvement Projects until the latter part of FY 2008-09. As with many local governments, capital projects are being deferred until staff has a better grasp of where the city is headed during these difficult times. All these investments in the various areas reflect the City Council's commitment to maintain or improve the City of Commerce, and provide the citizens with the highest possible service. Additionally, an even more important tool, a 5-year Financial Forecast is perpetually maintained to identify and focus on current economic conditions. This document is used extensively in the annual budget preparation, as well as throughout the fiscal year to assess any state and local economic/political action that might impact The City of Commerce.

**Cash management.** Cash temporarily idle during the year was invested in instruments permitted under Section 53600 of the California Government Code and the City's adopted investment policy. The City Treasurer has used various investment instruments to receive the highest yield possible while maintaining a portfolio that emphasizes safety and adequate liquidity to meet the City's needs. Permitted investments include repurchase agreements, high-grade commercial paper and banker's acceptances, corporate securities, demand deposits, certificates of deposit, obligations of the U.S. Treasury and agencies, as well as state investment pool. Investments are either federally insured or fully collateralized. Average yield for investments was 2.65% for fiscal year 2008.

**Risk Management.** The City is a member of the California Joint Powers Insurance Authority (CJPIA). The CJIPA provides a joint protection wherein cities pool their losses and claims, jointly purchase excess insurance and share the costs of administrative and related costs. The program includes all risk management, property, liability and worker's compensation coverage for member cities. The City has accrued a liability for all known general and workers' compensation claims as of June 30, 2008. In addition, estimated amounts for claims incurred, but not yet reported, have also been accrued.

**Pension and other postemployment benefits.** The City of Commerce is a member of the California Public Employees Retirement System (CalPERS). CalPERS sets the contribution rates for the City's represented and non-represented employee groups. Participants are required to contribute 7% of their annual covered salary. The City makes contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. As a result of continued CalPERS investment losses and previously approved enhancements to the benefit plans, the City anticipates significant increases to the employer contribution rate in the fiscal year 2010-11.

The City of Commerce also provides postretirement health, dental and life benefits for retirees. As of the end of the current fiscal year, there were 129 retired employees receiving benefits. These benefits are financed on a pay-as-you-go basis. GAAP does

not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Commerce's pension arrangements and post-employment benefits can be found in Notes 9 and 10 in the notes to the financial statements.

### **Awards and Acknowledgements**

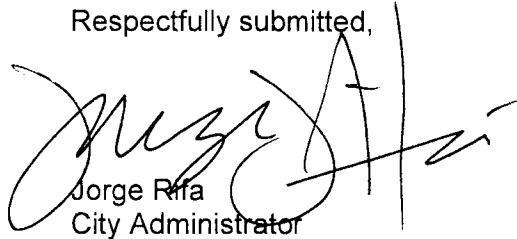
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Commerce for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the 27th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

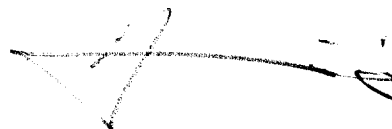
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City, preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

Respectfully submitted,

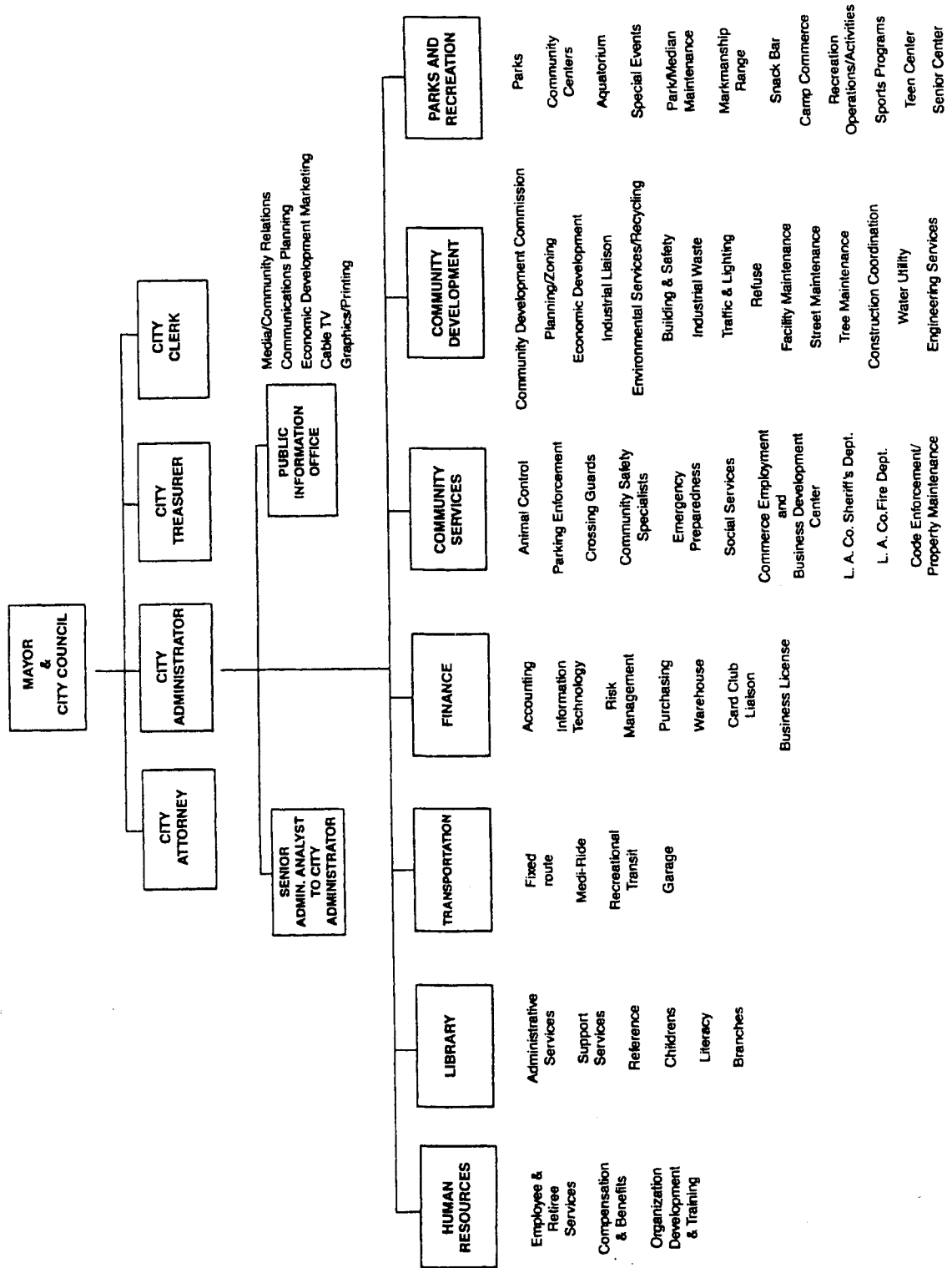


Jorge Rifa  
City Administrator



Vilko Domic  
Director of Finance

# CITY OF COMMERCE ORGANIZATIONAL CHART



# City of Commerce

## Directory of Officials

June 30, 2008

### CITY COUNCIL

Tina Del Rio, Mayor

Joe Aguilar, Mayor Pro Tem

Hugo A. Argumedo, Council Member

Robert C. Fierro, Council Member

Rosalina G. Lopez, Council Member

### ADMINISTRATION

Jorge Rifa, City Administrator

Linda Kay Olivieri, City Clerk

Eduardo Olivo, Interim City Attorney

Robert Zarrilli, Director of Community Development

Robert Chavez, Director of Community Services

Vilko Domic, Director of Finance

Teresa McAllister, Director of Human Resources

Evelyn Fullmore, Director of Library Services

Jim Jimenez, Director of Parks and Recreation

Martin Gombert, Acting Director of Transportation

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Commerce  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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The Honorable Mayor and City Council  
City of Commerce  
Commerce, California

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Commerce, California, as of and for the year ended June 30, 2008, which collectively comprise of the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the City of Commerce, California. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City for the year ended June 30, 2007, and in our report dated December 1, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The City has excluded general infrastructure assets in the statement of net assets as required by GASB statement number 34. In our opinion, accounting principles generally accepted in the United States of America require that such assets be included in the statement of net assets.

In our opinion, except for the item noted above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Commerce, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, of the City of Commerce, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor and City Council  
City of Commerce  
Commerce, California

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Commerce's basic financial statements. The introductory section combining and individual nonmajor fund financial statements and schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
March 25, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2008

As management of The City of Commerce, California (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page I of this report. All data presented in this analysis is rounded to the nearest thousand.

### FINANCIAL HIGHLIGHTS

- Net assets, the amount by which total assets exceed total liabilities, equal \$101,588,940. Of this amount \$79,747,214 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,812,648, a majority are due to positive changes in fund balances.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$239,079,405, an increase of \$80,586,796 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$12,462,392, or 26.48% of total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and supplementary information in addition to the basic financial statements.

#### Government-wide Financial Statements

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

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

The statement of activities presents information designed to show how the city's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 future fiscal periods.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

### **Government-wide Financial Statements (Continued)**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the city include general government operations, community development, public safety, public works, library, and parks and recreation services. The city's business-type activities of the City include operations of its transit, water and cable television.

The government-wide financial statements can be found on pages 13 through 15.

### **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 show compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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, governmental fund financial statements focus on near-term inflows and outflows 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 the City's near-term financial 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

Most of the City's basic services are included in governmental funds. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental funds focus on near term revenues/financial resources and expenditures, while the government-wide financial statements include both near term and long term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the city's near term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide financial statements can help the reader better understand the long term impact of the city's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances.

The governmental fund financial statements can be found on pages 16 through 22.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

### **Fund Financial Statements (Continued)**

**Proprietary Funds** - Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

Enterprise funds of the city are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The city has two major enterprise funds, the Citadel Authority and Transit Funds and two nonmajor enterprise funds, the Water and Cable Television Funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the city's various functions. The city uses the Central Garage Fund to account for vehicle maintenance and repair services; and the Central Stores Fund to account for acquiring and warehousing supplies utilized by departments within the City. The internal service funds primarily benefit the governmental activities and, therefore, the internal service funds information has been included with the governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 23 through 25.

### **Fiduciary funds**

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the city's activities. The city has one Cash Deposits Agency Fund.

The fiduciary fund financial statements can be found on page 26.

### **Notes to the financial statements**

The notes to the financial statements provide additional information that is important to a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information may be found immediately following the notes to the financial statements.

The combining statements for other governmental funds, the individual fund schedules, the nonmajor enterprise funds and the internal service funds statements are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for State and Local Governments. A comparative analysis of government-wide data will be included in this report.

The statement of net assets can serve as a useful indicator of the city’s financial position. The City of Commerce’s net assets at June 30, 2007 total \$98,776,291. Following is a condensed version of the government-wide statement of net assets.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets:						
Current and other assets	\$183,414,528	\$171,562,678	\$ 313,429	\$1,619,781	\$183,727,957	\$173,182,459
Capital assets, net	<u>57,955,121</u>	<u>56,491,951</u>	<u>9,205,642</u>	<u>9,717,831</u>	<u>67,160,763</u>	<u>66,209,782</u>
Total Assets	<u>241,369,649</u>	<u>228,054,629</u>	<u>9,519,071</u>	<u>11,337,612</u>	<u>250,888,720</u>	<u>237,392,241</u>
Liabilities:						
Current Liabilities	11,592,850	13,042,318	608,921	623,896	12,201,771	13,666,214
Long-term Liabilities	<u>136,960,601</u>	<u>126,802,594</u>	<u>137,408</u>	<u>147,141</u>	<u>137,098,009</u>	<u>126,949,735</u>
Total Liabilities	<u>148,553,451</u>	<u>139,844,912</u>	<u>746,329</u>	<u>771,037</u>	<u>149,299,780</u>	<u>140,615,949</u>
Net assets:						
Invested in capital assets, net of related debt	(57,251,831)	(35,988,743)	9,205,642	9,717,831	(48,046,189)	(26,270,912)
Restricted	81,895,335	74,367,830	-	-	81,895,335	74,367,830
Unrestricted	<u>139,147,166</u>	<u>49,830,630</u>	<u>(432,900)</u>	<u>848,744</u>	<u>138,714,266</u>	<u>50,679,374</u>
Total Net Assets	<u>\$92,816,198</u>	<u>88,209,717</u>	<u>\$8,772,742</u>	<u>10,525,172</u>	<u>\$101,588,940</u>	<u>98,776,292</u>

The largest portion of the City’s net assets is attributable to the unrestricted assets. The majority of the liabilities are attributable to the City of Commerce Community Development Commission (Commission). The Commission uses the debt proceeds to finance its redevelopment projects which include land, housing, street improvements, economic development and park improvements. Once redevelopment projects, that are public facilities, are completed by the Commission, the responsibilities for their continued maintenance and operation are transferred to the City of Commerce.

Although completed public facilities and Joint Agency-Private Partnership projects are transferred to the City of Commerce and private developers, the debt remains with the Commission.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Changes in net assets

The changes in net assets table illustrates the increases or decreases in net assets of the city resulting from its operating activities. The City of Commerce's net assets increased \$8,099,925 in the fiscal year ended June 30, 2008. The increase was split between the governmental activities increase of \$9,893,758 and business-type activities decrease of \$1,793,833. Following is a condensed version of the city's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities.

**Table 2**  
**Changes in Net Assets**

Revenues:	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	3,775,927	3,902,768	43,408	61,440	3,819,335	3,964,208
Operating grants & contributions	4,847,995	3,091,095	1,057,156	1,341,483	5,905,151	4,432,578
Capital grants & contributions	400,000	-	-	-	400,000	-
General revenues:						
Casino license tax	22,667,115	21,221,796	-	-	22,667,115	21,221,796
Property taxes	15,484,157	15,766,275	-	-	15,484,157	15,766,275
Sales tax	16,353,317	15,915,922	-	-	16,353,317	15,915,922
Franchise taxes	1,157,899	1,239,109	-	-	1,157,899	1,239,109
Transient occupancy taxes	2,187,982	2,045,918	-	-	2,187,982	2,045,918
Motor vehicle in-lieu	954,809	896,548	-	-	954,809	896,548
Investment income	4,585,456	4,681,652	-	-	4,585,456	4,681,652
Intergovernmental, unrestricted	1,644,693	1,788,110	-	-	1,644,693	1,788,110
Miscellaneous income	1,627,044	3,559,681	-	-	1,627,044	3,559,681
Transfers	<u>(1,531,109)</u>	<u>(2,725,473)</u>	<u>1,531,109</u>	<u>2,725,473</u>	<u>-</u>	<u>-</u>
Total revenues	<u>74,155,285</u>	<u>71,383,401</u>	<u>2,631,673</u>	<u>4,128,396</u>	<u>76,786,958</u>	<u>75,511,797</u>
Expenses:						
General government	15,824,307	16,891,474	-	-	15,824,307	16,891,474
Community development	7,028,967	6,429,943	-	-	7,028,967	6,429,943
Public safety	14,671,657	13,741,711	-	-	14,671,657	13,741,711
Public works	3,197,631	2,863,690	-	-	3,197,631	2,863,690
Library	3,220,489	2,862,061	-	-	3,220,489	2,862,061
Parks recreation and culture	10,633,778	10,158,100	-	-	10,633,778	10,158,100
Interest on long-term debt	9,684,698	9,101,258	-	-	9,684,698	9,101,258
Transit	-	-	3,682,946	3,285,381	3,682,381	3,285,381
Water	-	-	402,063	459,317	402,063	459,317
Cable television	-	-	<u>340,497</u>	<u>342,295</u>	<u>340,497</u>	<u>342,295</u>
Total expenses	<u>64,261,527</u>	<u>62,048,237</u>	<u>4,425,506</u>	<u>4,086,993</u>	<u>68,687,033</u>	<u>66,135,230</u>
Change in net assets	9,893,758	9,335,164	(1,793,833)	41,403	8,099,925	9,376,567
Net assets - beginning of year	<u>82,922,440</u>	<u>78,874,553</u>	<u>10,566,575</u>	<u>10,525,172</u>	<u>93,489,015</u>	<u>89,399,725</u>
Net assets - end of year	<u>\$ 92,816,198</u>	<u>88,209,717</u>	<u>\$ 8,772,742</u>	<u>10,566,575</u>	<u>\$101,588,940</u>	<u>98,776,292</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Changes in net assets (Continued)

The total net assets of the City were \$101,588,919 as of June 30, 2008. This represents an increase of \$8,099,925 over the prior year. This change is explained more fully below.

The City's total revenues were \$76,786,958. A significant portion of the governmental revenues came from the Casino license tax (30.57%), property taxes (20.88%) and sales tax (22.05%) of the total governmental revenues of \$74,155,285. A significant portion (96.06%) of the business-type activities revenues were collected through operating contributions and grants.

