

# 2017



# CAFR



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Commerce, California

FOR THE YEAR ENDED  
JUNE 30, 2017

CITY OF COMMERCE  
Commerce, California

Comprehensive Annual Financial Report

Year ended June 30, 2017

Prepared by

FINANCE DEPARTMENT

VILKO DOMIC

Director of Finance / City Treasurer

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# CITY OF COMMERCE

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**Edgar P. Cisneros**  
City Administrator

December 27, 2017

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, 2017. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. In our opinion, the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by 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, 2017, are free of material misstatement. The independent audit involved examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Commerce, California's financial statements for the fiscal year ended June 30, 2017, 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.

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 Governing Body of the Successor Agency to the Commerce Community Development Commission. On January 31, 2012, the City of Commerce elected to serve as the SA to the Commerce Community Development Commission; the Commission acted as the

City's redevelopment agency. The SA has been responsible for the winding down of the Commission's obligations subject to the monitoring by and approval of the independent Oversight Board established by State law to oversee the dissolution process. The City has accounted for the Successor 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, the continued expansion of the Citadel Outlet Mall, and the revitalization of the Telegraph Corridor all are integral policy objectives.

Making the most of the City's resources continues to be for the benefit of the entire community and is at the heart and soul of the City Council's commitment to fiscal management and to economic development. The 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.

The passage of Measure AA has benefited the City in addressing numerous infrastructure (and related) deficiencies since July 2012. During FY 16-17, the City Council developed a Capital Improvement Project program for FY 16-17 with the assistance of the Measure AA Committee. The tax increase has generated an additional \$7.2 million for fiscal year 2017 that is being used to address capital projects that have been deferred for numerous years. The injection of these new monies have resulted in an investment never witnessed in this community, reflective of the City Council's commitment to improving, but more importantly, remodeling the "Model City", and in turn increasing the level of service to the community. As a result, the 5-year Financial Forecast becomes even more of an important tool going forward. This document will continue to be a framework in the annual budget preparation, as well as throughout the fiscal year, to assess any state and local economic/political action that might impact the City of Commerce.

## Pension and other postemployment benefits

The City of Commerce is a member of the California Public Employees Retirement System (CalPERS). CalPERS sets the contribution rates for the City's represented and non-represented employee groups. Participants are required to contribute 7% of their annual covered salary — up until July 1, 2015; the City was making a portion of the contributions required of City employees on their behalf and for their account. The City employees now contribute the entire 7%. 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 150 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, 2016. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The 2016 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,



Ed Cisneros  
City Administrator



Virko Domic  
Director of Finance

**City of Commerce**  
**Directory of Officials**  
**June 30, 2017**

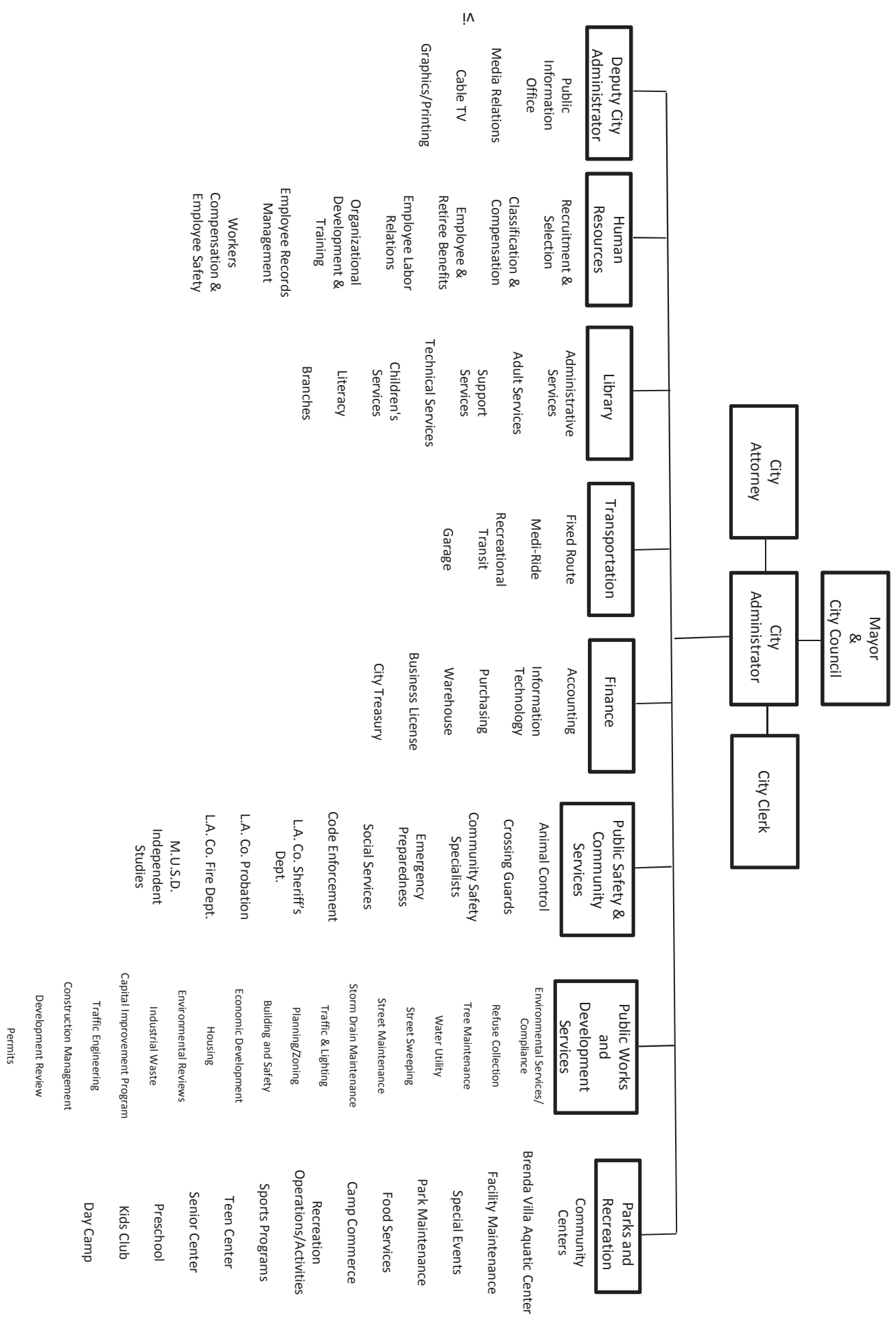
**CITY COUNCIL**

Oralia Y. Rebollo, Mayor  
Ivan Altamirano, Mayor Pro Tem  
Hugo A. Argumedo, Council Member  
Leonard Mendoza, Council Member  
John Soria, Council Member

**ADMINISTRATION**

Edgar P. Cisneros, City Administrator  
Lena Shumway, Director of Administrative/City Clerk  
Noel Tapia, City Attorney  
Matthew Rodriguez, Director of Safety and Community Services  
Vilko Domic, Director of Finance/City Treasurer  
Michael Casalou, Director of Human Resources  
Beatriz Sarmiento, Director of Library Services  
Robert Lipton, Director of Parks and Recreation  
Claude McFerguson, Director of Transportation  
Maryam Babaki, Director of Public Works and Development Services

# 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, 2016**

Executive Director/CEO



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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, 2017, 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 did not audit the financial statements of the Commerce Refuse to Energy Facility (CREA) that the City of Commerce has an investment in joint venture reported on the Statement of Net Position which constitutes 6 percent of total assets and 3 percent of total expenses at June 30, 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that joint venture, is solely on the report of the other auditors. 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, based on our audit and the report of the other auditors, 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, 2017, 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.

### **Report on Summarized Comparative Information**

We have previously audited the City's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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, 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 27, 2017 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 Lan" followed by a stylized flourish.

Irvine, California  
December 27, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2017

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, 2017. 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

- The City's net position, the amount by which total assets exceed total liabilities, equals \$134,234,797.
- The City's total net position increased by \$13,385,948, due to positive changes in fund balances.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$101,368,493, an increase of \$1,626,926 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$52,268,246, or 88% of total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the city include general government operations, community development, public safety, public works, library, and parks and recreation services. The city's business-type activities of the City include operations of its transit, water and cable television. The government-wide financial statements can be found on pages 14 through 17.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** - Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide

Most of the City's basic services are included in governmental funds. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental funds focus on near term revenues/financial resources and expenditures, while the government-wide financial statements include both near term and long term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the city's near term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide financial statements can help the reader better understand the long term impact of the city's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances. The governmental fund financial statements can be found on pages 18 through 24.

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

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

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

The proprietary fund financial statements can be found on pages 25 through 27.

### **Fiduciary funds**

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

The fiduciary fund financial statements can be found on page 28 through 29.

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

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

### **Other information**

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The statement of net position can serve as a useful indicator of the city’s financial position. The City of Commerce’s net position at June 30, 2017 total \$134,234,797. Following is a condensed version of the government-wide statement of net position.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other asset	\$ 130,510,911	135,130,076	3,524,968	(3,315,264)	134,035,879	131,814,812
Capital assets, net	90,981,764	75,944,264	12,305,690	12,812,420	103,287,454	88,756,684
Total Asset	221,492,675	211,074,340	15,830,658	9,497,156	237,323,333	220,571,496
<b>Deferred outflows of resources:</b>						
Pension related	6,104,328	2,379,748	943,735	357,797	7,048,063	2,737,545
<b>Liabilities:</b>						
Current Liabilities	10,841,023	13,539,605	7,368,142	521,470	18,209,165	14,061,075
Long-term Liabilities	87,182,229	83,463,120	3,941,158	2,976,477	91,123,387	86,439,597
Total Liabilities	98,023,252	97,002,725	11,309,300	3,497,947	109,332,552	100,500,672
<b>Deferred inflows of resources:</b>						
Pension related	696,385	1,684,389	107,662	275,131	804,047	1,959,520
<b>Net Position:</b>						
Net investment in capital assets	84,719,037	69,045,438	12,305,690	12,812,420	97,024,727	81,857,858
Restricted	1,706,688	1,695,259	-	-	1,706,688	1,695,259
Unrestricted	42,451,641	44,026,277	(6,948,259)	(6,730,545)	35,503,382	37,295,732
Total Net Position	\$ 128,877,366	114,766,974	5,357,431	6,081,875	134,234,797	120,848,849

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



## Changes in net position

The changes in net position table illustrates the increases or decreases in net position of the city resulting from its operating activities. The City of Commerce's net position increased \$13,385,948 in the fiscal year ended June 30, 2017. The increase was split between the governmental activities increase of \$14,242,073 and business-type activities decrease of \$856,125. Following is a condensed version of the city's changes in net position. The table shows the revenues, expenses, and related changes in net position for governmental and business-type activities.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 5,062,139	5,510,599	2,379,505	2,293,177	7,441,644	7,803,776
Operating grants & contributions	2,549,722	2,208,545	2,801,867	3,140,870	5,351,589	5,349,415
Capital grants & contributions	12,503,266	18,508,737	-	-	12,503,266	18,508,737
General revenues:						
Casino license tax	25,780,700	25,012,715	-	-	25,780,700	25,012,715
Property tax	2,481,617	2,322,486	-	-	2,481,617	2,322,486
Sales tax	26,979,330	27,795,167	-	-	26,979,330	27,795,167
Franchise taxes	952,432	1,052,568	-	-	952,432	1,052,568
Transient occupancy taxes	3,063,406	2,843,656	-	-	3,063,406	2,843,656
Motor vehicle in-lieu	1,242,958	1,177,552	-	-	1,242,958	1,177,552
Investment income	2,413,906	5,372,963	6,268	-	2,420,174	5,372,963
Miscellaneous revenue (expense)	(1,137,872)	1,179,131	-	-	(1,137,872)	1,179,131
Total revenues	<u>81,891,604</u>	<u>92,984,119</u>	<u>5,187,640</u>	<u>5,434,047</u>	<u>87,079,244</u>	<u>98,418,166</u>
<b>Expenses:</b>						
General government	17,143,378	16,097,044	-	-	17,143,378	16,097,044
Community development	3,111,106	4,550,938	-	-	3,111,106	4,550,938
Public safety	20,528,705	18,994,377	-	-	20,528,705	18,994,377
Public works	7,753,735	10,080,047	-	-	7,753,735	10,080,047
Library	3,774,862	3,210,975	-	-	3,774,862	3,210,975
Parks recreation and culture	11,936,131	9,917,064	-	-	11,936,131	9,917,064
Interest on long-term debt	1,870,823	4,196,186	-	-	1,870,823	4,196,186
Transit	-	-	4,919,636	5,322,991	4,919,636	5,322,991
CNG	-	-	1,657,378	1,564,009	1,657,378	1,564,009
Water	-	-	695,715	711,572	695,715	711,572
Cable television	-	-	301,827	258,221	301,827	258,221
Total expenses	<u>66,118,740</u>	<u>67,046,631</u>	<u>7,574,556</u>	<u>7,856,793</u>	<u>73,693,296</u>	<u>74,903,424</u>
Excess (deficiency) before transfers	15,772,864	25,937,488	(2,386,916)	(2,422,746)	13,385,948	23,514,742
Transfers	<u>(1,662,472)</u>	<u>(2,160,387)</u>	<u>1,662,472</u>	<u>2,160,387</u>	<u>-</u>	<u>-</u>
Change in net position	14,110,392	23,777,101	(724,444)	(262,359)	13,385,948	23,514,742
Net position - beginning of year	<u>114,766,974</u>	<u>90,989,873</u>	<u>6,081,875</u>	<u>6,344,234</u>	<u>120,848,849</u>	<u>97,334,107</u>
Net position - end of year	<u>\$ 128,877,366</u>	<u>114,766,974</u>	<u>5,357,431</u>	<u>6,081,875</u>	<u>134,234,797</u>	<u>120,848,849</u>

The total net position of the City was \$134,234,797 as of June 30, 2017. This represents an increase of \$13,385,948 over the prior year. This change is explained more fully below.

The City’s total revenues were \$87,079,244. A significant portion of the governmental revenues came from the Casino license tax (31.48%), property taxes (3.03%) and sales tax (32.95%) of the total governmental revenues of \$81,891,604. A significant portion of the business-type activities revenues were collected from Operating grants & contributions (54.01%) and Charges for services (45.87%) of the total business-type revenues of \$5,187,640.

The total cost of all City programs and services during fiscal year ended June 30, 2017 was \$73,693,296. The break down by activity as a percentage of total expenses for selected programs is as follows: General government 23.08%, Public safety (police and fire) 27.86%, Interest on long-term debt 2.54%, Parks and Recreation 16.20%, Public works 10.52%, and business type activities accounted for 10.28%.

Change in net position was \$13,385,948 for the year as compared to last year's change in net position of \$23,514,742. Total net position at the end of the year was \$134,234,797. The City has ample amounts to provide for its outstanding indebtedness.

**Governmental activities** experienced an increase in net position of \$14,242,073. 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, 2017, this goal was achieved with the City’s total business-type activities having realized an overall decrease in net position of \$724,444 primarily due to the planned deficit spending in the Transit and CNG Funds.

## FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

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

	Governmental Funds			
	2017	2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 64,797,482	63,875,243	922,239	1.4%
Measure AA	14,994,703	15,622,958	(628,255)	-4.0%
2007 JPFA Bonds	39,231,049	42,436,576	(3,205,527)	-7.6%
General City Capital Projects Fund	(18,918,434)	(23,495,842)	4,577,408	19.5%
Total Fund Equity	<u>\$ 100,104,800</u>	<u>98,438,935</u>	<u>1,665,865</u>	<u>1.7%</u>

The General fund balance increased by \$922,239. Increased revenue due to the economic recovery was the primary driver of the increase in fund balance.

The Measure AA fund balance decreased by (\$628,255), due to planned spending on various projects.

The 2007 JPFA fund balance decreased by (\$3,205,527), primarily due to planned debt repayments.

General City Capital Projects fund balance increased by \$4,577,408, primarily due to planned completion and reimbursement of 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			
	2017	2016	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Net Position:</b>				
Transit	\$ 3,791,796	4,478,297	(686,501)	-15.3%
CNG	3,387,064	3,563,887	(176,823)	-5.0%
Water	(1,462,769)	(1,612,054)	149,285	9.3%
Cable Television	(358,660)	(348,255)	(10,405)	-3.0%
Internal Service Funds	(344,245)	(238,934)	(105,311)	-44.1%
<b>Total Net Position</b>	<b>\$ 5,013,186</b>	<b>5,842,941</b>	<b>(829,755)</b>	<b>-14.2%</b>
<b>Unrestricted Net Position:</b>				
Transit	\$ (4,326,601)	(3,985,864)	(340,737)	-8.5%
CNG	142,821	205,188	(62,367)	-30.4%
Water	(2,405,819)	(2,601,614)	195,795	7.5%
Cable Television	(358,660)	(348,255)	(10,405)	-3.0%
Internal Service Funds	(425,406)	(336,327)	(89,079)	-26.5%
<b>Total Unrestricted Net Position</b>	<b>\$ (7,373,665)</b>	<b>(7,066,872)</b>	<b>(306,793)</b>	<b>-4.3%</b>

The Transit Fund net position decreased (\$686,501) and unrestricted net position decreased by \$340,737. The key factor in the decrease of nets assets is due to the planned spending on maintenance items during the fiscal year.

The Water Fund net position increased \$149,285 and unrestricted net position increased by \$195,795. The increase in net position is primarily due to an increased funding by the General Fund.

## 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 \$61,223,597. This is a 0.1% increase when compared to last year's revenue total of \$61,169,764. The largest revenue source was Taxes, which includes both sales taxes and property taxes at \$27,521,584 which decreased 1.8% or \$493,714 compared to the prior year due to the timing of payments. Casino license tax was up by 3.1% or \$767,985 when compared to the prior year due to the improved economic climate. General Fund expenditures totaled \$60,301,358, 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, 2016	Additions	Reductions	Balance at June 30, 2017
<b>Governmental Activities:</b>				
2007 JPFA Revenue Bonds	\$ 44,330,000	-	(3,600,000)	40,730,000
2014 Lease Revenue Bonds	9,675,000	-	(325,000)	9,350,000
Premium on bond	1,104,280	-	(60,234)	1,044,046
Compenstated absences	3,521,966	1,776,215	(1,805,089)	3,493,092
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>58,631,246</b>	<b>1,776,215</b>	<b>(5,790,323)</b>	<b>54,617,138</b>
<b>Business Activities:</b>				
Compensated Absences	510,457	224,118	(214,867)	519,708
<b>Total Long-Term Obligations</b>	<b>\$ 59,141,703</b>	<b>2,000,333</b>	<b>(6,005,190)</b>	<b>55,136,846</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, 2017	June 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Governmental Activities:</b>				
Land	\$ 4,070,310	4,070,310	-	0.0%
Construction in progress	1,767,847	28,774,518	(27,006,671)	-93.9%
Buildings	40,425,663	40,425,663	-	0.0%
Improvements other than buildings	20,719,853	20,719,853	-	0.0%
Infrastructure	128,866,823	84,882,091	43,984,732	51.8%
Machinery and equipment	4,912,786	4,836,923	75,863	1.6%
Less accumulated depreciation	(109,781,518)	(107,765,094)	(2,016,424)	1.9%
<b>Net capital assets</b>	<b>\$ 90,981,764</b>	<b>75,944,264</b>	<b>15,037,500</b>	

	June 30, 2017	June 30, 2016	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	10,187,051	9,948,244	238,807	2.4%
Water rights	2,141,222	2,141,222	-	0.0%
Building and improvements	11,766,979	11,766,979	-	0.0%
Less accumulated depreciation	(14,545,060)	(13,799,523)	(745,537)	5.4%
<b>Net capital assets</b>	<b>\$ 12,305,690</b>	<b>12,812,420</b>	<b>(506,730)</b>	

Governmental capital assets increased as depreciation of assets grew at a steady amount. Construction in progress decreased and Infrastructure increased significantly due to the completion of a major infrastructure project. 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 2018. 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 2017-2018 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, 2017  
(with comparative information for the prior year)

	Governmental	Business-type	Totals	
	Activities	Activities	2017	2016
<b>Assets:</b>				
Cash and investments (note 2)	\$ 41,810,448	1,187,555	42,998,003	36,305,310
Cash and investments with fiscal agent (note 2)	446,733	-	446,733	466,602
Interest receivable	62,262	-	62,262	37,487
Accounts receivable	3,462,268	133,208	3,595,476	3,753,586
Due from other governments	14,954,985	560,620	15,515,605	19,656,447
Internal balances	6,485,022	(6,485,022)	-	-
Receivable from Successor Agency (note 5)	47,976,900	1,643,585	49,620,485	55,472,551
Loans and leases receivable	445,919	-	445,919	484,356
Prepaid items and deposits	337,336	-	337,336	20,166
Property held for resale	1,053,000	-	1,053,000	1,053,000
Investment in joint venture (note 11)	13,476,038	-	13,476,038	14,565,307
Capital assets (note 4):				
Nondepreciable	5,838,157	2,755,498	8,593,655	35,600,326
Depreciable, net	85,143,607	9,550,192	94,693,799	53,156,358
Total assets	<u>221,492,675</u>	<u>9,345,636</u>	<u>230,838,311</u>	<u>220,571,496</u>
Deferred outflow of resources:				
Pension related (note 8)	<u>6,104,328</u>	<u>943,735</u>	<u>7,048,063</u>	<u>2,737,545</u>
<b>Liabilities:</b>				
Accounts payable	4,409,808	660,525	5,070,333	6,808,674
Accrued salaries and benefits	1,055,142	148,671	1,203,813	1,050,124
Interest payable	804,370	-	804,370	1,117,081
Deposits payable	40,813	-	40,813	49,086
Noncurrent liabilities:				
Due within one year (note 5)	4,530,890	73,924	4,604,814	5,036,110
Due in more than one year (note 5)	50,086,248	445,784	50,532,032	54,105,593
OPEB liability (note 9)	14,487,000	-	14,487,000	12,579,000
Net pension liability (note 8)	<u>22,608,981</u>	<u>3,495,374</u>	<u>26,104,355</u>	<u>19,755,004</u>
Total liabilities	<u>98,023,252</u>	<u>4,824,278</u>	<u>102,847,530</u>	<u>100,500,672</u>
Deferred inflow of resources:				
Pension related (note 8)	<u>696,385</u>	<u>107,662</u>	<u>804,047</u>	<u>1,959,520</u>
<b>Net position:</b>				
Net investment in capital assets	84,719,037	12,305,690	97,024,727	81,857,858
Restricted for:				
Housing	1,651,556	-	1,651,556	1,551,507
Public safety	55,132	-	55,132	143,752
Unrestricted	<u>42,451,641</u>	<u>(6,948,259)</u>	<u>35,503,382</u>	<u>37,295,732</u>
Total net position	<u>\$ 128,877,366</u>	<u>5,357,431</u>	<u>134,234,797</u>	<u>120,848,849</u>

See accompanying notes to the basic financial statements.

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CITY OF COMMERCE  
Statement of Activities  
Year ended June 30, 2017  
(with comparative information for the prior year)

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 17,143,378	-	-	-
Community development	3,111,106	89,950	104,560	9,625
Public safety	20,528,705	1,560,967	29,324	-
Public works	7,753,735	2,753,032	1,695,083	12,493,641
Library	3,774,862	10,638	30,243	-
Parks, recreation and culture	11,936,131	647,552	690,512	-
Interest on long-term debt	1,870,823	-	-	-
Total governmental activities	66,118,740	5,062,139	2,549,722	12,503,266
Business-type activities:				
Transit	4,919,636	-	2,801,867	-
CNG	1,657,378	1,480,555	-	-
Water	695,715	845,000	-	-
Cable television	301,827	53,950	-	-
Total business-type activities	7,574,556	2,379,505	2,801,867	-
Total	\$ 73,693,296	7,441,644	5,351,589	12,503,266

General revenues:

Taxes:
Casino license tax
Property taxes
Sales taxes
Franchise taxes
Transient occupancy taxes
Motor vehicle in lieu, unrestricted
Investment income
Miscellaneous expenses
Transfers
Total general revenues and transfers
Change in net position
Net position at beginning of year
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	
		2017	2016
(17,143,378)	-	(17,143,378)	(16,097,044)
(2,906,971)	-	(2,906,971)	(4,410,343)
(18,938,414)	-	(18,938,414)	(17,398,239)
9,188,021	-	9,188,021	13,081,396
(3,733,981)	-	(3,733,981)	(3,160,339)
(10,598,067)	-	(10,598,067)	(8,637,995)
(1,870,823)	-	(1,870,823)	(4,196,186)
<u>(46,003,613)</u>	<u>-</u>	<u>(46,003,613)</u>	<u>(40,818,750)</u>
-	(2,117,769)	(2,117,769)	(2,182,121)
-	(176,823)	(176,823)	(165,234)
-	149,285	149,285	133,428
<u>-</u>	<u>(247,877)</u>	<u>(247,877)</u>	<u>(208,819)</u>
<u>-</u>	<u>(2,393,184)</u>	<u>(2,393,184)</u>	<u>(2,422,746)</u>
<u>(46,003,613)</u>	<u>(2,393,184)</u>	<u>(48,396,797)</u>	<u>(43,241,496)</u>
25,780,700	-	25,780,700	25,012,715
2,481,617	-	2,481,617	2,322,486
26,979,330	-	26,979,330	27,795,167
952,432	-	952,432	1,052,568
3,063,406	-	3,063,406	2,843,656
1,242,958	-	1,242,958	1,177,552
2,413,906	6,268	2,420,174	5,372,963
(1,137,872)	-	(1,137,872)	1,179,131
<u>(1,662,472)</u>	<u>1,662,472</u>	<u>-</u>	<u>-</u>
<u>60,114,005</u>	<u>1,668,740</u>	<u>61,782,745</u>	<u>66,756,238</u>
14,110,392	(724,444)	13,385,948	23,514,742
<u>114,766,974</u>	<u>6,081,875</u>	<u>120,848,849</u>	<u>97,334,107</u>
<u>\$ 128,877,366</u>	<u>5,357,431</u>	<u>134,234,797</u>	<u>120,848,849</u>

CITY OF COMMERCE  
Governmental Funds - Balance Sheet  
June 30, 2017  
(with comparative information for the prior year)

	<u>General</u>	<u>2007 JPFA Bonds</u>	<u>Measure AA</u>
<b>Assets:</b>			
Cash and investments	\$ 24,932,940	-	14,677,440
Cash and investments with fiscal agent	-	446,049	-
Interest receivable	62,262	-	-
Accounts receivable	3,458,007	-	-
Due from other governments	3,054,323	-	1,098,700
Due from other funds (note 6)	27,578,026	-	-
Receivable from Successor Agency	9,191,900	38,785,000	-
Loans and leases receivable	-	-	-
Prepaid items and deposits	337,336	-	-
Property held for resale	-	-	-
Total assets	<u>\$ 68,614,794</u>	<u>39,231,049</u>	<u>15,776,140</u>
<b>Liabilities:</b>			
Accounts payable	\$ 2,590,053	-	781,437
Accrued salaries and benefits	1,036,447	-	-
Deposits payable	40,813	-	-
Due to other funds (note 6)	-	-	-
Total liabilities	<u>3,667,313</u>	<u>-</u>	<u>781,437</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	149,999	-	-
Total deferred inflows of resources	<u>149,999</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>			
Nonspendable:			
Prepaid items and deposits	337,336	-	-
Receivable from Successor Agency	9,191,900	-	-
Restricted for:			
Capital projects	-	-	-
Debt service	-	39,231,049	-
Housing	-	-	-
Law enforcement	-	-	-
Transportation	-	-	-
Assigned	-	-	14,994,703
Unassigned	55,268,246	-	-
Total fund balances	<u>64,797,482</u>	<u>39,231,049</u>	<u>14,994,703</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 68,614,794</u>	<u>39,231,049</u>	<u>15,776,140</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2017	2016
1,939,644	260,423	41,810,447	35,924,448
-	684	446,733	466,602
-	-	62,262	37,487
-	4,261	3,462,268	15,598,388
10,711,620	90,342	14,954,985	6,933,148
-	-	27,578,026	29,609,677
-	-	47,976,900	53,424,411
-	445,919	445,919	484,356
-	-	337,336	20,166
-	1,053,000	1,053,000	1,053,000
<u>12,651,264</u>	<u>1,854,629</u>	<u>138,127,876</u>	<u>143,551,683</u>
994,629	12,032	4,378,151	6,352,337
-	299	1,036,746	907,536
-	-	40,813	49,086
20,997,811	95,193	21,093,004	23,124,655
<u>21,992,440</u>	<u>107,524</u>	<u>26,548,714</u>	<u>30,433,614</u>
9,577,258	483,412	10,210,669	13,376,502
<u>9,577,258</u>	<u>483,412</u>	<u>10,210,669</u>	<u>13,376,502</u>
-	-	337,336	20,166
-	-	9,191,900	11,454,411
-	58,190	58,190	12,778
-	-	39,231,049	42,436,576
-	1,168,144	1,168,144	1,059,532
-	55,132	55,132	143,752
-	46	46	86,544
-	-	14,994,703	15,622,958
<u>(18,918,434)</u>	<u>(17,819)</u>	<u>36,331,993</u>	<u>28,904,850</u>
<u>(18,918,434)</u>	<u>1,263,693</u>	<u>101,368,493</u>	<u>99,741,567</u>
<u>12,651,264</u>	<u>1,854,629</u>	<u>138,127,876</u>	<u>143,551,683</u>

CITY OF COMMERCE  
Governmental Funds

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

June 30, 2017

Fund balances of governmental funds	\$	101,368,493
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	200,649,657
	Accumulated depreciation	(109,749,054)
The City's investment in a joint venture has not been included in the governmental fund activity.		
		13,476,038
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
	Bonds payable	(51,124,046)
	Compensated absences	(3,493,092)
	Net pension liability	(22,115,617)
	OPEB liability	(14,487,000)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.		
		(804,370)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.		
		10,210,669
Deferred inflows and outflows associated with pension obligations are not reported in the governmental funds.		
	Deferred outflows of resources	5,971,122
	Deferred inflows of resources	(681,189)
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.		
		<u>(344,245)</u>
Net position of governmental activities	\$	<u>128,877,366</u>

See accompanying notes to the basic financial statements.

