

CAFR 2018

City of Commerce, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED
JUNE 30, 2018

CITY OF COMMERCE
Commerce, California

Comprehensive Annual Financial Report

Year ended June 30, 2018

Prepared by

FINANCE DEPARTMENT

VILKO DOMIC

Director of Finance / City Treasurer

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Year ended June 30, 2018

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CITY OF COMMERCE

Department of Finance
Vilko Domic, Director

January 24, 2019

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, 2018. 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, 2018, 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, 2018, 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 12,947. 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 three-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 three-year rate for revenues is projected to increase at roughly the same rate resulting in a revenue neutral budget. The rise in expenditures is attributed for the most part to personnel, related benefit costs and the ongoing cost of operations.

Future anticipated challenges and opportunities include the following:

- Potential for a mixed use (housing and retail) development along Washington Blvd.
- Continued development of the Telegraph corridor
- Expansion of the Citadel outlets
- Management of cannabis manufacturers and distributors
- Identifying and implementing the best use of the cannabis related revenue for the benefit of the community
- Advocate for the City of Commerce to insure that Successor Agency property sales provide the greatest benefit to the community
- Leverage Measure AA funding to provide the greatest value possible for City infrastructure projects

As a result of these future challenges and opportunities, the three-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. In 2014 the City Council approved the establishment of an irrevocable trust for other post-employment benefits. To date \$2.5 million has been deposited in the trust to fund this future cost.

Awards and Acknowledgements

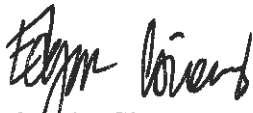
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Commerce for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The 2017 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,



Edgar P. Cisneros
City Administrator



Vilko Domic
Director of Finance

City of Commerce
Directory of Officials
June 30, 2018

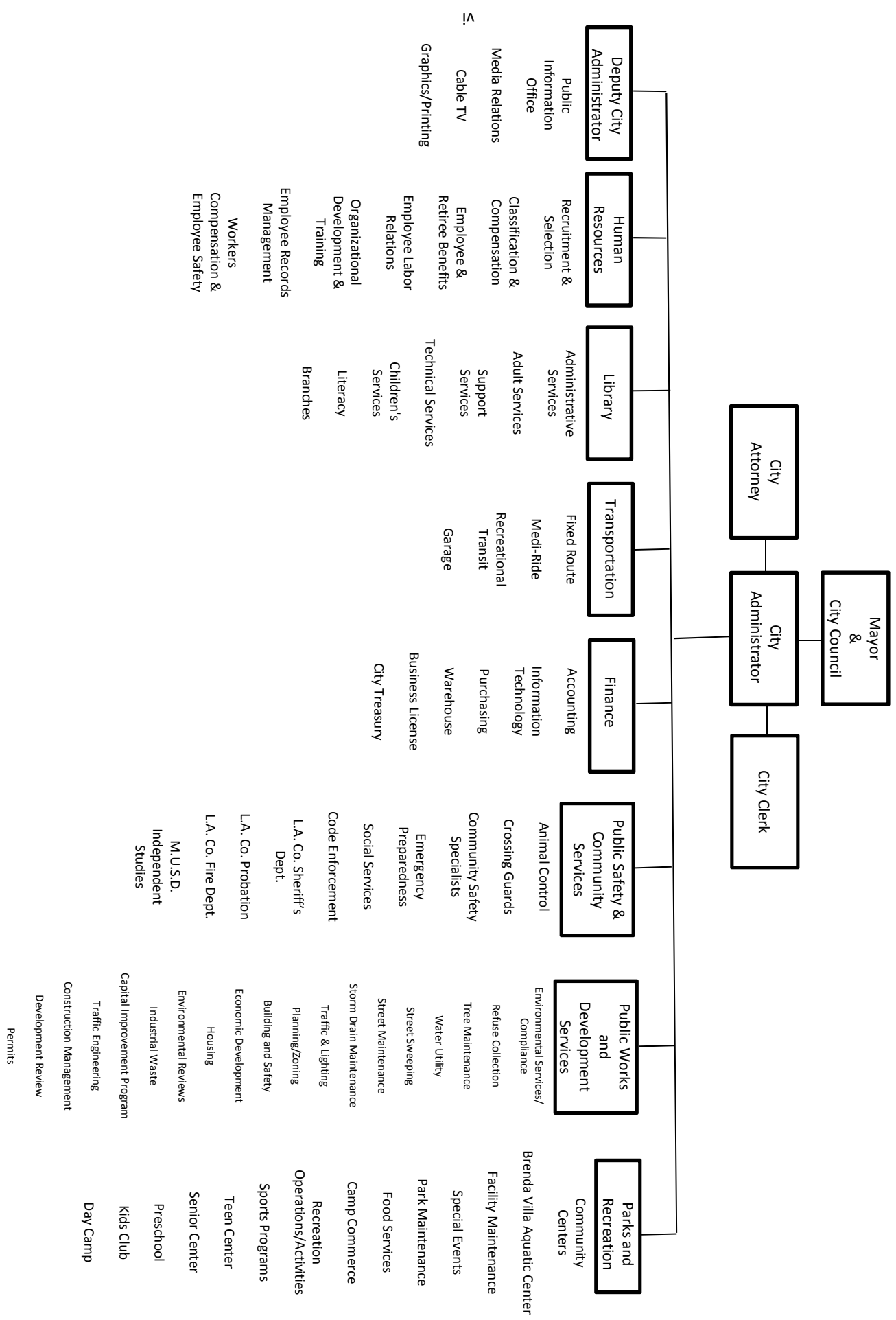
CITY COUNCIL

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

ADMINISTRATION

Edgar P. Cisneros, City Administrator
Lena Shumway, Director of Administrative/City Clerk
Noel Tapia, City Attorney
Vilko Domic, Director of Finance/City Treasurer
Ela Pappo, 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
Rene Bobadilla, Interim Director of Economic Development and Sustainability

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, 2017

Christopher P. Morill

Executive Director/CEO

Honorable Mayor and City Council
City of Commerce
Commerce, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Commerce as of and for the year ended June 30, 2018, 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 3 percent of total assets and 10 percent of total expenses at June 30, 2018. 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, 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, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note 9 to the financial statements, during the year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75. As a result of this implementation, the financial statements for the year ended June 30, 2018 also reflect certain prior period adjustments as described further in note 9 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Commerce's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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, schedule of the plan's proportionate share of the net pension liability, schedule of contributions – defined benefit pension plan, schedule of changes in net OPEB liability and related ratios, and schedule of OPEB 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*, 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* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019 on our consideration of the City of Commerce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Commerce's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
January 24, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

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, 2018. 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 \$86,098,790.
- The City's total net position decreased by \$48,136,007. The decrease is primarily due to the removal of the City's receivable from the Successor Agency due to the refinancing of the 2007 JPFA Bonds.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$75,393,272, a decrease of \$25,975,221 from the prior year. This decrease is primarily due to removal of the City's receivable from the Successor Agency due to the refinancing of the 2007 JPFA Bonds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$59,647,840, or 97% 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 16.

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 17 through 23.

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 24 through 26.

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 27 through 28.

Notes to the financial statements

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

Other information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The statement of net position can serve as a useful indicator of the City’s financial position. The City of Commerce’s net position at June 30, 2018 total \$86,098,790. Following is a condensed version of the government-wide statement of net position.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other asset	\$ 86,619,082	\$ 124,025,889	2,441,261	3,524,968	89,060,343	127,550,857
Internal balances	\$ 5,328,195	6,485,022	(5,328,195)	(6,485,022)	-	-
Capital assets, net	91,195,388	90,981,764	11,644,934	12,305,690	102,840,322	103,287,454
Total Asset	<u>183,142,665</u>	<u>221,492,675</u>	<u>8,758,000</u>	<u>9,345,636</u>	<u>191,900,665</u>	<u>230,838,311</u>
Deferred outflows of resources:						
Pension related	7,055,453	6,104,328	1,174,400	943,735	8,229,853	7,048,063
OPEB related	1,455,695	-	242,305	-	1,698,000	-
	<u>8,511,148</u>	<u>6,104,328</u>	<u>1,416,705</u>	<u>943,735</u>	<u>9,927,853</u>	<u>7,048,063</u>
Liabilities:						
Current Liabilities	9,456,860	10,841,023	984,278	883,120	10,441,138	11,724,143
Long-term Liabilities	88,806,798	87,182,229	13,191,467	3,941,158	101,998,265	91,123,387
Total Liabilities	<u>98,263,658</u>	<u>98,023,252</u>	<u>14,175,745</u>	<u>4,824,278</u>	<u>112,439,403</u>	<u>102,847,530</u>
Deferred inflows of resources:						
Pension related	636,396	696,385	105,929	107,662	742,325	804,047
OPEB related	2,184,401	-	363,599	-	2,548,000	-
	<u>2,820,797</u>	<u>696,385</u>	<u>469,528</u>	<u>107,662</u>	<u>3,290,325</u>	<u>804,047</u>
Net Position:						
Net investment in capital assets	81,609,386	84,719,037	11,644,934	12,305,690	93,254,320	97,024,727
Restricted	1,876,124	1,706,688	-	-	1,876,124	1,706,688
Unrestricted	7,083,848	42,451,641	(16,115,502)	(6,948,259)	(9,031,654)	35,503,382
Total Net Position	<u>\$ 90,569,358</u>	<u>\$ 128,877,366</u>	<u>(4,470,568)</u>	<u>5,357,431</u>	<u>86,098,790</u>	<u>134,234,797</u>

The largest portion of the City’s net position is attributable to the net investment in capital assets. The majority of the liabilities are attributable to the net other post-employment benefit liability and the net pension liability.

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 \$3,655,218 in the fiscal year ended June 30, 2018. The increase was split between the governmental activities increase of \$5,240,436 and business-type activities decrease of \$1,585,218. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues						
Charges for services	\$ 5,295,893	5,062,139	2,829,674	2,379,505	8,125,567	7,441,644
Operating grants & contributions	2,757,719	2,549,722	3,138,934	2,801,867	5,896,653	5,351,589
Capital grants & contributions	4,620,744	12,503,266	-	-	4,620,744	12,503,266
General revenues:						
Casino license tax	28,217,260	25,780,700	-	-	28,217,260	25,780,700
Property tax	4,680,877	2,481,617	-	-	4,680,877	2,481,617
Sales tax	28,702,600	26,979,330	-	-	28,702,600	26,979,330
Franchise taxes	1,024,506	952,432	-	-	1,024,506	952,432
Transient occupancy taxes	3,269,164	3,063,406	-	-	3,269,164	3,063,406
Motor vehicle in-lieu	6,877	1,242,958	-	-	6,877	1,242,958
Investment income	2,410,372	2,413,906	5,219	6,268	2,415,591	2,420,174
Miscellaneous revenue (expense)	3,370,780	(1,137,872)	-	-	3,370,780	(1,137,872)
Special Item - loss on joint venture	(8,515,224)	-	-	-	(8,515,224)	-
Total revenues	<u>75,841,568</u>	<u>81,891,604</u>	<u>5,973,827</u>	<u>5,187,640</u>	<u>81,815,395</u>	<u>87,079,244</u>
Expenses:						
General government	19,705,680	17,143,378	-	-	19,705,680	17,143,378
Community development	3,189,480	3,111,106	-	-	3,189,480	3,111,106
Public safety	21,462,109	20,528,705	-	-	21,462,109	20,528,705
Public works	13,955,387	7,753,735	-	-	13,955,387	7,753,735
Library	4,275,731	3,774,862	-	-	4,275,731	3,774,862
Parks recreation and culture	12,835,675	11,936,131	-	-	12,835,675	11,936,131
Interest on long-term debt	2,036,161	1,870,823	-	-	2,036,161	1,870,823
Transit	-	-	6,191,022	4,919,636	6,191,022	4,919,636
CNG	-	-	2,027,056	1,657,378	2,027,056	1,657,378
Water	-	-	637,396	695,715	637,396	695,715
Cable television	-	-	359,704	301,827	359,704	301,827
Total expenses	<u>77,460,223</u>	<u>66,118,740</u>	<u>9,215,178</u>	<u>7,574,556</u>	<u>86,675,401</u>	<u>73,693,296</u>
Excess (deficiency) before transfers	(1,618,655)	15,772,864	(3,241,351)	(2,386,916)	(4,860,006)	13,385,948
Transfers	<u>(1,656,133)</u>	<u>(1,662,472)</u>	<u>1,656,133</u>	<u>1,662,472</u>	<u>-</u>	<u>-</u>
Change in net position	(3,274,788)	14,110,392	(1,585,218)	(724,444)	(4,860,006)	13,385,948
Net position - beginning of year	<u>93,844,146</u>	<u>114,766,974</u>	<u>(2,885,350)</u>	<u>6,081,875</u>	<u>90,958,796</u>	<u>120,848,849</u>
Net position - end of year	<u>\$ 90,569,358</u>	<u>\$ 128,877,366</u>	<u>(4,470,568)</u>	<u>5,357,431</u>	<u>86,098,790</u>	<u>134,234,797</u>

The total net position of the City was \$94,614,014 as of June 30, 2018. This represents a decrease of \$39,620,783 over the prior year. This change is primarily due to the removal of the City's receivable from the Successor Agency due to the refinancing of the 2007 JPFA Bonds.