The total cost of all City programs and services during fiscal year ended June 30, 2008 was \$68,687,033. General government expenses account for 23.04% of the total expenses, 21.36% of expenses were for public safety (police and fire), interest expense attributed 14.10%, community development 10.23%, parks and recreation 15.48% and business-type activities accounted for 6.44%.

Change in net assets was \$8,099,925 for the year as compared to last year's \$98,776,292 net assets. Total net assets at the end of the year were \$101,588,940 (the amount would have been \$106,876,217, however a prior year adjustment in the amount of \$5,287,277 (Note 16) effectively decreased last year's net assets from the amount stated above to \$93,489,015), or 8.97% more than last year's total. The City has ample amounts to provide for its outstanding indebtedness.

**Governmental activities** contributed to an increase in net assets. The revenues increase in the governmental activities from the prior year was significant in the three specific areas: casino license tax, sales tax, and program revenues), while all other generators remained relatively stable. The revenue increases were substantial enough to cover the significant increases in expenses, attributable to activities in all activities except for general government. The general government activity realized a decrease of over \$1 million dollars, attributable to a decrease in contributions to other funds and an increased fiscal awareness placed on certain departments.

**Business-type activities** consist of the Transit, Water and Cable Television. The financial goal of the City's business-type activities is to operate on a more or less "break-even" basis without making significant profit or needing general tax subsidies. For fiscal year ended June 30, 2008, this goal was not achieved with the City's total business-type activities having realized an overall decrease in net assets of \$1,793,833. These funds are used to pay debt or invest in capital assets.

Operating revenues were down slightly, but the gap was bridged by prior year transportation grants that were used to address deficiencies in capital areas. As it has been the custom, any significant drop in the revenue to expenses coverage has been addressed by increases in transit operating contributions and cable television charges for services. The City continues to monitor the budget situation in the transportation department very closely as the economic climate becomes more volatile.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Refer to pages 16 through 22 for more detail of governmental funds.

As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$239,079,405. Of the \$239,079,405, there is an unreserved fund balance surplus of \$145,199,258. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as discussed in Note 10.

**Proprietary funds** Unrestricted net assets of the Proprietary Funds amounted to (\$432,900), and the Internal Service Funds had unrestricted net assets of \$359,738. Total decrease in net assets for proprietary funds was \$1,790,275. Proprietary funds financial statements can be found on pages 23 through 25.

### General Fund Budgetary Highlights

The General Fund receives the most public attention since it is where local tax revenues are accounted for and where the most popular municipal services such as police and public works are funded.

Year-to-date revenues, including transfers-in, totaled \$52,360,580 representing 113.05% of the annual adjusted budget with 100% of the budget year completed. Total General Fund revenues and transfers in exceeded their adjusted budget amounts by \$6,042,517. Sales tax was the largest revenue source with over \$12,091,878 in realized revenues. This amount was more than the adjusted budget of \$11,550,000.

The City revenue categories that exceeded their adjusted budget totals were the triple flip property tax (sales and motor vehicle in lieu components) amounts and the amount that was recognized for the hotel visitors tax (hotel occupancy tax).

The property tax triple flip amount of \$5,216,248 exceeded the budgeted amount of \$4,168,958 due to higher property valuations and gas prices than anticipated. The hotel visitors tax amount of \$2,187,982 exceeded the adjusted budget of \$2,050,000 due to higher occupancy rates than anticipated. Transfers in totaled \$20,174,172, and were at 100.00% of their adjusted budgeted totals.

General Fund expenditures totaled \$50,824,887, representing 110.21% of the annual adjusted budget, which totaled \$46,114,781. Expenditures were projected at \$45,309,307 during the budget process. Fortunately, the actual revenues exceeded the actual expenditures \$1,535,793 or 3.02% over our

projection. Historically, the City's expenditures will run 2% below the budget projection, and in conjunction with surplus revenues, the General Fund exceeds 4% savings at fiscal year end. The over runs were primarily due to numerous departments expending more than what was appropriated. Several one-time items never received additional budget appropriation to cover the necessary allocation during the course of the fiscal year. On the other hand, revenues exceeded expectations with strong growth in several categories. The City went live with a new financial software system on July 1, 2008, presenting staff with the tools to monitor such actions going forward.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, totaled \$67,160,763, net of depreciation. These assets include land, investment in Joint Venture, construction in progress, buildings, improvements other than buildings, and machinery and equipment.

**Table 3**  
**Capital Assets**

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
Land	\$ 17,152,338	\$ 334,311	\$ 17,486,649
Net investment in Joint Venture	1,344,040	-	1,334,040
Construction in progress	4,995,500	-	4,995,500
Buildings	34,598,219	-	34,598,219
Improvements other than buildings	16,547,804	-	16,547,804
Machinery and equipment	12,433,691	12,354,252	24,787,943
Water rights	-	1,226,994	1,226,994
Buildings and improvements	-	7,862,834	7,862,834
Less accumulated depreciation	<u>(29,116,471)</u>	<u>(12,572,749)</u>	<u>(41,689,220)</u>
Net capital assets	<u>\$ 57,955,121</u>	<u>\$ 9,205,642</u>	<u>\$ 67,160,763</u>

The capital assets balance increased by \$950,981 due mostly to the additions in the improvements other than buildings and machinery categories for both governmental and business-type activities.

For additional information see Note 5 of the Financial Statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

### Debt Administration

**Table 4**  
**Debt Administration**

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
1994 Tax Allocation Refunding Bonds	\$ 980,000	\$ -	\$ 980,000
1998 Tax Allocation Refunding Bonds	8,380,000	-	8,380,000
2003 Tax Allocation Bonds	51,535,000	-	51,535,000
2004 Lease Revenue Bonds	14,140,000	-	14,140,000
2007 JPFA Revenue Bonds	72,305,000	-	72,305,000
Unamortized Bond Costs	(9,145,832)	-	(9,145,832)
Owner Participation Agreements	-	105,703	105,703
Capital Leases	-	440,005	440,005
Compensated Absences	-	2,511,222	2,511,222
Total long term liabilities	<u>\$ 138,194,168</u>	<u>\$ 3,056,930</u>	<u>\$ 141,251,098</u>

As can be seen from the table above, the City has implemented a variety of debt financing mechanisms to finance projects. The City's debt increased during the fiscal year by \$8.066 million. This was primarily due to the issuance of the 2007 JPFA Revenue Bond, which defeased the 1991 and 1997 Tax Allocation bonds in their entirety and the other Tax Allocation bonds partly. The aforementioned request was off-set by scheduled debt service payments made during the year. In association with the 1997 issuance, \$9,145,832 of unamortized bond costs were deferred.

Information on the long-term liabilities is discussed further in Note 6.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Commerce's economy is clearly linked to the national, state, and regional economy. However, because The City is moving forward with a transformation in its economical base, its local economy can experience departures from other local, state or national trends; with resultant recurring revenue fluctuations. Additionally, because the City's revenues are obtained from a limited number of sources (although we are moving forward with an extensive economic development program that should provide diversification to the city's revenue base), prepared by the City's Director of Finance as an information source for review of economic trends, in developing its budget model. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in the preparation of the annual budget, can be obtained from the City's 2008-2009 citywide budget.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Commerce finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director at the City of Commerce, 2535 Commerce Way, Commerce, CA 90040.

CITY OF COMMERCE  
Statement of Net Assets  
June 30, 2008

Assets:	Governmental	Business-type	Totals	
	Activities	Activities	2008	2007
Cash and investments (note 2)	\$ 70,182,465	42,738	70,225,203	56,766,617
Cash and investments with fiscal agent (note 2)	23,875,025	-	23,875,025	23,400,088
Interest receivable	707,260	-	707,260	921,516
Accounts receivable	2,714,361	61,655	2,776,016	2,649,321
Unamortized bond issuance costs	2,392,880	-	2,392,880	-
Due from other governments	4,016,237	879,774	4,896,011	5,178,399
Internal balances	746,153	(746,153)	-	-
Loans receivable	517,722	-	517,722	5,693,700
Lease receivable (note 4)	2,198,520	-	2,198,520	2,120,421
Deposit in escrow	10,453,912	-	10,453,912	10,453,912
Prepaid items and deposits	186,370	75,415	261,785	2,084,861
Property held for resale	65,423,623	-	65,423,623	63,913,624
Capital assets (note 5):				
Nondepreciable	23,491,878	334,311	23,826,189	23,842,810
Depreciable, net	34,463,243	8,871,331	43,334,574	42,366,972
Total assets	241,369,649	9,519,071	250,888,720	239,392,241
Liabilities:				
Accounts payable	4,330,738	253,040	4,583,778	3,641,800
Accrued salaries and benefits	174,612	8,266	182,878	541,635
Interest payable	1,593,844	-	1,593,844	1,768,955
Deposits payable	479,916	-	479,916	216,179
Due to other governments	723,243	-	723,243	1,261,839
Noncurrent liabilities (note 6)				
Due within one year	4,290,497	88,076	4,378,573	6,235,806
Due in more than one year	136,960,601	137,408	137,098,009	126,949,735
Total liabilities	148,553,451	486,790	149,040,241	140,615,949
Net assets:				
Invested in capital assets, net of related debt	(57,251,831)	9,205,642	(48,046,189)	(64,089,006)
Restricted for:				
Redevelopment	9,170,106	-	9,170,106	8,376,929
Public safety	978,886	-	978,886	212,209
Public works	771,871	-	771,871	380,595
Unrestricted	139,147,166	(173,361)	138,973,805	153,895,565
Total net assets	\$ 92,816,198	9,032,281	101,848,479	98,776,292

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Statement of Activities  
Year ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities:</b>				
General government	\$ 15,824,307	862,446	1,866,117	400,000
Community development	7,028,967	2,204,296	-	-
Public safety	14,671,657	161,491	944,248	-
Public works	3,197,631	-	1,890,639	-
Library	3,220,489	61,536	146,991	-
Parks, recreation and culture	10,633,778	486,158	-	-
Interest on long-term debt	9,684,698	-	-	-
Total governmental activities	64,261,527	3,775,927	4,847,995	400,000
<b>Business-type activities:</b>				
Transit	3,682,946	-	1,316,695	-
Water	402,063	-	-	-
Cable television	340,497	43,408	-	-
Total business-type activities	4,425,506	43,408	1,316,695	-
Total	\$ 68,687,033	3,819,335	6,164,690	400,000

General revenues:

Taxes:

- Casino license tax
- Property taxes
- Sales taxes
- Franchise taxes
- Transient occupancy taxes
- Motor vehicle in lieu, unrestricted
- Investment income
- Intergovernmental, unrestricted
- Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated (note 16)

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Totals	
		2008	2007
(12,695,744)	-	(12,695,744)	(13,707,310)
(4,824,671)	-	(4,824,671)	(4,101,848)
(13,565,918)	-	(13,565,918)	(13,294,822)
(1,306,992)	-	(1,306,992)	(2,468,271)
(3,011,962)	-	(3,011,962)	(2,696,160)
(10,147,620)	-	(10,147,620)	(9,684,705)
<u>(9,684,698)</u>	<u>-</u>	<u>(9,684,698)</u>	<u>(9,101,258)</u>
(55,237,605)	-	(55,237,605)	(55,054,374)
-	(2,366,251)	(2,366,251)	(1,943,898)
-	(402,063)	(402,063)	(459,317)
-	(297,089)	(297,089)	(280,855)
<u>-</u>	<u>(3,065,403)</u>	<u>(3,065,403)</u>	<u>(2,684,070)</u>
<u>(55,237,605)</u>	<u>(3,065,403)</u>	<u>(58,303,008)</u>	<u>(57,738,444)</u>
22,667,115	-	22,667,115	21,221,796
15,484,157	-	15,484,157	15,766,275
16,353,317	-	16,353,317	15,915,922
1,157,899	-	1,157,899	1,239,109
2,187,982	-	2,187,982	2,045,918
954,809	-	954,809	896,548
4,585,456	-	4,585,456	4,681,652
1,644,693	-	1,644,693	1,788,110
1,627,044	-	1,627,044	3,559,681
<u>(1,531,109)</u>	<u>1,531,109</u>	<u>-</u>	<u>-</u>
<u>65,131,363</u>	<u>1,531,109</u>	<u>66,662,472</u>	<u>67,115,011</u>
9,893,758	(1,534,294)	8,359,464	9,376,567
<u>82,922,440</u>	<u>10,566,575</u>	<u>93,489,015</u>	<u>89,399,725</u>
<u>\$ 92,816,198</u>	<u>9,032,281</u>	<u>101,848,479</u>	<u>98,776,292</u>

CITY OF COMMERCE  
Governmental Funds - Balance Sheet  
June 30, 2008

	<u>General</u>	<u>Card Club Special Revenue</u>	<u>Community Development Commission Debt Service</u>
<u>Assets</u>			
Cash and investments	\$ 7,691,209	14,332,622	15,337,087
Cash and investments with fiscal agent	-	-	10,265,957
Interest receivable	416,526	-	26,594
Accounts receivable	927,937	1,786,424	-
Due from other governments	2,298,005	-	1,588,759
Due from other funds (note 7)	4,618,529	-	30,865,499
Advances to other funds (note 7)	12,100,000	3,000,000	-
Loans receivable	294,369	-	-
Lease receivable (note 4)	-	-	-
Deposit in escrow	-	-	-
Prepaid items and deposits	186,370	-	-
Property held for resale	-	-	-
Total assets	<u>\$ 28,532,945</u>	<u>19,119,046</u>	<u>58,083,896</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 3,368,044	-	950
Accrued salaries and benefits	68,405	-	-
Deposits payable	53,365	-	-
Due to other governments	-	-	723,243
Due to other funds (note 7)	-	-	-
Deferred revenue	-	-	-
Advances from other funds (note 7)	-	-	-
Total liabilities	<u>3,489,814</u>	<u>-</u>	<u>724,193</u>
Fund Balances:			
Fund balances:			
Reserved for:			
Prepaid items and deposits	186,370	-	-
Long-term receivables	294,369	-	-
Advances to other funds	12,100,000	3,000,000	-
Deposit in escrow	-	-	-
Property held for resale	-	-	-
Unreserved, reported in:			
General fund	12,462,392	-	-
Special revenue funds	-	16,119,046	-
Debt service funds	-	-	57,359,703
Capital projects funds	-	-	-
Total fund balances	<u>25,043,131</u>	<u>19,119,046</u>	<u>57,359,703</u>
Total liabilities and fund balances	<u>\$ 28,532,945</u>	<u>19,119,046</u>	<u>58,083,896</u>

See accompanying notes to the basic financial statements.



