

CITY OF COMMERCE
Commerce, California

Comprehensive Annual Financial Report

Year ended June 30, 2012

Prepared by

FINANCE DEPARTMENT

VILKO DOMIC

Director of Finance / City Treasurer

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Year ended June 30, 2012

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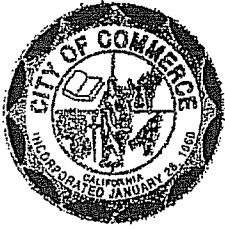
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City of Commerce

Office of the
City Administrator

February 20, 2013

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, 2012. 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, P.C., 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, 2012, are free of material misstatement. The independent audit involved

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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 of Commerce, California's financial statements for the fiscal year ended June 30, 2012, 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 exceeding a residential population of approximately 12,871. 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 five-member City Council is elected on a biennial cycle subject to four-year alternating terms, at large, on a non-partisan basis. The Mayor is selected 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 Sheriff's 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 Community Development Commission (aka the Commerce Redevelopment Agency). The City has accounted for the Agency 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 and 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. The City utilizes an encumbrance accounting system, whereby commitments such as purchase orders are recorded during the year. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are re-appropriated in the ensuing year's budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Local Economy

The City of Commerce economic environment is showing signs of recovery from the Great Recession. Revenues appear to have stabilized, albeit at a much lower level than past years. The City Council continues to focus on diversifying its economic base, 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 revitalization of the Telegraph Corridor are integral policy objectives.

Making the most of the City's resources continues to be for the benefit of the entire community and 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. These 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 increasing at an annual average rate of 2.5%, 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 personnel, related benefit costs and the ongoing cost of operations.

As opposed to preceding years, the Commerce City Council entertained a more reserved 5-year Capital Improvement Project program for FY 12-13. With the knowledge that a "Sales Tax measure" was going before the voters in November 2012, the City Council erred on the side of caution with appropriating additional funding for projects. If the tax increase is approved, it is projected that an additional \$4 to \$5 million will come into play to address capital projects that have been deferred for numerous years. The injection of these new monies would result in an investment never witnessed in this community, reflective of a City Council's commitment to improving, but more importantly, remodeling the "Model City", and in turn increasing the level of service to the community. As a result, the 5-year Financial Forecast becomes even more of an important tool going forward. This document will continue to be a framework 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.

Risk Management

The City is a member of the California Joint Powers Insurance Authority (CJPIA). The CJPIA 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, 2012. 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 law. The employer contribution rate is established and may be amended by CalPERS.

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 125 retired employees receiving benefits. These benefits are financed on a pay-as-you-go basis. GAAP does not require governments to report in their financial statements the entire unfunded actuarial liability to provide these benefits; however, staff acknowledged that all relevant information should be disclosed in this document.

Awards and Acknowledgements

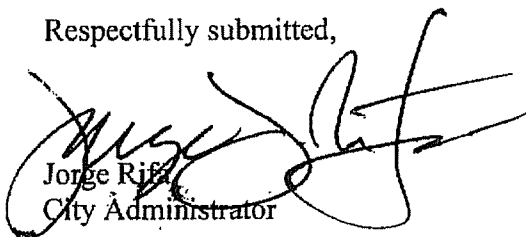
The Government Finance Officers Association (GFOA) did not award a Certificate of Achievement for Excellence in Financial Reporting to the City of Commerce for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. The reason was related to GASB 34 (a capital asset records issue). This matter has been addressed and shouldn't preclude the city from achieving the award for fiscal year ending June 30, 2012. Meaning that the City will publish an easily readable and efficiently organized CAFR and the 2012 report will satisfy both GAAP and applicable legal requirements.

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 would not have been possible.

Respectfully submitted,

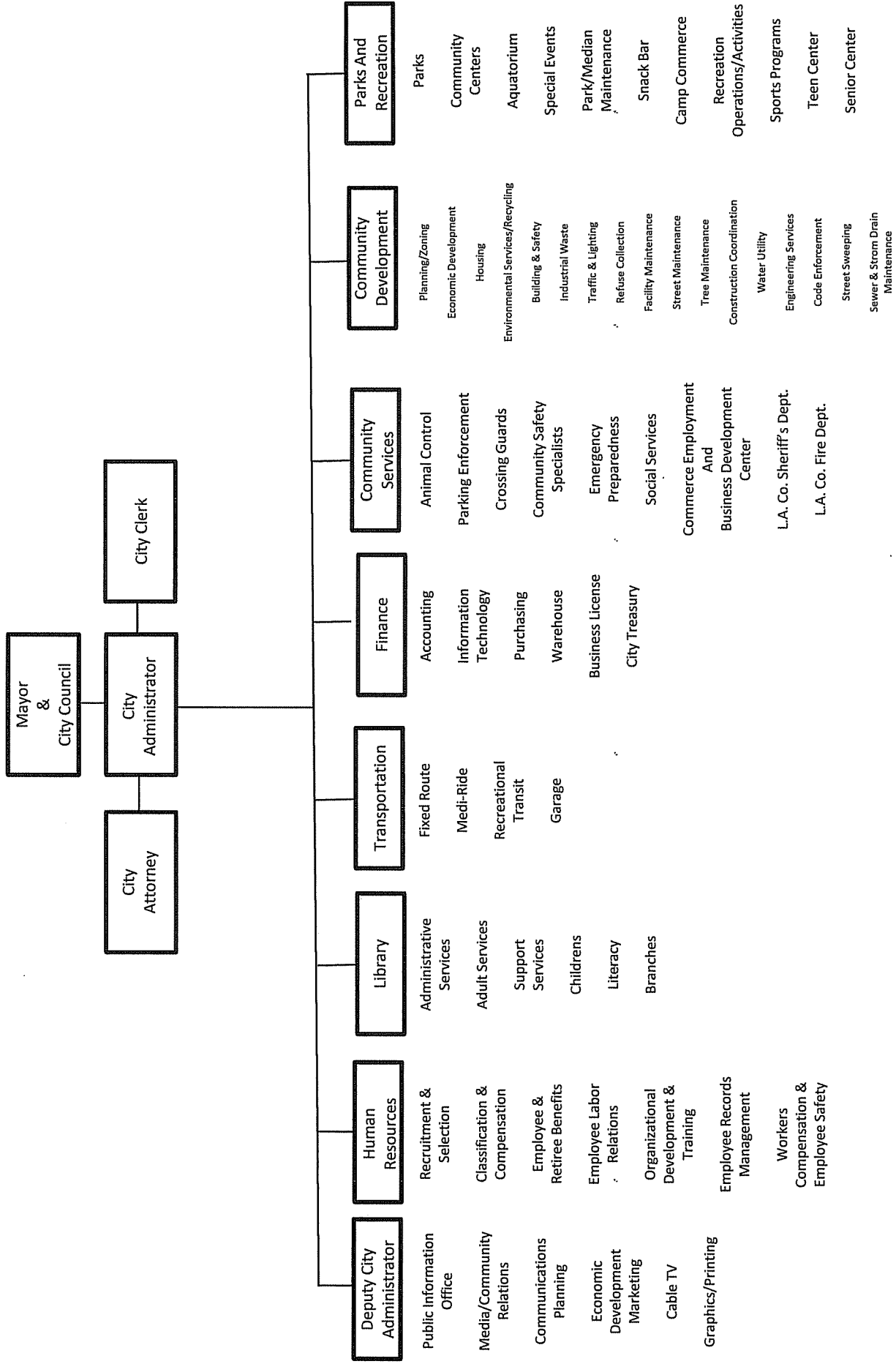


Jorge Riff
City Administrator



Vilko Domic
Director of Finance

City of Commerce Organization Chart



City of Commerce

Directory of Officials

June 30, 2012

CITY COUNCIL

Lilia R. Leon, Mayor
Tina Baca Del Rio, Mayor Pro Tem
Joe Aguilar, Council Member
Ivan Altamirano, Council Member
Denise M. Robles, Council Member

ADMINISTRATION

Jorge Rifa, City Administrator
Linda Kay Olivieri, City Clerk
Eduardo Olivo, City Attorney
Loretta Gutierrez, Interim Director of Community Services
Vilko Domic, Director of Finance
Teresa McAllister, Director of Human Resources
Beatriz Sarmiento, Interim Director of Library Services
Scott Wasserman, Interim Director of Parks and Recreation
Claude McFerguson, Director of Transportation



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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, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Commerce. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Commerce for the year ended June 30, 2011 and, in our report dated February 8, 2012, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Commerce, California, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and the budgetary comparison information listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2013 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.

Mayor Hoffman Mc Cann P.C.

Irvine, California
February 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

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, 2012. 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.

FINANCIAL HIGHLIGHTS

- Net assets, the amount by which total assets exceed total liabilities, equal \$82,987,309.
- The City's total net assets increased by \$5,120,433, due to positive changes in fund balances. Note 17 of the financial statements has additional information on the changes to the fund balances.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$157,094,887, an increase of \$17,352,494 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$36,051,479, or 72% 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.

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.

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 one major enterprise fund, the Transit Funds and two non-major 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 non-major 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 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, 2012 total \$82,987,309. Following is a condensed version of the government-wide statement of net assets.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current and other asset	174,653,718	160,649,411	(2,670,190)	(2,449,688)	171,983,528	158,199,723
Capital assets, net	36,968,455	65,812,979	9,132,834	15,281,149	46,101,289	81,094,128
Total Asset	<u>211,622,173</u>	<u>226,462,390</u>	<u>6,462,644</u>	<u>12,831,461</u>	<u>218,084,817</u>	<u>239,293,851</u>
Liabilities:						
Current Liabilities	7,184,131	16,474,333	523,285	745,292	7,707,416	17,219,625
Long-term Liabilities	127,107,743	124,133,823	282,349	136,626	127,390,092	124,270,449
Total Liabilities	<u>134,291,874</u>	<u>140,608,156</u>	<u>805,634</u>	<u>881,918</u>	<u>135,097,508</u>	<u>141,490,074</u>
Net assets:						
Invested in capital assets net of related debt	41,949,565	(32,579,229)	9,132,834	15,281,149	51,082,399	(17,298,080)
Restricted	2,862,221	27,965,967	-	-	2,862,221	27,965,967
Unrestricted	32,518,513	90,467,496	(3,475,824)	(3,331,606)	29,042,689	87,135,890
Total Net Assets	<u>77,330,299</u>	<u>85,854,234</u>	<u>5,657,010</u>	<u>11,949,543</u>	<u>82,987,309</u>	<u>97,803,777</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.

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 \$5,120,433 in the fiscal year ended June 30, 2012. The increase was split between the governmental activities increase of \$6,286,990 and business-type activities decrease of \$1,166,557. 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 for governmental and business-type activities.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues						
Charges for services	4,454,629	5,373,899	37,817	37,850	4,492,446	5,411,749
Operating grants & contributions	2,343,633	2,296,474	2,457,478	3,018,306	4,801,111	5,314,780
Capital grants & contributions	550,120	607,842	-	-	550,120	607,842
General revenues:						
Casino license tax	21,181,030	20,392,604	-	-	21,181,030	20,392,604
Property tax	9,423,608	17,322,761	-	-	9,423,608	17,322,761
Sales tax	16,459,305	13,108,932	-	-	16,459,305	13,108,932
Franchise taxes	1,017,727	1,009,514	-	-	1,017,727	1,009,514
Transient occupancy taxes	2,096,487	1,922,843	-	-	2,096,487	1,922,843
Motor vehicle in-lieu	1,028,203	1,097,697	-	-	1,028,203	1,097,697
Investment income	3,876,387	1,858,224	118,125	202,500	3,994,512	2,060,724
Miscellaneous revenues	2,718,041	1,261,505	-	-	2,718,041	1,261,505
Extraordinary gain	6,696,994	-	-	-	6,696,994	-
Total revenues	71,846,164	66,252,295	2,613,420	3,258,656	74,459,584	69,510,951
Expenses:						
General government	17,996,527	17,651,539	-	-	17,996,527	17,651,539
Community development	2,269,890	11,021,254	-	-	2,269,890	11,021,254
Public safety	15,583,635	16,205,717	-	-	15,583,635	16,205,717
Public works	6,464,741	5,867,584	-	-	6,464,741	5,867,584
Library	3,001,247	3,970,137	-	-	3,001,247	3,970,137
Parks recreation and culture	8,808,268	8,152,321	-	-	8,808,268	8,152,321
Interest on long-term debt	10,055,429	7,510,228	-	-	10,055,429	7,510,228
Transit	-	-	4,417,649	3,678,189	4,417,649	3,678,189
Water	-	-	491,453	345,153	491,453	345,153
Cable television	-	-	250,312	273,826	250,312	273,826
Total expenses	64,179,737	70,378,780	5,159,414	4,297,168	69,339,151	74,675,948
Excess (deficiency) before transfers	7,666,427	(4,126,485)	(2,545,994)	(1,038,512)	5,120,433	(5,164,997)
Transfers	(1,379,437)	(1,631,273)	1,379,437	1,631,273	-	-
Change in net assets	6,286,990	(5,757,758)	(1,166,557)	592,761	5,120,433	(5,164,997)
Net assets - beginning of year	71,043,309	91,611,992	6,823,567	11,356,782	77,866,876	102,968,774

The total net assets of the City were \$82,987,309 as of June 30, 2012. This represents an increase of \$5,120,433 over the prior year as restated. This change is explained more fully below.

The City's total revenues were \$74,825,334. A significant portion of the governmental revenues came from the Casino license tax (29.33%), property taxes (13.05%) and sales tax (22.79%) of the total governmental revenues of \$72,211,914. A significant portion (94.03%) 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, 2012 was \$69,704,901. The break down by activity as a percentage of total expenses for selected programs is as follows: General government 26.34%, Public safety (police and fire) 22.36%, Interest on long-term debt 14.43%, Parks and Recreation 12.64%, Public works 9.27%, and business type activities accounted for 7.40%.

Change in net assets was \$5,120,433 for the year as compared to last year's change in net assets of (\$5,164,997). Total net assets at the end of the year were \$82,987,309 (net assets at the beginning of the year were restated to \$77,866,876, see note 17 for further details). The City has ample amounts to provide for its outstanding indebtedness.

Governmental activities experienced an increase in net assets of \$6,286,990. This is primarily due to increased revenues as a result of the current economic recovery.

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, 2012, this goal was achieved with the City's total business-type activities having realized an overall decrease in net assets of (\$1,166,557) primarily due to the timing of grant revenue received in the Transit Fund and the planned deficit spending in the Water Fund. These funds are used to pay debt or invest in capital assets.

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

Below is an analysis of the City's major governmental fund activities for the year:

Governmental Funds				
			Amount	Percent
			Increase	Increase
			(Decrease)	(Decrease)
	2012	2011		
Total Fund Equity:				
General Fund	51,324,280	48,742,675	2,581,605	5.3%
Joint Powers Financing Authority	49,137,779	49,868,916	(731,137)	-1.5%
Community Development Commission Debt Service	-	(69,106,836)	69,106,836	-100.0%
General City Capital Projects Fund	50,691,128	53,523,250	(2,832,122)	-5.3%
Community Center Debt Service Fund	4,726,530	4,683,485	43,045	0.9%
Total Fund Equity	155,879,717	87,711,490	68,168,227	-100.5%

The General fund balance increased by \$2,581,605. Increased revenue due to the economic recovery was the primary driver of the increase in fund balance.

The Joint Powers Financing Authority fund balance decreased by \$731,137 primarily due to planned debt repayments.

Community Development Commission Debt Service fund balance decreased \$69,106,836 due to the State imposed dissolution of redevelopment agencies in California.

General City Capital Projects fund balance decreased by \$2,832,122 primarily due to planned spending on projects.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR PROPRIETARY FUNDS

Below is an analysis of the fund equity of the City's proprietary funds:

Proprietary Funds				
			Amount	Percent
			Increase	Increase
			(Decrease)	(Decrease)
	2012	2011		
Net Assets:				
Transit	6,770,483	10,542,267	(3,771,784)	-35.8%
Water	(1,043,203)	1,300,906	(2,344,109)	-180.2%
Cable Television	(70,270)	106,370	(176,640)	-166.1%
Internal Service Funds	127,223	127,224	(1)	0.0%
Total Net Assets	5,784,233	12,076,767	(6,292,534)	-52.1%
Unrestricted Net Assets:				
Transit	(1,539,546)	(1,715,227)	175,681	-10.2%
Water	(1,866,008)	(1,533,812)	(332,196)	21.7%
Cable Television	(70,270)	(82,567)	12,297	-14.9%
Internal Service Funds	127,223	127,224	(1)	0.0%
Total Unrestricted Net Assets	(3,348,601)	(3,204,382)	(144,219)	4.5%

The Transit Fund net assets decreased (\$3,771,784) and unrestricted net assets increased by \$175,681. The key factor in the decrease of nets assets while having an increase in unrestricted net assets is due to the write off of various assets and a reduction in current liabilities.