Additional financial highlights are shown below:

The City's total revenues were \$90,330,619. A significant portion of the Governmental revenues came from Sales tax (34.03%), Casino License tax (33.45%) and Property tax (5.55%) of the total governmental revenues of \$84,356,792. A significant portion of the Business-type Activities revenues were collected from Operating Grants & Contributions (52.54%) and Charges for Services (47.37%) of the total business-type revenues of \$5,973,827.

The total cost of all City programs and services during fiscal year ended June 30, 2018 was \$86,675,401. The break down by activity as a percentage of total expenses for selected programs is as follows: Public safety (police and fire) 24.76%, General Government 22.74%, Public works 16.10%, Parks and Recreation 14.81%, Interest on long-term debt 2.35%, and Business-type activities accounted for 10.63%.

Change in net position was \$3,655,218 for the year as compared to last year's change in net position of \$13,385,948. Total net position at the end of the year was \$94,614,014. The City has ample amounts to provide for its outstanding indebtedness.

Governmental activities experienced a decrease in net position of \$29,792,784. This is primarily due to removal of the City's receivable from the Successor Agency due to the refinancing of the 2007 JPFA Bonds.

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, 2018, this goal was achieved with the City's total business-type activities having realized an overall crease in net position of \$1,585,218 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			
	2018	2017	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 68,996,535	\$ 64,797,482	4,199,053	6.5%
Measure AA	15,956,352	14,994,703	961,649	6.4%
2007 JPFA Bonds	407,630	39,231,049	(38,823,419)	-99.0%
General City Capital Projects Fund	(11,746,550)	(18,918,434)	7,171,884	37.9%
Total Fund Equity	<u>\$ 73,613,967</u>	<u>\$ 100,104,800</u>	<u>(26,490,833)</u>	<u>-26.5%</u>

The General fund balance increased by \$4,199,053. Increased revenue due to the economic recovery was the primary driver of the increase in fund balance.

The Measure AA fund balance increased by \$961,649, due to spending on various projects.

The 2007 JPFA fund balance decreased by (\$38,823,419), due to the refinancing of the bond.

General City Capital Projects fund balance increased by \$7,171,884, 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			
	2018	2017	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Transit	\$ (5,246,285)	\$ 3,791,796	(9,038,081)	-238.4%
CNG	3,290,934	3,387,064	(96,130)	-2.8%
Water	(1,249,946)	(1,462,769)	212,823	14.5%
Cable Television	(1,265,271)	(358,660)	(906,611)	-252.8%
Internal Service Funds	(1,115,817)	(344,245)	(771,572)	-224.1%
Total Net Position	<u>\$ (5,586,385)</u>	<u>\$ 5,013,186</u>	<u>(10,599,571)</u>	-211.4%
Unrestricted Net Position:				
Transit	\$ (12,864,893)	\$ (4,326,601)	(8,538,292)	-197.3%
CNG	161,148	142,821	18,327	12.8%
Water	(2,146,486)	(2,405,819)	259,333	10.8%
Cable Television	(1,265,271)	(358,660)	(906,611)	-252.8%
Internal Service Funds	(1,180,746)	(425,406)	(755,340)	-177.6%
Total Unrestricted Net Position	<u>\$ (17,296,248)</u>	<u>\$ (7,373,665)</u>	<u>(9,922,583)</u>	-134.6%

The Transit Fund net position decreased (\$9,038,081) and unrestricted net position decreased by (\$8,538,292). The key factor in the decrease of nets assets is due to the recognition of the Transit Funds portion of the other post-employment benefit liability.

The Water Fund net position increased \$212,823 and unrestricted net position increased by \$259,333. The increase in net position is primarily due to current year leased water rights revenues exceeding the operating expenses.

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 \$66,403,613. This is a 8.46% increase when compared to last year's revenue total of \$61,223,597. The largest revenue source was Taxes, which includes both sales taxes and property taxes at \$29,647,305 which increased 7.72% or \$2,125,721 compared to the prior year due to the timing of payments. Casino license tax was up by 9.45% or \$2,436,560 when compared to the prior year due to the improved economic climate. General Fund expenditures totaled \$62,204,560, 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, 2017	Additions	Reductions	Balance at June 30, 2018
Governmental Activities:				
2007 JPFA Revenue Bonds	\$ 40,730,000	-	(40,730,000)	-
2014 Lease Revenue Bonds	9,350,000	-	(340,000)	9,010,000
Premium on bond	1,044,046	-	(60,234)	983,812
Compenstated absences	3,493,092	1,811,948	(1,749,832)	3,555,208
Total Long-Term Obligations - Governmental Activities	54,617,138	1,811,948	(42,880,066)	13,549,020
Business Activities:				
Compensated Absences	519,708	256,685	(206,787)	569,606
Total Long-Term Obligations	\$ 55,136,846	2,068,633	(43,086,853)	14,118,626

As can be seen from the table above, the City has implemented a variety of debt financing mechanisms to finance projects. As previously noted the 2007 JPFA bonds were refinanced and the resulting new issuance is recorded solely in the Successor Agency. 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, 2018	June 30, 2017	Amount Increase (Decrease)	Precent Increase (Decrease)
Governmental Activities:				
Land	\$ 4,070,310	\$ 4,070,310	-	0.0%
Construction in progress	1,438,748	1,767,847	(329,099)	-18.6%
Buildings	40,425,663	40,425,663	-	0.0%
Improvements other than buildings	20,719,853	20,719,853	-	0.0%
Infrastructure	132,330,479	128,866,823	3,463,656	2.7%
Machinery and equipment	6,080,067	4,912,786	1,167,281	23.8%
Less accumulated depreciation	(113,869,732)	(109,781,518)	(4,088,214)	3.7%
Net capital assets	\$ 91,195,388	\$ 90,981,764	213,624	

	June 30, 2018	June 30, 2017	Amount Increase (Decrease)	Precent Increase (Decrease)
Business Activities:				
Land	\$ 2,755,498	\$ 2,755,498	-	0.0%
Construction in progress	-	-	-	
Machinery and equipment	10,055,370	10,187,051	(131,681)	-1.3%
Water rights	2,141,222	2,141,222	-	0.0%
Building and improvements	11,766,979	11,766,979	-	0.0%
Less accumulated depreciation	(15,074,135)	(14,545,060)	(529,075)	3.6%
Net capital assets	\$ 11,644,934	12,305,690	(660,756)	

Governmental capital assets increased as depreciation of assets grew at a steady amount. Construction in progress decreased and Infrastructure increased due to the completion of several infrastructure projects. 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 an economic slow-down in 2019 with the potential for a recession in the next 2 to 5 years. 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 2018-2019 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.

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CITY OF COMMERCE
Statement of Net Position
June 30, 2018
(with comparative information for the prior year)

	Governmental	Business-type	Totals	
	Activities	Activities	2018	2017
Assets:				
Cash and investments (note 2)	\$ 55,239,278	-	55,239,278	42,998,003
Cash and investments with fiscal agent (note 2)	407,810	-	407,810	446,733
Interest receivable	130,155	-	130,155	62,262
Accounts receivable	3,802,678	478,053	4,280,731	3,595,476
Due from other governments	10,845,731	346,217	11,191,948	15,515,605
Internal balances	5,328,195	(5,328,195)	-	-
Receivable from Successor Agency	9,043,172	1,616,991	10,660,163	49,620,485
Loans and leases receivable	455,921	-	455,921	445,919
Prepaid items and deposits	305,523	-	305,523	337,336
Property held for resale	1,428,000	-	1,428,000	1,053,000
Interest in joint venture (note 11)	4,960,814	-	4,960,814	13,476,038
Capital assets (note 4):				
Nondepreciable	5,509,058	2,755,498	8,264,556	8,593,655
Depreciable, net	85,686,330	8,889,436	94,575,766	94,693,799
Total assets	<u>183,142,665</u>	<u>8,758,000</u>	<u>191,900,665</u>	<u>230,838,311</u>
Deferred outflow of resources:				
Pension related (note 8)	7,055,453	1,174,400	8,229,853	7,048,063
OPEB related (note 9)	1,455,695	242,305	1,698,000	-
Total deferred outflow of resources	<u>8,511,148</u>	<u>1,416,705</u>	<u>9,927,853</u>	<u>7,048,063</u>
Liabilities:				
Accounts payable	6,769,452	514,649	7,284,101	5,070,333
Accrued salaries and benefits	1,145,895	178,387	1,324,282	1,203,813
Interest payable	109,653	-	109,653	804,370
Deposit payable	40,813	-	40,813	40,813
Unearned revenue	-	154,690	154,690	-
Noncurrent liabilities:				
Due within one year (note 5)	1,391,047	136,552	1,527,599	4,604,814
Due in more than one year (note 5)	12,157,973	433,054	12,591,027	50,532,032
Net OPEB liability (note 9)	50,584,129	8,419,871	59,004,000	14,487,000
Net pension liability (note 8)	26,064,696	4,338,542	30,403,238	26,104,355
Total liabilities	<u>98,263,658</u>	<u>14,175,745</u>	<u>112,439,403</u>	<u>102,847,530</u>
Deferred inflow of resources:				
Pension related (note 8)	636,396	105,929	742,325	804,047
OPEB related (note 9)	2,184,401	363,599	2,548,000	-
Total deferred inflow of resources	<u>2,820,797</u>	<u>469,528</u>	<u>3,290,325</u>	<u>804,047</u>
Net position:				
Net investment in capital assets	81,609,386	11,644,934	93,254,320	97,024,727
Restricted for:				
Housing	1,759,519	-	1,759,519	1,651,556
Public safety	116,605	-	116,605	55,132
Unrestricted	7,083,848	(16,115,502)	(9,031,654)	35,503,382
Total net position	<u>\$ 90,569,358</u>	<u>(4,470,568)</u>	<u>86,098,790</u>	<u>134,234,797</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Statement of Activities
Year ended June 30, 2018
(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	\$ 19,705,680	-	-	-
Community development	3,189,480	40,000	160,996	6,527
Public safety	21,462,109	1,536,732	-	-
Public works	13,955,387	3,027,305	1,687,486	4,614,217
Library	4,275,731	17,380	32,302	-
Parks, recreation and culture	12,835,675	674,476	876,935	-
Interest on long-term debt	2,036,161	-	-	-
Total governmental activities	<u>77,460,223</u>	<u>5,295,893</u>	<u>2,757,719</u>	<u>4,620,744</u>
Business-type activities:				
Transit	6,191,022	-	3,138,934	-
CNG	2,027,056	1,930,926	-	-
Water	637,396	845,000	-	-
Cable television	359,704	53,748	-	-
Total business-type activities	<u>9,215,178</u>	<u>2,829,674</u>	<u>3,138,934</u>	<u>-</u>
Total	<u>\$ 86,675,401</u>	<u>8,125,567</u>	<u>5,896,653</u>	<u>4,620,744</u>