General City Capital Projects Fund	Community Development Commission Capital Projects	Non-Major Governmental Funds	Totals	
			2008	2007
2,955,670	21,555,136	7,811,987	69,683,711	56,304,132
66,385,000	5,383,739	8,225,329	90,260,025	23,400,088
-	239,532	24,608	707,260	921,516
-	-	-	2,714,361	2,512,417
66,922	-	62,551	4,016,237	2,802,841
668,807	-	-	36,152,835	37,286,554
-	-	-	15,100,000	15,100,000
-	223,353	-	517,722	5,693,700
-	2,198,520	-	2,198,520	2,120,421
-	10,453,912	-	10,453,912	10,453,912
-	-	-	186,370	1,897,883
-	65,423,623	-	65,423,623	63,913,624
<u>70,076,399</u>	<u>105,477,815</u>	<u>16,124,475</u>	<u>297,414,576</u>	<u>222,407,088</u>
262,991	536,724	24,271	4,192,980	3,308,425
95,252	6,139	-	169,796	477,797
-	405,298	21,253	479,916	216,179
-	-	-	723,243	1,047,465
-	30,865,499	1,841,183	32,706,682	33,464,424
-	2,262,554	-	2,262,554	7,600,189
-	17,800,000	-	17,800,000	17,800,000
<u>358,243</u>	<u>51,876,214</u>	<u>1,886,707</u>	<u>58,335,171</u>	<u>63,914,479</u>
-	-	-	186,370	1,897,883
-	2,421,873	-	2,716,242	2,526,844
-	-	-	15,100,000	15,100,000
-	10,453,912	-	10,453,912	10,453,912
-	65,423,623	-	65,423,623	63,913,624
-	-	-	12,462,392	9,405,130
-	-	7,663,356	23,782,402	15,361,611
-	-	6,574,412	63,934,115	59,701,697
69,718,156	(24,697,807)	-	45,020,349	(19,868,092)
<u>69,718,156</u>	<u>53,601,601</u>	<u>14,237,768</u>	<u>239,079,405</u>	<u>158,492,609</u>
<u>70,076,399</u>	<u>105,477,815</u>	<u>16,124,475</u>	<u>297,414,576</u>	<u>222,407,088</u>

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CITY OF COMMERCE  
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets

June 30, 2008

Fund balances of governmental funds	\$ 239,079,405
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Capital assets	87,071,592
Accumulated depreciation	(29,116,471)
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds payable	(138,194,168)
Compensated absences	(2,511,222)
Other long-term liabilities	(545,708)
Unamortized bond issuance costs	2,392,880
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(1,593,844)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	2,262,554
To eliminate interfund activities for Redevelopment Tax Allocation Bonds purchased by the City.	(66,385,000)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	356,180
Net assets of governmental activities	\$ 92,816,198

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
 Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year ended June 30, 2008

	<u>General</u>	<u>Card Club Special Revenue</u>	<u>Community Development Commission Debt Service</u>
Revenues:			
Taxes	\$ 22,281,051	-	17,540,761
Casino license tax	-	22,667,115	-
Licenses and permits	3,102,448	-	-
Intergovernmental	982,410	-	-
Fines and forfeitures	161,491	-	-
Investment income	1,816,000	-	352,288
Activity fees	547,694	-	-
Charges for services	1,407,376	-	-
Rental income	-	-	-
Miscellaneous	1,888,038	-	128,743
Total revenues	<u>32,186,508</u>	<u>22,667,115</u>	<u>18,021,792</u>
Expenditures:			
Current:			
General government	12,738,721	631	-
Community development	1,485,364	-	-
Public safety	14,490,108	-	-
Public works	3,311,795	-	-
Library	3,168,168	-	-
Parks, recreation and culture	10,365,481	-	-
Capital outlay	802,225	-	-
Debt service:			
Principal	118,886	-	4,726,674
Interest and fiscal charges	26,774	-	6,233,050
Bond issuance costs	-	-	2,392,879
Payment to bond escrow agent	-	-	5,297,255
Payments under pass-through obligations	-	-	2,006,249
Total expenditures	<u>46,507,522</u>	<u>631</u>	<u>20,656,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,321,014)</u>	<u>22,666,484</u>	<u>(2,634,315)</u>
Other financing sources (uses):			
Proceeds from bond issuance	-	-	66,385,000
Payment to bond escrow agent	-	-	(56,008,368)
Bond premium	-	-	145,753
Transfers in (note 8)	20,174,172	-	2,166,842
Transfers out (note 8)	(4,317,365)	(17,917,360)	(5,615,761)
Total other financing sources (uses)	<u>15,856,807</u>	<u>(17,917,360)</u>	<u>7,073,466</u>
Net change in fund balances	1,535,793	4,749,124	4,439,151
Fund balances at beginning of year	<u>23,507,338</u>	<u>14,369,922</u>	<u>52,920,552</u>
Fund balances at end of year	<u>\$ 25,043,131</u>	<u>19,119,046</u>	<u>57,359,703</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Community Development Commission Capital Projects	Non-Major Governmental Funds	Totals	
			2008	2007
-	-	-	39,821,812	38,514,264
-	-	-	22,667,115	21,221,796
-	-	-	3,102,448	2,506,530
400,000	-	1,931,237	3,313,647	2,360,915
-	-	-	161,491	215,474
-	1,763,082	642,616	4,573,986	5,378,004
-	-	-	547,694	505,768
-	-	-	1,407,376	1,197,648
-	574,411	149,202	723,613	936,585
-	48,568	765,842	2,831,191	2,373,403
<u>400,000</u>	<u>2,386,061</u>	<u>3,488,897</u>	<u>79,150,373</u>	<u>75,210,387</u>
2,240,497	3,227,026	4,801	18,211,676	17,612,839
-	4,624,016	-	6,109,380	6,216,382
-	-	154,434	14,644,542	13,285,301
-	-	-	3,311,795	2,768,577
-	-	-	3,168,168	2,767,002
-	-	-	10,365,481	9,820,714
-	834,107	-	1,636,332	245,274
-	-	305,000	5,150,560	6,112,623
-	767,000	618,712	7,645,536	7,597,938
-	-	-	2,392,879	-
-	-	-	5,297,255	-
-	-	-	2,006,249	1,325,248
<u>2,240,497</u>	<u>9,452,149</u>	<u>1,082,947</u>	<u>79,939,853</u>	<u>67,751,898</u>
<u>(1,840,497)</u>	<u>(7,066,088)</u>	<u>2,405,950</u>	<u>(789,480)</u>	<u>7,458,489</u>
72,305,000	-	-	138,690,000	-
-	-	-	(56,008,368)	-
80,000	-	-	225,753	-
2,075,405	5,615,761	4,017,560	34,049,740	30,205,114
<u>(2,901,752)</u>	<u>(1,870,035)</u>	<u>(2,958,576)</u>	<u>(35,580,849)</u>	<u>(32,947,590)</u>
<u>71,558,653</u>	<u>3,745,726</u>	<u>1,058,984</u>	<u>81,376,276</u>	<u>(2,742,476)</u>
69,718,156	(3,320,362)	3,464,934	80,586,796	4,716,013
-	56,921,963	10,772,834	158,492,609	153,776,596
<u>69,718,156</u>	<u>53,601,601</u>	<u>14,237,768</u>	<u>239,079,405</u>	<u>158,492,609</u>

CITY OF COMMERCE

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

Year ended June 30, 2008

Net changes in fund balances - total governmental funds \$ 80,586,796

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset purchases	3,273,572
Decrease in investment in joint venture	(114,684)
Depreciation	(1,695,718)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Amortization of issuance costs premiums and discounts are recorded as an adjustment to long-term liabilities and is recorded as an adjustment to interest expense

Debt issued	(72,305,000)
Principal expense	5,150,560
Refunded principal	61,305,623
Amortization of issuance costs and other fiscal charges	297,992

The statement of net assets includes accrued interest on long term debt. 175,111

To record as an expense the net change in compensated absences in the statement of activities. (345,140)

To eliminate interfund activities for proceeds of Redevelopment Agency Tax Allocation Bonds that were purchased by the City. (66,385,000)

Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting. (50,355)

Change in net assets of governmental activities \$ 9,893,757

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Proprietary Funds  
Statement of Net Assets  
June 30, 2008

	Business-type Activities			Governmental Activities
	Transit	Nonmajor Enterprise Funds	Totals	Internal Service Funds
<u>Assets</u>				
Current assets:				
Cash and investments	\$ -	42,738	42,738	498,754
Accounts receivable, net	48,397	13,258	61,655	-
Due from other governments	879,774	-	879,774	-
Due from other funds (note 7)	866,325	-	866,325	-
Prepaid items and deposits	39,579	35,836	75,415	-
Total current assets	1,834,075	91,832	1,925,907	498,754
Noncurrent assets:				
Advances to other funds (note 7)	-	2,700,000	2,700,000	-
Capital assets, net	6,947,737	2,257,905	9,205,642	-
Total noncurrent assets	6,947,737	4,957,905	11,905,642	-
Total assets	8,781,812	5,049,737	13,831,549	498,754
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	134,388	118,652	253,040	137,758
Accrued salaries and benefits	7,318	948	8,266	1,258
Due to other funds (note 7)	2,271,881	2,040,597	4,312,478	-
Total current liabilities	2,413,587	2,160,197	4,573,784	139,016
Noncurrent liabilities:				
Compensated absences	225,484	-	225,484	-
Total liabilities	2,639,071	2,160,197	4,799,268	139,016
<u>Net Assets</u>				
Invested in capital assets	6,947,737	2,257,905	9,205,642	-
Unrestricted	(804,996)	631,635	(173,361)	359,738
Total net assets	\$ 6,142,741	2,889,540	9,032,281	359,738

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
Year ended June 30, 2008

	Business-type Activities			Governmental
				Activities
	Transit	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues:				
Charges for services	\$ -	43,408	43,408	747,069
Intergovernmental	1,316,695	-	1,316,695	-
Total operating revenues	<u>1,316,695</u>	<u>43,408</u>	<u>1,360,103</u>	<u>747,069</u>
Operating expenses:				
General and administrative	211,393	263,372	474,765	362,078
Operations	2,674,681	166,521	2,841,202	381,433
Maintenance	336,957	-	336,957	-
Depreciation and amortization	459,915	312,667	772,582	-
Total operating expenses	<u>3,682,946</u>	<u>742,560</u>	<u>4,425,506</u>	<u>743,511</u>
Operating income (loss)	<u>(2,366,251)</u>	<u>(699,152)</u>	<u>(3,065,403)</u>	<u>3,558</u>
Transfers and capital contributions:				
Transfers in (note 8)	1,356,812	299,805	1,656,617	-
Transfers out (note 8)	(125,508)	-	(125,508)	-
Total transfers and capital contributions	<u>1,231,304</u>	<u>299,805</u>	<u>1,531,109</u>	<u>-</u>
Changes in net assets	(1,134,947)	(399,347)	(1,534,294)	3,558
Net assets at beginning of year	<u>7,277,688</u>	<u>3,288,887</u>	<u>10,566,575</u>	<u>356,180</u>
Net assets at end of year	<u>\$ 6,142,741</u>	<u>2,889,540</u>	<u>9,032,281</u>	<u>359,738</u>

See accompanying notes to the basic financial statements.



CITY OF COMMERCE  
Proprietary Funds  
Statement of Cash Flows  
Year ended June 30, 2008

	Business-type Activities			Governmental Activities
	Nonmajor			Internal
	Transit	Enterprise Funds	Totals	Service Funds
Cash flows from operating activities:				
Cash received from other customers	\$ 2,600,580	116,035	2,716,615	-
Cash received from user departments	-	-	-	747,217
Cash payments to suppliers for goods and services	(904,176)	(270,218)	(1,174,394)	(297,475)
Cash payments to employees for services	(2,215,394)	(344,714)	(2,560,108)	(370,857)
Net cash provided by (used for) operating activities	(518,990)	(498,897)	(1,017,887)	78,885
Cash flows from noncapital financing activities:				
Cash received from other funds	714,625	601,720	1,316,345	-
Cash paid to other funds	(125,508)	-	(125,508)	-
Net cash provided by (used for) non-capital financing activities	589,117	601,720	1,190,837	-
Cash flows from capital and related activities:				
Cash paid to acquire capital assets	(75,027)	(97,803)	(172,830)	-
Net cash provided by (used for) capital and related activities	(75,027)	(97,803)	(172,830)	-
Net increase (decrease) in cash and cash equivalents	(4,900)	5,020	120	78,885
Cash and cash equivalents at beginning of year	4,900	37,718	42,618	419,869
Cash and cash equivalents at end of year	\$ -	42,738	42,738	498,754
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (2,366,251)	(763,755)	(3,130,006)	3,558
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	459,915	289,708	749,623	-
Adjustments:				
(Increase) decrease in accounts receivable	2,474	72,627	75,101	-
(Increase) decrease in due from other governments	1,495,785	-	1,495,785	-
(Increase) decrease in prepaid items	104,537	5,862	110,399	-
(Increase) decrease in inventory	-	-	-	148
Increase (decrease) in accounts payable	32,780	(99,455)	(66,675)	83,958
Increase (decrease) in accrued salaries and benefits	(264,938)	(3,884)	(268,822)	(8,779)
Increase (decrease) in due to other governments	(214,374)	-	(214,374)	-
Increase (decrease) in compensated absences	231,082	-	231,082	-
Net cash provided by (used for) operating activities	\$ (518,990)	(498,897)	(1,017,887)	78,885

There were no noncash capital, financing and investing activities during the year ended June 30, 2008.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Agency Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2008

	<u>2008</u>
<u>Assets</u>	
Cash and investments (note 2)	\$ <u>516,596</u>
Total assets	\$ <u><u>516,596</u></u>
<u>Liabilities</u>	
Deposits payable	\$ <u>516,596</u>
Total liabilities	\$ <u><u>516,596</u></u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Commerce (“the City”) was incorporated in 1960 under the general laws of the State of California. The City operates under the Council – City Administrator form of government.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. As required by generally accepted accounting principles, these financial statements present the government and its component units, which are entities for which the government is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete.

All of the City’s component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are reported with the interfund data of the primary government.

The following organizations are considered to be component units of the City:

Community Development Commission of the City of Commerce

The Community Development Commission of the City of Commerce (the Commission) has established four redevelopment project areas pursuant to the State of California Health & Safety Code, Section 33000 entitled “Community Redevelopment Law”. The City Council approved and adopted the Redevelopment Plans for the Commerce Redevelopment Project Areas. These plans provide for the elimination of blight and deterioration, which was found to exist in the project areas. The operations include Capital Projects and Debt Service Fund type activities and have been combined in the accompanying financial statements. Interfund activities within the fund types have been eliminated for financial reporting purposes.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Community Development Commission of the City of Commerce, (Continued)

Although the Agency is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Separate financial statements of the Agency can be obtained at City Hall.

City of Commerce Joint Powers Financing Authority

The City of Commerce Joint Powers Financing Authority (JPFA) was established pursuant to a Joint Exercise of Powers Agreement dated January 1, 1988 between the City of Commerce and the Community Development Commission of the City of Commerce. The purpose of the JPFA is to provide financing necessary for the construction of various public improvements through the issuance of debt. Activities of the JPFA are included in the Community Development Commission and the Community Center Debt Service Funds and the Water Enterprise Fund of the City. Although the JPFA is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the JPFA. Separate financial statements of the JPFA are not prepared.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

## CITY OF COMMERCE

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

##### Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City of Commerce has no discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by function to which they were allocated). However, general governmental expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditure.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses a thirty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction on which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

## CITY OF COMMERCE

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Proprietary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the internal service fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as a reduction of the related liability, rather than as an expenditure.

Fiduciary Funds

The City's fiduciary fund is an agency fund. Agency funds are custodial in nature. Assets equal liabilities. Agency funds use the accrual basis of accounting.

(c) Major Funds, Internal Service Funds and Fiduciary Fund Types

The City's major governmental funds are as follows:

General Fund – The primary fund of the City is used to account for all revenue and expenditures of the City not legally restricted as to use.

Card Club Special Revenue Fund – This special revenue fund is used to account for the revenues related to franchise fees received under the Card Club Ordinance. Revenues are primarily used for public safety and are transferred to the General Fund to be spent accordingly.

Community Development Commission Debt Service Fund – This debt service fund is used to account for the payment of debt service of tax allocation bonds used to finance the activities of Redevelopment Project Areas. The retirement of debt is financed through tax increment and investment income.



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

General City Capital Projects Fund – This fund is used to account for the bond proceeds, interest and other funding that will be used for development, planning and construction and land acquisition within the general city.

Community Development Commission Capital Projects Fund – This fund is used to account for the bond proceeds, interest and other funding that will be used for development, planning, construction and land acquisition within the project area.

The City's major proprietary fund is as follows:

Transit Fund – This fund is used to account for the activities necessary to provide transportation service to the citizens and the industrial community.

Other fund types of the City are as follows:

Enterprise Funds are used to account for operations that are financed and operated in a similar manner to private sector business enterprises, where the intent is that costs of providing goods or services to the general public be financed primarily through user charges.

Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include repairs and services, City-owned mobile-equipment and the acquisition and warehousing of supplies utilized by departments within the City.

Agency Fund is used to account for deposits held by the City as trustee or custodian for individuals as an agent for debt service activity.

(d) Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(e) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of Commerce. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the internal service fund is considered cash and cash equivalents.

(f) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of one years or more.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the internal service funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

The following schedule summarizes capital asset useful lives:

Buildings	10-40 years
Improvements other than buildings	20-30 years
Distribution system	20-30 years
Machinery and equipment	5-13 years
Infrastructure	20-40 years

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(g) Employee Leave Benefits

The City has accrued in the accompanying financial statements the estimated liability for compensated absences earned and not yet taken. Those employees who retire from the City are entitled to 100% of accrued vacation and sick leave. Employees otherwise terminated are entitled to 100% of accrued vacation and 10% of accrued sick leave in excess of 240 hours.

(h) Prepaid Items

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.

