



# CAFR

City of Commerce, California



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

**CITY OF COMMERCE  
Commerce, California**

**Comprehensive Annual Financial Report**

**Year ended June 30, 2015**

**Prepared by**

**FINANCE DEPARTMENT**

**VILKO DOMIC**

**Director of Finance / City Treasurer**

**(This page intentionally left blank)**

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal	i
Organizational Chart	vi
Directory of Officials	vii
Certificate of Achievement for Excellence in Financial Reporting – GFOA	viii
<b><u>FINANCIAL SECTION</u></b>	
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, 2015

TABLE OF CONTENTS, (Continued)

	<u>Page</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period	74
Schedule of Plan Contributions	75
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	76
Notes to Required Supplementary Information	77
<b>SUPPLEMENTARY SCHEDULES:</b>	
Non-Major Governmental Funds:	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	83
Non-Major Special Revenue Funds:	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	86
Budgetary Comparison Schedules:	
Supplemental Law Enforcement Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	88
Local Law Enforcement Block Grant Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	89
Prop A Local Return Tax Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	90
State Gas Tax Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	91

CITY OF COMMERCE  
 Comprehensive Annual Financial Report  
 Year ended June 30, 2015

TABLE OF CONTENTS, (Continued)

	<u>Page</u>
Community Development Block Grant (CDBG) Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	92
Air Quality Management District (AQMD) Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	93
Housing Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	94
Debt Service Funds:	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Community Center Debt Service Fund	95
Capital Projects Funds:	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Measure AA Fund	96
General City Capital Projects Fund	97
Internal Service Funds:	
Combining Statement of Net Position	100
Combining Statement of Revenues, Expenses and Changes in Net Position	101
Combining Statement of Cash Flows	102
Fiduciary Funds:	
Combining Statement of Changes in Assets and Liabilities – Cash Deposit Agency Fund	104
Combining Statement of Net Position – Private Purpose Trust Funds	105
Combining Statement of Changes in Net Position – Private Purpose Trust Funds	106

CITY OF COMMERCE  
Comprehensive Annual Financial Report  
Year ended June 30, 2015

TABLE OF CONTENTS, (Continued)

	<u>Page</u>
<u>STATISTICAL SECTION</u>	
Net Position by Component	108
Changes in Net Position	110
Fund Balances of Governmental Funds	112
Changes in Fund Balances of Governmental Funds	116
Assessed Value and Estimated Actual Value of Taxable Property	118
Direct and Overlapping Property Tax Rates	119
Principal Property Tax Payers	120
Property Tax Levies and Collections	121
Card Club License Fee by Category	122
Direct and Overlapping Card Club Rates	123
Principal Card Club Remitter	124
Ratios of Outstanding Debt by Type	126
Ratios of General Bonded Debt Outstanding	128
Direct and Overlapping Debt	129
Legal Debt Margin Information	130
Demographic and Economic Statistics	132
Principal Employers	133
Full-time and Part-time City Employees	134
Capital Asset Statistics	136

**(This page intentionally left blank)**





# City of Commerce

Office of the  
City Administrator

December 31, 2015

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, 2015. 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, and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. The CAFR 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 Davis Farr, LLP, 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, 2015, are free of material misstatement. The independent audit involved examining, on a test basis,

*“Where Quality Service Is Our Tradition”*

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, 2015, 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 60,000 persons considerably exceeding a residential population of approximately 13,010. 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 Successor Agency to the Commerce Community Development Commission (aka the Commerce Redevelopment Agency) which is now dissolved by California law. 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 present 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, and the continued expansion of the Citadel Outlet Mall. 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 City 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. During FY 14-15, the City Council developed a Capital Improvement Project program for FY 15-16 with the review of proposed Measure AA projects by the Measure AA Committee. Measure AA revenue has generated an additional \$8.270 million for fiscal year 2015 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. This is 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.

## **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, 2014. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The 2014 report satisfied both GAAP and applicable legal requirements.

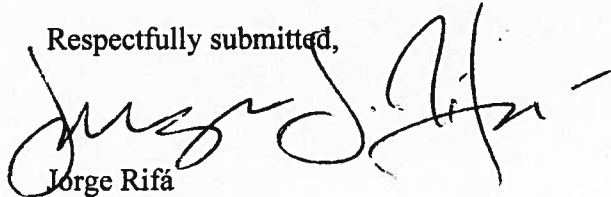


A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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**

## **Directory of Officials**

**June 30, 2015**

### **CITY COUNCIL**

Lilia R. Leon, Mayor

Tina Baca Del Rio, Mayor Pro Tem

Ivan Altamirano, Council Member

Hugo A. Argumedo, Council Member

Oralia Y. Rebollo, 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

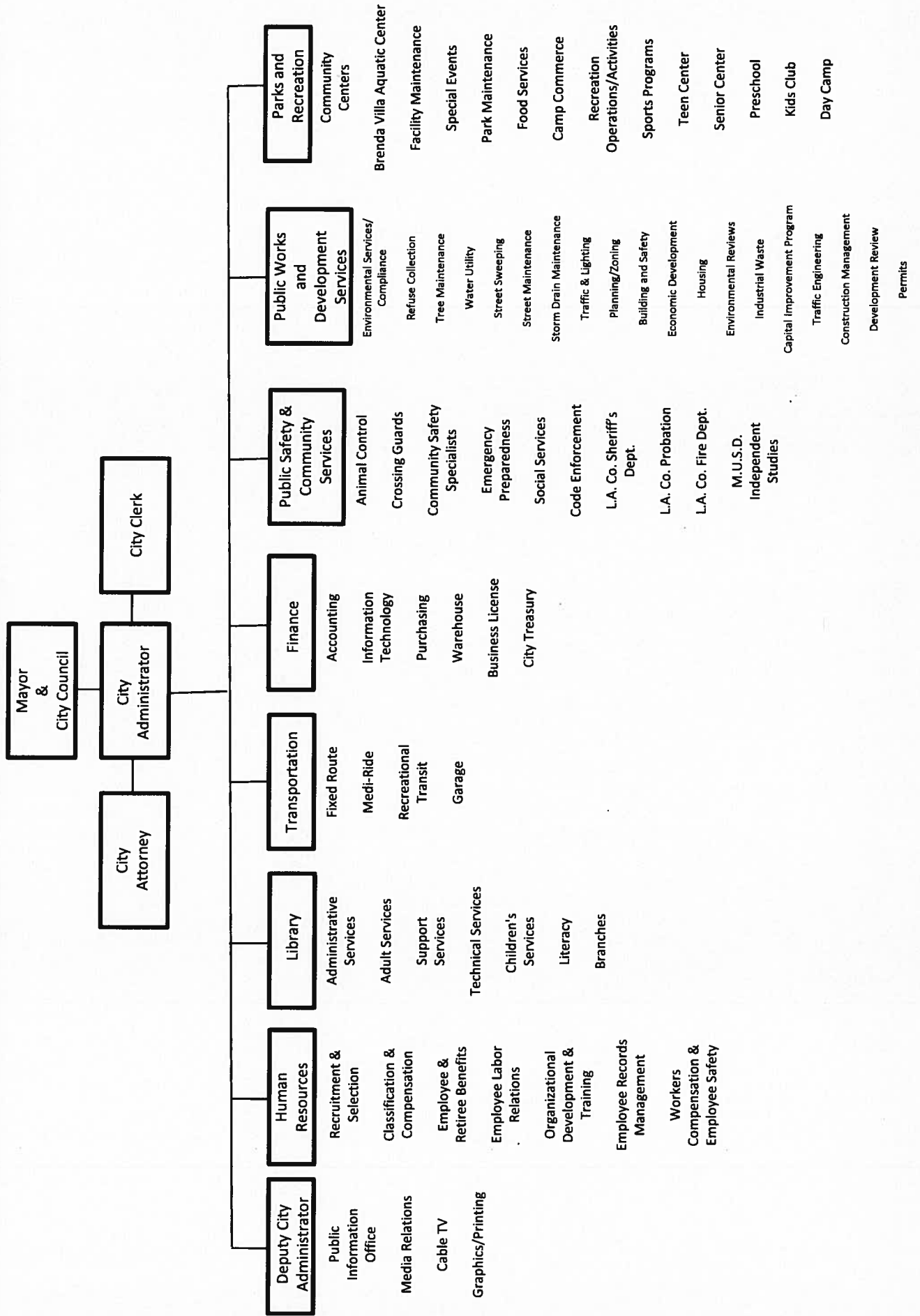
Michael Casalou, Director of Human Resources

Beatriz Sarmiento, Director of Library Services

Robert Lipton, Director of Parks and Recreation

Claude McFerguson, Director of Transportation

# City of Commerce Organization Chart







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, 2014**

Executive Director/CEO



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, 2015, 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 opinion 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 opinion.

## ***Opinion***

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, 2015, 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, 2015 reflect certain prior period adjustments as described further in note 16 to the financial statements, which includes the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

The financial statements of the City of Commerce for the fiscal year ended June 30, 2014 were audited by other auditors whose report dated December 23, 2014 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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, budgetary comparison information for the General Fund and schedule of changes in net pension liability and related ratios during the measurement period and schedule of plan contributions* 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 and schedules* 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 31, 2015 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.

A handwritten signature in blue ink that reads "Davis Fan LLP". The signature is written in a cursive, flowing style.

Irvine, California  
December 31, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fiscal Year Ended June 30, 2015

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, 2015. 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 \$97,334,107.
- The City's total net position decreased by \$1,481,750, due to negative 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 \$153,636,455, a decrease of \$997,337 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$45,493,743, or 75% 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 assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The statement of activities presents information designed to show how the city's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.



Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the city include general government operations, community development, public safety, public works, library, and parks and recreation services. The city's business-type activities of the City include operations of its transit, water and cable television. The government-wide financial statements can be found on pages 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 assets can serve as a useful indicator of the city’s financial position. The City of Commerce’s net assets at June 30, 2015 total \$97,334,107. Following is a condensed version of the government-wide statement of net assets.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other asset	178,376,238	174,201,338	(3,579,765)	(3,585,113)	174,796,473	170,616,225
Capital assets, net	<u>55,913,008</u>	<u>44,646,105</u>	<u>13,415,492</u>	<u>14,033,290</u>	<u>69,328,500</u>	<u>58,679,395</u>
Total Asset	<u>234,289,246</u>	<u>218,847,443</u>	<u>9,835,727</u>	<u>10,448,177</u>	<u>244,124,973</u>	<u>229,295,620</u>
<b>Liabilities:</b>						
Current Liabilities	9,911,574	8,507,536	399,727	501,048	10,311,301	9,008,584
Long-term Liabilities	<u>129,985,823</u>	<u>121,120,105</u>	<u>2,564,047</u>	<u>351,075</u>	<u>132,549,870</u>	<u>121,471,180</u>
Total Liabilities	<u>139,897,397</u>	<u>129,627,641</u>	<u>2,963,774</u>	<u>852,123</u>	<u>142,861,171</u>	<u>130,479,764</u>
<b>Net assets:</b>						
Net investment in capital assets	45,509,674	35,963,254	13,415,492	14,033,290	58,925,166	49,996,544
Restricted	(8,770,483)	4,189,145	-	-	(8,770,483)	4,189,145
Unrestricted	<u>54,250,682</u>	<u>49,067,403</u>	<u>(7,071,258)</u>	<u>(4,437,236)</u>	<u>47,179,424</u>	<u>44,630,167</u>
Total Net Assets	<u>90,989,873</u>	<u>89,219,802</u>	<u>6,344,234</u>	<u>9,596,054</u>	<u>97,334,107</u>	<u>98,815,856</u>

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

## Changes in net position

The changes in net position table illustrates the increases or decreases in net assets of the city resulting from its operating activities. The City of Commerce's net assets increased \$18,526,291 in the fiscal year ended June 30, 2015. The increase was split between the governmental activities increase of \$19,091,233 and business-type activities decrease of \$564,942. Following is a condensed version of the city's changes in net assets. The table shows the revenues, expenses, and related changes in net assets for governmental and business-type activities.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues						
Charges for services	5,652,803	5,165,179	2,113,071	2,200,702	7,765,874	7,365,881
Operating grants & contributions	2,517,480	2,254,889	2,726,291	1,952,128	5,243,771	4,207,017
Capital grants & contributions	9,611,896	1,980,538	-	-	9,611,896	1,980,538
General revenues:						
Casino license tax	22,240,233	19,654,726	-	-	22,240,233	19,654,726
Property tax	2,819,939	2,511,686	-	-	2,819,939	2,511,686
Sales tax	29,360,146	25,900,879	-	-	29,360,146	25,900,879
Franchise taxes	1,128,060	1,035,234	-	-	1,128,060	1,035,234
Transient occupancy taxes	2,549,218	2,390,203	-	-	2,549,218	2,390,203
Motor vehicle in-lieu	1,126,561	1,088,953	-	-	1,126,561	1,088,953
Investment income	5,484,438	5,651,173	-	-	5,484,438	5,651,173
Miscellaneous revenues	3,662,709	2,147,602	-	-	3,662,709	2,147,602
Extraordinary gain	-	-	-	-	-	-
Total revenues	<u>86,153,483</u>	<u>69,781,062</u>	<u>4,839,362</u>	<u>4,152,830</u>	<u>90,992,845</u>	<u>73,933,892</u>
<b>Expenses:</b>						
General government	18,681,419	18,216,730	-	-	18,681,419	18,216,730
Community development	2,582,041	2,084,600	-	-	2,582,041	2,084,600
Public safety	17,825,986	17,466,237	-	-	17,825,986	17,466,237
Public works	9,574,171	6,902,561	-	-	9,574,171	6,902,561
Library	1,201,235	1,361,478	-	-	1,201,235	1,361,478
Parks recreation and culture	9,298,527	9,743,642	-	-	9,298,527	9,743,642
Interest on long-term debt	5,393,909	4,847,305	-	-	5,393,909	4,847,305
Transit	-	-	4,982,321	4,724,375	4,982,321	4,724,375
CNG	-	-	2,038,687	1,883,647	2,038,687	1,883,647
Water	-	-	593,822	281,869	593,822	281,869
Cable television	-	-	294,436	310,004	294,436	310,004
Total expenses	<u>64,557,288</u>	<u>60,622,553</u>	<u>7,909,266</u>	<u>7,199,895</u>	<u>72,466,554</u>	<u>67,822,448</u>
Excess (deficiency) before transfers	21,596,195	9,158,509	(3,069,904)	(3,047,065)	18,526,291	6,111,444
Transfers	(2,504,962)	(1,746,591)	2,504,962	1,746,591	-	-
Change in net assets	19,091,233	7,411,918	(564,942)	(1,300,474)	18,526,291	6,111,444
Net assets - beginning of year	<u>71,898,640</u>	<u>81,807,883</u>	<u>6,909,176</u>	<u>10,896,528</u>	<u>78,807,816</u>	<u>92,704,411</u>
Net assets - end of year	<u>90,989,873</u>	<u>89,219,801</u>	<u>6,344,234</u>	<u>9,596,054</u>	<u>97,334,107</u>	<u>98,815,855</u>

The total net position of the City was \$97,334,107 as of June 30, 2015. This represents a decrease of \$1,481,748 over the prior year. This change is explained more fully below.