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CITY OF COMMERCE  
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2017  
(with comparative information for the prior year)

	<u>General</u>	<u>2007 JPFA Bonds</u>	<u>Measure AA</u>
<b>Revenues:</b>			
Taxes	\$ 27,521,584	-	7,198,163
Casino license tax	25,780,700	-	-
Licenses and permits	2,593,315	-	-
Intergovernmental	973,859	-	-
Fines and forfeitures	1,571,605	-	-
Investment income	102,271	2,197,724	112,850
Activity fees	433,274	-	-
Charges for services	331,457	-	-
Rental income	49,120	-	-
Miscellaneous	973,512	-	168,647
Total revenues	<u>60,330,697</u>	<u>2,197,724</u>	<u>7,479,660</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	16,416,508	-	-
Community development	2,889,235	17,320	-
Public safety	19,809,951	-	-
Public works	5,787,023	-	7,748,007
Library	3,764,624	-	-
Parks, recreation and culture	10,613,121	-	-
<b>Debt service:</b>			
Principal	-	3,600,000	-
Interest and fiscal charges	-	1,785,931	-
Total expenditures	<u>59,280,462</u>	<u>5,403,251</u>	<u>7,748,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,050,235</u>	<u>(3,205,527)</u>	<u>(268,347)</u>
<b>Other financing sources (uses):</b>			
Transfers in (note 7)	892,900	-	-
Transfers out (note 7)	<u>(1,020,896)</u>	<u>-</u>	<u>(359,908)</u>
Total other financing sources (uses)	<u>(127,996)</u>	<u>-</u>	<u>(359,908)</u>
Net change in fund balances	922,239	(3,205,527)	(628,255)
Fund balances at beginning of year	<u>63,875,243</u>	<u>42,436,576</u>	<u>15,622,958</u>
Fund balances at end of year	<u>\$ 64,797,482</u>	<u>39,231,049</u>	<u>14,994,703</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2017	2016
		-	-
-	-	25,780,700	25,012,715
-	-	2,593,315	3,094,043
12,263,798	1,913,554	15,151,211	10,533,532
-	-	1,571,605	1,500,460
-	29,297	2,442,142	5,376,602
-	-	433,274	387,652
-	-	331,457	442,178
-	58,190	107,310	65,804
-	89,950	1,232,109	956,288
<u>12,263,798</u>	<u>2,090,991</u>	<u>84,362,870</u>	<u>82,560,703</u>
-	-	16,416,508	15,910,208
-	109,431	3,015,986	5,510,293
-	200,834	20,010,785	18,717,286
7,686,390	-	21,221,420	29,308,208
-	-	3,764,624	3,640,566
-	-	10,613,121	9,563,855
-	325,000	3,925,000	46,690,000
-	457,837	2,243,768	4,954,788
<u>7,686,390</u>	<u>1,093,102</u>	<u>81,211,212</u>	<u>134,295,204</u>
<u>4,577,408</u>	<u>997,889</u>	<u>3,151,658</u>	<u>(51,734,501)</u>
-	783,424	1,676,324	2,259,463
-	(1,820,252)	(3,201,056)	(4,419,850)
-	(1,036,828)	(1,524,732)	(2,160,387)
4,577,408	(38,939)	1,626,926	(53,894,888)
<u>(23,495,842)</u>	<u>1,302,632</u>	<u>99,741,567</u>	<u>153,636,455</u>
<u>(18,918,434)</u>	<u>1,263,693</u>	<u>101,368,493</u>	<u>99,741,567</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, 2017

Net changes in fund balances - total governmental funds	\$ 1,626,926
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
	Capital asset purchases 17,037,692
	Depreciation (1,983,960)
Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds.	(1,089,269)
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.	
	Principal expense 3,925,000
	Amortization of premium and refunding costs 60,234
Changes in net pension liability and related deferred outflows and inflows are not recorded in governmental funds.	(628,672)
Changes in other long-term liabilities are not recorded in the governmental funds.	(1,908,000)
The statement of net position includes accrued interest on long term debt.	312,711
To record as an expense the net change in compensated absences in the statement of activities.	28,874
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.	(3,165,833)
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>(105,311)</u>
Change in net position of governmental activities	<u>\$ 14,110,392</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Proprietary Funds  
Statement of Net Position  
June 30, 2017

	Business-type Activities					Governmental Activities
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds	Internal Service Funds
Assets:						
Current assets:						
Cash and investments	\$ 209,992	208,902	768,661	-	1,187,555	1
Accounts receivable, net	15,081	103,642	-	14,485	133,208	-
Due from other governments	560,620	-	-	-	560,620	-
Total current assets	<u>785,693</u>	<u>312,544</u>	<u>768,661</u>	<u>14,485</u>	<u>1,881,383</u>	<u>1</u>
Noncurrent assets:						
Receivable from Successor Agency	-	-	1,643,585	-	1,643,585	-
Capital assets (note 4):						
Nondepreciable	2,421,399	334,099	-	-	2,755,498	-
Depreciable, net	5,696,998	2,910,144	943,050	-	9,550,192	81,161
Total noncurrent assets	<u>8,118,397</u>	<u>3,244,243</u>	<u>2,586,635</u>	<u>-</u>	<u>13,949,275</u>	<u>81,161</u>
Total assets	<u>8,904,090</u>	<u>3,556,787</u>	<u>3,355,296</u>	<u>14,485</u>	<u>15,830,658</u>	<u>81,162</u>
Deferred outflows of resources:						
Pension related	842,948	-	-	100,787	943,735	133,206
Liabilities:						
Current liabilities:						
Accounts payable	295,786	169,723	189,654	5,362	660,525	31,657
Accrued salaries and benefits	138,089	-	-	10,582	148,671	18,396
Due to other funds (note 6)	1,783,413	-	4,628,411	73,198	6,485,022	-
Compensated absences	73,924	-	-	-	73,924	-
Total current liabilities	<u>2,291,212</u>	<u>169,723</u>	<u>4,818,065</u>	<u>89,142</u>	<u>7,368,142</u>	<u>50,053</u>
Noncurrent liabilities:						
Compensated absences	445,784	-	-	-	445,784	-
Net pension liability	3,122,082	-	-	373,292	3,495,374	493,364
Total liabilities	<u>5,859,078</u>	<u>169,723</u>	<u>4,818,065</u>	<u>462,434</u>	<u>11,309,300</u>	<u>543,417</u>
Deferred inflows of resources:						
Pension related	96,164	-	-	11,498	107,662	15,196
Net Position:						
Investment in capital assets	8,118,397	3,244,243	943,050	-	12,305,690	81,161
Unrestricted	<u>(4,326,601)</u>	<u>142,821</u>	<u>(2,405,819)</u>	<u>(358,660)</u>	<u>(6,948,259)</u>	<u>(425,406)</u>
Total net position	<u>\$ 3,791,796</u>	<u>3,387,064</u>	<u>(1,462,769)</u>	<u>(358,660)</u>	<u>5,357,431</u>	<u>(344,245)</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Position  
Year ended June 30, 2017

	Business-type Activities				Total Enterprise Funds	Governmental Activities
	Transit	CNG	Water	Non-Major Cable Television		Internal Service Funds
Operating revenues:						
Charges for services	\$ -	1,480,555	-	53,950	1,534,505	1,104,872
Leased water rights	-	-	845,000	-	845,000	-
Total operating revenues	<u>-</u>	<u>1,480,555</u>	<u>845,000</u>	<u>53,950</u>	<u>2,379,505</u>	<u>1,104,872</u>
Operating expenses:						
General and administrative	523,349	-	15,838	268,959	808,146	587,423
Operations	2,895,604	-	633,367	32,868	3,561,839	468,787
Maintenance	916,112	1,542,922	-	-	2,459,034	-
Depreciation and amortization	584,571	114,456	46,510	-	745,537	16,232
Total operating expenses	<u>4,919,636</u>	<u>1,657,378</u>	<u>695,715</u>	<u>301,827</u>	<u>7,574,556</u>	<u>1,072,442</u>
Operating income (loss)	<u>(4,919,636)</u>	<u>(176,823)</u>	<u>149,285</u>	<u>(247,877)</u>	<u>(5,195,051)</u>	<u>32,430</u>
Non-operating revenues (expenses):						
Intergovernmental	2,801,867	-	-	-	2,801,867	-
Interest income	6,268	-	-	-	6,268	-
Total non-operating revenues (expenses)	<u>2,808,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,808,135</u>	<u>-</u>
Transfers:						
Transfers out (note 7)	-	-	-	-	-	(137,741)
Transfers in (note 7)	1,425,000	-	-	237,472	1,662,472	-
Total transfers	<u>1,425,000</u>	<u>-</u>	<u>-</u>	<u>237,472</u>	<u>1,662,472</u>	<u>(137,741)</u>
Changes in net position	<u>(686,501)</u>	<u>(176,823)</u>	<u>149,285</u>	<u>(10,405)</u>	<u>(724,444)</u>	<u>(105,311)</u>
Net position at beginning of year	<u>4,478,297</u>	<u>3,563,887</u>	<u>(1,612,054)</u>	<u>(348,255)</u>	<u>6,081,875</u>	<u>(238,934)</u>
Net position at end of year	<u>\$ 3,791,796</u>	<u>3,387,064</u>	<u>(1,462,769)</u>	<u>(358,660)</u>	<u>5,357,431</u>	<u>(344,245)</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Proprietary Funds  
Statement of Cash Flows  
Year ended June 30, 2017

	Business-type Activities					Governmental Activities
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from other customers	\$ -	1,497,813	845,000	51,233	2,394,046	-
Cash received from user departments	-	-	-	-	-	1,104,872
Cash payments to suppliers for goods and services	(644,370)	(1,532,032)	(466,444)	(79,059)	(2,721,905)	(639,126)
Cash payments to employees for services	(3,310,094)	-	(14,450)	(209,646)	(3,534,190)	(465,745)
Net cash provided by (used for) operating activities	<u>(3,954,464)</u>	<u>(34,219)</u>	<u>364,106</u>	<u>(237,472)</u>	<u>(3,862,049)</u>	<u>1</u>
Cash flows from noncapital financing activities:						
Intergovernmental noncapital grants	2,978,263	-	-	-	2,978,263	-
Cash received from (paid to) other funds	1,425,000	-	404,555	237,472	2,067,027	(137,741)
Net cash provided by (used for) non-capital financing activities	<u>4,403,263</u>	<u>-</u>	<u>404,555</u>	<u>237,472</u>	<u>5,045,290</u>	<u>(137,741)</u>
Cash flows from capital and related activities:						
Cash paid to acquire capital assets	(238,807)	-	-	-	(238,807)	-
Net cash provided by (used for) capital and related activities	<u>(238,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(238,807)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	209,992	(34,219)	768,661	-	944,434	(137,740)
Cash and cash equivalents at beginning of year	-	243,121	-	-	243,121	137,741
Cash and cash equivalents at end of year	<u>\$ 209,992</u>	<u>208,902</u>	<u>768,661</u>	<u>-</u>	<u>1,187,555</u>	<u>1</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (4,919,636)	(176,823)	149,285	(247,877)	(5,195,051)	32,430
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	584,571	114,456	46,510	-	745,537	16,232
Adjustments:						
(Increase) decrease in accounts receivable	-	17,258	-	(2,717)	14,541	-
(Increase) decrease in deferred outflows	(523,203)	-	-	(62,735)	(585,938)	(92,964)
Increase (decrease) in accounts payable	204,779	10,890	168,311	(1,584)	382,396	(146,551)
Increase (decrease) in accrued salaries and benefits	20,352	-	-	937	21,289	3,190
Increase (decrease) in net pension liability	814,698	-	-	98,697	913,395	202,965
Increase (decrease) in compensated absences	9,251	-	-	-	9,251	-
Increase (decrease) in deferred inflows	(145,276)	-	-	(22,193)	(167,469)	(15,301)
Net cash provided by (used for) operating activities	<u>\$ (3,954,464)</u>	<u>(34,219)</u>	<u>364,106</u>	<u>(237,472)</u>	<u>(3,862,049)</u>	<u>1</u>

There were no significant noncash capital, financing and investing activities during the year ended June 30, 2017.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Fiduciary Funds  
Statement of Fiduciary Net Position  
Year ended June 30, 2017

	Cash Deposits Agency Fund	Private Purpose Trust Funds
Assets:		
Cash and investments (note 2)	\$ 310,177	18,229,112
Cash and investments with fiscal agent (note 2)	-	4,585,540
Loans receivable	-	17,442
Property held for resale	-	54,960,302
Total assets	310,177	77,792,396
Deferred Outflow of Resources:		
Deferred loss on refunding	-	5,615,765
Liabilities:		
Advances from City of Commerce	-	10,835,485
Accounts payable	77,252	1,564,889
Accrued salaries and benefits	-	1,417
Interest payable	-	1,420,298
Deposits payable	232,925	180,000
Long-term liabilities (note 5)	-	79,498,731
Total liabilities	310,177	93,500,820
Net Position:		
Held in trust for Successor Agency		(10,092,659)
Total net position		\$ (10,092,659)

See accompanying notes to the basic financial statements.

CITY OF COMMERCE  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
Year ended June 30, 2017

	Private Purpose Trust Funds
Additions:	
Property taxes	\$ 13,023,800
Investment income	162,341
Rental income	933,687
Miscellaneous income	1,879,259
Transfers in (note 7)	9,151,999
Total additions	25,151,086
Deductions:	
Administrative expenses	335,240
Professional services	120,679
Interest and fiscal charges	3,402,322
Payments under pass-through obligations	148,487
Fiscal charges	467,159
Miscellaneous	2,044,431
Transfers out (note 7)	9,151,999
Total deductions	15,670,317
Changes in net position	9,480,769
Net position held in trust, beginning of year	(19,573,428)
Net position held in trust, end of year	\$ (10,092,659)

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year Ended June 30, 2017

(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 Successor Agency 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.

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.

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

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

The City's major proprietary funds are as follows:

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

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(c) Major Funds, (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 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 determine upon entering into a contact 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 acquisition 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)

(f) Capital Assets, (Continued)

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

The following schedule summarizes capital asset useful lives:

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

(g) Employee Leave Benefits

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

(h) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(i) Interfund Transactions

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(j) Fund Balances

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

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

Spendable Fund Balance:

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

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

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The delegation of authority has not yet been granted to persons or bodies other than City Council.

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

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

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	June 30, 2015 to June 30, 2016

(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 refunding and deferred outflows related to pensions.

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 related to pensions.

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) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
  - Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.