(i) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$70,225,203
Cash and investments with fiscal agent	23,875,025
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>516,596</u>
Total cash and investments	<u>\$94,100,228</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 7,205
Deposits with financial institutions	3,592,109
Investments	<u>90,500,914</u>
Total cash and investments	<u>\$94,100,228</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	40%
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	40%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	10%
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	Yes	5 years	30%	10%
Mutual Funds	Yes	N/A	20%	None
Money Market Mutual Funds	Yes	N/A	20%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Medium-term notes	None	None	None
Investment Agreements	None	None	None
Negotiable Certificates of Deposit	360 days	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 Months or Greater</u>
Federal agency securities	\$ 7,999,240	1,999,240	4,000,000	2,000,000
Money market funds	2,758,781	2,758,781	-	-
State investment pool	56,118,675	56,118,675	-	-
Held by bond trustee:				
Money market funds	10,195,596	10,195,596	-	-
Investment agreements	<u>13,428,622</u>	<u>-</u>	<u>-</u>	<u>13,428,622</u>
<b>Total</b>	<b><u>\$90,500,914</u></b>	<b><u>71,072,292</u></b>	<b><u>4,000,000</u></b>	<b><u>15,428,622</u></b>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Federal agency securities	\$ 7,999,240	AAA	-	7,999,240	-	-
Money market funds	2,758,781	A	-	2,758,781	-	-
State investment pool	56,118,675	N/A	-	-	-	56,118,675
Held by bond trustee:						
Money market funds	10,195,596	AAA	-	10,195,596	-	-
Investment agreements	<u>13,428,622</u>	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,428,622</u>
<b>Total</b>	<b><u>\$90,500,914</u></b>		<b><u>-</u></b>	<b><u>20,953,617</u></b>	<b><u>-</u></b>	<b><u>69,547,297</u></b>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, except for U.S. Agency Securities (limited to a face value of \$10 million) and Commercial Paper and Medium-Term Notes (limited to a face value of \$3 million). Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
FHLB	U.S. Agency Security	\$4,000,000
FFCB	U.S. Agency Security	3,999,240
Natixis Funding Corp.	Investment Agreement	5,911,227
MBIA Inc.	Investment Agreement	4,533,450

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(3) Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes are recorded initially in a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City of Commerce accrues only those taxes that are received from the County within sixty days after year-end.

Lien date	January 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

The Community Development Commission of the City of Commerce's primary source of revenue comes from property taxes. Property taxes allocated to the Commission are computed in the following manner:

- (a) The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan.
- (b) Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Commission; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts.

The Commission has no power to levy and collect taxes and any legislative property tax shift might reduce the amount of tax revenues that would otherwise be available to pay the principal of, and interest on, debt. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on debt.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(4) Lease Receivable

In 1990, the Commission entered into a 50 year lease with three individuals on a certain site owned by the Commission. The lease called for the site to be developed as a truck stop and gas station. The lease calls for fixed base annual rent of \$65,025 for the first five years and adjusted every five years thereafter with a minimum adjustment of 15% and a maximum adjustment of 50%. The outstanding balance as of June, 30, 2008 of \$2,198,520 represents the difference between principal payments due through June 30, 2008 and the actual payments received.

Minimum future rental revenues, including principal and interest, on the lease are as follows:

Fiscal Year <u>Ending</u>	Lease <u>Revenue</u>
2009	\$ 126,684
2010	126,684
2011	179,439
2012	179,439
2013	179,439
2014-2018	977,493
2019-2023	1,289,571
2024-2028	1,592,964
2029-2033	2,100,572
2034-2038	2,594,768
2039-2040	<u>1,095,040</u>
Total	<u>\$10,442,543</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2008 is as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Buildings	\$34,598,219	-	-	34,598,219
Improvements other than buildings	14,380,936	2,166,868	-	16,547,804
Machinery and equipment	<u>11,425,050</u>	<u>1,008,641</u>	<u>-</u>	<u>12,433,691</u>
Total cost of depreciable assets	<u>60,404,205</u>	<u>3,175,509</u>	<u>-</u>	<u>63,579,714</u>
Less accumulated depreciation:				
Buildings	(13,479,602)	(1,107,362)	-	(14,586,964)
Improvements other than buildings	(3,436,205)	(303,067)	-	(3,739,272)
Machinery and equipment	<u>(10,504,946)</u>	<u>(285,289)</u>	<u>-</u>	<u>(10,790,235)</u>
Total accumulated depreciation	<u>(27,420,753)</u>	<u>(1,695,718)</u>	<u>-</u>	<u>(29,116,471)</u>
Net depreciable assets	32,983,452	1,479,791	-	34,463,243
Capital assets not depreciated:				
Land	17,152,338	-	-	17,152,338
Net investment in Joint Venture	1,458,721	-	(114,681)	1,344,040
Construction in progress	<u>4,897,440</u>	<u>98,060</u>	<u>-</u>	<u>4,995,500</u>
Total assets not being depreciated	<u>23,508,499</u>	<u>98,060</u>	<u>(114,681)</u>	<u>23,491,878</u>
Capital assets, net	<u>\$56,491,951</u>	<u>1,577,851</u>	<u>(114,681)</u>	<u>57,955,121</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 300,163
Public safety	27,115
Public works	145,677
Community development	85,480
Library	52,321
Parks, recreation and culture	<u>1,084,962</u>
Total governmental activities	<u>\$1,695,718</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2008 is as follows:

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Water rights	\$ 1,226,994	-	-	1,226,994
Building and improvements	7,862,834	-	-	7,862,834
Machinery and equipment	<u>12,596,327</u>	<u>260,393</u>	<u>(502,468)</u>	<u>12,354,252</u>
Total cost of depreciable assets	<u>21,686,155</u>	<u>260,393</u>	<u>(502,468)</u>	<u>21,444,080</u>
Less accumulated depreciation:				
Water rights	(853,364)	(148,122)	-	(1,001,486)
Building and improvements	(1,943,404)	(204,770)	-	(2,148,174)
Machinery and equipment	<u>(9,505,867)</u>	<u>(419,690)</u>	<u>502,468</u>	<u>(9,423,089)</u>
Total accumulated depreciation	<u>(12,302,635)</u>	<u>(772,582)</u>	<u>502,468</u>	<u>(12,572,749)</u>
Net depreciable assets	9,383,520	(512,189)	-	8,871,331
Capital assets not depreciated:				
Land	<u>334,311</u>	<u>-</u>	<u>-</u>	<u>334,311</u>
Capital assets, net	<u>\$ 9,717,831</u>	<u>(512,189)</u>	<u>-</u>	<u>9,205,642</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

Transit	\$459,915
Water	289,708
Cable Television	<u>22,959</u>
Total business-type activities	<u>\$772,582</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities

Changes in governmental long-term liabilities for the year ended June 30, 2008 were as follows:

	Balance at <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2008</u>	Due Within <u>One Year</u>
Bonds payable:					
1991 Tax Allocation Bonds	\$ 23,150,664	-	(23,150,664)	-	-
1994 Tax Allocation Refunding Bonds	1,045,000	-	(65,000)	980,000	70,000
1997 Tax Allocation Refunding Serial and Term Bonds	30,364,233	-	(30,364,233)	-	-
1998 Tax Allocation Refunding Bonds	8,590,000	-	(210,000)	8,380,000	220,000
2003 Tax Allocation Bonds	52,145,000	-	(610,000)	51,535,000	1,030,000
2004 Lease Revenue Bonds	14,445,000	-	(305,000)	14,140,000	315,000
2007 JPFA Revenue Bonds	<u>-</u>	<u>72,305,000</u>	<u>-</u>	<u>72,305,000</u>	<u>1,900,000</u>
Subtotal	129,739,897	72,305,000	(54,704,897)	147,340,000	3,535,000
Add (less) deferred amounts:					
Unamortized Bond Costs	<u>-</u>	<u>(9,145,832)</u>	<u>-</u>	<u>(9,145,832)</u>	<u>(457,291)</u>
Total bonds payable	<u>129,739,897</u>	<u>63,159,168</u>	<u>(54,704,897)</u>	<u>138,194,168</u>	<u>3,077,709</u>
Other liabilities:					
Owner Participation Agreements	219,249	-	(113,546)	105,703	105,703
Capital leases	558,891	-	(118,886)	440,005	126,179
Compensated absences	<u>2,444,217</u>	<u>1,916,854</u>	<u>(1,849,849)</u>	<u>2,511,222</u>	<u>980,906</u>
Total long-term liabilities	<u>\$132,962,254</u>	<u>65,076,022</u>	<u>(56,787,178)</u>	<u>141,251,098</u>	<u>4,290,497</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Compensated absences are generally liquidated by the general fund.

Changes in business-type long-term liabilities for the year ended June 30, 2008 were as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Amounts due within one year</u>
Compensated absences	\$223,287	225,484	(217,689)	231,082	88,076

1994 Tax Allocation Refunding Bonds

In June 1994, the Authority issued \$1,685,000 in revenue bonds at an average interest rate of 6.4%. The bonds were issued for the purposes of refunding the \$740,000 of Project No. 3 bonds, as well as to generate additional funds to sustain certain activities of Project No. 3. These bonds are secured by the 1994 Authority loan with the Commission. The loan payments from the project area to the Authority coincide with the bond debt service payments. The bonds mature in various amounts ranging from \$70,000 to \$105,000 through the year 2024. The amount outstanding at June 30, 2008 is \$980,000.

Future principal and interest payments on the 1994 tax allocation refunding bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 70,000	59,815	129,815
2010	75,000	55,350	130,350
2011	80,000	50,493	130,493
2012	85,000	45,298	130,298
2013	95,000	39,616	134,616
2014-2018	305,000	122,040	427,040
2019-2023	215,000	53,588	268,588
2024	<u>55,000</u>	<u>1,763</u>	<u>56,763</u>
	<u>\$ 980,000</u>	<u>427,963</u>	<u>1,407,963</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

1998 Tax Allocation Refunding Bonds

In June 1998, the Community Development Commission issued \$9,935,000 in tax allocation refunding bonds for the Merged Project Area with an average interest rate of 5.64%. The bonds were issued for the purpose of refunding the Commission's \$9,155,000 outstanding principal amount of Project Area 2 1991 Revenue Bonds, funding a reserve and paying the bond issuance cost. The advance refunding extended debt service payments by six years and resulted in an increase if total debt service payments of \$41,004 and an economic gain (the difference between the present values of the debt service payments on the old debt and the new debt) of \$1,161,821. The bonds mature in various amounts ranging from \$155,000 to \$5,180,000 through 2028. It is anticipated that the amounts will be repaid from the future tax increment revenue received for the project area. The amount outstanding at June 30, 2008 is \$8,380,000.

Future principal and interest payments on the 1998 tax allocation refunding bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 220,000	474,775	694,775
2010	230,000	462,785	692,785
2011	245,000	450,135	695,135
2012	255,000	436,537	691,537
2013	270,000	422,385	692,385
2014-2018	1,605,000	1,864,162	3,469,162
2019-2023	2,110,000	1,355,843	3,465,843
2024-2028	2,790,000	681,150	3,471,150
2029	<u>655,000</u>	<u>37,335</u>	<u>692,335</u>
	<u>\$ 8,380,000</u>	<u>6,185,107</u>	<u>14,565,107</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

2003 Tax Allocation Bonds

In December 2003, the Community Development Commission issued a total of \$52,525,000 tax allocation bonds for Project Area 1, Project Area 4 and Merged Project Area. The Bonds were issued for financing various redevelopment and low and moderate income housing projects. The proceeds of the Bonds will also be used to make a deposit to reserve accounts and pay the bonds issuance costs. At the same date, the City of Commerce Joint Powers Financing Authority issued a total of \$52,525,000 tax revenue bonds to purchase the tax allocation bonds issued by the Community Development Commission. The interest rates of the revenue bonds ranges from 4% to 5.125%. The obligation of the Authority is secured by a pledge and assignment under the indenture of amounts derived from the payment of debt service on the tax allocation bonds. This payment will derive from certain tax increment revenues and other amounts payable to the Commission. The bonds mature in various amounts ranging from \$1,030,000 to \$7,365,000 through the year 2036. The amount outstanding at June 30, 2008 is \$51,535,000.

Future principal and interest payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,030,000	2,512,676	3,542,676
2010	1,105,000	2,469,620	3,574,620
2011	1,170,000	2,414,151	3,584,151
2012	1,070,000	2,355,420	3,425,420
2013	1,120,000	2,301,676	3,421,676
2014-2018	6,715,000	10,661,539	17,376,539
2019-2023	10,625,000	8,926,976	19,551,976
2024-2028	15,095,000	5,438,368	20,533,368
2029-2033	9,065,000	2,403,544	11,468,544
2034-2036	<u>4,540,000</u>	<u>459,776</u>	<u>4,999,776</u>
	<u>\$ 51,535,000</u>	<u>39,943,746</u>	<u>91,478,746</u>



CITY OF COMMERCE  
Notes to the Basic Financial Statements  
(Continued)

(6) Long-Term Liabilities, (Continued)

Revenue Bonds

2004 Lease Revenue Bonds

In October 2004, the City of Commerce Joint Powers Financing Authority issued \$15,040,000 in Community Center Lease Revenue Bonds. The bonds are special limited obligations of the Authority payable solely from and secured by Revenues, consisting primarily of Base rental Payments to be made by the City to the Authority pursuant to a Lease dated as of October 1, 2004 by and between the Authority and the City. The bonds were composed of \$7,785,000 serial bonds with interest rates ranging from 2.00% to 4.375% and maturity dates from 2005 through 2024, \$3,150,000 term bonds with an interest rate of 5.00% maturing in 2029, and \$4,015,000 term bonds with an interest rate of 5.00% maturing in 2034. The bonds were issued to refund the Authority's \$8,590,000 outstanding Community Center Lease Revenue Bonds, Series 1997A and to finance the costs of construction of the City Hall Expansion Project. The bonds mature in various amounts from \$295,000 to \$885,000 through 2034. The amount outstanding at June 30, 2008 is \$14,140,000.

Future principal and interest payments are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 315,000	615,663	930,663
2010	320,000	608,575	928,575
2011	330,000	600,575	930,575
2012	340,000	591,335	931,335
2013	350,000	581,135	931,135
2014-2018	1,925,000	2,718,817	4,643,817
2019-2023	2,325,000	2,323,100	4,648,100
2024-2028	2,870,000	1,774,513	4,644,513
2029-2033	3,640,000	995,000	4,635,000
2034-2035	<u>1,725,000</u>	<u>130,500</u>	<u>1,855,500</u>
	<u>\$14,140,000</u>	<u>10,939,213</u>	<u>25,079,213</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

2007 Revenue Bonds

*Financing Authority Bonds*

In October, 2007, the City of Commerce Joint Powers Financing Authority issued \$72,305,000 in Revenue Bonds. The proceeds of the bonds were used to purchase \$66,385,000 of the Community Development Commission of the City of Commerce Redevelopment Project No. 1 Tax Allocation Bonds, 2007 A and B Series (Commission Bonds). The remaining proceeds were used to finance various capital projects. Interest on the bonds is payable semi-annually on February 1 and August 1, commencing February 1, 2008. The fixed rates of interest vary from 3.500% to 6.500% per annum. Principal is payable in annual installments ranging from \$105,000 to \$6,230,000 commencing August 1, 2008 to July 1, 2027. The obligation of the Authority is secured by a pledge and assignment under the indenture of amounts derived from the payment by the Commission of debt service on the Commission Bonds. The amount outstanding at June 30, 2008 is \$72,305,000.

*Commission Bonds*

In October 2007, the Community Development Commission issued \$58,885,000 of Series A Tax Allocation Bonds and \$7,500,000 of Series B Tax Allocation Bonds. The bonds were issued for the purpose of refunding the 1991 Series A Tax Allocation Bonds, the 1997 Series A Tax Allocation Bonds, the 1997 Series B Tax Allocation Bonds, the 2003 Series A-1 Tax Allocation Bonds, and the 2003 Series A-H Tax Allocation Bonds. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by 9,145,832. This amount is being netted against the new debt and amortized over the remaining life on the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to increase total debt service payments by \$4,370,666 and resulted in an economic gain of \$8,874,154. Interest on the bonds accrues at rates between 3.5% and 6.5% and are payable on February 1 and August 1. Bonds mature in various amounts ranging from \$105,000 to \$6,230,000 through 2028. At June 30, 2008, the amount outstanding was \$66,385,000.

For Government-Wide reporting, the Commission Bonds in the amount of \$66,385,000 and the corresponding City held investment in the Commission Bonds have been eliminated in the Statement of Activities.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Future principal and interest payments on the Financing Authority Bonds are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,210,000	2,527,619	4,737,619
2010	2,430,000	3,080,571	5,510,571
2011	2,580,000	2,934,621	5,514,621
2012	2,900,000	2,779,421	5,679,421
2013	3,040,000	2,632,806	5,672,806
2014-2018	17,365,000	11,031,056	28,396,056
2019-2023	18,945,000	7,434,244	26,379,244
2024-2028	<u>22,835,000</u>	<u>3,525,914</u>	<u>26,360,914</u>
	<u>\$72,305,000</u>	<u>35,946,252</u>	<u>108,251,252</u>

Owner Participation Agreements

In December 1999, the Commission approved an Economic Development Assistance Agreement (EDAA) with a manufacturing plant for light fixtures and related components. The company had relocated 4 separate facilities to the City of Commerce. To rehabilitate the site, the Commission will provide assistance not exceeding \$267,800. Under the terms of the EDAA, the Commission was responsible for reimbursing the Company for permit and plan check expenses to a maximum reimbursement of \$50,000. The company expended \$22,382. In May 2001, the Commission paid the company the \$22,382 and the initial annuity payment of \$19,891. The balance of the EDAA assistance will be paid at \$19,891 plus 2% every year for the next 10 years, with final payment of \$24,229 in year 2009. At June 30, 2008, the outstanding balance is \$24,229.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

In September 1998, a chemical repacking and distribution company requested the Commission's business retention assistance in acquiring a larger facility in Commerce owned by the Los Angeles County, in order to continue and expand its business operation. To retain that major employer and tax generator, the Commission acquired that property for the purpose of resale to the company. The County sold the property with the condition that the City pay the County the tax increment generated by the property for the next ten (10) years, less the deduction for the AB1290 to be paid to the other taxing agencies and the housing set aside requirements. The total estimated payment for ten years is \$722,335. Fiscal year 1999-2000 was the first year the City received tax increment from the property. The City paid the Los Angeles Community Development Commission \$46,232. With estimated tax increment increases of 2% per year, the final payment at the end of the tenth year is estimated to be \$81,474. At June 30, 2008, the outstanding balance is \$81,474.