The City's total revenues were \$90,992,845. A significant portion of the governmental revenues came from the Casino license tax (25.81%), property taxes (3.27%) and sales tax (34.08%) of the total governmental revenues of \$86,153,483. A significant portion of the business-type activities revenues were collected from Operating grants & contributions (56.34%) and Charges for services (43.66%).

The total cost of all City programs and services during fiscal year ended June 30, 2015 was \$72,466,554. The break down by activity as a percentage of total expenses for selected programs is as follows: General government 25.78%, Public safety (police and fire) 24.6%, Interest on long-term debt 7.44%, Parks and Recreation 12.83%, Public works 13.21%, and business type activities accounted for 10.91%.

Change in net position was \$18,526,291 for the year as compared to last year's change in net position of \$6,111,444. Total net position at the end of the year was \$97,334,107. The City has ample amounts to provide for its outstanding indebtedness.

**Governmental activities** experienced an increase in net assets of \$19,091,233. 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, 2015, this goal was achieved with the City's total business-type activities having realized an overall decrease in net assets of \$564,942 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			
	2015	2014	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Total Fund Equity:</b>				
General Fund	60,621,291	58,172,505	2,448,786	4.2%
Joint Powers Financing Authority	45,665,332	46,679,370	(1,014,038)	-2.2%
2007 JPFA Bonds	45,470,511	48,349,569	(2,879,058)	-6.0%
General City Capital Projects Fund	(11,867,603)	(9,510,710)	(2,356,893)	-24.8%
<b>Total Fund Equity</b>	<b>139,889,531</b>	<b>143,690,734</b>	<b>(3,801,203)</b>	<b>-2.6%</b>

The General fund balance increased by \$2,448,786. 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 (\$1,014,038), primarily due to planned debt repayments.

The 2007 JPFA fund balance decreased by (\$2,879,058), primarily due to planned debt repayments.

General City Capital Projects fund balance decreased by (\$2,356,893) 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			
	2015	2014	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Net Assets:</b>				
Transit	5,079,832	7,490,452	(2,410,620)	-32.2%
CNG	3,729,121	3,700,278	28,843	
Water	(2,095,482)	(1,501,660)	(593,822)	39.5%
Cable Television	(369,237)	(93,016)	(276,221)	297.0%
Internal Service Funds	(238,851)	88,695	(327,546)	-369.3%
<b>Total Net Assets</b>	<b>6,105,383</b>	<b>9,684,749</b>	<b>(3,579,366)</b>	<b>-37.0%</b>
<b>Unrestricted Net Assets:</b>				
Transit	(4,043,164)	(2,441,061)	(1,602,103)	65.6%
CNG	472,696	360,358	112,338	
Water	(3,131,553)	(2,263,517)	(868,036)	38.3%
Cable Television	(369,237)	(93,016)	(276,221)	297.0%
Internal Service Funds	(238,851)	88,695	(327,546)	-369.3%
<b>Total Unrestricted Net Assets</b>	<b>(7,310,109)</b>	<b>(4,348,541)</b>	<b>(2,961,568)</b>	<b>68.1%</b>

The Transit Fund net assets decreased (\$2,410,620) and unrestricted net assets decreased by (\$1,602,103). The key factor in the decrease of nets assets while having a decrease in unrestricted net assets is due to the separation of the CNG funds from the Transit fund.

The Water Fund net assets decreased (\$593,822) and unrestricted net assets decreased by (\$868,036). The decrease in net assets 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 \$60,650,498. This is a 10.2% increase when compared to last year's revenue total of \$55,057,990. 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 \$28,712,956 which increased 6.2% or \$1,661,106 compared to the prior year due to the increase of new stores at the Citadel and the improved economic climate. Casino license tax was up by 13.2% or \$2,585,507 when compared to the prior year due to renovations at the Casino and the improved economic climate. General Fund expenditures totaled \$58,201,712, 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, 2014	Additions	Reductions	Balance at June 30, 2015
<b>Governmental Activities</b>				
2003 JPFA Tax Revenue Bonds	44,120,000	-	(1,230,000)	42,890,000
2004 Lease Revenue Bonds	12,125,000	-	(12,125,000)	-
2007 JPFA Revenue Bonds	51,160,000	-	(3,355,000)	47,805,000
2014 Lease Revenue Bonds	-	10,000,000		10,000,000
Premium on bond	-	1,204,670	(40,156)	1,164,514
Claims Payable	-	304,105	-	304,105
Compenstated absences	2,851,916	1,641,781	(1,338,170)	3,155,527
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>110,256,916</b>	<b>13,150,556</b>	<b>(18,088,326)</b>	<b>105,319,146</b>
<b>Business Activities</b>				
Compensated Absences	351,075	262,113	(163,547)	449,641
<b>Total Long-Term Obligations</b>	<b>110,607,991</b>	<b>13,412,669</b>	<b>(18,251,873)</b>	<b>105,768,787</b>

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, 2015	June 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Governmental Activities:</b>				
Land	\$ 4,070,310	\$ 4,070,310	\$ -	0.0%
Construction in progress	9,342,731	8,187,734	1,154,997	14.1%
Buildings	40,425,663	40,425,663	-	0.0%
Improvements other than buildings	20,202,386	7,099,233	13,103,153	184.6%
Infrastructure	83,107,408	82,435,309	672,099	0.8%
Machinery and equipment	3,666,397	2,984,286	682,111	22.9%
Less accumulated depreciation	(104,901,887)	(100,556,430)	(4,345,457)	4.3%
<b>Net capital assets</b>	<b>\$ 55,913,008</b>	<b>\$ 44,646,105</b>	<b>\$ 11,266,903</b>	

	June 30, 2015	June 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Business Activities:</b>				
Land	\$ 2,755,498	\$ 2,755,498	\$ -	0.0%
Construction in progress	-	-	-	-
Machinery and equipment	9,948,244	9,365,854	582,390	6.2%
Water rights	2,141,222	2,141,222	-	0.0%
Building and improvements	11,550,248	11,550,248	-	0.0%
Less accumulated depreciation	(12,979,720)	(11,779,532)	(1,200,188)	10.2%
	<b>\$ 13,415,492</b>	<b>\$ 14,033,290</b>	<b>\$ (617,798)</b>	

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 decreased due primarily to depreciation. 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 2016. 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 2015-2016 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, 2015  
(with comparative information for the prior year)

Assets:	Governmental	Business-type	Totals	
	Activities	Activities	2015	2014
Cash and investments (note 2)	\$ 41,111,034	528,246	41,639,280	35,247,506
Cash and investments with fiscal agent (note 2)	1,576,666	-	1,576,666	5,469,822
Interest receivable	53,137	-	53,137	30,836
Accounts receivable	5,201,705	530,505	5,732,210	2,333,150
Due from other governments	4,019,126	348,484	4,367,610	4,073,198
Internal balances	7,687,000	(7,687,000)	-	-
Receivable from Successor Agency (note 5)	103,815,000	2,700,000	106,515,000	110,390,000
Loans and leases receivable	484,405	-	484,405	481,465
Prepaid items and deposits	27,548	-	27,548	10,492
Property held for resale	1,053,000	-	1,053,000	1,053,000
Investment in joint venture (note 11)	13,347,617	-	13,347,617	11,526,757
Capital assets (note 4):				
Nondepreciable	13,413,041	2,755,498	16,168,539	15,013,542
Depreciable, net	42,499,967	10,659,994	53,159,961	43,665,853
Total assets	234,289,246	9,835,727	244,124,973	229,295,621
Deferred outflow of resources:				
Pension contributions (note 8)	1,185,092	183,832	1,368,924	-
Liabilities:				
Accounts payable	7,397,409	306,401	7,703,810	6,406,332
Accrued salaries and benefits	639,204	93,326	732,530	607,279
Interest payable	1,815,449	-	1,815,449	1,923,739
Deposits payable	59,512	-	59,512	71,234
Noncurrent liabilities:				
Due within one year (note 5)	6,309,799	107,691	6,417,490	6,385,762
Due in more than one year (note 5)	99,009,347	341,950	99,351,297	104,222,229
OPEB liability (note 9)	11,036,000	-	11,036,000	10,863,189
Net pension liability (note 8)	13,630,677	2,114,406	15,745,083	-
Total liabilities	139,897,397	2,963,774	142,861,171	130,479,764
Deferred inflow of resources:				
Deferred inflow - actuarial (note 8)	4,587,068	711,551	5,298,619	-
Net position:				
Net investment in capital assets	45,509,674	13,415,492	58,925,166	49,996,544
Restricted for:				
Housing	1,060,265	-	1,060,265	1,037,500
Public safety	147,762	-	147,762	168,024
Public works	-	-	-	2,983,621
Unrestricted	44,272,172	(7,071,258)	37,200,914	44,630,168
Total net position	\$ 90,989,873	6,344,234	97,334,107	98,815,857

See accompanying notes to the basic financial statements.

**(This page intentionally left blank)**

CITY OF COMMERCE  
Statement of Activities  
Year ended June 30, 2015  
(with comparative information for the prior year)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities:</b>				
General government	\$ 18,681,419	-	54,408	-
Community development	2,582,041	48,270	89,434	4,351,564
Public safety	17,825,986	1,670,473	116,339	-
Public works	9,574,171	3,336,377	1,570,317	5,260,332
Library	1,201,235	22,533	51,712	-
Parks, recreation and culture	9,298,527	575,150	635,270	-
Interest on long-term debt	5,393,909	-	-	-
<b>Total governmental activities</b>	<b>64,557,288</b>	<b>5,652,803</b>	<b>2,517,480</b>	<b>9,611,896</b>
<b>Business-type activities:</b>				
Transit	4,982,321	-	2,726,291	-
CNG	2,038,687	2,067,530	-	-
Water	593,822	-	-	-
Cable television	294,436	45,541	-	-
<b>Total business-type activities</b>	<b>7,909,266</b>	<b>2,113,071</b>	<b>2,726,291</b>	<b>-</b>
<b>Total</b>	<b>\$ 72,466,554</b>	<b>7,765,874</b>	<b>5,243,771</b>	<b>9,611,896</b>

**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	
		2015	2014
(18,627,011)	-	(18,627,011)	(18,216,730)
1,907,227	-	1,907,227	(1,694,963)
(16,039,174)	-	(16,039,174)	(15,772,628)
592,855	-	592,855	(849,302)
(1,126,990)	-	(1,126,990)	(1,312,565)
(8,088,107)	-	(8,088,107)	(8,528,454)
(5,393,909)	-	(5,393,909)	(4,847,304)
<u>(46,775,109)</u>	<u>-</u>	<u>(46,775,109)</u>	<u>(51,221,946)</u>
-	(2,256,030)	(2,256,030)	(2,772,247)
-	28,843	28,843	276,863
-	(593,822)	(593,822)	(281,869)
-	(248,895)	(248,895)	(269,812)
<u>-</u>	<u>(3,069,904)</u>	<u>(3,069,904)</u>	<u>(3,047,065)</u>
<u>(46,775,109)</u>	<u>(3,069,904)</u>	<u>(49,845,013)</u>	<u>(54,269,011)</u>
22,240,233	-	22,240,233	19,654,726
2,819,939	-	2,819,939	2,511,686
29,360,146	-	29,360,146	25,900,879
1,128,060	-	1,128,060	1,035,234
2,549,218	-	2,549,218	2,390,203
1,126,561	-	1,126,561	1,088,953
5,484,438	-	5,484,438	5,651,173
3,662,709	-	3,662,709	2,147,603
(2,504,962)	2,504,962	-	-
<u>65,866,342</u>	<u>2,504,962</u>	<u>68,371,304</u>	<u>60,380,457</u>
19,091,233	(564,942)	18,526,291	6,111,446
<u>71,898,640</u>	<u>6,909,176</u>	<u>78,807,816</u>	<u>92,704,411</u>
<u>\$ 90,989,873</u>	<u>6,344,234</u>	<u>97,334,107</u>	<u>98,815,857</u>

CITY OF COMMERCE  
Governmental Funds - Balance Sheet  
June 30, 2015  
(with comparative information for the prior year)

	General	Debt Service Funds		
		Joint Powers Financing Authority	2007 JPFA Bonds	Measure AA
<b>Assets:</b>				
Cash and investments	\$ 25,596,279	831,418	-	12,285,357
Cash and investments with fiscal agent	-	1,324,670	250,056	-
Interest receivable	38,438	14,695	4	-
Accounts receivable	2,909,855	-	-	42,753
Due from other governments	2,643,739	-	-	1,125,600
Due from other funds (note 6)	18,928,717	-	235,451	-
Receivable from Successor Agency	15,100,000	43,730,000	44,985,000	-
Loans and leases receivable	-	-	-	-
Prepaid items and deposits	27,548	-	-	-
Property held for resale	-	-	-	-
<b>Total assets</b>	<b>\$ 65,244,576</b>	<b>45,900,783</b>	<b>45,470,511</b>	<b>13,453,710</b>
<b>Liabilities:</b>				
Accounts payable	\$ 3,393,335	-	-	238,827
Accrued salaries and benefits	628,298	-	-	-
Deposits payable	59,512	-	-	-
Due to other funds (note 6)	-	235,451	-	-
<b>Total liabilities</b>	<b>4,081,145</b>	<b>235,451</b>	<b>-</b>	<b>238,827</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	542,140	-	-	-
<b>Total deferred inflows of resources</b>	<b>542,140</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Prepaid items and deposits	27,548	-	-	-
Receivable from Successor Agency	15,100,000	-	-	-
<b>Restricted for:</b>				
Capital projects	-	-	-	-
Debt service	-	45,665,332	45,470,511	-
Housing	-	-	-	-
Law enforcement	-	-	-	-
Transportation	-	-	-	-
Assigned	-	-	-	13,214,883
Unassigned	45,493,743	-	-	-
<b>Total fund balances</b>	<b>60,621,291</b>	<b>45,665,332</b>	<b>45,470,511</b>	<b>13,214,883</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 65,244,576</b>	<b>45,900,783</b>	<b>45,470,511</b>	<b>13,453,710</b>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2015	2014
1,939,644	313,087	40,965,785	34,647,268
-	1,940	1,576,666	5,469,822
-	-	53,137	30,836
2,244,864	4,233	5,201,705	2,184,973
175,045	74,742	4,019,126	3,735,851
-	-	19,164,168	17,567,274
-	-	103,815,000	107,690,000
-	484,405	484,405	481,465
-	-	27,548	10,492
-	1,053,000	1,053,000	1,053,000
<u>4,359,553</u>	<u>1,931,407</u>	<u>176,360,540</u>	<u>172,870,981</u>
3,592,969	94,588	7,319,719	5,941,293
-	-	628,298	522,223
-	-	59,512	71,234
<u>10,441,781</u>	<u>799,936</u>	<u>11,477,168</u>	<u>10,334,141</u>
<u>14,034,750</u>	<u>894,524</u>	<u>19,484,697</u>	<u>16,868,891</u>
<u>2,192,406</u>	<u>504,842</u>	<u>3,239,388</u>	<u>1,368,298</u>
<u>2,192,406</u>	<u>504,842</u>	<u>3,239,388</u>	<u>1,368,298</u>
-	-	27,548	10,492
-	-	15,100,000	15,100,000
-	-	-	2,790,232
-	-	91,135,843	95,028,939
-	1,060,265	1,060,265	1,037,500
-	147,762	147,762	168,024
-	88,521	88,521	450,686
-	-	13,214,883	6,505,285
<u>(11,867,603)</u>	<u>(764,507)</u>	<u>32,861,633</u>	<u>33,542,634</u>
<u>(11,867,603)</u>	<u>532,041</u>	<u>153,636,455</u>	<u>154,633,792</u>
<u>4,359,553</u>	<u>1,931,407</u>	<u>176,360,540</u>	<u>172,870,981</u>

CITY OF COMMERCE  
Governmental Funds

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

June 30, 2015

Fund balances of governmental funds	\$ 153,636,455
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	160,814,895
Accumulated depreciation	(104,901,887)
The City's investment in a joint venture has not been included in the governmental fund activity.	
	13,347,617
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds payable	(101,859,514)
Compensated absences	(3,155,527)
Net pension liability	(13,394,194)
Other long-term liabilities	(11,340,105)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	
	(1,815,449)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.	
	3,239,388
Deferred inflows and outflows associated with pension obligations are not reported in the governmental funds.	
Deferred outflows of resources	1,164,531
Deferred inflows of resources	(4,507,486)
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.	
	(238,851)
Net position of governmental activities	\$ 90,989,873

See accompanying notes to the basic financial statements.