General revenues:

Taxes:

Casino license tax

Property taxes

Sales taxes

Franchise taxes

Transient occupancy taxes

Motor vehicle in lieu, unrestricted

Investment income

Miscellaneous income

Special item -loss on joint venture (note 11)

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated (note 15)

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 Activities	Totals	
		2018	2017
(19,705,680)	-	(19,705,680)	(17,143,378)
(2,981,957)	-	(2,981,957)	(2,906,971)
(19,925,377)	-	(19,925,377)	(20,076,286)
(4,626,379)	-	(4,626,379)	9,188,021
(4,226,049)	-	(4,226,049)	(3,733,981)
(11,284,264)	-	(11,284,264)	(10,598,067)
(2,036,161)	-	(2,036,161)	(1,870,823)
<u>(64,785,867)</u>	<u>-</u>	<u>(64,785,867)</u>	<u>(47,141,485)</u>
-	(3,052,088)	(3,052,088)	(2,117,769)
-	(96,130)	(96,130)	(176,823)
-	207,604	207,604	149,285
<u>-</u>	<u>(305,956)</u>	<u>(305,956)</u>	<u>(247,877)</u>
<u>-</u>	<u>(3,246,570)</u>	<u>(3,246,570)</u>	<u>(2,393,184)</u>
<u>(64,785,867)</u>	<u>(3,246,570)</u>	<u>(68,032,437)</u>	<u>(49,534,669)</u>
28,217,260	-	28,217,260	25,780,700
4,680,877	-	4,680,877	3,718,694
28,702,600	-	28,702,600	26,979,330
1,024,506	-	1,024,506	952,432
3,269,164	-	3,269,164	3,063,406
6,877	-	6,877	5,881
2,410,372	5,219	2,415,591	2,420,174
3,370,780	-	3,370,780	-
(8,515,224)	-	(8,515,224)	-
<u>(1,656,133)</u>	<u>1,656,133</u>	<u>-</u>	<u>-</u>
<u>61,511,079</u>	<u>1,661,352</u>	<u>63,172,431</u>	<u>62,920,617</u>
(3,274,788)	(1,585,218)	(4,860,006)	13,385,948
<u>93,844,146</u>	<u>(2,885,350)</u>	<u>90,958,796</u>	<u>120,848,849</u>
<u>\$ 90,569,358</u>	<u>(4,470,568)</u>	<u>86,098,790</u>	<u>134,234,797</u>

CITY OF COMMERCE
Governmental Funds - Balance Sheet
June 30, 2018
(with comparative information for the prior year)

	<u>General</u>	<u>2007 JPFA Bonds</u>	<u>Measure AA</u>
Assets:			
Cash and investments	\$ 36,952,185	-	17,561,774
Cash and investments with fiscal agent	-	407,630	-
Interest receivable	130,155	-	-
Accounts receivable	3,761,546	-	-
Due from other governments	3,442,238	-	1,219,838
Due from other funds (note 6)	19,656,147	-	-
Receivable from Successor Agency	9,043,172	-	-
Loans and leases receivable	-	-	-
Prepaid items and deposits	305,523	-	-
Property held for resale	375,000	-	-
Total assets	<u>\$ 73,665,966</u>	<u>407,630</u>	<u>18,781,612</u>
Liabilities:			
Accounts payable	\$ 3,392,756	-	2,825,260
Accrued salaries and benefits	1,135,862	-	-
Deposits payable	40,813	-	-
Due to other funds (note 6)	-	-	-
Total liabilities	<u>4,569,431</u>	<u>-</u>	<u>2,825,260</u>
Deferred inflows of resources:			
Unavailable revenue	100,000	-	-
Total deferred inflows of resources	<u>100,000</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Prepaid items and deposits	305,523	-	-
Receivable from Successor Agency	9,043,172	-	-
Restricted for:			
Capital projects	-	-	-
Debt service	-	407,630	-
Housing	-	-	-
Law enforcement	-	-	-
Transportation	-	-	-
Debt Service	-	-	-
Assigned	-	-	15,956,352
Unassigned	59,647,840	-	-
Total fund balances	<u>68,996,535</u>	<u>407,630</u>	<u>15,956,352</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 73,665,966</u>	<u>407,630</u>	<u>18,781,612</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2018	2017
-	725,318	55,239,277	41,810,447
-	180	407,810	446,733
-	-	130,155	62,262
-	41,132	3,802,678	3,462,268
6,076,990	106,665	10,845,731	14,954,985
-	-	19,656,147	27,578,026
-	-	9,043,172	47,976,900
-	455,921	455,921	445,919
-	-	305,523	337,336
-	1,053,000	1,428,000	1,053,000
<u>6,076,990</u>	<u>2,382,216</u>	<u>101,314,414</u>	<u>138,127,876</u>
357,235	106,733	6,681,984	4,418,964
-	160	1,136,022	1,036,746
-	-	40,813	-
14,287,855	40,097	14,327,952	21,093,004
<u>14,645,090</u>	<u>146,990</u>	<u>22,186,771</u>	<u>26,548,714</u>
3,178,450	455,921	3,734,371	10,210,669
<u>3,178,450</u>	<u>455,921</u>	<u>3,734,371</u>	<u>10,210,669</u>
-	-	305,523	337,336
-	-	9,043,172	9,191,900
-	252,818	252,818	58,190
-	-	407,630	39,231,049
-	1,303,598	1,303,598	1,168,144
-	116,605	116,605	55,132
-	11,446	11,446	46
-	180	180	-
-	103,284	16,059,636	14,994,703
(11,746,550)	(8,626)	47,892,664	36,331,993
<u>(11,746,550)</u>	<u>1,779,305</u>	<u>75,393,272</u>	<u>101,368,493</u>
<u>6,076,990</u>	<u>2,382,216</u>	<u>101,314,414</u>	<u>138,127,876</u>

CITY OF COMMERCE
Governmental Funds

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

June 30, 2018

Fund balances of governmental funds		\$	75,393,272
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		204,951,495
	Accumulated depreciation		(113,821,036)
The City's interest 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		(9,993,812)
	Compensated absences		(3,555,208)
	Net pension liability		(25,667,577)
	OPEB liability		(49,811,177)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.			
			(109,653)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.			
			3,734,371
Deferred inflows and outflows associated with pension and OPEB obligations are not reported in the governmental funds.			
	Deferred outflows of resources		8,381,408
	Deferred inflows of resources		(2,777,722)
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>(1,115,817)</u>
Net position of governmental activities		\$	<u>99,084,582</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, 2018
(with comparative information for the prior year)

	<u>General</u>	<u>2007 JPFA Bonds</u>	<u>Measure AA</u>
Revenues:			
Taxes	\$ 29,647,305	-	8,036,719
Casino license tax	28,217,260	-	-
Licenses and permits	2,811,786	-	-
Intergovernmental	1,123,643	-	-
Fines and forfeitures	1,554,112	-	-
Investment income	207,251	2,021,637	108,247
Activity fees	433,813	-	-
Charges for services	394,724	-	-
Rental income	63,351	-	-
Miscellaneous	<u>1,201,863</u>	<u>2,228,614</u>	<u>311,415</u>
Total revenues	<u>65,655,108</u>	<u>4,250,251</u>	<u>8,456,381</u>
Expenditures:			
Current:			
General government	16,935,317	-	-
Community development	3,066,893	-	-
Public safety	20,778,877	-	-
Public works	5,510,469	-	7,092,896
Library	3,902,036	-	-
Parks, recreation and culture	10,993,287	-	-
Debt service:			
Principal	-	3,735,000	-
Interest and fiscal charges	-	1,650,650	-
Payment to refunding bond escrow agent	-	5,050,414	-
Total expenditures	<u>61,186,879</u>	<u>10,436,064</u>	<u>7,092,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,468,229</u>	<u>(6,185,813)</u>	<u>1,363,485</u>
Other financing sources (uses):			
Payment to refunded bond escrow agent	-	(32,637,606)	-
Transfers in (note 7)	748,505	-	-
Transfers out (note 7)	<u>(1,017,681)</u>	<u>-</u>	<u>(401,836)</u>
Total other financing sources (uses)	<u>(269,176)</u>	<u>(32,637,606)</u>	<u>(401,836)</u>
Net change in fund balances	4,199,053	(38,823,419)	961,649
Fund balances at beginning of year	<u>64,797,482</u>	<u>39,231,049</u>	<u>14,994,703</u>
Fund balances at end of year	<u>\$ 68,996,535</u>	<u>407,630</u>	<u>15,956,352</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2018	2017
-	-	37,684,024	34,719,747
-	-	28,217,260	25,780,700
-	-	2,811,786	2,593,315
10,748,617	2,046,226	13,918,486	15,151,211
-	-	1,554,112	1,571,605
-	73,237	2,410,372	2,442,142
-	-	433,813	433,274
-	-	394,724	331,457
-	193,105	256,456	107,310
-	198,569	3,940,461	1,232,109
<u>10,748,617</u>	<u>2,511,137</u>	<u>91,621,494</u>	<u>84,362,870</u>
-	28,305	16,963,622	16,416,508
-	101,708	3,168,601	3,015,986
-	92,949	20,871,826	20,010,785
3,576,733	-	16,180,098	21,221,420
-	-	3,902,036	3,764,624
-	-	10,993,287	10,613,121
-	340,000	4,075,000	3,925,000
-	447,442	2,098,092	2,243,768
-	-	5,050,414	-
<u>3,576,733</u>	<u>1,010,404</u>	<u>83,302,976</u>	<u>81,211,212</u>
<u>7,171,884</u>	<u>1,500,733</u>	<u>8,318,518</u>	<u>3,151,658</u>
-	-	(32,637,606)	-
-	786,548	1,535,053	1,676,324
-	(1,771,669)	(3,191,186)	(3,201,056)
-	(985,121)	(34,293,739)	(1,524,732)
7,171,884	515,612	(25,975,221)	1,626,926
<u>(18,918,434)</u>	<u>1,263,693</u>	<u>101,368,493</u>	<u>99,741,567</u>
<u>(11,746,550)</u>	<u>1,779,305</u>	<u>75,393,272</u>	<u>101,368,493</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, 2018

Net changes in fund balances - total governmental funds		\$ (25,975,221)
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	4,301,838
	Depreciation	(4,071,982)
Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds.		-
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	4,075,000
	Payment to bond escrow	5,050,414
	Payment to refunded bond escrow agent	32,637,606
	Amortization of premium and refunding costs	(632,786)
Changes in net pension liability and related deferred outflows and inflows are not recorded in governmental funds.		(2,520,636)
Changes in net OPEB liability and related deferred outflows and inflows are not recorded in governmental funds.		(1,765,223)
The statement of net position includes accrued interest on long term debt.		694,717
To record as an expense the net change in compensated absences in the statement of activities.		(62,116)
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.		(6,476,298)
The change in joint venture in the statement of net position is the result of a special item		(8,515,224)
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>(14,877)</u>
Change in net position of governmental activities		<u>\$ (3,274,788)</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Proprietary Funds

