

City of Commerce, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2014

CAFR



CITY OF COMMERCE
Commerce, California

Comprehensive Annual Financial Report

Year ended June 30, 2014

Prepared by

FINANCE DEPARTMENT

VILKO DOMIC

Director of Finance / City Treasurer

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TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i
Organizational Chart	vi
Directory of Officials	vii
Certificate of Achievement for Excellence in Financial Reporting – GFOA	viii
<u>FINANCIAL SECTION</u>	
Independent Auditors’ Report	1
Management’s Discussion and Analysis (Required Supplementary Information)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds:	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27
Fiduciary Funds:	
Statement of Net Position	28
Statement of Changes in Net Position - Private Purpose Trust Funds	29
Notes to the Basic Financial Statements	30

CITY OF COMMERCE
Comprehensive Annual Financial Report
Year ended June 30, 2014

TABLE OF CONTENTS, (Continued)

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	68
Notes to Required Supplementary Information	69
SUPPLEMENTARY SCHEDULES:	
Non-Major Governmental Funds:	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	73
Non-Major Special Revenue Funds:	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	76
Budgetary Comparison Schedules:	
Supplemental Law Enforcement Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	78
Local Law Enforcement Block Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	79
Prop A Local Return Tax Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	80
State Gas Tax Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	81
Community Development Block Grant (CDBG) Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	82

CITY OF COMMERCE
Comprehensive Annual Financial Report
Year ended June 30, 2014

TABLE OF CONTENTS, (Continued)

	<u>Page</u>
Air Quality Management District (AQMD) Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	83
Housing Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	84
Debt Service Funds:	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Community Center Debt Service Fund	85
Capital Projects Funds:	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General City Capital Projects Fund	86
Measure AA Fund	87
Internal Service Funds:	
Combining Statement of Net Position	89
Combining Statement of Revenues, Expenses and Changes in Net Position	90
Combining Statement of Cash Flows	91
Fiduciary Funds:	
Combining Statement of Net Position – Private Purpose Trust Funds	93
Combining Statement of Changes in Net Position – Private Purpose Trust Funds	94
Combining Statement of Changes in Assets and Liabilities – Cash Deposit Agency Fund	95

CITY OF COMMERCE
Comprehensive Annual Financial Report
Year ended June 30, 2014

TABLE OF CONTENTS, (Continued)

	<u>Page</u>
<u>STATISTICAL SECTION</u>	
Net Position by Component	98
Changes in Net Position	100
Fund Balances of Governmental Funds	104
Changes in Fund Balances of Governmental Funds	106
Assessed Value and Estimated Actual Value of Taxable Property	108
Direct and Overlapping Property Tax Rates	109
Principal Property Tax Payers	110
Property Tax Levies and Collections	111
Card Club License Fee by Category	112
Direct and Overlapping Card Club Rates	113
Principal Card Club Remitter	114
Ratios of Outstanding Debt by Type	116
Ratios of General Bonded Debt Outstanding	118
Direct and Overlapping Debt	119
Legal Debt Margin Information	120
Demographic and Economic Statistics	122
Principal Employers	123
Full-time and Part-time City Employees	124
Capital Asset Statistics	126

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City of Commerce

Office of the
City Administrator

December 24, 2014

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, 2014. 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, 2014, are free of material misstatement. The independent audit involved

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Commerce, California's financial statements for the fiscal year ended June 30, 2014, 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 12,993. 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 continues to grow at a moderate pace. 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 all 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.

With the passage of Measure AA the City Council has additional resources with which to address the various needs of the City. The Commerce City Council is currently working on prioritizing the 5-year Capital Improvement Project program for FY 13-14 with the assistance of the Measure AA Committee. The tax increase has generated an additional \$5.9 million for fiscal year 2014 that is being used to address capital projects that have been deferred for numerous years. The injection of these new monies will result in an investment never witnessed in this community, reflective of the 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.

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 a portion of the 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 143 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) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Commerce for its comprehensive annual

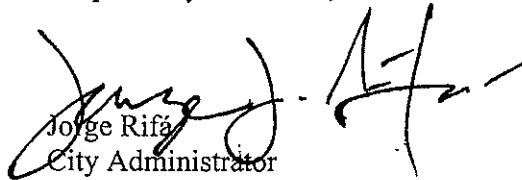
financial report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The 2013 report satisfied both GAAP and applicable legal requirements.


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

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

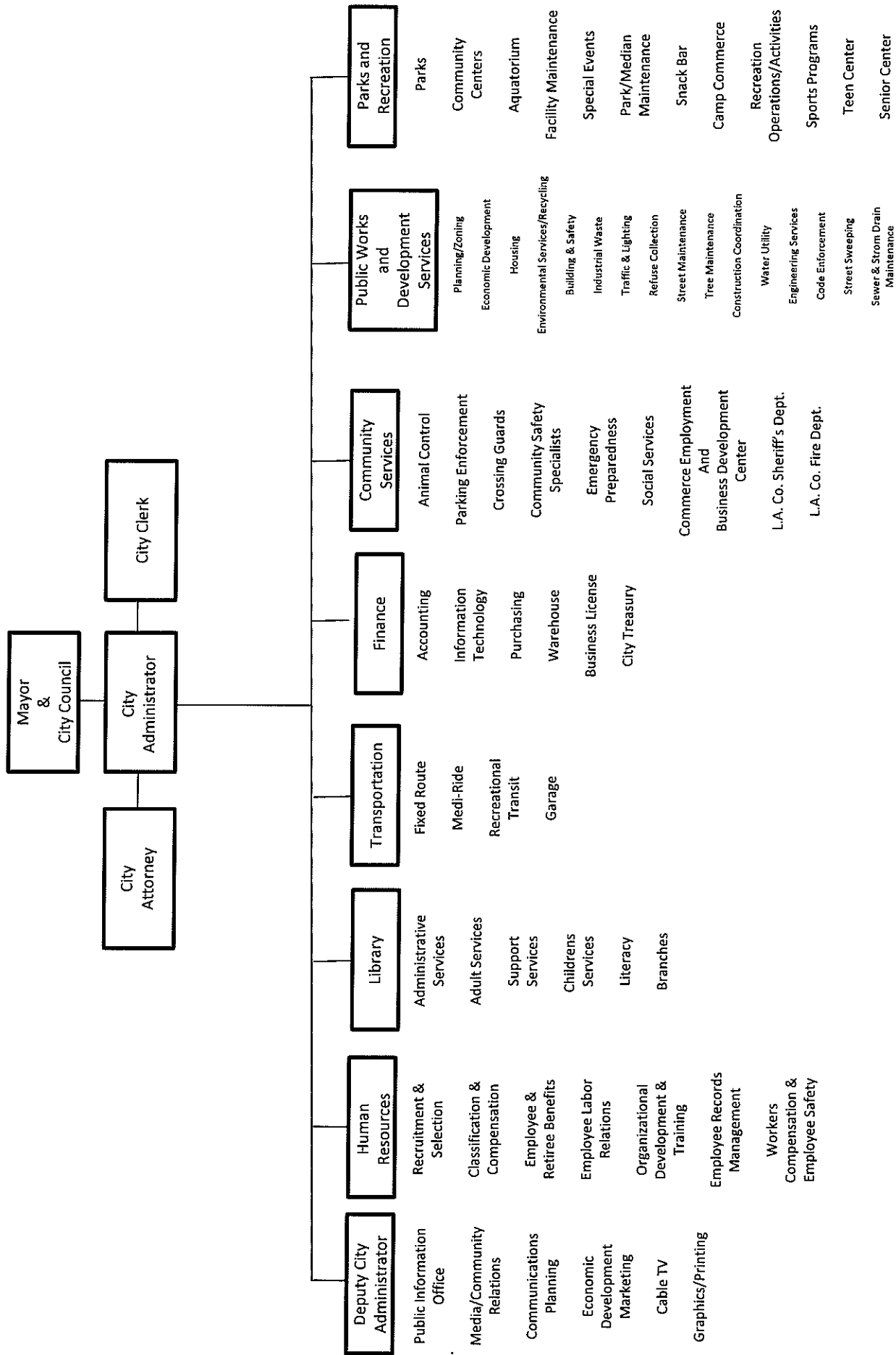
In closing, without the leadership and support of the City Council of the City, preparation of this report would not have been possible.

Respectfully submitted,


Jorge Rifa
City Administrator


Vilko Domic
Director of Finance

City of Commerce Organization Chart



City of Commerce

Directory of Officials

June 30, 2014

CITY COUNCIL

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

ADMINISTRATION

Jorge Rifa, City Administrator
Lena Shumway, City Clerk
Eduardo Olivo, City Attorney
Matthew Rodriguez, Director of Safety and Community Services
Vilko Domic, Director of Finance
Michael Casalou, Director of Human Resources
Beatriz Sarmiento, Director of Library Services
Scott Wasserman, Director of Parks and Recreation
Claude McFerguson, Director of Transportation



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Commerce
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200 ■ Irvine, California 92612
Main: 949.474.2020 ■ Fax: 949.263.5520 ■ www.mhmcpa.com

Honorable Mayor and City Council
City of Commerce
Commerce, California

Independent Auditor's Report

Report on the Financial Statements

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, ("the City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2014 reflect certain prior period adjustments as described further in note 16 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Commerce's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce's basic financial statements. The *combining and individual nonmajor fund financial statements and schedules*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual nonmajor fund financial statements and schedules* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the City of Commerce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Commerce's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Irvine, California
December 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

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, 2014. 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 position, the amount by which total assets exceed total liabilities, equal \$98,815,856.
- The City's total net position increased by \$6,512,509, due to positive changes in fund balances. Note 16 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 \$154,633,792, an increase of \$207,024 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$43,062,013, or 74% 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The statement of activities presents information designed to show how the city's net position changed during the most recent fiscal year. All changes in net position 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 14 through 17.

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 18 through 24.

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 25 through 27.

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 28.

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 position can serve as a useful indicator of the city’s financial position. The City of Commerce’s net position at June 30, 2014 total \$98,815,856. Following is a condensed version of the government-wide statement of net position.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other asset	174,201,338	174,125,333	(3,585,113)	(3,357,986)	170,616,225	170,767,347
Capital assets, net	44,646,105	40,072,066	14,033,290	15,050,922	58,679,395	55,122,988
Total Asset	<u>218,847,443</u>	<u>214,197,399</u>	<u>10,448,177</u>	<u>11,692,936</u>	<u>229,295,620</u>	<u>225,890,335</u>
Liabilities:						
Current Liabilities	8,507,536	8,855,963	501,048	447,577	9,008,584	9,303,540
Long-term Liabilities	121,120,105	123,934,617	351,075	348,831	121,471,180	124,283,448
Total Liabilities	<u>129,627,641</u>	<u>132,790,580</u>	<u>852,123</u>	<u>796,408</u>	<u>130,479,764</u>	<u>133,586,988</u>
Net assets:						
Invested in capital assets net of related debt	35,963,254	29,678,249	14,033,290	15,050,922	49,996,544	44,729,171
Restricted	4,189,145	6,852,897	-	-	4,189,145	6,852,897
Unrestricted	<u>49,067,403</u>	<u>44,875,673</u>	<u>(4,437,236)</u>	<u>(4,154,394)</u>	<u>44,630,167</u>	<u>40,721,279</u>
Total Net Assets	<u>89,219,802</u>	<u>81,406,819</u>	<u>9,596,054</u>	<u>10,896,528</u>	<u>98,815,856</u>	<u>92,303,347</u>

The largest portion of the City’s net position 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 position

The changes in net position table illustrates the increases or decreases in net position of the city resulting from its operating activities. The City of Commerce's net position increased \$6,111,444 in the fiscal year ended June 30, 2014. The increase was split between the governmental activities increase of \$7,411,918 and business-type activities decrease of \$1,300,474. Following is a condensed version of the city's changes in net position. The table shows the revenues, expenses, and related changes in net position for governmental and business-type activities.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues						
Charges for services	5,165,179	4,518,270	2,200,702	39,734	7,365,881	4,558,004
Operating grants & contributions	2,254,889	2,484,684	1,952,128	4,774,226	4,207,017	7,258,910
Capital grants & contributions	1,980,538	2,522,945	-	-	1,980,538	2,522,945
General revenues:						
Casino license tax	19,654,726	20,600,922	-	-	19,654,726	20,600,922
Property tax	2,511,686	3,972,269	-	-	2,511,686	3,972,269
Sales tax	25,900,879	19,795,117	-	-	25,900,879	19,795,117
Franchise taxes	1,035,234	968,579	-	-	1,035,234	968,579
Transient occupancy taxes	2,390,203	2,274,182	-	-	2,390,203	2,274,182
Motor vehicle in-lieu	1,088,953	1,062,922	-	-	1,088,953	1,062,922
Investment income	5,651,173	5,838,632	-	-	5,651,173	5,838,632
Miscellaneous revenues	2,147,602	1,613,284	-	-	2,147,602	1,613,284
Extraordinary gain	-	-	-	-	-	-
Total revenues	<u>69,781,062</u>	<u>65,651,806</u>	<u>4,152,830</u>	<u>4,813,960</u>	<u>73,933,892</u>	<u>70,465,766</u>
Expenses:						
General government	18,216,730	16,664,200	-	-	18,216,730	16,664,200
Community development	2,084,600	2,205,819	-	-	2,084,600	2,205,819
Public safety	17,466,237	16,494,702	-	-	17,466,237	16,494,702
Public works	6,902,561	6,953,510	-	-	6,902,561	6,953,510
Library	1,361,478	2,799,278	-	-	1,361,478	2,799,278
Parks recreation and culture	9,743,642	9,122,504	-	-	9,743,642	9,122,504
Interest on long-term debt	4,847,305	5,554,206	-	-	4,847,305	5,554,206
Transit	-	-	4,724,375	5,571,290	4,724,375	5,571,290
CNG	-	-	1,883,647	-	1,883,647	-
Water	-	-	281,869	176,589	281,869	176,589
Cable television	-	-	310,004	232,154	310,004	232,154
Total expenses	<u>60,622,553</u>	<u>59,794,219</u>	<u>7,199,895</u>	<u>5,980,033</u>	<u>67,822,448</u>	<u>65,774,252</u>
Excess (deficiency) before transfers	9,158,509	5,857,587	(3,047,065)	(1,166,073)	6,111,444	4,691,514
Transfers	(1,746,591)	(1,646,982)	1,746,591	1,646,982	-	-
Change in net assets	7,411,918	4,210,605	(1,300,474)	480,909	6,111,444	4,691,514
Net assets - beginning of year	<u>81,807,883</u>	<u>77,196,214</u>	<u>10,896,528</u>	<u>10,415,619</u>	<u>92,704,411</u>	<u>87,611,833</u>
Net assets - end of year	<u>89,219,801</u>	<u>81,406,819</u>	<u>9,596,054</u>	<u>10,896,528</u>	<u>98,815,855</u>	<u>92,303,347</u>

The total net position of the City was \$98,815,855 as of June 30, 2014. This represents an increase of \$6,512,508 over the prior year. This change is explained more fully below.