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

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

(o) Fair Value Measurements (continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

(p) 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, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 42,998,003
Cash and investments with fiscal agent	446,733
Statement of Fiduciary Net Position:	
Cash and investments	18,539,289
Cash and investments with fiscal agent	<u>4,585,540</u>
Total cash and investments	<u>\$ 66,569,565</u>

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	\$ 3,053
Deposits with financial institutions	28,046,639
Investments	<u>38,519,868</u>
Total cash and investments	<u>\$ 66,569,565</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	40%
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	40%	10%
Certificates of Deposit	Yes	5 years	30%	10%
Repurchase Agreements	Yes	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 Maturities (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	\$ 1,455,190	801,070	351,751	302,369
State investment pool	27,109,190	27,109,190	-	-
Held by bond trustee:				
Money market funds	5,455,953	5,455,953	-	-
Investment agreements	<u>4,499,535</u>	<u>-</u>	<u>4,499,535</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 38,519,868</u></b>	<b><u>33,366,213</u></b>	<b><u>4,851,286</u></b>	<b><u>302,369</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</u>			
		<u>Rating</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Negotiable Certificates of Deposit	\$ 1,455,190	N/A	-	-	1,455,190
State investment pool	27,109,190	N/A	-	-	27,109,190
	-				
Held by bond trustee:					
Money market funds	5,455,953	AAA	5,455,953	-	-
Investment agreements	<u>4,499,535</u>	N/A	<u>-</u>	<u>-</u>	<u>4,499,535</u>
<b>Total</b>	<b><u>\$ 38,519,868</u></b>		<b><u>5,455,953</u></b>	<b><u>-</u></b>	<b><u>33,063,915</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).

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.

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, 2017, is as follow:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Buildings	\$ 40,425,663	-	-	40,425,663
Improvements other than buildings	20,719,853	-	-	20,719,853
Infrastructure	84,882,091	45,750,131	(1,765,399)	128,866,823
Machinery and equipment	<u>4,836,923</u>	<u>75,863</u>	<u>-</u>	<u>4,912,786</u>
Total costs of depreciable assets	<u>150,864,530</u>	<u>45,825,994</u>	<u>(1,765,399)</u>	<u>194,925,125</u>
Less accumulated depreciation:				
Buildings	(23,933,240)	(1,113,794)	-	(25,047,034)
Improvements other than buildings	(6,350,533)	(586,339)	-	(6,936,872)
Infrastructure	(74,235,620)	(1,739,428)	1,765,399	(74,209,649)
Machinery and equipment	<u>(3,245,701)</u>	<u>(342,262)</u>	<u>-</u>	<u>(3,587,963)</u>
Total accumulated depreciation	<u>(107,765,094)</u>	<u>(3,781,823)</u>	<u>1,765,399</u>	<u>(109,781,518)</u>
Net depreciable assets	<u>43,099,436</u>	<u>42,044,171</u>	<u>-</u>	<u>85,143,607</u>
Capital assets not depreciated:				
Land	4,070,310	-	-	4,070,310
Construction in progress	<u>28,774,518</u>	<u>2,960,906</u>	<u>(29,967,577)</u>	<u>1,767,847</u>
Total assets not being depreciated	<u>32,844,828</u>	<u>2,960,906</u>	<u>(29,967,577)</u>	<u>5,838,157</u>
Capital assets, net	<u>\$ 75,944,264</u>	<u>45,005,077</u>	<u>(29,967,577)</u>	<u>90,981,764</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

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

General government	\$ 2,009,063
Public works	947,333
Parks, recreation and culture	<u>825,427</u>
Total governmental activities	<u>\$3,781,823</u>

Capital asset activity for business-type activities for the year ended June 30, 2017, is as follow:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Water rights	\$ 2,141,222	-	-	2,141,222
Buildings and improvements	11,766,979	-	-	11,766,979
Machinery and equipment	<u>9,948,244</u>	<u>238,807</u>	-	<u>10,187,051</u>
Total costs of depreciable assets	<u>23,856,445</u>	<u>238,807</u>	-	<u>24,095,252</u>
Less accumulated depreciation:				
Water rights	(1,440,315)	(30,474)	-	(1,470,789)
Buildings and improvements	(4,292,849)	(319,718)	-	(4,612,567)
Machinery and equipment	<u>(8,066,359)</u>	<u>(395,345)</u>	-	<u>(8,461,704)</u>
Total accumulated depreciation	<u>(13,799,523)</u>	<u>(745,537)</u>	-	<u>(14,545,060)</u>
Net depreciable assets	<u>10,056,922</u>	<u>(506,730)</u>	-	<u>9,550,192</u>
Capital assets not depreciated:				
Land	<u>2,755,498</u>	-	-	<u>2,755,498</u>
Total assets not being depreciated	<u>2,755,498</u>	-	-	<u>2,755,498</u>
Capital assets, net	<u>\$ 12,812,420</u>	<u>(506,730)</u>	-	<u>12,305,690</u>

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

Transit	\$584,571
CNG	114,456
Water	<u>46,511</u>
Total business-type activities	<u>\$745,537</u>



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities

Changes in governmental long-term liabilities for the year ended June 30, 2017, were as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>	<u>Due Within One Year</u>
Bonds payable:					
2007 JPFA Revenue Bonds	\$ 44,330,000	-	(3,600,000)	40,730,000	3,735,000
2014 JPFA Revenue Bonds	9,675,000	-	(325,000)	9,350,000	340,000
Premium on bond	<u>1,104,280</u>	<u>-</u>	<u>(60,234)</u>	<u>1,044,046</u>	<u>60,234</u>
Subtotal	55,109,280	-	(3,985,234)	51,124,046	4,135,234
Other long-term liabilities:					
Other Post Employment Benefits	12,579,000	3,802,000	(1,894,000)	14,487,000	-
Compensated absences *	<u>3,521,966</u>	<u>1,776,215</u>	<u>(1,805,089)</u>	<u>3,493,092</u>	<u>395,656</u>
Total long-term liabilities	<u>\$ 71,210,246</u>	<u>5,578,215</u>	<u>(7,684,323)</u>	<u>69,104,138</u>	<u>4,530,890</u>

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

Changes in business-type long-term liabilities for the year ended June 30, 2017, were as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 510,457</u>	<u>224,118</u>	<u>(214,867)</u>	<u>519,708</u>	<u>73,924</u>

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2017, were as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>	<u>Due Within One Year</u>
Bonds payable:					
2007 JPFA Revenue Bonds	\$ 44,330,000	-	(3,600,000)	40,730,000	3,735,000
2014 JPFA Revenue Bonds	9,675,000	-	(325,000)	9,350,000	340,000
Premium on bond	<u>1,104,280</u>	<u>-</u>	<u>(60,234)</u>	<u>1,044,046</u>	<u>60,234</u>
Subtotal	55,109,280	-	(3,985,234)	51,124,046	4,135,234
Other long-term liabilities:					
Other Post Employment Benefits	12,579,000	3,802,000	(1,894,000)	14,487,000	-
Compensated absences *	<u>3,521,966</u>	<u>1,776,215</u>	<u>(1,805,089)</u>	<u>3,493,092</u>	<u>395,656</u>
Total long-term liabilities	<u>\$ 71,210,246</u>	<u>5,578,215</u>	<u>(7,684,323)</u>	<u>69,104,138</u>	<u>4,530,890</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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, 2017 is \$305,000.

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

Fiscal Year	Principal	Interest	Total
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 35,000	18,375	53,375
2019	40,000	15,975	55,975
2020	40,000	13,425	53,425
2021	40,000	10,875	50,875
2022	45,000	8,175	53,175
2023-2024	<u>105,000</u>	<u>6,900</u>	<u>111,900</u>
	<u>\$ 305,000</u>	<u>73,725</u>	<u>378,725</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 were used finance various capital projects, including the library renovation. 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 \$4,173,959. As of June 30, 2017, the reserve amount is \$4,533,450. The amount outstanding at June 30, 2017, is \$40,730,000.

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, 2017, the amount outstanding was \$38,785,000.

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

Fiscal Year	Principal	Interest	Total
<u>Ending</u>			
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	4,190,000	1,205,819	5,395,819
2022	3,910,000	1,041,375	4,951,375
2023-2027	15,705,000	3,137,528	18,842,528
2028	<u>5,915,000</u>	<u>133,088</u>	<u>6,048,088</u>
	<u>\$ 40,730,000</u>	<u>10,028,798</u>	<u>50,758,798</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

2007 JPFA Revenue Bonds and 2007 Tax Allocation Bonds, (Continued)

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

Fiscal Year			
Ending	Principal	Interest	Total
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	3,945,000	1,458,328	5,403,328
2022	3,715,000	675,512	4,390,512
2023-2027	15,180,000	4,301,952	19,481,952
2028	<u>5,940,000</u>	<u>161,568</u>	<u>6,101,568</u>
	<u>\$ 38,785,000</u>	<u>12,096,248</u>	<u>50,881,248</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. The amount outstanding at June 30, 2017, is \$9,350,000.

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

Fiscal Year			
Ending	Principal	Interest	Total
2018	\$ 340,000	445,413	785,413
2019	355,000	429,738	784,738
2020	370,000	411,613	781,613
2021	390,000	392,613	782,613
2022	410,000	372,613	782,613
2023-2027	2,360,000	1,528,563	3,888,563
2028-2032	2,975,000	909,979	3,884,979
2033-2035	<u>2,150,000</u>	<u>165,000</u>	<u>2,315,000</u>
	<u>\$ 9,350,000</u>	<u>4,655,532</u>	<u>14,005,532</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

2016 Tax Allocation Bonds

In March 2016, the Successor Agency to the Commerce Community Development Commission issued \$41,625,000 in Tax Allocation Refunding Bonds. The bonds were issued for the purpose of refunding certain obligations of the former Commerce Community Development Commission's 2003 Series A-1 Tax Allocation Bonds, 2003 Series A-H Tax Allocation Bonds, 2003 Series A-E Tax Allocation Bonds, and the Series 1998A 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 \$585,557. This amount is being amortized over the remaining life of either the old or new the debt, whichever has a shorter life. Interest on the bonds accrues at rates between 3.0% and 5.0% and are payable on February 1 and August 1. Bonds mature in various amounts ranging from \$755,000 to \$6,960,000 through 2035. At June 30, 2017, the amount outstanding was \$39,100,000.

Future principal and interest payments on the 2016 Tax Allocation Bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2018	\$ 1,820,000	1,257,213	3,077,213
2019	1,855,000	1,220,463	3,075,463
2020	1,890,000	1,183,013	3,073,013
2021	1,930,000	1,142,400	3,072,400
2022	2,370,000	1,091,063	3,461,063
2023-2027	14,390,000	3,386,609	17,776,609
2028-2032	9,755,000	2,121,861	11,876,861
2033-2036	<u>5,090,000</u>	<u>317,678</u>	<u>5,407,678</u>
	<u>\$ 39,100,000</u>	<u>11,720,300</u>	<u>50,820,300</u>

Successor Agency Advances from City

<u>Advances to Successor Agency</u>	<u>Advances from City</u>	<u>Amount</u>
General Fund	Successor Agency Private Purpose Trust Fund	\$ 9,191,900 (a)
Water Fund	Successor Agency Private Purpose Trust Fund	<u>1,643,585 (b)</u>
		<u>\$ 10,835,485</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

- (a) As of June 30, 2017, the amount due to the General Fund from the Successor Agency was \$9,191,900. 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, 2017, the amount due to the Water Enterprise Fund from the Successor Agency was \$1,643,585. The advance was entered into on April 16, 2002 with six month maturity. The advance has been extended each year thereafter, with an original interest rate of 6.5% per annum.

The advances from the Successor Agency to the City have been approved by the California State Department of Finance. The City of Commerce believes the principal amounts to be payable in full. However, after the dissolution of the Redevelopment Agency on January 31, 2013, no interest is being accrued or paid on the advances. Management believes the Successor Agency will eventually have the funds to repay the advances.

(6) Interfund Receivables and Payables

<u>Due to other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	General City Capital	
	Projects Fund	\$ 20,997,811 (b)
	Other Governmental Funds	95,193 (a)
	Transit Fund	1,783,413 (a)
	Water Fund	4,628,411 (b)
	Cable Fund	73,198 (a)
		<hr/>
		\$ 27,578,026
		<hr/> <hr/>

Current interfund receivables and payables balances at June 30, 2017, are as follows:

- (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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(7) Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	State Gas Tax	\$ 341,158 (a)
	Measure AA	359,908 (b)
	AQMD Rideshare	17,039 (c)
	Local Law Enforcement Block Grant	37,054 (d)
	Internal Service Fund	<u>137,741 (e)</u>
		892,900
Transit	Prop A Local Tax	1,425,000 (f)
Community Center	General Fund	783,424 (g)
Cable Television	General Fund	237,472 (h)
Successor Agency - RPTTF	Successor Agency Trust Fund	<u>9,151,999 (i)</u>
	Total	<u>\$ 12,490,795</u>

Interfund transfers were as follows for the year ended June 30, 2017:

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

- (a) \$341,158 was transferred from State Gas Tax to the General Fund to provide funding for eligible street and alley maintenance repairs.
- (b) \$359,908 was transferred from Measure AA to the General Fund for administrative costs relating to ongoing projects.
- (c) \$17,039 was transferred from AQMD to the General Fund to provide funding to eligible rideshare costs.
- (d) \$37,054 was transferred from Local Law Enforcement Block Grant to the General Fund to eliminate excess cash balance at year end.
- (e) \$137,741 was transferred from Internal Service Fund to the General Fund to eliminate excess cash balance at year end.
- (f) \$1,425,000 was transferred from the Prop A Local Tax Fund to the Transit Fund for ongoing transportation services.
- (g) \$783,424 was transferred from the General Fund to the Community Center Debt Service Fund to cover debt service payments.
- (h) \$237,472 was transferred from the General Fund to the Cable Fund to subsidize cable operations.
- (i) \$9,151,999 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(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, 2017, are summarized as follows:

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

Employees Covered

As of June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	195
Active employees	154
Total	<u>349</u>



CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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. 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.

Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the measurement period ending June 30, 2016 (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
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

Change of Assumptions

There were no changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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. The target allocation was adopted by the Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(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

Subsequent Events

The discount rate used to measure the total pension liability will be reduced from 7.65 percent for the fiscal year ended June 30, 2017 to 7.15 percent for the fiscal year ending June 30, 2018.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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: 6/30/2015 (VD)	\$94,973,301	\$75,218,297	\$19,755,004
Changes Recognized for the Measurement Period:			
Service Cost	1,662,850		1,662,850
Interest on the Total Pension Liability	7,177,076		7,177,076
Changes of Benefit Terms	0		0
Differences between Expected and Actual Experience	512,205		512,205
Changes of Assumptions	0		0
Contributions from the Employer		1,895,010	(1,895,010)
Contributions from Employees		788,933	(788,933)
Investment Income		364,679	(364,679)
Administrative Expense		(45,842)	45,842
Benefit Payments, including Refunds of Employee Contributions	(4,997,904)	(4,997,904)	0
Net Changes during 2015-16	\$4,354,227	\$(1,995,124)	\$(6,349,351)
Balance at: 6/30/2016 (MD)	\$99,327,528	\$73,223,173	\$26,104,355

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<b>Discount Rate – 1% (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>Discount Rate + 1% (8.65%)</b>
Plan's Net Pension Liability – Misc.	\$ 39,009,538	\$ 26,104,355	\$ 15,404,198

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.

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, 2016 (the measurement date), the City of Commerce recognized a pension expense of \$3,808,416 for the Plan.