Future principal and interest payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$105,703</u>	<u>23,305</u>	<u>129,008</u>
Total	<u>\$105,703</u>	<u>23,305</u>	<u>129,008</u>

Capitalized Lease Obligations

The City entered into a lease purchase agreement in July 1999 for \$1,224,767 to finance the purchase of energy-management equipment. The lease has an interest rate of 5.25% with quarterly principal and interest payments of up to \$37,380. The outstanding balance at June 30, 2008 was \$440,005.

CITY OF COMMERCE  
Notes to the Basic Financial Statements  
(Continued)

(6) Long-Term Liabilities, (Continued)

Future principal and interest payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$126,179	20,451	146,630
2010	134,277	13,736	148,013
2011	142,647	6,590	149,237
2012	<u>36,902</u>	<u>477</u>	<u>37,379</u>
Total	<u>\$440,005</u>	<u>41,254</u>	<u>481,259</u>

(7) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2008 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Transit Fund	\$ 2,307,586 (A)
	Other Governmental Funds	270,346 (A)
	Non-Major Enterprise	<u>2,040,597 (A)</u>
	Total General Fund	<u>4,618,529</u>
City Capital Projects Fund	Other Governmental Funds	<u>668,807 (A)</u>
CDC Debt Service Fund	CDC Capital Projects Fund	<u>30,865,499 (A)</u>
Transit Fund	Other Governmental Funds	<u>866,325 (A)</u>
	Total	<u>\$37,019,160</u>

(A) Short term borrowing to cover temporary cash shortfalls.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(7) Interfund Receivables and Payables, (Continued)

Noncurrent interfund receivable and payable balances at June 30, 2008 are as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
General Fund	CDC Capital Projects Fund	\$12,100,000 (B)
Card Club Special Revenue Fund	CDC Capital Projects Fund	3,000,000 (C)
Water Fund	CDC Capital Projects Fund	<u>2,700,000 (C)</u>
	Total	<u>\$17,800,000</u>

- (B) As of June 30, 2008, the amount due to the General Fund from CDC Capital Projects was \$12,100,000. This consists of several outstanding advances with amounts ranging from \$100,000 to \$6,000,000. The largest advance is in the amount of \$6,000,000 loaned to the CDC was entered into on March 3, 1992 and accrues interest at 6.5% per annum. The other material outstanding advance of \$5,000,000 loaned to the CDC on November 2, 1999 accrues interest at 6.5% per annum.
- (C) As of June 30, 2008, the amount due to the Card Club Special Revenue Fund and the Water Enterprise Fund from CDC Capital Projects Fund was \$3,000,000 and \$2,700,000, respectively. The advance was entered into on April 16, 2002 with one year maturities. The advance has been extended each year thereafter with interest accruing at 6.5% per annum.

(8) Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2008:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Card Club Special Revenue Fund	\$16,932,370(A)
	City Capital Projects Fund	2,901,752
	Transit Fund	125,508
	Other Governmental Funds	<u>214,542</u>
Subtotal General Fund		20,174,172
CDC Debt Service Fund	CDC Capital Projects Fund	1,820,035 (B)
	Other Governmental Funds	<u>346,807</u>
Subtotal CDC Debt Service Fund		<u>2,166,842</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Interfund Transfers, (Continued)

City Capital Projects Fund	CDC Capital Projects Fund	50,000
	Card Club Special Revenue Fund	984,990
	Other Governmental Funds	<u>1,040,415</u>
Subtotal City Capital Projects Fund		<u>2,075,405</u>
CDC Capital Projects Fund	CDC Debt Service Fund	5,615,761(C)
Transit Fund	Other Governmental Funds	1,356,812 (D)
Other Business-Type Funds	General Fund	299,805
Other Governmental Funds	General Fund	<u>4,017,560</u>
	Total	<u>\$35,706,357</u>

The following describes the major transfers in and transfers out included in the financial statements:

Transfers to Major Funds

- (A) \$16,932,370 was transferred from the Card Club Special Revenue fund to the General Fund is primarily for public safety activities.
- (B) \$1,820,035 was transferred from the CDC Capital Projects Fund to the CDC Debt Service Fund to pay a portion of the CDC long term liabilities' debt service.
- (C) \$5,615,761 was transferred from the CDC Debt Service Fund to the CDC Capital Projects Fund to fund the 20% housing set-aside requirement and to fund various operations and capital projects.
- (D) \$1,356,812 was transferred to the Transit Fund from the Prop A Local Return Tax Fund to reimburse the Transit fund for expenses incurred and reimbursed under Proposition A.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan

Plan Description

The City of Commerce contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 8.132% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2007 to June 30, 2008.

A summary of principle assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3 % and an annual production growth of 0.25%.



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan, (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level % of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The unfunded liability is amortized over a period ending June 30, 2026.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

**Miscellaneous Employees**

*Three-Year Trend Information*

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$1,318,228	100%	-0-
6/30/07	1,412,104	100%	-0-
6/30/08	1,478,239	100%	-0-

*Required Supplementary Information (\$ amount in thousands)*

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
06/30/05	54,470,014	53,422,506	1,047,508	98.1%	7,694,450	13.6%
06/30/06	57,920,888	56,725,405	1,195,483	97.9%	8,309,926	14.4%
06/30/07	62,463,918	60,742,760	1,721,158	97.2%	9,204,046	18.7%

## CITY OF COMMERCE

### Notes to the Basic Financial Statements

(Continued)

#### (10) Claims Payable/Self Insurance

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 106 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has a representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

##### *General Liability*

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the city; costs from \$30,001 to \$750,000 are pooled based on a members share of costs under \$30,000; costs from \$750,001 to \$15,000,000 are pooled based on payroll. Costs to covered claims above \$15,000,000 are currently paid by reinsurance. The protection for the City is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

##### *Workers Compensation*

The City also participates in the workers compensation pool administered by the Authority. Members retain the first \$50,000 of each claim. Claims are pooled separately between public safety and non-public safety. Loss development reserves are allocated by pool and by loss layer (\$0-\$100,000 allocated by retained amount and \$100,000 to \$2,000,000 by payroll). Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 and \$2,000,000 and the loss development reserves associated with losses from \$100,000 to \$2,000,000 are pooled based on payroll. Costs from \$2,000,000 and \$50,000,000 are transferred to an excess insurance policy. Costs in excess of \$50,000,000 are pooled among the Members based on payroll. Administrative expenses are paid from the Authority's investment earnings.

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

## CITY OF COMMERCE

### Notes to the Basic Financial Statements

(Continued)

#### (11) Commerce Refuse to Energy Authority

The City is a 50% participant with the County Sanitation District No. 2 of Los Angeles County (District) in the Commerce Refuse to Energy Authority (CREA). The CREA was created for the purpose of Constructing and operating a facility to dispose of commercial/light industrial non-hazardous and mixed residential solid waste and to recover energy there from. The Board of Directors of the CREA is comprised of six members. Three directors are appointed by the City and three by the District. The CREA has responsibility for operation and maintenance of the facility.

The City and the District have each contributed \$2,000,000 to provide the initial working capital for the project. The City's contribution included the value of the land on which the facility was constructed as well as expenditures made prior to the execution of the Joint Powers Agreement. In addition, a \$1,000,000 grant was received from the California Integrated Waste Management Board that is to be repaid from net revenues and bears no interest. Repayment of the grant began in 1996 from net revenues.

Net revenues are divided between the City, the District and the Waste Management Board. However, payments to the Waste Management Board shall not exceed \$200,000 in any year. Once the grant has been repaid, net revenues will be distributed equally to the City and the District until such time as the City's contributed capital equals zero; then at a rate of \$200,000 per year or 50% of the total distribution, whichever is less, to the City with the remainder to the District until such time as the District's contributed capital equals zero; then equally to the City and the District upon termination. The City's net equity in the CREA at June 30, 2008 is \$1,344,040 and is reported as a capital asset.

Complete financial statements for the CREA can be obtained from the Los Angeles County Sanitation District, 1955 Workman Mill Rd., Whittier, CA 900601.

#### (12) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan is available to all employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional and compensation, once deferred, is not available to employees until termination, retirement, death or unforeseeable emergency.

## CITY OF COMMERCE

### Notes to the Basic Financial Statements

(Continued)

#### (12) Deferred Compensation Plan, (Continued)

The ICMA Retirement Corporation, one of the City's two deferred compensation plan administrators, holds all plan assets in a trust account for the exclusive benefit of the plan participants. Aetna Life Insurance and Annuity Company, the other plan administrator, maintains all of the plan assets in an annuity contract for the exclusive benefit of the plan participants. The amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such account for the exclusive benefit of the City employee participant and their beneficiaries.

While the City has the power and authority to administer and adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The assets of the plan are not owned by the City and the City has no liability for losses under the plan.

#### (13) Post-retirement Healthcare Benefits

In addition to providing pension benefits through PERS, the City, in accordance with City policy, also provides medical, dental and vision coverage to all retired full-time employees. Full-time employees become eligible for this benefit if they retire while working for the City. There are approximately 119 retirees that are eligible for these benefits. The retirees may select a medical plan from a variety of plans from the health benefit program administered by PERS. The City pays the entire amount on a pay-as-you-go basis through monthly premiums to PERS. The dental and vision coverage are also funded on a pay-as-you-go basis through monthly premiums and related costs to the plan administrators.

#### (14) Contingencies

Various claims and suits have been filed against the City in the normal course of operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial position of the City.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(15) Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2008 exceeded the appropriations of the following funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government	\$11,154,119	13,388,707	(2,234,588)
Library	3,004,685	3,168,168	(163,483)
Parks, recreation and culture	9,546,873	10,365,481	(818,608)
Capital outlay	798,169	802,225	(4,056)

(16) Prior Period Adjustment

The receivable and deferred revenue balance of the Card Club Fund in the Government - Wide Financial Statements has been restated. In June, 1999, the City entered into a loan agreement with the Commerce Casino to assist in the construction of a hotel adjacent to the casino. The casino had borrowed \$5,287,277, which consisted of deferred building permit fees. This amount had been previously collected in prior years but was not properly reflected in the financial statements. This adjustment had no impact on the governmental funds.

The following schedule summarizes the effects of the prior period adjustment to the Government Wide Financial Statements.

Government-wide Statements:

	<u>Governmental Activities</u>
Net assets at beginning of year, as previously reported	\$88,209,717
Loan receivable collected in prior fiscal years	<u>(5,287,277)</u>
Fund balance at beginning of year, as restated	<u>\$82,922,440</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(17) Accumulated Fund Deficits

The following funds reported deficits in fund balances/retained earnings as of June 30, 2008:

	<u>Deficit Balance</u>
Special Revenue Funds:	
State Gas Tax	\$(48,434)
CDBG	(61,386)

Management's explanations for the resolution of accumulated fund deficits are summarized as follows:

State Gas Tax:

The Traffic Congestion Relief funds were not received as projected. The State withheld the funds in previous years and the City is now receiving small amounts of the withheld funds during this fiscal year.

CDBG:

This fund has been running a deficit for the past several years as a result of some expenditures that were disallowed by the LACDC in previous years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMMERCE  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
Year ended June 30, 2008

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 20,534,958	20,534,958	22,281,051	1,746,093
Licenses and permits	2,579,000	2,579,000	3,102,448	523,448
Intergovernmental	1,067,508	1,067,508	982,410	(85,098)
Fines and forfeitures	205,000	205,000	161,491	(43,509)
Investment income	1,310,000	1,310,000	1,816,000	506,000
Activity fees	480,350	480,350	547,694	67,344
Charges for services	1,278,616	1,278,616	1,407,376	128,760
Miscellaneous	1,050,300	1,050,300	1,888,038	837,738
<b>Total revenues</b>	<u>28,505,732</u>	<u>28,505,732</u>	<u>32,186,508</u>	<u>3,680,776</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	11,139,119	11,154,119	12,738,721	(1,584,602)
Community development	1,505,402	1,505,402	1,485,364	20,038
Public safety	14,478,658	14,520,973	14,490,108	30,865
Public works	3,545,107	3,545,107	3,311,795	233,312
Library	2,897,502	3,004,685	3,168,168	(163,483)
Parks, recreation and culture	9,349,479	9,546,873	10,365,481	(818,608)
Capital outlay	798,169	798,169	802,225	(4,056)
<b>Debt service:</b>				
Principal	118,886	118,886	118,886	-
Interest and fiscal charges	26,774	26,774	26,774	-
<b>Total expenditures</b>	<u>43,859,096</u>	<u>44,220,988</u>	<u>46,507,522</u>	<u>(2,286,534)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,353,364)</u>	<u>(15,715,256)</u>	<u>(14,321,014)</u>	<u>1,394,242</u>
<b>Other financing sources (uses):</b>				
Transfers in	16,906,389	16,906,389	20,174,172	3,267,783
Transfers out	(1,505,691)	(1,505,691)	(4,317,365)	(2,811,674)
<b>Total other financing sources (uses)</b>	<u>15,400,698</u>	<u>15,400,698</u>	<u>15,856,807</u>	<u>456,109</u>
<b>Net change in fund balance</b>	47,334	(314,558)	1,535,793	1,850,351
<b>Fund balance at beginning of year</b>	<u>23,507,338</u>	<u>23,507,338</u>	<u>23,507,338</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 23,554,672</u>	<u>23,192,780</u>	<u>25,043,131</u>	<u>1,850,351</u>



CITY OF COMMERCE  
Special Revenue Funds

Card Club Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Casino license tax	\$ 20,475,000	20,475,000	22,667,115	2,192,115
Total revenues	<u>20,475,000</u>	<u>20,475,000</u>	<u>22,667,115</u>	<u>2,192,115</u>
Expenditures:				
Current:				
General government	10,500	10,500	631	9,869
Total expenditures	<u>10,500</u>	<u>10,500</u>	<u>631</u>	<u>9,869</u>
Excess (deficiency) of revenues over (under) expenditures	20,464,500	20,464,500	22,666,484	2,201,984
Other financing sources (uses):				
Transfers out	(17,167,500)	(17,427,500)	(17,917,360)	(489,860)
Net change in fund balances	3,297,000	3,037,000	4,749,124	1,712,124
Fund balances at beginning of year	<u>14,369,922</u>	<u>14,369,922</u>	<u>14,369,922</u>	<u>-</u>
Fund balances at end of year	<u>\$ 17,666,922</u>	<u>17,406,922</u>	<u>19,119,046</u>	<u>1,712,124</u>

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2008

(1) Budgets and Budgetary Accounting

The City of Commerce, a general law city in the State of California, does not legally require a budget. However, the City Council annually reviews and adopts a budget as a management control device for the General and Special Revenue Funds. Each May, the City Administrator submits his proposed budget to the City Council. The City Council holds public hearings and may modify the appropriations by majority approval. Budgets are adopted at the object level. Management is not authorized to transfer amounts within the individual fund budgets without the approval of the City Council. Management may transfer amounts within the function level without the approval of City Council. The legal level of expenditures is controlled at the functional level, except for capital projects. Additional appropriations during the year may be submitted to the City Council for review and approval.

(2) Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2008 exceeded the appropriations of the following funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government	\$11,154,119	13,388,707	(2,234,588)
Library	3,004,685	3,168,168	(163,483)
Parks, recreation and culture	9,546,873	10,365,481	(818,608)
Capital outlay	798,169	802,225	(4,056)

SUPPLEMENTARY SCHEDULES

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## NON-MAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues (other than expendable trusts and major capital projects) and the related expenditures that are legally required to be accounted for in a separate fund. The City of Commerce has the following Non-Major Special Revenue Funds:

Urban Development Action Grant (UDAG) Fund - To account for loan repayments of the City's UDAG from developers and businesses and expenditures are recorded for HUD approved projects

Supplemental Law Enforcement Fund - To account for the City's allocation from the state under Assembly Bill 3229, which supplements frontline law enforcement costs used to supplement existing police services.