The Water Fund net assets decreased (\$2,344,109) and unrestricted net assets decreased by (\$332,196). The decrease in net assets is primarily due to the write off of assets.

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.

The General Fund is the chief operating fund of the City, which is used to account for all discretionary revenues and expenditures necessary to carryout basic government functions that are not accounted for through other special revenue and grant funds. Year-to-date revenues, including transfers-in, totaled \$50,547,290. This is a 4.74% increase when compared to last year's revenue total of \$48,258,334. The recovery of the current economy is attributable to the increase. The largest revenue source was Taxes, which includes both sales taxes and property taxes at \$23,441,114 which increased 18.91% or \$3,568,028 compared to the prior year. Casino license tax was up by 3.87% or \$788,426 when compared to the prior year. The increase reflects the increase in consumer spending due to the recovery of the current local and global economies and the stabilization of real estate values. General Fund expenditures totaled \$47,965,685, including transfer out, and were within the budgeted totals for the fiscal year.

Debt Administration

Below is a schedule of the changes to the City's long-term debt:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
Governmental Activities				
1994 Tax Allocation Refunding Bonds	755,000		(755,000)	-
1998 Tax Allocation Refunding Bonds	7,685,000		(7,685,000)	-
2003 JPFA Tax Revenue Bonds	48,230,000		(1,070,000)	47,160,000
2004 Lease Revenue Bonds	13,175,000		(340,000)	12,835,000
2007 JPFA Revenue Bonds	60,300,000		(2,900,000)	57,400,000
Unamortized Bond Costs	(7,773,958)		7,773,958	-
Other Post Employment Benefits	5,386,519	2,397,927	(1,179,024)	6,605,422
Claims Payable	650,719		(255,591)	395,128
Capital leases	36,902		(36,902)	-
Compenstated absences	2,691,806	1,770,433	(1,750,046)	2,712,193
Total Long-Term Obligations - Governmental Activities	131,136,988	4,168,360	(8,197,605)	127,107,743
Business Activities				
Compensated Absences	247,840	178,607	(144,098)	282,349
Total Long-Term Obligations	131,384,828	4,346,967	(8,341,703)	127,390,092

As can be seen from the table above, the City has implemented a variety of debt financing mechanisms to finance projects. Information on the long-term liabilities is discussed further in Note 6 of the Financial Statements.

Capital Assets

Below is a schedule of the City's capital assets, net of accumulated depreciation:

	June 30, 2012	June 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 2,599,680	\$ 9,410,505	\$ (6,810,825)	-72.4%
Construction in progress	1,143,196	1,590,000	(446,804)	-28.1%
Buildings	39,279,053	39,279,053	-	0.0%
Improvements other than buildings	7,099,233	13,798,550	(6,699,317)	-48.6%
Infrastructure	79,252,545	79,252,545	-	0.0%
Machinery and equipment	2,571,761	2,730,767	(159,006)	-5.8%
Less accumulated depreciaiton	(94,977,013)	(94,711,562)	(265,451)	0.3%
Net capital assets	\$ 36,968,455	\$ 51,349,858	\$ (14,381,403)	

	June 30, 2012	June 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
Business Activities:				
Land	\$ 334,099	\$ 334,099	\$ -	0.0%
Machinery and equipment	7,041,552	7,041,552	-	0.0%
Water rights	2,141,222	2,141,222	-	0.0%
Building and improvements	11,202,635	11,202,635	-	0.0%
Less accumulated depreciaiton	(11,586,674)	(10,623,906)	(962,768)	9.1%
	\$ 9,132,834	\$ 10,095,602	\$ (962,768)	

Governmental capital assets decreased as depreciation of assets exceeded the amount of new purchases for improvements, construction in progress and machinery and equipment. Business-type activity capital assets increased due primarily to construction in progress. See note 5 for further details on capital assets

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Commerce's economy is clearly linked to the national, state, and regional economy. While the City is moving forward with a transformation in its economical base, its local economy is impacted by the global economy, with resultant recurring revenue fluctuations. Most forecasters are predicting a continued slow economic recovery in 2013. 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 2012-2013 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, 2012
(with comparative information for the prior year)

	Governmental	Business-type	Totals	
	Activities	Activities	2012	2011
Assets:				
Cash and investments (note 2)	\$ 28,621,665	-	28,621,665	57,036,740
Cash and investments with fiscal agent (note 2)	6,811,110	-	6,811,110	17,529,108
Interest receivable	44,201	-	44,201	286,968
Accounts receivable	2,424,970	70,259	2,495,229	2,273,051
Unamortized bond issuance costs	134,085	-	134,085	2,033,948
Due from other governments	2,407,164	567,695	2,974,859	4,452,353
Internal balances	6,008,144	(6,008,144)	-	-
Receivable from Successor Agency (note 7)	115,565,000	2,700,000	118,265,000	-
Loans and leases receivable	482,572	-	482,572	172,911
Prepaid items and deposits	147,457	-	147,457	412,887
Property held for resale	1,053,000	-	1,053,000	63,428,172
Investment in joint venture (note 12)	10,954,350	-	10,954,350	10,573,585
Capital assets (note 5):				
Nondepreciable	3,105,259	334,099	3,439,358	19,301,236
Depreciable, net	<u>33,863,196</u>	<u>8,798,735</u>	<u>42,661,931</u>	<u>61,792,892</u>
Total assets	<u>211,622,173</u>	<u>6,462,644</u>	<u>218,084,817</u>	<u>239,293,851</u>
Liabilities:				
Accounts payable	4,759,168	456,858	5,216,026	6,852,220
Accrued salaries and benefits	425,470	66,427	491,897	375,258
Interest payable	1,961,409	-	1,961,409	2,221,783
Deposits payable	38,084	-	38,084	267,590
Due to other governments	-	-	-	942,648
Unearned revenue	-	-	-	96,466
Noncurrent liabilities (note 6)				
Due within one year	5,213,732	84,431	5,298,163	6,463,660
Due in more than one year	<u>121,894,011</u>	<u>197,918</u>	<u>122,091,929</u>	<u>124,270,449</u>
Total liabilities	<u>134,291,874</u>	<u>805,634</u>	<u>135,097,508</u>	<u>141,490,074</u>
Net assets:				
Invested in capital assets, net of related debt	41,949,565	9,132,834	51,082,399	(17,298,080)
Restricted for:				
Housing	1,013,400	-	1,013,400	25,612,652
Redevelopment	-	-	-	2,075,228
Public safety	156,563	-	156,563	231,369
Public works	1,985,000	-	1,985,000	46,718
Unrestricted	<u>32,225,771</u>	<u>(3,475,824)</u>	<u>28,749,947</u>	<u>87,135,890</u>
Total net assets	<u>\$ 77,330,299</u>	<u>5,657,010</u>	<u>82,987,309</u>	<u>97,803,777</u>

See accompanying notes to the basic financial statements.

Statement of Activities
Year ended June 30, 2012
(with comparative information for the prior year)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 17,996,527	351,962	-	-
Community development	2,269,890	637,061	262,423	163,426
Public safety	15,583,635	729,369	161,288	-
Public works	6,464,741	2,042,031	1,343,259	386,694
Library	3,001,247	26,827	23,075	-
Parks, recreation and culture	8,808,268	667,379	553,588	-
Interest on long-term debt	10,055,429	-	-	-
Total governmental activities	64,179,737	4,454,629	2,343,633	550,120
Business-type activities:				
Transit	4,417,649	373,547	2,083,931	-
Water	491,453	-	-	-
Cable television	250,312	37,817	-	-
Total business-type activities	5,159,414	411,364	2,083,931	-
Total	\$ 69,339,151	4,865,993	4,427,564	550,120

General revenues:

Taxes:

Casino license tax

Property taxes

Sales taxes

Franchise taxes

Transient occupancy taxes

Motor vehicle in lieu, unrestricted

Investment income

Miscellaneous revenues

Extraordinary gain (note 19)

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated (note 17)

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	
		2012	2011
(17,644,565)	-	(17,644,565)	(17,651,539)
(1,206,980)	-	(1,206,980)	(9,850,310)
(14,692,978)	-	(14,692,978)	(14,782,514)
(2,692,757)	-	(2,692,757)	(1,514,672)
(2,951,345)	-	(2,951,345)	(3,874,525)
(7,587,301)	-	(7,587,301)	(6,916,777)
(10,055,429)	-	(10,055,429)	(7,510,228)
(56,831,355)	-	(56,831,355)	(62,100,565)
-	(1,960,171)	(1,960,171)	(659,883)
-	(491,453)	(491,453)	(345,153)
-	(212,495)	(212,495)	(235,976)
-	(2,664,119)	(2,664,119)	(1,241,012)
(56,831,355)	(2,664,119)	(59,495,474)	(63,341,577)
21,181,030	-	21,181,030	20,392,604
9,423,608	-	9,423,608	17,322,761
16,459,305	-	16,459,305	13,108,932
1,017,727	-	1,017,727	1,009,514
2,096,487	-	2,096,487	1,922,843
1,028,203	-	1,028,203	1,097,697
3,876,387	118,125	3,994,512	2,060,724
2,718,041	-	2,718,041	1,261,505
6,696,994	-	6,696,994	-
(1,379,437)	1,379,437	-	-
63,118,345	1,497,562	64,615,907	58,176,580
6,286,990	(1,166,557)	5,120,433	(5,164,997)
71,043,309	6,823,567	77,866,876	102,968,774
<u>\$ 77,330,299</u>	<u>5,657,010</u>	<u>82,987,309</u>	<u>97,803,777</u>

CITY OF COMMERCE
Governmental Funds - Balance Sheet
June 30, 2012
(with comparative information for the prior year)

	General	Debt Service Funds		
		Joint Powers Financing Authority	Community Center	Community Development Commission
Cash and investments	\$ 27,436,339	715,621	-	-
Cash and investments with fiscal agent	-	1,077,158	5,733,952	-
Interest receivable	30,585	-	13,616	-
Accounts receivable	2,424,970	-	-	-
Due from other governments	2,242,131	-	-	-
Due from other funds (note 7)	9,025,073	-	-	-
Advances to other funds	-	-	-	-
Receivable from Successor Agency	15,100,000	47,345,000	-	-
Loans and leases receivable	25,344	-	-	-
Prepaid items and deposits	147,457	-	-	-
Property held for resale	-	-	-	-
Total assets	\$ 56,431,899	49,137,779	5,747,568	-
Accounts payable	\$ 4,151,677	-	-	-
Accrued salaries and benefits	415,896	-	-	-
Deposits payable	38,084	-	-	-
Due to other governments	-	-	-	-
Due to other funds (note 7)	-	-	1,021,038	-
Deferred revenue	501,962	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	5,107,619	-	1,021,038	-
Fund balances:				
Nonspendable:				
Prepaid items and deposits	147,457	-	-	-
Loans and leases receivables	25,344	-	-	-
Receivable from Successor Agency	15,100,000	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Community development	-	-	-	-
Debt service	-	49,137,779	4,726,530	-
Housing	-	-	-	-
Law enforcement	-	-	-	-
Transportation	-	-	-	-
Unassigned	36,051,479	-	-	-
Total fund balances	51,324,280	49,137,779	4,726,530	-
Total liabilities and fund balances	\$ 56,431,899	49,137,779	5,747,568	-

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2012	2011
14,336	274,136	28,440,432	56,447,828
-	-	6,811,110	17,529,108
-	-	44,201	286,968
-	-	2,424,970	2,261,933
128,252	36,781	2,407,164	3,746,152
-	-	9,025,073	28,237,649
-	-	-	118,850,000
53,120,000	-	115,565,000	-
-	457,228	482,572	172,911
-	-	147,457	412,887
-	1,053,000	1,053,000	63,428,172
<u>53,262,588</u>	<u>1,821,145</u>	<u>166,400,979</u>	<u>291,373,608</u>
519,446	43,045	4,714,168	6,312,016
-	564	416,460	327,466
-	-	38,084	267,590
-	-	-	942,648
1,923,762	72,129	3,016,929	21,919,472
128,252	490,237	1,120,451	312,023
-	-	-	121,550,000
<u>2,571,460</u>	<u>605,975</u>	<u>9,306,092</u>	<u>151,631,215</u>
-	-	147,457	65,083
-	-	25,344	25,344
-	-	15,100,000	15,100,000
1,939,644	-	1,939,644	7,332,392
-	-	-	27,565,723
53,120,000	-	106,984,309	61,667,784
-	1,013,400	1,013,400	25,612,652
-	156,563	156,563	191,503
-	45,356	45,356	46,718
<u>(4,368,516)</u>	<u>(149)</u>	<u>31,682,814</u>	<u>2,135,194</u>
<u>50,691,128</u>	<u>1,215,170</u>	<u>157,094,887</u>	<u>139,742,393</u>
<u>53,262,588</u>	<u>1,821,145</u>	<u>166,400,979</u>	<u>291,373,608</u>

CITY OF COMMERCE
Governmental Funds

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

June 30, 2012

Fund balances of governmental funds	\$ 157,094,887
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	131,945,468
Accumulated depreciation	(94,977,013)
The City's investment in a joint venture has not been included in the governmental fund activity.	
	10,954,350
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds payable	(117,395,000)
Compensated absences	(2,712,193)
Other long-term liabilities	(7,000,550)
Unamortized bond issuance costs	134,085
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	
	(1,961,409)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	
	1,120,451
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.	
	127,223
Net assets of governmental activities	\$ 77,330,299

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CITY OF COMMERCE
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012
(with comparative information for the prior year)

	Debt Service Funds			
	General	Joint Powers Financing Authority	Community Center	Community Development Commission
Revenues:				
Taxes	\$ 22,441,114	-	-	8,397,608
Casino license tax	21,181,030	-	-	-
Licenses and permits	2,051,387	-	-	-
Intergovernmental	562,038	-	-	-
Fines and forfeitures	756,196	-	-	-
Investment income	723,834	2,981,840	45,545	221,870
Activity fees	436,868	-	-	-
Charges for services	500,455	-	-	-
Rental income	86,450	-	-	192,408
Miscellaneous	1,330,339	-	-	-
Total revenues	<u>50,069,711</u>	<u>2,981,840</u>	<u>45,545</u>	<u>8,811,886</u>
Expenditures:				
Current:				
General government	14,428,270	-	-	105,000
Community development	1,321,452	-	-	-
Public safety	15,406,557	-	-	-
Public works	4,845,545	-	-	-
Library	2,775,283	-	-	-
Parks, recreation and culture	7,969,161	-	-	-
Debt service:				
Principal	36,902	1,070,000	340,000	3,305,000
Interest and fiscal charges	477	2,331,348	588,735	2,903,942
SERAF payments	-	-	-	-
Payments under pass-through obligations	-	-	-	813,392
Total expenditures	<u>46,783,647</u>	<u>3,401,348</u>	<u>928,735</u>	<u>7,127,334</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,286,064</u>	<u>(419,508)</u>	<u>(883,190)</u>	<u>1,684,552</u>
Other financing sources (uses):				
Transfers in (note 8)	477,579	-	926,235	311,628
Transfers out (note 8)	(1,182,038)	(311,629)	-	(582,175)
Total other financing sources (uses)	<u>(704,459)</u>	<u>(311,629)</u>	<u>926,235</u>	<u>(270,547)</u>
Extraordinary gain (loss) (note 19)	-	-	-	<u>67,692,831</u>
Net change in fund balances	2,581,605	(731,137)	43,045	69,106,836
Fund balances at beginning of year, as restated (note 17)	<u>48,742,675</u>	<u>49,868,916</u>	<u>4,683,485</u>	<u>(69,106,836)</u>
Fund balances at end of year	<u>\$ 51,324,280</u>	<u>49,137,779</u>	<u>4,726,530</u>	<u>-</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2012	2011
-	-	30,838,722	36,849,238
-	-	21,181,030	20,392,604
-	-	2,051,387	2,515,108
3,579	1,973,978	2,539,595	2,806,231
-	-	756,196	1,315,707
2,960,283	68,403	7,001,775	8,379,360
-	-	436,868	346,616
-	-	500,455	757,199
-	428,982	707,840	918,914
597,959	44,217	1,972,515	1,286,695
<u>3,561,821</u>	<u>2,515,580</u>	<u>67,986,383</u>	<u>75,567,672</u>
-	2,014,439	16,547,709	17,447,206
-	819,316	2,140,768	7,128,103
-	177,078	15,583,635	15,903,482
1,048,740	-	5,894,285	6,763,595
-	-	2,775,283	2,794,256
-	-	7,969,161	8,075,994
2,900,000	320,000	7,971,902	9,332,647
2,479,014	1,373,587	9,677,103	13,485,684
-	-	-	1,359,567
-	-	813,392	2,387,491
<u>6,427,754</u>	<u>4,704,420</u>	<u>69,373,238</u>	<u>84,678,025</u>
<u>(2,865,933)</u>	<u>(2,188,840)</u>	<u>(1,386,855)</u>	<u>(9,110,353)</u>
33,811	582,176	2,331,429	24,202,439
-	(1,635,024)	(3,710,866)	(25,833,712)
<u>33,811</u>	<u>(1,052,848)</u>	<u>(1,379,437)</u>	<u>(1,631,273)</u>
-	(47,226,241)	20,466,590	-
(2,832,122)	(50,467,929)	17,700,298	(10,741,626)
<u>53,523,250</u>	<u>51,683,099</u>	<u>139,394,589</u>	<u>150,484,019</u>
<u>50,691,128</u>	<u>1,215,170</u>	<u>157,094,887</u>	<u>139,742,393</u>

CITY OF COMMERCE

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

Year ended June 30, 2012

Net changes in fund balances - total governmental funds \$ 17,700,298

Amounts reported for governmental activities in the statement of activities are 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	537,575
Depreciation	(2,482,373)

Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds. 380,765

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.