**(This page intentionally left blank)**



CITY OF COMMERCE  
 Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year ended June 30, 2015  
 (with comparative information for the prior year)

	Debt Service Funds		
	General	Joint Powers Financing Authority	2007 JPFA Bonds
<b>Revenues:</b>			
Taxes	\$ 28,712,956	-	-
Casino license tax	22,240,233	-	-
Licenses and permits	2,995,798	-	-
Intergovernmental	1,030,422	-	-
Fines and forfeitures	1,693,006	-	-
Investment income	136,444	2,801,231	2,525,044
Activity fees	401,567	-	-
Charges for services	481,788	-	-
Rental income	32,374	-	-
Miscellaneous	1,746,274	-	-
Total revenues	<u>59,470,862</u>	<u>2,801,231</u>	<u>2,525,044</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	18,208,263	-	-
Community development	2,474,746	-	-
Public safety	17,410,699	-	-
Public works	4,913,154	-	-
Library	3,388,422	-	-
Parks, recreation and culture	8,948,228	-	-
<b>Debt service:</b>			
Principal	-	1,230,000	3,355,000
Interest and fiscal charges	-	2,127,586	2,034,994
Payment to refunding bond escrow agent	-	-	-
Total expenditures	<u>55,343,512</u>	<u>3,357,586</u>	<u>5,389,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,127,350</u>	<u>(556,355)</u>	<u>(2,864,950)</u>
<b>Other financing sources (uses):</b>			
Proceeds of refunding bonds	-	-	-
Premium on bonds	-	-	-
Payment to refunding bond escrow agent	-	-	-
Transfers in (note 7)	1,179,636	235,451	-
Transfers out (note 7)	(2,858,200)	(693,134)	(14,108)
Total other financing sources (uses)	<u>(1,678,564)</u>	<u>(457,683)</u>	<u>(14,108)</u>
Net change in fund balances	2,448,786	(1,014,038)	(2,879,058)
Fund balances at beginning of year	<u>58,172,505</u>	<u>46,679,370</u>	<u>48,349,569</u>
Fund balances at end of year	<u>\$ 60,621,291</u>	<u>45,665,332</u>	<u>45,470,511</u>

See accompanying notes to the basic financial statements.

Measure AA	General City	Non-Major Governmental Funds	Totals	
	Capital Projects Fund		2015	2014
8,270,968	-	-	36,983,924	32,926,955
-	-	-	22,240,233	19,654,726
-	-	-	2,995,798	2,900,240
-	1,853,211	1,833,165	4,716,798	4,469,864
-	-	-	1,693,006	1,605,598
15,940	-	14,120	5,492,779	5,662,019
-	-	-	401,567	414,127
-	-	-	481,788	473,358
-	28,172	-	60,546	73,324
42,755	-	16,736	1,805,765	1,768,877
<u>8,329,663</u>	<u>1,881,383</u>	<u>1,864,021</u>	<u>76,872,204</u>	<u>69,949,088</u>
-	-	-	18,208,263	16,616,771
-	-	91,985	2,566,731	1,975,546
133,923	-	152,327	17,696,949	16,737,125
1,072,594	8,557,999	-	14,543,747	10,682,593
-	205,323	-	3,593,745	3,222,372
-	-	-	8,948,228	8,426,766
-	-	-	4,585,000	5,480,000
-	-	629,179	4,791,759	4,940,642
-	-	1,591,812	1,591,812	-
<u>1,206,517</u>	<u>8,763,322</u>	<u>2,465,303</u>	<u>76,526,234</u>	<u>68,081,815</u>
<u>7,123,146</u>	<u>(6,881,939)</u>	<u>(601,282)</u>	<u>345,970</u>	<u>1,867,273</u>
-	-	10,000,000	10,000,000	-
-	-	1,204,670	1,204,670	-
-	-	(10,811,993)	(10,811,993)	-
-	4,525,046	884,171	6,824,304	3,368,424
(413,548)	-	(4,581,298)	(8,560,288)	(5,429,737)
<u>(413,548)</u>	<u>4,525,046</u>	<u>(3,304,450)</u>	<u>(1,343,307)</u>	<u>(2,061,313)</u>
6,709,598	(2,356,893)	(3,905,732)	(997,337)	(194,040)
<u>6,505,285</u>	<u>(9,510,710)</u>	<u>4,437,773</u>	<u>154,633,792</u>	<u>154,827,832</u>
<u>13,214,883</u>	<u>(11,867,603)</u>	<u>532,041</u>	<u>153,636,455</u>	<u>154,633,792</u>

CITY OF COMMERCE

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

Year ended June 30, 2015

Net changes in fund balances - total governmental funds		\$ (997,337)
Amounts reported for governmental activities in the statement of activities are different because:		
<p style="margin-left: 40px;">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.</p>		
	Capital asset purchases	15,612,360
	Depreciation	(4,345,457)
Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds.		1,820,860
<p style="margin-left: 40px;">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 premiums and discounts are recorded as an adjustment to long-term liabilities in the statement of net position. Proceeds of bonds and refundings are recorded as other financing sources and uses in governmental funds.</p>		
	Proceeds of bonds	(10,000,000)
	Premium on bonds	(1,204,670)
	Refunding of bonds	12,403,805
	Principal expense	4,585,000
	Amortization of premium and refunding costs	(238,649)
Changes in net pension liability and related deferred outflows and inflows are not recorded in governmental funds.		283,504
Changes in other long-term liabilities are not recorded in the governmental funds.		(476,916)
The statement of net position includes accrued interest on long term debt.		108,290
To record as an expense the net change in compensated absences in the statement of activities.		(303,611)
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.		1,871,090
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>(27,036)</u>
Change in net position of governmental activities		<u>\$ 19,091,233</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Proprietary Funds  
Statement of Net Position  
June 30, 2015

	Business-type Activities				Total	Governmental
	Transit	CNG	Water	Non-Major Cable Television	Enterprise Funds	Internal Service Funds
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and investments	\$ -	524,026	-	4,220	528,246	145,249
Accounts receivable, net	370,285	148,543	-	11,677	530,505	-
Due from other governments	348,484	-	-	-	348,484	-
<b>Total current assets</b>	<b>718,769</b>	<b>672,569</b>	<b>-</b>	<b>15,897</b>	<b>1,407,235</b>	<b>145,249</b>
<b>Noncurrent assets:</b>						
Receivable from Successor Agency	-	-	2,700,000	-	2,700,000	-
Capital assets, net	9,122,996	3,256,425	1,036,071	-	13,415,492	-
<b>Total noncurrent assets</b>	<b>9,122,996</b>	<b>3,256,425</b>	<b>3,736,071</b>	<b>-</b>	<b>16,115,492</b>	<b>-</b>
<b>Total assets</b>	<b>9,841,765</b>	<b>3,928,994</b>	<b>3,736,071</b>	<b>15,897</b>	<b>17,522,727</b>	<b>145,249</b>
<b>Deferred outflows of resources:</b>						
Pension contributions	163,137	-	-	20,695	183,832	20,561
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	97,841	199,873	1,164	7,523	306,401	77,690
Accrued salaries and benefits	86,355	-	-	6,971	93,326	10,906
Due to other funds (note 6)	1,783,413	-	5,830,389	73,198	7,687,000	-
Compensated absences	107,691	-	-	-	107,691	-
<b>Total current liabilities</b>	<b>2,075,300</b>	<b>199,873</b>	<b>5,831,553</b>	<b>87,692</b>	<b>8,194,418</b>	<b>88,596</b>
<b>Noncurrent liabilities:</b>						
Compensated absences	341,950	-	-	-	341,950	-
Net pension liability	1,876,373	-	-	238,033	2,114,406	236,483
<b>Total liabilities</b>	<b>4,293,623</b>	<b>199,873</b>	<b>5,831,553</b>	<b>325,725</b>	<b>10,650,774</b>	<b>325,079</b>
<b>Deferred inflows of resources:</b>						
Deferred inflows - actuarial	631,447	-	-	80,104	711,551	79,582
<b>Net Position</b>						
Investment in capital assets	9,122,996	3,256,425	1,036,071	-	13,415,492	-
Unrestricted	(4,043,164)	472,696	(3,131,553)	(369,237)	(7,071,258)	(238,851)
<b>Total net position</b>	<b>\$ 5,079,832</b>	<b>3,729,121</b>	<b>(2,095,482)</b>	<b>(369,237)</b>	<b>6,344,234</b>	<b>(238,851)</b>

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, 2015

	Business-type Activities				Governmental Activities	
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
Charges for services	\$ -	2,067,530	-	45,541	2,113,071	1,146,207
Total operating revenues	-	2,067,530	-	45,541	2,113,071	1,146,207
Operating expenses:						
General and administrative	512,623	-	4,557	228,920	746,100	344,499
Operations	2,367,183	-	542,754	65,516	2,975,453	828,744
Maintenance	1,032,333	1,955,192	-	-	2,987,525	-
Depreciation and amortization	1,070,182	83,495	46,511	-	1,200,188	-
Total operating expenses	4,982,321	2,038,687	593,822	294,436	7,909,266	1,173,243
Operating income (loss)	(4,982,321)	28,843	(593,822)	(248,895)	(5,796,195)	(27,036)
Non-operating revenues (expenses):						
Intergovernmental	2,726,291	-	-	-	2,726,291	-
Total non-operating revenues (expenses)	2,726,291	-	-	-	2,726,291	-
Transfers:						
Transfers in (note 7)	2,229,808	-	-	275,154	2,504,962	-
Total transfers	2,229,808	-	-	275,154	2,504,962	-
Changes in net position	(26,222)	28,843	(593,822)	26,259	(564,942)	(27,036)
Net position at beginning of year, as restated (note 16)	5,106,054	3,700,278	(1,501,660)	(395,496)	6,909,176	(211,815)
Net position at end of year	\$ 5,079,832	3,729,121	(2,095,482)	(369,237)	6,344,234	(238,851)

See accompanying notes to the basic financial statements.



CITY OF COMMERCE  
Proprietary Funds  
Statement of Cash Flows  
Year ended June 30, 2015

	Business-type Activities				Governmental Activities	
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds	Internal Service Funds
<b>Cash flows from operating activities:</b>						
Cash received from other customers	\$ -	2,056,038	-	44,990	2,101,028	-
Cash received from user departments	-	-	-	-	-	1,146,207
Cash payments to suppliers for goods and services	(1,078,648)	(1,994,508)	(542,754)	(76,985)	(3,692,895)	(790,927)
Cash payments to employees for services	(2,820,195)	-	(4,557)	(238,939)	(3,063,691)	(347,773)
Net cash provided by (used for) operating activities	<u>(3,898,843)</u>	<u>61,530</u>	<u>(547,311)</u>	<u>(270,934)</u>	<u>(4,655,558)</u>	<u>7,507</u>
<b>Cash flows from noncapital financing activities:</b>						
Intergovernmental noncapital grants	2,344,869	-	-	-	2,344,869	-
Cash received from other funds	1,815,639	-	868,036	275,154	2,958,829	-
Net cash provided by (used for) non-capital financing activities	<u>4,160,508</u>	<u>-</u>	<u>868,036</u>	<u>275,154</u>	<u>5,303,698</u>	<u>-</u>
<b>Cash flows from capital and related activities:</b>						
Cash paid to acquire capital assets	(261,665)	-	(320,725)	-	(582,390)	-
Net cash provided by (used for) capital and related activities	<u>(261,665)</u>	<u>-</u>	<u>(320,725)</u>	<u>-</u>	<u>(582,390)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	61,530	-	4,220	65,750	7,507
Cash and cash equivalents at beginning of year	-	462,496	-	-	462,496	137,742
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>524,026</u>	<u>-</u>	<u>4,220</u>	<u>528,246</u>	<u>145,249</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income (loss)	\$ (4,982,321)	28,843	(593,822)	(248,895)	(5,796,195)	(27,036)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,070,182	83,495	46,511	-	1,200,188	-
Adjustments:						
(Increase) decrease in accounts receivable	-	(11,492)	-	(551)	(12,043)	-
(Increase) decrease in deferred outflows	7,897	-	-	1,002	8,899	995
Increase (decrease) in accounts payable	(61,830)	(39,316)	-	(17,534)	(118,680)	37,732
Increase (decrease) in accrued salaries and benefits	16,275	-	-	1,084	17,359	1,817
Increase (decrease) in net pension liability	(679,059)	-	-	(86,144)	(765,203)	(85,583)
Increase (decrease) in compensated absences	98,566	-	-	80,104	178,670	79,582
Increase (decrease) in deferred inflows	631,447	-	-	-	631,447	-
Net cash provided by (used for) operating activities	<u>\$ (3,898,843)</u>	<u>61,530</u>	<u>(547,311)</u>	<u>(270,934)</u>	<u>(4,655,558)</u>	<u>7,507</u>

There were no noncash capital, financing and investing activities during the year ended June 30, 2015.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2015

	<u>Cash Deposits Agency Fund</u>	<u>Private Purpose Trust Funds</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 813,190	12,152,890
Cash and investments with fiscal agent (note 2)	-	10,594,786
Interest receivable	-	172,126
Loans receivable	-	17,442
Property held for resale	-	56,437,787
	<hr/>	<hr/>
Total assets	813,190	79,375,031
	<hr/>	<hr/>
<u>Deferred Outflow of Resources</u>		
Deferred loss on refunding	-	5,944,790
	<hr/>	<hr/>
<u>Liabilities</u>		
Accounts payable	26,651	1,638,173
Accrued salaries and benefits	-	1,359
Interest payable	-	2,370,716
Deposits payable	786,539	180,000
Long-term liabilities (note 5)	-	114,200,000
	<hr/>	<hr/>
Total liabilities	\$ 813,190	118,390,248
	<hr/>	<hr/>
<u>Net Position</u>		
Held in trust for Successor Agency		<u>(33,070,427)</u>
Total net position		<u>\$ (33,070,427)</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
Year ended June 30, 2015

	Private Purpose Trust Funds
<b>Additions:</b>	
Property taxes	\$ 5,975,152
Investment income	362,205
Rental income	1,044,647
Miscellaneous income	17
Transfers in (note 7)	9,216,371
Total additions	16,598,392
<b>Deductions:</b>	
Administrative expenses	657,589
Maintenance and repair expenses	31,741
Professional services	107,310
Interest and fiscal charges	6,117,648
Payments under pass-through obligations	201,101
Loss on disposition of capital assets	7,171,913
Depreciation	256,123
Miscellaneous	83,739
Transfers out (note 7)	14,681,148
Total deductions	29,308,312
Changes in net position	(12,709,920)
Net position held in trust, beginning of year, as restated (note 16)	(20,360,507)
Net position held in trust, end of year	\$ (33,070,427)

See accompanying notes to the basic financial statements.