Statement of Net Position

June 30, 2018

	Business-type Activities					Governmental
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds	Internal Service Fund
Assets:						
Current assets:						
Cash and investments	\$ -	-	-	-	-	1
Accounts receivable, net	714	465,000	-	12,339	478,053	-
Due from other governments	346,217	-	-	-	346,217	-
Total current assets	346,931	465,000	-	12,339	824,270	1
Noncurrent assets:						
Receivable from Successor Agency	-	-	1,616,991	-	1,616,991	-
Capital assets:						
Nondepreciable	2,421,399	334,099	-	-	2,755,498	-
Depreciable, net	5,197,209	2,795,687	896,540	-	8,889,436	64,929
Total noncurrent assets	7,618,608	3,129,786	2,513,531	-	13,261,925	64,929
Total assets	7,965,539	3,594,786	2,513,531	12,339	14,086,195	64,930
Deferred outflows of resources:						
Pension related	1,055,890	-	-	118,510	1,174,400	107,496
OPEB related	217,854	-	-	24,451	242,305	22,244
Total deferred outflows of resources	1,273,744	-	-	142,961	1,416,705	129,740
Liabilities:						
Current liabilities:						
Accounts payable	237,592	275,522	1,164	371	514,649	87,468
Accrued salaries and benefits	166,230	-	-	12,157	178,387	9,873
Due to other funds (note 6)	1,464,354	28,330	3,762,313	73,198	5,328,195	-
Compensated absences	136,552	-	-	-	136,552	-
Unearned revenue	154,690	-	-	-	154,690	-
Total current liabilities	2,159,418	303,852	3,763,477	85,726	6,312,473	97,341
Noncurrent liabilities:						
Compensated absences	433,054	-	-	-	433,054	-
Net pension liability	3,900,735	-	-	437,807	4,338,542	397,119
Net OPEB liability	7,570,213	-	-	849,658	8,419,871	772,952
Total liabilities	14,063,420	303,852	3,763,477	1,373,191	19,503,940	1,267,412
Deferred inflows of resources:						
Pension related	95,240	-	-	10,689	105,929	9,696
OPEB related	326,908	-	-	36,691	363,599	33,379
Total deferred inflows of resources	422,148	-	-	47,380	469,528	43,075
Net Position:						
Investment in capital assets	7,618,608	3,129,786	896,540	-	11,644,934	64,929
Unrestricted	(12,864,893)	161,148	(2,146,486)	(1,265,271)	(16,115,502)	(1,180,746)
Total net position	\$ (5,246,285)	3,290,934	(1,249,946)	(1,265,271)	(4,470,568)	(1,115,817)

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, 2018

	Business-type Activities				Total Enterprise Funds	Governmental Activities
	Transit	CNG	Water	Non-Major Cable Television		Internal Service Fund
Operating revenues:						
Charges for services	\$ -	1,930,926	-	53,748	1,984,674	1,171,503
Leased water rights	-	-	845,000	-	845,000	-
Total operating revenues	-	1,930,926	845,000	53,748	2,829,674	1,171,503
Operating expenses:						
General and administrative	424,931	-	25,847	338,311	789,089	291,348
Operations	4,041,363	-	565,039	21,393	4,627,795	514,489
Maintenance	1,224,939	1,912,599	-	-	3,137,538	-
Depreciation and amortization	368,108	114,457	46,510	-	529,075	16,232
Total operating expenses	6,059,341	2,027,056	637,396	359,704	9,083,497	822,069
Operating income (loss)	(6,059,341)	(96,130)	207,604	(305,956)	(6,253,823)	349,434
Non-operating revenues (expenses):						
Intergovernmental	3,138,934	-	-	-	3,138,934	-
Interest income	-	-	5,219	-	5,219	-
Miscellaneous expense	(131,681)	-	-	-	(131,681)	(364,311)
Total non-operating revenue (expenses)	3,007,253	-	5,219	-	3,012,472	(364,311)
Income before capital contributions and transfer	(3,052,088)	(96,130)	212,823	(305,956)	(3,241,351)	(14,877)
Transfers:						
Transfers in (note 7)	1,425,000	-	-	231,133	1,656,133	-
Total transfers	1,425,000	-	-	231,133	1,656,133	-
Changes in net position	(1,627,088)	(96,130)	212,823	(74,823)	(1,585,218)	(14,877)
Net position at beginning of year, as restated (note 15)	(3,619,197)	3,387,064	(1,462,769)	(1,190,448)	(2,885,350)	(1,100,940)
Net position at end of year	\$ (5,246,285)	3,290,934	(1,249,946)	(1,265,271)	(4,470,568)	(1,115,817)

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2018

	Business-type Activities					Governmental Activities
	Transit	CNG	Water	Non-Major Cable	Total Enterprise	Internal Service
				Television	Funds	Funds
Cash flows from operating activities:						
Cash received from other customers	\$ -	1,569,568	845,000	55,894	2,470,462	-
Cash received from user departments	-	-	-	-	-	1,171,503
Cash payments to suppliers for goods and services	(947,681)	(1,806,800)	(765,084)	(19,687)	(3,539,252)	(543,401)
Cash payments to employees for services	(3,890,646)	-	(14,292)	(267,340)	(4,172,278)	(628,102)
Net cash provided by (used for) operating activities	<u>(4,838,327)</u>	<u>(237,232)</u>	<u>65,624</u>	<u>(231,133)</u>	<u>(5,241,068)</u>	<u>-</u>
Cash flows from noncapital financing activities:						
Intergovernmental noncapital grants	3,522,394	-	-	-	3,522,394	-
Cash received from (paid to) other funds	1,105,941	28,330	(839,504)	231,133	525,900	-
Net cash provided by (used for) non-capital financing activities	<u>4,628,335</u>	<u>28,330</u>	<u>(839,504)</u>	<u>231,133</u>	<u>4,048,294</u>	<u>-</u>
Cash flows from investing activities:						
Interest received on investments	-	-	5,219	-	5,219	-
Net cash provided by (used for) investing activities	<u>-</u>	<u>-</u>	<u>5,219</u>	<u>-</u>	<u>5,219</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(209,992)	(208,902)	(768,661)	-	(1,187,555)	-
Cash and cash equivalents at beginning of year	209,992	208,902	768,661	-	1,187,555	1
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (6,059,341)	(96,130)	207,604	(305,956)	(6,253,823)	349,434
Miscellaneous non-operating expense	-	-	-	-	-	(364,311)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	368,108	114,457	46,510	-	529,075	16,232
Adjustments:						
(Increase) decrease in accounts receivable	-	(361,358)	-	2,146	(359,212)	-
(Increase) decrease in deferred outflows	(430,796)	-	-	(42,174)	(472,970)	31,841
Increase (decrease) in accounts payable	(58,194)	105,799	(188,490)	(4,991)	(145,876)	55,811
Increase (decrease) in accrued salaries and benefits	28,141	-	-	1,575	29,716	(8,523)
Increase (decrease) in due to other funds	-	-	-	-	-	-
Increase (decrease) in deferred revenue	-	-	-	-	-	279,588
Increase (decrease) in net pension liability	778,653	-	-	64,515	843,168	(387,951)
Increase (decrease) in net OPEB liability	(118,678)	-	-	17,870	(100,808)	-
Increase (decrease) in compensated absences	49,898	-	-	-	49,898	-
Increase (decrease) in deferred inflows	603,882	-	-	35,882	639,764	27,879
Net cash provided by (used for) operating activities	<u>\$ (4,838,327)</u>	<u>(237,232)</u>	<u>65,624</u>	<u>(231,133)</u>	<u>(5,241,068)</u>	<u>-</u>

There were no significant noncash capital, financing and investing activities during the year ended June 30, 2018.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Cash Deposits Agency Fund	Private Purpose Trust Funds
Assets:		
Cash and investments (note 2)	\$ 388,778	14,733,520
Cash and investments with fiscal agent (note 2)	-	81,868
Interest receivable	-	2,558
Loans receivable	-	17,442
Property held for resale	-	54,960,302
	388,778	69,795,690
Deferred Outflow of Resources:		
Deferred loss on refunding	-	6,688,778
Liabilities:		
Advances from City of Commerce	-	10,660,163
Accounts payable	67,377	1,610,076
Accrued salaries and benefits	-	1,699
Interest payable	-	1,525,174
Deposits payable	321,401	180,000
Long-term liabilities		
Due within one year (note 5)	-	5,614,232
Due in more than one year (note 5)	-	66,224,260
	388,778	85,815,604
Net Position:		
Held in trust for Successor Agency		(9,331,136)
Total net position		\$ (9,331,136)

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2018

	Private Purpose Trust Funds
Additions:	
Property taxes	\$ 5,100,378
Investment income	268,918
Rental income	932,532
Miscellaneous income	6
Transfers in (note 7)	8,684,826
Total additions	14,986,660
Deductions:	
Administrative expenses	350,348
Professional services	439,533
Interest and fiscal charges	3,715,707
Payments under pass-through obligations	140,669
Fiscal charges	785,136
Miscellaneous	108,918
Transfers out (note 7)	8,684,826
Total deductions	14,225,137
Changes in net position	761,523
Net position held in trust, beginning of year	(10,092,659)
Net position held in trust, end of year	\$ (9,331,136)

See accompanying notes to the basic financial statements.

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CITY OF COMMERCE

Notes to the Basic Financial Statements

Year Ended June 30, 2018

(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 Fund – 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 Fund – 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.

Additionally, the government reports the following fund types:

Private Purpose Trust Funds – This fund is used to account for the activities of the Successor Agency of the former Community Development Commission.

Agency Fund – This fund is used to account for special deposits collected by the City on behalf of others.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(d) Investments

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

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

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

(e) Property Held for Resale

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

(f) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

(l) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), the assets of which are held by the Public Agencies Post-Retirement Health Care Plan Trust (PARS), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(m) 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 three items that qualify for reporting in this category, the deferred loss on refunding and deferred outflows related to pensions and OPEB.

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 three 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 others are deferred inflows relating to pensions and OPEB.

(n) 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.

(o) 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(p) 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.

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.

(q) Prior Year Data

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 55,239,278
Cash and investments with fiscal agent	407,810
Statement of Fiduciary Net Position:	
Cash and investments	15,122,298
Cash and investments with fiscal agent	<u>81,868</u>
Total cash and investments	<u>\$ 70,851,254</u>

Cash and investments as of June 30, 2018, consist of the following:

Cash on hand	\$ 3,062
Deposits with financial institutions	36,517,239
Investments	<u>34,330,953</u>
Total cash and investments	<u>\$ 70,851,254</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	10 days	None	None
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 short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining 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	\$ 647,959	349,706	298,253	-
State investment pool	27,429,551	27,429,551	-	-
Money market funds	<u>6,253,443</u>	<u>6,253,443</u>	-	-
Total	<u>\$ 34,330,953</u>	<u>34,032,700</u>	<u>298,253</u>	<u>-</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Negotiable certificates of deposit	\$ 647,959	N/A	-	-	647,959
State investment pool	27,429,551	N/A	-	-	27,429,551
Money market funds	<u>6,253,443</u>	AAA	<u>6,253,443</u>	-	-
Total	<u>\$ 34,330,953</u>		<u>6,253,443</u>	<u>-</u>	<u>28,077,510</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk, (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, 2018, is as follows:

	Balance at <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2018</u>
Buildings	\$ 40,425,663	-	-	40,425,663
Improvements other than buildings	20,719,853	-	-	20,719,853
Infrastructure	128,866,823	3,463,656		132,330,479
Machinery and equipment	<u>4,912,786</u>	<u>1,167,281</u>	-	<u>6,080,067</u>
Total costs of depreciable assets	<u>194,925,125</u>	<u>4,630,937</u>	-	<u>199,556,062</u>
Less accumulated depreciation:				
Buildings	(25,047,034)	(1,113,794)	-	(26,160,828)
Improvements other than buildings	(6,936,872)	(586,339)	-	(7,523,211)
Infrastructure	(74,209,649)	(2,063,878)		(76,273,527)
Machinery and equipment	<u>(3,587,963)</u>	<u>(324,203)</u>	-	<u>(3,912,166)</u>
Total accumulated depreciation	<u>(109,781,518)</u>	<u>(4,088,214)</u>	-	<u>(113,869,732)</u>
Net depreciable assets	<u>85,143,607</u>	<u>542,723</u>	-	<u>85,686,330</u>
Capital assets not depreciated:				
Land	4,070,310	-	-	4,070,310
Construction in progress	<u>1,767,847</u>	<u>645,220</u>	<u>(974,319)</u>	<u>1,438,748</u>
Total assets not being depreciated	<u>5,838,157</u>	<u>645,220</u>	<u>(974,319)</u>	<u>5,509,058</u>
Capital assets, net	<u>\$ 90,981,764</u>	<u>1,187,943</u>	<u>(974,319)</u>	<u>91,195,388</u>