As of the June 30, 2016 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	\$2,135,197	-
Differences between Expected and Actual Experience	898,366	-
Changes of Assumptions	-	(804,047)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,014,500	-
<b>Total</b>	<b>\$7,048,063</b>	<b>(804,047)</b>

\$2,135,197 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, 2018. 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
2017	\$ 524,420
2018	539,503
2019	1,986,756
2020	1,058,140
Thereafter	-

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, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	151
Active plan members	<u>157</u>
Total	<u>308</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 2016-17, the City contributed \$1,894,000 for current premiums and \$500,000 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	\$ 3,848,000
Interest on net OPEB obligation	549,000
Adjustments to annual required contributions	<u>(595,000)</u>
Annual OPEB cost (expense)	3,802,000
Contributions made (including premiums paid)	<u>(1,894,000)</u>
Increase in net OPEB obligation	1,908,000
Net OPEB obligation-beginning of year	<u>12,579,000</u>
Net OPEB obligation-end of year	<u>\$ 14,487,000</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, 2017, 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>
6/30/15	\$ 3,926,000	96%	11,036,000
6/30/16	3,875,000	60%	12,579,000
6/30/17	3,802,000	50%	14,487,000

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 4.36 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 2017, then increased from 4.38% to 4.54% in 9 years, and stays at 4.84% thereafter. The City is using a 2.75% payroll inflation rate. The UAAL is being amortized as a level percentage of projected payroll over a 26 year fresh start period. The remaining amortization period at June 30, 2017, was 25 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)
6/30/12	-	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%
6/30/16	-	43,823,000	43,823,000	0%	11,871,000	369.2%

(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 a joint purchase excess Worker's Compensation Program through the Municipal Insurance Cooperative (MIC) above its \$250,000 retention. Each member is responsible for their own premium in the layer from the member's SIR to \$1,000,000, based on the carrier's rating model. The cost of the layer excess \$1,000,000 is allocated to members based on the member's estimated payroll and the policy rate. Both policies are auditable based on actual payroll after the policy year concludes. 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.

*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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

*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. Effective July 1, 2016 the City withdrew from the California Joint Powers Insurance Authority Workers' Compensation Programs and joined Municipal Insurance Cooperative Joint Powers Authority (MICPA).

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

	<u>CREA</u>	<u>Commerce's 50% Equity</u>
Net position at June 30, 2016	\$29,130,613	14,565,307
Increase in equity for the year ended June 30, 2017	<u>(2,178,538)</u>	<u>(1,089,269)</u>
Net position at June 30, 2017	<u>\$26,952,075</u>	<u>\$13,476,038</u>

(12) Contingencies

(a) Litigation

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.

(b) Tax Abatement

The City enters into various tax abatement agreements for the purpose of attracting or retaining businesses within the City's jurisdiction. The Successor Agency has also entered into various tax abatement agreements that was also for the purpose of attracting or retaining businesses within the jurisdiction of the former Redevelopment Agency of the City of Commerce.

The City has an agreement with a transportation/logistics company to pay that company a percentage of all sales tax revenue generated in excess of \$40,000,000. During the fiscal year the City abated sales tax revenue of approximately \$915,000 to that fuel distributor.

The Successor Agency has an agreement with a retailer to repay the retailer a loan based on sales tax and property tax revenue generated. During the fiscal year the City repaid approximately \$148,500 to that retailer based on sales and property tax revenue generated.

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(13) Deferred Compensation Plan, (Continued)

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

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

(14) Fund Deficits

As of June 30, 2017, deficits were reported in the following funds:

Water	\$ (1,462,769)
Central Garage	(344,245)
Successor Agency Trust Fund	(28,394,479)
Capital Projects Fund	(18,918,434)
CDBG	(18,503)

Central Garage deficit will be eliminated through transfers in the next fiscal year.

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.

The Capital Projects Fund deficit will be eliminated when current project expenditures do not exceed intergovernmental revenues.

The CDBG Fund will be eliminated through future intergovernmental revenues.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMMERCE  
Required Supplementary Information  
Last Ten Fiscal Years \*

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

Measurement Period	2015-16	2014-15	2013-14
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 1,662,850	1,550,187	1,460,709
Interest	7,177,076	6,869,505	6,545,470
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	512,205	1,062,228	-
Changes of Assumptions	-	(1,650,414)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(4,997,904)</u>	<u>(4,937,517)</u>	<u>(4,938,877)</u>
Net Change in Total Pension Liability	4,354,227	2,893,989	3,067,302
Total Pension Liability – Beginning	<u>94,973,301</u>	<u>92,079,312</u>	<u>89,012,010</u>
Total Pension Liability – Ending (a)	<u>\$ 99,327,528</u>	<u>94,973,301</u>	<u>92,079,312</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions – Employer	\$ 1,895,010	1,515,782	1,435,188
Contributions – Employee	788,933	720,100	694,273
Investment Income	364,679	1,670,372	11,658,199
Administrative Expense	(45,842)	(84,670)	(83,334)
Benefit Payments, Including Refunds of Employee Contributions	(4,997,904)	(4,937,517)	(4,938,877)
Other Changes in Net Fiduciary Position	-	-	-
Net Change in Fiduciary Net Position	<u>(1,995,124)</u>	<u>(1,115,933)</u>	<u>8,765,449</u>
Plan Fiduciary Net Position – Beginning	<u>75,218,297</u>	<u>76,334,230</u>	<u>67,568,781</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 73,223,173</u>	<u>75,218,297</u>	<u>76,334,230</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 26,104,355</u>	<u>19,755,004</u>	<u>15,745,082</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.72%	79.20%	82.90%
Covered Payroll	\$ 9,961,216	10,161,824	9,389,402
Plan Net Pension Liability as a Percentage of Covered Payroll	262.06%	194.40%	167.69%

*Notes to Schedule:*

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

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5% discount rate.

\* Fiscal year 2014-15 was the first year of GASB 68 implementation, therefore only three years are shown.

CITY OF COMMERCE  
 Required Supplementary Information  
 Last Ten Fiscal Years \*

*Schedule of Plan Contributions*

	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$2,135,197	1,677,005	1,515,782	1,435,188
Contributions in Relation to the Actuarially Determined Contribution	(2,135,197)	(1,667,005)	(1,515,782)	(1,435,188)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered Payroll	\$10,861,205	9,961,216	10,161,824	9,389,402
Contributions as a Percentage of Covered Payroll	19.66%	16.73%	14.92%	15.29%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2014 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2014 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 four years are shown.



CITY OF COMMERCE  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
Year ended June 30, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes	28,014,000	28,014,000	27,521,584	(492,416)
Casino license tax	23,350,000	23,350,000	25,780,700	2,430,700
Licenses and permits	2,661,250	2,661,250	2,593,315	(67,935)
Intergovernmental	809,500	809,500	973,859	164,359
Fines and forfeitures	1,452,405	1,452,405	1,571,605	119,200
Investment income	125,000	125,000	102,271	(22,729)
Activity fees	487,754	487,754	433,274	(54,480)
Charges for services	60,750	60,750	331,457	270,707
Rental and lease income	15,860	15,860	49,120	33,260
Miscellaneous	1,186,169	1,186,169	973,512	(212,657)
Total revenues	<u>58,162,688</u>	<u>58,162,688</u>	<u>60,330,697</u>	<u>2,168,009</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	17,092,502	17,092,502	16,416,508	675,994
Community development	3,287,184	3,287,184	2,889,235	397,949
Public safety	19,386,832	19,386,832	19,809,951	(423,119)
Public works	6,171,819	6,171,819	5,787,023	384,796
Library	3,803,223	3,803,223	3,764,624	38,599
Parks, recreation and culture	10,007,218	10,007,218	10,613,121	(605,903)
Total expenditures	<u>59,748,778</u>	<u>59,748,778</u>	<u>59,280,462</u>	<u>468,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,586,090)</u>	<u>(1,586,090)</u>	<u>1,050,235</u>	<u>2,636,325</u>
<b>Other financing sources (uses):</b>				
Transfers in	875,750	875,750	892,900	17,150
Transfers out	(1,789,646)	(1,789,646)	(1,020,896)	768,750
Total other financing sources (uses)	<u>(913,896)</u>	<u>(913,896)</u>	<u>(127,996)</u>	<u>785,900</u>
Net change in fund balance	<u>(2,499,986)</u>	<u>(2,499,986)</u>	<u>922,239</u>	<u>3,422,225</u>
Fund balance at beginning of year	<u>63,875,243</u>	<u>63,875,243</u>	<u>63,875,243</u>	<u>-</u>
Fund balance at end of year	<u>\$ 61,375,257</u>	<u>61,375,257</u>	<u>64,797,482</u>	<u>3,422,225</u>

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2017

(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.

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SUPPLEMENTARY SCHEDULES

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CITY OF COMMERCE  
Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2017

	<u>Special Revenue Funds</u>	<u>Community Center Debt Service Fund</u>	<u>Totals</u>
<b>Assets</b>			
Cash and investments	\$ 260,423	-	260,423
Cash and investments with fiscal agent	-	684	684
Accounts receivable	4,261	-	4,261
Due from other governments	90,342	-	90,342
Loans receivable	445,919	-	445,919
Property held for resale	<u>1,053,000</u>	<u>-</u>	<u>1,053,000</u>
Total assets	<u>\$ 1,853,945</u>	<u>684</u>	<u>1,854,629</u>
<b>Liabilities, Deferred Inflows of Resources and</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 12,032	-	12,032
Accrued salaries and benefits	299	-	299
Due to other funds	<u>95,193</u>	<u>-</u>	<u>95,193</u>
Total liabilities	<u>107,524</u>	<u>-</u>	<u>107,524</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue	<u>483,412</u>	<u>-</u>	<u>483,412</u>
Total deferred inflows of resources	<u>483,412</u>	<u>-</u>	<u>483,412</u>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Community Development	58,190	-	58,190
Housing	1,168,144	-	1,168,144
Law enforcement	55,132	-	55,132
Transportation	46	-	46
Unassigned	<u>(18,503)</u>	<u>684</u>	<u>(17,819)</u>
Total fund balances	<u>1,263,009</u>	<u>684</u>	<u>1,263,693</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,853,945</u>	<u>684</u>	<u>1,854,629</u>

CITY OF COMMERCE

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2017

	Special Revenue Funds	Community Center Debt Service Fund	Totals
<b>Revenues:</b>			
Intergovernmental	1,913,554	-	1,913,554
Investment income	29,226	71	29,297
Licenses and Permits	58,190	-	58,190
Miscellaneous	89,950	-	89,950
Total revenues	<u>2,090,920</u>	<u>71</u>	<u>2,090,991</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Community development	109,431	-	109,431
Public safety	200,834	-	200,834
<b>Debt service:</b>			
Principal payments	-	325,000	325,000
Interest and fiscal charges	-	457,837	457,837
Total expenditures	<u>310,265</u>	<u>782,837</u>	<u>1,093,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,780,655</u>	<u>(782,766)</u>	<u>997,889</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	783,424	783,424
Transfers out	<u>(1,820,252)</u>	<u>-</u>	<u>(1,820,252)</u>
Total other financing sources (uses)	<u>(1,820,252)</u>	<u>783,424</u>	<u>(1,036,828)</u>
Net change in fund balances	(39,597)	658	(38,939)
Fund balances beginning of year	<u>1,302,606</u>	<u>26</u>	<u>1,302,632</u>
Fund balances at end of year	<u>\$ 1,263,009</u>	<u>684</u>	<u>1,263,693</u>

## 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.

Asset Forfeiture Fund - To account for the City's funds received through its Asset Forfeiture Program.

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.

Art in Public Places - To account for the revenues and expenditures designated for public art projects throughout the City.

## 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 Special Revenue Funds  
Combining Balance Sheet  
June 30, 2017

	Supplemental Law Enforcement	Asset Forfeiture	Local Law Enforcement Block Grant	Proposition A Local Return Tax
Assets:				
Cash and investments	\$ 58,325	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	-	-	-	-
Property held for resale	-	-	-	-
	-	-	-	-
Total assets	\$ 58,325	-	-	-
Liabilities, Deferred Inflows of Resources				
Liabilities:				
Accounts payable	3,193	-	-	-
Accrued salaries and benefits	-	-	-	-
Due to other funds	-	-	-	-
	-	-	-	-
Total liabilities	3,193	-	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Community development	-	-	-	-
Housing	-	-	-	-
Law enforcement	55,132	-	-	-
Transportation	-	-	-	-
Unassigned	-	-	-	-
	-	-	-	-
Total fund balances	55,132	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 58,325	-	-	-

State Gas Tax	CDBG	Air Quality Management District	Housing	Art in Public Places	Totals
-	-	-	143,908	58,190	260,423
-	-	4,261	-	-	4,261
-	90,342	-	-	-	90,342
-	7,320	-	438,599	-	445,919
-	-	-	1,053,000	-	1,053,000
-	97,662	4,261	1,635,507	58,190	1,853,945
-	7,694	-	1,145	-	12,032
-	299	-	-	-	299
-	90,978	4,215	-	-	95,193
-	98,971	4,215	1,145	-	107,524
-	17,194	-	466,218	-	483,412
-	17,194	-	466,218	-	483,412
-	-	-	-	58,190	58,190
-	-	-	1,168,144	-	1,168,144
-	-	-	-	-	55,132
-	-	46	-	-	46
-	(18,503)	-	-	-	(18,503)
-	(18,503)	46	1,168,144	58,190	1,263,009
-	97,662	4,261	1,635,507	58,190	1,853,945

CITY OF COMMERCE  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2017

	Supplemental Law Enforcement	Asset Forfeiture	Local Law Enforcement Block Grant	Proposition A Local Return Tax
Revenues:				
Intergovernmental	\$ 129,324	-	-	1,425,000
Investment income	989	-	-	-
Licenses and Permits	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>130,313</u>	<u>-</u>	<u>-</u>	<u>1,425,000</u>
Expenditures:				
Current:				
Community development	-	-	-	-
Public safety	<u>127,470</u>	<u>54,408</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>127,470</u>	<u>54,408</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,843</u>	<u>(54,408)</u>	<u>-</u>	<u>1,425,000</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(37,055)</u>	<u>(1,425,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(37,055)</u>	<u>(1,425,000)</u>
Net change in fund balances	2,843	(54,408)	(37,055)	-
Fund balances (deficit) at beginning of year	<u>52,289</u>	<u>54,408</u>	<u>37,055</u>	<u>-</u>
Fund balances at end of year	<u>\$ 55,132</u>	<u>-</u>	<u>-</u>	<u>-</u>