# CITY OF COMMERCE

## Notes to the Basic Financial Statements

Year Ended June 30, 2015

### (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 transactions* are recognized as revenues when all applicable eligibility requirements have been met.



## CITY OF COMMERCE

### Notes to the Basic Financial Statements

(Continued)

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

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

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

Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

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

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

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

#### Proprietary Funds and Private Purpose Trust Funds

Proprietary funds and private purpose trust funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. Proprietary funds and private purpose trust funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

# 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 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.

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

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.

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

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. The general fund is the only fund that reports a positive unassigned fund balance amount.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(k) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by City of Commerce. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

(l) Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of net 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 has two items that qualify for reporting in this category, the deferred loss on and deferred outflows on pension contributions.

In addition to liabilities, the statement of net 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 two types of items, one 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. The second is deferred inflow – actuarial.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(m) 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.

(n) 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.

(o) 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.

(2) Cash and Investments

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 41,639,280
Cash and investments with fiscal agent	1,576,666
Statement of Fiduciary Net Position:	
Cash and investments	12,966,080
Cash and investments with fiscal agent	<u>10,594,786</u>
Total cash and investments	<u>\$ 66,776,812</u>



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	\$ 3,050
Deposits with financial institutions	16,291,535
Investments	<u>50,482,227</u>
Total cash and investments	<u>\$ 66,776,812</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.

<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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value 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:

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

<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	\$ 2,984,384	601,790	753,483	1,629,111
Federal agency securities	2,997,110	-	-	2,997,110
State investment pool	32,329,000	32,329,000	-	-
Held by bond trustee:				
Money market funds	1,705,978	1,705,978	-	-
Investment agreements	<u>10,465,755</u>	<u>-</u>	<u>-</u>	<u>10,465,755</u>
<b>Total</b>	<b><u>\$50,482,227</u></b>	<b><u>34,636,768</u></b>	<b><u>753,483</u></b>	<b><u>15,091,976</u></b>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Negotiable Certificates of Deposit	\$ 2,984,384	N/A	-	-	2,984,384
Federal agency securities	2,997,110	N/A	-	2,997,110	-
State investment pool	32,329,000	N/A	-	-	32,329,000
Held by bond trustee:					
Money market funds	1,705,978	AAA	1,705,978	-	-
Investment agreements	<u>10,465,755</u>	N/A	<u>-</u>	<u>-</u>	<u>10,465,755</u>
<b>Total</b>	<b><u>\$ 50,482,227</u></b>		<b><u>1,705,978</u></b>	<b><u>2,997,110</u></b>	<b><u>45,779,139</u></b>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Farm Credit Bank	US Agency Security	\$ 2,997,110
GE Funding Capital Market	Investment Agreement	\$ 10,465,755

Custodial Credit Risk

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

Investment in State Investment Pool

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

# CITY OF COMMERCE

## Notes to the Basic Financial Statements

(Continued)

### (3) Property Taxes

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

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

The Community Development Commission ("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, 2015, is as follows:

	<u>Balance at June 30, 2014</u>	<u>Transfers*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Buildings	\$ 40,425,663	-	-	-	40,425,663
Improvements other than buildings	7,099,233	7,683,696	5,419,457	-	20,202,386
Infrastructure	82,435,309	-	1,983,830	(1,311,731)	83,107,408
Machinery and equipment	<u>2,984,286</u>	<u>159,006</u>	<u>523,105</u>	<u>-</u>	<u>3,666,397</u>
Total costs of depreciable assets	<u>132,944,491</u>	<u>7,842,702</u>	<u>7,926,392</u>	<u>(1,311,731)</u>	<u>147,401,854</u>
Less accumulated depreciation:					
Buildings	(21,640,976)	-	(1,146,132)	-	(22,787,108)
Improvements other than buildings	(2,463,329)	(2,987,898)	(312,967)	-	(5,764,194)
Infrastructure	(73,900,236)	-	(819,978)	1,311,731	(73,408,483)
Machinery and equipment	<u>(2,551,889)</u>	<u>(159,006)</u>	<u>(231,207)</u>	<u>-</u>	<u>(2,942,102)</u>
Total accumulated depreciation	<u>(100,556,430)</u>	<u>(3,146,904)</u>	<u>(2,510,284)</u>	<u>1,311,731</u>	<u>(104,901,887)</u>
Net depreciable assets	<u>32,388,061</u>	<u>4,695,798</u>	<u>5,416,108</u>	<u>-</u>	<u>42,499,967</u>
Capital assets not depreciated:					
Land	4,070,310	-	-	-	4,070,310
Construction in progress	<u>8,187,734</u>	<u>-</u>	<u>4,567,492</u>	<u>(3,412,495)</u>	<u>9,342,731</u>
Total assets not being depreciation	<u>12,258,044</u>	<u>-</u>	<u>4,567,492</u>	<u>(3,412,495)</u>	<u>13,413,041</u>
Capital assets, net	<u>\$ 44,646,105</u>	<u>4,695,798</u>	<u>9,983,600</u>	<u>(3,412,495)</u>	<u>55,913,008</u>

\* See footnote 17 for additional information on current year transfers from the Successor Agency.

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

General government	\$ 883,885
Public works	733,999
Parks, recreation and culture	<u>892,400</u>
Total governmental activities	<u>\$2,510,284</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, 2015, is as follows:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Water rights	\$ 2,141,222	-	-	2,141,222
Building and improvements	11,550,248	-	-	11,550,248
Machinery and equipment	<u>9,365,854</u>	<u>582,390</u>	<u>-</u>	<u>9,948,244</u>
Total cost of depreciable assets	<u>23,057,324</u>	<u>582,390</u>	<u>-</u>	<u>23,639,714</u>
Less accumulated depreciation:				
Water rights	(1,379,366)	(30,475)	-	(1,409,841)
Building and improvements	(3,684,375)	(288,756)	-	(3,973,131)
Machinery and equipment	<u>(6,715,791)</u>	<u>(880,957)</u>	<u>-</u>	<u>(7,596,748)</u>
Total accumulated depreciation	<u>(11,779,532)</u>	<u>(1,200,188)</u>	<u>-</u>	<u>(12,979,720)</u>
Net depreciable assets	<u>11,277,792</u>	<u>(617,798)</u>	<u>-</u>	<u>10,659,994</u>
Capital assets not depreciated:				
Land	<u>2,755,498</u>	<u>-</u>	<u>-</u>	<u>2,755,498</u>
Total assets not being depreciated	<u>2,755,498</u>	<u>-</u>	<u>-</u>	<u>2,755,498</u>
Capital assets, net	<u>\$14,033,290</u>	<u>(617,798)</u>	<u>-</u>	<u>13,415,492</u>

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

Transit	\$1,169,713
Water	<u>30,475</u>
Total business-type activities	<u>\$1,200,188</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, 2015, is as follows:

	<u>Balance at June 30, 2014</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Land	\$ 3,862,615	(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	(2,731,775)	2,987,898	(256,123)	-	-
Machinery and equipment	<u>(159,006)</u>	<u>159,006</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ 8,814,536</u>	<u>(8,558,413)</u>	<u>(256,123)</u>	<u>-</u>	<u>-</u>

\* See footnote 17 for additional information on transfers to the Governmental Activities and reclassification of land to land held for resale.

(5) Long-Term Liabilities

Changes in governmental long-term liabilities for the year ended June 30, 2015, were as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
<b>Bonds payable:</b>					
2003 JPFA Revenue Bonds	\$ 44,120,000	-	(1,230,000)	42,890,000	1,375,000
2004 Lease Revenue Bonds	12,125,000	-	(12,125,000)	-	-
2007 JPFA Revenue Bonds	51,160,000	-	(3,355,000)	47,805,000	3,475,000
2014 Lease Revenue Bonds	-	10,000,000	-	10,000,000	325,000
Premium on bond	-	<u>1,204,670</u>	<u>(40,156)</u>	<u>1,164,514</u>	<u>60,228</u>
Subtotal	<u>107,405,000</u>	<u>11,204,670</u>	<u>(16,750,156)</u>	<u>101,859,514</u>	<u>5,235,228</u>
<b>Other long-term liabilities:</b>					
Claims Payable	-	304,105	-	304,105	304,105
Compensated absences*	<u>2,851,916</u>	<u>1,641,781</u>	<u>(1,338,170)</u>	<u>3,155,527</u>	<u>835,318</u>
Total long-term liabilities	<u>\$121,120,105</u>	<u>13,150,556</u>	<u>(18,088,326)</u>	<u>105,319,146</u>	<u>6,374,651</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, 2015, were as follows:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>	<u>Amounts due within one year</u>
Compensated absences	\$351,075	262,113	(163,547)	449,641	107,691

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2015, were as follows:

	<u>Balance at July 1, 2014*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Bonds payable:					
1994 Tax Allocation Refunding Bonds	\$ 475,000	-	(105,000)	370,000	30,000
1998 Tax Allocation Refunding Bonds	6,875,000	-	(305,000)	6,570,000	320,000
2003 Tax Allocation Bonds	45,490,000	-	(1,015,000)	44,475,000	1,175,000
2007 Tax Allocation Bonds	47,845,000	-	(2,860,000)	44,985,000	3,015,000
Advances to City	17,800,000	-	-	17,800,000	-
Total long-term liabilities	<u>\$ 118,485,000</u>	<u>-</u>	<u>(4,285,000)</u>	<u>114,200,000</u>	<u>4,540,000</u>

\*The beginning balance of the 2003 Tax Allocation Bonds has been increased by \$745,000. See footnote 16 for additional information.

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, 2015 is \$370,000.

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 <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	40,000	13,425	53,425
2021-2024	<u>190,000</u>	<u>25,950</u>	<u>215,950</u>
	<u>\$ 370,000</u>	<u>117,020</u>	<u>487,020</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 bonds mature in various amounts ranging from \$155,000 to \$5,180,000 through 2029. The amount outstanding at June 30, 2015 is \$6,570,000.

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

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	400,000	283,860	683,860
2021-2025	2,360,000	1,041,105	3,401,105
2026-2029	<u>2,420,000</u>	<u>285,285</u>	<u>2,705,285</u>
	<u>\$ 6,570,000</u>	<u>2,953,445</u>	<u>9,523,445</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, 2015, was \$42,890,000 and the outstanding balance of the 2003 Tax Allocation Bonds at June 30, 2015, was \$44,475,000.

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>
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	1,650,000	1,833,431	3,483,431
2021-2025	16,650,000	7,486,897	24,136,897
2026-2030	10,025,000	3,661,297	13,686,297
2031-2035	7,885,000	1,326,119	9,211,119
2036	<u>805,000</u>	<u>39,031</u>	<u>844,031</u>
	<u>\$ 42,890,000</u>	<u>22,387,595</u>	<u>65,277,595</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>
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	1,505,000	2,336,877	3,841,877
2021-2025	16,185,000	9,628,131	25,813,131
2026-2030	10,635,000	4,141,969	14,776,969
2031-2035	9,090,000	1,861,251	10,951,251
2036	<u>1,890,000</u>	<u>58,367</u>	<u>1,948,367</u>
	<u>\$ 44,475,000</u>	<u>28,224,333</u>	<u>72,699,332</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, 2015, the reserve amount is \$6,401,508. The amount outstanding at June 30, 2015, is \$47,805,000.

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, 2015, the amount outstanding was \$44,985,000.

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>
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	3,390,000	1,357,419	4,747,419
2021-2025	15,660,000	4,531,560	20,191,560
2026-2028	<u>14,060,000</u>	<u>964,069</u>	<u>15,024,069</u>
	<u>\$ 47,805,000</u>	<u>13,706,279</u>	<u>61,511,279</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>
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	3,095,000	1,649,816	4,744,816
2021-2025	14,815,000	5,427,352	20,242,352
2026-2028	<u>13,965,000</u>	<u>1,143,080</u>	<u>15,108,080</u>
	<u>\$ 44,985,000</u>	<u>16,631,032</u>	<u>61,616,032</u>

2014 Lease Revenue Bonds

In September 2014, the City of Commerce Joint Powers Financing Authority issued \$10,000,000 in Community Center Lease Revenue Bonds. The bonds are limited obligations of the Authority payable from and secured by Revenues, consisting of Base Rental Payment to be made by the City to the Authority pursuant to a Facility Lease, dated as of September 1, 2014. The bonds were composed of \$7,200,000 serial bonds with interest rates ranging from 2% to 5% and maturity dates from 2015 through 2030, \$2,800,000 term bonds with an interest rate of 5.00% maturing in 2034. The bonds were issued to refund the Authority's outstanding Community Center Lease Revenue Bonds, Series 2004. This difference between the cash flows required to service the old debt and the cash flows required to service the new debt was \$3.4 million. Information was not available to calculate the economic gain/loss of the refunding. The amount outstanding at June 30, 2015, is \$10,000,000.



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Future principal and interest payments on the 2014 Lease Revenue Bonds are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 325,000	465,213	790,213
2017	325,000	457,088	782,088
2018	340,000	445,413	785,413
2019	355,000	429,738	784,738
2020	370,000	411,613	781,613
2021-2025	2,145,000	1,410,531	3,555,531
2026-2030	2,725,000	1,170,956	3,895,956
2031-2035	<u>3,415,000</u>	<u>444,125</u>	<u>3,859,125</u>
	<u>\$ 10,000,000</u>	<u>5,234,677</u>	<u>15,234,677</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, 2015, 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, at original interest rates at 7.5% and 6.5% per annum.