The City's total revenues were \$73,933,892. A significant portion of the governmental revenues came from the Casino license tax (28.17%), property taxes (3.60%) and sales tax (37.12%) of the total governmental revenues of \$69,781,062. A significant portion of the business-type activities revenues were collected from Charges for services (53.0%) and Operating grants & contributions (47.0%).

The total cost of all City programs and services during fiscal year ended June 30, 2014 was \$67,822,448. The break down by activity as a percentage of total expenses for selected programs is as follows: General government 26.86%, Public safety (police and fire) 25.75%, Interest on long-term debt 7.15%, Parks and Recreation 14.37%, Public works 10.18%, and business type activities accounted for 10.62%.

Change in net position was \$6,111,444 for the year as compared to last year's change in net position of (\$4,691,514). Total net position at the end of the year were \$98,815,855. The City has ample amounts to provide for its outstanding indebtedness.

Governmental activities experienced an increase in net position of \$7,411,918. 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, 2014, this goal was achieved with the City's total business-type activities having realized an overall decrease in net position of \$1,300,474 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)
	2014	2013		
Total Fund Equity:				
General Fund	58,172,505	56,162,778	2,009,727	3.6%
Joint Powers Financing Authority	46,679,370	48,356,896	(1,677,526)	-3.5%
2007 JPFA Bonds	48,349,569	50,956,065	(2,606,496)	-5.1%
General City Capital Projects Fund	(9,510,710)	(7,406,223)	(2,104,487)	28.4%
Total Fund Equity	143,690,734	148,069,516	(4,378,782)	23.4%

The General fund balance increased by \$2,009,727. 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 \$1,677,526, primarily due to planned debt repayments.

The 2007 JPFA fund balance decreased by \$2,606,496, primarily due to planned debt repayments.

General City Capital Projects fund balance decreased by \$2,104,487 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			
	2014	2013	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Assets:				
Transit	7,490,452	12,188,498	(4,698,046)	-38.5%
CNG	3,700,278	-	3,700,278	
Water	(1,501,660)	(1,219,791)	(281,869)	23.1%
Cable Television	(93,016)	(72,179)	(20,837)	28.9%
Internal Service Funds	88,695	117,111	(28,416)	-24.3%
Total Net Assets	9,684,749	11,013,639	(1,328,890)	-12.1%
Unrestricted Net Assets:				
Transit	(2,441,061)	(2,070,093)	(370,968)	17.9%
CNG	360,358	-	360,358	
Water	(2,263,517)	(2,012,122)	(251,395)	12.5%
Cable Television	(93,016)	(72,179)	(20,837)	28.9%
Internal Service Funds	88,695	117,111	(28,416)	-24.3%
Total Unrestricted Net Assets	(4,348,541)	(4,037,283)	(311,258)	7.7%

The Transit Fund net position decreased \$4,698,046 and unrestricted net position decreased by (\$370,968). The key factor in the decrease of net position while having a decrease in unrestricted net position is due to the separation of the CNG funds from the Transit fund.

The Water Fund net position decreased (\$281,869) and unrestricted net position decreased by (\$251,395). The decrease in net position is primarily due to planned deficit spending.

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 \$55,057,990. This is a 2.5% decrease when compared to last year's revenue total of \$56,471,824. The City moved measure AA revenue to its own fund in 2014. In 2013, it was recorded in the General Fund thus making the revenue appear higher. The largest revenue source was Taxes, which includes both sales taxes and property taxes at \$27,051,850 which decreased 3.65% or \$1,021,219 compared to the prior year due to the removal of measure AA revenue to its own fund. Casino license tax was down by 4.60% or \$946,196 when compared to the prior year due to the leveling off in the gaming industry. General Fund expenditures totaled \$53,048,263, 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, 2013	Additions	Reductions	Balance at June 30, 2014
Governmental Activities				
2003 JPFA Tax Revenue Bonds	46,040,000	-	(1,920,000)	44,120,000
2004 Lease Revenue Bonds	12,485,000	-	(360,000)	12,125,000
2007 JPFA Revenue Bonds	54,360,000	-	(3,200,000)	51,160,000
Other Post Employment Benefits	8,565,800	3,450,000	(1,152,611)	10,863,189
Claims Payable	232,578	-	(232,578)	-
Compenstated absences	2,698,295	1,435,443	(1,281,822)	2,851,916
Total Long-Term Obligations - Governmental Activities	124,381,673	4,885,443	(8,147,011)	121,120,105
Business Activities				
Compensated Absences	348,831	405,344	(403,100)	351,075
Total Long-Term Obligations	124,730,504	5,290,787	(8,550,111)	121,471,180

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 5 of the Financial Statements.

Capital Assets

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

	June 30, 2014	June 30, 2013	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 4,070,310	\$ 2,599,680	\$ 1,470,630	56.6%
Construction in progress	8,187,734	4,415,485	3,772,249	85.4%
Buildings	40,425,663	39,279,053	1,146,610	2.9%
Improvements other than buildings	7,099,233	7,099,233	-	0.0%
Infrastructure	82,435,309	82,000,577	434,732	0.5%
Machinery and equipment	2,984,286	2,779,642	204,644	7.4%
Less accumulated depreciation	(100,556,430)	(98,101,604)	(2,454,826)	2.5%
Net capital assets	\$ 44,646,105	\$ 40,072,066	\$ 4,574,039	

	June 30, 2014	June 30, 2013	Amount Increase (Decrease)	Percent Increase (Decrease)
Business Activities:				
Land	\$ 2,755,498	\$ 2,755,498	\$ -	0.0%
Construction in progress	\$ -	\$ 339,621	\$ (339,621)	-100.0%
Machinery and equipment	9,365,854	9,236,056	129,798	1.4%
Water rights	2,141,222	2,141,222	-	0.0%
Building and improvements	11,550,248	11,202,635	347,613	3.1%
Less accumulated depreciation	(11,779,532)	(10,624,111)	(1,155,421)	10.9%
	\$ 14,033,290	\$ 15,050,921	\$ (1,017,631)	

Governmental capital assets increased as depreciation of assets grew at a steady amount as well as construction in progress and improvements to the infrastructure. Business-type activity capital assets increased due primarily to construction in progress. See note 4 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 economic recovery in 2015. 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 2014-2015 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 Position
June 30, 2014
(with comparative information for the prior year)

	Governmental	Business-type	Totals	
	Activities	Activities	2014	2013
Assets:				
Cash and investments (note 2)	\$ 34,785,010	462,496	35,247,506	28,882,310
Cash and investments with fiscal agent (note 2)	5,469,822	-	5,469,822	6,558,949
Interest receivable	30,836	-	30,836	30,804
Accounts receivable	2,184,973	148,177	2,333,150	2,420,498
Due from other governments	3,735,851	337,347	4,073,198	5,336,281
Internal balances	7,233,133	(7,233,133)	-	-
Receivable from Successor Agency	107,690,000	2,700,000	110,390,000	114,800,000
Loans and leases receivable	481,465	-	481,465	500,117
Prepaid items and deposits	10,492	-	10,492	91,410
Property held for resale	1,053,000	-	1,053,000	1,053,000
Investment in joint venture (note 11)	11,526,757	-	11,526,757	11,093,978
Capital assets (note 4):				
Nondepreciable	12,258,044	2,755,498	15,013,542	10,110,284
Depreciable, net	<u>32,388,061</u>	<u>11,277,792</u>	<u>43,665,853</u>	<u>45,012,704</u>
Total assets	<u>218,847,444</u>	<u>10,448,177</u>	<u>229,295,621</u>	<u>225,890,335</u>
Liabilities:				
Accounts payable	5,981,251	425,081	6,406,332	6,765,433
Accrued salaries and benefits	531,312	75,967	607,279	482,856
Interest payable	1,923,739	-	1,923,739	2,017,076
Deposits payable	71,234	-	71,234	38,175
Noncurrent liabilities (note 5)				
Due within one year	6,309,799	75,963	6,385,762	5,768,317
Due in more than one year	<u>114,810,306</u>	<u>275,112</u>	<u>115,085,418</u>	<u>118,515,131</u>
Total liabilities	<u>129,627,641</u>	<u>852,123</u>	<u>130,479,764</u>	<u>133,586,988</u>
Net position:				
Net investment in capital assets	35,963,254	14,033,290	49,996,544	44,729,171
Restricted for:				
Housing	1,037,500	-	1,037,500	985,870
Public safety	168,024	-	168,024	164,925
Public works	2,983,621	-	2,983,621	5,702,102
Unrestricted	<u>49,067,404</u>	<u>(4,437,236)</u>	<u>44,630,168</u>	<u>40,721,279</u>
Total net position	<u>\$ 89,219,803</u>	<u>9,596,054</u>	<u>98,815,857</u>	<u>92,303,347</u>

See accompanying notes to the basic financial statements.

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CITY OF COMMERCE
Statement of Activities
Year ended June 30, 2014
(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	\$ 18,216,730	-	-	-
Community development	2,084,600	70,211	137,672	181,754
Public safety	17,466,237	1,582,241	111,368	-
Public works	6,902,561	2,894,236	1,360,239	1,798,784
Library	1,361,478	23,357	25,556	-
Parks, recreation and culture	9,743,642	595,134	620,054	-
Interest on long-term debt	4,847,305	-	-	-
Total governmental activities	60,622,552	5,165,179	2,254,889	1,980,538
Business-type activities:				
Transit	4,724,375	-	1,952,128	-
CNG	1,883,647	2,160,510	-	-
Water	281,869	-	-	-
Cable television	310,004	40,192	-	-
Total business-type activities	7,199,895	2,200,702	1,952,128	-
Total	\$ 67,822,447	7,365,881	4,207,017	1,980,538

General revenues:

Taxes:

Casino license tax

Property taxes

Sales taxes

Franchise taxes

Transient occupancy taxes

Motor vehicle in lieu, unrestricted

Investment income

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net position

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

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Totals	
		2014	2013
(18,216,730)	-	(18,216,730)	(16,645,604)
(1,694,963)	-	(1,694,963)	(1,927,343)
(15,772,628)	-	(15,772,628)	(14,909,088)
(849,302)	-	(849,302)	(523,486)
(1,312,565)	-	(1,312,565)	(2,735,576)
(8,528,454)	-	(8,528,454)	(7,973,017)
(4,847,305)	-	(4,847,305)	(5,554,206)
(51,221,946)	-	(51,221,946)	(50,268,320)
-	(2,772,247)	(2,772,247)	(797,064)
-	276,863	276,863	-
-	(281,869)	(281,869)	(176,589)
-	(269,812)	(269,812)	(192,420)
-	(3,047,065)	(3,047,065)	(1,166,073)
(51,221,946)	(3,047,065)	(54,269,011)	(51,434,393)
19,654,726	-	19,654,726	20,600,922
2,511,686	-	2,511,686	3,972,269
25,900,879	-	25,900,879	19,795,117
1,035,234	-	1,035,234	968,579
2,390,203	-	2,390,203	2,274,182
1,088,953	-	1,088,953	1,062,922
5,651,173	-	5,651,173	5,838,632
2,147,603	-	2,147,603	1,613,284
(1,746,591)	1,746,591	-	-
58,633,866	1,746,591	60,380,457	56,125,907
7,411,920	(1,300,474)	6,111,446	4,691,514
81,807,883	10,896,528	92,704,411	87,611,833
<u>\$ 89,219,803</u>	<u>9,596,054</u>	<u>98,815,857</u>	<u>92,303,347</u>

CITY OF COMMERCE
Governmental Funds - Balance Sheet
June 30, 2014
(with comparative information for the prior year)

	Debt Service Funds		
	General	Joint Powers Financing Authority	2007 JPFA Bonds
Assets:			
Cash and investments	\$ 26,836,303	834,585	504,569
Cash and investments with fiscal agent	-	1,100,952	-
Interest receivable	30,018	-	-
Accounts receivable	2,184,973	-	-
Due from other governments	2,586,930	-	-
Due from other funds (note 6)	16,721,979	-	-
Receivable from Successor Agency	15,100,000	44,745,000	47,845,000
Loans and leases receivable	-	-	-
Prepaid items and deposits	10,492	-	-
Property held for resale	-	-	-
Total assets	\$ 63,470,695	46,680,537	48,349,569
Liabilities:			
Accounts payable	\$ 4,209,734	1,167	-
Accrued salaries and benefits	522,223	-	-
Deposits payable	71,234	-	-
Due to other funds (note 6)	-	-	-
Total liabilities	4,803,191	1,167	-
Deferred inflows of resources:			
Unavailable revenue	494,999	-	-
Total deferred inflows of resources	494,999	-	-
Fund balances:			
Nonspendable:			
Prepaid items and deposits	10,492	-	-
Loans and leases receivables	-	-	-
Receivable from Successor Agency	15,100,000	-	-
Restricted for:			
Capital projects	-	-	-
Debt service	-	46,679,370	48,349,569
Housing	-	-	-
Law enforcement	-	-	-
Transportation	-	-	-
Assigned	-	-	-
Unassigned	43,062,013	-	-
Total fund balances	58,172,505	46,679,370	48,349,569
Total liabilities, deferred inflows of resources and fund balances	\$ 63,470,695	46,680,537	48,349,569