Local Law Enforcement Block Grant Fund - To account for revenues and expenditures of the federal Local Law Enforcement Block Grant that assist in projects that reduce crime and improve public safety.

Prop A Local Return Tax Fund - To account for the City's Prop A local return allocation and Prop A money purchased from other cities with General Fund money. Revenues are to be spent for public transit purposes and are transferred to the Transit Enterprise Fund to be spent accordingly

State Gas Tax Fund - To account for gasoline allocations made by the State of California. These revenues are restricted by the State to expenditures for street-related purposes only.

Community Development Block Grant (CDBG) Fund - To account for CDBG allocations received and expenditures incurred for allowable projects; primarily home improvements of eligible households.

Air Quality Management District - To account for clean air fees collected by the State and distributed by the Southern California Air Quality Management District to cities for clean air projects.

## NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

The City of Commerce has the following Non-Major Debt Service Funds:

Community Center Fund – To account for issuance and retirement of lease revenue bonds used to assist in the construction of the Rosewood Park Community Center.

Joint Powers Financing Authority Fund - To account for issuance, retirement and cash with fiscal agent held in reserve of bonds issued by the Joint Powers Financing Authority.

CITY OF COMMERCE  
 Non-Major Governmental Funds  
 Combining Balance Sheet  
 June 30, 2008

	Special Revenue Funds	Debt Service Funds	Totals
<u>Assets</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and investments	\$ 7,811,987	-	7,811,987
Cash and investments with fiscal agent	-	8,225,329	8,225,329
Interest receivable	-	24,608	24,608
Due from other governments	62,551	-	62,551
Due from other funds	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 7,874,538</u>	<u>8,249,937</u>	<u>16,124,475</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 24,271	-	24,271
Deposits payable	21,253	-	21,253
Due to other funds	165,658	1,675,525	1,841,183
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>211,182</u>	<u>1,675,525</u>	<u>1,886,707</u>
Fund balances:			
Unreserved:			
Undesignated	7,663,356	6,574,412	14,237,768
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>7,663,356</u>	<u>6,574,412</u>	<u>14,237,768</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 7,874,538</u>	<u>8,249,937</u>	<u>16,124,475</u>

CITY OF COMMERCE  
 Non-Major Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Intergovernmental	\$ 1,931,237	-	1,931,237
Investment income	351,800	290,816	642,616
Rental income	149,202	-	149,202
Miscellaneous	<u>242,977</u>	<u>522,865</u>	<u>765,842</u>
Total revenues	<u>2,675,216</u>	<u>813,681</u>	<u>3,488,897</u>
Expenditures:			
Current:			
General government	-	4,801	4,801
Public safety	154,434	-	154,434
Debt service:			
Principal	-	305,000	305,000
Interest and fiscal charges	<u>-</u>	<u>618,712</u>	<u>618,712</u>
Total expenditures	<u>154,434</u>	<u>928,513</u>	<u>1,082,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,520,782</u>	<u>(114,832)</u>	<u>2,405,950</u>
Other financing sources (uses):			
Transfers in	3,093,847	923,713	4,017,560
Transfers out	<u>(1,942,962)</u>	<u>(1,015,614)</u>	<u>(2,958,576)</u>
Total other financing sources (uses)	<u>1,150,885</u>	<u>(91,901)</u>	<u>1,058,984</u>
Net change in fund balances	3,671,667	(206,733)	3,464,934
Fund balances at beginning of year	<u>3,991,689</u>	<u>6,781,145</u>	<u>10,772,834</u>
Fund balances at end of year	<u>\$ 7,663,356</u>	<u>6,574,412</u>	<u>14,237,768</u>

CITY OF COMMERCE  
Non-Major Special Revenue Funds

Combining Balance Sheet

June 30, 2008

	UDAG	Supplemental Law Enforcement	Local Law Enforcement Block Grant
<u>Assets</u>			
Cash and investments	\$ 6,794,909	209,595	51,672
Due from other governments	-	-	-
Due from other funds	-	-	-
Total assets	\$ 6,794,909	209,595	51,672
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	17,108	-
Deposits payable	21,253	-	-
Due to other funds	-	-	-
Total liabilities	21,253	17,108	-
Fund balances:			
Unreserved	6,773,656	192,487	51,672
Total fund balances	6,773,656	192,487	51,672
Total liabilities and fund balances	\$ 6,794,909	209,595	51,672



<u>Proposition A Local Return Tax</u>	<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Totals</u>
736,166	-	-	19,645	7,811,987
-	58,339	-	4,212	62,551
-	-	-	-	-
<u>736,166</u>	<u>58,339</u>	<u>-</u>	<u>23,857</u>	<u>7,874,538</u>
-	-	7,163	-	24,271
-	-	-	-	21,253
-	106,773	54,673	4,212	165,658
-	106,773	61,836	4,212	211,182
<u>736,166</u>	<u>(48,434)</u>	<u>(61,836)</u>	<u>19,645</u>	<u>7,663,356</u>
<u>736,166</u>	<u>(48,434)</u>	<u>(61,836)</u>	<u>19,645</u>	<u>7,663,356</u>
<u>736,166</u>	<u>58,339</u>	<u>-</u>	<u>23,857</u>	<u>7,874,538</u>

CITY OF COMMERCE  
Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2008

	<u>UDAG</u>	<u>Supplemental Law Enforcement</u>	<u>Local Law Enforcement Block Grant</u>
Revenues:			
Intergovernmental	\$ -	123,384	31,229
Investment income	292,782	11,149	1,506
Rental income	149,202	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>441,984</u>	<u>134,533</u>	<u>32,735</u>
Expenditures:			
Current:			
Public safety	<u>-</u>	<u>128,939</u>	<u>6,379</u>
Total expenditures	<u>-</u>	<u>128,939</u>	<u>6,379</u>
Excess (deficiency) of revenues over (under) expenditures	<u>441,984</u>	<u>5,594</u>	<u>26,356</u>
Other financing sources (uses):			
Transfers in	3,069,176	-	-
Transfers out	<u>(136,389)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,932,787</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,374,771	5,594	26,356
Fund balances at beginning of year	<u>3,398,885</u>	<u>186,893</u>	<u>25,316</u>
Fund balances (deficit) at end of year	<u>\$ 6,773,656</u>	<u>192,487</u>	<u>51,672</u>

<u>Proposition "A" Local Return Tax</u>	<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Totals</u>
1,494,662	217,931	47,669	16,362	1,931,237
42,104	1,275	1,600	1,384	351,800
-	-	-	-	149,202
<u>242,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,977</u>
<u>1,779,743</u>	<u>219,206</u>	<u>49,269</u>	<u>17,746</u>	<u>2,675,216</u>
<u>-</u>	<u>-</u>	<u>19,116</u>	<u>-</u>	<u>154,434</u>
<u>-</u>	<u>-</u>	<u>19,116</u>	<u>-</u>	<u>154,434</u>
<u>1,779,743</u>	<u>219,206</u>	<u>30,153</u>	<u>17,746</u>	<u>2,520,782</u>
-	-	-	24,671	3,093,847
<u>(1,356,812)</u>	<u>(335,000)</u>	<u>(91,989)</u>	<u>(22,772)</u>	<u>(1,942,962)</u>
<u>(1,356,812)</u>	<u>(335,000)</u>	<u>(91,989)</u>	<u>1,899</u>	<u>1,150,885</u>
422,931	(115,794)	(61,836)	19,645	3,671,667
<u>313,235</u>	<u>67,360</u>	<u>-</u>	<u>-</u>	<u>3,991,689</u>
<u>736,166</u>	<u>(48,434)</u>	<u>(61,836)</u>	<u>19,645</u>	<u>7,663,356</u>

CITY OF COMMERCE  
Special Revenue Funds

Urban Development Action Grant (UDAG) Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (negative)
Revenues:				
Investment income	\$ 250,000	250,000	292,782	42,782
Rental income	<u>225,000</u>	<u>225,000</u>	<u>149,202</u>	<u>(75,798)</u>
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>441,984</u>	<u>(33,016)</u>
Other financing sources (uses):				
Transfers in	-	-	3,069,176	3,069,176
Transfers out	<u>(136,389)</u>	<u>(136,389)</u>	<u>(136,389)</u>	<u>-</u>
Net change in fund balances	611,389	611,389	3,374,771	3,036,160
Fund balances at beginning of year	<u>3,398,885</u>	<u>3,398,885</u>	<u>3,398,885</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,010,274</u>	<u>4,010,274</u>	<u>6,773,656</u>	<u>3,036,160</u>

CITY OF COMMERCE  
Special Revenue Funds

Supplemental Law Enforcement Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	<u>Budget</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(negative)</u>
Revenues:				
Intergovernmental	\$ 100,000	100,000	123,384	23,384
Investment income	<u>5,000</u>	<u>5,000</u>	<u>11,149</u>	<u>6,149</u>
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>134,533</u>	<u>29,533</u>
Expenditures:				
Current:				
Public safety	<u>100,000</u>	<u>134,500</u>	<u>128,939</u>	<u>5,561</u>
Total expenditures	<u>100,000</u>	<u>134,500</u>	<u>128,939</u>	<u>5,561</u>
Net change in fund balances	5,000	(29,500)	5,594	35,094
Fund balances at beginning of year	<u>186,893</u>	<u>186,893</u>	<u>186,893</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 191,893</u></u>	<u><u>157,393</u></u>	<u><u>192,487</u></u>	<u><u>35,094</u></u>

CITY OF COMMERCE  
Special Revenue Funds

Local Law Enforcement Block Grant Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 11,000	11,000	31,229	20,229
Investment income	<u>750</u>	<u>750</u>	<u>1,506</u>	<u>756</u>
Total revenues	<u>11,750</u>	<u>11,750</u>	<u>32,735</u>	<u>20,985</u>
Expenditures:				
Current:				
Public safety	<u>11,000</u>	<u>11,000</u>	<u>6,379</u>	<u>4,621</u>
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>6,379</u>	<u>4,621</u>
Net change in fund balances	750	750	26,356	25,606
Fund balances at beginning of year	<u>25,316</u>	<u>25,316</u>	<u>25,316</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 26,066</u></u>	<u><u>26,066</u></u>	<u><u>51,672</u></u>	<u><u>25,606</u></u>

CITY OF COMMERCE  
Special Revenue Funds

Proposition A Local Return Tax Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(negative)</u>
Revenues:				
Intergovernmental	\$ 1,000,000	1,000,000	1,494,662	494,662
Investment income	30,000	30,000	42,104	12,104
Miscellaneous	-	-	242,977	242,977
Total revenues	<u>1,030,000</u>	<u>1,030,000</u>	<u>1,779,743</u>	<u>749,743</u>
Other financing sources (uses):				
Transfers out	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,356,812)</u>	<u>(356,812)</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,356,812)</u>	<u>(356,812)</u>
Net change in fund balances	30,000	30,000	422,931	392,931
Fund balances at beginning of year	<u>313,235</u>	<u>313,235</u>	<u>313,235</u>	<u>-</u>
Fund balances at end of year	<u>\$ 343,235</u>	<u>343,235</u>	<u>736,166</u>	<u>392,931</u>

CITY OF COMMERCE  
Special Revenue Funds

State Gas Tax Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	Budget		Actual	Variance with Final Budget Positive (negative)
	Original	Final		(negative)
Revenues:				
Intergovernmental	\$ 272,500	272,500	217,931	(54,569)
Investment income	-	-	1,275	1,275
Total revenues	272,500	272,500	219,206	(53,294)
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	272,500	272,500	219,206	(53,294)
Other financing sources (uses):				
Transfers out	(260,000)	(320,000)	(335,000)	(15,000)
Total other financing sources (uses)	(260,000)	(320,000)	(335,000)	(15,000)
Net change in fund balances	12,500	(47,500)	(115,794)	(68,294)
Fund balances at beginning of year	67,360	67,360	67,360	-
Fund balances (deficit) at end of year	\$ 79,860	19,860	(48,434)	(68,294)



CITY OF COMMERCE  
Special Revenue Funds

Community Development Block Grant (CDBG) Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	Budget		Actual	Variance with Final Budget Positive (negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 169,500	169,500	47,669	(121,831)
Investment income	<u>1,800</u>	<u>1,800</u>	<u>1,600</u>	<u>(200)</u>
Total revenues	<u>171,300</u>	<u>171,300</u>	<u>49,269</u>	<u>(122,031)</u>
Expenditures:				
Current:				
Planning and development	-	19,517	-	19,517
Public safety	<u>20,000</u>	<u>20,000</u>	<u>19,116</u>	<u>884</u>
Total expenditures	<u>20,000</u>	<u>39,517</u>	<u>19,116</u>	<u>20,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>151,300</u>	<u>131,783</u>	<u>30,153</u>	<u>(101,630)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(169,000)</u>	<u>(169,000)</u>	<u>(91,989)</u>	<u>77,011</u>
Total other financing sources (uses)	<u>(169,000)</u>	<u>(169,000)</u>	<u>(91,989)</u>	<u>77,011</u>
Net change in fund balances	(17,700)	(37,217)	(61,836)	(24,619)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (17,700)</u>	<u>(37,217)</u>	<u>(61,836)</u>	<u>(24,619)</u>

CITY OF COMMERCE  
Special Revenue Funds

Air Quality Management District (AQMD) Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual

Year ended June 30, 2008

	Budget		Actual	Variance with Final Budget Positive (negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 16,362	16,362	16,362	-
Investment income	1,384	1,384	1,384	-
Total revenues	17,746	17,746	17,746	-
Expenditures:				
Current:				
Planning and development	-	-	-	-
Public Safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	17,746	17,746	17,746	-
Other financing sources (uses):				
Transfers in	-	-	24,671	24,671
Transfers out	(22,772)	(22,772)	(22,772)	-
Total other financing sources (uses)	(22,772)	(22,772)	1,899	24,671
Net change in fund balances	(5,026)	(5,026)	19,645	24,671
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ (5,026)	(5,026)	19,645	24,671

CITY OF COMMERCE  
Non-Major Debt Service Funds

Combining Balance Sheet

June 30, 2008

	<u>Community Center</u>	<u>Joint Powers Financing Authority</u>	<u>Totals</u>
<u>Assets</u>			
Cash and investments with fiscal agent	\$ 6,865,815	1,359,514	8,225,329
Interest receivable	<u>24,608</u>	<u>-</u>	<u>24,608</u>
Total assets	<u>\$ 6,890,423</u>	<u>1,359,514</u>	<u>8,249,937</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ <u>1,675,525</u>	<u>-</u>	<u>1,675,525</u>
Total liabilities	<u>1,675,525</u>	<u>-</u>	<u>1,675,525</u>
Fund balances:			
Unreserved	<u>5,214,898</u>	<u>1,359,514</u>	<u>6,574,412</u>
Total fund balances	<u>5,214,898</u>	<u>1,359,514</u>	<u>6,574,412</u>
Total liabilities and fund balances	<u>\$ 6,890,423</u>	<u>1,359,514</u>	<u>8,249,937</u>

CITY OF COMMERCE  
Non-Major Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2008

	<u>Community Center</u>	<u>Joint Powers Financing Authority</u>	<u>Totals</u>
Revenues:			
Investment income	\$ 261,333	29,483	290,816
Miscellaneous	<u>          -</u>	<u>522,865</u>	<u>522,865</u>
Total revenues	<u>261,333</u>	<u>552,348</u>	<u>813,681</u>
Expenditures:			
Current:			
General government	2,001	2,800	4,801
Debt service:			
Principal	305,000	-	305,000
Interest and fiscal charges	<u>618,712</u>	<u>          -</u>	<u>618,712</u>
Total expenditures	<u>925,713</u>	<u>2,800</u>	<u>928,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(664,380)</u>	<u>549,548</u>	<u>(114,832)</u>
Other financing sources (uses):			
Transfers in	923,713	-	923,713
Transfers out	<u>(668,807)</u>	<u>(346,807)</u>	<u>(1,015,614)</u>
Total other financing sources (uses)	<u>254,906</u>	<u>(346,807)</u>	<u>(91,901)</u>
Net change in fund balances	(409,474)	202,741	(206,733)
Fund balances at beginning of year	<u>5,624,372</u>	<u>1,156,773</u>	<u>6,781,145</u>
Fund balances at end of year	<u>\$ 5,214,898</u>	<u>1,359,514</u>	<u>6,574,412</u>

## NON MAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a similar manner to private sector business enterprises, where the intent is that costs of providing goods or services to the general public be financed primarily through user charges.

The City of Commerce has the following Non-Major Enterprise Funds:

Water Fund – This fund is used to account for the water operations service provided to a portion of the residents.

Cable Television Fund – This fund is used to account for the City-owned cable television operations.