Principal expense	7,971,902
Amortization of issuance costs and other fiscal charges	(465,672)

Increases in other long-term liabilities are not recorded as expenditures in the governmental funds. (1,614,031)

The statement of net assets includes accrued interest on long term debt. (2,866,004)

To record as an expense the net change in compensated absences in the statement of activities. (20,387)

Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting. 914,514

Extraordinary loss through the dissolution of the redevelopment agency:

Adjustment to capital assets	(12,436,605)
Adjustment to long-term liabilities	(4,393,149)
Adjustment to interest payable and deferred revenue	3,060,158

Internal service funds are used by management to charge the costs of certain activities, such as computing and communication, building maintenance, fleet maintenance, benefits, equipment leasing, workers' compensation, general liability, to individual funds. (1)

Change in net assets of governmental activities \$ 6,286,990

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Proprietary Funds

Statement of Net Assets

June 30, 2012

	Business-type Activities				Governmental
	Transit	Water	Cable Television	Total Enterprise Funds	Internal Service Funds
<u>Assets</u>					
Current assets:					
Cash and investments	\$ -	-	-	-	181,233
Accounts receivable, net	60,325	-	9,934	70,259	-
Due from other governments	567,695	-	-	567,695	-
Total current assets	<u>628,020</u>	<u>-</u>	<u>9,934</u>	<u>637,954</u>	<u>181,233</u>
Noncurrent assets:					
Receivable from Successor Agency	-	2,700,000	-	2,700,000	-
Capital assets, net	8,310,029	822,805	-	9,132,834	-
Total noncurrent assets	<u>8,310,029</u>	<u>3,522,805</u>	<u>-</u>	<u>11,832,834</u>	<u>-</u>
Total assets	<u>\$ 8,938,049</u>	<u>3,522,805</u>	<u>9,934</u>	<u>12,470,788</u>	<u>181,233</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	\$ 256,101	196,765	3,992	456,858	45,000
Accrued salaries and benefits	60,513	-	5,914	66,427	9,010
Due to other funds (note 7)	1,568,603	4,369,243	70,298	6,008,144	-
Compensated absences	84,431	-	-	84,431	-
Total current liabilities	<u>1,969,648</u>	<u>4,566,008</u>	<u>80,204</u>	<u>6,615,860</u>	<u>54,010</u>
Noncurrent liabilities:					
Compensated absences	197,918	-	-	197,918	-
Total liabilities	<u>2,167,566</u>	<u>4,566,008</u>	<u>80,204</u>	<u>6,813,778</u>	<u>54,010</u>
<u>Net Assets</u>					
Invested in capital assets	8,310,029	822,805	-	9,132,834	-
Unrestricted	(1,539,546)	(1,866,008)	(70,270)	(3,475,824)	127,223
Total net assets	<u>\$ 6,770,483</u>	<u>(1,043,203)</u>	<u>(70,270)</u>	<u>5,657,010</u>	<u>127,223</u>

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, 2012

	Business-type Activities			Total	Governmental
	Transit	Water	Cable Television	Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for services	\$ 373,547	-	37,817	411,364	713,999
Total operating revenues	<u>373,547</u>	<u>-</u>	<u>37,817</u>	<u>411,364</u>	<u>713,999</u>
Operating expenses:					
General and administrative	380,335	1,231	228,622	610,188	349,844
Operations	2,262,696	459,748	21,690	2,744,134	364,156
Maintenance	842,324	-	-	842,324	-
Depreciation and amortization	932,294	30,474	-	962,768	-
Total operating expenses	<u>4,417,649</u>	<u>491,453</u>	<u>250,312</u>	<u>5,159,414</u>	<u>714,000</u>
Operating income (loss)	<u>(4,044,102)</u>	<u>(491,453)</u>	<u>(212,495)</u>	<u>(4,748,050)</u>	<u>(1)</u>
Non-operating revenues (expenses):					
Intergovernmental	2,083,931	-	-	2,083,931	-
Interest income	-	118,125	-	118,125	-
Total non-operating revenues (expenses)	<u>2,083,931</u>	<u>118,125</u>	<u>-</u>	<u>2,202,056</u>	<u>-</u>
Transfers and capital contributions:					
Transfers in (note 8)	1,285,066	-	255,803	1,540,869	-
Transfers out (note 8)	-	(118,125)	(43,307)	(161,432)	-
Total transfers and capital contributions	<u>1,285,066</u>	<u>(118,125)</u>	<u>212,496</u>	<u>1,379,437</u>	<u>-</u>
Changes in net assets	(675,105)	(491,453)	1	(1,166,557)	(1)
Net assets at beginning of year, as restated (note 17)	<u>7,445,588</u>	<u>(551,750)</u>	<u>(70,271)</u>	<u>6,823,567</u>	<u>127,224</u>
Net assets at end of year	<u>\$ 6,770,483</u>	<u>(1,043,203)</u>	<u>(70,270)</u>	<u>5,657,010</u>	<u>127,223</u>

CITY OF COMMERCE
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2012

	Business-type Activities				Governmental Activities
				Total	Internal
	Transit	Water	Cable Television	Enterprise Funds	Service Funds
Cash flows from operating activities:					
Cash received from other customers	\$ 395,778	-	38,351	434,129	-
Cash received from user departments	-	-	-	-	713,999
Cash payments to suppliers for goods and services	(977,109)	(494,129)	(35,420)	(1,506,658)	(323,975)
Cash payments to employees for services	(2,357,624)	-	(210,969)	(2,568,593)	(346,533)
Net cash provided by (used for) operating activities	<u>(2,938,955)</u>	<u>(494,129)</u>	<u>(208,038)</u>	<u>(3,641,122)</u>	<u>43,491</u>
Cash flows from noncapital financing activities:					
Intergovernmental noncapital grants	2,083,931	-	-	2,083,931	-
Cash received from other funds	1,285,066	494,129	201,101	1,980,296	(400,926)
Cash paid to other funds	(348,534)	(118,125)	(43,307)	(509,966)	-
Net cash provided by (used for) non-capital financing activities	<u>3,020,463</u>	<u>376,004</u>	<u>157,794</u>	<u>3,554,261</u>	<u>(400,926)</u>
Cash flows from capital and related activities:					
Cash paid to acquire capital assets	(81,508)	-	-	(81,508)	-
Net cash provided by (used for) capital and related activities	<u>(81,508)</u>	<u>-</u>	<u>-</u>	<u>(81,508)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received on investments	-	118,125	-	118,125	-
Net cash provided by (used for) investing activities	<u>-</u>	<u>118,125</u>	<u>-</u>	<u>118,125</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	(50,244)	(50,244)	(357,435)
Cash and cash equivalents at beginning of year	-	-	50,244	50,244	538,668
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,233</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (4,044,102)	(491,453)	(212,495)	(4,748,050)	(1)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	932,294	30,474	-	962,768	-
Adjustments:					
(Increase) decrease in accounts receivable	(59,675)	-	534	(59,141)	-
(Increase) decrease in due from other governments	138,506	-	-	138,506	-
Increase (decrease) in accounts payable	94,067	(33,150)	1,635	62,552	40,181
Increase (decrease) in accrued salaries and benefits	22,046	-	2,288	24,334	3,311
Increase (decrease) in deferred revenue	(56,600)	-	-	(56,600)	-
Increase (decrease) in compensated absences	34,509	-	-	34,509	-
Net cash provided by (used for) operating activities	<u>\$ (2,938,955)</u>	<u>(494,129)</u>	<u>(208,038)</u>	<u>(3,641,122)</u>	<u>43,491</u>

There were no noncash capital, financing and investing activities during the year ended June 30, 2012.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Fiduciary et Assets
June 30, 2012

	Cash Deposits Agency Fund	Private Purpose Trust Funds
<u>Assets</u>		
Cash and investments (note 2)	\$ 583,948	32,525,476
Cash and investments with fiscal agent (note 2)	-	10,196,296
Interest receivable	-	199,188
Unamortized bond issuance costs		1,780,219
Loans receivable	-	31,130
Lease receivable (note 4)	-	76,730
Property held for resale	-	62,375,172
Capital assets, net (note 5)	-	12,320,422
	583,948	119,504,633
 <u>Liabilities</u>		
Accounts payable	25,168	1,562,284
Accrued salaries and benefits	-	67,158
Interest payable	-	2,602,947
Deposits payable	558,780	180,000
Due to other governments	-	335,567
Long-term liabilities (note 6)	-	119,048,334
	583,948	123,796,290
 <u>Net Assets</u>		
Assets held in trust for Successor Agency		(4,291,657)
Total net assets		\$ (4,291,657)

CITY OF COMMERCE
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2012

	Private Purpose Trust Funds
Additions:	
Property taxes	\$ 5,775,849
Intergovernmental	51,883
Investment income	364,763
Rental income	275,638
Total additions	6,468,133
Deductions:	
Administrative expenses	813,326
Maintenance and repair expenses	18,168
Professional services	365,513
Interest and fiscal charges	2,517,311
Payments under pass-through obligations	51,883
Depreciation	116,183
Miscellaneous	180,412
Total deductions	4,062,796
Changes in net assets before extraordinary items	2,405,337
Extraordinary gain (loss) (note 19)	(6,696,994)
Changes in net assets	(4,291,657)
Net assets held in trust, beginning of year	-
Net assets held in trust, end of year	\$ (4,291,657)

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2012

(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. See footnote 19 for additional information about the dissolution of the Commerce Community Development Commission on January 31, 2012. Separate financial statements for the Community Development Commission are not prepared.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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 sixty 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.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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.

Proprietary Funds and Private Purpose Trust Funds

Proprietary funds and private purpose trust 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. Proprietary funds and private purpose trust 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 rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability, rather than as an expenditure.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(c) Major Funds

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.

Joint Powers Financing Authority Fund – This fund is to account for issuance, retirement and cash with fiscal agent held in reserve of bonds issued by the Joint Powers Financing Authority.

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

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.

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.

The City's major proprietary funds are 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.

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.

Additionally, the government reports the following fund types:

The *private-purpose trust funds* accounts for the activities of the Successor Agency of the former Community Development Commission.

The agency fund account for special deposits collected by the City of behalf of others.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(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.

- (e) 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.

(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. Capital asset purchases in excess of \$25,000 to \$250,000, depending on the type of asset, are capitalized if they have an expected useful life of one year 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) Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as "internal balances". The portion of fund balance associated with amounts that have been disbursed to other funds in the form of long-term interfund advances have been classified as nonspendable unless the funds associated with repayment of the advances are otherwise restricted for specific purposes.

(j) Fund Balances

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance:

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The City considers a resolution to constitute a formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted to persons or bodies other than City Council.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

(k) 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.

(l) 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, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$28,621,665
Cash and investments with fiscal agent	6,811,110
Statement of Fiduciary Net Assets:	
Cash and investments	33,109,424
Cash and investments with fiscal agent	<u>10,196,296</u>
Total cash and investments	<u>\$ 78,738,495</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 3,050
Deposits with financial institutions	7,694,969
Investments	<u>71,040,476</u>
Total cash and investments	<u>\$ 78,738,495</u>

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

<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%
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.

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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 will be 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.

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>
Negotiable Certificates of Deposit	\$ 4,234,082	603,259	2,119,976	1,510,847
Federal agency securities	4,016,130	-	-	4,016,130
Money market funds	10,527,727	10,527,727	-	-
State investment pool	36,146,932	36,146,932	-	-
Held by bond trustee:				
Money market funds	5,650,052	5,650,052	-	-
Investment agreements	<u>10,465,553</u>	<u>-</u>	<u>-</u>	<u>10,465,553</u>
Total	<u>\$71,040,476</u>	<u>52,927,970</u>	<u>2,119,976</u>	<u>15,992,530</u>

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Minimum</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
		<u>Legal</u>			
Negotiable Certificates of Deposit *	\$ 4,234,082	N/A	-	-	4,234,082
Federal agency securities	4,016,130	N/A	-	4,016,130	
Money market funds	10,527,727	AAA	10,527,727	-	
State investment pool *	36,146,932	N/A	-	-	36,146,932
Held by bond trustee:					
Money market funds	5,650,052	AAA	5,650,052	-	
Investment agreements *	<u>10,465,553</u>	N/A	<u>-</u>	<u>-</u>	<u>10,465,553</u>
Total	\$ 71,040,476		16,177,779	4,016,130	50,846,567

* Not rated

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>
GE Funding Capital Market	Investment Agreement	\$ 9,768,838

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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.

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(3) Property Taxes, (Continued)

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.

(4) Lease Receivable

Successor Agency:

In 1990, the Commission entered into a 50 year operating 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 called 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 agreement also required the property to be appraised every ten years resulting in an adjustment of the rent to 9% of the appraised value of the property. The property was appraised in 2009; however, the rental schedule was not adjusted. The City is in the process of amending the lease to reflect the new rental payments. Minimum future annual rental revenues based on the 2009 appraisal range from \$167,850 to \$227,960 through 2039. The unpaid balance at June 30, 2012 net of allowances was \$76,730.

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, 2012 is as follows:

	<u>Balance at June 30, 2011*</u>	<u>Additions</u>	<u>Deletions**</u>	<u>Balance at June 30, 2012</u>
Buildings	\$39,279,053	-	-	39,279,053
Improvements other than buildings	13,798,550	984,379	(7,683,696)	7,099,233
Infrastructure	79,252,545	-	-	79,252,545
Machinery and equipment	<u>2,730,767</u>	<u>-</u>	<u>(159,006)</u>	<u>2,571,761</u>
Total cost of depreciable assets	<u>135,060,915</u>	<u>984,379</u>	<u>(7,842,702)</u>	<u>128,202,592</u>
Less accumulated depreciation:				
Buildings	(18,259,910)	(1,117,467)	-	(19,377,377)
Improvements other than buildings	(3,894,292)	(326,886)	2,112,811	(2,108,367)
Infrastructure	(70,942,224)	(705,387)	-	(71,647,611)
Machinery and equipment	<u>(1,615,136)</u>	<u>(332,633)</u>	<u>104,111</u>	<u>(1,843,658)</u>
Total accumulated depreciation	<u>(94,711,562)</u>	<u>(2,482,373)</u>	<u>2,216,922</u>	<u>(94,977,013)</u>
Net depreciable assets	<u>40,349,353</u>	<u>(1,497,994)</u>	<u>(5,625,780)</u>	<u>33,225,579</u>
Capital assets not depreciated:				
Land	9,410,505	-	(6,810,825)	2,599,680
Construction in progress	<u>1,590,000</u>	<u>537,575</u>	<u>(984,379)</u>	<u>1,143,196</u>
Total assets not being depreciated	<u>11,000,505</u>	<u>537,575</u>	<u>(7,795,204)</u>	<u>3,742,876</u>
Capital assets, net	<u>\$ 51,349,858</u>	<u>(960,419)</u>	<u>(13,420,984)</u>	<u>36,968,455</u>

* Balance at July 1, 2011, as restated. See footnote 17 for additional information.