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

General government	\$ 2,346,951
Public works	920,100
Parks, recreation and culture	<u>821,163</u>
Total governmental activities	<u>\$ 4,088,214</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2018, is as follows:

	Balance at <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2018</u>
Water rights	\$ 2,141,222	-	-	2,141,222
Buildings and improvements	11,766,979	-	-	11,766,979
Machinery and equipment	<u>10,187,051</u>	<u>-</u>	<u>131,681</u>	<u>10,055,370</u>
Total costs of depreciable assets	<u>24,095,252</u>	<u>-</u>	<u>131,681</u>	<u>23,963,571</u>
Less accumulated depreciation:				
Water rights	(1,470,789)	(30,474)	-	(1,501,263)
Buildings and improvements	(4,612,567)	(319,718)	-	(4,932,285)
Machinery and equipment	<u>(8,461,704)</u>	<u>(178,883)</u>	<u>-</u>	<u>(8,640,587)</u>
Total accumulated depreciation	<u>(14,545,060)</u>	<u>(529,075)</u>	<u>-</u>	<u>(15,074,135)</u>
Net depreciable assets	<u>9,550,192</u>	<u>(529,075)</u>	<u>131,681</u>	<u>8,889,436</u>
Capital assets not depreciated:				
Land	<u>2,755,498</u>	<u>-</u>	<u>-</u>	<u>2,755,498</u>
Total assets not being depreciated	<u>2,755,498</u>	<u>-</u>	<u>-</u>	<u>2,755,498</u>
Capital assets, net	<u>\$ 12,305,690</u>	<u>(529,075)</u>	<u>131,681</u>	<u>11,644,934</u>

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

Transit	\$ 368,108
CNG	114,457
Water	<u>46,510</u>
Total business-type activities	<u>\$ 529,075</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, 2018, were as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>	<u>Due Within One Year</u>
Bonds payable:					
2007 JPFA Revenue Bonds	\$ 40,730,000	-	(40,730,000)	-	-
2014 JPFA Revenue Bonds	9,350,000	-	(340,000)	9,010,000	355,000
Premium on bond	<u>1,044,046</u>	<u>-</u>	<u>(60,234)</u>	<u>983,812</u>	<u>60,234</u>
Subtotal	<u>51,124,046</u>	<u>-</u>	<u>(41,130,234)</u>	<u>9,993,812</u>	<u>415,234</u>
Other long-term liabilities:					
Compensated absences *	<u>3,493,092</u>	<u>1,811,948</u>	<u>(1,749,832)</u>	<u>3,555,208</u>	<u>975,813</u>
Total long-term liabilities	<u>\$ 54,617,138</u>	<u>1,811,948</u>	<u>(42,880,066)</u>	<u>13,549,020</u>	<u>1,391,047</u>

*Compensated absences are generally liquidated by the general fund.

Changes in business-type long-term liabilities for the year ended June 30, 2018, were as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 519,708</u>	<u>256,685</u>	<u>(206,787)</u>	<u>569,606</u>	<u>136,552</u>

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

(5) Long-Term Liabilities, (Continued)

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2018, were as follows:

	<u>Balance at</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:					
1994 Tax Allocation					
Refunding Bonds	\$ 305,000	-	(35,000)	270,000	40,000
2007 Tax Allocation Bonds	38,785,000	-	(38,785,000)	-	-
2016 Tax Allocation Bonds	39,100,000	-	(1,820,000)	37,280,000	1,855,000
2018 Tax Allocation Bonds	-	29,720,000	-	29,720,000	3,270,000
Premium on bond (2016 TABs)	1,308,731	-	(72,707)	1,236,024	78,958
Premium on bond (2018 TABs)	-	3,702,742	(370,274)	3,332,468	370,274
Advances from City	<u>10,835,485</u>	<u>-</u>	<u>(175,322)</u>	<u>10,660,163</u>	<u>-</u>
Total long-term liabilities	<u>\$ 90,334,216</u>	<u>33,422,742</u>	<u>(41,258,303)</u>	<u>82,498,655</u>	<u>5,614,232</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, 2018 is \$270,000.

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

Fiscal Year			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	50,000	5,137	55,137
2024	<u>55,000</u>	<u>1,763</u>	<u>56,763</u>
	<u>\$ 270,000</u>	<u>55,350</u>	<u>325,350</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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, 2018, is \$9,010,000.

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

Fiscal Year			
Ending	Principal	Interest	Total
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	425,000	351,738	776,738
2024-2028	2,485,000	1,410,531	3,895,531
2029-2033	3,105,000	766,775	3,871,775
2034-2035	<u>1,470,000</u>	<u>111,250</u>	<u>1,581,250</u>
	<u>\$ 9,010,000</u>	<u>4,246,870</u>	<u>13,256,870</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, 2018, the amount outstanding was \$37,280,000.

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

Fiscal Year Ending	Principal	Interest	Total
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	3,695,000	1,010,631	4,705,631
2024-2028	14,165,000	3,443,791	17,608,791
2029-2033	7,500,000	1,275,447	8,775,447
2034-2035	<u>3,875,000</u>	<u>180,781</u>	<u>4,055,781</u>
	<u>\$ 37,280,000</u>	<u>10,547,588</u>	<u>47,827,588</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

2018 Tax Allocation Bonds

In March 2018, the Successor Agency to the Commerce Community Development Commission issued \$29,720,000 in Tax Allocation Refunding Bonds. The bonds were issued for the purpose of refunding certain obligations of the former Commerce Community Development Commission's 2007 Tax Allocation Bonds and 2007 JPFA Revenue 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 \$6,846,417. This amount is recorded as a deferred loss on refunding and 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 5.0% and are payable on February 1 and August 1. Bonds mature in various amounts ranging from \$1,845,000 to \$5,035,000 through 2027. At June 30, 2018, the amount outstanding was \$29,720,000.

The government advance refunded Series 2007A Tax Allocation bonds to reduce its total debt service payments by \$8,226,478 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$ 7,367,981.

Future principal and interest payments on the 2018 Tax Allocation Bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2019	\$ 3,270,000	507,717	3,777,717
2020	2,600,000	1,322,500	3,922,500
2021	3,390,000	1,192,500	4,582,500
2022	3,115,000	1,023,000	4,138,000
2023	2,030,000	867,250	2,897,250
2024-2027	<u>15,315,000</u>	<u>2,491,521</u>	<u>17,806,521</u>
	<u>\$ 29,720,000</u>	<u>7,404,488</u>	<u>37,124,488</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

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	\$ 9,043,172 (a)
Water Fund	Successor Agency Private Purpose Trust Fund	<u>1,616,991 (b)</u>
		<u>\$ 10,660,163</u>

(a) As of June 30, 2018, the amount due to the General Fund from the Successor Agency was \$9,043,172. 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, 2018, the amount due to the Water Enterprise Fund from the Successor Agency was \$1,616,991. 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2018, are as follows:

<u>Due to other funds</u>	<u>Due to other funds</u>	<u>Amount</u>	
General Fund	General City Capital Projects Fund	\$ 14,287,855	(b)
	Other Governmental Funds	40,097	(a)
	Transit Fund	1,464,354	(a)
	Water Fund	3,762,313	(b)
	Cable Television	73,198	(a)
	CNG Fund	28,330	(a)
		<u>\$ 19,656,147</u>	

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

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

(7) Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2018:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	
General Fund	State Gas Tax	\$ 330,110	(a)
	Measure AA	401,836	(b)
	AQMD Rideshare	<u>16,559</u>	(c)
		748,505	
Transit	Prop A Local Tax	1,425,000	(d)
Community Center	General Fund	786,548	(e)
Cable Television	General Fund	231,133	(f)
Successor Agency - RPTTF	Successor Agency Trust Fund	<u>8,684,826</u>	(g)
	Total	<u>\$ 11,876,012</u>	

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(7) Interfund Transfers, (Continued)

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

- (a) \$330,110 was transferred from State Gas Tax to the General Fund to provide funding for eligible street and alley maintenance repairs.
- (b) \$401,836 was transferred from Measure AA to the General Fund for administrative costs relating to ongoing projects.
- (c) \$16,559 was transferred from AQMD to the General Fund to provide funding to eligible rideshare costs.
- (d) \$1,425,000 was transferred from the Prop A Local Tax Fund to the Transit Fund for ongoing transportation services.
- (e) \$786,548 was transferred from the General Fund to the Community Center Debt Service Fund to cover debt service payments.
- (f) \$231,133 was transferred from the General Fund to the Cable Fund to subsidize cable operations.
- (g) \$8,684,826 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.

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of 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, 2016 (actuarial valuation date), the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries currently receiving benefits	197
Active employees	<u>156</u>
Total	<u>353</u>

Contribution Description

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine the measurement period ending June 30, 2017 (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	7.15%
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.

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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. The test revealed that the assets would not run out. Therefore, the current 7.15 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 7.15 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and 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 PERF 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 short-term and long-term returns. The expected rate of return was set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure. In February 2018, the CalPERS Board approved the reduction of the amortization period from 30 years to 20 years effective June 30, 2019.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position 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 outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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

Net Difference between projected and actual earnings on pension plan investments 5-year straight-line amortization

All other amounts Straight-line amortization over the expected average remaining service lifetime (EARS�) 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)

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: 6/30/2016 (VD)	\$ 99,327,528	73,223,173	26,104,355
Changes Recognized for the Measurement Period:			
Service Cost	1,989,007	-	1,989,007
Interest on the Total Pension Liability	7,385,664	-	7,385,664
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(490,554)		(490,554)
Changes of Assumptions	-	-	-
Contributions from the Employer	-	2,034,184	(2,034,184)
Contributions from Employees	-	756,795	(756,795)
Investment Income	-	7,980,374	(7,980,374)
Administrative Expense	-	(108,109)	108,109
Benefit Payments, including Refunds of Employee Contributions	(5,226,953)	(5,226,953)	-
Net Changes during 2016-17	9,735,174	5,436,291	4,298,883
Balance at: 6/30/2017 (MD)	\$ 109,062,702	78,659,464	30,403,238

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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability – Misc.	\$ 45,001,396	30,403,238	18,326,230

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

For the measurement period ending June 30, 2017 (the measurement date), the City of Commerce recognized a pension expense of \$5,114,471 for the Plan.

As of the June 30, 2017 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	\$ 2,059,096	-
Differences between Expected and Actual Experience	494,665	(361,460)
Changes of Assumptions	4,478,534	(380,865)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,197,558	-
Total	\$ 8,229,853	(742,325)

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

\$2,059,096 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, 2019. 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
2018	\$ (499,270)
2019	4,829,775
2020	1,666,187
2021	(568,260)
2022	-
Thereafter	-

(9) Other Post-Employment Benefits (OPEB)

Plan Description

The City administers an agent multiple 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Other Post-Employment Benefits (OPEB), (Continued)

Employees Covered

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. As of the June 30, 2017 measurement date, the following participants were covered by the benefit terms:

Active employees	157
Inactive employees or beneficiaries currently receiving benefits	151
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>308</u>

Contributions Description

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 2017-18, the City contributed \$1,698,000 for current premiums.

Actuarial Methods and Assumptions used to determine Total OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.97%
Inflation	2.75% per annum
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	6.00%
Municipal Bond Rate	3.58%
Mortality, Retirement, Disability, Termination	Derived using CalPERS 1997-2011 Experience Study
Medical Trend	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Other Post-Employment Benefits (OPEB) (continued)

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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.