State Gas Tax	CDBG	Air Quality Management District	Housing	Art In Public Places	Totals
253,130	89,268	16,832	-	-	1,913,554
1,737	145	-	26,355	-	29,226
-	-	-	-	58,190	58,190
-	-	-	89,950	-	89,950
<u>254,867</u>	<u>89,413</u>	<u>16,832</u>	<u>116,305</u>	<u>58,190</u>	<u>2,090,920</u>
-	101,738	-	7,693	-	109,431
-	18,956	-	-	-	200,834
-	120,694	-	7,693	-	310,265
<u>254,867</u>	<u>(31,281)</u>	<u>16,832</u>	<u>108,612</u>	<u>58,190</u>	<u>1,780,655</u>
<u>(341,158)</u>	<u>-</u>	<u>(17,039)</u>	<u>-</u>	<u>-</u>	<u>(1,820,252)</u>
<u>(341,158)</u>	<u>-</u>	<u>(17,039)</u>	<u>-</u>	<u>-</u>	<u>(1,820,252)</u>
(86,291)	(31,281)	(207)	108,612	58,190	(39,597)
<u>86,291</u>	<u>12,778</u>	<u>253</u>	<u>1,059,532</u>	<u>-</u>	<u>1,302,606</u>
<u>-</u>	<u>(18,503)</u>	<u>46</u>	<u>1,168,144</u>	<u>58,190</u>	<u>1,263,009</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	100,000	129,324	29,324
Investment income	<u>-</u>	<u>989</u>	<u>989</u>
Total revenues	<u>100,000</u>	<u>130,313</u>	<u>30,313</u>
Expenditures:			
Current:			
Public safety	<u>105,000</u>	<u>127,470</u>	<u>(22,470)</u>
Total expenditures	<u>105,000</u>	<u>127,470</u>	<u>(22,470)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000)</u>	<u>2,843</u>	<u>7,843</u>
Net change in fund balances	(5,000)	2,843	7,843
Fund balance at beginning of year	<u>52,289</u>	<u>52,289</u>	<u>-</u>
Fund balance at end of year	<u>\$ 47,289</u>	<u>55,132</u>	<u>7,843</u>

CITY OF COMMERCE  
Special Revenue Funds  
Asset Forfeiture Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
Year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Public safety	\$ <u>54,408</u>	<u>54,408</u>	<u>-</u>
Total expenditures	<u>54,408</u>	<u>54,408</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,408)</u>	<u>(54,408)</u>	<u>-</u>
Other financing sources (uses):			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(54,408)	(54,408)	-
Fund balance at beginning of year	<u>54,408</u>	<u>54,408</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>-</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:			
Current:			
Public safety	\$ 10,109	-	10,109
Total expenditures	<u>10,109</u>	<u>-</u>	<u>10,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,109)</u>	<u>-</u>	<u>10,109</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(37,055)</u>	<u>(37,055)</u>
Total other financing sources (uses)	<u>-</u>	<u>(37,055)</u>	<u>(37,055)</u>
Net change in fund balances	(10,109)	(37,055)	(26,946)
Fund balance at beginning of year	<u>37,055</u>	<u>37,055</u>	<u>-</u>
Fund balance at end of year	<u>\$ 26,946</u>	<u>-</u>	<u>(26,946)</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,300,000	1,425,000	125,000
Total revenues	<u>1,300,000</u>	<u>1,425,000</u>	<u>125,000</u>
Other financing sources (uses):			
Transfers out	<u>(1,300,000)</u>	<u>(1,425,000)</u>	<u>(125,000)</u>
Total other financing sources (uses)	<u>(1,300,000)</u>	<u>(1,425,000)</u>	<u>(125,000)</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>-</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, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 225,250	253,130	27,880
Investment income	-	1,737	1,737
Total revenues	225,250	254,867	29,617
Expenditures:			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	225,250	254,867	29,617
Other financing sources (uses):			
Transfers out	(350,000)	(341,158)	8,842
Total other financing sources (uses)	(350,000)	(341,158)	8,842
Net change in fund balances	(124,750)	(86,291)	38,459
Fund balance at beginning of year	86,291	86,291	-
Fund balance at end of year	\$ (38,459)	-	38,459

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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 120,203	89,268	(30,935)
Investment income	<u>-</u>	<u>145</u>	<u>145</u>
Total revenues	<u>120,203</u>	<u>89,413</u>	<u>(30,790)</u>
Expenditures:			
Current:			
Community development	105,000	101,738	3,262
Public safety	<u>13,395</u>	<u>18,956</u>	<u>(5,561)</u>
Total expenditures	<u>118,395</u>	<u>120,694</u>	<u>(2,299)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,808</u>	<u>(31,281)</u>	<u>(33,089)</u>
Net change in fund balances	1,808	(31,281)	(33,089)
Fund balance at beginning of year	<u>12,778</u>	<u>12,778</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 14,586</u>	<u>(18,503)</u>	<u>(33,089)</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 16,000	16,832	832
Total revenues	<u>16,000</u>	<u>16,832</u>	<u>832</u>
Other financing sources (uses):			
Transfers out	<u>(16,000)</u>	<u>(17,039)</u>	<u>(1,039)</u>
Total other financing sources (uses)	<u>(16,000)</u>	<u>(17,039)</u>	<u>(1,039)</u>
Net change in fund balances	-	(207)	(207)
Fund balance at beginning of year	<u>253</u>	<u>253</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 253</u>	<u>46</u>	<u>(207)</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	26,355	26,355
Miscellaneous	<u>-</u>	<u>89,950</u>	<u>89,950</u>
Total revenues	<u>-</u>	<u>116,305</u>	<u>116,305</u>
Expenditures:			
Current:			
Community development	<u>35,000</u>	<u>7,693</u>	<u>27,307</u>
Total expenditures	<u>35,000</u>	<u>7,693</u>	<u>27,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,000)</u>	<u>108,612</u>	<u>143,612</u>
Net change in fund balances	(35,000)	108,612	143,612
Fund balance at beginning of year	<u>1,059,532</u>	<u>1,059,532</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 1,024,532</u></u>	<u><u>1,168,144</u></u>	<u><u>143,612</u></u>

CITY OF COMMERCE  
Non-Major Special Revenue Funds

Art In Public Places

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

Year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses and Permits	\$ -	58,190	58,190
Total revenues	<u>-</u>	<u>58,190</u>	<u>58,190</u>
Expenditures:			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>58,190</u>	<u>58,190</u>
Net change in fund balances	-	58,190	58,190
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>58,190</u></u>	<u><u>58,190</u></u>

CITY OF COMMERCE  
Debt Service Fund

Community Center Debt Service Fund

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

Year ended June 30, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	71	71
Total revenues	-	71	71
Expenditures:			
Debt service:			
Principal payments	315,000	325,000	(10,000)
Interest and fiscal charges	489,812	457,837	31,975
Total expenditures	804,812	782,837	21,975
Excess (deficiency) of revenues over (under) expenditures	(804,812)	(782,766)	22,046
Other financing sources (uses):			
Transfers in	804,812	783,424	(21,388)
Total other financing sources (uses)	804,812	783,424	(21,388)
Net change in fund balances	-	658	658
Fund balance at beginning of year	26	26	-
Fund balance at end of year	\$ 26	684	658

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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 7,500,000	7,198,163	(301,837)
Investment income	-	112,850	112,850
Miscellaneous	<u>48,872</u>	<u>168,647</u>	<u>119,775</u>
Total revenues	<u>7,548,872</u>	<u>7,479,660</u>	<u>(69,212)</u>
Expenditures			
Current:			
Public works	<u>8,722,873</u>	<u>7,748,007</u>	<u>974,866</u>
Total expenditures	<u>8,722,873</u>	<u>7,748,007</u>	<u>974,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,174,001)</u>	<u>(268,347)</u>	<u>905,654</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(359,908)</u>	<u>(359,908)</u>
Total other financing sources (uses)	<u>-</u>	<u>(359,908)</u>	<u>(359,908)</u>
Net change in fund balances	(1,174,001)	(628,255)	545,746
Fund balance at beginning of year	<u>15,622,958</u>	<u>15,622,958</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,448,957</u>	<u>14,994,703</u>	<u>545,746</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 345,651	12,263,798	11,918,147
Total revenues	<u>345,651</u>	<u>12,263,798</u>	<u>11,918,147</u>
Expenditures:			
Current:			
Public works	<u>7,800,036</u>	<u>7,686,390</u>	<u>113,646</u>
Total expenditures	<u>7,800,036</u>	<u>7,686,390</u>	<u>113,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,454,385)</u>	<u>4,577,408</u>	<u>12,031,793</u>
Net change in fund balances	(7,454,385)	4,577,408	12,031,793
Fund balance (deficit) at beginning of year	<u>(23,495,842)</u>	<u>(23,495,842)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (30,950,227)</u>	<u>(18,918,434)</u>	<u>12,031,793</u>



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## INTERNAL SERVICE FUNDS

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

The City of Commerce has the following Internal Service Funds:

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

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

CITY OF COMMERCE  
Internal Service Funds  
Combining Statement of Net Position  
June 30, 2017

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Assets			
Current assets:			
Cash and investments	\$ 1	-	1
Total current assets	<u>1</u>	<u>-</u>	<u>1</u>
Noncurrent assets:			
Capital assets, net	81,161	-	81,161
Total noncurrent assets	<u>81,161</u>	<u>-</u>	<u>81,161</u>
Total assets	<u>81,162</u>	<u>-</u>	<u>81,162</u>
Deferred Outflow of Resources			
Pension related	<u>133,206</u>	<u>-</u>	<u>133,206</u>
Liabilities			
Current liabilities:			
Accounts payable	31,657	-	31,657
Accrued salaries and benefits	18,396	-	18,396
Total current liabilities	<u>50,053</u>	<u>-</u>	<u>50,053</u>
Noncurrent liabilities:			
Net pension liability	<u>493,364</u>	<u>-</u>	<u>493,364</u>
Total liabilities	<u>543,417</u>	<u>-</u>	<u>543,417</u>
Deferred Inflow of Resources			
Pension related	<u>15,196</u>	<u>-</u>	<u>15,196</u>
Net Position			
Invested in capital assets	81,161	-	81,161
Unrestricted	<u>(425,406)</u>	<u>-</u>	<u>(425,406)</u>
Total net position	<u>\$ (344,245)</u>	<u>-</u>	<u>(344,245)</u>

CITY OF COMMERCE

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2017

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 1,104,872	-	1,104,872
Total operating revenues	<u>1,104,872</u>	<u>-</u>	<u>1,104,872</u>
Operating expenses:			
General and administrative	587,423	-	587,423
Operations	468,787	-	468,787
Depreciation and amortization	<u>16,232</u>	<u>-</u>	<u>16,232</u>
Total operating expenses	<u>1,072,442</u>	<u>-</u>	<u>1,072,442</u>
Operating income (loss)	<u>32,430</u>	<u>-</u>	<u>32,430</u>
Transfers and capital contributions:			
Transfers out	<u>-</u>	<u>(137,741)</u>	<u>(137,741)</u>
Total transfers and capital contributions	<u>-</u>	<u>(137,741)</u>	<u>(137,741)</u>
Changes in net position	32,430	(137,741)	(105,311)
Net position (deficit) at beginning of year	<u>(376,675)</u>	<u>137,741</u>	<u>(238,934)</u>
Net position (deficit) at end of year	<u>\$ (344,245)</u>	<u>-</u>	<u>(344,245)</u>

CITY OF COMMERCE  
Internal Service Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2017

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from user departments	\$ 1,104,872	-	1,104,872
Cash payments to suppliers for goods and services	(639,126)	-	(639,126)
Cash payments to employees	<u>(465,745)</u>	<u>-</u>	<u>(465,745)</u>
Net cash provided by (used for) operating activities	<u>1</u>	<u>-</u>	<u>1</u>
Cash flows from noncapital financing activities:			
Cash paid to other funds	<u>-</u>	<u>(137,741)</u>	<u>(137,741)</u>
Net cash provided by (used for) capital and related activities	<u>-</u>	<u>(137,741)</u>	<u>(137,741)</u>
Net increase (decrease) in cash and cash equivalents	1	(137,741)	(137,740)
Cash and cash equivalents at beginning of year	<u>-</u>	<u>137,741</u>	<u>137,741</u>
Cash and cash equivalents at end of year	<u>\$ 1</u>	<u>-</u>	<u>1</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 32,430	-	32,430
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	16,232	-	16,232
Adjustments:			
(Increase) decrease in deferred outflows	(92,964)	-	(92,964)
Increase (decrease) in accounts payable	(146,551)	-	(146,551)
Increase (decrease) in accrued liabilities	3,190	-	3,190
Increase (decrease) in net pension liability	202,965	-	202,965
Increase (decrease) in deferred inflows	<u>(15,301)</u>	<u>-</u>	<u>(15,301)</u>
Net cash provided by (used for) operating activities	<u>\$ 1</u>	<u>-</u>	<u>1</u>

## 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, 2017

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
<b>Assets</b>				
Cash and investments	\$ <u>826,950</u>	<u>340,443</u>	<u>857,216</u>	<u>310,177</u>
Total assets	<u>826,950</u>	<u>340,443</u>	<u>857,216</u>	<u>310,177</u>
<b>Liabilities</b>				
Accounts payable	27,208	1,509,440	1,459,396	77,252
Deposits payable	<u>799,742</u>	<u>8,183</u>	<u>575,000</u>	<u>232,925</u>
Total liabilities	<u>826,950</u>	<u>1,517,623</u>	<u>2,034,396</u>	<u>310,177</u>

CITY OF COMMERCE  
Private Purpose Trust Funds  
Combining Statement of Net Position  
June 30, 2017

	Redevelopment Property Tax Trust Fund	Successor Agency Successor Agency Trust Fund	Totals
<u>Assets</u>			
Cash and investments	\$ 18,229,112	-	18,229,112
Cash and investments with fiscal agents	-	4,585,540	4,585,540
Loans receivable	-	17,442	17,442
Property held for resale	-	54,960,302	54,960,302
Total assets	18,229,112	59,563,284	77,792,396
 Deferred Outflow of Resources			
Deferred loss on refunding	-	5,615,765	5,615,765
<u>Liabilities</u>			
Advances from Other Funds	-	10,835,485	10,835,485
Accounts payable	-	1,564,889	1,564,889
Accrued salaries and benefits	-	1,417	1,417
Deposits payable	-	180,000	180,000
Interest payable	-	1,420,298	1,420,298
Long-term liabilities	-	79,498,731	79,498,731
Total liabilities	-	93,500,820	93,500,820
 <u>Net Position</u>			
Held in trust for Successor Agency	\$ 18,229,112	(28,321,771)	(10,092,659)



CITY OF COMMERCE  
Private Purpose Trust Fund  
Combining Statement of Changes in Net Position  
Year ended June 30, 2017