** On February 1, 2012 \$7,683,696 of Improvements other than buildings, \$159,006 of Machinery and Equipment and \$6,810,825 of Land were transferred to the Successor Agency of the former Commerce Community Development Commission. See footnote 19 for additional information.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

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

General government	\$ 1,342,251
Public works	962,768
Parks, recreation and culture	<u>177,354</u>
Total governmental activities	<u>\$2,482,373</u>

Capital asset activity for business-type activities for the year ended June 30, 2012 is as follows:

	<u>Balance at June 30, 2011*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Water rights	\$ 2,141,222	-	-	2,141,222
Building and improvements	11,202,635	-	-	11,202,635
Machinery and equipment	<u>7,041,552</u>	<u>-</u>	<u>-</u>	<u>7,041,552</u>
Total cost of depreciable assets	<u>20,385,409</u>	<u>-</u>	<u>-</u>	<u>20,385,409</u>
Less accumulated depreciation:				
Water rights	(1,287,943)	(30,474)	-	(1,318,417)
Building and improvements	(5,067,729)	(280,066)	-	(5,347,795)
Machinery and equipment	<u>(4,268,234)</u>	<u>(652,228)</u>	<u>-</u>	<u>(4,920,462)</u>
Total accumulated depreciation	<u>(10,623,906)</u>	<u>(962,768)</u>	<u>-</u>	<u>(11,586,674)</u>
Net depreciable assets	9,761,503	(962,768)	-	8,798,735
Capital assets not depreciated:				
Land	<u>334,099</u>	<u>-</u>	<u>-</u>	<u>334,099</u>
Total assets not being depreciated	<u>334,099</u>	<u>-</u>	<u>-</u>	<u>334,099</u>
Capital assets, net	<u>\$10,095,602</u>	<u>(962,768)</u>	<u>-</u>	<u>9,132,834</u>

* Balance at July 1, 2011, as restated. See footnote 17 for additional information.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

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

Transit	\$932,294
Water	<u>30,474</u>
Total business-type activities	<u>\$962,768</u>

Capital asset activity for the Private Purpose Trust Funds for the year ended June 30, 2012 is as follows:

	<u>June 30, 2011</u>	<u>Additions*</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Land	\$ -	6,810,825	-	6,810,825
Buildings and improvements	-	7,683,696	-	7,683,696
Machinery and equipment	-	159,006	-	159,006
Less accumulated depreciation:				
Buildings and improvements	-	(2,219,529)	-	(2,219,529)
Machinery and equipment	-	(113,576)	-	(113,576)
Capital assets, net	<u>\$ -</u>	<u>12,320,422</u>	<u>-</u>	<u>12,320,422</u>

* On February 1, 2012 \$7,683,696 of Improvements other than buildings, \$159,006 of Machinery and Equipment and \$6,810,825 of Land were transferred to the Successor Agency of the former Commerce Community Development Commission. See footnote 19 for additional information.

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, 2012 were as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Reductions*</u>	<u>Balance at June 30, 2012</u>	<u>Due Within One Year</u>
Bonds payable:					
1994 Tax Allocation Refunding Bonds	\$ 755,000	-	(755,000)	-	-
1998 Tax Allocation Refunding Bonds	7,685,000	-	(7,685,000)	-	-
2003 JPFA Revenue Bonds	48,230,000	-	(1,070,000)	47,160,000	1,120,000
2004 Lease Revenue Bonds	13,175,000	-	(340,000)	12,835,000	350,000
2007 JPFA Revenue Bonds	<u>60,300,000</u>	<u>-</u>	<u>(2,900,000)</u>	<u>57,400,000</u>	<u>3,040,000</u>
Subtotal	130,145,000	-	(12,750,000)	117,395,000	4,510,000
Unamortized Bond Costs	<u>(7,773,958)</u>	<u>-</u>	<u>7,773,958</u>	<u>-</u>	<u>-</u>
Total bonds payable	<u>122,371,042</u>	<u>-</u>	<u>(4,976,042)</u>	<u>117,395,000</u>	<u>4,510,000</u>
Other liabilities:					
Other Post Employment Benefits (note 10)	5,386,519	2,397,927	(1,179,024)	6,605,422	-
Claims Payable (note 11)	650,719	-	(255,591)	395,128	-
Capital leases	36,902	-	(36,902)	-	-
Compensated absences**	<u>2,691,806</u>	<u>1,770,433</u>	<u>(1,750,046)</u>	<u>2,712,193</u>	<u>703,732</u>
Total long-term liabilities	<u>\$131,136,988</u>	<u>4,168,360</u>	<u>(7,414,271)</u>	<u>127,107,743</u>	<u>5,213,732</u>

* On February 1, 2012 \$783,334 of liabilities of the former Community Development Commission of the City of Commerce were transferred to the Successor Agency. See footnote 19.

**Compensated absences are generally liquidated by the general fund.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Changes in business-type long-term liabilities for the year ended June 30, 2012 were as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>	<u>Amounts due within one year</u>
Compensated absences	\$247,840	178,607	(144,098)	282,349	84,431

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2012 were as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Reductions*</u>	<u>Balance at June 30, 2012</u>	<u>Due Within One Year</u>
Bonds payable:					
1994 Tax Allocation Refunding Bonds	\$ -	755,000	(85,000)	670,000	95,000
1998 Tax Allocation Refunding Bonds	-	7,685,000	(255,000)	7,430,000	270,000
2003 Tax Allocation Bonds	-	48,190,000	(845,000)	47,345,000	1,120,000
2007 Tax Allocation Bonds	-	55,560,000	(2,440,000)	53,120,000	2,565,000
Advances to City	-	17,800,000	-	17,800,000	-
Deferred Refunding Charge	-	(7,316,666)	-	(7,316,666)	457,292
Total long-term liabilities	<u>\$ -</u>	<u>122,673,334</u>	<u>(3,625,000)</u>	<u>119,048,334</u>	<u>4,507,292</u>

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, 2012 is \$670,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 95,000	39,616	134,616
2014	100,000	33,435	133,435
2015	105,000	26,935	131,935
2016	30,000	22,675	52,675
2017	35,000	20,620	55,620
2018-2022	200,000	66,825	266,825
2023-2024	<u>105,000</u>	<u>6,900</u>	<u>111,900</u>
	<u>\$ 670,000</u>	<u>217,006</u>	<u>887,006</u>

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 in 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 2029. 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, 2012 is \$7,430,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 270,000	414,758	684,758
2014	285,000	399,079	684,079
2015	305,000	382,411	687,411
2016	320,000	364,755	684,755
2017	340,000	346,110	686,110
2018-2022	1,995,000	1,412,518	3,407,518
2023-2027	2,640,000	756,390	3,396,390
2028-2029	<u>1,275,000</u>	<u>73,675</u>	<u>1,348,675</u>
	<u>\$ 7,430,000</u>	<u>4,149,696</u>	<u>11,579,693</u>

2003 JPFA Tax Revenue Bonds and 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. On 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 1.75% to 5.125% for the Revenue Bonds and for the Tax Allocation Bonds. 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 be derived from certain tax increment revenues and other amounts payable to the Commission. The outstanding balance of the 2003 JPFA Revenue Bonds as of June 30, 2012 was \$47,160,000 and the outstanding balance of the 2003 Tax Allocation Bonds at June 30, 2012 was \$47,345,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

2003 JPFA Tax Revenue Bonds and 2003 Tax Allocation Bonds, (Continued)

Future principal and interest payments on the JPFA Tax Revenue Bonds are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,120,000	2,273,548	3,393,548
2014	1,175,000	2,217,061	3,392,061
2015	1,230,000	2,162,836	3,392,836
2016	1,375,000	2,106,985	3,481,985
2017	1,430,000	2,045,224	3,475,224
2018-2022	8,650,000	9,131,367	17,781,367
2023-2027	16,520,000	5,846,731	22,366,731
2028-2032	9,705,000	2,647,591	12,352,591
2033-2036	<u>5,955,000</u>	<u>568,196</u>	<u>6,523,196</u>
	<u>\$ 47,160,000</u>	<u>28,999,539</u>	<u>76,159,539</u>

Future principal and interest payments on the Tax Allocation Bonds are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 900,000	2,898,623	3,798,623
2014	955,000	2,841,301	3,796,301
2015	1,015,000	2,780,427	3,795,427
2016	1,175,000	2,712,749	3,887,749
2017	1,245,000	2,637,955	3,882,955
2018-2022	8,000,000	11,871,265	19,871,465
2023-2027	16,400,000	7,808,240	24,208,240
2028-2032	10,540,000	3,747,650	14,287,650
2033-2036	<u>7,115,000</u>	<u>906,603</u>	<u>8,021,603</u>
	<u>\$ 47,345,000</u>	<u>38,205,013</u>	<u>85,550,013</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

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 mature in various amounts from \$295,000 to \$885,000 through 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. At June 30, 2012, unspent bond proceeds in the amount of \$4,681,889 were held by the trustee for future projects. On November 8, 2012, Moody's Investors Services withdrew its insurer financial strength rating of the insurer on the bonds. The amount outstanding at June 30, 2012 is \$12,835,000.

Future principal and interest payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 350,000	575,448	925,448
2014	360,000	563,685	923,685
2015	370,000	551,135	921,135
2016	385,000	537,730	922,730
2017	395,000	523,394	918,394
2018-2022	2,240,000	2,368,009	4,608,009
2023-2027	2,740,000	1,837,721	4,577,721
2028-2032	3,470,000	1,081,750	4,551,750
2033-2035	<u>2,525,000</u>	<u>193,625</u>	<u>2,718,625</u>
	<u>\$12,835,000</u>	<u>8,232,497</u>	<u>21,067,497</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

2007 JPFA Revenue Bonds and 2007 Tax Allocation 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 will be used to finance various capital projects, including the library renovation. Unspent bond proceeds at June 30, 2012 are \$1,939,644 and are invested in the Commission's Local Agency Investment Fund. 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 required reserve for the Bonds is \$6,401,433. As of June 30, 2012, the reserve amount is \$5,824,022. The amount outstanding at June 30, 2012 is \$57,400,000.

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. 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, 2012, the amount outstanding was \$53,120,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Future principal and interest payments on the 2007 JPFA Revenue Bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,040,000	2,329,706	5,369,706
2014	3,200,000	2,173,706	5,373,706
2015	3,355,000	2,034,994	5,389,994
2016	3,475,000	1,913,731	5,388,731
2017	3,600,000	1,785,931	5,385,931
2018-2022	19,110,000	6,758,182	25,868,182
2023-2027	15,705,000	3,137,529	18,842,529
2028	<u>5,915,000</u>	<u>110,906</u>	<u>6,025,906</u>
	<u>\$ 57,400,000</u>	<u>20,244,685</u>	<u>77,644,685</u>

Future principal and interest payments on the 2007 Tax Allocation Bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,565,000	2,819,960	5,384,960
2014	2,710,000	2,676,480	5,386,480
2015	2,860,000	2,524,976	5,384,976
2016	3,015,000	2,365,176	5,380,176
2017	3,185,000	2,196,536	5,381,536
2018-2022	17,665,000	8,207,192	25,872,192
2023-2027	15,180,000	3,727,488	18,907,488
2028	<u>5,940,000</u>	<u>134,640</u>	<u>6,074,640</u>
	<u>\$ 53,120,000</u>	<u>24,652,448</u>	<u>77,772,448</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Successor Agency Advances to City

<u>Advances to City</u>	<u>Advances from Successor Agency</u>	<u>Amount</u>
General Fund	Successor Agency Private Purpose Trust Fund	\$15,100,000 (a)
Water fund	Successor Agency Private Purpose Trust Fund	<u>2,700,000 (b)</u>
	Total	<u>\$17,800,000</u>

(a) As of June 30, 2012, the amount due to the General Fund from the Successor Agency was \$15,100,000. 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 7.5% per annum. The other material outstanding advances of \$5,000,000 and \$3,000,000 were loaned to the CDC on November 2, 1999 and April 16, 2002, respectively, and both accrue interest at 7.5% per annum.

(b) As of June 30, 2012, the amount due to the Water Enterprise Fund from the Successor Agency was \$2,700,000. The advance was entered into on April 16, 2002 with one year maturity. The advance has been extended each year thereafter, with interest accruing at 7.5% per annum.

The advances from the Successor Agency to the City have been approved by the California State Department of Finance. The City of Commerce believes the principal amounts to be payable in full. However, after the dissolution of the Redevelopment Agency on January 31, 2012, no interest is being accrued or paid on the advances.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(7) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2012 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Community Center Debt Service Fund	\$ 1,021,038 (a)
	General City Capital Projects Fund	1,923,762 (a)
	Other Governmental Funds	72,129 (a)
	Transit Fund	1,568,603 (b)
	Water Fund	4,369,243 (b)
	Cable Television Fund	<u>70,298 (a)</u>
	Total	<u>\$ 9,025,073</u>

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

(b) Certain portions of these balances have been outstanding for more than a year. There are currently no formal agreements or repayment terms for these interfund borrowings.

(8) Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2012:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 118,125
	Cable Television Fund	43,307
	Other Governmental Funds	<u>316,147</u>
Subtotal General Fund		<u>477,579</u>
Community Service Debt Service Fund	General Fund	926,235 (c)
CDC Debt Service Fund	Joint Powers Financing Authority	311,628
Other Governmental Funds	CDC Debt Service Fund	582,176
General City Capital Projects	Other Governmental	33,811
Transit Fund	Other Governmental Funds	1,285,066 (d)
Cable Television Fund	General Fund	<u>255,803</u>
	Total	<u>\$ 3,872,298</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Interfund Transfers, (Continued)

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

- (c) \$926,235 was transferred from the General Fund to the Community Center Debt Service Fund for the General Fund's portion of the 2004 JPFA Bond.
- (d) \$1,200,188 was transferred to the Transit Fund from the Prop A Local Return Tax to reimburse the Transit fund for expenses incurred and reimbursed under Proposition A.

(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, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 10.916% 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, 2012, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2011 to June 30, 2012.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan, (Continued)

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

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	27 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	3.55% 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%.

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>
6/30/10	\$1,792,754	100%	-0-
6/30/11	1,643,636	100%	-0-
6/30/12	1,765,404	100%	-0-

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan, (Continued)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
06/30/09	\$72,490,523	67,086,985	5,403,538	92.5%	11,364,009	47.6%
06/30/10	76,561,387	70,048,929	6,512,458	91.5%	11,719,003	55.6%
06/30/11	80,838,150	73,118,999	7,719,151	90.5%	10,477,171	73.7%

(10) Post Employment Benefits Plan

Plan Description: The City administers a single-employer defined benefit plan which medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City has not established a trust for the purpose of holding assets accumulated for plan benefits. After age 65, Medicare automatically becomes the primary provider of health coverage. The City's defined benefit plan becomes the secondary provider. Eligible retirees will have no noticeable change in health benefits or plan administration; however, there is a reduction in the City's cost of health coverage as the secondary provider. The City's defined benefit plan administrator establishes the cost of secondary provider rates annually. The City will pay 100% for eligible retirees' health coverage.

Eligibility: Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at June 30, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	143
Active plan members	<u>160</u>
Total	<u>303</u>

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2011-12, the City contributed \$1,179,024 to the plan for current premiums.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(10) Post Employment Benefits Plan, (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$2,500,000
Interest on net OPEB obligation	228,927
Adjustments to annual required contributions	<u>(331,000)</u>
Annual OPEB cost (expense)	2,397,927
Contributions made (including premiums paid)	<u>(1,179,024)</u>
Increase in net OPEB obligation	1,218,903
Net OPEB obligation-beginning of year	<u>5,386,519</u>
Net OPEB obligation-end of year	<u><u>\$6,605,422</u></u>

The General Fund is typically used to liquidate the net other postemployment benefit obligation.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2012 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$3,293,000	29%	4,306,450
6/30/11	2,283,000	53%	5,386,519
6/30/12	2,397,927	49%	6,605,422

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(10) Post Employment Benefits Plan, (Continued)

The schedule of funding progress, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included a 4.75 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 3.4 percent initially, reduced by decrements of 0.5 per year to an ultimate rate of 2 percent after the third year. The City is using a 4% payroll inflation rate. The UAAL is being amortized as a level percentage of projected payroll over a closed 30 year period.

Schedule of Funding Progress.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
6/30/09	\$0	37,514,000	37,514,000	0%	11,621,000	322.8%
6/30/10	0	25,201,000	25,201,000	0%	10,631,000	210.0%

(11) Claims Payable/Self Insurance

The City of Commerce is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §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 lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(11) Claims Payable/Self Insurance, (Continued)

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) Costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers' Compensation - The City of Commerce also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) 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; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(11) Claims Payable/Self Insurance, (Continued)

Environmental Insurance - The City of Commerce participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Commerce. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance - The City of Commerce participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Commerce property is currently insured according to a schedule of covered property submitted by the City of Commerce to the Authority. The City of Commerce currently has all-risk property insurance protection in the amount of \$130,998,869. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance - The City of Commerce purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is arranged by the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

During the past three fiscal (claims) 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.

Changes in claims payable for the last two years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
10/11	\$ -	650,719	-	650,719
11/12	650,719	-	255,591	395,128

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(12) 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 accounts for the joint venture under the equity method of accounting. Complete financial statements for the CREA can be obtained from the Los Angeles County Sanitation District, 1955 Workman Mill Rd., Whittier, CA 900601.

	<u>CREA</u>	<u>Commerce's 50% Equity</u>
Net assets at June 30, 2011	\$21,147,170	10,573,585
Decrease in equity for the year ended June 30, 2012	<u>761,530</u>	<u>380,765</u>
Net assets at June 30, 2012	<u>\$21,908,700</u>	<u>10,954,350</u>

(13) 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)

(14) 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.