(b) As of June 30, 2015, 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 an original interest rate of 6.5% per annum.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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.

(6) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2015, 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	\$ 10,441,781 (a)
	Other Governmental Funds	799,936 (a)
	Transit Fund	1,783,413 (a)
	Water Fund	5,830,389 (b)
	Cable TV	<u>73,198 (a)</u>
		<u>18,928,717</u>
2007 JPFA Bonds	Joint Powers Financing Authority	<u>235,451(a)</u>
	Total	<u>\$ 19,164,168</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, 2015:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,179,636
General City Capital Projects	Community Center	2,585,402 (a)
	Successor Agency Trust Fund	1,939,644 (b)
Community Center	General Fund	884,171
Cable Television	General Fund	275,154
Successor Agency Trust Fund	Successor Agency - RPPTF	8,045,705 (c)
	General Fund	698,875
	JPFA	457,683
	2007 JPFA	14,108

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

**(7) Interfund Transfers, (Continued)**

Joint Powers Financing Authority	Successor Agency Trust Fund	235,451
Transit Fund	General Fund	1,000,000
	Prop A Fund	1,229,808 (d)
	Total	<u>\$ 18,545,638</u>

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

- (a) \$2,585,412 was transferred from the Community Center Fund to the General City Capital Projects Fund to provide funding for project costs for the Central Library Renovation.
- (b) \$1,939,644 was transferred from the Capital Projects Fund to the General City Capital Projects Fund to provide funding for street projects.
- (c) \$8,045,705 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) \$1,229,808 was transferred from the Prop A fund to the Transit Fund to provide funding for operations.

**(8) Defined Benefit Pension Plan**

**Planned Descriptions** All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date	2.0% @ 55	2.0% @ 62
Benefit formula	5 years service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50-55	52-67
Retirement age	2.0% to 2.7%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	7%	8%
Required employee contribution rates	16.835%	16.835%
Required employer contribution rates		

*Employees Covered* As of June 30, 2013, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	191
Inactive employees entitled to but not yet receiving benefits	48
Active employees	<u>147</u>
Total	<u>386</u>

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution rate is 6.997 percent of annual pay, and the average employer's contribution rate is 12.330 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the PERF. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

**(8) Defined Benefit Pension Plan, (Continued)**

*Pension Plan Fiduciary Net Position*

The plan fiduciary net position (assets) disclosed in your GASB report may differ from the plan assets reported in your actuarial valuation report due to several reasons. First, CalPERS must keep Reserves for Deficiencies and Fiduciary Self Insurance. These amounts are excluded for rate setting purposes in your actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$89,012,010	\$67,568,781	\$21,443,229
Changes Recognized for the Measurement Period:			
Service Cost	1,460,709		1,460,709
Interest on the Total Pension Liability	6,545,470		6,545,470
Changes of Benefit Terms	0		0
Differences between Expected and Actual Experience	0		0
Changes of Assumptions	0		0
Contributions from the Employer		1,435,188	(1,435,188)
Contributions from Employees		694,273	(694,273)
Investment Income		11,658,199	(11,658,199)
Administrative Expense		(83,334)	83,334
Benefit Payments, including Refunds of Employee Contributions	(4,938,877)	(4,938,877)	0
Net Changes during 2013-14	\$3,067,302	\$8,765,449	\$(5,698,147)
Balance at: 6/30/2014 (MD)	\$92,079,312	\$76,334,230	\$15,745,082



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate – 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability – Misc.	\$ 27,494,746	\$ 15,745,082	\$ 5,962,441

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the 2013-14 measurement period is 4.0 years, which was obtained by dividing the total service years of 1,537 (the sum of remaining service lifetimes of the active employees) by 386 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

**(8) Defined Benefit Pension Plan, (Continued)**

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

For the measurement period ending June 30, 2014 (the measurement date), the City of Commerce recognized a pension expense of \$1,004,448 for the Plan.

As of the June 30, 2014 measurement date, the City of Commerce reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,368,924	\$0
Differences between Expected and Actual Experience	0	0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(5,298,619)
<b>Total</b>	<b>\$1,368,924</b>	<b>\$(5,298,619)</b>

\$1,368,924 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$(1,324,665)
2016	(1,324,665)
2017	(1,324,665)
2018	(1,324,664)
2019	0
Thereafter	0

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(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, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	146
Active plan members	<u>150</u>
Total	<u>296</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). In fiscal year 2014-15, the City opened an irrevocable trust with PARS for funding the obligation. For fiscal year 2014-15, the City contributed \$1,753,000 for current premiums and \$2,000,000 to the irrevocable trust.

*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:

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Post Employment Benefits Plan, (Continued)

Annual required contribution	\$ 3,745,000
Interest on net OPEB obligation	679,000
Adjustments to annual required contributions	<u>(497,000)</u>
Annual OPEB cost (expense)	3,926,000
Contributions made (including premiums paid)	<u>(3,753,000)</u>
Increase in net OPEB obligation	173,000
Net OPEB obligation-beginning of year	<u>10,863,000</u>
Net OPEB obligation-end of year	<u>\$11,036,000</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, 2015, 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>
6/30/13	\$3,161,000	38%	8,565,800
6/30/14	3,450,000	33%	10,863,000
6/30/15	3,926,000	96%	11,036,000

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.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Post Employment Benefits Plan, (Continued)

*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 6.25 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 actual premiums through 2016, then 7.0% in 2017 reduced to 5.0% in 2021 and beyond. The City is using a 3.25% 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, 2015, was 28 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%
6/30/14	-	46,466,000	46,466,000	0%	11,101,000	418.6%

(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, 2014 through July 1, 2017. 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 2014-15.

Changes in liability claims for the years ended June 30, 2014 and June 30, 2015 were as follows:

Balance, July 1, 2013	\$ 232,578
Claim payments	(232,578)
Current year claims and changes in estimate	<u>          -</u>
Balance, June 30, 2014	-
Claim payments	-
Current year claims and changes in estimate	<u>304,105</u>
Balance, June 30, 2015	<u>\$ 304,105</u>



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(11) Commerce Refuse to Energy Authority

The City is a 50% participant with the County Sanitation District No. 2 of Los Angeles County (“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 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, 2014	\$23,053,514	11,526,757
Increase in equity for the year ended June 30, 2015	<u>3,641,719</u>	<u>1,820,860</u>
Net position at June 30, 2015	<u>\$26,695,233</u>	<u>13,347,617</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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(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 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, 2015, exceeded the appropriations of the following fund:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Housing Fund	\$ -	478	(478)
Local Law Enforcement Block Grant Fund	13,154	13,202	(48)
Community Center Debt Service Fund	628,200	2,220,991	(1,592,791)

(15) Fund Deficits

As of June 30, 2015, deficits were reported in the following funds:

CDBG	\$ (29,384)
Water	(2,095,482)
Central Garage	(376,592)
Cable Television	(369,237)
Successor Agency Trust Fund	(45,226,498)

Central Garage, and Cable Television deficits will be eliminated through transfers in the next fiscal year.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(15) Fund Deficits, (continued)

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

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

(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>	<u>Business-Type Activities</u>
Net position at beginning of year, as previously reported	\$89,219,803	\$9,596,054
Recognize beginning net pension liability balance	<u>(17,321,163)</u>	<u>(2,686,878)</u>
Net position at beginning of year, as restated	<u>\$71,898,640</u>	<u>\$6,909,176</u>

Proprietary Fund Financial Statements:

	<u>Transit</u>	<u>Cable Television</u>	<u>Central Garage</u>
Net position at beginning of year, as previously reported	\$7,490,452	\$(93,016)	\$(49,046)
Recognize beginning net pension liability balance	<u>(2,384,398)</u>	<u>(302,480)</u>	<u>(300,510)</u>
Net position at beginning of year, as restated	<u>\$5,106,054</u>	<u>\$(395,496)</u>	<u>\$(349,556)</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(16) Restatement of Beginning Balances, (Continued)

Fiduciary Fund Financial Statements:

	<u>Successor Agency Trust Fund</u>
Net position at beginning of year, as previously reported	(\$33,842,132)
To correct 2003 Tax Allocation Bonds outstanding balance	<u>(745,000)</u>
Net position at beginning of year, as restated	<u>\$34,587,132</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.

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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.

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 property from the Successor Agency to the City on December 10, 2014. See footnote 4 for transfers of certain capital assets to the City and reclassification of \$3,862,615 as land held for resale.

**REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF COMMERCE  
 Required Supplementary Information  
 Year ended June 30, 2015

*Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period*

Measurement Period	2013-14*
<b>TOTAL PENSION LIABILITY</b>	
Service Cost	\$ 1,460,709
Interest	6,545,470
Changes of Benefit Terms	0
Difference between Expected and Actual Experience	0
Changes of Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(4,938,877)
Net Change in Total Pension Liability	3,067,302
Total Pension Liability – Beginning	89,012,010
Total Pension Liability – Ending (a)	<u>\$ 92,079,312</u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions – Employer	\$ 1,435,188
Contributions – Employee	694,273
Investment Income	11,658,199
Administrative Expense	(83,334)
Benefit Payments, Including Refunds of Employee Contributions	(4,938,877)
Other Changes in Net Fiduciary Position	0
Net Change in Fiduciary Net Position	8,765,449
Plan Fiduciary Net Position – Beginning	67,568,781
Plan Fiduciary Net Position – Ending (b)	<u>\$ 76,334,230</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 15,745,082</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.90%
Covered-Employee Payroll	\$ 9,389,402
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	167.69%

*Notes to Schedule:*

Benefit Changes: There were no changes to benefit terms specific to your plan

Changes of Assumptions: There were no changes in assumptions.

\*Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only one year (fiscal year 2013-14) is shown.



CITY OF COMMERCE  
 Required Supplementary Information  
 Year ended June 30, 2015

*Schedule of Plan Contributions*

	Fiscal Year 2014-15	Fiscal Year 2013-14
Actuarially Determined Contribution	\$ 1,368,924	1,435,188
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,368,924)</u>	<u>(1,435,188)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>
Covered-Employee Payroll	\$9,947,544	9,389,402
Contributions as a Percentage of Covered-Employee Payroll	14.861%	15.29%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment Expenses, including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\*Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only one year (fiscal year 2013-14) is shown.

CITY OF COMMERCE  
 General Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balances - Budget and Actual  
 Year ended June 30, 2015

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 27,565,000	27,565,000	28,712,956	1,147,956
Casino license tax	19,620,000	19,620,000	22,240,233	2,620,233
Licenses and permits	2,487,750	2,487,750	2,995,798	508,048
Intergovernmental	764,806	784,806	1,030,422	245,616
Fines and forfeitures	1,302,205	1,302,205	1,693,006	390,801
Investment income	86,275	86,275	136,444	50,169
Activity fees	470,060	554,895	401,567	(153,328)
Charges for services	65,000	70,615	481,788	411,173
Rental and lease income	12,861	12,861	32,374	19,513
Miscellaneous	1,627,660	1,654,928	1,746,274	91,346
<b>Total revenues</b>	<b>54,001,617</b>	<b>54,139,335</b>	<b>59,470,862</b>	<b>5,331,527</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	16,639,136	18,731,054	18,208,263	522,791
Community development	2,438,696	2,438,696	2,474,746	(36,050)
Public safety	17,007,685	17,014,525	17,410,699	(396,174)
Public works	5,361,968	5,472,738	4,913,154	559,584
Library	3,450,490	3,511,538	3,388,422	123,116
Parks, recreation and culture	9,022,229	9,235,659	8,948,228	287,431
<b>Total expenditures</b>	<b>53,920,204</b>	<b>56,404,210</b>	<b>55,343,512</b>	<b>1,060,698</b>
Excess (deficiency) of revenues over (under) expenditures	81,413	(2,264,875)	4,127,350	6,392,225
<b>Other financing sources (uses):</b>				
Transfers in	630,000	630,000	1,179,636	549,636
Transfers out	(1,351,903)	(1,351,903)	(2,858,200)	(1,506,297)
<b>Total other financing sources (uses)</b>	<b>(721,903)</b>	<b>(721,903)</b>	<b>(1,678,564)</b>	<b>(956,661)</b>
<b>Net change in fund balance</b>	<b>(640,490)</b>	<b>(2,986,778)</b>	<b>2,448,786</b>	<b>5,435,564</b>
Fund balance at beginning of year	58,172,505	58,172,505	58,172,505	-
<b>Fund balance at end of year</b>	<b>\$ 57,532,015</b>	<b>55,185,727</b>	<b>60,621,291</b>	<b>5,435,564</b>

## CITY OF COMMERCE

### Notes to Required Supplementary Information

Year ended June 30, 2015

(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 a 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.