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 medical cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Other Post-Employment Benefits (OPEB) (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

STRATEGY 1		
Asset Class	Target Allocation* PARS-Moderate	Expected Real Rate of Return
Global Equities	48.00%	4.82%
Fixed Income	45.00%	1.47%
REITs	2.00%	3.76%
Cash	5.00%	0.06%
Total	100%	
Assumed Long-Term Rate of Inflation		2.75%
*Expected Long-Term Rate of Return		6.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.97 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Other Post-Employment Benefits (OPEB) (continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the City are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at: 6/30/2017	\$ 61,964,000	2,035,000	59,929,000
Changes recognized for the Measurement period:			
Service cost	2,234,000	-	2,234,000
Interest	2,294,000	-	2,294,000
Changes of assumptions	(3,068,000)	-	(3,068,000)
Contributions - employer	-	2,166,000	(2,166,000)
Net investment income	-	225,000	(225,000)
Benefit payments	(1,666,000)	(1,666,000)	-
Administrative expense	-	(6,000)	6,000
Net Changes during 2016-17	(206,000)	719,000	(925,000)
Balance at: 6/30/2018	\$ 61,758,000	2,754,000	59,004,000

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

The following presents the net OPEB liability of the City as of the Measurement Date, calculated using the discount rate of 3.97 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 (2.97 percent) or 1 percentage-point higher (4.97 percent) than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB Liability	\$ 69,991,000	59,004,000	50,280,000

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Other Post-Employment Benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City as of the Measurement Date, calculated using the health care cost rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 48,920,000	59,004,000	72,014,000

OPEB Plan Fiduciary Net Position

The PARS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the Public Agency Retirement Services, PARS, 4350 Von Karman Ave, Newport Beach, CA 92660.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$3,789,000. As of fiscal year, ended June 30, 2018, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,698,000	-
Changes of assumptions	-	2,478,000
Net difference between projected and actual earnings on OPEB plan investments	-	70,000
Total	\$ 1,698,000	2,548,000

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Other Post-Employment Benefits (OPEB) (continued)

The \$1,698,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ (608,000)
2020	(608,000)
2021	(608,000)
2022	(606,000)
2023	(118,000)
Thereafter	-

(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 power’s 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 claim 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, 2017 through July 1, 2020. 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.

(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, 2017	\$ 26,952,075	13,476,038
Decrease in equity for the year ended June 30, 2018	<u>(17,030,447)</u>	<u>(8,515,224)</u>
Net position at June 30, 2018	<u>\$ 9,921,628</u>	<u>4,960,814</u>

The authority ceased operations of the facility on June 26, 2018 due to continued financial losses resulting from lower power revenue. The Authority is preparing the facility and site for eventual sale. The Authority may be dissolved after all assets are sold. Because the Authority ceased operations, an impairment of assets and a post operations site cleanup liability was recorded.

(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 \$1,252,000 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 \$140,600 to that retailer based on sales and property tax revenue generated.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(13) Deferred Compensation Plan

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

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

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

(14) Fund Deficits

As of June 30, 2018, deficits were reported in the following funds:

Transit	\$	(5,246,285)
Water		(1,249,946)
Cable Television		(1,265,271)
Central Garage		(1,115,817)
Successor Agency Trust Fund		(24,064,643)
Capital Projects Fund		(11,746,550)
CDBG		(8,626)

Transit Fund deficit will be eliminated through transfers in the next fiscal year.

Water Fund deficit will be eliminated through allocating lease revenue to this fund.

Cable Television Fund deficit will be eliminated through transfers in the next fiscal year.

Central Garage Fund deficit will be eliminated through future transfers.

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

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

CDBG Fund deficit will be eliminated through future intergovernmental revenues.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(15) Prior Period Adjustment

The accompanying financial statements reflect the implementation of GASB Statement No. 75. GASB 75 changes the accounting for OPEB liabilities and related balances. As a result of the implementation of GASB Statement No.75, the beginning net position was restated by a decrease of \$43,276,001. Prior year information was not restated because the necessary actuarial information was not available.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Internal Service Funds</u>
		<u>Transit</u>	<u>Cable Television</u>	
Net position, as previously reported	\$ 128,877,366	3,791,796	(358,660)	(344,245)
Implementation of GASB 75	<u>(35,033,220)</u>	<u>(7,410,993)</u>	<u>(831,788)</u>	<u>(756,695)</u>
Net position, as restated	<u>\$ 93,844,146</u>	<u>(3,619,197)</u>	<u>(1,190,448)</u>	<u>(1,100,940)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMMERCE

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

Last Ten Fiscal Years*

Measurement Period	2016-17	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY				
Service Cost	\$ 1,989,007	1,662,850	1,550,187	1,460,709
Interest	7,385,664	7,177,076	6,869,505	6,545,470
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(490,554)	512,205	1,062,228	-
Changes of Assumptions	6,078,010	-	(1,650,414)	-
Benefit Payments, Including				
Refunds of Employee Contributions	<u>(5,226,953)</u>	<u>(4,997,904)</u>	<u>(4,937,517)</u>	<u>(4,938,877)</u>
Net Change in Total Pension Liability	9,735,174	4,354,227	2,893,989	3,067,302
Total Pension Liability – Beginning	<u>99,327,528</u>	<u>94,973,301</u>	<u>92,079,312</u>	<u>89,012,010</u>
Total Pension Liability – Ending (a)	<u>109,062,702</u>	<u>99,327,528</u>	<u>94,973,301</u>	<u>92,079,312</u>
PLAN FIDUCIARY NET POSITION				
Contributions – Employer	2,034,184	1,895,010	1,515,782	1,435,188
Contributions – Employee	756,795	788,933	720,100	694,273
Investment Income	7,980,374	364,679	1,670,372	11,658,199
Administrative Expense	(108,109)	(45,842)	(84,670)	(83,334)
Benefit Payments, Including				
Refunds of Employee Contributions	(5,226,953)	(4,997,904)	(4,937,517)	(4,938,877)
Other Changes in Net Fiduciary Position	-	-	-	-
Net Change in Fiduciary Net Position	5,436,291	(1,995,124)	(1,115,933)	8,765,449
Plan Fiduciary Net Position – Beginning	<u>73,223,173</u>	<u>75,218,297</u>	<u>76,334,230</u>	<u>67,568,781</u>
Plan Fiduciary Net Position – Ending (b)	<u>78,659,464</u>	<u>73,223,173</u>	<u>75,218,297</u>	<u>76,334,230</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 30,403,238</u>	<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	72.12%	73.72%	79.20%	82.90%
Covered Payroll	\$ 10,861,205	9,961,216	10,161,824	9,389,402
Plan Net Pension Liability as a Percentage of Covered Payroll	279.93%	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 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflected 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.

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF COMMERCE

Schedule of Pension Contributions

Last Ten Fiscal Years*

	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 2,059,096	2,135,197	1,677,005	1,515,782	1,435,188
Contributions in Relation to the Actuarially Determined Contribution	(2,059,096)	(2,135,197)	(1,667,005)	(1,515,782)	(1,435,188)
Contribution Deficiency (Excess)	\$ -	-	-	-	-
Covered Payroll	\$ 11,672,945	10,861,205	9,961,216	10,161,824	9,389,402
Contributions as a Percentage of Covered Payroll	17.64%	19.66%	16.73%	14.92%	15.29%

Notes to Schedule:

The June 30, 2015 valuation was used to determine the fiscal year 2017-18 contributions based on the the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2015 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2015 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment Expenses, including inflation.
Retirement Age	The probabilities of mortality 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.

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF COMMERCE

Schedule of Changes in Net OPEB Liability and Related Ratios During the Measurement Period
Last Ten Fiscal Years*

Measurement Period	<u>2016-17</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 2,234,000
Interest on the total OPEB liability	2,294,000
Actual and expected experience difference	-
Changes in assumptions	(3,068,000)
Changes in benefit terms	-
Benefit payments	<u>(1,666,000)</u>
Net change in total OPEB liability	(206,000)
Total OPEB liability - beginning	<u>61,964,000</u>
Total OPEB liability - ending (a)	<u>61,758,000</u>
 PLAN FIDUCIARY NET POSITION	
Contribution - employer	2,166,000
Net investment income	225,000
Benefit payments	(1,666,000)
Administrative expense	<u>(6,000)</u>
Net change in plan fiduciary net position	719,000
Plan fiduciary net position - beginning	<u>2,035,000</u>
Plan fiduciary net position - ending (b)	<u>2,754,000</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 59,004,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.5%
Covered-employee payroll	\$ 13,074,000
Net OPEB liability as a percentage of covered-employee payroll	451.31%

Notes to Schedule:

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF COMMERCE
Schedule of OPEB Contributions
Last Ten Fiscal Years*

	2017-18
Actuarially Determined Contribution (ADC)	\$ 4,975,000
Contributions in relation to the Actuarially Determined Contribution	(1,698,000)
Contribution Deficiency (Excess)	\$ 3,277,000
 Covered-employee payroll	13,074,000
 Contributions as a percentage of covered-employee payroll	13.0%

Note to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were from the June 30, 2016 actuarial valuation.

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.97%
Inflation	2.75% per annum
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	6.00%
Municipal Bond Rate	3.58%
Mortality, Retirement, Disability, Termination	Derived using CalPERS 1997-2011 Experience Study
Medical Trend	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF COMMERCE
 General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 27,044,000	27,044,000	29,647,305	2,603,305
Casino license tax	25,120,000	25,120,000	28,217,260	3,097,260
Licenses and permits	2,845,750	2,845,750	2,811,786	(33,964)
Intergovernmental	844,500	844,500	1,123,643	279,143
Fines and forfeitures	1,400,000	1,400,000	1,554,112	154,112
Investment income	100,000	100,000	207,251	107,251
Activity fees	454,750	454,750	433,813	(20,937)
Charges for services	347,500	347,500	394,724	47,224
Rental and lease income	23,760	23,760	63,351	39,591
Miscellaneous	2,065,850	2,065,850	1,201,863	(863,987)
Total revenues	<u>60,246,110</u>	<u>60,246,110</u>	<u>65,655,108</u>	<u>5,408,998</u>
Expenditures:				
Current:				
General government	17,120,435	17,120,435	16,935,317	185,118
Community development	3,138,897	3,138,897	3,066,893	72,004
Public safety	19,182,074	19,182,074	20,778,877	(1,596,803)
Public works	6,149,767	6,149,767	5,510,469	639,298
Library	3,813,787	3,813,787	3,902,036	(88,249)
Parks, recreation and culture	10,067,385	10,067,385	10,993,287	(925,902)
Total expenditures	<u>59,472,345</u>	<u>59,472,345</u>	<u>61,186,879</u>	<u>(1,714,534)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>773,765</u>	<u>773,765</u>	<u>4,468,229</u>	<u>3,694,464</u>
Other financing sources (uses):				
Transfers in	-	-	748,505	748,505
Transfers out	(1,789,646)	(1,789,646)	(1,017,681)	771,965
Total other financing sources (uses)	<u>(1,789,646)</u>	<u>(1,789,646)</u>	<u>(269,176)</u>	<u>1,520,470</u>
Net change in fund balance	(1,015,881)	(1,015,881)	4,199,053	5,214,934
Fund balance at beginning of year	<u>64,797,482</u>	<u>64,797,482</u>	<u>64,797,482</u>	<u>-</u>
Fund balance at end of year	<u>\$ 63,781,601</u>	<u>63,781,601</u>	<u>68,996,535</u>	<u>5,214,934</u>

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2018

(1) Budgets and Budgetary Accounting

The City of Commerce, a general law city in the State of California, does not legally require a budget. However, the City Council annually reviews and adopts a budget in accordance with GAAP as a management control device for all funds except the Joint Powers Financing Authority Debt Service Fund. Each May, the City Administrator submits 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.

(2) Excess of expenditures over appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the general fund (the legal level of budgetary control) in the amount of \$1,714,534.

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SUPPLEMENTARY SCHEDULES

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NON-MAJOR SPECIAL REVENUE FUNDS

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

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.

Community Benefits Fund - To account for unpaid past fees collected from Synergy Business Management to assist the Senior Rent Subsidy Program and provide other discounts for the benefit of the senior residents.