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.

(15) Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2012 exceeded the appropriations of the following fund:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$46,482,159	46,783,647	(301,488)
Supplemental Law Enforcement Fund	100,000	130,792	(30,792)
Housing Fund	-	175,221	(175,221)

(16) Fund Deficits

As of June 30, 2012, deficits were reported in the following funds:

Air Quality Management District Special Revenue Fund	\$	(149)
Central Garage		(10,518)
Water		(1,043,203)
Cable Television		(70,270)
Private Purpose Trust Funds		(4,767,577)

AQMD, Central Garage, and Cable Television deficits will be eliminated through transfers during fiscal year 2012/13.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(16) Fund Deficits, (Continued)

The Water Fund deficit will be eliminated in future years through allocating lease revenue to this fund.

The Private Purpose Trust Fund deficit will be eliminated in future years with revenue received from the Redevelopment Property Tax Trust Fund.

(17) Restatement of Beginning Balances

The following schedule summarized the effect of the prior period adjustment to the Fund Financial Statements and the Government-Wide Financial Statements.

Governmental Fund Financial Statements:

	<u>CDC Debt Service</u>	<u>CDC Capital Projects</u>
Fund balance at beginning of year, as previously reported	\$(70,492,380)	53,144,563
To remove escrow balance that had been liquidated in prior years	-	(347,804)
To correct prior year debt service related to Housing debt	<u>1,385,544</u>	<u>(1,385,544)</u>
Fund balance at beginning of year, as restated	<u>\$(69,106,836)</u>	<u>51,411,215</u>

Proprietary Fund Financial Statements:

	<u>Transit Fund</u>	<u>Water Fund</u>	<u>Cable TV Fund</u>
Net Assets at beginning of year, as previously reported	\$10,542,267	1,300,906	106,370
Write off of capital assets due to change in capitalization limits	<u>(3,096,679)</u>	<u>(1,852,656)</u>	<u>(176,641)</u>
Net Assets at beginning of year, as restated	<u>\$ 7,445,588</u>	<u>(551,750)</u>	<u>(70,271)</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(17) Restatement of Beginning Balances, (Continued)

Government Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets at beginning of year, as previously reported	\$85,854,234	11,949,543
To remove escrow balance that had been liquidated in prior years	(347,804)	-
Write off of capital assets due to change in capitalization limit and reconstruction of capital asset records	<u>(14,463,121)</u>	<u>(5,125,976)</u>
Net Assets at beginning of year, as restated	<u>\$71,043,309</u>	<u>6,823,567</u>

(18) Pledged Tax Revenues

All tax revenues received by the Community Development Commission other than the amount required by law to be deposited in a low and moderate income housing fund, are required to be used to meet debt service requirements of the bond indentures for the 1994, 1998, 2003, and 2007 Tax Allocation Bonds before any payments may be made on other obligations of the Community Development Commission.

On February 2, 2011, the City filed a Non-Payment Related Default for the 2007A and 2007B Tax Allocation Bonds and the 2003A, 2003B, and 2003C Tax Allocation Bonds. The filing disclosed a projected shortfall in tax increment in Project Area No. 1 to pay principal and interest on the bonds in the amount of \$31,338,036. To remedy the situation, on February 1, 2011 the Community Development Commission approved a transfer of tax increment from Project Area No. 4 to Project Area No. 1 in the amount of \$29,200,000.

As of June 30, 2012, this transfer has been made. Additionally, the Community Development Commission plans to repurchase certain bonds in the secondary market with Project Area No. 1 cash on hand.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(19) Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Commerce that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-8.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(19) Successor Agency Trust For Assets of Former Redevelopment Agency, (Continued)

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$ (20,466,590)
Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	12,436,605
Elimination of deferred revenue not reported in the Successor Agency Trust Funds	66,220
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	(3,126,378)
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	<u>4,393,149</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (6,696,994)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMMERCE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 18,697,975	18,697,975	22,441,114	3,743,139
Casino license tax	20,345,000	20,345,000	21,181,030	836,030
Licenses and permits	2,509,580	2,509,580	2,051,387	(458,193)
Intergovernmental	754,101	954,101	562,038	(392,063)
Fines and forfeitures	347,850	747,850	756,196	8,346
Investment income	1,695,000	1,645,000	723,834	(921,166)
Activity fees	396,950	464,509	436,868	(27,641)
Charges for services	1,477,370	877,370	500,455	(376,915)
Rental income	(55,000)	55,000	86,450	31,450
Miscellaneous	1,169,560	1,168,168	1,330,339	162,171
Total revenues	<u>47,338,386</u>	<u>47,464,553</u>	<u>50,069,711</u>	<u>2,605,158</u>
Expenditures:				
Current:				
General government	12,033,868	13,538,749	14,428,270	(889,521)
Community development	1,389,087	1,144,919	1,321,452	(176,533)
Public safety	16,899,534	15,673,463	15,406,557	266,906
Public works	4,711,864	4,703,314	4,845,545	(142,231)
Library	3,022,684	2,959,659	2,775,283	184,376
Parks, recreation and culture	8,341,285	8,314,041	7,969,161	344,880
Debt service:				
Principal	148,014	134,277	36,902	97,375
Interest and fiscal charges	13,737	13,737	477	13,260
Total expenditures	<u>46,560,073</u>	<u>46,482,159</u>	<u>46,783,647</u>	<u>(301,488)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>778,313</u>	<u>982,394</u>	<u>3,286,064</u>	<u>2,303,670</u>
Other financing sources (uses):				
Transfers in	325,000	-	477,579	477,579
Transfers out	(1,261,853)	(1,261,853)	(1,182,038)	79,815
Total other financing sources (uses)	<u>(936,853)</u>	<u>(1,261,853)</u>	<u>(704,459)</u>	<u>557,394</u>
Net change in fund balance	(158,540)	(279,459)	2,581,605	2,861,064
Fund balance at beginning of year	48,742,675	48,742,675	48,742,675	-
Fund balance at end of year	<u>\$ 48,584,135</u>	<u>48,463,216</u>	<u>51,324,280</u>	<u>2,861,064</u>

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2012

(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 in accordance with GAAP as a management control device for all funds except the Joint Powers Financing Authority Debt Service Fund. 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 within a fund without the approval of City Council. Additional appropriations during the year may be submitted to the City Council for review and approval.

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SUPPLEMENTARY SCHEDULES

CITY OF COMMERCE
General Fund
Combining Balance Sheet
June 30, 2012

	General Fund	Card Club Fund	California Gaming Cities Coalition Fund	UDAG	Eliminations	Totals
Assets:						
Cash and investments	\$ 27,436,339	-	-	-	-	27,436,339
Interest receivable	30,585	-	-	-	-	30,585
Accounts receivable	2,424,970	-	-	-	-	2,424,970
Due from other governments	2,242,131	-	-	-	-	2,242,131
Due from other funds	9,025,073	-	-	-	-	9,025,073
Receivable from Successor Agency	15,100,000	-	-	-	-	15,100,000
Loans receivable	25,344	-	-	-	-	25,344
Prepaid items and deposits	147,457	-	-	-	-	147,457
Total assets	\$ 56,431,899	-	-	-	-	56,431,899
Liabilities:						
Accounts payable	\$ 4,151,677	-	-	-	-	4,151,677
Accrued salaries and benefits	415,896	-	-	-	-	415,896
Deposits payable	38,084	-	-	-	-	38,084
Deferred revenue	501,962	-	-	-	-	501,962
Total liabilities	5,107,619	-	-	-	-	5,107,619
Fund balances:						
Nonspendable:						
Prepaid items and deposits	147,457	-	-	-	-	147,457
Long-term receivables	25,344	-	-	-	-	25,344
Advances to other funds	15,100,000	-	-	-	-	15,100,000
Unassigned	36,051,479	-	-	-	-	36,051,479
Total fund balances	51,324,280	-	-	-	-	51,324,280
Total liabilities and fund balances	\$ 56,431,899	-	-	-	-	56,431,899

CITY OF COMMERCE
General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012

	General Fund	Card Club Fund	California Gaming Cities Coalition Fund	UDAG	Eliminations (1)	Totals
Revenues:						
Taxes	\$ 22,441,114	-	-	-	-	22,441,114
Casino license tax	-	21,181,030	-	-	-	21,181,030
Licenses and permits	2,051,387	-	-	-	-	2,051,387
Intergovernmental	562,038	-	-	-	-	562,038
Fines and forfeitures	756,196	-	-	-	-	756,196
Investment income	703,221	-	-	20,613	-	723,834
Activity fees	436,868	-	-	-	-	436,868
Charges for services	500,455	-	-	-	-	500,455
Rental income	86,450	-	-	-	-	86,450
Miscellaneous	1,319,619	-	-	10,720	-	1,330,339
Total revenues	28,857,348	21,181,030	-	31,333	-	50,069,711
Expenditures:						
Current:						
General government	14,428,270	-	-	-	-	14,428,270
Community development	1,321,452	-	-	-	-	1,321,452
Public safety	15,406,557	-	-	-	-	15,406,557
Public works	4,845,545	-	-	-	-	4,845,545
Library	2,775,283	-	-	-	-	2,775,283
Parks, recreation and culture	7,969,161	-	-	-	-	7,969,161
Debt service:						
Principal	36,902	-	-	-	-	36,902
Interest and fiscal charges	477	-	-	-	-	477
Total expenditures	46,783,647	-	-	-	-	46,783,647
Excess (deficiency) of revenues over (under) expenditures	(17,926,299)	21,181,030	-	31,333	-	3,286,064
Other financing sources (uses):						
Transfers in	47,434,285	-	-	-	(46,956,706)	477,579
Transfers out	(1,182,038)	(40,543,955)	(2,542)	(6,410,209)	46,956,706	(1,182,038)
Total other financing sources (uses)	46,252,247	(40,543,955)	(2,542)	(6,410,209)	-	(704,459)
Net change in fund balances	28,325,948	(19,362,925)	(2,542)	(6,378,876)	-	2,581,605
Fund balances at beginning of year	22,998,332	19,362,925	2,542	6,378,876	-	48,742,675
Fund balances at end of year	\$ 51,324,280	-	-	-	-	51,324,280

(1) Transfers within the group of funds that are consolidated to form the General Fund for purposes of the combined financial statements have been eliminated on this schedule.

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:

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.

Housing - To account for the housing activities of the City that were previously accounted for in the low and moderate income housing redevelopment agency fund.

CITY OF COMMERCE
Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2012

	<u>Special Revenue Funds</u>	<u>Community Development Commission Capital Projects</u>	<u>Totals</u>
<u>Assets</u>			
Cash and investments	\$ 274,136	-	274,136
Due from other governments	36,781	-	36,781
Loans receivable	457,228	-	457,228
Property held for resale	<u>1,053,000</u>	<u>-</u>	<u>1,053,000</u>
Total assets	<u>\$ 1,821,145</u>	<u>-</u>	<u>1,821,145</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 43,045	-	43,045
Accrued salaries and benefits	564	-	564
Due to other funds	72,129	-	72,129
Deferred revenue	<u>490,237</u>	<u>-</u>	<u>490,237</u>
Total liabilities	<u>605,975</u>	<u>-</u>	<u>605,975</u>
Fund balances:			
Restricted for:			
Housing	1,013,400	-	1,013,400
Law enforcement	156,563	-	156,563
Transportation	45,356	-	45,356
Unassigned	<u>(149)</u>	<u>-</u>	<u>(149)</u>
Total fund balances	<u>1,215,170</u>	<u>-</u>	<u>1,215,170</u>
Total liabilities and fund balances	<u>\$ 1,821,145</u>	<u>-</u>	<u>1,821,145</u>

CITY OF COMMERCE

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Special Revenue Funds	Community Development Commission Capital Projects	Totals
Revenues:			
Intergovernmental	\$ 1,973,353	625	1,973,978
Investment income	15,292	53,111	68,403
Rental income	-	428,982	428,982
Miscellaneous	24,289	19,928	44,217
Total revenues	<u>2,012,934</u>	<u>502,646</u>	<u>2,515,580</u>
Expenditures:			
Current:			
General government	-	2,014,439	2,014,439
Community development	410,595	408,721	819,316
Public safety	177,078	-	177,078
Debt service:			
Principal	-	320,000	320,000
Interest and fiscal charges	-	1,373,587	1,373,587
Total expenditures	<u>587,673</u>	<u>4,116,747</u>	<u>4,704,420</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,425,261</u>	<u>(3,614,101)</u>	<u>(2,188,840)</u>
Other financing sources (uses):			
Transfers in	-	582,176	582,176
Transfers out	<u>(1,635,024)</u>	<u>-</u>	<u>(1,635,024)</u>
Total other financing sources (uses)	<u>(1,635,024)</u>	<u>582,176</u>	<u>(1,052,848)</u>
Extraordinary gain (loss)	<u>1,153,049</u>	<u>(48,379,290)</u>	<u>(47,226,241)</u>
Net change in fund balances	943,286	(51,411,215)	(50,467,929)
Fund balances at beginning of year, as restated	<u>271,884</u>	<u>51,411,215</u>	<u>51,683,099</u>
Fund balances at end of year	<u>\$ 1,215,170</u>	<u>-</u>	<u>1,215,170</u>

CITY OF COMMERCE
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2012

	<u>Supplemental Law Enforcement</u>	<u>Local Law Enforcement Block Grant</u>	<u>Proposition A Local Return Tax</u>
<u>Assets</u>			
Cash and investments	\$ 130,997	97,783	-
Due from other governments	-	-	-
Loans receivable	-	-	-
Property held for resale	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 130,997</u>	<u>97,783</u>	<u>-</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 38,644	-	-
Accrued salaries and benefits	-	564	-
Due to other funds	-	-	-
Deferred revenue	-	33,009	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>38,644</u>	<u>33,573</u>	<u>-</u>
Fund balances:			
Restricted for:			
Housing			
Law enforcement	92,353	64,210	-
Transportation	-	-	-
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>92,353</u>	<u>64,210</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 130,997</u>	<u>97,783</u>	<u>-</u>

<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Housing</u>	<u>Totals</u>
45,356	-	-	-	274,136
-	32,799	3,982	-	36,781
-	-	-	457,228	457,228
-	-	-	1,053,000	1,053,000
<u>45,356</u>	<u>32,799</u>	<u>3,982</u>	<u>1,510,228</u>	<u>1,821,145</u>
-	-	-	4,401	43,045
-	-	-	-	564
-	32,799	4,131	35,199	72,129
-	-	-	457,228	490,237
<u>-</u>	<u>32,799</u>	<u>4,131</u>	<u>496,828</u>	<u>605,975</u>
-	-	-	1,013,400	1,013,400
-	-	-	-	156,563
45,356	-	-	-	45,356
-	-	(149)	-	(149)
<u>45,356</u>	<u>-</u>	<u>(149)</u>	<u>1,013,400</u>	<u>1,215,170</u>
<u>45,356</u>	<u>32,799</u>	<u>3,982</u>	<u>1,510,228</u>	<u>1,821,145</u>

CITY OF COMMERCE

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Proposition A Local Return Tax
Revenues:			
Intergovernmental	\$ 100,000	21,422	1,198,459
Investment income	621	413	1,729
Miscellaneous	-	-	-
Total revenues	<u>100,621</u>	<u>21,835</u>	<u>1,200,188</u>
Expenditures:			
Current:			
Community development	-	-	-
Public safety	<u>130,792</u>	<u>26,604</u>	-
Total expenditures	<u>130,792</u>	<u>26,604</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>(30,171)</u>	<u>(4,769)</u>	<u>1,200,188</u>
Other financing sources (uses):			
Transfers out	-	-	<u>(1,200,188)</u>
Total other financing sources (uses)	-	-	<u>(1,200,188)</u>
Extraordinary gain (loss)	-	-	-
Net change in fund balances	(30,171)	(4,769)	-
Fund balances (deficit) at beginning of year	<u>122,524</u>	<u>68,979</u>	-
Fund balances (deficit) at end of year	<u>\$ 92,353</u>	<u>64,210</u>	<u>-</u>