**(This page intentionally left blank)**

**SUPPLEMENTARY SCHEDULES**

**(This page intentionally left blank)**

## 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.



CITY OF COMMERCE  
 Non-Major Governmental Funds  
 Combining Balance Sheet  
 June 30, 2015

	<u>Special Revenue Funds</u>	<u>Community Center Debt Service Fund</u>	<u>Totals</u>
<u>Assets</u>			
Cash and investments	\$ 313,087	-	313,087
Cash and investments with fiscal agent	-	1,940	1,940
Accounts receivable	4,233	-	4,233
Due from other governments	74,742	-	74,742
Loans receivable	484,405	-	484,405
Property held for resale	1,053,000	-	1,053,000
	<u>1,929,467</u>	<u>1,940</u>	<u>1,931,407</u>
Total assets	<u>\$ 1,929,467</u>	<u>1,940</u>	<u>1,931,407</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 94,588	-	94,588
Due to other funds	62,873	737,063	799,936
	<u>157,461</u>	<u>737,063</u>	<u>894,524</u>
Total liabilities	<u>157,461</u>	<u>737,063</u>	<u>894,524</u>
Deferred inflows of resources:			
Unavailable revenue	504,842	-	504,842
	<u>504,842</u>	<u>-</u>	<u>504,842</u>
Total deferred inflows of resources	<u>504,842</u>	<u>-</u>	<u>504,842</u>
Fund balances:			
Restricted for:			
Housing	1,060,265	-	1,060,265
Law enforcement	147,762	-	147,762
Transportation	88,521	-	88,521
Unassigned	(29,384)	(735,123)	(764,507)
	<u>1,267,164</u>	<u>(735,123)</u>	<u>532,041</u>
Total fund balances	<u>1,267,164</u>	<u>(735,123)</u>	<u>532,041</u>
	<u>\$ 1,929,467</u>	<u>1,940</u>	<u>1,931,407</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,929,467</u>	<u>1,940</u>	<u>1,931,407</u>

CITY OF COMMERCE  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2015

	Special Revenue Funds	Community Center Debt Service Fund	Totals
<b>Revenues:</b>			
Intergovernmental	\$ 1,833,165	-	1,833,165
Investment income	9,930	4,190	14,120
Miscellaneous	16,736	-	16,736
Total revenues	<u>1,859,831</u>	<u>4,190</u>	<u>1,864,021</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Community development	91,985	-	91,985
Public safety	152,327	-	152,327
<b>Debt service:</b>			
Interest and fiscal charges	-	629,179	629,179
Payment to refunding bond escrow agent	-	1,591,812	1,591,812
Total expenditures	<u>244,312</u>	<u>2,220,991</u>	<u>2,465,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,615,519</u>	<u>(2,216,801)</u>	<u>(601,282)</u>
<b>Other financing sources (uses):</b>			
Proceeds of refunding bonds	-	10,000,000	10,000,000
Premium on bonds	-	1,204,670	1,204,670
Payment to refunding bond escrow agent	-	(10,811,993)	(10,811,993)
Transfers in	-	884,171	884,171
Transfers out	(1,995,896)	(2,585,402)	(4,581,298)
Total other financing sources (uses)	<u>(1,995,896)</u>	<u>(1,308,554)</u>	<u>(3,304,450)</u>
Net change in fund balances	(380,377)	(3,525,355)	(3,905,732)
Fund balances at beginning of year	<u>1,647,541</u>	<u>2,790,232</u>	<u>4,437,773</u>
Fund balances (deficit) at end of year	<u>\$ 1,267,164</u>	<u>(735,123)</u>	<u>532,041</u>

CITY OF COMMERCE  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2015

	<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	\$ 179,119	37,055	-
Accounts receivable	-	-	-
Due from other governments	-	-	-
Loans receivable	-	-	-
Property held for resale	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 179,119</u>	<u>37,055</u>	<u>-</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 68,412	-	-
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>68,412</u>	<u>-</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	110,707	37,055	-
Transportation	-	-	-
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>110,707</u>	<u>37,055</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 179,119</u>	<u>37,055</u>	<u>-</u>

<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Housing</u>	<u>Totals</u>
88,503	-	-	8,410	313,087
-	-	4,233	-	4,233
-	74,742	-	-	74,742
-	11,719	-	472,686	484,405
-	-	-	1,053,000	1,053,000
<u>88,503</u>	<u>86,461</u>	<u>4,233</u>	<u>1,534,096</u>	<u>1,929,467</u>
-	25,031	-	1,145	94,588
-	58,658	4,215	-	62,873
-	83,689	4,215	1,145	157,461
-	32,156	-	472,686	504,842
-	32,156	-	472,686	504,842
-	-	-	1,060,265	1,060,265
-	-	-	-	147,762
88,503	-	18	-	88,521
-	(29,384)	-	-	(29,384)
<u>88,503</u>	<u>(29,384)</u>	<u>18</u>	<u>1,060,265</u>	<u>1,267,164</u>
<u>88,503</u>	<u>86,461</u>	<u>4,233</u>	<u>1,534,096</u>	<u>1,929,467</u>

CITY OF COMMERCE

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2015

	Supplemental Law Enforcement	Local Law Enforcement Block Grant	Proposition A Local Return Tax
<b>Revenues:</b>			
Intergovernmental	\$ 106,230	10,109	1,228,759
Investment income	422	118	1,049
Miscellaneous	-	-	-
<b>Total revenues</b>	<u>106,652</u>	<u>10,227</u>	<u>1,229,808</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Community development	-	-	-
Public safety	123,939	13,202	-
<b>Total expenditures</b>	<u>123,939</u>	<u>13,202</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,287)</u>	<u>(2,975)</u>	<u>1,229,808</u>
<b>Other financing sources (uses):</b>			
Transfers out	-	-	(1,229,808)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(1,229,808)</u>
<b>Net change in fund balances</b>	<u>(17,287)</u>	<u>(2,975)</u>	<u>-</u>
<b>Fund balances (deficit) at beginning of year</b>	<u>127,994</u>	<u>40,030</u>	<u>-</u>
<b>Fund balances (deficit) at end of year</b>	<u>\$ 110,707</u>	<u>37,055</u>	<u>-</u>

<u>State Gas Tax</u>	<u>CDBG</u>	<u>Air Quality Management District</u>	<u>Housing</u>	<u>Totals</u>
386,137	85,776	16,154	-	1,833,165
1,680	154	-	6,507	9,930
-	-	-	16,736	16,736
<u>387,817</u>	<u>85,930</u>	<u>16,154</u>	<u>23,243</u>	<u>1,859,831</u>
-	91,507	-	478	91,985
-	15,186	-	-	152,327
-	106,693	-	478	244,312
<u>387,817</u>	<u>(20,763)</u>	<u>16,154</u>	<u>22,765</u>	<u>1,615,519</u>
<u>(750,000)</u>	<u>-</u>	<u>(16,088)</u>	<u>-</u>	<u>(1,995,896)</u>
<u>(750,000)</u>	<u>-</u>	<u>(16,088)</u>	<u>-</u>	<u>(1,995,896)</u>
(362,183)	(20,763)	66	22,765	(380,377)
<u>450,686</u>	<u>(8,621)</u>	<u>(48)</u>	<u>1,037,500</u>	<u>1,647,541</u>
<u>88,503</u>	<u>(29,384)</u>	<u>18</u>	<u>1,060,265</u>	<u>1,267,164</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 100,000	106,230	6,230
Investment income	<u>-</u>	<u>422</u>	<u>422</u>
Total revenues	<u>100,000</u>	<u>106,652</u>	<u>6,652</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety	<u>160,000</u>	<u>123,939</u>	<u>36,061</u>
Total expenditures	<u>160,000</u>	<u>123,939</u>	<u>36,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,000)</u>	<u>(17,287)</u>	<u>42,713</u>
Net change in fund balances	(60,000)	(17,287)	42,713
Fund balance at beginning of year	<u>127,994</u>	<u>127,994</u>	<u>-</u>
Fund balance at end of year	<u>\$ 67,994</u>	<u>110,707</u>	<u>42,713</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	10,109	10,109
Investment income	-	118	118
Total revenues	<u>-</u>	<u>10,227</u>	<u>10,227</u>
Expenditures:			
Current:			
Public safety	<u>13,154</u>	<u>13,202</u>	<u>(48)</u>
Total expenditures	<u>13,154</u>	<u>13,202</u>	<u>(48)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,154)</u>	<u>(2,975)</u>	<u>10,179</u>
Net change in fund balances	(13,154)	(2,975)	10,179
Fund balance at beginning of year	<u>40,030</u>	<u>40,030</u>	<u>-</u>
Fund balance at end of year	<u>\$ 26,876</u>	<u>37,055</u>	<u>10,179</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 1,000,000	1,228,759	228,759
Investment income	<u>-</u>	<u>1,049</u>	<u>1,049</u>
Total revenues	<u>1,000,000</u>	<u>1,229,808</u>	<u>229,808</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(1,000,000)</u>	<u>(1,229,808)</u>	<u>(229,808)</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,229,808)</u>	<u>(229,808)</u>
Net change in fund balances	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>-</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 350,000	386,137	36,137
Investment income	<u>-</u>	<u>1,680</u>	<u>1,680</u>
<b>Total revenues</b>	<u>350,000</u>	<u>387,817</u>	<u>37,817</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(330,000)</u>	<u>(750,000)</u>	<u>(420,000)</u>
<b>Total other financing sources (uses)</b>	<u>(330,000)</u>	<u>(750,000)</u>	<u>(420,000)</u>
<b>Net change in fund balances</b>	20,000	(362,183)	(382,183)
<b>Fund balance at beginning of year</b>	<u>450,686</u>	<u>450,686</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 470,686</u>	<u>88,503</u>	<u>(382,183)</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 120,186	85,776	(34,410)
Investment income	<u>          -</u>	<u>          154</u>	<u>          154</u>
Total revenues	<u>120,186</u>	<u>85,930</u>	<u>(34,256)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Community development	105,000	91,507	13,493
Public safety	<u>15,186</u>	<u>15,186</u>	<u>          -</u>
Total expenditures	<u>120,186</u>	<u>106,693</u>	<u>13,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>          -</u>	<u>(20,763)</u>	<u>(20,763)</u>
Net change in fund balances	-	(20,763)	(20,763)
Fund balance (deficit) at beginning of year	<u>(8,621)</u>	<u>(8,621)</u>	<u>          -</u>
Fund balance (deficit) at end of year	<u>\$ (8,621)</u>	<u>(29,384)</u>	<u>(20,763)</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 12,000	16,154	4,154
Total revenues	<u>12,000</u>	<u>16,154</u>	<u>4,154</u>
Other financing sources (uses):			
Transfers out	<u>(12,000)</u>	<u>(16,088)</u>	<u>(4,088)</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>(16,088)</u>	<u>(4,088)</u>
Net change in fund balances	-	66	66
Fund balance (deficit) at beginning of year	<u>(48)</u>	<u>(48)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (48)</u>	<u>18</u>	<u>66</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Investment income	\$ -	6,507	6,507
Miscellaneous	-	16,736	16,736
Total revenues	-	23,243	23,243
<b>Expenditures:</b>			
<b>Current:</b>			
Community development	-	478	(478)
Total expenditures	-	478	(478)
Excess (deficiency) of revenues over (under) expenditures	-	22,765	22,765
Net change in fund balances	-	22,765	22,765
Fund balance at beginning of year	1,037,500	1,037,500	-
Fund balance at end of year	\$ 1,037,500	1,060,265	22,765

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, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment income	\$ -	4,190	4,190
Total revenues	<u>-</u>	<u>4,190</u>	<u>4,190</u>
<b>Expenditures:</b>			
Debt service:			
Interest and fiscal charges	628,200	629,179	(979)
Payment to refunding bond escrow agent	<u>-</u>	<u>1,591,812</u>	<u>(1,591,812)</u>
Total expenditures	<u>628,200</u>	<u>2,220,991</u>	<u>(1,592,791)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(628,200)</u>	<u>(2,216,801)</u>	<u>(1,588,601)</u>
<b>Other financing sources (uses):</b>			
Proceeds of refunding bonds	-	10,000,000	10,000,000
Premium on bonds	-	1,204,670	1,204,670
Payment to refunding bond escrow agent	-	(10,811,993)	(10,811,993)
Transfers in	927,653	884,171	(43,482)
Transfers in	<u>-</u>	<u>(2,585,402)</u>	<u>(2,585,402)</u>
Total other financing sources (uses)	<u>927,653</u>	<u>(1,308,554)</u>	<u>(2,236,207)</u>
Net change in fund balances	299,453	(3,525,355)	(3,824,808)
Fund balance at beginning of year	<u>2,790,232</u>	<u>2,790,232</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 3,089,685</u>	<u>(735,123)</u>	<u>(3,824,808)</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ 5,500,000	8,270,968	2,770,968
Investment Income	-	15,940	15,940
Miscellaneous	-	42,755	42,755
Total revenues	<u>5,500,000</u>	<u>8,329,663</u>	<u>2,829,663</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety	67,000	133,923	(66,923)
Public works	6,049,393	1,072,594	4,976,799
Total expenditures	<u>6,116,393</u>	<u>1,206,517</u>	<u>4,909,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(616,393)</u>	<u>7,123,146</u>	<u>7,739,539</u>
<b>Other financing sources (uses):</b>			
Transfers out	-	(413,548)	(413,548)
Total other financing sources (uses)	<u>-</u>	<u>(413,548)</u>	<u>(413,548)</u>
Net change in fund balances	(616,393)	6,709,598	7,325,991
Fund balance at beginning of year	<u>6,505,285</u>	<u>6,505,285</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,888,892</u>	<u>13,214,883</u>	<u>7,325,991</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, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 14,671,723	1,853,211	(12,818,512)
Rental income	-	28,172	28,172
Total revenues	14,671,723	1,881,383	(12,790,340)
<b>Expenditures:</b>			
<b>Current:</b>			
Public works	16,926,391	8,557,999	8,368,392
Library	-	205,323	(205,323)
Total expenditures	16,926,391	8,763,322	8,163,069
Excess (deficiency) of revenues over (under) expenditures	(2,254,668)	(6,881,939)	(4,627,271)
<b>Other financing sources (uses):</b>			
Transfers in	-	4,525,046	4,525,046
Total other financing sources (uses)	-	4,525,046	4,525,046
Net change in fund balances	(2,254,668)	(2,356,893)	(102,225)
Fund balance (deficit) at beginning of year	(9,510,710)	(9,510,710)	-
Fund balance (deficit) at end of year	\$ (11,765,378)	(11,867,603)	(102,225)

**(This page intentionally left blank)**

## 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, 2015

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 7,508	137,741	145,249
 <u>Deferred Outflow of Resources</u>			
Pension contributions	20,561	-	20,561
 <u>Liabilities</u>			
Current liabilities:			
Accounts payable	77,690	-	77,690
Accrued salaries and benefits	10,906	-	10,906
Total current liabilities	88,596	-	88,596
Noncurrent liabilities:			
Net pension liability	236,483	-	236,483
Total liabilities	325,079	-	325,079
 <u>Deferred Inflow of Resources</u>			
Deferred inflows - actuarial	79,582	-	79,582
 <u>Net Position</u>			
Unrestricted	(376,592)	137,741	(238,851)
Total net position	\$ (376,592)	137,741	(238,851)

CITY OF COMMERCE

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 1,146,207	-	1,146,207
Total operating revenues	<u>1,146,207</u>	<u>-</u>	<u>1,146,207</u>
Operating expenses:			
General and administrative	344,499	-	344,499
Operations	<u>828,744</u>	<u>-</u>	<u>828,744</u>
Total operating expenses	<u>1,173,243</u>	<u>-</u>	<u>1,173,243</u>
Changes in net position	(27,036)	-	(27,036)
Net position (deficit) at beginning of year, as restated	<u>(349,556)</u>	<u>137,741</u>	<u>(211,815)</u>
Net position (deficit) at end of year	<u>\$ (376,592)</u>	<u>137,741</u>	<u>(238,851)</u>

CITY OF COMMERCE  
Internal Service Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2015

	Central Garage	Central Stores	Totals
Cash flows from operating activities:			
Cash received from user departments	\$ 1,146,207	-	1,146,207
Cash payments to suppliers for goods and services	(790,927)	-	(790,927)
Cash payments to employees	(347,773)	-	(347,773)
Net cash provided by (used for) operating activities	7,507	-	7,507
Net increase (decrease) in cash and cash equivalents	7,507	-	7,507
Cash and cash equivalents at beginning of year	1	137,741	137,742
Cash and cash equivalents at end of year	\$ 7,508	137,741	145,249
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (27,036)	-	(27,036)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Adjustments:			
(Increase) decrease in deferred outflows	995		995
Increase (decrease) in accounts payable	37,732	-	37,732
Increase (decrease) in accrued liabilities	1,817	-	1,817
Increase (decrease) in net pension liability	(85,583)	-	(85,583)
Increase (decrease) in deferred inflows	79,582	-	79,582
Net cash provided by (used for) operating activities	\$ 7,507	-	7,507

There were no noncash capital, financing and investing activities for the year ended June 30, 2015.