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2014	2013
-	6,471,811	34,647,268	28,675,356
-	4,368,870	5,469,822	6,558,949
-	818	30,836	30,804
-	-	2,184,973	2,359,220
391,834	757,087	3,735,851	4,482,128
845,295	-	17,567,274	13,797,349
-	-	107,690,000	112,100,000
-	481,465	481,465	500,117
-	-	10,492	91,410
-	1,053,000	1,053,000	1,053,000
<u>1,237,129</u>	<u>13,133,051</u>	<u>172,870,981</u>	<u>169,648,333</u>
1,670,574	59,818	5,941,293	6,337,595
-	-	522,223	410,845
-	-	71,234	38,175
<u>8,685,431</u>	<u>1,648,710</u>	<u>10,334,141</u>	<u>6,786,361</u>
<u>10,356,005</u>	<u>1,708,528</u>	<u>16,868,891</u>	<u>13,572,976</u>
<u>391,834</u>	<u>481,465</u>	<u>1,368,298</u>	<u>1,648,589</u>
<u>391,834</u>	<u>481,465</u>	<u>1,368,298</u>	<u>1,648,589</u>
-	-	10,492	91,410
-	-	-	25,344
-	-	15,100,000	15,100,000
-	2,790,232	2,790,232	4,809,170
-	-	95,028,939	98,911,896
-	1,037,500	1,037,500	985,870
-	168,024	168,024	164,925
-	450,686	450,686	37,339
-	6,505,285	6,505,285	1,004,479
<u>(9,510,710)</u>	<u>(8,669)</u>	<u>33,542,634</u>	<u>33,296,335</u>
<u>(9,510,710)</u>	<u>10,943,058</u>	<u>154,633,792</u>	<u>154,426,768</u>
<u>1,237,129</u>	<u>13,133,051</u>	<u>172,870,981</u>	<u>169,648,333</u>

CITY OF COMMERCE
Governmental Funds

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

June 30, 2014

Fund balances of governmental funds	\$ 154,633,792
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Capital assets	145,202,535
Accumulated depreciation	(100,556,430)
The City's investment in a joint venture has not been included in the governmental fund activity.	
	11,526,757
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds payable	(107,405,000)
Compensated absences	(2,851,916)
Other long-term liabilities	(10,863,189)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	
	(1,923,739)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.	
	1,368,298
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 position.	
	88,695
Net position of governmental activities	\$ 89,219,803

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CITY OF COMMERCE
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2014
(with comparative information for the prior year)

	Debt Service Funds		
	General	Joint Powers Financing Authority	2007 JPFA Bonds
Revenues:			
Taxes	\$ 27,051,850	-	-
Casino license tax	19,654,726	-	-
Licenses and permits	2,900,240	-	-
Intergovernmental	757,908	-	-
Fines and forfeitures	1,605,598	-	-
Investment income	89,804	2,847,488	2,676,521
Activity fees	414,127	-	-
Charges for services	473,358	-	-
Rental income	45,152	-	-
Miscellaneous	1,705,477	-	-
Total revenues	<u>54,698,240</u>	<u>2,847,488</u>	<u>2,676,521</u>
Expenditures:			
Current:			
General government	16,616,771	-	-
Community development	1,859,955	-	-
Public safety	16,611,687	-	-
Public works	4,987,122	-	-
Library	3,095,941	-	-
Parks, recreation and culture	8,426,766	-	-
Debt service:			
Principal	-	1,920,000	3,200,000
Interest and fiscal charges	-	2,199,603	2,173,706
Total expenditures	<u>51,598,242</u>	<u>4,119,603</u>	<u>5,373,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,099,998</u>	<u>(1,272,115)</u>	<u>(2,697,185)</u>
Other financing sources (uses):			
Transfers in (note 7)	359,750	-	90,689
Transfers out (note 7)	(1,450,021)	(405,411)	-
Total other financing sources (uses)	<u>(1,090,271)</u>	<u>(405,411)</u>	<u>90,689</u>
Net change in fund balances	2,009,727	(1,677,526)	(2,606,496)
Fund balances at beginning of year as restated (note 16)	<u>56,162,778</u>	<u>48,356,896</u>	<u>50,956,065</u>
Fund balances at end of year	<u>\$ 58,172,505</u>	<u>46,679,370</u>	<u>48,349,569</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2014	2013
-	5,875,105	32,926,955	28,073,069
-	-	19,654,726	20,600,922
-	-	2,900,240	2,489,592
1,643,059	2,068,897	4,469,864	4,193,761
-	-	1,605,598	1,467,241
-	48,206	5,662,019	5,840,623
-	-	414,127	433,859
-	-	473,358	163,657
28,172	-	73,324	12,319
<u>21,361</u>	<u>42,039</u>	<u>1,768,877</u>	<u>1,770,546</u>
<u>1,692,592</u>	<u>8,034,247</u>	<u>69,949,088</u>	<u>65,045,589</u>
-	-	16,616,771	15,609,127
-	115,591	1,975,546	2,171,051
-	125,438	16,737,125	16,226,042
5,664,951	30,520	10,682,593	11,156,226
126,431	-	3,222,372	2,860,346
-	-	8,426,766	8,035,395
-	360,000	5,480,000	4,510,000
-	<u>567,333</u>	<u>4,940,642</u>	<u>5,186,151</u>
<u>5,791,382</u>	<u>1,198,882</u>	<u>68,081,815</u>	<u>65,754,338</u>
<u>(4,098,790)</u>	<u>6,835,365</u>	<u>1,867,273</u>	<u>(708,749)</u>
1,994,303	923,682	3,368,424	2,327,228
-	<u>(3,574,305)</u>	<u>(5,429,737)</u>	<u>(4,286,598)</u>
<u>1,994,303</u>	<u>(2,650,623)</u>	<u>(2,061,313)</u>	<u>(1,959,370)</u>
(2,104,487)	4,184,742	(194,040)	(2,668,119)
<u>(7,406,223)</u>	<u>6,758,316</u>	<u>154,827,832</u>	<u>157,094,887</u>
<u>(9,510,710)</u>	<u>10,943,058</u>	<u>154,633,792</u>	<u>154,426,768</u>

See accompanying notes to the basic financial statements.

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, 2014

Net changes in fund balances - total governmental funds	\$ (194,040)
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	7,028,865
Depreciation	(2,454,826)
Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds.	432,779
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 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	5,480,000
Increases in other long-term liabilities are not recorded as expenditures in the governmental funds.	(2,511,867)
The statement of net position includes accrued interest on long term debt.	93,337
To record as an expense the net change in compensated absences in the statement of activities.	(153,621)
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.	(280,291)
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.	<u>(28,416)</u>
Change in net position of governmental activities	<u>\$ 7,411,920</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Proprietary Funds

Statement of Net Position

June 30, 2014

	Business-type Activities					Governmental
	Transit	CNG	Water	Cable Television	Total Enterprise Funds	Internal Service Funds
<u>Assets</u>						
Current assets:						
Cash and investments	\$ -	462,496	-	-	462,496	137,742
Accounts receivable, net	-	137,051	-	11,126	148,177	-
Due from other governments	<u>337,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,347</u>	<u>-</u>
Total current assets	<u>337,347</u>	<u>599,547</u>	<u>-</u>	<u>11,126</u>	<u>948,020</u>	<u>137,742</u>
Noncurrent assets:						
Receivable from Successor Agency	-	-	2,700,000	-	2,700,000	-
Capital assets, net	<u>9,931,513</u>	<u>3,339,920</u>	<u>761,857</u>	<u>-</u>	<u>14,033,290</u>	<u>-</u>
Total noncurrent assets	<u>9,931,513</u>	<u>3,339,920</u>	<u>3,461,857</u>	<u>-</u>	<u>16,733,290</u>	<u>-</u>
Total assets	<u>\$ 10,268,860</u>	<u>3,939,467</u>	<u>3,461,857</u>	<u>11,126</u>	<u>17,681,310</u>	<u>137,742</u>
<u>Liabilities</u>						
Current liabilities:						
Accounts payable	\$ 159,671	239,189	1,164	25,057	425,081	39,958
Accrued salaries and benefits	70,080	-	-	5,887	75,967	9,089
Due to other funds (note 6)	2,197,582	-	4,962,353	73,198	7,233,133	-
Compensated absences	<u>75,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,963</u>	<u>-</u>
Total current liabilities	<u>2,503,296</u>	<u>239,189</u>	<u>4,963,517</u>	<u>104,142</u>	<u>7,810,144</u>	<u>49,047</u>
Noncurrent liabilities:						
Compensated absences	<u>275,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,112</u>	<u>-</u>
Total liabilities	<u>2,778,408</u>	<u>239,189</u>	<u>4,963,517</u>	<u>104,142</u>	<u>8,085,256</u>	<u>49,047</u>
<u>Net Position</u>						
Net investment in capital assets	9,931,513	3,339,920	761,857	-	14,033,290	-
Unrestricted	<u>(2,441,061)</u>	<u>360,358</u>	<u>(2,263,517)</u>	<u>(93,016)</u>	<u>(4,437,236)</u>	<u>88,695</u>
Total net position	<u>\$ 7,490,452</u>	<u>3,700,278</u>	<u>(1,501,660)</u>	<u>(93,016)</u>	<u>9,596,054</u>	<u>88,695</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014

	Business-type Activities				Total Enterprise Funds	Governmental Activities
	Transit	CNG	Water	Cable Television		Internal Service Funds
Operating revenues:						
Charges for services	\$ -	2,160,510	-	40,192	2,200,702	1,178,523
Miscellaneous	-	-	-	-	-	-
Total operating revenues	<u>-</u>	<u>2,160,510</u>	<u>-</u>	<u>40,192</u>	<u>2,200,702</u>	<u>1,178,523</u>
Operating expenses:						
General and administrative	454,458	-	8,066	222,621	685,145	350,992
Operations	2,472,918	-	243,329	87,383	2,803,630	855,947
Maintenance	755,546	1,800,152	-	-	2,555,698	-
Depreciation and amortization	1,041,453	83,495	30,474	-	1,155,422	-
Total operating expenses	<u>4,724,375</u>	<u>1,883,647</u>	<u>281,869</u>	<u>310,004</u>	<u>7,199,895</u>	<u>1,206,939</u>
Operating income (loss)	<u>(4,724,375)</u>	<u>276,863</u>	<u>(281,869)</u>	<u>(269,812)</u>	<u>(4,999,193)</u>	<u>(28,416)</u>
Non-operating revenues (expenses):						
Intergovernmental	1,952,128	-	-	-	1,952,128	-
Total non-operating revenues (expenses)	<u>1,952,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,952,128</u>	<u>-</u>
Transfers and capital contributions:						
Transfers in (note 7)	1,497,616	3,423,415	-	248,975	5,170,006	-
Transfers out (note 7)	(3,423,415)	-	-	-	(3,423,415)	-
Total transfers and capital contributions	<u>(1,925,799)</u>	<u>3,423,415</u>	<u>-</u>	<u>248,975</u>	<u>1,746,591</u>	<u>-</u>
Changes in net position	<u>(4,698,046)</u>	<u>3,700,278</u>	<u>(281,869)</u>	<u>(20,837)</u>	<u>(1,300,474)</u>	<u>(28,416)</u>
Net position at beginning of year	<u>12,188,498</u>	<u>-</u>	<u>(1,219,791)</u>	<u>(72,179)</u>	<u>10,896,528</u>	<u>117,111</u>
Net position at end of year	<u>\$ 7,490,452</u>	<u>3,700,278</u>	<u>(1,501,660)</u>	<u>(93,016)</u>	<u>9,596,054</u>	<u>88,695</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2014

	Business-type Activities					Governmental Activities
	Transit	CNG	Water	Cable Television	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from other customers	\$ 51,272	2,023,459	-	39,072	2,113,803	-
Cash received from user departments	-	-	-	-	-	1,178,523
Cash payments to suppliers for goods and services	(1,016,004)	(1,560,963)	(307,737)	(61,115)	(2,945,819)	(1,153,363)
Cash payments to employees for services	(2,809,425)	-	(6,582)	(226,932)	(3,042,939)	(349,845)
Net cash provided by (used for) operating activities	<u>(3,774,157)</u>	<u>462,496</u>	<u>(314,319)</u>	<u>(248,975)</u>	<u>(3,874,955)</u>	<u>(324,685)</u>
Cash flows from noncapital financing activities:						
Intergovernmental noncapital grants	2,468,934	-	-	-	2,468,934	-
Cash received from other funds	1,405,442	-	314,319	248,975	1,968,736	-
Net cash provided by (used for) non-capital financing activities	<u>3,874,376</u>	<u>-</u>	<u>314,319</u>	<u>248,975</u>	<u>4,437,670</u>	<u>-</u>
Cash flows from capital and related activities:						
Cash paid to acquire capital assets	(137,790)	-	-	-	(137,790)	-
Net cash provided by (used for) capital and related activities	<u>(137,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,790)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(37,571)	462,496	-	-	424,925	(324,685)
Cash and cash equivalents at beginning of year	<u>37,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,571</u>	<u>169,383</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>462,496</u>	<u>-</u>	<u>-</u>	<u>462,496</u>	<u>(155,302)</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (4,724,375)	276,863	(281,869)	(269,812)	(4,999,193)	(28,416)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,041,453	83,495	30,474	-	1,155,422	-
Adjustments:						
(Increase) decrease in accounts receivable	51,272	(137,051)	-	(1,120)	(86,899)	-
Increase (decrease) in accounts payable	(155,108)	239,189	(62,924)	20,772	41,929	(4,728)
Increase (decrease) in accrued salaries and benefits	10,357	-	-	1,185	11,542	1,503
Increase (decrease) in compensated absences	2,244	-	-	-	2,244	-
Net cash provided by (used for) operating activities	<u>\$ (3,774,157)</u>	<u>462,496</u>	<u>(314,319)</u>	<u>(248,975)</u>	<u>(3,874,955)</u>	<u>(31,641)</u>

There were no noncash capital, financing and investing activities during the year ended June 30, 2014.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	Cash Deposits Agency Fund	Private Purpose Trust Funds
<u>Assets</u>		
Cash and investments (note 2)	\$ 893,239	14,226,626
Cash and investments with fiscal agent (note 2)	-	10,380,898
Interest receivable	-	186,933
Loans receivable	-	19,055
Property held for resale	-	62,375,172
Capital assets, net (note 4)	-	8,814,536
 Total assets	 893,239	 96,003,220
 <u>Deferred Outflow of Resources</u>		
Deferred loss on refunding	-	6,402,082
 <u>Liabilities</u>		
Accounts payable	33,467	1,681,184
Accrued salaries and benefits	-	1,535
Interest payable	-	2,418,090
Deposits payable	859,772	180,000
Long-term liabilities (note 5)	-	117,740,000
 Total liabilities	 \$ 893,239	 122,020,809
 <u>Net Position</u>		
Held in trust for Successor Agency		(19,615,507)
 Total net position		 \$ (19,615,507)

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2014

	Private Purpose Trust Funds
Additions:	
Property taxes	\$ 9,526,825
Investment income	423,367
Rental income	1,046,631
Miscellaneous income	745,301
Transfers in (note 7)	7,014,425
Total additions	18,756,549
Deductions:	
Administrative expenses	597,377
Maintenance and repair expenses	34,626
Professional services	77,984
Interest and fiscal charges	5,827,378
Bond issuance costs	457,292
Payments under pass-through obligations	210,161
Loss on disposition of capital assets	1,948,210
Depreciation	278,838
Miscellaneous	237,199
Transfers out (note 7)	6,699,703
Total deductions	16,368,768
Changes in net position	2,387,781
Net position held in trust, beginning of year	(22,003,288)
Net position held in trust, end of year	\$ (19,615,507)

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year Ended June 30, 2014

(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:

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(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

Government-wide Financial Statements

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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 an 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.