<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Housing</u>	<u>Totals</u>
383,115	254,211	16,146	-	1,973,353
401	845	-	11,283	15,292
-	-	-	24,289	24,289
<u>383,516</u>	<u>255,056</u>	<u>16,146</u>	<u>35,572</u>	<u>2,012,934</u>
-	235,374	-	175,221	410,595
-	19,682	-	-	177,078
-	<u>255,056</u>	-	<u>175,221</u>	<u>587,673</u>
<u>383,516</u>	-	<u>16,146</u>	<u>(139,649)</u>	<u>1,425,261</u>
<u>(384,878)</u>	<u>(33,811)</u>	<u>(16,147)</u>	-	<u>(1,635,024)</u>
<u>(384,878)</u>	<u>(33,811)</u>	<u>(16,147)</u>	-	<u>(1,635,024)</u>
-	-	-	1,153,049	1,153,049
(1,362)	(33,811)	(1)	1,013,400	943,286
<u>46,718</u>	<u>33,811</u>	<u>(148)</u>	-	<u>271,884</u>
<u>45,356</u>	-	<u>(149)</u>	<u>1,013,400</u>	<u>1,215,170</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 100,000	100,000	-
Investment income	<u>2,500</u>	<u>621</u>	<u>(1,879)</u>
Total revenues	<u>102,500</u>	<u>100,621</u>	<u>(1,879)</u>
Expenditures:			
Current:			
Public safety	<u>100,000</u>	<u>130,792</u>	<u>(30,792)</u>
Total expenditures	<u>100,000</u>	<u>130,792</u>	<u>(30,792)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,500</u>	<u>(30,171)</u>	<u>(32,671)</u>
Net change in fund balances	2,500	(30,171)	(32,671)
Fund balance at beginning of year	<u>122,524</u>	<u>122,524</u>	<u>-</u>
Fund balance at end of year	<u>\$ 125,024</u>	<u>92,353</u>	<u>(32,671)</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 14,579	21,422	6,843
Investment income	<u>-</u>	<u>413</u>	<u>413</u>
Total revenues	<u>14,579</u>	<u>21,835</u>	<u>7,256</u>
Expenditures:			
Current:			
Public safety	<u>27,579</u>	<u>26,604</u>	<u>975</u>
Total expenditures	<u>27,579</u>	<u>26,604</u>	<u>975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,000)</u>	<u>(4,769)</u>	<u>8,231</u>
Net change in fund balances	(13,000)	(4,769)	8,231
Fund balance at beginning of year	<u>68,979</u>	<u>68,979</u>	<u>-</u>
Fund balance at end of year	<u>\$ 55,979</u>	<u>64,210</u>	<u>8,231</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,000,000	1,198,459	198,459
Investment income	<u>2,500</u>	<u>1,729</u>	<u>(771)</u>
Total revenues	<u>1,002,500</u>	<u>1,200,188</u>	<u>197,688</u>
Other financing sources (uses):			
Transfers out	<u>(1,000,000)</u>	<u>(1,200,188)</u>	<u>(200,188)</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,200,188)</u>	<u>(200,188)</u>
Net change in fund balances	2,500	-	(2,500)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,500</u>	<u>-</u>	<u>(2,500)</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 227,500	383,115	155,615
Investment income	<u>-</u>	<u>401</u>	<u>401</u>
Total revenues	<u>227,500</u>	<u>383,516</u>	<u>156,016</u>
Other financing sources (uses):			
Transfers out	<u>(300,000)</u>	<u>(384,878)</u>	<u>(84,878)</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(384,878)</u>	<u>(84,878)</u>
Net change in fund balances	(72,500)	(1,362)	71,138
Fund balance at beginning of year	<u>46,718</u>	<u>46,718</u>	<u>-</u>
Fund balance at end of year	<u>\$ (25,782)</u>	<u>45,356</u>	<u>71,138</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 150,000	254,211	104,211
Investment income	<u>-</u>	<u>845</u>	<u>845</u>
Total revenues	<u>150,000</u>	<u>255,056</u>	<u>105,056</u>
Expenditures:			
Current:			
Community development	521,288	235,374	285,914
Public safety	<u>8,000</u>	<u>19,682</u>	<u>(11,682)</u>
Total expenditures	<u>529,288</u>	<u>255,056</u>	<u>274,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(379,288)</u>	<u>-</u>	<u>379,288</u>
Other financing sources (uses):			
Transfers out	<u>(15,500)</u>	<u>(33,811)</u>	<u>(18,311)</u>
Total other financing sources (uses)	<u>(15,500)</u>	<u>(33,811)</u>	<u>(18,311)</u>
Net change in fund balances	(394,788)	(33,811)	360,977
Fund balance at beginning of year	<u>33,811</u>	<u>33,811</u>	<u>-</u>
Fund balance at end of year	<u>\$ (360,977)</u>	<u>-</u>	<u>360,977</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 16,000	16,146	146
Total revenues	<u>16,000</u>	<u>16,146</u>	<u>146</u>
Other financing sources (uses):			
Transfers out	<u>(15,500)</u>	<u>(16,147)</u>	<u>(647)</u>
Total other financing sources (uses)	<u>(15,500)</u>	<u>(16,147)</u>	<u>(647)</u>
Net change in fund balances	500	(1)	(501)
Fund balance (deficit) at beginning of year	<u>(148)</u>	<u>(148)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 352</u>	<u>(149)</u>	<u>(501)</u>

CITY OF COMMERCE
Special Revenue Funds

Housing Fund

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

Year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	11,283	11,283
Miscellaneous	<u>-</u>	<u>24,289</u>	<u>24,289</u>
Total revenues	<u>-</u>	<u>35,572</u>	<u>35,572</u>
Expenditures:			
Current:			
Community development	<u>-</u>	<u>175,221</u>	<u>(175,221)</u>
Total expenditures	<u>-</u>	<u>175,221</u>	<u>(175,221)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(139,649)</u>	<u>(139,649)</u>
Extraordinary gain	<u>-</u>	<u>1,153,049</u>	<u>1,153,049</u>
Net change in fund balances	-	1,013,400	1,013,400
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>1,013,400</u>	<u>1,013,400</u>

CITY OF COMMERCE
Debt Service Fund
Community Development Commission Debt Service Fund

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

Year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ -	8,397,608	8,397,608
Investment income	-	221,870	221,870
Rental income	-	192,408	192,408
Total revenues	<u>-</u>	<u>8,811,886</u>	<u>8,811,886</u>
Expenditures:			
Current:			
General government	-	105,000	(105,000)
Debt service:			
Principal	3,790,000	3,305,000	485,000
Interest and fiscal charges	4,324,543	2,903,942	1,420,601
Payments under pass-through obligations	<u>1,090,000</u>	<u>813,392</u>	<u>276,608</u>
Total expenditures	<u>9,204,543</u>	<u>7,127,334</u>	<u>2,077,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,204,543)</u>	<u>1,684,552</u>	<u>10,889,095</u>
Other financing sources (uses):			
Transfers in	-	311,628	311,628
Transfers out	<u>(3,120,000)</u>	<u>(582,175)</u>	<u>2,537,825</u>
Total other financing sources (uses)	<u>(3,120,000)</u>	<u>(270,547)</u>	<u>2,849,453</u>
Extraordinary gain (loss)	<u>-</u>	<u>67,692,831</u>	<u>67,692,831</u>
Net change in fund balances	(12,324,543)	69,106,836	81,431,379
Fund balance (deficit) at beginning of year, as restated	<u>(69,106,836)</u>	<u>(69,106,836)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (81,431,379)</u>	<u>-</u>	<u>81,431,379</u>

CITY OF COMMERCE

Debt Service Fund

Community Center

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

Year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 5,000	45,545	40,545
Total revenues	<u>5,000</u>	<u>45,545</u>	<u>40,545</u>
Expenditures:			
Debt service:			
Principal	310,000	340,000	(30,000)
Interest and fiscal charges	<u>628,200</u>	<u>588,735</u>	<u>39,465</u>
Total expenditures	<u>938,200</u>	<u>928,735</u>	<u>9,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(933,200)</u>	<u>(883,190)</u>	<u>50,010</u>
Other financing sources (uses):			
Transfers in	<u>924,000</u>	<u>926,235</u>	<u>2,235</u>
Total other financing sources (uses)	<u>924,000</u>	<u>926,235</u>	<u>2,235</u>
Net change in fund balances	(9,200)	43,045	52,245
Fund balance at beginning of year	<u>4,683,485</u>	<u>4,683,485</u>	-
Fund balance at end of year	<u><u>\$ 4,674,285</u></u>	<u><u>4,726,530</u></u>	<u><u>52,245</u></u>

CITY OF COMMERCE
 Capital Projects Fund
 General City Capital Projects Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	3,579	3,579
Investment income	-	2,960,283	2,960,283
Miscellaneous	-	<u>597,959</u>	<u>597,959</u>
Total revenues	<u>-</u>	<u>3,561,821</u>	<u>3,561,821</u>
Expenditures:			
Current:			
Public works	7,574,407	1,048,740	6,525,667
Debt service:			
Principal	-	2,900,000	(2,900,000)
Interest and fiscal charges	<u>-</u>	<u>2,479,014</u>	<u>(2,479,014)</u>
Total expenditures	<u>7,574,407</u>	<u>6,427,754</u>	<u>1,146,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,574,407)</u>	<u>(2,865,933)</u>	<u>4,708,474</u>
Net change in fund balances	(7,574,407)	(2,832,122)	4,742,285
Fund balance at beginning of year	<u>53,523,250</u>	<u>53,523,250</u>	<u>-</u>
Fund balance at end of year	<u>\$ 45,948,843</u>	<u>50,691,128</u>	<u>4,742,285</u>

CITY OF COMMERCE
Capital Projects Fund

Community Development Commission Capital Projects Fund

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

Year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	625	625
Investment income	-	53,111	53,111
Rental income	-	428,982	428,982
Miscellaneous	-	<u>19,928</u>	<u>19,928</u>
Total revenues	<u>-</u>	<u>502,646</u>	<u>502,646</u>
Expenditures:			
Current:			
General government	2,542,124	2,014,439	527,685
Community development	7,876,962	408,721	7,468,241
Debt service:			
Principal	832,500	320,000	512,500
Interest and fiscal charges	<u>52,500</u>	<u>1,373,587</u>	<u>(1,321,087)</u>
Total expenditures	<u>11,304,086</u>	<u>4,116,747</u>	<u>7,187,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,304,086)</u>	<u>(3,614,101)</u>	<u>7,689,985</u>
Other financing sources (uses):			
Transfers in	-	582,176	582,176
Transfers out	<u>(2,300,637)</u>	<u>-</u>	<u>2,300,637</u>
Total other financing sources (uses)	<u>(2,300,637)</u>	<u>582,176</u>	<u>2,882,813</u>
Extraordinary gain (loss)	<u>-</u>	<u>(48,379,290)</u>	<u>(48,379,290)</u>
Net change in fund balances	(13,604,723)	(51,411,215)	(37,806,492)
Fund balance at beginning of year, as restated	<u>51,411,215</u>	<u>51,411,215</u>	<u>-</u>
Fund balance at end of year	<u>\$ 37,806,492</u>	<u>-</u>	<u>(37,806,492)</u>

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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, 2012

	Central Garage	Central Stores	Totals
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 43,492	137,741	181,233
Total assets	\$ 43,492	137,741	181,233
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 45,000	-	45,000
Accrued salaries and benefits	9,010	-	9,010
Total liabilities	54,010	-	54,010
<u>Net Assets</u>			
Unrestricted	(10,518)	137,741	127,223
Total net assets	\$ (10,518)	137,741	127,223

CITY OF COMMERCE

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2012

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 713,999	-	713,999
Total operating revenues	<u>713,999</u>	<u>-</u>	<u>713,999</u>
Operating expenses:			
General and administrative	349,844	-	349,844
Operations	<u>364,156</u>	<u>-</u>	<u>364,156</u>
Total operating expenses	<u>714,000</u>	<u>-</u>	<u>714,000</u>
Changes in net assets	(1)	-	(1)
Net assets (deficit) at beginning of year	<u>(10,517)</u>	<u>137,741</u>	<u>127,224</u>
Net assets (deficit) at end of year	<u>\$ (10,518)</u>	<u>137,741</u>	<u>127,223</u>

CITY OF COMMERCE
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2012

	Central Garage	Central Stores	Totals
Cash flows from operating activities:			
Cash received from user departments	\$ 713,999	-	713,999
Cash payments to suppliers for goods and services	(323,975)	-	(323,975)
Cash payments to employees	(346,533)	-	(346,533)
Net cash provided by (used for) operating activities	43,491	-	43,491
Cash flows from non-capital financing activities:			
Cash received from other funds	(400,926)	-	(400,926)
Net cash provided by (used for) non-capital financing activities	(400,926)	-	(400,926)
Net increase (decrease) in cash and cash equivalents	(357,435)	-	(357,435)
Cash and cash equivalents at beginning of year	400,927	137,741	538,668
Cash and cash equivalents at end of year	\$ 43,492	137,741	181,233
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (1)	-	(1)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Adjustments:			
Increase (decrease) in accounts payable	40,181	-	40,181
Increase (decrease) in accrued liabilities	3,311	-	3,311
Net cash provided by (used for) operating activities	\$ 43,491	-	43,491

There were no noncash capital, financing and investing activities for the year ended June 30, 2012.

FIDUCIARY 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.

Trust Funds are used to account for the activities of the Redevelopment Obligation Retirement Funds, and other Successor Agency funds, which accumulates resources for obligations previously incurred by the former Upland Redevelopment Agency.

The City of Commerce has the following fiduciary funds:

Redevelopment Property Tax Trust Fund – To account for property tax allocated to the Successor Agency to pay the enforceable obligations listed on the ROPS.

Successor Agency Trust Fund – To account for the housing activities of the former community development commission taken over by the Successor Agency.

CITY OF COMMERCE
Private Purpose Trust Funds
Combining Statement of Net Assets
June 30, 2012

	<u>Successor Agency</u>		<u>Totals</u>
	<u>Redevelopment Property Tax Trust Fund</u>	<u>Successor Agency Trust Fund</u>	
<u>Assets</u>			
Cash and investments	\$ 5,775,849	26,749,627	32,525,476
Cash and investments with fiscal agents	-	10,196,296	10,196,296
Interest receivable	-	199,188	199,188
Unamortized bond issuance costs	-	1,780,219	1,780,219
Loans receivable	-	31,130	31,130
Lease receivable	-	76,730	76,730
Property held for resale	-	62,375,172	62,375,172
Capital assets, net	-	12,320,422	12,320,422
	<u>5,775,849</u>	<u>113,728,784</u>	<u>119,504,633</u>
<u>Liabilities</u>			
Accounts payable	-	1,562,284	1,562,284
Accrued salaries and benefits	-	67,158	67,158
Deposits payable	-	180,000	180,000
Interest payable	-	2,602,947	2,602,947
Due to other governments	-	335,567	335,567
Long-term liabilities	-	119,048,334	119,048,334
	<u>-</u>	<u>123,796,290</u>	<u>123,796,290</u>
<u>Net assets</u>			
Assets held in trust for Successor Agency	<u>\$ 5,775,849</u>	<u>(10,067,506)</u>	<u>(4,291,657)</u>

Private Purpose Trust Fund
Combining Statement of Changes in Net Assets
Year ended June 30, 2012

	<u>Successor Agency</u>		<u>Totals</u>
	<u>Redevelopment Property Tax Trust Fund</u>	<u>Successor Agency Trust Fund</u>	
Additions:			
Property Tax	\$ 5,775,849	-	5,775,849
Intergovernmental	-	51,883	51,883
Investment income	-	364,763	364,763
Rental income	-	275,638	275,638
	<u>5,775,849</u>	<u>692,284</u>	<u>6,468,133</u>
Deductions:			
Administrative expenses	-	813,326	813,326
Maintenance and repair expenses	-	18,168	18,168
Professional services	-	365,513	365,513
Interest and fiscal charges	-	2,517,311	2,517,311
Payments under pass-through obligations	-	51,883	51,883
Depreciation	-	116,183	116,183
Miscellaneous	-	180,412	180,412
	<u>-</u>	<u>4,062,796</u>	<u>4,062,796</u>
Changes in net assets before extraordinary items	<u>5,775,849</u>	<u>(3,370,512)</u>	<u>2,405,337</u>
Extraordinary gain (loss)	<u>-</u>	<u>(6,696,994)</u>	<u>(6,696,994)</u>
Changes in net assets	5,775,849	(10,067,506)	(4,291,657)
Net assets held in trust, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets held in trust, end of year	<u>\$ 5,775,849</u>	<u>(10,067,506)</u>	<u>(4,291,657)</u>

CITY OF COMMERCE
Cash Deposits Agency Fund
Combining Statement of Changes in Assets and Liabilities
Year ended June 30, 2012

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
<u>Assets</u>				
Cash and investments	\$ 710,525	-	126,577	583,948
Total assets	<u>\$ 710,525</u>	<u>-</u>	<u>126,577</u>	<u>583,948</u>
<u>Liabilities</u>				
Accounts payable	\$ 137,119	-	111,951	25,168
Deposits payable	<u>573,406</u>	<u>-</u>	<u>14,626</u>	<u>558,780</u>
Total liabilities	<u>\$ 710,525</u>	<u>-</u>	<u>126,577</u>	<u>583,948</u>

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STATISTICAL SECTION

Financial Trends – These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

Revenue Capacity – These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax.