## 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  
Cash Deposits Agency Fund

Statement of Changes in Assets and Liabilities

Year ended June 30, 2015

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
<u>Assets</u>				
Cash and investments	\$ 893,239	252,096	332,145	813,190
Total assets	<u>\$ 893,239</u>	<u>252,096</u>	<u>332,145</u>	<u>813,190</u>
<u>Liabilities</u>				
Accounts payable	\$ 33,467	333,390	340,206	26,651
Deposits payable	<u>859,772</u>	<u>166,606</u>	<u>239,839</u>	<u>786,539</u>
Total liabilities	<u>\$ 893,239</u>	<u>499,996</u>	<u>580,045</u>	<u>813,190</u>

CITY OF COMMERCE  
Private Purpose Trust Funds  
Combining Statement of Net Position  
June 30, 2015

	Successor Agency		Totals
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	
<u>Assets</u>			
Cash and investments	\$ 12,156,071	(3,181)	12,152,890
Cash and investments with fiscal agents	-	10,594,786	10,594,786
Interest receivable	-	172,126	172,126
Loans receivable	-	17,442	17,442
Property held for resale	-	56,437,787	56,437,787
	12,156,071	67,218,960	79,375,031
<u>Deferred Outflow of Resources</u>			
Deferred loss on refunding	-	5,944,790	5,944,790
<u>Liabilities</u>			
Accounts payable	-	1,638,173	1,638,173
Accrued salaries and benefits	-	1,359	1,359
Deposits payable	-	180,000	180,000
Interest payable	-	2,370,716	2,370,716
Long-term liabilities	-	114,200,000	114,200,000
	-	118,390,248	118,390,248
<u>Net Position</u>			
Held in trust for Successor Agency	\$ 12,156,071	(45,226,498)	(33,070,427)

CITY OF COMMERCE  
Private Purpose Trust Fund  
Combining Statement of Changes in Net Position  
Year ended June 30, 2015

	Successor Agency		Totals
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	
<b>Additions:</b>			
Property tax	\$ 5,975,152	-	5,975,152
Investment income	-	362,205	362,205
Rental income	-	1,044,647	1,044,647
Miscellaneous income	-	17	17
Transfers in	-	9,216,371	9,216,371
<b>Total additions</b>	<u>5,975,152</u>	<u>10,623,240</u>	<u>16,598,392</u>
<b>Deductions:</b>			
Administrative expenses	-	657,589	657,589
Maintenance and repair expenses	-	31,741	31,741
Professional services	-	107,310	107,310
Interest and fiscal charges	-	6,117,648	6,117,648
Payments under pass-through obligations	-	201,101	201,101
Loss on disposition of capital assets	-	7,171,913	7,171,913
Depreciation	-	256,123	256,123
Miscellaneous	-	83,739	83,739
Transfers out	<u>8,045,706</u>	<u>6,635,442</u>	<u>14,681,148</u>
<b>Total deductions</b>	<u>8,045,706</u>	<u>21,262,606</u>	<u>29,308,312</u>
<b>Changes in net position</b>	(2,070,554)	(10,639,366)	(12,709,920)
Net position held in trust, beginning of year, as restated	<u>14,226,625</u>	<u>(34,587,132)</u>	<u>(20,360,507)</u>
Net position held in trust, end of year	<u>\$ 12,156,071</u>	<u>(45,226,498)</u>	<u>(33,070,427)</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.

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

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

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
(57,521,168)	(67,538,656)	(32,579,229)	41,949,565	29,678,249	35,963,254	45,509,674
3,941,343	463,128	27,965,967	2,862,221	6,852,897	4,189,145	(8,770,483)
<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>54,250,682</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>	<u>90,989,873</u>
11,171,521	14,345,897	15,281,149	9,132,834	15,050,922	14,033,290	13,415,492
-	-	-	-	-	-	-
<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>(7,071,258)</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>	<u>6,344,234</u>
(46,349,647)	(53,192,759)	(17,298,080)	51,082,399	44,729,171	49,996,544	58,925,166
3,941,343	463,128	27,965,967	2,862,221	6,852,897	4,189,145	(8,770,483)
<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>47,179,424</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>	<u>97,334,107</u>



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

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses:</b>				
<b>Governmental activities:</b>				
General government	19,216,052	14,440,629	16,891,474	15,824,307
Public safety	13,694,828	12,798,953	13,741,711	14,671,657
Public works	2,318,999	2,119,550	2,863,690	3,197,631
Community development	6,574,946	6,034,767	6,429,943	7,028,967
Parks and Recreation	9,387,845	10,309,407	10,158,100	10,633,778
Library	2,402,587	2,554,010	2,862,061	3,220,489
Interest on long-term debt	10,444,185	9,299,836	9,101,258	9,684,698
Total governmental activities expenses	<u>64,039,442</u>	<u>57,557,152</u>	<u>62,048,237</u>	<u>64,261,527</u>
<b>Business-type activities:</b>				
Transit	3,051,138	3,330,525	3,285,381	3,682,946
CNG				
Water	583,008	528,814	459,317	402,063
Cable Television	280,934	320,510	342,295	340,497
Total business-type activities expenses	<u>3,915,080</u>	<u>4,179,849</u>	<u>4,086,993</u>	<u>4,425,506</u>
Total primary government expenses	<u>67,954,522</u>	<u>61,737,001</u>	<u>66,135,230</u>	<u>68,687,033</u>
<b>Program revenues:</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	445,845	2,656,244	2,506,530	862,446
Public safety	197,343	-	-	161,491
Public works	392,123	206,527	215,474	-
Community development	1,461,203	-	674,996	2,204,296
Library	40,958	35,957	32,373	61,536
Parks and recreation	432,165	423,820	473,395	486,158
Operating grants and contributions	1,811,158	2,616,670	3,091,095	4,847,995
Capital grants and contributions	207,970	-	-	400,000
Total governmental activities program revenues	<u>4,988,765</u>	<u>5,939,218</u>	<u>6,993,863</u>	<u>9,023,922</u>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Transit	-	-	-	-
CNG				
Water	-	-	-	-
Cable Television	56,712	50,587	61,440	43,408
Operating grants and contributions	1,356,282	1,357,140	1,341,483	1,057,156
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,412,994</u>	<u>1,407,727</u>	<u>1,402,923</u>	<u>1,100,564</u>
Total primary government program revenues	<u>6,401,759</u>	<u>7,346,945</u>	<u>8,396,786</u>	<u>10,124,486</u>
<b>Net revenues (expenses):</b>				
Governmental activities	(59,050,677)	(51,617,934)	(55,054,374)	(55,237,605)
Business-type activities	(2,502,086)	(2,772,122)	(2,684,070)	(3,324,942)
Total net revenues (expenses)	<u>(61,552,763)</u>	<u>(54,390,056)</u>	<u>(57,738,444)</u>	<u>(58,562,547)</u>

(continued)

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
21,404,492	16,399,307	17,651,539	18,362,277	16,664,200	18,216,730	18,681,419
16,197,845	16,357,834	16,205,717	15,583,635	16,494,702	17,466,237	17,825,986
4,900,387	7,285,450	5,867,584	6,464,741	6,953,510	6,902,561	9,574,171
3,257,937	21,050,782	11,021,254	2,269,890	2,205,819	2,084,600	2,582,041
10,949,754	10,516,653	8,152,321	8,808,268	9,122,504	9,743,642	9,298,527
3,216,089	2,472,071	3,970,137	3,001,247	2,799,278	1,361,478	1,201,234
9,996,589	9,813,078	7,510,228	10,055,429	5,554,206	4,847,305	5,393,909
<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>	<u>64,557,287</u>
3,267,752	3,835,053	3,678,189	4,417,649	5,571,290	4,724,375	4,982,321
				-	1,883,647	2,038,687
444,737	632,118	345,153	491,453	176,589	281,869	593,822
346,045	260,442	273,826	250,312	232,154	310,004	294,436
<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>7,909,266</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>	<u>72,466,553</u>
845,966	-	-	717,712	-	-	-
233,659	1,232,769	1,285,140	729,369	1,440,460	1,582,241	1,670,473
-	3,152,579	2,515,767	2,042,031	2,488,665	2,894,236	3,336,377
2,034,696	6,058,596	920,610	637,061	-	70,211	48,270
23,943	25,410	30,567	26,827	26,781	23,357	22,533
483,122	521,232	621,815	667,379	562,364	595,134	575,150
3,813,612	2,376,672	2,296,474	2,343,633	2,484,684	2,254,889	2,517,480
150,923	502,044	607,842	550,120	2,522,945	1,980,538	9,611,896
<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>	<u>17,782,179</u>
-	-	-	-	1,046,062	-	-
-	-	-	-	-	2,160,510	2,067,530
-	-	-	-	-	-	-
31,972	41,302	37,850	37,817	39,734	40,192	45,541
3,423,936	4,051,566	3,018,306	2,457,478	3,728,164	1,952,128	2,726,291
-	-	-	-	-	-	-
<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>4,839,362</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>	<u>22,621,541</u>
(62,337,172)	(70,025,873)	(62,100,565)	(56,831,355)	(50,268,320)	(51,221,947)	(46,775,108)
(602,626)	(634,745)	(1,241,012)	(2,664,119)	(1,166,073)	(3,047,065)	(3,069,904)
<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>	<u>(49,845,012)</u>

(Continued)

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

	Fiscal Year			
	2005	2006	2007	2008
<b>General revenues and other changes in net assets:</b>				
<b>Governmental activities:</b>				
<b>Taxes:</b>				
Casino license tax	17,428,322	19,081,838	21,221,796	22,667,115
Property taxes	18,566,291	14,417,628	15,766,275	15,484,157
Sales tax	10,676,245	14,711,153	15,915,922	16,353,317
Business License tax	826,069			
Franchise taxes	1,112,744	1,199,544	1,239,109	1,157,899
Transient occupancy taxes	-	981,102	2,045,918	2,187,982
Motor vehicle in lieu, unrestricted	287,356	914,608	896,548	954,809
Rental Income	1,740,100	-	-	-
Investment income	3,542,248	4,165,719	4,681,652	4,585,456
Sale of property	9,614,151	-	-	-
Intergovernmental, unrestricted	-	3,602,205	1,788,110	1,644,693
Miscellaneous revenues	(1,706,613)	2,356,042	3,386,308	1,627,044
Extraordinary gain (note 19)				
Transfers	(1,544,990)	(1,933,319)	(2,725,473)	(1,531,109)
<b>Total governmental activities</b>	<b>60,541,923</b>	<b>59,496,520</b>	<b>64,216,165</b>	<b>65,131,363</b>
<b>Business-type activities:</b>				
Investment income	4,004	-	-	-
Transfers	1,544,990	1,933,319	2,725,473	1,531,109
<b>Total business-type activities</b>	<b>1,548,994</b>	<b>1,933,319</b>	<b>2,725,473</b>	<b>1,531,109</b>
<b>Total primary government</b>	<b>62,090,917</b>	<b>61,429,839</b>	<b>66,941,638</b>	<b>66,662,472</b>
<b>Changes in net assets</b>				
Governmental activities	1,491,246	7,878,586	9,161,791	9,893,758
Business-type activities	(953,092)	(838,803)	41,403	(1,793,833)
<b>Total primary government</b>	<b>538,154</b>	<b>7,039,783</b>	<b>9,203,194</b>	<b>8,099,925</b>

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
21,095,275	19,776,039	20,392,604	21,181,030	21,181,030	19,654,726	22,240,233
15,593,558	18,219,198	17,322,761	9,423,608	9,423,608	2,511,686	2,819,939
16,728,923	11,608,348	13,108,932	16,459,305	16,459,305	25,900,879	29,360,146
1,187,398	1,092,666	1,009,514	1,017,727	1,017,727	1,035,234	1,128,060
1,899,796	1,768,066	1,922,843	2,096,487	2,096,487	2,390,203	2,549,218
1,059,444	1,079,141	1,097,697	1,028,203	1,028,203	1,088,953	1,126,561
-	-	-	-	-	-	-
3,515,745	2,391,795	1,858,224	3,994,512	3,994,512	5,651,173	5,484,438
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,645,234	1,534,396	1,261,505	2,718,041	2,718,041	2,147,602	3,662,709
			6,696,994	6,696,994		
(1,894,366)	(1,465,006)	(1,631,273)	-	-	(1,746,591)	(2,504,962)
<u>60,831,007</u>	<u>56,004,643</u>	<u>56,342,807</u>	<u>64,615,907</u>	<u>64,615,907</u>	<u>58,633,865</u>	<u>65,866,342</u>
-	202,500	202,500	-	-	-	-
<u>1,894,366</u>	<u>1,465,006</u>	<u>1,631,273</u>	-	-	<u>1,746,591</u>	<u>2,504,962</u>
<u>1,894,366</u>	<u>1,667,506</u>	<u>1,833,773</u>	-	-	<u>1,746,591</u>	<u>2,504,962</u>
<u>62,725,373</u>	<u>57,672,149</u>	<u>58,176,580</u>	<u>64,615,907</u>	<u>64,615,907</u>	<u>60,380,456</u>	<u>68,371,304</u>
(1,506,165)	(14,021,230)	(5,757,758)	7,784,552	14,347,587	7,411,918	19,091,234
<u>1,291,740</u>	<u>1,032,761</u>	<u>592,761</u>	<u>(2,664,119)</u>	<u>(1,166,073)</u>	<u>(1,300,474)</u>	<u>(564,942)</u>
<u>(214,425)</u>	<u>(12,988,469)</u>	<u>(5,164,997)</u>	<u>5,120,433</u>	<u>13,181,514</u>	<u>6,111,444</u>	<u>18,526,292</u>

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

	Fiscal Year				
	2011 (a)	2012	2013	2014	2015
General fund:					
Nonspendable	15,190,427	15,272,801	15,216,754	15,110,492	15,127,548
Restricted	-	-	-	-	-
Unassigned	33,552,248	36,051,479	40,946,024	43,062,013	45,493,743
<b>Total general fund</b>	<b>48,742,675</b>	<b>51,324,280</b>	<b>56,162,778</b>	<b>58,172,505</b>	<b>60,621,291</b>

All other governmental funds:					
Nonspendable	-	-	-	-	-
Restricted	125,592,920	110,139,272	105,913,679	105,980,666	105,980,666
Unassigned	(34,639,920)	(4,368,665)	(7,649,689)	(9,519,379)	(12,632,110)
<b>Total all other governmental funds</b>	<b>90,953,000</b>	<b>105,770,607</b>	<b>98,263,990</b>	<b>96,461,287</b>	<b>93,348,556</b>