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*

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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.

(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.

2007 Joint Powers Financing Authority Fund – This fund is used to account for the issuance and repayment of the 2007 Joint Powers Financing Authority Bonds.

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.

Compressed Natural Gas/Liquefied Natural Gas – This fund is used to account for the City's Compressed Natural Gas (CNG)/Liquefied Natural Gas (LNG) operations.

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

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

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

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

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 accounts for special deposits collected by the City on behalf of others.

(d) Investments

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

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

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

- (e) Property held for resale is reported at the lower of cost or estimated net realizable value. Estimated net realizable value is determined upon entering into a contract for sale.

(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 capital assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(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.

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 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) Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred loss on

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

refunding reporting in the Statement of Fiduciary Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from multiple sources: lease revenue, grant revenue and loan program revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(l) Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(m) 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.

(n) 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, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$35,247,506
Cash and investments with fiscal agent	5,469,822
Statement of Fiduciary Net Position:	
Cash and investments	15,119,865
Cash and investments with fiscal agent	<u>10,380,898</u>
Total cash and investments	<u>\$ 66,218,091</u>

Cash and investments as of June 30, 2014, consist of the following:

Cash on hand	\$ 3,050
Deposits with financial institutions	8,851,884
Investments	<u>57,363,157</u>
Total cash and investments	<u>\$ 66,218,091</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	\$ 3,970,556	438,857	955,079	2,576,620
Federal agency securities	5,277,714	379,287	401,114	4,497,313
State investment pool	31,759,603	31,759,603	-	-
Held by bond trustee:				
Money market funds	5,889,731	5,889,731	-	-
Investment agreements	<u>10,465,553</u>	<u>-</u>	<u>-</u>	<u>10,465,553</u>
Total	<u>\$57,363,157</u>	<u>38,467,478</u>	<u>1,356,193</u>	<u>17,539,486</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 Legal Rating</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Negotiable Certificates of Deposit	\$ 3,970,556	N/A	-	-	3,970,556
Federal agency securities	5,277,714	N/A	-	5,277,714	-
State investment pool	31,759,603	N/A	-	-	31,759,603
Held by bond trustee:					
Money market funds	5,889,731	AAA	5,889,731	-	-
Investment agreements	<u>10,465,553</u>	N/A	<u>-</u>	<u>-</u>	<u>10,465,553</u>
Total	<u>\$ 57,363,157</u>		<u>5,889,731</u>	<u>5,277,714</u>	<u>46,195,712</u>

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	\$ 10,465,553

Custodial Credit Risk

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2014, is as follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Buildings	\$39,279,053	1,146,610	-	40,425,663
Improvements other than buildings	7,099,233	-	-	7,099,233
Infrastructure	82,000,577	434,732	-	82,435,309
Machinery and equipment	<u>2,779,642</u>	<u>204,644</u>	<u>-</u>	<u>2,984,286</u>
Total cost of depreciable assets	<u>131,158,505</u>	<u>1,785,986</u>	<u>-</u>	<u>132,944,491</u>
Less accumulated depreciation:				
Buildings	(20,494,844)	(1,146,132)	-	(21,640,976)
Improvements other than buildings	(2,285,848)	(177,481)	-	(2,463,329)
Infrastructure	(73,121,184)	(779,052)	-	(73,900,236)
Machinery and equipment	<u>(2,199,728)</u>	<u>(352,161)</u>	<u>-</u>	<u>(2,551,889)</u>
Total accumulated depreciation	<u>(98,101,604)</u>	<u>(2,454,826)</u>	<u>-</u>	<u>(100,556,430)</u>
Net depreciable assets	<u>33,056,901</u>	<u>(668,840)</u>	<u>-</u>	<u>32,388,061</u>
Capital assets not depreciated:				
Land	2,599,680	1,470,630	-	4,070,310
Construction in progress	<u>4,415,485</u>	<u>5,115,763</u>	<u>(1,343,514)</u>	<u>8,187,734</u>
Total assets not being depreciated	<u>7,015,165</u>	<u>6,586,393</u>	<u>(1,343,514)</u>	<u>12,258,044</u>
Capital assets, net	<u>\$ 40,072,066</u>	<u>5,917,553</u>	<u>(1,343,514)</u>	<u>44,646,105</u>

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

General government	\$ 722,838
Public works	782,203
Parks, recreation and culture	<u>949,785</u>
Total governmental activities	<u>\$2,454,826</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

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

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Water rights	\$ 2,141,222	-	-	2,141,222
Building and improvements	11,202,635	347,613	-	11,550,248
Machinery and equipment	<u>9,236,056</u>	<u>129,798</u>	<u>-</u>	<u>9,365,854</u>
Total cost of depreciable assets	<u>22,579,913</u>	<u>477,411</u>	<u>-</u>	<u>23,057,324</u>
Less accumulated depreciation:				
Water rights	(1,348,891)	(30,475)	-	(1,379,366)
Building and improvements	(3,395,619)	(288,756)	-	(3,684,375)
Machinery and equipment	<u>(5,879,601)</u>	<u>(836,190)</u>	<u>-</u>	<u>(6,715,791)</u>
Total accumulated depreciation	<u>(10,624,111)</u>	<u>(1,155,421)</u>	<u>-</u>	<u>(11,779,532)</u>
Net depreciable assets	<u>11,955,802</u>	<u>(678,010)</u>	<u>-</u>	<u>11,277,792</u>
Capital assets not depreciated:				
Construction in progress	339,621	-	(339,621)	-
Land	<u>2,755,498</u>	<u>-</u>	<u>-</u>	<u>2,755,498</u>
Total assets not being depreciated	<u>3,095,119</u>	<u>-</u>	<u>(339,621)</u>	<u>2,755,498</u>
Capital assets, net	<u>\$15,050,921</u>	<u>(678,010)</u>	<u>(339,621)</u>	<u>14,033,290</u>

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

Transit	\$1,124,946
Water	<u>30,475</u>
Total business-type activities	<u>\$1,155,421</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

Capital asset activity for the Private Purpose Trust Funds for the year ended June 30, 2014, is as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	\$ 6,810,825	-	(2,948,210)	3,862,615
Buildings and improvements	7,683,696	-	-	7,683,696
Machinery and equipment	159,006	-	-	159,006
Less accumulated depreciation:				
Buildings and improvements	(2,475,652)	(256,123)	-	(2,731,775)
Machinery and equipment	<u>(136,291)</u>	<u>(22,715)</u>	<u>-</u>	<u>(159,006)</u>
Capital assets, net	<u>\$ 12,041,584</u>	<u>(278,838)</u>	<u>(2,948,210)</u>	<u>8,814,536</u>

(5) Long-Term Liabilities

Changes in governmental long-term liabilities for the year ended June 30, 2014, were as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Bonds payable:					
2003 JPFA Revenue Bonds	\$ 46,040,000	-	(1,920,000)	44,120,000	1,230,000
2004 Lease Revenue Bonds	12,485,000	-	(360,000)	12,125,000	370,000
2007 JPFA Revenue Bonds	<u>54,360,000</u>	<u>-</u>	<u>(3,200,000)</u>	<u>51,160,000</u>	<u>3,355,000</u>
Subtotal	<u>112,885,000</u>	<u>-</u>	<u>(5,480,000)</u>	<u>107,405,000</u>	<u>4,955,000</u>
Other liabilities:					
Other Post Employment Benefits (note 9)	8,565,800	3,450,000	(1,152,611)	10,863,189	-
Claims Payable (note 10)	232,578	-	(232,578)	-	-
Compensated absences*	<u>2,698,295</u>	<u>1,435,443</u>	<u>(1,281,822)</u>	<u>2,851,916</u>	<u>1,354,799</u>
Total long-term liabilities	<u>\$124,381,673</u>	<u>4,885,443</u>	<u>(8,147,011)</u>	<u>121,120,105</u>	<u>6,309,799</u>

*Compensated absences are generally liquidated by the general fund.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Changes in business-type long-term liabilities for the year ended June 30, 2014, were as follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>	<u>Amounts due within one year</u>
Compensated absences	<u>\$348,831</u>	<u>405,344</u>	<u>(403,100)</u>	<u>351,075</u>	<u>75,963</u>

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2014, were as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Bonds payable:					
1994 Tax Allocation Refunding Bonds	\$ 575,000	-	(100,000)	475,000	105,000
1998 Tax Allocation Refunding Bonds	7,160,000	-	(285,000)	6,875,000	305,000
2003 Tax Allocation Bonds	46,445,000	-	(1,700,000)	44,745,000	1,015,000
2007 Tax Allocation Bonds	50,555,000	-	(2,710,000)	47,845,000	2,860,000
Advances to City	<u>17,800,000</u>	<u>-</u>	<u>-</u>	<u>17,800,000</u>	<u>-</u>
Total long-term liabilities	<u>\$ 122,535,000</u>	<u>-</u>	<u>(4,795,000)</u>	<u>117,740,000</u>	<u>4,285,000</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, 2014 is \$475,000.

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

(5) Long-Term Liabilities, (Continued)

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

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 105,000	26,935	131,935
2016	30,000	22,675	52,675
2017	35,000	20,620	55,620
2018	35,000	18,375	53,375
2019	40,000	15,975	55,975
2020-2024	<u>230,000</u>	<u>39,375</u>	<u>269,375</u>
	<u>\$ 475,000</u>	<u>143,955</u>	<u>618,955</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. The amount outstanding at June 30, 2014 is \$6,875,000.

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

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 305,000	382,411	687,411
2016	320,000	364,755	684,755
2017	340,000	346,110	686,110
2018	355,000	326,476	681,476
2019	375,000	305,854	680,854
2020-2024	2,235,000	1,172,063	3,407,063
2025-2029	<u>2,945,000</u>	<u>438,187</u>	<u>3,383,187</u>
	<u>\$ 6,875,000</u>	<u>3,335,856</u>	<u>10,210,856</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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, 2014, was \$44,120,000 and the outstanding balance of the 2003 Tax Allocation Bonds at June 30, 2014, was \$44,745,000.

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>
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	1,505,000	1,979,377	3,484,377
2019	1,565,000	1,909,234	3,474,234
2020-2024	10,935,000	8,157,012	19,092,012
2025-2029	15,380,000	4,299,110	19,679,110
2030-2034	8,405,000	1,736,040	10,141,040
2035-2036	<u>2,295,000</u>	<u>154,613</u>	<u>2,449,613</u>
	<u>\$ 44,120,000</u>	<u>24,550,431</u>	<u>68,670,431</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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>
2015	\$ 1,015,000	2,734,325	3,749,325
2016	1,175,000	2,666,647	3,841,647
2017	1,245,000	2,591,853	3,836,853
2018	1,335,000	2,512,115	3,847,115
2019	1,415,000	2,427,123	3,842,123
2020-2024	10,625,000	10,433,999	21,058,999
2025-2029	14,765,000	5,029,245	19,794,245
2030-2034	9,425,000	2,333,280	11,758,280
2035-2036	<u>3,745,000</u>	<u>230,070</u>	<u>3,975,070</u>
	<u>\$ 44,745,000</u>	<u>30,958,657</u>	<u>75,703,657</u>

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 2035. The bonds mature in various amounts from \$295,000 to \$885,000 through 2035. 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, 2014, unspent bond proceeds in the amount of \$3,425,853 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, 2014, is \$12,125,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Future principal and interest payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 370,000	551,135	921,135
2016	385,000	537,730	922,730
2017	395,000	523,394	918,394
2018	415,000	508,206	923,206
2019	430,000	492,094	922,094
2020-2024	2,420,000	2,176,509	4,596,509
2025-2029	3,005,000	1,564,671	4,569,671
2030-2034	3,820,000	717,500	4,537,500
2035	<u>885,000</u>	<u>22,125</u>	<u>907,125</u>
	<u>\$12,125,000</u>	<u>7,093,364</u>	<u>19,218,364</u>

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, 2013 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, 2014, the reserve amount is \$6,352,912. The amount outstanding at June 30, 2014, is \$51,160,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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 Position. 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, 2014, the amount outstanding was \$47,845,000.

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,735,000	1,650,650	5,385,650
2019	3,885,000	1,502,919	5,387,919
2020-2024	18,945,000	5,247,382	24,192,382
2025-2028	<u>14,165,000</u>	<u>1,605,666</u>	<u>15,770,666</u>
	<u>\$ 51,160,000</u>	<u>15,741,273</u>	<u>66,901,273</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,360,000	2,018,512	5,378,512
2019	3,550,000	1,830,560	5,380,560
2020-2024	17,900,000	6,317,200	24,217,200
2025-2028	<u>13,975,000</u>	<u>1,903,048</u>	<u>15,878,048</u>
	<u>\$ 47,845,000</u>	<u>19,156,008</u>	<u>67,001,008</u>

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, 2014, 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 accrue interest at 7.5% and 6.5% per annum.

(b) As of June 30, 2014, 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 6.5% 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, 2013, no interest is being accrued or paid on the advances. Management believes the Successor Agency will eventually have the funds to repay the advances.

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

(6) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2014, are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	General City Capital Projects Fund	8,685,431 (a)
	Other Governmental Funds	803,415 (a)
	Transit Fund	2,197,582 (b)
	Water Fund	4,962,353 (b)
	Cable TV	73,198 (b)
General City Capital Projects Fund	Other Governmental Funds	845,295 (a)
	Total	<u>\$17,567,274</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.

(7) Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2014:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 359,750
2007 JPFA Bonds	Successor Agency Trust Fund	90,689
General City Capital Projects	Community Center	1,994,303 (a)
Other Governmental Funds	General Fund	923,682
Cable Television	General Fund	248,975
CNG/LNG Station	Transit	3,423,415 (b)
Successor Agency Trust Fund	Successor Agency - RPPTF	6,609,014 (c)
Successor Agency Trust Fund	Joint Powers Financing Authority	405,411
Transit Fund	General Fund	277,364
	Prop A	<u>1,220,252 (d)</u>
Subtotal Transit Fund		<u>1,497,616</u>
	Total	<u>\$ 15,552,855</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(7) Interfund Transfers, (Continued)

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

- (a) \$1,994,303 was transferred from the Community Center Fund to the General City Capital Projects Fund to pay for project costs for the Central Library Renovation.
- (b) \$3,423,415 of capital assets was transferred from the Transit Fund to the CNG Fund to establish the new fund.
- (c) \$6,609,014 was transferred from the Redevelopment Property Tax Trust Fund to the Successor Agency Trust Fund to make payments for enforceable obligations approved on the ROPS.
- (d) \$1,220,252 was transferred from the Prop A fund to the Transit Fund to reimburse for allowable expenditures incurred.