Debt Capacity – These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	(28,637,654)	(64,082,027)	(80,164,000)	(29,578,541)
Restricted	49,808,193	103,987,262	121,522,451	86,626,421
Unrestricted	<u>23,287,969</u>	<u>20,979,513</u>	<u>21,040,670</u>	<u>21,826,673</u>
Total governmental activities net assets	<u>44,458,508</u>	<u>60,884,748</u>	<u>62,399,121</u>	<u>78,874,553</u>
Business-type activities:				
Invested in capital assets, net of related debt	10,979,998	9,976,441	7,507,704	9,161,881
Restricted	-	-	-	-
Unrestricted	<u>5,085,850</u>	<u>2,564,586</u>	<u>4,074,831</u>	<u>1,363,291</u>
Total business-type activities net assets	<u>16,065,848</u>	<u>12,541,027</u>	<u>11,582,535</u>	<u>10,525,172</u>
Primary government:				
Invested in capital assets, net of related debt	(17,657,656)	(54,105,586)	(72,656,296)	(20,416,660)
Restricted	49,808,193	103,987,262	121,522,451	86,626,421
Unrestricted	<u>28,373,819</u>	<u>23,544,099</u>	<u>25,115,501</u>	<u>23,189,964</u>
Total primary government net assets	<u>60,524,356</u>	<u>73,425,775</u>	<u>73,981,656</u>	<u>89,399,725</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.

Fiscal Year					
2007	2008	2009	2010	2011	2012
(35,988,743)	(57,251,831)	(57,521,168)	(67,538,656)	(32,579,229)	41,949,565
74,367,830	10,920,863	3,941,343	463,128	27,965,967	2,862,221
<u>49,830,630</u>	<u>139,147,166</u>	<u>139,073,655</u>	<u>159,586,801</u>	<u>90,467,496</u>	<u>32,518,513</u>
<u>88,209,717</u>	<u>92,816,198</u>	<u>85,493,830</u>	<u>92,511,273</u>	<u>85,854,234</u>	<u>77,330,299</u>
9,717,831	9,205,642	11,171,521	14,345,897	15,281,149	9,132,834
-	-	-	-	-	-
<u>848,744</u>	<u>(432,900)</u>	<u>(847,500)</u>	<u>(2,989,115)</u>	<u>(3,331,606)</u>	<u>(3,475,824)</u>
<u>10,566,575</u>	<u>8,772,742</u>	<u>10,324,021</u>	<u>11,356,782</u>	<u>11,949,543</u>	<u>5,657,010</u>
(26,270,912)	(48,046,189)	(46,349,647)	(53,192,759)	(17,298,080)	51,082,399
74,367,830	10,920,863	3,941,343	463,128	27,965,967	2,862,221
<u>50,679,374</u>	<u>138,714,266</u>	<u>138,226,155</u>	<u>156,597,686</u>	<u>87,135,890</u>	<u>29,042,689</u>
<u>98,776,292</u>	<u>101,588,940</u>	<u>95,817,851</u>	<u>103,868,055</u>	<u>97,803,777</u>	<u>82,987,309</u>

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

	Fiscal Year		
	2003	2004	2005
Expenses:			
Governmental activities:			
General government	13,139,118	17,735,863	19,216,052
Public safety	12,251,354	13,555,848	13,694,828
Public works	2,156,381	2,109,522	2,318,999
Community development	7,784,154	5,890,086	6,574,946
Parks and Recreation	8,754,035	9,121,359	9,387,845
Library	2,476,032	2,461,733	2,402,587
Interest on long-term debt	7,143,899	8,513,881	10,444,185
Total governmental activities expenses	<u>53,704,973</u>	<u>59,388,292</u>	<u>64,039,442</u>
Business-type activities:			
Citadel Authority	<u>8,315,493</u>		
Transit	2,876,149	2,980,087	3,051,138
Water	1,612,125	807,382	583,008
Cable Television	<u>223,393</u>	<u>239,572</u>	<u>280,934</u>
Total business-type activities expenses	<u>13,027,160</u>	<u>4,027,041</u>	<u>3,915,080</u>
Total primary government expenses	<u>66,732,133</u>	<u>63,415,333</u>	<u>67,954,522</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	124,157	475,829	445,845
Public safety	170,925	192,875	197,343
Public works	324,323	341,277	392,123
Community development	1,723,744	1,726,119	1,461,203
Library	48,855	37,205	40,958
Parks and recreation	344,111	398,967	432,165
Operating grants and contributions	2,485,200	3,028,580	1,811,158
Capital grants and contributions	<u>44,146</u>	<u>30,800</u>	<u>207,970</u>
Total governmental activities program revenues	<u>5,265,461</u>	<u>6,231,652</u>	<u>4,988,765</u>
Business-type activities:			
Charges for services:			
Citadel Authority	9,290,126		
Transit	-	-	-
Water	1,763,803	-	-
Cable Television	65,147	64,516	56,712
Operating grants and contributions	1,372,215	1,208,941	1,356,282
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>12,491,291</u>	<u>1,273,457</u>	<u>1,412,994</u>
Total primary government program revenues	<u>17,756,752</u>	<u>7,505,109</u>	<u>6,401,759</u>
Net revenues (expenses):			
Governmental activities	(48,439,512)	(53,156,640)	(59,050,677)
Business-type activities	<u>(535,869)</u>	<u>(2,753,584)</u>	<u>(2,502,086)</u>
Total net revenues (expenses)	<u>(48,975,381)</u>	<u>(55,910,224)</u>	<u>(61,552,763)</u>

(continued)

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
14,440,629	16,891,474	15,824,307	21,404,492	16,399,307	17,651,539	18,362,277
12,798,953	13,741,711	14,671,657	16,197,845	16,357,834	16,205,717	15,583,635
2,119,550	2,863,690	3,197,631	4,900,387	7,285,450	5,867,584	6,464,741
6,034,767	6,429,943	7,028,967	3,257,937	21,050,782	11,021,254	2,269,890
10,309,407	10,158,100	10,633,778	10,949,754	10,516,653	8,152,321	8,808,268
2,554,010	2,862,061	3,220,489	3,216,089	2,472,071	3,970,137	3,001,247
9,299,836	9,101,258	9,684,698	9,996,589	9,813,078	7,510,228	10,055,429
<u>57,557,152</u>	<u>62,048,237</u>	<u>64,261,527</u>	<u>69,923,093</u>	<u>83,895,175</u>	<u>70,378,780</u>	<u>64,545,487</u>
3,330,525	3,285,381	3,682,946	3,267,752	3,835,053	3,678,189	4,417,649
528,814	459,317	402,063	444,737	632,118	345,153	491,453
320,510	342,295	340,497	346,045	260,442	273,826	250,312
<u>4,179,849</u>	<u>4,086,993</u>	<u>4,425,506</u>	<u>4,058,534</u>	<u>4,727,613</u>	<u>4,297,168</u>	<u>5,159,414</u>
<u>61,737,001</u>	<u>66,135,230</u>	<u>68,687,033</u>	<u>73,981,627</u>	<u>88,622,788</u>	<u>74,675,948</u>	<u>69,704,901</u>
2,656,244	2,506,530	862,446	845,966	-	-	717,712
-	-	161,491	233,659	1,232,769	1,285,140	729,369
206,527	215,474	-	-	3,152,579	2,515,767	2,042,031
-	674,996	2,204,296	2,034,696	6,058,596	920,610	637,061
35,957	32,373	61,536	23,943	25,410	30,567	26,827
423,820	473,395	486,158	483,122	521,232	621,815	667,379
2,616,670	3,091,095	4,847,995	3,813,612	2,376,672	2,296,474	2,343,633
-	-	400,000	150,923	502,044	607,842	550,120
<u>5,939,218</u>	<u>6,993,863</u>	<u>9,023,922</u>	<u>7,585,921</u>	<u>13,869,302</u>	<u>8,278,215</u>	<u>7,714,132</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50,587	61,440	43,408	31,972	41,302	37,850	37,817
1,357,140	1,341,483	1,057,156	3,423,936	4,051,566	3,018,306	2,457,478
-	-	-	-	-	-	-
<u>1,407,727</u>	<u>1,402,923</u>	<u>1,100,564</u>	<u>3,455,908</u>	<u>4,092,868</u>	<u>3,056,156</u>	<u>2,495,295</u>
7,346,945	8,396,786	10,124,486	11,041,829	17,962,170	11,334,371	10,209,427
(51,617,934)	(55,054,374)	(55,237,605)	(62,337,172)	(70,025,873)	(62,100,565)	(56,831,355)
<u>(2,772,122)</u>	<u>(2,684,070)</u>	<u>(3,324,942)</u>	<u>(602,626)</u>	<u>(634,745)</u>	<u>(1,241,012)</u>	<u>(2,664,119)</u>
<u>(54,390,056)</u>	<u>(57,738,444)</u>	<u>(58,562,547)</u>	<u>(62,939,798)</u>	<u>(70,660,618)</u>	<u>(63,341,577)</u>	<u>(59,495,474)</u>

(Continued)

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

	Fiscal Year		
	2003	2004	2005
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Casino license tax	15,012,228	15,722,281	17,428,322
Property taxes	12,344,899	13,799,718	18,566,291
Sales tax	10,634,666	11,568,746	10,676,245
Business License tax	810,266	798,590	826,069
Franchise taxes	1,171,103	1,172,413	1,112,744
Transient occupancy taxes	-	-	-
Motor vehicle in lieu, unrestricted	742,483	601,583	287,356
Rental Income	2,949,147	2,712,082	1,740,100
Investment income	3,798,975	5,567,788	3,542,248
Sale of property	-	15,416,261	9,614,151
Intergovernmental, unrestricted	-	-	-
Miscellaneous revenues	1,419,286	1,431,789	(1,706,613)
Extraordinary gain (note 19)	-	-	-
Transfers	<u>(1,524,488)</u>	<u>(1,689,093)</u>	<u>(1,544,990)</u>
Total governmental activities	<u>47,358,565</u>	<u>67,102,158</u>	<u>60,541,923</u>
Business-type activities:			
Investment income	3,042	20,392	4,004
Transfers	<u>1,524,488</u>	<u>1,689,093</u>	<u>1,544,990</u>
Total business-type activities	<u>1,527,530</u>	<u>1,709,485</u>	<u>1,548,994</u>
Total primary government	<u>48,886,095</u>	<u>68,811,643</u>	<u>62,090,917</u>
Changes in net assets			
Governmental activities	(1,080,947)	13,945,518	1,491,246
Business-type activities	<u>991,661</u>	<u>(1,044,099)</u>	<u>(953,092)</u>
Total primary government	<u>(89,286)</u>	<u>12,901,419</u>	<u>538,154</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.*

Fiscal Year						
2006	2007	2008	2009 ¹	2010	2011	2012
19,081,838	21,221,796	22,667,115	21,095,275	19,776,039	20,392,604	21,181,030
14,417,628	15,766,275	15,484,157	15,593,558	18,219,198	17,322,761	9,423,608
14,711,153	15,915,922	16,353,317	16,728,923	11,608,348	13,108,932	16,459,305
1,199,544	1,239,109	1,157,899	1,187,398	1,092,666	1,009,514	1,017,727
981,102	2,045,918	2,187,982	1,899,796	1,768,066	1,922,843	2,096,487
914,608	896,548	954,809	1,059,444	1,079,141	1,097,697	1,028,203
-	-	-	-	-	-	-
4,165,719	4,681,652	4,585,456	3,515,745	2,391,795	1,858,224	3,994,512
-	-	-	-	-	-	-
3,602,205	1,788,110	1,644,693	-	-	-	-
2,356,042	3,386,308	1,627,044	1,645,234	1,534,396	1,261,505	2,718,041
						6,696,994
<u>(1,933,319)</u>	<u>(2,725,473)</u>	<u>(1,531,109)</u>	<u>(1,894,366)</u>	<u>(1,465,006)</u>	<u>(1,631,273)</u>	<u>-</u>
<u>59,496,520</u>	<u>64,216,165</u>	<u>65,131,363</u>	<u>60,831,007</u>	<u>56,004,643</u>	<u>56,342,807</u>	<u>64,615,907</u>
-	-	-	-	202,500	202,500	-
<u>1,933,319</u>	<u>2,725,473</u>	<u>1,531,109</u>	<u>1,894,366</u>	<u>1,465,006</u>	<u>1,631,273</u>	<u>-</u>
<u>1,933,319</u>	<u>2,725,473</u>	<u>1,531,109</u>	<u>1,894,366</u>	<u>1,667,506</u>	<u>1,833,773</u>	<u>-</u>
<u>61,429,839</u>	<u>66,941,638</u>	<u>66,662,472</u>	<u>62,725,373</u>	<u>57,672,149</u>	<u>58,176,580</u>	<u>64,615,907</u>
7,878,586	9,161,791	9,893,758	(1,506,165)	(14,021,230)	(5,757,758)	7,784,552
<u>(838,803)</u>	<u>41,403</u>	<u>(1,793,833)</u>	<u>1,291,740</u>	<u>1,032,761</u>	<u>592,761</u>	<u>(2,664,119)</u>
<u>7,039,783</u>	<u>9,203,194</u>	<u>8,099,925</u>	<u>(214,425)</u>	<u>(12,988,469)</u>	<u>(5,164,997)</u>	<u>5,120,433</u>

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

	Fiscal Year				
	2008	2009	2010	2011 (a)	2012
General fund:				General fund:	
Reserved	12,580,739	12,524,030	12,342,170	Nonspendable	15,190,427
Unreserved	12,462,392	13,096,988	11,807,678	Restricted	-
Total general fund	<u>25,043,131</u>	<u>25,621,018</u>	<u>24,149,848</u>	Unassigned	33,552,248
				Total general fund	<u>48,742,675</u>
					<u>51,324,280</u>
All other governmental funds:				All other governmental funds:	
Reserved	81,299,408	64,561,820	71,195,075	Nonspendable	-
Unreserved, reported in:				Restricted	125,592,920
Special revenue funds	23,782,402	23,685,219	22,929,354	Unassigned	<u>(34,639,920)</u>
Debt service funds	63,934,115	64,380,169	61,397,363	Total all other	
Capital projects funds	<u>45,020,349</u>	<u>49,232,460</u>	<u>34,191,660</u>	governmental funds	<u>90,953,000</u>
Total all other governmental funds:	<u>214,036,274</u>	<u>201,859,668</u>	<u>189,713,452</u>		<u>-</u>

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund:					
Reserved	12,959,989	13,656,227	12,796,287	12,243,762	14,102,208
Unreserved	3,482,014	2,732,304	3,639,316	8,709,875	9,405,130
Total general fund	<u>16,442,003</u>	<u>16,388,531</u>	<u>16,435,603</u>	<u>20,953,637</u>	<u>23,507,338</u>
All other governmental funds:					
Reserved	78,007,698	69,330,967	85,475,440	63,230,125	79,616,682
Unreserved, reported in:					
Special revenue funds	6,673,540	6,945,488	8,126,202	14,034,613	15,361,611
Debt service funds	(3,429,881)	40,779,084	26,220,659	57,900,984	59,701,697
Capital projects funds	<u>(26,137,905)</u>	<u>(8,783,960)</u>	<u>9,888,801</u>	<u>(2,342,763)</u>	<u>(19,868,092)</u>
Total all other governmental funds:	<u>55,113,452</u>	<u>108,271,579</u>	<u>129,711,102</u>	<u>132,822,959</u>	<u>134,811,898</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.

(a) The City implemented GASB statement No. 54 in the fiscal year ended June 30, 2011.

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	24,150,670	26,540,875	30,355,280	34,629,662
Casino license tax	-	-	-	19,081,838
Licenses and permits	17,549,067	18,250,186	19,717,248	2,656,229
Fines and forfeitures	168,096	189,679	195,688	206,527
Investment income	3,809,215	8,026,452	3,560,792	4,165,719
Rental income	3,159,955	255,036	483,611	1,223,947
Intergovernmental	3,306,993	3,723,897	1,003,139	3,602,205
Charges for services	988,355	965,076	1,061,616	1,329,154
Activity Fees	387,155	447,533	1,740,100	459,777
Sale of Citadel / Property Settlement Income	-	15,416,261	24,000,000	-
Other	760,326	1,840,120	7,355,307	2,450,054
Total revenues	<u>54,279,832</u>	<u>75,655,115</u>	<u>89,472,781</u>	<u>69,805,112</u>
Expenditures				
Current:				
General government	13,022,093	17,859,008	19,258,191	15,008,572
Public safety	12,191,016	13,549,322	13,680,741	12,772,565
Public works	1,971,679	1,927,178	2,172,772	1,973,538
Community development	3,853,872	3,815,753	2,832,456	5,949,287
Library	2,430,966	2,437,593	2,379,117	2,505,707
Parks, recreation and culture	7,665,220	8,066,062	8,434,528	9,017,017
Capital outlay	5,889,354	11,621,007	3,717,264	127,282
Debt service:				
Principal retirement	4,249,722	10,636,235	19,771,571	4,597,180
Interest and fiscal charges	5,764,866	5,954,930	9,257,685	10,109,154
SERAF Payments	-	-	-	-
Bond Issuance Costs	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Pass-through payments	-	-	-	-
Total expenditures	<u>57,038,788</u>	<u>75,867,088</u>	<u>81,504,325</u>	<u>62,060,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,758,956)</u>	<u>(211,973)</u>	<u>7,968,456</u>	<u>7,744,810</u>
Other financing sources (uses):				
Transfers in	21,179,459	23,110,477	23,763,879	25,055,015
Transfers out	(22,703,947)	(24,799,571)	(25,308,869)	(26,988,334)
Issuance of bonds	-	52,525,000	15,040,000	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(1,524,488)</u>	<u>50,835,906</u>	<u>13,495,010</u>	<u>(1,933,319)</u>
Extraordinary gain (loss) (note 19)				
Net change in fund balances	<u>(4,283,444)</u>	<u>50,623,933</u>	<u>21,463,466</u>	<u>5,811,491</u>
Debt service as a percentage of noncapital expenditures	24%	35%	60%	31%

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.