	Successor Agency		Totals
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	
Additions:			
Property tax	\$ 13,023,800	-	13,023,800
Investment income	-	162,341	162,341
Rental income	-	933,687	933,687
Miscellaneous income	-	1,879,259	1,879,259
Transfers in	-	9,151,999	9,151,999
	<u>13,023,800</u>	<u>12,127,286</u>	<u>25,151,086</u>
Total additions	13,023,800	12,127,286	25,151,086
Deductions:			
Administrative expenses	-	335,240	335,240
Maintenance and repair expenses	-	-	-
Professional services	-	120,679	120,679
Interest and fiscal charges	-	3,402,322	3,402,322
Payments under pass-through obligations	-	148,487	148,487
Fiscal charges	-	467,159	467,159
Miscellaneous	-	2,044,431	2,044,431
Transfers out	9,151,999	-	9,151,999
	<u>9,151,999</u>	<u>6,518,318</u>	<u>15,670,317</u>
Total deductions	9,151,999	6,518,318	15,670,317
Changes in net position	3,871,801	5,608,968	9,480,769
Net position held in trust, beginning of year	14,357,311	(33,930,739)	(19,573,428)
Net position held in trust, end of year	<u>\$ 18,229,112</u>	<u>(28,321,771)</u>	<u>(10,092,659)</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 Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ (57,251,831)	(57,521,168)	(67,538,656)	(32,579,229)
Restricted	10,920,863	3,941,343	463,128	27,965,967
Unrestricted	<u>139,147,166</u>	<u>139,073,655</u>	<u>159,586,801</u>	<u>90,467,496</u>
Total governmental activities net position	<u>92,816,198</u>	<u>85,493,830</u>	<u>92,511,273</u>	<u>85,854,234</u>
Business-type activities:				
Invested in capital assets, net of related debt	9,205,642	11,171,521	14,345,897	15,281,149
Restricted	-	-	-	-
Unrestricted	<u>(432,900)</u>	<u>(847,500)</u>	<u>(2,989,115)</u>	<u>(3,331,606)</u>
Total business-type activities net position	<u>8,772,742</u>	<u>10,324,021</u>	<u>11,356,782</u>	<u>11,949,543</u>
Primary government:				
Invested in capital assets, net of related debt	(48,046,189)	(46,349,647)	(53,192,759)	(17,298,080)
Restricted	10,920,863	3,941,343	463,128	27,965,967
Unrestricted	<u>138,714,266</u>	<u>138,226,155</u>	<u>156,597,686</u>	<u>87,135,890</u>
Total primary government net position	<u>\$ 101,588,940</u>	<u>95,817,851</u>	<u>103,868,055</u>	<u>97,803,777</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
41,949,565	29,678,249	35,963,254	45,509,674	69,045,438	84,719,037
2,862,221	6,852,897	4,189,145	(8,770,483)	1,695,259	1,706,688
<u>32,518,513</u>	<u>44,875,673</u>	<u>49,067,403</u>	<u>54,250,682</u>	<u>44,026,277</u>	<u>42,451,641</u>
<u>77,330,299</u>	<u>81,406,819</u>	<u>89,219,802</u>	<u>90,989,873</u>	<u>114,766,974</u>	<u>128,877,366</u>
9,132,834	15,050,922	14,033,290	13,415,492	12,812,420	12,305,690
-	-	-	-	-	-
<u>(3,475,824)</u>	<u>(4,154,394)</u>	<u>(4,437,236)</u>	<u>(7,071,258)</u>	<u>(6,730,545)</u>	<u>(6,948,259)</u>
<u>5,657,010</u>	<u>10,896,528</u>	<u>9,596,054</u>	<u>6,344,234</u>	<u>6,081,875</u>	<u>5,357,431</u>
51,082,399	44,729,171	49,996,544	58,925,166	81,857,858	97,024,727
2,862,221	6,852,897	4,189,145	(8,770,483)	1,695,259	1,706,688
<u>29,042,689</u>	<u>40,721,279</u>	<u>44,630,167</u>	<u>47,179,424</u>	<u>37,295,732</u>	<u>35,503,382</u>
<u>82,987,309</u>	<u>92,303,347</u>	<u>98,815,856</u>	<u>97,334,107</u>	<u>120,848,849</u>	<u>134,234,797</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses:				
Governmental activities:				
General government	\$ 15,824,307	21,404,492	16,399,307	17,651,539
Public safety	14,671,657	16,197,845	16,357,834	16,205,717
Public works	3,197,631	4,900,387	7,285,450	5,867,584
Community development	7,028,967	3,257,937	21,050,782	11,021,254
Parks and Recreation	10,633,778	10,949,754	10,516,653	8,152,321
Library	3,220,489	3,216,089	2,472,071	3,970,137
Interest on long-term debt	9,684,698	9,996,589	9,813,078	7,510,228
Total governmental activities expenses	<u>64,261,527</u>	<u>69,923,093</u>	<u>83,895,175</u>	<u>70,378,780</u>
Business-type activities:				
Transit	3,682,946	3,267,752	3,835,053	3,678,189
CNG	-	-	-	-
Water	402,063	444,737	632,118	345,153
Cable Television	340,497	346,045	260,442	273,826
Total business-type activities expenses	<u>4,425,506</u>	<u>4,058,534</u>	<u>4,727,613</u>	<u>4,297,168</u>
Total primary government expenses	<u>68,687,033</u>	<u>73,981,627</u>	<u>88,622,788</u>	<u>74,675,948</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	862,446	845,966	-	-
Public safety	161,491	233,659	1,232,769	1,285,140
Public works	-	-	3,152,579	2,515,767
Community development	2,204,296	2,034,696	6,058,596	920,610
Library	61,536	23,943	25,410	30,567
Parks and recreation	486,158	483,122	521,232	621,815
Operating grants and contributions	4,847,995	3,813,612	2,376,672	2,296,474
Capital grants and contributions	400,000	150,923	502,044	607,842
Total governmental activities program revenues	<u>9,023,922</u>	<u>7,585,921</u>	<u>13,869,302</u>	<u>8,278,215</u>
Business-type activities:				
Charges for services:				
Transit	-	-	-	-
CNG	-	-	-	-
Water	-	-	-	-
Cable Television	43,408	31,972	41,302	37,850
Operating grants and contributions	1,057,156	3,423,936	4,051,566	3,018,306
Total business-type activities program revenues	<u>1,100,564</u>	<u>3,455,908</u>	<u>4,092,868</u>	<u>3,056,156</u>
Total primary government program revenues	<u>10,124,486</u>	<u>11,041,829</u>	<u>17,962,170</u>	<u>11,334,371</u>
Net revenues (expenses):				
Governmental activities	(55,237,605)	(62,337,172)	(70,025,873)	(62,100,565)
Business-type activities	(3,324,942)	(602,626)	(634,745)	(1,241,012)
Total net revenues (expenses)	<u>(58,562,547)</u>	<u>(62,939,798)</u>	<u>(70,660,618)</u>	<u>(63,341,577)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
18,362,277	16,664,200	18,216,730	18,681,419	16,097,044	17,143,378
15,583,635	16,494,702	17,466,237	17,825,986	18,994,377	20,528,705
6,464,741	6,953,510	6,902,561	9,574,171	10,080,047	7,753,735
2,269,890	2,205,819	2,084,600	2,582,041	4,550,938	3,111,106
8,808,268	9,122,504	9,743,642	9,298,527	9,917,064	11,936,131
3,001,247	2,799,278	1,361,478	1,201,234	3,210,975	3,774,862
10,055,429	5,554,206	4,847,305	5,393,909	4,196,186	1,870,823
<u>64,545,487</u>	<u>59,794,219</u>	<u>60,622,553</u>	<u>64,557,287</u>	<u>67,046,631</u>	<u>66,118,740</u>
4,417,649	5,571,290	4,724,375	4,982,321	5,322,991	4,919,636
-	-	1,883,647	2,038,687	1,564,009	1,657,378
491,453	176,589	281,869	593,822	711,572	695,715
<u>250,312</u>	<u>232,154</u>	<u>310,004</u>	<u>294,436</u>	<u>258,221</u>	<u>301,827</u>
<u>5,159,414</u>	<u>5,980,033</u>	<u>7,199,895</u>	<u>7,909,266</u>	<u>7,856,793</u>	<u>7,574,556</u>
<u>69,704,901</u>	<u>65,774,252</u>	<u>67,822,448</u>	<u>72,466,553</u>	<u>74,903,424</u>	<u>73,693,296</u>
717,712	-	-	-	-	-
729,369	1,440,460	1,582,241	1,670,473	1,481,520	1,560,967
2,042,031	2,488,665	2,894,236	3,336,377	3,395,581	2,753,032
637,061	-	70,211	48,270	20,462	89,950
26,827	26,781	23,357	22,533	18,940	10,638
667,379	562,364	595,134	575,150	594,096	647,552
2,343,633	2,484,684	2,254,889	2,517,480	2,208,545	2,549,722
<u>550,120</u>	<u>2,522,945</u>	<u>1,980,538</u>	<u>9,611,896</u>	<u>18,508,737</u>	<u>12,503,266</u>
<u>7,714,132</u>	<u>9,525,899</u>	<u>9,400,606</u>	<u>17,782,179</u>	<u>26,227,881</u>	<u>20,115,127</u>
-	1,046,062	-	-	-	-
-	-	2,160,510	2,067,530	1,398,775	1,480,555
-	-	-	-	845,000	845,000
37,817	39,734	40,192	45,541	49,402	53,950
<u>2,457,478</u>	<u>3,728,164</u>	<u>1,952,128</u>	<u>2,726,291</u>	<u>3,140,870</u>	<u>2,801,867</u>
<u>2,495,295</u>	<u>4,813,960</u>	<u>4,152,830</u>	<u>4,839,362</u>	<u>5,434,047</u>	<u>5,181,372</u>
<u>10,209,427</u>	<u>14,339,859</u>	<u>13,553,436</u>	<u>22,621,541</u>	<u>31,661,928</u>	<u>25,296,499</u>
(56,831,355)	(50,268,320)	(51,221,947)	(46,775,108)	(40,818,750)	(46,003,613)
<u>(2,664,119)</u>	<u>(1,166,073)</u>	<u>(3,047,065)</u>	<u>(3,069,904)</u>	<u>(2,422,746)</u>	<u>(2,393,184)</u>
<u>(59,495,474)</u>	<u>(51,434,393)</u>	<u>(54,269,012)</u>	<u>(49,845,012)</u>	<u>(43,241,496)</u>	<u>(48,396,797)</u>

(continued)

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

	Fiscal Year			
	2008	2009	2010	2011
(continued)				
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Casino license tax	22,667,115	21,095,275	19,776,039	20,392,604
Property taxes	15,484,157	15,593,558	18,219,198	17,322,761
Sales tax	16,353,317	16,728,923	11,608,348	13,108,932
Franchise taxes	1,157,899	1,187,398	1,092,666	1,009,514
Transient occupancy taxes	2,187,982	1,899,796	1,768,066	1,922,843
Motor vehicle in lieu, unrestricted	954,809	1,059,444	1,079,141	1,097,697
Investment income	4,585,456	3,515,745	2,391,795	1,858,224
Intergovernmental, unrestricted	1,644,693	-	-	-
Miscellaneous revenues (expenses)	1,627,044	1,645,234	1,534,396	1,261,505
Extraordinary gain	-	-	-	-
Transfers	(1,531,109)	(1,894,366)	(1,465,006)	(1,631,273)
Total governmental activities	<u>65,131,363</u>	<u>60,831,007</u>	<u>56,004,643</u>	<u>56,342,807</u>
Business-type activities:				
Investment income	-	-	202,500	202,500
Transfers	1,531,109	1,894,366	1,465,006	1,631,273
Total business-type activities	<u>1,531,109</u>	<u>1,894,366</u>	<u>1,667,506</u>	<u>1,833,773</u>
Total primary government	<u>66,662,472</u>	<u>62,725,373</u>	<u>57,672,149</u>	<u>58,176,580</u>
Changes in net position				
Governmental activities	9,893,758	(1,506,165)	(14,021,230)	(5,757,758)
Business-type activities	(1,793,833)	1,291,740	1,032,761	592,761
Total primary government	<u>\$ 8,099,925</u>	<u>(214,425)</u>	<u>(12,988,469)</u>	<u>(5,164,997)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
21,181,030	21,181,030	19,654,726	22,240,233	25,012,715	25,780,700
9,423,608	9,423,608	2,511,686	2,819,939	2,322,486	2,481,617
16,459,305	16,459,305	25,900,879	29,360,146	27,795,167	26,979,330
1,017,727	1,017,727	1,035,234	1,128,060	1,052,568	952,432
2,096,487	2,096,487	2,390,203	2,549,218	2,843,656	3,063,406
1,028,203	1,028,203	1,088,953	1,126,561	1,177,552	1,242,958
3,994,512	3,994,512	5,651,173	5,484,438	5,372,963	2,413,906
-	-	-	-	-	-
2,718,041	2,718,041	2,147,602	3,662,709	1,179,131	(1,137,872)
6,696,994	6,696,994	-	-	-	-
-	-	(1,746,591)	(2,504,962)	(2,160,387)	(1,662,472)
<u>64,615,907</u>	<u>64,615,907</u>	<u>58,633,865</u>	<u>65,866,342</u>	<u>64,595,851</u>	<u>60,114,005</u>
-	-	-	-	-	6,268
-	-	1,746,591	2,504,962	2,160,387	1,662,472
-	-	1,746,591	2,504,962	2,160,387	1,668,740
<u>64,615,907</u>	<u>64,615,907</u>	<u>60,380,456</u>	<u>68,371,304</u>	<u>66,756,238</u>	<u>61,782,745</u>
7,784,552	14,347,587	7,411,918	19,091,234	23,777,101	14,110,392
(2,664,119)	(1,166,073)	(1,300,474)	(564,942)	(262,359)	(724,444)
<u>5,120,433</u>	<u>13,181,514</u>	<u>6,111,444</u>	<u>18,526,292</u>	<u>23,514,742</u>	<u>13,385,948</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	2016	2017
General fund:							
Nonspendable	\$ 15,190,427	15,272,801	15,216,754	15,110,492	15,127,548	11,474,577	9,529,236
Restricted	-	-	-	-	-	-	-
Unassigned	33,552,248	36,051,479	40,946,024	43,062,013	45,493,743	52,400,666	55,268,246
Total general fund	<u>48,742,675</u>	<u>51,324,280</u>	<u>56,162,778</u>	<u>58,172,505</u>	<u>60,621,291</u>	<u>63,875,243</u>	<u>64,797,482</u>
All other governmental funds:							
Nonspendable	-	-	-	-	-	-	-
Restricted	125,592,920	110,139,272	105,913,679	105,980,666	105,647,274	59,362,140	55,507,264
Unassigned	<u>(34,639,920)</u>	<u>(4,368,665)</u>	<u>(7,649,689)</u>	<u>(9,519,379)</u>	<u>(12,632,110)</u>	<u>(23,495,816)</u>	<u>(18,936,253)</u>
Total all other governmental funds	<u>\$ 90,953,000</u>	<u>105,770,607</u>	<u>98,263,990</u>	<u>96,461,287</u>	<u>93,015,164</u>	<u>35,866,324</u>	<u>36,571,011</u>

	Fiscal Year		
	2008	2009	2010
General fund:			
Reserved	\$ 12,580,739	12,524,030	12,342,170
Unreserved	<u>12,462,392</u>	<u>13,096,988</u>	<u>11,807,678</u>
Total general fund	<u>25,043,131</u>	<u>25,621,018</u>	<u>24,149,848</u>
All other governmental funds:			
Reserved	81,299,408	64,561,820	71,195,075
Unreserved, reported in:			
Special revenue funds	23,782,402	23,685,219	22,929,354
Debt service funds	63,934,115	64,380,169	61,397,363
Capital projects funds	<u>45,020,349</u>	<u>49,232,460</u>	<u>34,191,660</u>
Total all other governmental funds	<u>\$ 214,036,274</u>	<u>201,859,668</u>	<u>189,713,452</u>