CITY OF COMMERCE  
Non-Major Enterprise Funds  
Combining Statement of Net Assets  
June 30, 2008

	<u>Water</u>	<u>Cable Television</u>	<u>Totals</u>
<u>Assets</u>			
Current assets:			
Cash and investments	\$ -	42,738	42,738
Accounts receivable, net	-	13,258	13,258
Prepaid items and deposits	35,836	-	35,836
Total current assets	<u>35,836</u>	<u>55,996</u>	<u>91,832</u>
Noncurrent assets			
Advances to other funds	2,700,000	-	2,700,000
Capital assets:			
Land	209,311	125,000	334,311
Water rights	1,226,994	-	1,226,994
Machinery and equipment	5,900,586	1,165,410	7,065,996
Less: Accumulated depreciation	(5,332,507)	(1,036,889)	(6,369,396)
Total noncurrent assets	<u>4,704,384</u>	<u>253,521</u>	<u>4,957,905</u>
Total assets	<u>4,740,220</u>	<u>309,517</u>	<u>5,049,737</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	101,709	16,943	118,652
Accrued salaries and benefits	-	948	948
Due to other funds	1,915,597	125,000	2,040,597
Total liabilities	<u>2,017,306</u>	<u>142,891</u>	<u>2,160,197</u>
<u>Net Assets</u>			
Invested in capital assets	2,004,384	253,521	2,257,905
Unrestricted	718,530	(86,895)	631,635
Total net assets	<u>\$ 2,722,914</u>	<u>166,626</u>	<u>2,889,540</u>

CITY OF COMMERCE  
Non-Major Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2008

	<u>Water</u>	<u>Cable Television</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ -	43,408	43,408
Total operating revenues	<u>-</u>	<u>43,408</u>	<u>43,408</u>
Operating expenses:			
General and administrative	34,627	228,745	263,372
Operations	77,728	88,793	166,521
Depreciation	<u>289,708</u>	<u>22,959</u>	<u>312,667</u>
Total operating expenses	<u>402,063</u>	<u>340,497</u>	<u>742,560</u>
Operating income (loss)	(402,063)	(297,089)	(699,152)
Transfers in	<u>-</u>	<u>299,805</u>	<u>299,805</u>
Changes in net assets	(402,063)	2,716	(399,347)
Net assets at beginning of year	<u>3,124,977</u>	<u>163,910</u>	<u>3,288,887</u>
Net assets at end of year	<u><u>\$ 2,722,914</u></u>	<u><u>166,626</u></u>	<u><u>2,889,540</u></u>

CITY OF COMMERCE  
Non-Major Enterprise Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2008

	<u>Water</u>	<u>Cable Television</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 74,223	41,812	116,035
Cash payments to suppliers for goods and services	(186,594)	(83,624)	(270,218)
Cash payments to employees	<u>(112,085)</u>	<u>(232,629)</u>	<u>(344,714)</u>
Net cash provided by (used for) operating activities	<u>(224,456)</u>	<u>(274,441)</u>	<u>(498,897)</u>
Cash flows from non-capital financing activities:			
Cash received from other funds	<u>301,915</u>	<u>299,805</u>	<u>601,720</u>
Net cash provided by (used for) non-capital financing activities	<u>301,915</u>	<u>299,805</u>	<u>601,720</u>
Cash flows from capital and related activities:			
Cash paid to acquire capital assets	<u>(77,459)</u>	<u>(20,344)</u>	<u>(97,803)</u>
Net cash provided by (used for) capital and related activities	<u>(77,459)</u>	<u>(20,344)</u>	<u>(97,803)</u>
Net increase (decrease) in cash and cash equivalents	-	5,020	5,020
Cash and cash equivalents at beginning of year	<u>-</u>	<u>37,718</u>	<u>37,718</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>42,738</u>	<u>42,738</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (482,567)	(281,188)	(763,755)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	289,708	-	289,708
Adjustments:			
(Increase) decrease in prepaid items	5,862	-	5,862
(Increase) decrease in accounts receivable	74,223	(1,596)	72,627
Increase (decrease) in accounts payable	(111,682)	12,227	(99,455)
Increase (decrease) in accrued liabilities	<u>-</u>	<u>(3,884)</u>	<u>(3,884)</u>
Net cash provided by (used for) operating activities	<u>\$ (224,456)</u>	<u>(274,441)</u>	<u>(498,897)</u>

There were no noncash capital, financing and investing activities for the year ended June 30, 2008.



## INTERNAL SERVICE FUNDS

Internal service funds are used to account for activities involved in rendering services to departments within the City. Costs of materials and services used are accumulated in this fund and charged to the user departments as such goods are delivered or services rendered.

The City of Commerce has the following Internal Service Funds:

Central Garage Fund – This fund is used to account for the repair and service of City-owned mobile equipment.

Central Stores Fund – This fund is used to account for the acquisition and warehousing of supplies utilized by departments within the City.

CITY OF COMMERCE  
Internal Service Funds

Combining Statement of Net Assets

June 30, 2008

	Central Garage	Central Stores	Totals
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 361,013	137,741	498,754
Total assets	361,013	137,741	498,754
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	137,758	-	137,758
Accrued salaries and benefits	1,258	-	1,258
Total liabilities	139,016	-	139,016
<u>Net Assets</u>			
Unrestricted	221,997	137,741	359,738
Total net assets	\$ 221,997	137,741	359,738

CITY OF COMMERCE  
Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2008

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 747,069	-	747,069
Total operating revenues	<u>747,069</u>	<u>-</u>	<u>747,069</u>
Operating expenses:			
General and administrative	362,078	-	362,078
Operations	<u>381,433</u>	<u>-</u>	<u>381,433</u>
Total operating expenses	<u>743,511</u>	<u>-</u>	<u>743,511</u>
Income (loss) before transfers	3,558	-	3,558
Net assets at beginning of year	<u>218,439</u>	<u>137,741</u>	<u>356,180</u>
Net assets at end of year	<u><u>\$ 221,997</u></u>	<u><u>137,741</u></u>	<u><u>359,738</u></u>

CITY OF COMMERCE  
Internal Service Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2008

	Central Garage	Central Stores	Totals
Cash flows from operating activities:			
Cash received from user departments	\$ 747,217	-	747,217
Cash payments to suppliers for goods and services	(297,475)	-	(297,475)
Cash payments to employees	<u>(370,857)</u>	<u>-</u>	<u>(370,857)</u>
Net cash provided by (used for) operating activities	<u>78,885</u>	<u>-</u>	<u>78,885</u>
Cash flows from non-capital financing activities:			
Cash received from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	78,885	-	78,885
Cash and cash equivalents at beginning of year	<u>282,128</u>	<u>137,741</u>	<u>419,869</u>
Cash and cash equivalents at end of year	<u>\$ 361,013</u>	<u>137,741</u>	<u>498,754</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 3,558	-	3,558
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Adjustments:			
(Increase) decrease in accounts receivable	148	-	148
Increase (decrease) in accounts payable	83,958	-	83,958
Increase (decrease) in accrued liabilities	<u>(8,779)</u>	<u>-</u>	<u>(8,779)</u>
Net cash provided by (used for) operating activities	<u>\$ 78,885</u>	<u>-</u>	<u>78,885</u>

There were no noncash capital, financing and investing activities for the year ended June 30, 2008.

## AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for an individual, private organizations and other governmental units. The agency funds and their purposes are as follows:

The City of Commerce has the following agency fund:

Cash Deposits Fund - To account for cash deposits where the City acts as an agent for debt service activity.

CITY OF COMMERCE  
Cash Deposits Agency Fund

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2008

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
<u>Assets</u>				
Cash and investments	\$ 514,308	2,288	-	516,596
Accounts receivable	<u>1,600</u>	<u>-</u>	<u>1,600</u>	<u>-</u>
Total assets	<u>\$ 515,908</u>	<u>2,288</u>	<u>1,600</u>	<u>516,596</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,456	-	5,456	-
Deposits payable	<u>510,452</u>	<u>6,144</u>	<u>-</u>	<u>516,596</u>
Total liabilities	<u>\$ 515,908</u>	<u>6,144</u>	<u>5,456</u>	<u>516,596</u>

STATISTICAL SECTION

CITY OF COMMERCE  
Net Assets by Component  
Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:				
Invested in capital assets, net of related debt	(80,164,000)	(29,578,541)	(35,988,743)	(57,251,831)
Restricted	121,522,451	86,626,421	74,367,830	10,920,863
Unrestricted	<u>21,040,670</u>	<u>21,826,673</u>	<u>49,830,630</u>	<u>139,147,166</u>
Total governmental activities net assets	<u>62,399,121</u>	<u>78,874,553</u>	<u>88,209,717</u>	<u>92,816,198</u>
Business-type activities:				
Invested in capital assets, net of related debt	7,507,704	9,161,881	9,717,831	9,205,642
Restricted	-			
Unrestricted	<u>4,074,831</u>	<u>1,363,291</u>	<u>848,744</u>	<u>(173,361)</u>
Total business-type activities net assets	<u>11,582,535</u>	<u>10,525,172</u>	<u>10,566,575</u>	<u>9,032,281</u>
Primary government:				
Invested in capital assets, net of related debt	(72,656,296)	(20,416,660)	(26,270,912)	(48,046,189)
Restricted	121,522,451	86,626,421	74,367,830	10,920,863
Unrestricted	<u>25,115,501</u>	<u>23,189,964</u>	<u>50,679,374</u>	<u>138,973,805</u>
Total primary government net assets	<u>73,981,656</u>	<u>89,399,725</u>	<u>98,776,292</u>	<u>101,848,479</u>

*The City of Commerce implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.*



CITY OF COMMERCE  
Changes in Net Assets  
Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses:				
Governmental activities:				
General government	19,216,052	14,440,629	16,891,474	15,824,307
Public safety	13,694,828	12,798,953	13,741,711	14,671,657
Public works	2,318,999	2,119,550	2,863,690	3,197,631
Community development	6,574,946	6,034,767	6,429,943	7,028,967
Parks and Recreation	9,387,845	10,309,407	10,158,100	10,633,778
Library	2,402,587	2,554,010	2,862,061	3,220,489
Interest on long-term debt	10,444,185	9,299,836	9,101,258	9,684,698
Total governmental activities expenses	<u>64,039,442</u>	<u>57,557,152</u>	<u>62,048,237</u>	<u>64,261,527</u>
Business-type activities:				
Citadel Authority				
Transit	3,051,138	3,330,525	3,285,381	3,682,946
Water	583,008	528,814	459,317	402,063
Cable Television	280,934	320,510	342,295	340,497
Total business-type activities expenses	<u>3,915,080</u>	<u>4,179,849</u>	<u>4,086,993</u>	<u>4,425,506</u>
Total primary government expenses	<u>67,954,522</u>	<u>61,737,001</u>	<u>66,135,230</u>	<u>68,687,033</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	445,845	2,656,244	2,506,530	862,446
Public safety	197,343	-	-	161,491
Public works	392,123	206,527	215,474	-
Community development	1,461,203	-	674,996	2,204,296
Library	40,958	35,957	32,373	61,536
Parks and recreation	432,165	423,820	473,395	486,158
Operating grants and contributions	1,811,158	2,616,670	3,091,095	4,847,995
Capital grants and contributions	207,970	-	-	400,000
Total governmental activities program revenues	<u>4,988,765</u>	<u>5,939,218</u>	<u>6,993,863</u>	<u>9,023,922</u>
Business-type activities:				
Charges for services:				
Transit	-	-	-	-
Water	-	-	-	-
Cable Television	56,712	50,587	61,440	43,408
Operating grants and contributions	1,356,282	1,357,140	1,341,483	1,316,695
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,412,994</u>	<u>1,407,727</u>	<u>1,402,923</u>	<u>1,360,103</u>

CITY OF COMMERCE  
Changes in Net Assets  
Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total primary government program revenues	<u>6,401,759</u>	<u>7,346,945</u>	<u>8,396,786</u>	<u>10,384,025</u>
Net revenues (expenses):				
Governmental activities	(59,050,677)	(51,617,934)	(55,054,374)	(55,237,605)
Business-type activities	<u>(2,502,086)</u>	<u>(2,772,122)</u>	<u>(2,684,070)</u>	<u>(3,065,403)</u>
Total net revenues (expenses)	<u>(61,552,763)</u>	<u>(54,390,056)</u>	<u>(57,738,444)</u>	<u>(58,303,008)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Casino license tax	17,428,322	19,081,838	21,221,796	22,667,115
Property taxes	18,566,291	14,417,628	15,766,275	15,484,157
Sales tax	10,676,245	14,711,153	15,915,922	16,353,317
Business License tax	826,069			
Franchise taxes	1,112,744	1,199,544	1,239,109	1,157,899
Transient occupancy taxes	-	981,102	2,045,918	2,187,982
Motor vehicle in lieu, unrestricted	287,356	914,608	896,548	954,809
Rental Income	1,740,100	-	-	-
Investment income	3,542,248	4,165,719	4,681,652	4,585,456
Sale of property	9,614,151	-	-	-
Intergovernmental, unrestricted	-	3,602,205	1,788,110	1,644,693
Miscellaneous revenues	(1,706,613)	2,356,042	3,386,308	1,627,044
Transfers	<u>(1,544,990)</u>	<u>(1,933,319)</u>	<u>(2,725,473)</u>	<u>(1,531,109)</u>
Total governmental activities	<u>60,541,923</u>	<u>59,496,520</u>	<u>64,216,165</u>	<u>65,131,363</u>
Business-type activities:				
Investment income	4,004	-	-	-
Transfers	<u>1,544,990</u>	<u>1,933,319</u>	<u>2,725,473</u>	<u>1,531,109</u>
Total business-type activities	<u>1,548,994</u>	<u>1,933,319</u>	<u>2,725,473</u>	<u>1,531,109</u>
Total primary government	<u>62,090,917</u>	<u>61,429,839</u>	<u>66,941,638</u>	<u>66,662,472</u>
Changes in net assets				
Governmental activities	1,491,246	7,878,586	9,161,791	9,893,758
Business-type activities	<u>(953,092)</u>	<u>(838,803)</u>	<u>41,403</u>	<u>(1,534,294)</u>
Total primary government	<u>538,154</u>	<u>7,039,783</u>	<u>9,203,194</u>	<u>8,359,464</u>

*The City of Commerce implemented GASB 34 for the fiscal year ended June 30, 2003.  
Information prior to the implementation of GASB 34 is not available.*

CITY OF COMMERCE  
Fund Balances of Governmental Funds  
Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund:				
Reserved	12,796,287	12,243,762	14,102,208	12,580,739
Unreserved	<u>3,639,316</u>	<u>8,709,875</u>	<u>9,405,130</u>	<u>12,462,392</u>
Total general fund	<u>16,435,603</u>	<u>20,953,637</u>	<u>23,507,338</u>	<u>25,043,131</u>
All other governmental funds:				
Reserved	85,475,440	63,230,125	79,616,682	81,299,408
Unreserved, reported in:				
Special revenue funds	8,126,202	14,034,613	15,361,611	23,782,402
Debt service funds	26,220,659	57,900,984	59,701,697	63,934,115
Capital projects funds	<u>9,888,801</u>	<u>(2,342,763)</u>	<u>(19,868,092)</u>	<u>45,020,349</u>
Total all other governmental funds	<u>129,711,102</u>	<u>132,822,959</u>	<u>134,811,898</u>	<u>214,036,274</u>

*The City of Commerce has elected to show only four years of data for this schedule.*

CITY OF COMMERCE  
Changes in Fund Balances of Governmental Funds  
Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
<b>Revenues:</b>				
Taxes	30,355,280	34,629,662	38,514,264	39,821,812
Casino license tax	17,428,322	19,081,838	21,221,796	22,667,115
Licenses and permits	2,288,926	2,656,229	2,506,530	3,102,448
Fines and forfeitures	195,688	206,527	215,474	161,491
Investment income	3,560,792	4,165,719	5,378,004	4,573,986
Rental income	483,611	1,223,947	936,585	723,613
Intergovernmental	1,003,139	3,602,205	2,360,915	3,313,647
Charges for services	1,061,616	1,329,154	1,197,648	1,407,376
Activity Fees	1,740,100	459,777	505,768	547,694
Sale of Citadel / Property	24,000,000	-	-	-
Other	7,355,307	2,450,054	2,373,403	2,831,191
Total revenues	<u>89,472,781</u>	<u>69,805,112</u>	<u>75,210,387</u>	<u>79,150,373</u>
<b>Expenditures</b>				
Current:				
General government	19,258,191	15,008,572	17,612,838	18,211,676
Public safety	13,680,741	12,772,565	13,285,301	14,644,542
Public works	2,172,772	1,973,538	2,768,577	3,311,795
Community development	2,832,456	5,949,287	6,216,382	6,109,380
Library	2,379,117	2,505,707	2,767,002	3,186,168
Parks, recreation and culture	8,434,528	9,017,017	9,820,714	10,365,481
Capital outlay	3,717,264	127,282	245,274	1,636,332
Debt service:				
Principal retirement	19,771,571	4,597,180	6,112,623	5,150,560
Interest and fiscal charges	9,257,685	10,109,154	7,597,938	7,645,536
Bond Issuance Costs				2,392,879
Payment to bond escrow agent				5,297,255
Pass-through payments	-	-	1,325,248	2,006,249
Total expenditures	<u>81,504,325</u>	<u>62,060,302</u>	<u>67,751,897</u>	<u>79,957,853</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,968,456</u>	<u>7,744,810</u>	<u>7,458,490</u>	<u>(807,480)</u>
<b>Other financing sources (uses):</b>				
Transfers in	23,763,879	25,055,015	30,205,114	34,049,740
Transfers out	(25,308,869)	(26,988,334)	(32,947,592)	(35,580,849)
Issuance of bonds	15,040,000	-	-	138,915,753
Payment to bond escrow agent	-	-	-	(56,008,368)
Total other financing sources (uses)	<u>13,495,010</u>	<u>(1,933,319)</u>	<u>(2,742,478)</u>	<u>81,376,276</u>
Net change in fund balances	<u>21,463,466</u>	<u>5,811,491</u>	<u>4,716,012</u>	<u>80,568,796</u>
<b>Debt service as a percentage of noncapital expenditures</b>				
	18.5%	22.3%	19.2%	20.4%