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund:					
Reserved	12,243,762	14,102,208	12,580,739	12,524,030	12,342,170
Unreserved	8,709,875	9,405,130	12,462,392	13,096,988	11,807,678
<b>Total general fund</b>	<b>20,953,637</b>	<b>23,507,338</b>	<b>25,043,131</b>	<b>25,621,018</b>	<b>24,149,848</b>
All other governmental funds:					
Reserved	63,230,125	79,616,682	81,299,408	64,561,820	71,195,075
Unreserved, reported in:					
Special revenue funds	14,034,613	15,361,611	23,782,402	23,685,219	22,929,354
Debt service funds	57,900,984	59,701,697	63,934,115	64,380,169	61,397,363
Capital projects funds	(2,342,763)	(19,868,092)	45,020,349	49,232,460	34,191,660
<b>Total all other governmental funds</b>	<b>132,822,959</b>	<b>134,811,898</b>	<b>214,036,274</b>	<b>201,859,668</b>	<b>189,713,452</b>

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



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

	2007	2008
<b>Revenues:</b>		
Taxes	38,514,264	39,821,812
Casino license tax	21,221,796	22,667,115
Licenses and permits	2,506,530	3,102,448
Fines and forfeitures	215,474	161,491
Investment income	5,378,004	4,573,986
Rental income	936,585	723,613
Intergovernmental	2,360,915	3,313,647
Charges for services	1,197,648	1,407,376
Activity Fees	505,768	547,694
Sale of Citadel / Property	-	-
Settlement Income		
Other	2,373,403	2,831,191
<b>Total revenues</b>	<b>75,210,387</b>	<b>79,150,373</b>
<b>Expenditures</b>		
<b>Current:</b>		
General government	17,612,838	18,211,676
Public safety	13,285,301	14,644,542
Public works	2,768,577	3,311,795
Community development	6,216,382	6,109,380
Library	2,767,002	3,186,168
Parks, recreation and culture	9,820,714	10,365,481
Capital outlay	245,274	1,636,332
<b>Debt service:</b>		
Principal retirement	6,112,623	5,150,560
Interest and fiscal charges	7,597,938	7,645,536
SERAF Payments	-	-
Bond Issuance Costs	-	2,392,879
Payment to bond escrow agent	-	5,297,255
Pass-through payments	1,325,248	2,006,249
<b>Total expenditures</b>	<b>67,751,897</b>	<b>79,957,853</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>7,458,490</b>	<b>(807,480)</b>
<b>Other financing sources (uses):</b>		
Transfers in	30,205,114	34,049,740
Transfers out	(32,947,592)	(35,580,849)
Issuance of bonds	-	138,915,753
Proceeds of refunding bonds		
Premium on bonds		
Payment to bond escrow agent	-	(56,008,368)
<b>Total other financing sources (uses)</b>	<b>(2,742,478)</b>	<b>81,376,276</b>
Extraordinary gain (loss) (note 19)	-	-
<b>Net change in fund balances</b>	<b>4,716,012</b>	<b>80,568,796</b>
Ratio of debt service expenditures to noncapital expenditures	21%	18%



Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
40,023,311	36,717,353	36,849,238	30,838,722	28,073,069	32,926,955	36,983,924
21,095,275	19,776,039	20,392,604	21,181,030	20,600,922	19,654,726	22,240,233
2,880,662	2,266,014	2,515,108	2,051,387	2,489,592	2,900,240	2,995,798
257,603	1,255,554	1,315,707	756,196	1,467,241	1,605,598	1,693,006
3,515,745	5,937,005	8,379,360	7,001,775	5,840,623	5,662,019	5,492,779
692,172	3,802,188	918,914	707,840	12,319	73,324	60,546
2,538,032	3,461,021	2,806,231	2,539,595	4,193,761	4,469,864	4,716,798
1,340,772	895,661	757,199	500,455	163,657	473,358	481,788
483,122	354,582	346,616	436,868	433,859	414,127	401,567
-	-	-	-	-	-	-
-	2,325,000	-	-	-	-	-
<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>1,805,765</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>	<u>76,872,204</u>
21,329,416	17,386,171	17,447,206	16,547,709	15,609,127	16,616,771	18,208,263
15,523,154	15,622,837	15,903,482	15,583,635	16,226,042	16,737,125	17,696,949
4,560,649	6,513,338	6,763,595	5,894,285	11,156,226	10,682,593	14,543,747
4,851,198	13,338,627	7,128,103	2,140,768	2,171,051	1,975,546	2,566,731
3,037,302	2,915,498	2,794,256	2,775,283	2,860,346	3,222,372	3,593,745
9,820,859	8,958,379	8,075,994	7,969,161	8,035,395	8,426,766	8,948,228
386,226	-	-	-	-	-	-
5,871,179	6,299,277	9,332,647	7,971,902	4,510,000	5,480,000	4,585,000
12,395,178	11,898,888	13,485,684	9,677,103	5,186,151	4,940,642	4,791,759
-	7,022,026	1,359,567	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,591,812
<u>3,635,798</u>	<u>2,949,934</u>	<u>2,387,491</u>	<u>813,392</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>76,526,234</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>	<u>345,970</u>
29,855,879	29,089,788	24,202,439	2,331,429	2,331,429	3,368,424	6,824,304
(32,122,322)	(30,644,794)	(25,833,712)	(3,710,866)	(3,710,866)	(5,429,737)	(8,560,288)
-	-	-	-	-	-	-
-	-	-	-	-	-	10,000,000
-	-	-	-	-	-	1,204,670
-	-	-	-	-	-	<u>(10,811,993)</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>	<u>(1,343,307)</u>
-	-	-	20,466,590	-	-	-
<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>	<u>(997,337)</u>
23%	22%	28%	26%	15%	16.85%	13.8%

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

Fiscal Year Ended	City			Taxable Assessed Value	Redevelopment Agency (2)			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions <sup>1</sup>		Secured	Unsecured	Less: Exemptions <sup>1</sup>		
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%
2015	3,960,810	625,494	-	4,586,304	-	-	-	-	0.068%

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

<sup>2</sup> 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

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14
<b>Basic Levy (1)</b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College District	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677	0.01782	0.02594	0.02502	0.02502
County Dentention Facilites 1987 Debt	0.00080	0.00066	-	-	-	-	-	-	-	-
Downey Unified School District	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018	0.06725	0.07132	0.06603	0.06603
LA CCD DS 2008 Series F	-	-	-	-	-	-	-	0.01119	-	-
LA Community College District	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530	0.03756	0.04454	0.04454
LA County Flood Control	0.00005	0.00005	-	-	-	-	-	-	-	-
LAUSD	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695	0.16819	0.17560	0.14644	0.14644
MWD	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350
Montebello Unified School District	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792	0.10001	0.09630	0.09457	0.09457
<b>Total Diret &amp; Overlapping (2) Tax Rate:</b>	<b>1.27666</b>	<b>1.28639</b>	<b>1.28984</b>	<b>1.29967</b>	<b>1.35956</b>	<b>1.42583</b>	<b>1.39227</b>	<b>1.42141</b>	<b>1.38010</b>	<b>1.38010</b>
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	0.06793
<b>General Obligation Debt Rate</b>										
Redevelopment Rate (4)	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370			
<b>Total Direct Rate (5)</b>	<b>0.41223</b>	<b>0.41902</b>	<b>0.44945</b>	<b>0.46446</b>	<b>0.47585</b>	<b>0.46503</b>	<b>0.45879</b>	<b>0.46863</b>	<b>0.06818</b>	<b>0.06818</b>

(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 individual direct rates applied by the government preparing the statistical section information.

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

Taxpayer	2015			2005/06	
	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	\$ 175,078,729	3.81%	California Commerce Club, Inc.	100,088,193	2.76%
AMB Institutional Alliance Fund	147,392,833	3.21%	Union Pacific Railroad Company	87,657,025	2.41%
California Commerce Club, Inc.	104,993,726	2.29%	Craig Realty Group Citadel LLC	87,550,200	2.41%
LIT Commerce Distribution Center LLC	90,688,968	1.98%	Newcrow	79,590,715	2.19%
Rreef America Reit II Corporation	77,682,746	1.69%	AMB Institutional Alliance Fund	79,364,242	2.19%
Prologis USLV NewCA 6 LLC	70,058,957	1.53%	AMB Property LP	49,905,358	1.37%
Von's Companies Inc. Safeway	63,716,816	1.39%	Rreef America Reit II Corporation	48,640,134	1.34%
TELACU	60,327,409	1.31%	Cinram Manufacturing Inc	42,923,539	1.18%
Terreno Garfield LLC	53,690,653	1.17%	99 Cents Only Stores	41,008,897	1.13%
Teachers Insurance and Annuity	53,562,574	1.17%	Ari Cop 17 LLC Etal	39,422,440	1.09%
	<u>\$ 897,193,411</u>	<u>19.55%</u>		<u>\$ 656,150,743</u>	<u>18.07%</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		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of Levy Amount	Percent of Levy		Amount	Percent of Levy
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%
2015	1,728,663	1,726,766	99.89%	1,897	1,728,663	100.00%

**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>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>	<u>2015</u>
Gross Card Room -- Gaming Re	18,962	21,102	22,547	20,975	19,656	20,273	21,061	20,481	19,535	22,130
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>
<b>Total</b>	<u><b>19,082</b></u>	<u><b>21,222</b></u>	<u><b>22,667</b></u>	<u><b>21,095</b></u>	<u><b>19,776</b></u>	<u><b>20,393</b></u>	<u><b>21,181</b></u>	<u><b>20,601</b></u>	<u><b>19,655</b></u>	<u><b>22,250</b></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 businessso 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>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>	<u>2015</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%
	<b>Average Rate</b>									<b>12.9%</b>

**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>	2015			2006		
	<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	\$ 22,130,233	1	100.00%	<i>Information is not available</i>		
Total	<u>\$ 22,130,233</u>		<u>100.00%</u>			

Source: City of Commerce - Finance Department.

**(This page intentionally left blank)**

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

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds <sup>1</sup>	Loans	
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
2015	-	101,859,514	-	101,859,514

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

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

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

<b>Business-type Activities</b>			<b>Total Primary Government</b>	<b>Percentage of Personal Income <sup>2</sup></b>	<b>Debt Per Capita <sup>2</sup></b>
<b>Water Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Total Business-type Activities</b>			
-	-	-	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
-	-	-	101,859,514	49.48%	7,829

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		
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
2015	-	101,859,514	101,859,514	2.39%	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).

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

CITY OF COMMERCE  
 Direct and Overlapping Debt  
 June 30, 2015

	Gross Bonded Debt Balance	Percent Applicable to City
<b>Total Direct Debt</b>		
Metropolitan Water District	53,296,395	0.261%
Los Angeles Unified School District	10,296,665,000	0.047%
Los Angeles City Community College District	3,882,265,000	0.695%
Montebello Unified School District	124,144,455	0.30747

**Total Overlapping Debt**

**Total Direct and Overlapping Debt**

2014/15 Assessed Valuation: \$2,535,673,082 After Deducting \$2,054,954,329 Incremental Value

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	2.77%
	Total Debt	2.77%

Source: Hdl

**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2006	2007	2008	2009
Assessed valuation	2,494,341	2,568,164	2,741,376	2,879,822
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	623,585	642,041	685,344	719,956
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	93,538	96,306	102,802	107,993
Total net debt applicable to limit: General obligation bonds	<u>1,662,457</u>	<u>1,913,361</u>	<u>2,033,361</u>	<u>2,136,851</u>
Legal debt margin	<u>(1,568,919)</u>	<u>(1,817,055)</u>	<u>(1,930,559)</u>	<u>(2,028,858)</u>
Total debt applicable to the limit as a percentage of debt limit	1777.3%	1986.7%	1977.9%	1978.7%

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					
2010	2011	2012	2013	2014	2015
2,990,845	2,907,894	2,993,891	4,296,649	4,455,208	4,586,304
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
747,711	726,974	748,473	1,074,162	1,113,802	1,146,576
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
112,157	109,046	112,271	161,124	167,070	171,986
<u>2,256,851</u>	<u>2,360,341</u>	<u>2,480,341</u>	<u>2,583,831</u>	<u>2,703,831</u>	<u>2,807,321</u>
<u>(2,144,694)</u>	<u>(2,251,295)</u>	<u>(2,368,070)</u>	<u>(2,422,707)</u>	<u>(2,536,761)</u>	<u>(2,635,335)</u>
2012.2%	2164.5%	2209.2%	1603.6%	1618.4%	1632.3%

**CITY OF COMMERCE**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
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%
2015	13,010	205,857	15,823	12.0%

- 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

Employer	2015		2006*	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
County of Los Angeles	4,000	6.67%	1,499	2.03%
California Commerce Club, Inc.	2,529	4.22%	2,191	3.70%
99 Cents Only Stores #914	998	1.66%	495	0.78%
American International Industries	985	1.64%	667	0.81%
Smart & Final Stores LLC	883	1.47%	882	1.08%
Parsec, Inc.	801	1.34%	841	0.90%
Unified Grocers Inc.	743	1.24%	743	0.71%
Mission Foods	520	0.87%		
Gibson Overseas, Inc.	400	0.67%	285	0.00%
Wine Warehouse	365	0.61%	330	0.00%
Valassis Direct Mail, Inc.	330	0.55%		
Precision Wire Products, Inc.	322	0.54%	367	0.00%

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

\*Information for 2004 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>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>	<u>2015</u>
General government	75	78	78	76	72	70	69	69	39	39
Public safety <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Public services	26	31	31	32	32	29	29	29	28	28
Public Works & Development Services	19	20	20	25	24	19	13	13	17	17
Park & Recreation	125	124	124	125	118	105	105	105	135	135
Library Services	35	38	38	43	43	37	36	36	39	39
Transportation	<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>	<u>34</u>
<b>Total</b>	<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>	<u>292</u>

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

Source: City Budget Book

**(This page intentionally left blank)**

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

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Police:</b>				
Stations	0	0	0	0
<b>Fire:</b>				
Fire stations	3	3	3	3
<b>Public services:</b>				
Streets (miles)	132.60	133.10	133.80	133.80
Streetlights	3,183	3,185	3,188	3,191
Traffic signals	76	76	77	79
<b>Parks and recreation:</b>				
Parks	4	4	4	4
Community centers	2	2	2	2
<b>Water:</b>				
Water mains (miles)	172.90	172.90	173.40	173.90
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,750	12,850
<b>Wastewater:</b>				
Sanitary sewers (miles)	179.15	179.15	181.25	181.75
Storm sewers (miles)	57.60	57.60	58.50	58.50
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,995	7,015
<b>Library:</b>				
Libraries	4	4	4	4

Source: City of Commerce

<u>Fiscal Year</u>					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
0	0	0	0	0	0
3	3	3	3	3	3
133.80	133.80	133.80	133.80	133.80	133.80
3,193	3,193	3,193	3,193	3,193	3,193
80	80	80	80	80	80
4	4	4	4	4	4
2	2	2	2	2	2
173.90	173.90	173.90	173.90	173.90	173.90
12,850	12,850	12,850	12,850	12,850	12,850
181.75	181.75	181.75	181.75	181.75	181.75
58.50	58.50	58.50	58.50	58.50	58.50
7,015	7,015	7,015	7,015	7,015	7,015
4	4	4	4	4	4