NON-MAJOR DEBT SERVICE FUND

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

CITY OF COMMERCE
 Non-Major Governmental Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds	Community Center Debt Service Fund	<u>Totals</u>
Assets			
Cash and investments	\$ 725,318	-	725,318
Cash and investments with fiscal agent	-	180	180
Accounts receivable	41,132	-	41,132
Due from other governments	106,665	-	106,665
Loans receivable	455,921	-	455,921
Property held for resale	<u>1,053,000</u>	-	<u>1,053,000</u>
Total assets	<u>2,382,036</u>	<u>180</u>	<u>2,382,216</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	106,733	-	106,733
Accrued salaries and benefits	160	-	160
Due to other funds	<u>40,097</u>	-	<u>40,097</u>
Total liabilities	<u>146,990</u>	-	<u>146,990</u>
 Deferred inflows of resources:			
Unavailable revenue	<u>455,921</u>	-	<u>455,921</u>
Total deferred inflows of resources	<u>455,921</u>	-	<u>455,921</u>
 Fund balances:			
Restricted for:			
Community Development	252,818	-	252,818
Housing	1,303,598	-	1,303,598
Law enforcement	116,605	-	116,605
Transportation	11,446	-	11,446
Debt Service	-	180	180
Assigned for capital projects	103,284	-	103,284
Unassigned	<u>(8,626)</u>	-	<u>(8,626)</u>
Total fund balances	<u>1,779,125</u>	<u>180</u>	<u>1,779,305</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,382,036</u>	<u>180</u>	<u>2,382,216</u>

CITY OF COMMERCE

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2018

	Special Revenue Funds	Community Center Debt Service Fund	Totals
Revenues:			
Intergovernmental	\$ 2,046,226	-	2,046,226
Investment income	72,847	390	73,237
Licenses and permits	193,105	-	193,105
Miscellaneous	198,569	-	198,569
Total revenues	<u>2,510,747</u>	<u>390</u>	<u>2,511,137</u>
Expenditures:			
Current:			
General government	28,305	-	28,305
Community development	101,708	-	101,708
Public safety	92,949	-	92,949
Debt service:			
Principal payments	-	340,000	340,000
Interest and fiscal charges	-	447,442	447,442
Total expenditures	<u>222,962</u>	<u>787,442</u>	<u>1,010,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,287,785</u>	<u>(787,052)</u>	<u>1,500,733</u>
Other financing sources (uses):			
Transfers in	-	786,548	786,548
Transfers out	<u>(1,771,669)</u>	<u>-</u>	<u>(1,771,669)</u>
Total other financing sources (uses)	<u>(1,771,669)</u>	<u>786,548</u>	<u>(985,121)</u>
Net change in fund balances	516,116	(504)	515,612
Fund balances beginning of year	<u>1,263,009</u>	<u>684</u>	<u>1,263,693</u>
Fund balances at end of year	<u>\$ 1,779,125</u>	<u>180</u>	<u>1,779,305</u>

CITY OF COMMERCE
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2018

	Supplemental Law Enforcement	Proposition A Local Return Tax	State Gas Tax	CDBG
Assets:				
Cash and investments	\$ 142,944	-	-	-
Accounts receivable	-	-	11,360	-
Due from other governments	-	-	-	106,665
Loans receivable	-	-	-	7,500
Property held for resale	-	-	-	-
	<u>142,944</u>	<u>-</u>	<u>11,360</u>	<u>114,165</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	26,339	-	-	79,249
Accrued salaries and benefits	-	-	-	160
Due to other funds	-	-	-	35,882
	<u>26,339</u>	<u>-</u>	<u>-</u>	<u>115,291</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	7,500
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Fund balances:				
Restricted for:				
Community development	-	-	-	-
Housing	-	-	-	-
Law enforcement	116,605	-	-	-
Transportation	-	-	11,360	-
Assigned	-	-	-	-
Unassigned	-	-	-	(8,626)
	<u>116,605</u>	<u>-</u>	<u>11,360</u>	<u>(8,626)</u>
Total fund balances	<u>116,605</u>	<u>-</u>	<u>11,360</u>	<u>(8,626)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 142,944</u>	<u>-</u>	<u>11,360</u>	<u>114,165</u>

Air Quality Management District	Housing	Art in Public Places	Community Benefits	Totals
-	251,743	252,818	77,813	725,318
4,301	-	-	25,471	41,132
-	-	-	-	106,665
-	448,421	-	-	455,921
-	1,053,000	-	-	1,053,000
<u>4,301</u>	<u>1,753,164</u>	<u>252,818</u>	<u>103,284</u>	<u>2,382,036</u>
-	1,145	-	-	106,733
-	-	-	-	160
4,215	-	-	-	40,097
<u>4,215</u>	<u>1,145</u>	<u>-</u>	<u>-</u>	<u>146,990</u>
-	448,421	-	-	455,921
-	448,421	-	-	455,921
-	-	252,818	-	252,818
-	1,303,598	-	-	1,303,598
-	-	-	-	116,605
86	-	-	-	11,446
-	-	-	103,284	103,284
-	-	-	-	(8,626)
<u>86</u>	<u>1,303,598</u>	<u>252,818</u>	<u>103,284</u>	<u>1,779,125</u>
<u>4,301</u>	<u>1,753,164</u>	<u>252,818</u>	<u>103,284</u>	<u>2,382,036</u>

CITY OF COMMERCE
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2018

	Supplemental Law Enforcement	Proposition A Local Return Tax	State Gas Tax	CDBG
Revenues:				
Intergovernmental	\$ 139,417	1,425,000	339,481	125,729
Investment income	861	-	1,989	-
Licenses and permits	-	-	-	-
Miscellaneous	-	-	-	-
	<u>140,278</u>	<u>1,425,000</u>	<u>341,470</u>	<u>125,729</u>
Total revenues				
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	-	-	101,708
Public safety	78,805	-	-	14,144
	<u>78,805</u>	<u>-</u>	<u>-</u>	<u>115,852</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>61,473</u>	<u>1,425,000</u>	<u>341,470</u>	<u>9,877</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(1,425,000)</u>	<u>(330,110)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,425,000)</u>	<u>(330,110)</u>	<u>-</u>
Net change in fund balances	61,473	-	11,360	9,877
Fund balances (deficit) at beginning of year	<u>55,132</u>	<u>-</u>	<u>-</u>	<u>(18,503)</u>
Fund balances (deficit) at end of year	<u>\$ 116,605</u>	<u>-</u>	<u>11,360</u>	<u>(8,626)</u>

Air Quality Management District	Housing	Art In Public Places	Community Benefits	Totals
16,599	-	-	-	2,046,226
-	67,835	1,523	639	72,847
-	-	193,105	-	193,105
-	67,619	-	130,950	198,569
<u>16,599</u>	<u>135,454</u>	<u>194,628</u>	<u>131,589</u>	<u>2,510,747</u>
-	-	-	28,305	28,305
-	-	-	-	101,708
-	-	-	-	92,949
-	-	-	28,305	222,962
<u>16,599</u>	<u>135,454</u>	<u>194,628</u>	<u>103,284</u>	<u>2,287,785</u>
<u>(16,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,771,669)</u>
<u>(16,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,771,669)</u>
40	135,454	194,628	103,284	516,116
<u>46</u>	<u>1,168,144</u>	<u>58,190</u>	<u>-</u>	<u>1,263,009</u>
<u>86</u>	<u>1,303,598</u>	<u>252,818</u>	<u>103,284</u>	<u>1,779,125</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 65,000	139,417	74,417
Investment income	<u>2,000</u>	<u>861</u>	<u>(1,139)</u>
Total revenues	<u>67,000</u>	<u>140,278</u>	<u>73,278</u>
Expenditures:			
Current:			
Public safety	<u>105,000</u>	<u>78,805</u>	<u>26,195</u>
Total expenditures	<u>105,000</u>	<u>78,805</u>	<u>26,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,000)</u>	<u>61,473</u>	<u>99,473</u>
Net change in fund balances	(38,000)	61,473	99,473
Fund balance at beginning of year	<u>55,132</u>	<u>55,132</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 17,132</u></u>	<u><u>116,605</u></u>	<u><u>99,473</u></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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 494,500	1,425,000	930,500
Total revenues	<u>494,500</u>	<u>1,425,000</u>	<u>930,500</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	(805,500)	-	805,500
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (805,500)</u></u>	<u><u>-</u></u>	<u><u>805,500</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 200,000	339,481	139,481
Investment income	<u>3,000</u>	<u>1,989</u>	<u>(1,011)</u>
Total revenues	<u>203,000</u>	<u>341,470</u>	<u>138,470</u>
Other financing sources (uses):			
Transfers out	<u>(350,000)</u>	<u>(330,110)</u>	<u>19,890</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(330,110)</u>	<u>19,890</u>
Net change in fund balances	(147,000)	11,360	158,360
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (147,000)</u>	<u>11,360</u>	<u>158,360</u>

CITY OF COMMERCE
 Non-Major Special Revenue Funds
 Community Development Block Grant (CDBG) Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 80,000	125,729	45,729
Total revenues	<u>80,000</u>	<u>125,729</u>	<u>45,729</u>
Expenditures:			
Current:			
Community development	105,000	101,708	3,292
Public safety	<u>13,395</u>	<u>14,144</u>	<u>(749)</u>
Total expenditures	<u>118,395</u>	<u>115,852</u>	<u>2,543</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,395)</u>	<u>9,877</u>	<u>48,272</u>
Net change in fund balances	(38,395)	9,877	48,272
Fund balance (deficit) at beginning of year	<u>(18,503)</u>	<u>(18,503)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (56,898)</u></u>	<u><u>(8,626)</u></u>	<u><u>48,272</u></u>

CITY OF COMMERCE
Non-Major Special Revenue Funds
Air Quality Management District (AQMD) Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 5,000	16,599	11,599
Total revenues	<u>5,000</u>	<u>16,599</u>	<u>11,599</u>
Other financing sources (uses):			
Transfers out	<u>(16,000)</u>	<u>(16,559)</u>	<u>(559)</u>
Total other financing sources (uses)	<u>(16,000)</u>	<u>(16,559)</u>	<u>(559)</u>
Net change in fund balances	(11,000)	40	11,040
Fund balance at beginning of year	<u>46</u>	<u>46</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (10,954)</u></u>	<u><u>86</u></u>	<u><u>11,040</u></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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 90,000	67,835	(22,165)
Miscellaneous	<u>100,000</u>	<u>67,619</u>	<u>(32,381)</u>
Total revenues	<u>190,000</u>	<u>135,454</u>	<u>(54,546)</u>
Expenditures:			
Current:			
Community development	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>190,000</u>	<u>135,454</u>	<u>(54,546)</u>
Net change in fund balances	190,000	135,454	(54,546)
Fund balance at beginning of year	<u>1,168,144</u>	<u>1,168,144</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ 1,358,144</u></u>	<u><u>1,303,598</u></u>	<u><u>(54,546)</u></u>

CITY OF COMMERCE
Non-Major Special Revenue Funds

Art In Public Places Fund

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

Year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 300,000	193,105	(106,895)
Investment income	<u>3,000</u>	<u>1,523</u>	<u>(1,477)</u>
Total revenues	<u>3,000</u>	<u>194,628</u>	<u>(108,372)</u>
Expenditures:			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,000</u>	<u>194,628</u>	<u>(108,372)</u>
Net change in fund balances	3,000	194,628	(108,372)
Fund balance at beginning of year	<u>58,190</u>	<u>58,190</u>	<u>-</u>
Fund balance at end of year	<u>\$ 61,190</u>	<u>252,818</u>	<u>(108,372)</u>