(8) 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, 2013 to June 30, 2014, has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate indicated for the period is 12.330% 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, 2014, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2013 to June 30, 2014.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and Type of Employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% 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 percentage 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>
06/30/12	1,765,404	100%	-0-
06/30/13	1,686,015	100%	-0-
06/30/14	1,876,103	100%	-0-

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) 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
06/30/10	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%
06/30/12	84,364,823	75,134,307	9,230,516	89.1%	9,103,412	101.4%

(9) Post Employment Benefits Plan

Plan Description: The City administers a single-employer defined benefit plan with 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	152
Active plan members	<u>145</u>
Total	<u>297</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 2014-15, the City contributed \$1,152,611 to the plan for current premiums.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) 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	\$ 3,349,000
Interest on net OPEB obligation	459,000
Adjustments to annual required contributions	<u>(358,000)</u>
Annual OPEB cost (expense)	3,450,000
Contributions made (including premiums paid)	<u>(1,152,611)</u>
Increase in net OPEB obligation	2,297,389
Net OPEB obligation-beginning of year	<u>8,565,800</u>
Net OPEB obligation-end of year	<u>\$10,863,189</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, 2014, 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>
6/30/12	\$2,397,927	49%	\$6,605,422
6/30/13	3,161,000	38%	8,565,800
6/30/14	3,450,000	33%	10,863,189

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)

(9) 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. The remaining amortization period at June 30, 2014, was 29 years.

Schedule of Funding Progress.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
6/30/10	-	25,201,000	25,201,000	0%	10,631,000	237.1%
6/30/12	-	41,335,000	41,335,000	0%	9,625,000	429.5%

(10) Claims Payable/Self Insurance

The City of Commerce is a member of the California Joint Powers Insurance Authority (“the 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)

(10) 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 \$5,000,000 is purchased as part of an excess insurance policy, and losses from \$5,000,000 to \$10,000,000 are pooled among members.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

Pollution Legal Liability 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, 2011 through July 1, 2014. 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 \$119,512,991. 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 were also no significant reductions in pooled or insured liability coverage in FY 2013-14.

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>
12/13	\$ 395,128	-	162,550	232,578
13/14	232,578	-	232,578	-

(11) Commerce Refuse to Energy Authority

The City is a 50% participant with the County Sanitation District No. 2 of Los Angeles County ("the District") in the Commerce Refuse to Energy Authority ("the 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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(11) Commerce Refuse to Energy Authority, (Continued)

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 90601.

	<u>CREA</u>	<u>Commerce's 50% Equity</u>
Net position at June 30, 2013	\$22,187,956	11,093,978
Increase in equity for the year ended June 30, 2014	<u>865,555</u>	<u>432,778</u>
Net position at June 30, 2014	<u>\$23,053,511</u>	<u>11,526,756</u>

(12) 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.

(13) 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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(13) Deferred Compensation Plan, (Continued)

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.

(14) Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2014, exceeded the appropriations of the following fund:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Housing Fund	\$ -	64	(64)
General City Capital Project Fund	3,259,423	5,791,382	(2,531,959)

(15) Fund Deficits

As of June 30, 2014, deficits were reported in the following funds:

Air Quality Management District	\$ (48)
CDBG	(8,621)
Water	(1,501,660)
Central Garage	(49,046)
Cable Television	(93,016)
Successor Agency Trust Fund	(19,615,507)

AQMD, Central Garage, and Cable Television deficits will be eliminated through transfers during fiscal year 2014/15.

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.

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

(16) 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.

Government Wide Financial Statements:

	<u>Governmental Activities</u>
Net position at beginning of year, as previously reported	\$82,208,947
To properly reflect cash with fiscal agent for JPFA debt in the City's JPFA debt service fund	401,064
Net position at beginning of year, as restated	<u>\$81,807,883</u>

Fund Financial Statements:

	<u>2007 JPFA Bonds</u>	<u>Successor Agency Trust Fund</u>
Fund Balance/Net Position at beginning of year, as previously reported	\$50,555,001	(32,911,038)
To properly reflect cash with fiscal agent for JPFA debt in the City's JPFA debt service fund	401,064	(401,064)
Fund Balance/Net Position at beginning of year, as restated	<u>\$50,956,065</u>	<u>(33,312,102)</u>

(17) 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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. 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.

(18) Subsequent Events

On October 1, 2014, the City of Commerce issued the 2014 Lease Revenue Refunding Bonds in the amount of \$10,000,000 to refund the 2004 Lease Revenue Bonds. Principle is payable annually ranging from \$325,000 to \$615,000 commencing October 1, 2015 to October 1, 2034. The interest rates range from 2% to 5%. The refunding of the bonds resulted in a savings to the General Fund of \$130,000 annually.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(18) Subsequent Events, (Continued)

The Long Range Property Management Plan was approved by the California Department of Finance May 19, 2014. The Oversight Board of the Successor Agency to the Commerce Community Development Commission approved the transfer of certain land from the Successor Agency to the City on December 10, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMMERCE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 24,877,388	24,877,388	27,051,850	2,174,462
Casino license tax	20,800,000	20,800,000	19,654,726	(1,145,274)
Licenses and permits	2,134,657	2,134,657	2,900,240	765,583
Intergovernmental	1,025,350	1,030,350	757,908	(272,442)
Fines and forfeitures	347,000	347,000	1,605,598	1,258,598
Investment income	85,000	85,000	89,804	4,804
Activity fees	337,529	393,784	414,127	20,343
Charges for services	624,004	624,004	473,358	(150,646)
Rental and lease income	12,570	12,570	45,152	32,582
Miscellaneous	<u>1,520,882</u>	<u>1,525,832</u>	<u>1,705,477</u>	<u>179,645</u>
Total revenues	<u>51,764,380</u>	<u>51,830,585</u>	<u>54,698,240</u>	<u>2,867,655</u>
Expenditures:				
Current:				
General government	16,429,733	16,429,733	16,616,771	(187,038)
Community development	1,769,015	1,769,015	1,859,955	(90,940)
Public safety	16,457,262	16,457,262	16,611,687	(154,425)
Public works	5,190,888	5,190,888	4,987,122	203,766
Library	3,100,337	3,100,337	3,095,941	4,396
Parks, recreation and culture	<u>9,017,364</u>	<u>9,017,364</u>	<u>8,426,766</u>	<u>590,598</u>
Total expenditures	<u>51,964,599</u>	<u>51,964,599</u>	<u>51,598,242</u>	<u>366,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,219)</u>	<u>(134,014)</u>	<u>3,099,998</u>	<u>3,234,012</u>
Other financing sources (uses):				
Transfers in	12,411,669	12,411,669	359,750	(12,051,919)
Transfers out	<u>22,227,403</u>	<u>22,227,403</u>	<u>(1,450,021)</u>	<u>(23,677,424)</u>
Total other financing sources (uses)	<u>34,639,072</u>	<u>34,639,072</u>	<u>(1,090,271)</u>	<u>(35,729,343)</u>
Net change in fund balance	34,438,853	34,505,058	2,009,727	(32,495,331)
Fund balance at beginning of year	<u>56,162,778</u>	<u>56,162,778</u>	<u>56,162,778</u>	-
Fund balance at end of year	<u>\$ 90,601,631</u>	<u>90,667,836</u>	<u>58,172,505</u>	<u>(32,495,331)</u>

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2014

(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 and the 2007 Joint Powers Financing Authority 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 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.

SUPPLEMENTARY SCHEDULES

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.

NON-MAJOR DEBT SERVICE FUND

Community Center Debt Service Fund - To account for the payment of principal and interest on the City's general debt issuances.

NON-MAJOR CAPITAL PROJECT FUND

Measure AA - To account for revenues collected through sales tax to be used for purposes in accordance with Measure AA requirements.

CITY OF COMMERCE
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds	Community Center Debt Service Fund	Measure AA Capital Projects Fund	Totals
<u>Assets</u>				
Cash and investments	\$ 634,826	-	5,836,985	6,471,811
Cash and investments with fiscal agent	-	4,368,870	-	4,368,870
Interest receivable	-	818	-	818
Due from other governments	88,787	-	668,300	757,087
Loans receivable	481,465	-	-	481,465
Property held for resale	<u>1,053,000</u>	<u>-</u>	<u>-</u>	<u>1,053,000</u>
Total assets	<u>\$ 2,258,078</u>	<u>4,369,688</u>	<u>6,505,285</u>	<u>13,133,051</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 57,668	2,150	-	59,818
Due to other funds	<u>71,404</u>	<u>1,577,306</u>	<u>-</u>	<u>1,648,710</u>
Total liabilities	<u>129,072</u>	<u>1,579,456</u>	<u>-</u>	<u>1,708,528</u>
Deferred inflows of resources:				
Unavailable revenue	<u>481,465</u>	<u>-</u>	<u>-</u>	<u>481,465</u>
Total deferred inflows of resources	<u>481,465</u>	<u>-</u>	<u>-</u>	<u>481,465</u>
Fund balances:				
Restricted for:				
Capital projects	-	2,790,232	-	2,790,232
Housing	1,037,500	-	-	1,037,500
Law enforcement	168,024	-	-	168,024
Transportation	450,686	-	-	450,686
Assigned for capital projects	-	-	6,505,285	6,505,285
Unassigned	<u>(8,669)</u>	<u>-</u>	<u>-</u>	<u>(8,669)</u>
Total fund balances	<u>1,647,541</u>	<u>2,790,232</u>	<u>6,505,285</u>	<u>10,943,058</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,258,078</u>	<u>4,369,688</u>	<u>6,505,285</u>	<u>13,133,051</u>

CITY OF COMMERCE
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year ended June 30, 2014

	Special Revenue Funds	Community Center Debt Service Fund	Measure AA Capital Projects Fund	Totals
Revenues:				
Taxes	\$ -	-	5,875,105	5,875,105
Intergovernmental	2,068,897	-	-	2,068,897
Investment income	12,006	36,200	-	48,206
Miscellaneous	42,039	-	-	42,039
Total revenues	<u>2,122,942</u>	<u>36,200</u>	<u>5,875,105</u>	<u>8,034,247</u>
Expenditures:				
Current:				
Community development	115,591	-	-	115,591
Public safety	125,438	-	-	125,438
Public works	200	-	30,320	30,520
Debt service:				
Principal	-	360,000	-	360,000
Interest and fiscal charges	-	567,333	-	567,333
Total expenditures	<u>241,229</u>	<u>927,333</u>	<u>30,320</u>	<u>1,198,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,881,713</u>	<u>(891,133)</u>	<u>5,844,785</u>	<u>6,835,365</u>
Other financing sources (uses):				
Transfers in	-	923,682	-	923,682
Transfers out	(1,236,023)	(1,994,303)	(343,979)	(3,574,305)
Total other financing sources (uses)	<u>(1,236,023)</u>	<u>(1,070,621)</u>	<u>(343,979)</u>	<u>(2,650,623)</u>
Net change in fund balances	645,690	(1,961,754)	5,500,806	4,184,742
Fund balances at beginning of year	<u>1,001,851</u>	<u>4,751,986</u>	<u>1,004,479</u>	<u>6,758,316</u>
Fund balances at end of year	<u>\$ 1,647,541</u>	<u>2,790,232</u>	<u>6,505,285</u>	<u>10,943,058</u>

CITY OF COMMERCE
 Non-Major Special Revenue Funds
 Combining Balance Sheet

June 30, 2014

	<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	\$ 142,942	41,198	-
Due from other governments	-	-	-
Loans receivable	-	-	-
Property held for resale	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 142,942</u>	<u>41,198</u>	<u>-</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 14,948	1,168	-
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>14,948</u>	<u>1,168</u>	<u>-</u>
 Deferred inflows of resources:			
Unavailable revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:			
Restricted for:			
Housing	-	-	-
Law enforcement	127,994	40,030	-
Transportation	-	-	-
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>127,994</u>	<u>40,030</u>	<u>-</u>
 Total liabilities, deferred inflows of resources and fund balances			
	<u>\$ 142,942</u>	<u>41,198</u>	<u>-</u>

<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Housing</u>	<u>Totals</u>
450,686	-	-	-	634,826
-	84,620	4,167	-	88,787
-	12,141	-	469,324	481,465
-	-	-	1,053,000	1,053,000
<u>450,686</u>	<u>96,761</u>	<u>4,167</u>	<u>1,522,324</u>	<u>2,258,078</u>
-	40,407	-	1,145	57,668
-	52,834	4,215	14,355	71,404
-	93,241	4,215	15,500	129,072
-	12,141	-	469,324	481,465
-	12,141	-	469,324	481,465
-	-	-	1,037,500	1,037,500
-	-	-	-	168,024
450,686	-	-	-	450,686
-	(8,621)	(48)	-	(8,669)
<u>450,686</u>	<u>(8,621)</u>	<u>(48)</u>	<u>1,037,500</u>	<u>1,647,541</u>
<u>450,686</u>	<u>96,761</u>	<u>4,167</u>	<u>1,522,324</u>	<u>2,258,078</u>

CITY OF COMMERCE

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2014

	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Proposition A Local Return Tax
Revenues:			
Intergovernmental	\$ 100,000	11,368	1,219,530
Investment income	340	98	722
Miscellaneous	-	-	-
Total revenues	<u>100,340</u>	<u>11,466</u>	<u>1,220,252</u>
Expenditures:			
Current:			
Community development	-	-	-
Public safety	86,291	22,416	-
Public works	-	-	-
Total expenditures	<u>86,291</u>	<u>22,416</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,049</u>	<u>(10,950)</u>	<u>1,220,252</u>
Other financing sources (uses):			
Transfers out	-	-	(1,220,252)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,220,252)</u>
Net change in fund balances	14,049	(10,950)	-
Fund balances (deficit) at beginning of year	<u>113,945</u>	<u>50,980</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 127,994</u>	<u>40,030</u>	<u>-</u>