Fiscal Year					
2007	2008	2009	2010	2011	2012
38,514,264	39,821,812	40,023,311	36,717,353	36,849,238	30,838,722
21,221,796	22,667,115	21,095,275	19,776,039	20,392,604	21,181,030
2,506,530	3,102,448	2,880,662	2,266,014	2,515,108	2,051,387
215,474	161,491	257,603	1,255,554	1,315,707	756,196
5,378,004	4,573,986	3,515,745	5,937,005	8,379,360	7,001,775
936,585	723,613	692,172	3,802,188	918,914	707,840
2,360,915	3,313,647	2,538,032	3,461,021	2,806,231	2,539,595
1,197,648	1,407,376	1,340,772	895,661	757,199	500,455
505,768	547,694	483,122	354,582	346,616	436,868
-	-	-	-	-	-
-	-	-	2,325,000	-	-
<u>2,373,403</u>	<u>2,831,191</u>	<u>1,645,234</u>	<u>1,632,210</u>	<u>1,286,695</u>	<u>1,972,515</u>
<u>75,210,387</u>	<u>79,150,373</u>	<u>74,471,928</u>	<u>78,422,627</u>	<u>75,567,672</u>	<u>67,986,383</u>
17,612,838	18,211,676	21,329,416	17,386,171	17,447,206	16,547,709
13,285,301	14,644,542	15,523,154	15,622,837	15,903,482	15,583,635
2,768,577	3,311,795	4,560,649	6,513,338	6,763,595	5,894,285
6,216,382	6,109,380	4,851,198	13,338,627	7,128,103	2,140,768
2,767,002	3,186,168	3,037,302	2,915,498	2,794,256	2,775,283
9,820,714	10,365,481	9,820,859	8,958,379	8,075,994	7,969,161
245,274	1,636,332	386,226	-	-	-
6,112,623	5,150,560	5,871,179	6,299,277	9,332,647	7,971,902
7,597,938	7,645,536	12,395,178	11,898,888	13,485,684	9,677,103
-	-	-	7,022,026	1,359,567	-
-	2,392,879	-	-	-	-
-	5,297,255	-	-	-	-
<u>1,325,248</u>	<u>2,006,249</u>	<u>3,635,798</u>	<u>2,949,934</u>	<u>2,387,491</u>	<u>813,392</u>
<u>67,751,897</u>	<u>79,957,853</u>	<u>81,410,959</u>	<u>92,904,975</u>	<u>84,678,025</u>	<u>69,373,238</u>
<u>7,458,490</u>	<u>(807,480)</u>	<u>(6,939,031)</u>	<u>(14,482,348)</u>	<u>(9,110,353)</u>	<u>(1,386,855)</u>
30,205,114	34,049,740	29,855,879	29,089,788	24,202,439	2,331,429
(32,947,592)	(35,580,849)	(32,122,322)	(30,644,794)	(25,833,712)	(3,710,866)
-	138,915,753	-	-	-	-
-	(56,008,368)	-	-	-	-
<u>(2,742,478)</u>	<u>81,376,276</u>	<u>(2,266,443)</u>	<u>(1,555,006)</u>	<u>(1,631,273)</u>	<u>(1,379,437)</u>
<u>4,716,012</u>	<u>80,568,796</u>	<u>(9,205,474)</u>	<u>(16,037,354)</u>	<u>(10,741,626)</u>	<u>17,700,298</u>
					<u>20,466,590</u>
26%	23%	31%	28%	39%	35%

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

Fiscal Year Ended June 30	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions ¹		Secured	Unsecured	Less: Exemptions ¹		
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%
2009	1,049,626	204,194	-	1,253,820	2,402,608	477,214	-	2,879,822	0.093%
2010	1,068,751	197,738	-	1,266,489	2,536,257	454,588	-	2,990,845	0.093%
2011	1,085,986	219,637	-	1,305,623	2,493,982	413,912	-	2,907,894	0.093%
2012	1,105,952	201,785	-	1,307,737	2,565,465	428,426	-	2,993,891	0.093%

¹ 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: Los Angeles County Assessor's Office - Form SV 13

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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>0.025</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>	<u>0.025</u>	<u>0.025</u>
Total City Direct Rate	0.093	0.093	0.093	0.093	0.093	0.093	0.093	0.093	0.093	0.093
Overlapping Rates:										
LA Detention Facilities	0.008	0.007	0.006	0.006	0.006	0.006	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	0.008	0.010	0.013	0.012	0.012	0.012	0.013	0.013	0.013	0.013
Commerce Unified School District Bonds	0.002	0.008	0.006	0.008	0.007	0.008	0.008	0.008	0.008	0.008
County of Commerce	<u>0.835</u>	<u>0.834</u>	<u>0.832</u>	<u>0.833</u>	<u>0.834</u>	<u>0.834</u>	<u>0.833</u>	<u>0.833</u>	<u>0.833</u>	<u>0.833</u>
Total Direct Rate	<u>0.949</u>	<u>0.955</u>	<u>0.953</u>	<u>0.955</u>	<u>0.955</u>	<u>0.956</u>	<u>0.956</u>	<u>0.956</u>	<u>0.956</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 Ten Years Ago

Taxpayer	2012			2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value		Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Craig Realty Group Citadel LLC	\$ 130,385,746	3.09%	AMB Institutional Alliance Fund	100,224,180	3.13%
California Commerce Club Inc.	101,678,421	2.41%	California Commerce Club Inc	94,225,160	2.94%
AMB Institutional Alliance Fund	86,671,539	2.06%	Union Pacific Railroad Company	66,631,368	2.08%
LIT Commerce Distribution Center	86,666,498	2.06%	Commerce Citadel Development A	66,273,945	2.07%
Rreef America Reit II Corporation	75,520,315	1.79%	Mail-Well Commercial Printing Inc	49,481,882	1.55%
VON'S Companies Inc	58,476,430	1.39%	Newcrow	42,198,596	1.32%
TELAC 5500 5600 Inc	57,704,096	1.37%	Allied Records Company	41,009,345	1.28%
AMB Property LP	54,296,911	1.29%	Commerce Office Holding Co	36,226,830	1.13%
99 Cents Only Store	48,104,728	1.14%	TELACU	34,070,525	1.06%
Omninet Commerce LP	47,336,599	1.12%	SCIF Portfolio III LLC	33,492,532	1.05%
	<u>\$ 746,841,283</u>	<u>17.72%</u>		<u>\$ 563,834,363</u>	<u>17.61%</u>

The amounts shown above include assessed value data for both the City and the Successor 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 Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2009	19,155,236	19,040,059	99.40%	525,897	19,565,956	102.14%
2010	19,726,330	20,619,058	104.53%	478,562	21,097,620	106.95%
2011	19,880,502	19,294,354	97.05%	359,833	19,654,187	98.86%
2012	20,212,223	15,824,853	78.29%	36,888	15,861,741	78.48%

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

CITY OF COMMERCE
 Card Club License Fee by Category
 Last Ten Calendar Years
(in thousands of dollars)

	Calendar Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Gross Card Room -- Gaming Re	14,892	15,602	17,308	18,962	21,102	22,547	20,975	19,656	20,273	21,061
Monthly License Fee	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>
Total	<u>15,012</u>	<u>15,722</u>	<u>17,428</u>	<u>19,082</u>	<u>21,222</u>	<u>22,667</u>	<u>21,095</u>	<u>19,776</u>	<u>20,393</u>	<u>21,181</u>
Monthly Percentage applied	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)

(a)

Each licensee (in this case, the Commerce Casino) shall pay to the city a monthly license fee of ten thousand dollars plus an amount based upon the total monthly gross revenue of the card game business so licensed, according to the schedule presented on the next page.

Source: City of Commerce - Finance Department.

Notes: The Tax is based upon the following formula as provided for in the agreement between the City and the Commerce Casino.

CITY OF COMMERCE

Direct and Overlapping Card Club Rates

Last Ten Fiscal Years

<u>Monthly Gross Card Club Revenue</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
First \$0 to \$1,600,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Next \$1,600,001 to \$8,500,000	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Next \$8,500,001 to \$12,000,000	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Next \$12,000,001 to \$16,000,000	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
Over \$16,000,000	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
									Average Rate	12.9% 12.9%

Source: City of Commerce - Finance Department.

Notes: The Tax is based upon the above formula as provided for in the agreement between the City and the Commerce Casino.

CITY OF COMMERCE
Principal Card Club Remitter
Current Year and Ten Years Ago

<u>Tax Remitter</u>	2012			2002		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
Commerce Casino	\$ 21,061,030	1	0.00%	<i>Information is not available</i>		
Total	<u>\$ 21,061,030</u>		<u>100.00%</u>			

Source: City of Commerce - Finance Department.

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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 ¹	Loans	
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
2009	313,826	143,495,000	-	143,808,826
2010	179,549	139,335,000	-	139,514,549
2011	36,902	130,145,000	-	130,181,902
2012	-	117,395,000	-	117,395,000

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

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

² 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 ²	Debt Per Capita ²
826,509	24,050,953	24,877,462	121,962,220	66.02%	9,358
468,836	-	468,836	140,946,687	74.19%	10,815
-	-	-	137,363,911	72.52%	10,272
-	-	-	137,363,911	70.37%	10,232
-	-	-	134,680,417	66.36%	9,950
-	-	-	130,518,037	60.96%	9,459
-	-	-	147,885,708	66.69%	10,709
-	-	-	143,808,826	66.80%	10,607
-	-	-	139,514,549	66.42%	10,273
-	-	-	130,181,902	55.70%	9,602
-	-	-	117,395,000	62.14%	9,121

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		
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
2009	313,826	143,495,000	143,808,826	3.48%	102
2010	179,549	139,335,000	139,514,549	3.28%	100
2011	36,902	130,145,000	130,181,902	3.06%	100
2012	-	117,395,000	117,395,000	2.76%	100

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

¹ 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, 2012

City Assessed Valuation		\$ 2,454,250,021	
Redevelopment Agency Incremental Valuation		<u>1,759,274,790</u>	
Total Assessed Valuation		<u>\$ 4,213,524,811</u>	
	<u>Percentage</u>	<u>Outstanding</u>	<u>Estimated</u>
	<u>Applicable</u> ¹	<u>Debt 6/30/12</u>	<u>Share of</u>
			<u>Overlapping</u>
Overlapping Debt Repaid with Property Taxes:			<u>Debt</u>
Metropolitan Water District -- Central Basin	0.284%	94,031,705	267,050
Los Angeles Unified School District	0.053%	11,290,485,000	5,983,957
Los Angeles City Community College District	0.724%	3,504,910,000	25,375,548
Montebello Unified School District	30.736%	143,684,211	<u>44,162,779</u>
Subtotal overlapping debt			75,789,335
City direct governmental debt			<u>-</u>
Total direct and overlapping governmental debt			<u>\$ 75,789,335</u>

Notes:

¹ 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: Hdl Coren & Cone, L.A. County Assessor and Auditor Combined 2011/12 Lien Date Tax Rolls

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
Assessed valuation	3,054,543,000	3,202,442,000	3,288,854,000	3,374,892,000	3,629,948,000
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	763,635,750	800,610,500	822,213,500	843,723,000	907,487,000
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	114,545,363	120,091,575	123,332,025	126,558,450	136,123,050
Total net debt applicable to limit: General obligation bonds	<u>16,382,567</u>	<u>15,883,799</u>	<u>9,165,361</u>	<u>2,017,217</u>	<u>2,087,820</u>
Legal debt margin	<u>98,162,796</u>	<u>104,207,776</u>	<u>114,166,664</u>	<u>124,541,233</u>	<u>134,035,230</u>
Total debt applicable to the limit as a percentage of debt limit	14.3%	13.2%	7.4%	1.6%	1.5%

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					
2007	2008	2009	2010	2011	2012
3,754,391,000	3,911,801,000	4,133,642,000	4,257,334,000	4,213,517,000	4,213,524,811
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
938,597,750	977,950,250	1,033,410,500	1,064,333,500	1,053,379,250	1,053,381,203
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
140,789,663	146,692,538	155,011,575	159,650,025	158,006,888	158,007,180
<u>2,181,772</u>	<u>2,432,676</u>	<u>2,552,676</u>	<u>2,656,166</u>	<u>2,776,166</u>	<u>2,879,656</u>
<u>138,607,891</u>	<u>144,259,862</u>	<u>152,458,899</u>	<u>156,993,859</u>	<u>155,230,722</u>	<u>155,127,524</u>
1.5%	1.7%	1.6%	1.7%	1.8%	1.8%

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)
2003	13,033	189,973	14,576	10.0%
2004	13,373	189,421	14,164	9.5%
2005	13,425	195,194	14,540	8.3%
2006	13,536	202,966	14,995	8.1%
2007	13,798	214,114	15,518	8.1%
2008	13,809	221,761	16,059	8.5%
2009	13,558	215,274	15,878	13.8%
2010	13,581	210,060	15,467	18.5%
2011	12,823	193,205	15,067	22.8%
2012	12,871	188,912	14,677	22.8%

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 Ten Years Ago

Employer	2012		2002*	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
California Commerce Club, Inc.	2,191	3.81%		
County of Los Angeles	910	1.58%		
American International Industries	783	1.36%		
Parsec, Inc.	780	1.36%		
99 Cents Only Stores	640	1.11%		
Gruma Corp. Dba Mission Foods	563	0.98%		
Unified Grocers Inc.	449	0.78%		
Smart & Final Stores LLC	396	0.69%		
Monogram Aerospace Fasteners	395	0.69%		
Mojave Foods Corp	391	0.68%		
Wine Warehouse	361	0.63%		
Smart & Final Inc.	351	0.61%		

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

*Information for 2002 is not available

Source: City of Commerce

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

<u>Function</u>	<u>Full-time and Part-time Employees as of June 30</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	69	70	72	75	78	78	76	72	70	69
Public safety ¹	-	-	-	-	-	-	-	-	-	-
Public services	27	25	27	26	31	31	32	32	29	29
Community development	15	15	18	19	20	20	25	24	19	13
Park & Recreation	125	126	126	125	124	124	125	118	105	105
Library Services	33	33	33	35	38	38	43	43	37	36
Transportation	<u>32</u>	<u>33</u>	<u>33</u>	<u>35</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>35</u>	<u>35</u>
Total	<u>301</u>	<u>302</u>	<u>310</u>	<u>314</u>	<u>323</u>	<u>323</u>	<u>334</u>	<u>322</u>	<u>295</u>	<u>287</u>

¹ Police and fire services were provided by the County.

Source: City Budget Book

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CITY OF COMMERCE
 Capital Asset Statistics
 by Function
 Last Ten Fiscal Years

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:					
Stations	0	0	0	0	0
Fire:					
Fire stations	3	3	3	3	3
Public services:					
Streets (miles)	122.08	127.14	131.76	132.60	133.10
Streetlights	2,956	2,967	3,039	3,183	3,185
Traffic signals	74	74	76	76	76
Parks and recreation:					
Parks	4	4	4	4	4
Community centers	1	2	2	2	2
Water:					
Water mains (miles)	167.90	170.60	172.50	172.90	172.90
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500	12,500	12,500
Wastewater:					
Sanitary sewers (miles)	176.90	178.40	179.15	179.15	179.15
Storm sewers (miles)	51.40	53.50	57.60	57.60	57.60
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				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
0	0	0	0	0
3	3	3	3	3
133.80	133.80	133.80	133.80	133.80
3,188	3,191	3,193	3,193	3
77	79	80	80	80
4	4	4	4	4
2	2	2	2	2
173.40	173.90	173.90	173.90	173.90
12,750	12,850	12,850	12,850	12,850
181.25	181.75	181.75	181.75	181.75
58.50	58.50	58.50	58.50	58.50
6,995	7,015	7,015	7,015	7,015
4	4	4	4	4