*The City of Commerce has elected to show only four years of data for this schedule.*

CITY OF COMMERCE  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (in thousands of dollars)

Fiscal Year Ended	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions <sup>1</sup>		Secured	Unsecured	Less: Exemptions <sup>1</sup>		
1998	1,308,082	428,494		1,736,576	680,310	186,120		866,430	0.094%
1999	1,352,895	442,670		1,795,565	678,209	192,814		871,023	0.093%
2000	674,459	463,930		1,138,389	1,433,855	257,978		1,691,833	0.093%
2001	689,623	213,467		903,090	1,503,548	503,844		2,007,392	0.093%
2002	731,250	215,343	-	946,593	1,537,721	570,229	-	2,107,950	0.093%
2003	761,975	240,177	-	1,002,152	1,651,740	548,550	-	2,200,290	0.093%
2004	791,554	241,666	-	1,033,220	1,725,449	530,185	-	2,255,634	0.093%
2005	847,413	234,456	-	1,081,869	1,801,403	491,620	-	2,293,023	0.093%
2006	897,076	238,531	-	1,135,607	2,006,696	487,645	-	2,494,341	0.093%
2007	950,650	235,577	-	1,186,227	2,082,111	486,053	-	2,568,164	0.093%
2008	957,294	213,131	-	1,170,425	2,266,652	474,724	-	2,741,376	0.093%

<sup>1</sup> Beginning with the fiscal year ended June 30, 2002, exemptions are netted directly against the individual property categories.

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Commerce County Assessor's Office

CITY OF COMMERCE  
 Direct and Overlapping Property Tax Rates  
 (Rate per \$100 of assessed value)  
 Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Direct Rates:										
City basic rate	0.068	0.068	0.068	0.068	0.068	0.068	0.068	0.068	0.068	0.068
Redevelopment agency	<u>0.026</u>	<u>0.026</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>
Total City Direct Rate	0.094	0.094	0.093	0.093	0.093	0.093	0.093	0.093	0.093	0.093
Overlapping Rates:										
LA Detention Facilities	0.009	0.009	0.009	0.009	0.008	0.007	0.006	0.006	0.006	0.006
Commerce Sanitary District	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003
Commerce Unified School District	0.002	0.001	0.004	0.008	0.008	0.010	0.013	0.012	0.012	0.012
Commerce Unified School District Bonds	0.011	0.011	0.006	0.002	0.002	0.008	0.006	0.008	0.007	0.008
County of Commerce	<u>0.837</u>	<u>0.838</u>	<u>0.837</u>	<u>0.834</u>	<u>0.835</u>	<u>0.834</u>	<u>0.832</u>	<u>0.833</u>	<u>0.834</u>	<u>0.834</u>
Total Direct Rate	<u>0.956</u>	<u>0.956</u>	<u>0.952</u>	<u>0.949</u>	<u>0.949</u>	<u>0.955</u>	<u>0.953</u>	<u>0.955</u>	<u>0.955</u>	<u>0.956</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the Example Unified School District bonds.

Source: Los Angeles County Assessor's Office

CITY OF COMMERCE  
Principal Property Tax Payers  
Current Year and Nine Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
AMB Institutional Alliance Fund II	\$ 134,801,356	3.45%		
California Commerce Club Inc.	103,665,790	2.65%	47,074,323	1.77%
Rreef America Reit II Corporation	85,170,000	2.18%		
LIT Commerce Distribution Center	82,384,568	2.11%		
Craig Realty Group Citadel LLC	84,603,246	2.16%		
PRI Garfield Industrial California LLC	56,725,000	1.45%		
Certified Grocers of CA Limited	51,000,937	1.30%	25,542,629	0.96%
Safeway Inc.	48,817,736	1.25%	19,515,931	0.73%
ARI COP 17 LLC	45,265,722	1.16%		
Smart & Final Properties	43,749,076	1.12%	32,642,290	1.12%
Cenveo Commercial Printing Inc.	43,283,512	1.11%		
AP Commerce LLC	34,032,875	0.87%		
Hills Pet Nutrition Inc.	26,614,162	0.68%	20,459,347	0.79%
5777 Smithway Commerce LLC	24,480,000	0.63%		
PeachTree Commerce LLC	23,000,000	0.59%		
Ashland Chemical Inc.	22,266,222	0.57%	6,229,408	0.24%
Sinclair Ameritone Paint Corporation	21,708,557	0.55%	11,390,000	0.44%
CG Lina Paper Box LLC	21,608,700	0.55%		
Zvi & Betty A. Ryzman	20,237,066	0.52%	5,000,000	0.19%
99 Cents Only Stores	19,091,297	0.49%		
Glidden Company	18,479,831	0.47%	6,969,111	0.26%
Newark Group Industries Inc.	16,792,603	0.43%	-	0.00%
	<u>\$1,027,778,256</u>	<u>26.27%</u>	<u>\$ 174,823,039</u>	<u>6.49%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Los Angeles County Assessor's Office

CITY OF COMMERCE  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of Levy Amount	Percent of Levy		Amount	Percent of Levy
1998	8,110,284	7,777,592	95.90%	332,717	8,110,309	100.00%
1999	8,119,033	7,940,412	97.80%	268,071	8,208,483	101.10%
2000	10,026,248	9,643,471	96.18%	379,499	10,022,970	99.97%
2001	10,440,044	10,015,905	95.94%	171,099	10,187,004	97.58%
2002	12,276,469	11,802,706	96.14%	679,652	12,482,358	101.68%
2003	13,521,455	12,831,098	94.89%	302,050	13,133,148	97.13%
2004	13,772,509	13,221,376	96.00%	370,895	13,592,271	98.69%
2005	15,369,274	14,753,256	95.99%	576,026	15,329,282	99.74%
2006	17,543,210	16,463,952	93.85%	648,182	17,112,134	97.54%
2007	17,181,443	16,908,962	98.41%	1,292,831	18,201,793	105.94%
2008	17,255,072	17,142,440	99.35%	398,321	17,540,761	101.66%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Source: Los Angeles County Auditor Controller's Office



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CITY OF COMMERCE  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds <sup>1</sup>	Loans	
2000	1,568,505	79,994,813	6,627,582	88,190,900
2001	15,173,765	76,724,813	7,115,713	99,014,291
2002	16,382,567	82,615,022	6,936,563	105,934,152
2003	15,883,799	80,445,350	755,609	97,084,758
2004	9,165,361	130,739,677	572,813	140,477,851
2005	2,017,217	134,902,307	444,387	137,363,911
2005	2,017,217	134,902,307	444,387	137,363,911
2006	1,811,833	132,535,789	332,795	134,680,417
2007	558,891	129,739,897	219,249	130,518,037
2008	440,005	147,340,000	105,703	147,885,708

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> The City issued over \$72 million of tax allocation bonds in 2007 (not all was new monies).

<sup>2</sup> These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities					
Water Revenue Bonds	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
1,804,527	28,000,000	29,804,527	117,995,427	70.03%	9,051
1,491,855	28,000,000	29,491,855	128,506,146	79.80%	10,590
1,164,183	28,000,000	29,164,183	135,098,335	77.73%	10,749
826,509	24,050,953	24,877,462	121,962,220	62.53%	9,358
468,836	-	468,836	140,946,687	70.50%	10,815
-	-	-	137,363,911	66.82%	10,540
-	-	-	137,363,911	67.01%	10,272
-	-	-	134,680,417	63.76%	10,032
-	-	-	130,518,037	59.42%	9,642
-	-	-	147,885,708	63.82%	10,718

CITY OF COMMERCE  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds	Loans	
1998	685,145	85,704,813	6,593,750	92,983,708
1999	514,862	83,114,813	6,418,750	90,048,425
2000	1,568,505	79,994,813	6,627,582	88,190,900
2001	15,173,765	76,724,813	7,115,713	99,014,291
2002	16,382,567	82,615,022	6,936,563	105,934,152
2003	15,883,799	80,445,350	755,609	97,084,758
2004	9,165,361	130,739,677	572,813	140,477,851
2005	2,017,217	134,902,307	444,387	137,363,911
2006	1,811,833	132,535,789	332,795	134,680,417
2007	558,891	129,739,897	219,249	130,518,037

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>1</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF COMMERCE

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years  
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
1998	685	85,705	86,390	3.32%	53
1999	514,862	83,114,813	83,629,675	3.14%	39
2000	1,568,505	79,994,813	81,563,318	2.88%	129
2001	15,173,765	76,724,813	91,898,578	3.16%	1207
2002	16,382,567	82,615,022	98,997,589	3.24%	1257
2003	15,883,799	80,445,350	96,329,149	3.01%	1219
2004	9,165,361	130,739,677	139,905,038	4.25%	703
2005	2,017,217	134,902,307	136,919,524	4.06%	151
2006	1,811,833	132,535,789	134,347,622	3.68%	88
2007	558,891	129,739,897	130,298,788	3.47%	97
2008	440,005	147,340,000	147,780,005	3.78%	107

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>1</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF COMMERCE  
Direct and Overlapping Debt

June 30, 2008

City Assessed Valuation	\$ 1,170,425,000
Redevelopment Agency Incremental Valuation	<u>2,741,376,000</u>
Total Assessed Valuation	<u>\$ 3,911,801,000</u>

	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/08	Estimated Share of Overlapping Debt
<b>Overlapping Debt Repaid with Property Taxes:</b>			
Los Angeles Flood Contruction Storm Drains	0.250%	345,000	863
Metropolitan Water District -- Central Basin	0.321%	156,684,209	502,956
Los Angeles Unified School District	0.062%	6,392,025,000	3,963,056
Los Angeles City Community College District	0.755%	1,002,474,898	7,568,685
Montebello Unified School District	31.395%	111,767,501	35,089,407
City of Commerce Community Development Commission	100.000%	59,915,000	59,915,000
City of Commerce Joint Powers Financing Authority	100.000%	<u>86,445,000</u>	<u>86,445,000</u>
<b>Total direct and overlapping debt</b>		<u>7,809,656,608</u>	<u>193,484,967</u>

Notes:

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

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CITY OF COMMERCE  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

	Fiscal Year			
	1999	2000	2001	2002
Assessed valuation	2,666,588,000	2,830,222,000	2,910,482,000	3,054,543,000
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	666,647,000	707,555,500	727,620,500	763,635,750
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	99,997,050	106,133,325	109,143,075	114,545,363
Total net debt applicable to limit: General obligation bonds	<u>514,862</u>	<u>1,568,505</u>	<u>15,173,765</u>	<u>16,382,567</u>
Legal debt margin	<u>99,482,188</u>	<u>104,564,820</u>	<u>93,969,310</u>	<u>98,162,796</u>
Total debt applicable to the limit as a percentage of debt limit	0.5%	1.5%	13.9%	14.3%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department  
 Los Angeles County Tax Assessor's Office



Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
3,202,442,000	3,288,854,000	3,374,892,000	3,629,948,000	3,754,391,000	3,911,801,000
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
800,610,500	822,213,500	843,723,000	907,487,000	938,597,750	977,950,250
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
120,091,575	123,332,025	126,558,450	136,123,050	140,789,663	146,692,538
<u>15,883,799</u>	<u>9,165,361</u>	<u>2,017,217</u>	<u>2,087,820</u>	<u>2,181,772</u>	<u>2,432,676</u>
<u><u>104,207,776</u></u>	<u><u>114,166,664</u></u>	<u><u>124,541,233</u></u>	<u><u>134,035,230</u></u>	<u><u>138,607,891</u></u>	<u><u>144,259,862</u></u>
13.2%	7.4%	1.6%	1.5%	1.5%	1.7%

CITY OF COMMERCE  
Demographic and Economic Statistics  
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1997	12,855	159,865	12,436	9.9%
1998	13,037	168,493	12,924	9.6%
1999	12,135	161,040	13,271	8.9%
2000	12,568	173,805	13,829	8.4%
2001	13,033	195,049	14,966	8.7%
2002	13,033	199,921	15,340	9.8%
2003	13,033	205,587	15,774	10.0%
2004	13,373	204,989	15,329	9.5%
2005	13,425	211,237	15,735	8.3%
2006	13,536	219,648	16,227	8.1%
2007	13,798	231,712	16,793	8.1%

Sources: (1) State Department of Finance  
(2) Office of Economic Development  
(3) State of California Employment Development Department (data shown is for the County)

CITY OF COMMERCE  
Principal Employers  
Current Year and Nine Years Ago

Employer	2008		1999	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
California Commerce Club, Inc.	2,091	3.29%	2,005	3.82%
County of Los Angeles	1,352	2.13%	1,045	1.99%
Smart and Final	858	1.35%	-	0.00%
Parsec, Inc.	832	1.31%	-	0.00%
Unified Western Grocers, Inc.	745	1.17%	925	1.76%
American International Industries	655	1.03%	-	0.00%
99 Cents Only Stores	565	0.89%	267	0.51%
Gruma Corp. Dba Mission Foods	525	0.83%	509	0.97%
Mega Toys	510	0.80%	-	0.00%
Wine Warehouse	329	0.52%	235	0.45%
City of Commerce	323	0.51%	303	0.58%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: City of Commerce

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CITY OF COMMERCE  
 Full-time and Part-time City Employees  
 by Function  
 Last Ten Fiscal Years

<u>Function</u>	Full-time and Part-time Employees as of June 30								
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	63	64	64	69	69	70	72	75	78
Public safety <sup>1</sup>	-	-	-	-	-	-	-	-	-
Public services	36	36	33	32	27	25	27	26	31
Community									
development	19	19	19	14	15	15	18	19	20
Park & Recreation	121	121	124	123	125	126	126	125	124
Library Services	33	32	31	33	33	33	33	35	38
Transportation	<u>30</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>33</u>	<u>33</u>	<u>35</u>	<u>33</u>
 Total	 <u>302</u>	 <u>303</u>	 <u>302</u>	 <u>303</u>	 <u>301</u>	 <u>302</u>	 <u>310</u>	 <u>314</u>	 <u>323</u>

<sup>1</sup> Police and fire services were provided by the County.

Source: City Budget Office

CITY OF COMMERCE

Capital Asset Statistics  
by Function

Last Ten Fiscal Years

	Fiscal Year				
	1998	1999	2000	2001	2002
Police:					
Stations	0	0	0	0	0
Fire:					
Fire stations	3	3	3	3	3
Public services:					
Streets (miles)	121.20	122.08	122.08	122.08	122.08
Streetlights	2,706	2,810	2,842	2,915	2,956
Traffic signals	72	72	73	74	74
Parks and recreation:					
Parks	4	4	4	4	4
Community centers	1	1	1	1	1
Water:					
Water mains (miles)	158.40	158.90	161.44	166.44	167.90
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500	12,500	12,500
Wastewater:					
Sanitary sewers (miles)	167.70	167.80	171.32	175.82	176.90
Storm sewers (miles)	38.10	38.30	42.30	49.30	51.40
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976	6,976	6,976
Library:					
Libraries	4	4	4	4	4

Source: City of Commerce

Fiscal Year				
2003	2004	2005	2006	2007
0	0	0	0	0
3	3	3	3	3
127.14	131.76	132.60	133.10	133.80
2,967	3,039	3,183	3,185	3,188
74	76	76	76	77
4	4	4	4	4
2	2	2	2	2
170.60	172.50	172.90	172.90	173.40
12,500	12,500	12,500	12,500	12,750
178.40	179.15	179.15	179.15	181.25
53.50	57.60	57.60	57.60	58.50
6,976	6,976	6,976	6,976	6,995
4	4	4	4	4