<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Housing</u>	<u>Totals</u>
413,023	309,104	15,872	-	2,068,897
524	667	-	9,655	12,006
-	-	-	42,039	42,039
<u>413,547</u>	<u>309,771</u>	<u>15,872</u>	<u>51,694</u>	<u>2,122,942</u>
-	115,527	-	64	115,591
-	16,731	-	-	125,438
<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>
<u>200</u>	<u>132,258</u>	<u>-</u>	<u>64</u>	<u>241,229</u>
<u>413,347</u>	<u>177,513</u>	<u>15,872</u>	<u>51,630</u>	<u>1,881,713</u>
<u>-</u>	<u>-</u>	<u>(15,771)</u>	<u>-</u>	<u>(1,236,023)</u>
<u>-</u>	<u>-</u>	<u>(15,771)</u>	<u>-</u>	<u>(1,236,023)</u>
413,347	177,513	101	51,630	645,690
<u>37,339</u>	<u>(186,134)</u>	<u>(149)</u>	<u>985,870</u>	<u>1,001,851</u>
<u><u>450,686</u></u>	<u><u>(8,621)</u></u>	<u><u>(48)</u></u>	<u><u>1,037,500</u></u>	<u><u>1,647,541</u></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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	100,000	100,000
Investment income	-	340	340
Total revenues	<u>-</u>	<u>100,340</u>	<u>100,340</u>
Expenditures:			
Current:			
Public safety	<u>138,100</u>	<u>86,291</u>	<u>51,809</u>
Total expenditures	<u>138,100</u>	<u>86,291</u>	<u>51,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(138,100)</u>	<u>14,049</u>	<u>152,149</u>
Net change in fund balances	(138,100)	14,049	152,149
Fund balance at beginning of year	<u>113,945</u>	<u>113,945</u>	<u>-</u>
Fund balance at end of year	<u>\$ (24,155)</u>	<u>127,994</u>	<u>152,149</u>

CITY OF COMMERCE
Non-Major 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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	11,368	11,368
Investment income	-	98	98
	<u>-</u>	<u>11,466</u>	<u>11,466</u>
Total revenues			
Expenditures:			
Current:			
Public safety	<u>36,588</u>	<u>22,416</u>	<u>14,172</u>
Total expenditures	<u>36,588</u>	<u>22,416</u>	<u>14,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,588)</u>	<u>(10,950)</u>	<u>25,638</u>
Net change in fund balances	(36,588)	(10,950)	25,638
Fund balance at beginning of year	<u>50,980</u>	<u>50,980</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,392</u>	<u>40,030</u>	<u>25,638</u>

CITY OF COMMERCE
 Non-Major 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, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	1,219,530	1,219,530
Investment income	<u>-</u>	<u>722</u>	<u>722</u>
Total revenues	<u>-</u>	<u>1,220,252</u>	<u>1,220,252</u>
Other financing sources (uses):			
Transfers out	<u>(1,000,000)</u>	<u>(1,220,252)</u>	<u>(220,252)</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,220,252)</u>	<u>(220,252)</u>
Net change in fund balances	(1,000,000)	-	1,000,000
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ (1,000,000)</u>	<u>-</u>	<u>1,000,000</u>

CITY OF COMMERCE
Non-Major Special Revenue Funds

State Gas Tax Fund

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

Year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	413,023	413,023
Investment income	<u>-</u>	<u>524</u>	<u>524</u>
Total revenues	<u>-</u>	<u>413,547</u>	<u>413,547</u>
Other financing sources (uses):			
Transfers out	<u>(330,000)</u>	<u>-</u>	<u>330,000</u>
Total other financing sources (uses)	<u>(330,000)</u>	<u>-</u>	<u>330,000</u>
Net change in fund balances	(330,000)	413,347	743,347
Fund balance at beginning of year	<u>37,339</u>	<u>37,339</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (292,661)</u></u>	<u><u>450,686</u></u>	<u><u>743,347</u></u>

CITY OF COMMERCE
 Non-Major 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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	309,104	309,104
Investment income	-	667	667
	<u>-</u>	<u>309,771</u>	<u>309,771</u>
Total revenues	<u>-</u>	<u>309,771</u>	<u>309,771</u>
Expenditures:			
Current:			
Community development	120,000	115,527	4,473
Public safety	16,289	16,731	(442)
	<u>136,289</u>	<u>132,258</u>	<u>4,031</u>
Total expenditures	<u>136,289</u>	<u>132,258</u>	<u>4,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(136,289)</u>	<u>177,513</u>	<u>313,802</u>
Net change in fund balances	(136,289)	177,513	313,802
Fund balance at beginning of year	<u>(186,134)</u>	<u>(186,134)</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (322,423)</u></u>	<u><u>(8,621)</u></u>	<u><u>313,802</u></u>

CITY OF COMMERCE
 Non-Major 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, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	15,872	15,872
Total revenues	<u>-</u>	<u>15,872</u>	<u>15,872</u>
Other financing sources (uses):			
Transfers out	<u>(12,000)</u>	<u>(15,771)</u>	<u>(3,771)</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>(15,771)</u>	<u>(3,771)</u>
Net change in fund balances	(12,000)	101	12,101
Fund balance (deficit) at beginning of year	<u>(149)</u>	<u>(149)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (12,149)</u>	<u>(48)</u>	<u>12,101</u>

CITY OF COMMERCE
Non-Major Special Revenue Funds

Housing Fund

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

Year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	9,655	9,655
Miscellaneous	<u>-</u>	<u>42,039</u>	<u>42,039</u>
Total revenues	<u>-</u>	<u>51,694</u>	<u>51,694</u>
Expenditures:			
Current:			
Community development	<u>-</u>	<u>64</u>	<u>(64)</u>
Total expenditures	<u>-</u>	<u>64</u>	<u>(64)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>51,630</u>	<u>51,630</u>
Net change in fund balances	-	51,630	51,630
Fund balance at beginning of year	<u>985,870</u>	<u>985,870</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 985,870</u></u>	<u><u>1,037,500</u></u>	<u><u>51,630</u></u>

CITY OF COMMERCE
Debt Service Fund

Community Center Debt Service Fund

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

Year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	36,199	36,199
Total revenues	<u>-</u>	<u>36,199</u>	<u>36,199</u>
Expenditures:			
Debt service:			
Principal	310,000	360,000	(50,000)
Interest and fiscal charges	<u>628,200</u>	<u>567,332</u>	<u>60,868</u>
Total expenditures	<u>938,200</u>	<u>927,332</u>	<u>10,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(938,200)</u>	<u>(891,133)</u>	<u>47,067</u>
Other financing sources (uses):			
Transfers in	925,448	923,682	(1,766)
Transfers in	<u>-</u>	<u>(1,994,303)</u>	<u>(1,994,303)</u>
Total other financing sources (uses)	<u>925,448</u>	<u>(1,070,621)</u>	<u>(1,996,069)</u>
Net change in fund balances	(12,752)	(1,961,754)	(1,949,002)
Fund balance at beginning of year	<u>4,751,986</u>	<u>4,751,986</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,739,234</u>	<u>2,790,232</u>	<u>(1,949,002)</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	1,643,059	1,643,059
Miscellaneous	<u>-</u>	<u>21,361</u>	<u>21,361</u>
Total revenues	<u>-</u>	<u>1,692,592</u>	<u>1,692,592</u>
Expenditures:			
Current:			
Public works	3,259,423	5,664,951	(2,405,528)
Library	<u>-</u>	<u>126,431</u>	<u>(126,431)</u>
Total expenditures	<u>3,259,423</u>	<u>5,791,382</u>	<u>(2,531,959)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,259,423)</u>	<u>(4,098,790)</u>	<u>(839,367)</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>1,994,303</u>	<u>1,994,303</u>
Total other financing sources (uses)	<u>-</u>	<u>1,994,303</u>	<u>1,994,303</u>
Net change in fund balances	(3,259,423)	(2,104,487)	1,154,936
Fund balance at beginning of year	<u>(7,406,223)</u>	<u>(7,406,223)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (10,665,646)</u>	<u>(9,510,710)</u>	<u>1,154,936</u>

CITY OF COMMERCE

Capital Projects Fund

Measure AA Fund

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

Year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ -	5,875,105	5,875,105
Total revenues	<u>-</u>	<u>5,875,105</u>	<u>5,875,105</u>
Expenditures			
Current:			
Public works	<u>1,602</u>	<u>30,320</u>	<u>28,718</u>
Total expenditures	<u>1,602</u>	<u>30,320</u>	<u>28,718</u>
Net change in fund balances	(1,602)	5,844,785	5,903,823
Fund balance at beginning of year	<u>1,004,479</u>	<u>1,004,479</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,002,877</u>	<u>6,849,264</u>	<u>5,903,823</u>

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 Position
June 30, 2014

	Central Garage	Central Stores	Totals
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 1	137,741	137,742
Total assets	\$ 1	137,741	137,742
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 39,958	-	39,958
Accrued salaries and benefits	9,089	-	9,089
Total liabilities	49,047	-	49,047
<u>Net Position</u>			
Unrestricted	(49,046)	137,741	88,695
Total net position	\$ (49,046)	137,741	88,695

CITY OF COMMERCE

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2014

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 1,178,523	-	1,178,523
Total operating revenues	<u>1,178,523</u>	<u>-</u>	<u>1,178,523</u>
Operating expenses:			
General and administrative	350,992	-	350,992
Operations	<u>855,947</u>	<u>-</u>	<u>855,947</u>
Total operating expenses	<u>1,206,939</u>	<u>-</u>	<u>1,206,939</u>
Changes in net position	(28,416)	-	(28,416)
Net position (deficit) at beginning of year	<u>(20,630)</u>	<u>137,741</u>	<u>117,111</u>
Net position (deficit) at end of year	<u>\$ (49,046)</u>	<u>137,741</u>	<u>88,695</u>

CITY OF COMMERCE
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2014

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from user departments	\$ 1,178,523	-	1,178,523
Cash payments to suppliers for goods and services	(1,153,363)	-	(1,153,363)
Cash payments to employees	<u>(349,845)</u>	<u>-</u>	<u>(349,845)</u>
Net cash provided by (used for) operating activities	<u>(324,685)</u>	<u>-</u>	<u>(324,685)</u>
Net increase (decrease) in cash and cash equivalents	(324,685)	-	(324,685)
Cash and cash equivalents at beginning of year	<u>31,642</u>	<u>137,741</u>	<u>169,383</u>
Cash and cash equivalents at end of year	<u>\$ (293,043)</u>	<u>137,741</u>	<u>(155,302)</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (28,416)	-	(28,416)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Adjustments:			
Increase (decrease) in accounts payable	(4,728)	-	(4,728)
Increase (decrease) in accrued liabilities	<u>1,503</u>	<u>-</u>	<u>1,503</u>
Net cash provided by (used for) operating activities	<u>\$ (31,641)</u>	<u>-</u>	<u>(31,641)</u>

There were no noncash capital, financing and investing activities for the year ended June 30, 2014.

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 Commerce 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 Position
June 30, 2014

	Successor Agency		
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	Totals
<u>Assets</u>			
Cash and investments	\$ 14,226,625	1	14,226,626
Cash and investments with fiscal agents	-	10,380,898	10,380,898
Interest receivable	-	186,933	186,933
Loans receivable	-	19,055	19,055
Lease receivable	-	-	-
Property held for resale	-	62,375,172	62,375,172
Capital assets, net	-	8,814,536	8,814,536
Total assets	14,226,625	81,776,595	96,003,220
<u>Deferred Outflow of Resources</u>			
Deferred loss on refunding	-	6,402,082	6,402,082
<u>Liabilities</u>			
Accounts payable	-	1,681,184	1,681,184
Accrued salaries and benefits	-	1,535	1,535
Deposits payable	-	180,000	180,000
Interest payable	-	2,418,090	2,418,090
Long-term liabilities	-	117,740,000	117,740,000
Total liabilities	-	122,020,809	122,020,809
<u>Net Position</u>			
Held in trust for Successor Agency	\$ 14,226,625	(33,842,132)	(19,615,507)

CITY OF COMMERCE
Private Purpose Trust Fund
Combining Statement of Changes in Net Position
Year ended June 30, 2014

	<u>Successor Agency</u>		<u>Totals</u>
	<u>Redevelopment Property Tax Trust Fund</u>	<u>Successor Agency Trust Fund</u>	
Additions:			
Property tax	\$ 9,526,825	-	9,526,825
Investment income	-	423,367	423,367
Rental income	-	1,046,631	1,046,631
Miscellaneous income	-	745,301	745,301
Transfers in	-	7,014,425	7,014,425
	<u>9,526,825</u>	<u>9,229,724</u>	<u>18,756,549</u>
Deductions:			
Administrative expenses	-	597,377	597,377
Maintenance and repair expenses	-	34,626	34,626
Professional services	-	77,984	77,984
Interest and fiscal charges	-	5,827,378	5,827,378
Bond issuance costs	-	457,292	457,292
Payments under pass-through obligations	-	210,161	210,161
Loss on disposition of capital assets	-	1,948,210	1,948,210
Depreciation	-	278,838	278,838
Miscellaneous	-	237,199	237,199
Transfers out	6,609,014	90,689	6,699,703
	<u>6,609,014</u>	<u>9,759,754</u>	<u>16,368,768</u>
Changes in net position	2,917,811	(530,030)	2,387,781
Net position held in trust, beginning of year as restated (note 16)	<u>11,308,814</u>	<u>(33,312,102)</u>	<u>(22,003,288)</u>
Net position held in trust, end of year	<u>\$ 14,226,625</u>	<u>(33,842,132)</u>	<u>(19,615,507)</u>

CITY OF COMMERCE
Cash Deposits Agency Fund

Statement of Changes in Assets and Liabilities

Year ended June 30, 2014

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
<u>Assets</u>				
Cash and investments	\$ 1,186,159	494,693	787,613	893,239
Total assets	<u>\$ 1,186,159</u>	<u>494,693</u>	<u>787,613</u>	<u>893,239</u>
<u>Liabilities</u>				
Accounts payable	\$ 137,205	591,964	695,702	33,467
Deposits payable	<u>1,048,954</u>	<u>264,198</u>	<u>453,380</u>	<u>859,772</u>
Total liabilities	<u>\$ 1,186,159</u>	<u>856,162</u>	<u>1,149,082</u>	<u>893,239</u>

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.