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

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Revenues:</b>				
Taxes	\$ 39,821,812	40,023,311	36,717,353	36,849,238
Casino license tax	22,667,115	21,095,275	19,776,039	20,392,604
Licenses and permits	3,102,448	2,880,662	2,266,014	2,515,108
Fines and forfeitures	161,491	257,603	1,255,554	1,315,707
Investment income	4,573,986	3,515,745	5,937,005	8,379,360
Rental income	723,613	692,172	3,802,188	918,914
Intergovernmental	3,313,647	2,538,032	3,461,021	2,806,231
Charges for services	1,407,376	1,340,772	895,661	757,199
Activity Fees	547,694	483,122	354,582	346,616
Settlement Income	-	-	2,325,000	-
Other	2,831,191	1,645,234	1,632,210	1,286,695
<b>Total revenues</b>	<u>79,150,373</u>	<u>74,471,928</u>	<u>78,422,627</u>	<u>75,567,672</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	18,211,676	21,329,416	17,386,171	17,447,206
Public safety	14,644,542	15,523,154	15,622,837	15,903,482
Public works	3,311,795	4,560,649	6,513,338	6,763,595
Community development	6,109,380	4,851,198	13,338,627	7,128,103
Library	3,186,168	3,037,302	2,915,498	2,794,256
Parks, recreation and culture	10,365,481	9,820,859	8,958,379	8,075,994
Capital outlay	1,636,332	386,226	-	-
<b>Debt service:</b>				
Principal retirement	5,150,560	5,871,179	6,299,277	9,332,647
Interest and fiscal charges	7,645,536	12,395,178	11,898,888	13,485,684
SERAF Payments	-	-	7,022,026	1,359,567
Bond Issuance Costs	2,392,879	-	-	-
Payment to bond escrow agent	5,297,255	-	-	-
Pass-through payments	2,006,249	3,635,798	2,949,934	2,387,491
<b>Total expenditures</b>	<u>79,957,853</u>	<u>81,410,959</u>	<u>92,904,975</u>	<u>84,678,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(807,480)</u>	<u>(6,939,031)</u>	<u>(14,482,348)</u>	<u>(9,110,353)</u>
<b>Other financing sources (uses):</b>				
Transfers in	34,049,740	29,855,879	29,089,788	24,202,439
Transfers out	(35,580,849)	(32,122,322)	(30,644,794)	(25,833,712)
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>	<u>81,376,276</u>	<u>(2,266,443)</u>	<u>(1,555,006)</u>	<u>(1,631,273)</u>
Extraordinary gain (loss) (note 19)	-	-	-	-
<b>Net change in fund balances</b>	<u>\$ 80,568,796</u>	<u>(9,205,474)</u>	<u>(16,037,354)</u>	<u>(10,741,626)</u>
Ratio of debt service expenditures to noncapital expenditures	18%	23%	22%	28%

Fiscal Year					
2012	2013	2014	2015	2016	2017
30,838,722	28,073,069	32,926,955	36,983,924	35,191,429	34,719,747
21,181,030	20,600,922	19,654,726	22,240,233	25,012,715	25,780,700
2,051,387	2,489,592	2,900,240	2,995,798	3,094,043	2,593,315
756,196	1,467,241	1,605,598	1,693,006	1,500,460	1,571,605
7,001,775	5,840,623	5,662,019	5,492,779	5,376,602	2,442,142
707,840	12,319	73,324	60,546	65,804	107,310
2,539,595	4,193,761	4,469,864	4,716,798	10,533,532	15,151,211
500,455	163,657	473,358	481,788	442,178	331,457
436,868	433,859	414,127	401,567	387,652	433,274
-	-	-	-	-	-
1,972,515	1,770,546	1,768,877	1,805,765	956,288	1,232,109
<u>67,986,383</u>	<u>65,045,589</u>	<u>69,949,088</u>	<u>76,872,204</u>	<u>82,560,703</u>	<u>84,362,870</u>
16,547,709	15,609,127	16,616,771	18,208,263	15,910,208	16,416,508
15,583,635	16,226,042	16,737,125	17,696,949	18,717,286	20,010,785
5,894,285	11,156,226	10,682,593	14,543,747	29,308,208	21,221,420
2,140,768	2,171,051	1,975,546	2,566,731	5,510,293	3,015,986
2,775,283	2,860,346	3,222,372	3,593,745	3,640,566	3,764,624
7,969,161	8,035,395	8,426,766	8,948,228	9,563,855	10,613,121
-	-	-	-	-	-
7,971,902	4,510,000	5,480,000	4,585,000	46,690,000	3,925,000
9,677,103	5,186,151	4,940,642	4,791,759	4,954,788	2,243,768
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,591,812	-	-
813,392	-	-	-	-	-
<u>69,373,238</u>	<u>65,754,338</u>	<u>68,081,815</u>	<u>76,526,234</u>	<u>134,295,204</u>	<u>81,211,212</u>
(1,386,855)	(708,749)	1,867,273	345,970	(51,734,501)	3,151,658
2,331,429	2,331,429	3,368,424	6,824,304	2,259,463	1,676,324
(3,710,866)	(3,710,866)	(5,429,737)	(8,560,288)	(4,419,850)	(3,201,056)
-	-	-	-	-	-
-	-	-	10,000,000	-	-
-	-	-	1,204,670	-	-
-	-	-	(10,811,993)	-	-
<u>(1,379,437)</u>	<u>(1,379,437)</u>	<u>(2,061,313)</u>	<u>(1,343,307)</u>	<u>(2,160,387)</u>	<u>(1,524,732)</u>
20,466,590	-	-	-	-	-
<u>17,700,298</u>	<u>(2,088,186)</u>	<u>(194,040)</u>	<u>(997,337)</u>	<u>(53,894,888)</u>	<u>1,626,926</u>
26%	15%	17%	14%	41%	8%

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

Fiscal Year Ended June 30	City		Taxable Assessed Value	Redevelopment Agency <sup>1</sup>		Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured		Secured	Unsecured		
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%
2016	4,128,859	663,524	4,792,383	-	-	-	0.068%
2017	4,496,453	667,745	5,164,198	-	-	-	0.068%

<sup>1</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: HdI

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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College District	0.01071	0.00994	0.01854	0.02677	0.01782	0.02594	0.02502	-	-	-
County Detention Facilities 1987 Debt	-	-	-	-	-	-	-	-	-	-
Downey Unified School District	0.07569	0.05790	0.06507	0.07018	0.06725	0.07132	0.06603	-	-	-
LA CCD DS 2008 Series F	-	-	-	-	-	0.01119	-	-	-	-
LA Community College District	0.00879	0.02212	0.02311	0.04031	0.03530	0.03756	0.04454	0.04017	0.03575	0.03596
LA County Flood Control	-	-	-	-	-	-	-	-	-	-
LAUSD	0.12334	0.12478	0.15181	0.18695	0.16819	0.17560	0.14644	0.14688	0.12971	0.13110
MWD	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350
Montebello Unified School District	0.06681	0.08063	0.09673	0.09792	0.10001	0.09630	0.09457	0.08750	0.08715	0.14705
Total Direct & Overlapping (2) Tax Rates	1.28984	1.29967	1.35956	1.42583	1.39227	1.42141	1.38010	1.27805	1.25611	1.31761
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
Redevelopment Rate (4)	1.00450	1.00430	1.00430	1.00370	1.00370	-	-	-	-	-
Total Direct Rate (5)	0.44945	0.46446	0.47585	0.46503	0.45879	0.46863	0.06818	0.06818	0.06817	0.06817

(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

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

2016/17			2007/08		
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Craig Realty Group Citadel LLC	\$ 207,353,986	4.69%	AMB Institutional Alliance Fund	\$ 134,801,356	3.45%
AMB Institutional Alliance Fund	179,492,003	4.06%	California Commerce Club Inc.	103,665,790	2.65%
Prologis USLV NewCA 6 LLC	109,159,678	2.47%	Rreef America Reit II Corporation	85,170,000	2.18%
California Commerce Club, Inc.	100,452,796	2.27%	LIT Commerce Distribution Center LLC	82,384,568	2.11%
Rreef America Reit II Corporation	97,088,184	2.20%	Craig Realty Group Citadel LLC	84,603,246	2.16%
LIT Commerce Distribution Center LLC	93,911,555	2.13%	PRI Garfield Industrial California LLC	56,725,000	1.45%
Von's Companies Inc. Safeway	30,921,230	0.70%	Certified Grocers of CA Limited	51,000,937	1.30%
99 Cents Only Stores	49,868,903	1.13%	Safeway Inc.	48,817,736	1.25%
TELACU	61,835,027	1.40%	ARI COP 17 LLC	45,265,722	1.16%
Terreno Garfield LLC	<u>55,598,532</u>	<u>1.26%</u>	Smart & Final Properties	<u>43,749,076</u>	<u>1.12%</u>
	<u>\$ 985,681,894</u>	<u>22.31%</u>		<u>\$ 736,183,431</u>	<u>18.83%</u>

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

Source: Los Angeles County Assessor's Office

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2016	1,838,006	1,811,369	98.55%	28,534	1,839,903	100.10%
2017	1,814,622	1,792,768	98.80%	50,388	1,843,156	101.57%

NOTE:

The amounts presented for 2008 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 on a agency by

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross Card Room -- Gaming Revenue	\$ 22,547	20,975	19,656	20,273	21,061	20,481	19,535	22,130	24,883	25,661
Monthly License Fee	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>
Total	<u>\$ 22,667</u>	<u>21,095</u>	<u>19,776</u>	<u>20,393</u>	<u>21,181</u>	<u>20,601</u>	<u>19,655</u>	<u>22,250</u>	<u>25,003</u>	<u>25,781</u>
Monthly Percentage applied	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)

(a) The percentage varies depending on the monthly gross revenue. Detailed information is available upon request from the City of Commerce Finance Department.

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

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

Source: City of Commerce - Finance Department

CITY OF COMMERCE  
 Direct and Overlapping Card Club Rates  
 Last Ten Fiscal Years

<u>Monthly Gross Card Club Revenue</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>	<u>2016</u>	<u>2017</u>
First \$0 to \$1,600,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Next \$1,600,001 to \$8,500,000	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Next \$8,500,001 to \$12,000,000	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Next \$12,000,001 to \$16,000,000	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
Over \$16,000,000	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
										Average Rate 12.9%

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

Source: City of Commerce - Finance Department

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

<u>Tax Remitter</u>	<u>2017</u>			<u>2008</u>		
	<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	\$ 25,660,700	1	100.00%	<i>Information is not available</i>		
Total	<u>\$ 25,660,700</u>		<u>100.00%</u>			

Source: City of Commerce - Finance Department

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

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Tax Allocation Bonds <sup>1</sup>	Loans	Total Governmental Activities
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
2016	-	55,109,280	-	55,109,280
2017	-	51,124,046	-	51,124,046

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

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

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

Business-type Activities						
Water Revenue Bonds	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>	
-	-	-	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	
-	-	-	55,109,280	27.18%	4,198	
-	-	-	51,124,046	24.91%	3,913	

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		
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
2016	-	55,109,280	55,109,280	1.29%	100
2017	-	51,124,046	51,124,046	1.20%	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, 2017

	Gross Bonded Debt Balance	Percent Applicable to City
Total Direct Debt	\$ 9,350,000	100.000%
Metropolitan Water District	36,281,674	0.246%
Los Angeles Unified School District	9,815,110,000	0.045%
Los Angeles City Community College District	3,847,880,000	0.678%
Montebello Unified School District	210,843,420	31.237%
Total Overlapping Debt	13,910,115,094	
Total Direct and Overlapping Debt	\$ 13,919,465,094	

2016/17 Assessed Valuation: \$2,654,925,883 After Deducting \$2,412,168,506 Incremental Value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.35%
	Overlapping Debt	3.63%
	Total Debt	3.98%

Source: HdI

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



CITY OF COMMERCE  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Assessed valuation	2,741,376	2,879,822	2,990,845	2,907,894
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	685,344	719,955.50	747,711.25	726,973.50
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	102,802	107,993	112,157	109,046
Total net debt applicable to limit: General obligation bonds	<u>2,033,361</u>	<u>2,136,851</u>	<u>2,256,851</u>	<u>2,360,341</u>
Legal debt margin	<u>(1,930,559)</u>	<u>(2,028,858)</u>	<u>(2,144,694)</u>	<u>(2,251,295)</u>
Total debt applicable to the limit as a percentage of debt limit	1977.9%	1978.7%	2012.2%	2164.5%

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

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
2,993,891	4,296,649	4,455,208	4,586,304	4,792,383	5,164,198
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
748,472.75	1,074,162.25	1,113,802	1,146,576	1,198,096	1,291,050
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
112,271	161,124	167,070	171,986	179,714	193,657
<u>2,480,341</u>	<u>2,583,831</u>	<u>2,703,831</u>	<u>2,807,321</u>	<u>2,927,321</u>	<u>3,030,811</u>
<u>(2,368,070)</u>	<u>(2,422,707)</u>	<u>(2,536,761)</u>	<u>(2,635,335)</u>	<u>(2,747,607)</u>	<u>(2,837,154)</u>
2209.2%	1603.6%	1618.4%	1632.3%	1628.9%	1565.0%

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 (3)</u>	<u>Unemployment Rate (4)</u>
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%
2016	13,127	202,739	15,444	9.8%
2017	13,064	205,233	15,709	7.7%

- Sources:
- (1) HDL 2016-17 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	2017		2008	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
County of Los Angeles	2,500	3.85%	1,352	2.13%
California Commerce Club, Inc.	2,448	3.77%	2,091	3.29%
American International Industries	1,079	1.66%	655	1.03%
Smart & Final Stores LLC	1,009	1.55%	858	1.35%
Parsec, Inc.	967	1.49%	832	1.31%
99 Cents Only Stores #914	456	0.70%	565	0.89%
Fedex Ground Package System, Inc.*	433	0.67%		
Valassis Direct Mail, Inc.*	410	0.63%		
OnTrac*	399	0.61%		
Gibson Overseas, Inc.*	390	0.60%		

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

\*Information for 2008 is not available

Source: City of Commerce - Business License

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	78	76	72	70	69	69	39	39	39	39
Public safety <sup>1</sup>	-	-	-	-	-	-	-	-	-	1
Community services	31	32	32	29	29	29	28	28	28	29
Public Works & Development Services	20	25	24	19	13	13	17	17	13	17
Park & Recreation	124	125	118	105	105	105	135	135	136	136
Library Services	38	43	43	37	36	36	39	39	39	39
Transportation	<u>33</u>	<u>33</u>	<u>33</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
 Total	 <u>323</u>	 <u>334</u>	 <u>322</u>	 <u>295</u>	 <u>287</u>	 <u>287</u>	 <u>292</u>	 <u>292</u>	 <u>289</u>	 <u>295</u>

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

Source: City Budget Book

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

	Fiscal Year			
	2008	2009	2010	2011
Police:				
Stations	-	-	-	-
Fire:				
Fire stations	3	3	3	3
Public services:				
Streets (miles)	133.80	133.80	133.80	133.80
Streetlights	3,188	3,191	3,193	3,193
Traffic signals	77	79	80	80
Parks and recreation:				
Parks	4	4	4	4
Community centers	2	2	2	2
Water:				
Water mains (miles)	173.40	173.90	173.90	173.90
Maximum daily capacity (thousands of gallons)	12,750	12,850	12,850	12,850
Wastewater:				
Sanitary sewers (miles)	181.25	181.75	181.75	181.75
Storm sewers (miles)	58.50	58.50	58.50	58.50
Maximum daily treatment capacity (thousands of gallons)	6,995	7,015	7,015	7,015
Library:				
Libraries	4	4	4	4

Source: City of Commerce

Fiscal Year					
2012	2013	2014	2015	2016	2017
-	-	-	-	-	-
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