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities:					
Invested in capital assets, net of related debt	(64,082,027)	(80,164,000)	(29,578,541)	(35,988,743)	(57,251,831)
Restricted	103,987,262	121,522,451	86,626,421	74,367,830	10,920,863
Unrestricted	<u>20,979,513</u>	<u>21,040,670</u>	<u>21,826,673</u>	<u>49,830,630</u>	<u>139,147,166</u>
Total governmental activities net assets	<u>60,884,748</u>	<u>62,399,121</u>	<u>78,874,553</u>	<u>88,209,717</u>	<u>92,816,198</u>
Business-type activities:					
Invested in capital assets, net of related debt	9,976,441	7,507,704	9,161,881	9,717,831	9,205,642
Restricted	-	-	-	-	-
Unrestricted	<u>2,564,586</u>	<u>4,074,831</u>	<u>1,363,291</u>	<u>848,744</u>	<u>(432,900)</u>
Total business-type activities net assets	<u>12,541,027</u>	<u>11,582,535</u>	<u>10,525,172</u>	<u>10,566,575</u>	<u>8,772,742</u>
Primary government:					
Invested in capital assets, net of related debt	(54,105,586)	(72,656,296)	(20,416,660)	(26,270,912)	(48,046,189)
Restricted	103,987,262	121,522,451	86,626,421	74,367,830	10,920,863
Unrestricted	<u>23,544,099</u>	<u>25,115,501</u>	<u>23,189,964</u>	<u>50,679,374</u>	<u>138,714,266</u>
Total primary government net assets	<u>73,425,775</u>	<u>73,981,656</u>	<u>89,399,725</u>	<u>98,776,292</u>	<u>101,588,940</u>

Fiscal Year					
2010	2011	2012	2013	2013	2014
(57,521,168)	(67,538,656)	(32,579,229)	41,949,565	29,678,249	35,963,254
3,941,343	463,128	27,965,967	2,862,221	6,852,897	4,189,145
<u>139,073,655</u>	<u>159,586,801</u>	<u>90,467,496</u>	<u>32,518,513</u>	<u>44,875,673</u>	<u>49,067,403</u>
<u>85,493,830</u>	<u>92,511,273</u>	<u>85,854,234</u>	<u>77,330,299</u>	<u>81,406,819</u>	<u>89,219,802</u>
11,171,521	14,345,897	15,281,149	9,132,834	15,050,922	14,033,290
-	-	-	-	-	-
<u>(847,500)</u>	<u>(2,989,115)</u>	<u>(3,331,606)</u>	<u>(3,475,824)</u>	<u>(4,154,394)</u>	<u>(4,437,236)</u>
<u>10,324,021</u>	<u>11,356,782</u>	<u>11,949,543</u>	<u>5,657,010</u>	<u>10,896,528</u>	<u>9,596,054</u>
(46,349,647)	(53,192,759)	(17,298,080)	51,082,399	44,729,171	49,996,544
3,941,343	463,128	27,965,967	2,862,221	6,852,897	4,189,145
<u>138,226,155</u>	<u>156,597,686</u>	<u>87,135,890</u>	<u>29,042,689</u>	<u>40,721,279</u>	<u>44,630,167</u>
<u>95,817,851</u>	<u>103,868,055</u>	<u>97,803,777</u>	<u>82,987,309</u>	<u>92,303,347</u>	<u>98,815,856</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Expenses:				
Governmental activities:				
General government	17,735,863	19,216,052	14,440,629	16,891,474
Public safety	13,555,848	13,694,828	12,798,953	13,741,711
Public works	2,109,522	2,318,999	2,119,550	2,863,690
Community development	5,890,086	6,574,946	6,034,767	6,429,943
Parks and Recreation	9,121,359	9,387,845	10,309,407	10,158,100
Library	2,461,733	2,402,587	2,554,010	2,862,061
Interest on long-term debt	8,513,881	10,444,185	9,299,836	9,101,258
Total governmental activities expenses	<u>59,388,292</u>	<u>64,039,442</u>	<u>57,557,152</u>	<u>62,048,237</u>
Business-type activities:				
Transit	2,980,087	3,051,138	3,330,525	3,285,381
CNG				
Water	807,382	583,008	528,814	459,317
Cable Television	239,572	280,934	320,510	342,295
Total business-type activities expenses	<u>4,027,041</u>	<u>3,915,080</u>	<u>4,179,849</u>	<u>4,086,993</u>
Total primary government expenses	<u>63,415,333</u>	<u>67,954,522</u>	<u>61,737,001</u>	<u>66,135,230</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	475,829	445,845	2,656,244	2,506,530
Public safety	192,875	197,343	-	-
Public works	341,277	392,123	206,527	215,474
Community development	1,726,119	1,461,203	-	674,996
Library	37,205	40,958	35,957	32,373
Parks and recreation	398,967	432,165	423,820	473,395
Operating grants and contributions	3,028,580	1,811,158	2,616,670	3,091,095
Capital grants and contributions	30,800	207,970	-	-
Total governmental activities program revenues	<u>6,231,652</u>	<u>4,988,765</u>	<u>5,939,218</u>	<u>6,993,863</u>
Business-type activities:				
Charges for services:				
Transit	-	-	-	-
CNG				
Water	-	-	-	-
Cable Television	64,516	56,712	50,587	61,440
Operating grants and contributions	1,208,941	1,356,282	1,357,140	1,341,483
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,273,457</u>	<u>1,412,994</u>	<u>1,407,727</u>	<u>1,402,923</u>
Total primary government program revenues	<u>7,505,109</u>	<u>6,401,759</u>	<u>7,346,945</u>	<u>8,396,786</u>
Net revenues (expenses):				
Governmental activities	(53,156,640)	(59,050,677)	(51,617,934)	(55,054,374)
Business-type activities	<u>(2,753,584)</u>	<u>(2,502,086)</u>	<u>(2,772,122)</u>	<u>(2,684,070)</u>
Total net revenues (expenses)	<u>(55,910,224)</u>	<u>(61,552,763)</u>	<u>(54,390,056)</u>	<u>(57,738,444)</u>

Fiscal Year						
2009	2010	2011	2012	2013	2013	2014
15,824,307	21,404,492	16,399,307	17,651,539	18,362,277	16,664,200	18,216,730
14,671,657	16,197,845	16,357,834	16,205,717	15,583,635	16,494,702	17,466,237
3,197,631	4,900,387	7,285,450	5,867,584	6,464,741	6,953,510	6,902,561
7,028,967	3,257,937	21,050,782	11,021,254	2,269,890	2,205,819	2,084,600
10,633,778	10,949,754	10,516,653	8,152,321	8,808,268	9,122,504	9,743,642
3,220,489	3,216,089	2,472,071	3,970,137	3,001,247	2,799,278	1,361,478
9,684,698	9,996,589	9,813,078	7,510,228	10,055,429	5,554,206	4,847,305
<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>	<u>59,794,219</u>	<u>60,622,553</u>
3,682,946	3,267,752	3,835,053	3,678,189	4,417,649	5,571,290	4,724,375
					-	1,883,647
402,063	444,737	632,118	345,153	491,453	176,589	281,869
340,497	346,045	260,442	273,826	250,312	232,154	310,004
<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>5,980,033</u>	<u>7,199,895</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>	<u>65,774,252</u>	<u>67,822,448</u>
862,446	845,966	-	-	717,712	-	-
161,491	233,659	1,232,769	1,285,140	729,369	1,440,460	1,582,241
-	-	3,152,579	2,515,767	2,042,031	2,488,665	2,894,236
2,204,296	2,034,696	6,058,596	920,610	637,061	-	70,211
61,536	23,943	25,410	30,567	26,827	26,781	23,357
486,158	483,122	521,232	621,815	667,379	562,364	595,134
4,847,995	3,813,612	2,376,672	2,296,474	2,343,633	2,484,684	2,254,889
400,000	150,923	502,044	607,842	550,120	2,522,945	1,980,538
<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>	<u>9,525,899</u>	<u>9,400,606</u>
-	-	-	-	-	1,046,062	-
-	-	-	-	-	-	2,160,510
-	-	-	-	-	-	-
43,408	31,972	41,302	37,850	37,817	39,734	40,192
1,057,156	3,423,936	4,051,566	3,018,306	2,457,478	3,728,164	1,952,128
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>4,813,960</u>	<u>4,152,830</u>
<u>10,124,486</u>	<u>11,041,829</u>	<u>17,962,170</u>	<u>11,334,371</u>	<u>10,209,427</u>	<u>14,339,859</u>	<u>13,553,436</u>
(55,237,605)	(62,337,172)	(70,025,873)	(62,100,565)	(56,831,355)	(50,268,320)	(51,221,947)
<u>(3,324,942)</u>	<u>(602,626)</u>	<u>(634,745)</u>	<u>(1,241,012)</u>	<u>(2,664,119)</u>	<u>(1,166,073)</u>	<u>(3,047,065)</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>	<u>(51,434,393)</u>	<u>(54,269,012)</u>

(Continued)

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

	Fiscal Year			
	2005	2006	2007	2008
(continued)				
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Casino license tax	15,722,281	17,428,322	19,081,838	21,221,796
Property taxes	13,799,718	18,566,291	14,417,628	15,766,275
Sales tax	11,568,746	10,676,245	14,711,153	15,915,922
Business License tax	798,590	826,069		
Franchise taxes	1,172,413	1,112,744	1,199,544	1,239,109
Transient occupancy taxes	-	-	981,102	2,045,918
Motor vehicle in lieu, unrestricted	601,583	287,356	914,608	896,548
Rental Income	2,712,082	1,740,100	-	-
Investment income	5,567,788	3,542,248	4,165,719	4,681,652
Sale of property	15,416,261	9,614,151	-	-
Intergovernmental, unrestricted	-	-	3,602,205	1,788,110
Miscellaneous revenues	1,431,789	(1,706,613)	2,356,042	3,386,308
Extraordinary gain (note 19)				
Transfers	(1,689,093)	(1,544,990)	(1,933,319)	(2,725,473)
Total governmental activities	<u>67,102,158</u>	<u>60,541,923</u>	<u>59,496,520</u>	<u>64,216,165</u>
Business-type activities:				
Investment income	20,392	4,004	-	-
Transfers	1,689,093	1,544,990	1,933,319	2,725,473
Total business-type activities	<u>1,709,485</u>	<u>1,548,994</u>	<u>1,933,319</u>	<u>2,725,473</u>
Total primary government	<u>68,811,643</u>	<u>62,090,917</u>	<u>61,429,839</u>	<u>66,941,638</u>
Changes in net assets				
Governmental activities	13,945,518	1,491,246	7,878,586	9,161,791
Business-type activities	(1,044,099)	(953,092)	(838,803)	41,403
Total primary government	<u>12,901,419</u>	<u>538,154</u>	<u>7,039,783</u>	<u>9,203,194</u>

Fiscal Year						
2009	2010	2011	2012	2013	2013	2014
22,667,115	21,095,275	19,776,039	20,392,604	21,181,030	20,600,922	19,654,726
15,484,157	15,593,558	18,219,198	17,322,761	9,423,608	3,972,269	2,511,686
16,353,317	16,728,923	11,608,348	13,108,932	16,459,305	19,795,117	25,900,879
1,157,899	1,187,398	1,092,666	1,009,514	1,017,727	968,579	1,035,234
2,187,982	1,899,796	1,768,066	1,922,843	2,096,487	2,274,182	2,390,203
954,809	1,059,444	1,079,141	1,097,697	1,028,203	1,062,922	1,088,953
-	-	-	-	-	-	-
4,585,456	3,515,745	2,391,795	1,858,224	3,994,512	5,838,632	5,651,173
-	-	-	-	-	-	-
1,644,693	-	-	-	-	-	-
1,627,044	1,645,234	1,534,396	1,261,505	2,718,041	1,613,284	2,147,602
				6,696,994		
<u>(1,531,109)</u>	<u>(1,894,366)</u>	<u>(1,465,006)</u>	<u>(1,631,273)</u>	<u>-</u>	<u>(1,646,982)</u>	<u>(1,746,591)</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>	<u>54,478,925</u>	<u>58,633,865</u>
-	-	202,500	202,500	-	-	-
<u>1,531,109</u>	<u>1,894,366</u>	<u>1,465,006</u>	<u>1,631,273</u>	<u>-</u>	<u>1,646,982</u>	<u>1,746,591</u>
<u>1,531,109</u>	<u>1,894,366</u>	<u>1,667,506</u>	<u>1,833,773</u>	<u>-</u>	<u>1,646,982</u>	<u>1,746,591</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>	<u>56,125,907</u>	<u>60,380,456</u>
9,893,758	(1,506,165)	(14,021,230)	(5,757,758)	7,784,552	4,210,605	7,411,918
<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>480,909</u>	<u>(1,300,474)</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>	<u>4,691,514</u>	<u>6,111,444</u>

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

	Fiscal Year						
	2009	2010		2011 (a)	2012	2013	2014
General fund:			General fund:				
Reserved	12,524,030	12,342,170	Nonspendable	15,190,427	15,272,801	15,216,754	15,110,492
Unreserved	13,096,988	11,807,678	Restricted	-	-	-	-
Total general fund	<u>25,621,018</u>	<u>24,149,848</u>	Unassigned	33,552,248	36,051,479	40,946,024	43,062,013
			Total general fund	<u>48,742,675</u>	<u>51,324,280</u>	<u>56,162,778</u>	<u>58,172,505</u>
All other governmental funds:			All other governmental funds:				
Reserved	64,561,820	71,195,075	Nonspendable	-	-	-	-
Unreserved, reported in:			Restricted	125,592,920	110,139,272	105,913,679	105,980,666
Special revenue funds	23,685,219	22,929,354	Unassigned	(34,639,920)	(4,368,665)	(7,649,689)	(9,519,379)
Debt service funds	64,380,169	61,397,363	Total all other				
Capital projects funds	49,232,460	34,191,660	governmental funds	<u>90,953,000</u>	<u>105,770,607</u>	<u>98,263,990</u>	<u>96,461,287</u>
Total all other governmental funds	<u>201,859,668</u>	<u>189,713,452</u>					

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

(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 Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>
Revenues:		
Taxes	30,355,280	34,629,662
Casino license tax	-	19,081,838
Licenses and permits	19,717,248	2,656,229
Fines and forfeitures	195,688	206,527
Investment income	3,560,792	4,165,719
Rental income	483,611	1,223,947
Intergovernmental	1,003,139	3,602,205
Charges for services	1,061,616	1,329,154
Activity Fees	1,740,100	459,777
Sale of Citadel / Property	24,000,000	-
Settlement Income	-	-
Other	7,355,307	2,450,054
Total revenues	<u>89,472,781</u>	<u>69,805,112</u>
Expenditures		
Current:		
General government	19,258,191	15,008,572
Public safety	13,680,741	12,772,565
Public works	2,172,772	1,973,538
Community development	2,832,456	5,949,287
Library	2,379,117	2,505,707
Parks, recreation and culture	8,434,528	9,017,017
Capital outlay	3,717,264	127,282
Debt service:		
Principal retirement	19,771,571	4,597,180
Interest and fiscal charges	9,257,685	10,109,154
SERAF Payments	-	-
Bond Issuance Costs	-	-
Payment to bond escrow agent	-	-
Pass-through payments	-	-
Total expenditures	<u>81,504,325</u>	<u>62,060,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,968,456</u>	<u>7,744,810</u>
Other financing sources (uses):		
Transfers in	23,763,879	25,055,015
Transfers out	(25,308,869)	(26,988,334)
Issuance of bonds	15,040,000	-
Payment to bond escrow agent	-	-
Total other financing sources (uses)	<u>13,495,010</u>	<u>(1,933,319)</u>
Extraordinary gain (loss) (note 19)	-	-
Net change in fund balances	<u>21,463,466</u>	<u>5,811,491</u>
Ratio of debt service expenditures to noncapital expenditures	36%	24%

Fiscal Year							
2007	2008	2009	2010	2011	2012	2013	2014
38,514,264	39,821,812	40,023,311	36,717,353	36,849,238	30,838,722	28,073,069	32,926,955
21,221,796	22,667,115	21,095,275	19,776,039	20,392,604	21,181,030	20,600,922	19,654,726
2,506,530	3,102,448	2,880,662	2,266,014	2,515,108	2,051,387	2,489,592	2,900,240
215,474	161,491	257,603	1,255,554	1,315,707	756,196	1,467,241	1,605,598
5,378,004	4,573,986	3,515,745	5,937,005	8,379,360	7,001,775	5,840,623	5,662,019
936,585	723,613	692,172	3,802,188	918,914	707,840	12,319	73,324
2,360,915	3,313,647	2,538,032	3,461,021	2,806,231	2,539,595	4,193,761	4,469,864
1,197,648	1,407,376	1,340,772	895,661	757,199	500,455	163,657	473,358
505,768	547,694	483,122	354,582	346,616	436,868	433,859	414,127
-	-	-	-	-	-	-	-
-	-	-	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>1,770,546</u>	<u>1,768,877</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>	<u>65,045,589</u>	<u>69,949,088</u>
17,612,838	18,211,676	21,329,416	17,386,171	17,447,206	16,547,709	15,609,127	16,616,771
13,285,301	14,644,542	15,523,154	15,622,837	15,903,482	15,583,635	16,226,042	16,737,125
2,768,577	3,311,795	4,560,649	6,513,338	6,763,595	5,894,285	11,156,226	10,682,593
6,216,382	6,109,380	4,851,198	13,338,627	7,128,103	2,140,768	2,171,051	1,975,546
2,767,002	3,186,168	3,037,302	2,915,498	2,794,256	2,775,283	2,860,346	3,222,372
9,820,714	10,365,481	9,820,859	8,958,379	8,075,994	7,969,161	8,035,395	8,426,766
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	4,510,000	5,480,000
7,597,938	7,645,536	12,395,178	11,898,888	13,485,684	9,677,103	5,186,151	4,940,642
-	-	-	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>65,754,338</u>	<u>68,081,815</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>	<u>(708,749)</u>	<u>1,867,273</u>
30,205,114	34,049,740	29,855,879	29,089,788	24,202,439	2,331,429	2,331,429	3,368,424
(32,947,592)	(35,580,849)	(32,122,322)	(30,644,794)	(25,833,712)	(3,710,866)	(3,710,866)	(5,429,737)
-	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>(1,379,437)</u>	<u>(2,061,313)</u>
-	-	-	-	-	20,466,590	-	-
<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>(2,088,186)</u>	<u>(194,040)</u>
21%	18%	23%	22%	28%	26%	16.29%	17.1%

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 (2)			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions ¹		Secured	Unsecured	Less: Exemptions ¹		
2005	847,413	234,456	-	1,081,869	1,801,403	491,620	-	2,293,023	0.068%
2006	897,076	238,531	-	1,135,607	2,006,696	487,645	-	2,494,341	0.068%
2007	950,650	235,577	-	1,186,227	2,082,111	486,053	-	2,568,164	0.068%
2008	957,294	213,131	-	1,170,425	2,266,652	474,724	-	2,741,376	0.068%
2009	1,049,626	204,194	-	1,253,820	2,402,608	477,214	-	2,879,822	0.068%
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	0.068%
2013	3,666,439	630,210	-	4,296,649	-	-	-	-	0.068%
2014	3,851,105	604,103	-	4,455,208	-	-	-	-	0.068%

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

² Redevelopment Agencies were dissolved by the State and are no longer reported separately

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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College District	0.01908	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677	0.01782	0.02594
County Detention Facilities 1987 Debt	0.00092	0.00080	0.00066	-	-	-	-	-	-
Downey Unified School District	0.06564	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018	0.06725	0.07132
LA CCD DS 2008 Series F	-	-	-	-	-	-	-	-	0.01119
LA Community College District	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530	0.03756
LA County Flood Control	0.00025	0.00005	0.00005	-	-	-	-	-	-
LAUSD	0.08884	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695	0.16819	0.17560
MWD	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350
Montebello Unified School District	0.04172	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792	0.10001	0.09630
Total Direct & Overlapping (2) Tax Rate	1.24035	1.27666	1.28639	1.28984	1.29967	1.35956	1.42583	1.39227	1.42141
City's Share of 1% Levy Per Prop 13 (3)	0.06793	0.06793	0.06793	0.06793	0.06793	0.06793	0.06793	0.06793	0.06793
General Obligation Debt Rate									
Redevelopment Rate (4)	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	
Total Direct Rate (5)	0.38258	0.41223	0.41902	0.44945	0.46446	0.47585	0.46503	0.45879	0.46863

- (1) In 1978, California voters passed Proposition 13 which set 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 any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- (3) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
- (5) Because basic and debt rates vary by tax rate area individual rates cannot be summed. The Total Direct Rate is the weighted average of all

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

Taxpayer	2014			2004/05	
	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	\$ 170,310,982	3.82%	AMB Institutional Alliance Fund	125,437,644	3.72%
California Commerce Club Inc.	103,299,062	2.32%	California Commerce Club Inc	98,430,811	2.92%
LIT Commerce Distribution Center	90,279,109	2.02%	Union Pacific Railroad Company	93,809,297	2.78%
AMB Institutional Alliance Fund	90,236,212	2.02%	Commerce Citadel Development Auth	68,861,500	2.04%
Rreef America Reit II Corporation	77,400,885	1.74%	AMB Property LP	48,926,827	1.45%
VON'S Companies Inc	68,521,265	1.54%	Cinram Manufacturing Inc	48,401,606	1.43%
KTR CLA II LLC	62,116,727	1.39%	Newcrow	43,149,280	1.28%
TELACU	60,037,714	1.35%	Amcor Pet Packaging USA Inc	39,712,292	1.18%
AMB Property LP	56,490,496	1.27%	99 Cents Only Stores	39,069,969	1.16%
Terreno Garfield LLC	53,448,000	1.20%	Mail-Well Commercial Printing, Inc.	38,841,078	1.15%
	<u>\$ 832,140,452</u>	<u>18.67%</u>		<u>\$ 644,640,304</u>	<u>19.11%</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
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%
2013*	1,672,673	1,656,783	99.05%	91,973	1,748,756	104.55%
2014	1,704,028	1,660,778	97.46%	42,529	1,703,307	99.96%

NOTE:

The amounts presented for 2004 to 2012 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.

*Due to the dissolution of Redevelopment the availability of levy information from the County of Los Angeles is limited. Amounts shown above for 2013 are for the General Fund only. The amounts that are levied on behalf of the Successor Agency of the Redevelopment Agency are not available at this time.

Information regarding delinquent taxes by levy year to determine which year's taxes remain unpaid by the taxpayer is not available at this time. The Auditor Controller's Office needs more time to make appropriate changes to their tax reporting system to track this information

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross Card Room -- Gaming Re	17,308	18,962	21,102	22,547	20,975	19,656	20,273	21,061	20,481	19,535
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>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>	<u>20,601</u>	<u>19,655</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 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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%

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>	2014			2005		
	<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	\$ 19,534,726	1	0.00%	<i>Information is not available</i>		
Total	<u>\$ 19,534,726</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	
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
2013	-	112,885,000	-	112,885,000
2014	-	107,405,000	-	107,405,000

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			Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
Water Revenue Bonds	Certificates of Participation	Total Business-type Activities			
-	-	-	137,363,911	90.59%	10,448
-	-	-	137,363,911	85.41%	10,304
-	-	-	134,680,417	79.87%	10,045
-	-	-	130,518,037	73.09%	9,750
-	-	-	147,885,708	79.94%	11,068
-	-	-	143,808,826	76.66%	10,703
-	-	-	139,514,549	76.03%	10,337
-	-	-	130,181,902	55.70%	9,602
-	-	-	117,395,000	58.34%	9,121
-	-	-	112,885,000	51.56%	8,727
-	-	-	107,405,000	49.99%	8,260

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		
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
2013	-	112,885,000	112,885,000	2.65%	100
2014	-	107,405,000	107,405,000	2.52%	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, 2014

	Gross Bonded Debt Balance	Percent Applicable to City
Metropolitan Water District	64,271,492	0.27100
Los Angeles Unified School District	10,545,125,000	0.04900
Los Angeles City Community College District	3,740,335,010	0.71300
Montebello Unified School District	130,086,320	30.91200

Total Overlapping Debt

2013/14 Assessed Valuation: \$2,499,518,862 After Deducting \$1,960,178,225 Incremental Value

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	2.89%
	Total Debt	2.89%

Source: HdI

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Assessed valuation	3,374,892,000	3,629,948,000	3,754,391,000	3,911,801,000
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	843,723,000	907,487,000	938,597,750	977,950,250
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	126,558,450	136,123,050	140,789,663	146,692,538
Total net debt applicable to limit: General obligation bonds	<u>2,087,820</u>	<u>2,181,772</u>	<u>2,432,676</u>	<u>2,552,676</u>
Legal debt margin	<u>124,470,630</u>	<u>133,941,278</u>	<u>138,356,987</u>	<u>144,139,862</u>
Total debt applicable to the limit as a percentage of debt limit	1.6%	1.6%	1.7%	1.7%

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					
2009	2010	2011	2012	2013	2014
4,133,642,000	4,257,334,000	4,213,517,000	4,301,628,000	4,296,649,000	4,455,208,000
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,033,410,500	1,064,333,500	1,053,379,250	1,075,407,000	1,074,162,250	1,113,802,000
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
155,011,575	159,650,025	158,006,888	161,311,050	161,124,338	167,070,300
<u>2,656,166</u>	<u>2,776,166</u>	<u>2,879,656</u>	<u>2,999,656</u>	<u>3,103,146</u>	<u>3,223,146</u>
<u>152,355,409</u>	<u>156,873,859</u>	<u>155,127,232</u>	<u>158,311,394</u>	<u>158,021,192</u>	<u>163,847,154</u>
1.7%	1.7%	1.8%	1.9%	1.9%	1.9%

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)
2005	13,331	160,828	12,064	12.0%
2006	13,408	168,630	12,577	10.6%
2007	13,387	178,562	13,338	9.5%
2008	13,362	184,992	13,845	10.1%
2009	13,436	187,588	13,962	14.5%
2010	13,497	183,493	13,595	21.6%
2011	13,581	216,332	15,929	23.3%
2012	12,871	201,225	15,634	22.8%
2013	12,935	218,925	16,925	17.7%
2014	13,003	214,849	16,523	14.8%

Sources:

- (1) HDL 2013-14 CAFR Statistical Reports
- (2) State Department of Finance
- (3) Office of Economic Development
- (4) State of California Employment Development Department (data shown is for the County)

CITY OF COMMERCE
Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>2014</u>		<u>2005*</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
California Commerce Club, Inc.	2,529	4.40%		
County of Los Angeles	3,000	5.22%		
American International Industries	745	1.30%		
Parsec, Inc.	801	1.39%		
99 Cents Only Stores	657	1.14%		
Gruma Corp. DbA Mission Foods	561	0.98%		
Unified Grocers Inc.	368	0.64%		
Smart & Final Stores LLC	410	0.71%		
M C L Distributing, Inc	356	0.62%		
Mojave Foods Corp	390	0.68%		
Wine Warehouse	356	0.62%		
Smart & Final Inc.	473	0.82%		

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

*Information for 2005 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	72	75	78	78	76	72	70	69	69	39
Public safety ¹	-	-	-	-	-	-	-	-	-	-
Public services	27	26	31	31	32	32	29	29	29	28
Public Works & Development Services	18	19	20	20	25	24	19	13	13	17
Park & Recreation	126	125	124	124	125	118	105	105	105	135
Library Services	33	35	38	38	43	43	37	36	36	39
Transportation	<u>33</u>	<u>35</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>
Total	<u>310</u>	<u>314</u>	<u>323</u>	<u>323</u>	<u>334</u>	<u>322</u>	<u>295</u>	<u>287</u>	<u>287</u>	<u>292</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>2005</u>	<u>2006</u>	<u>2007</u>
Police:			
Stations	0	0	0
Fire:			
Fire stations	3	3	3
Public services:			
Streets (miles)	131.76	132.60	133.10
Streetlights	3,039	3,183	3,185
Traffic signals	76	76	76
Parks and recreation:			
Parks	4	4	4
Community centers	2	2	2
Water:			
Water mains (miles)	172.50	172.90	172.90
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500
Wastewater:			
Sanitary sewers (miles)	179.15	179.15	179.15
Storm sewers (miles)	57.60	57.60	57.60
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976
Library:			
Libraries	4	4	4

Source: City of Commerce

Fiscal Year

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
0	0	0	0	0	0	0
3	3	3	3	3	3	3
133.80	133.80	133.80	133.80	133.80	133.80	133.80
3,188	3,191	3,193	3,193	3,193	3,193	3,193
77	79	80	80	80	80	80
4	4	4	4	4	4	4
2	2	2	2	2	2	2
173.40	173.90	173.90	173.90	173.90	173.90	173.90
12,750	12,850	12,850	12,850	12,850	12,850	12,850
181.25	181.75	181.75	181.75	181.75	181.75	181.75
58.50	58.50	58.50	58.50	58.50	58.50	58.50
6,995	7,015	7,015	7,015	7,015	7,015	7,015
4	4	4	4	4	4	4