CITY OF COMMERCE
Non-Major Special Revenue Funds

Community Benefits Fund

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

Year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 2,000	639	(1,361)
Miscellaneous	<u>200,000</u>	<u>130,950</u>	<u>(69,050)</u>
Total revenues	<u>-</u>	<u>131,589</u>	<u>(70,411)</u>
Expenditures:			
Current:			
General government	<u>45,000</u>	<u>28,305</u>	<u>16,695</u>
Total expenditures	<u>45,000</u>	<u>28,305</u>	<u>16,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,000)</u>	<u>103,284</u>	<u>(53,716)</u>
Net change in fund balances	(45,000)	103,284	(53,716)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (45,000)</u>	<u>103,284</u>	<u>(53,716)</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	390	390
Total revenues	<u>-</u>	<u>390</u>	<u>390</u>
Expenditures:			
Debt service:			
Principal payments	315,000	340,000	(25,000)
Interest and fiscal charges	<u>489,812</u>	<u>447,442</u>	<u>42,370</u>
Total expenditures	<u>804,812</u>	<u>787,442</u>	<u>17,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(804,812)</u>	<u>(787,052)</u>	<u>17,760</u>
Other financing sources (uses):			
Transfers in	<u>783,424</u>	<u>786,548</u>	<u>3,124</u>
Total other financing sources (uses)	<u>783,424</u>	<u>786,548</u>	<u>3,124</u>
Net change in fund balances	(21,388)	(504)	20,884
Fund balance at beginning of year	<u>684</u>	<u>684</u>	<u>-</u>
Fund balance at end of year	<u>\$ (20,704)</u>	<u>180</u>	<u>20,884</u>

CITY OF COMMERCE
 Capital Projects Fund
 Measure AA Fund

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

Year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 7,500,000	8,036,719	536,719
Investment income	-	108,247	108,247
Miscellaneous	-	311,415	311,415
Total revenues	<u>7,500,000</u>	<u>8,456,381</u>	<u>956,381</u>
Expenditures			
Current:			
Public works	<u>7,675,638</u>	<u>7,092,896</u>	<u>582,742</u>
Total expenditures	<u>7,675,638</u>	<u>7,092,896</u>	<u>582,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(175,638)</u>	<u>1,363,485</u>	<u>1,539,123</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(401,836)</u>	<u>(401,836)</u>
Total other financing sources (uses)	<u>-</u>	<u>(401,836)</u>	<u>(401,836)</u>
Net change in fund balances	(175,638)	961,649	1,137,287
Fund balance at beginning of year	<u>14,994,703</u>	<u>14,994,703</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,819,065</u>	<u>15,956,352</u>	<u>1,137,287</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 14,589,921	10,748,617	(3,841,304)
Total revenues	<u>14,589,921</u>	<u>10,748,617</u>	<u>(3,841,304)</u>
Expenditures:			
Current:			
Public works	<u>3,576,737</u>	<u>3,576,733</u>	<u>4</u>
Total expenditures	<u>3,576,737</u>	<u>3,576,733</u>	<u>4</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,013,184</u>	<u>7,171,884</u>	<u>(3,841,300)</u>
Net change in fund balances	11,013,184	7,171,884	(3,841,300)
Fund balance (deficit) at beginning of year	<u>(18,918,434)</u>	<u>(18,918,434)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (7,905,250)</u>	<u>(11,746,550)</u>	<u>(3,841,300)</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, 2018

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
Assets				
Cash and investments	\$ 310,177	547,484	468,883	388,778
Total assets	<u>\$ 310,177</u>	<u>547,484</u>	<u>468,883</u>	<u>388,778</u>
Liabilities				
Accounts payable	\$ 77,252	532,023	541,898	67,377
Deposits payable	<u>232,925</u>	<u>110,134</u>	<u>21,658</u>	<u>321,401</u>
Total liabilities	<u>\$ 310,177</u>	<u>642,157</u>	<u>563,556</u>	<u>388,778</u>

CITY OF COMMERCE
Private Purpose Trust Funds
Combining Statement of Net Position
June 30, 2018

	Successor Agency		
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	Totals
<u>Assets</u>			
Cash and investments	\$ 14,733,507	13	14,733,520
Cash and investments with fiscal agents	-	81,868	81,868
Accounts receivable	-	2,558	2,558
Loans receivable	-	17,442	17,442
Property held for resale	-	54,960,302	54,960,302
	<u>14,733,507</u>	<u>55,062,183</u>	<u>69,795,690</u>
Deferred Outflow of Resources			
Deferred loss on refunding	-	6,688,778	6,688,778
	<u>-</u>	<u>6,688,778</u>	<u>6,688,778</u>
<u>Liabilities</u>			
Advances from Other Funds	-	10,660,163	10,660,163
Accounts payable	-	1,610,076	1,610,076
Accrued salaries and benefits	-	1,699	1,699
Deposits payable	-	180,000	180,000
Interest payable	-	1,525,174	1,525,174
Long-term liabilities	-	71,838,492	71,838,492
	<u>-</u>	<u>85,815,604</u>	<u>85,815,604</u>
<u>Net Position</u>			
Held in trust for Successor Agency	<u>\$ 14,733,507</u>	<u>(24,064,643)</u>	<u>(9,331,136)</u>

CITY OF COMMERCE
Private Purpose Trust Fund
Combining Statement of Changes in Net Position
Year ended June 30, 2018

	Successor Agency		Totals
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	
Additions:			
Property tax	\$ 5,100,378	-	5,100,378
Investment income	88,843	180,075	268,918
Rental income	-	932,532	932,532
Miscellaneous income	-	6	6
Transfers in	-	8,684,826	8,684,826
Total additions	<u>5,189,221</u>	<u>9,797,439</u>	<u>14,986,660</u>
Deductions:			
Administrative expenses	-	350,348	350,348
Professional services	-	439,533	439,533
Interest and fiscal charges	-	3,715,707	3,715,707
Payments under pass-through obligations	-	140,669	140,669
Fiscal charges	-	785,136	785,136
Miscellaneous	-	108,918	108,918
Transfers out	8,684,826	-	8,684,826
Total deductions	<u>8,684,826</u>	<u>5,540,311</u>	<u>14,225,137</u>
Changes in net position	(3,495,605)	4,257,128	761,523
Net position held in trust, beginning of year	<u>18,229,112</u>	<u>(28,321,771)</u>	<u>(10,092,659)</u>
Net position held in trust, end of year	<u>\$ 14,733,507</u>	<u>(24,064,643)</u>	<u>(9,331,136)</u>

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STATISTICAL SECTION

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

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

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

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

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

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	(57,521,168)	(67,538,656)	(32,579,229)	41,949,565
Restricted	3,941,343	463,128	27,965,967	2,862,221
Unrestricted	<u>139,073,655</u>	<u>159,586,801</u>	<u>90,467,496</u>	<u>32,518,513</u>
Total governmental activities net position	<u>85,493,830</u>	<u>92,511,273</u>	<u>85,854,234</u>	<u>77,330,299</u>
Business-type activities:				
Invested in capital assets, net of related debt	11,171,521	14,345,897	15,281,149	9,132,834
Restricted	-	-	-	-
Unrestricted	<u>(847,500)</u>	<u>(2,989,115)</u>	<u>(3,331,606)</u>	<u>(3,475,824)</u>
Total business-type activities net position	<u>10,324,021</u>	<u>11,356,782</u>	<u>11,949,543</u>	<u>5,657,010</u>
Primary government:				
Invested in capital assets, net of related debt	(46,349,647)	(53,192,759)	(17,298,080)	51,082,399
Restricted	3,941,343	463,128	27,965,967	2,862,221
Unrestricted	<u>138,226,155</u>	<u>156,597,686</u>	<u>87,135,890</u>	<u>29,042,689</u>
Total primary government net position	<u>95,817,851</u>	<u>103,868,055</u>	<u>97,803,777</u>	<u>82,987,309</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
29,678,249	35,963,254	45,509,674	69,045,438	84,719,037	81,609,386
6,852,897	4,189,145	(8,770,483)	1,695,259	1,706,688	1,876,124
<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>7,083,848</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>	<u>90,569,358</u>
15,050,922	14,033,290	13,415,492	12,812,420	12,305,690	11,644,934
-	-	-	-	-	-
<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>(16,115,502)</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>	<u>(4,470,568)</u>
44,729,171	49,996,544	58,925,166	81,857,858	97,024,727	93,254,320
6,852,897	4,189,145	(8,770,483)	1,695,259	1,706,688	1,876,124
<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>(9,031,654)</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>	<u>86,098,790</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses:				
Governmental activities:				
General government	21,404,492	16,399,307	17,651,539	18,362,277
Public safety	16,197,845	16,357,834	16,205,717	15,583,635
Public works	4,900,387	7,285,450	5,867,584	6,464,741
Community development	3,257,937	21,050,782	11,021,254	2,269,890
Parks and Recreation	10,949,754	10,516,653	8,152,321	8,808,268
Library	3,216,089	2,472,071	3,970,137	3,001,247
Interest on long-term debt	9,996,589	9,813,078	7,510,228	10,055,429
Total governmental activities expenses	<u>69,923,093</u>	<u>83,895,175</u>	<u>70,378,780</u>	<u>64,545,487</u>
Business-type activities:				
Transit	3,267,752	3,835,053	3,678,189	4,417,649
CNG	-	-	-	-
Water	444,737	632,118	345,153	491,453
Cable Television	346,045	260,442	273,826	250,312
Total business-type activities expenses	<u>4,058,534</u>	<u>4,727,613</u>	<u>4,297,168</u>	<u>5,159,414</u>
Total primary government expenses	<u>73,981,627</u>	<u>88,622,788</u>	<u>74,675,948</u>	<u>69,704,901</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	845,966	-	-	717,712
Public safety	233,659	1,232,769	1,285,140	729,369
Public works	-	3,152,579	2,515,767	2,042,031
Community development	2,034,696	6,058,596	920,610	637,061
Library	23,943	25,410	30,567	26,827
Parks and recreation	483,122	521,232	621,815	667,379
Operating grants and contributions	3,813,612	2,376,672	2,296,474	2,343,633
Capital grants and contributions	150,923	502,044	607,842	550,120
Total governmental activities program revenues	<u>7,585,921</u>	<u>13,869,302</u>	<u>8,278,215</u>	<u>7,714,132</u>
Business-type activities:				
Charges for services:				
Transit	-	-	-	-
CNG	-	-	-	-
Water	-	-	-	-
Cable Television	31,972	41,302	37,850	37,817
Operating grants and contributions	3,423,936	4,051,566	3,018,306	2,457,478
Total business-type activities program revenues	<u>3,455,908</u>	<u>4,092,868</u>	<u>3,056,156</u>	<u>2,495,295</u>
Total primary government program revenues	<u>11,041,829</u>	<u>17,962,170</u>	<u>11,334,371</u>	<u>10,209,427</u>
Net revenues (expenses):				
Governmental activities	(62,337,172)	(70,025,873)	(62,100,565)	(56,831,355)
Business-type activities	(602,626)	(634,745)	(1,241,012)	(2,664,119)
Total net revenues (expenses)	<u>(62,939,798)</u>	<u>(70,660,618)</u>	<u>(63,341,577)</u>	<u>(59,495,474)</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
16,664,200	18,216,730	18,681,419	16,097,044	17,143,378	19,705,680
16,494,702	17,466,237	17,825,986	18,994,377	20,528,705	21,462,109
6,953,510	6,902,561	9,574,171	10,080,047	7,753,735	13,955,387
2,205,819	2,084,600	2,582,041	4,550,938	3,111,106	3,189,480
9,122,504	9,743,642	9,298,527	9,917,064	11,936,131	12,835,675
2,799,278	1,361,478	1,201,234	3,210,975	3,774,862	4,275,731
5,554,206	4,847,305	5,393,909	4,196,186	1,870,823	2,036,161
<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>	<u>77,460,223</u>
5,571,290	4,724,375	4,982,321	5,322,991	4,919,636	6,191,022
-	1,883,647	2,038,687	1,564,009	1,657,378	2,027,056
176,589	281,869	593,822	711,572	695,715	637,396
232,154	310,004	294,436	258,221	301,827	359,704
<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>9,215,178</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>	<u>86,675,401</u>
-	-	-	-	-	-
1,440,460	1,582,241	1,670,473	1,481,520	1,560,967	1,536,732
2,488,665	2,894,236	3,336,377	3,395,581	2,753,032	3,027,305
-	70,211	48,270	20,462	89,950	40,000
26,781	23,357	22,533	18,940	10,638	17,380
562,364	595,134	575,150	594,096	647,552	674,476
2,484,684	2,254,889	2,517,480	2,208,545	2,549,722	2,757,719
<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>4,620,744</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>	<u>12,674,356</u>
1,046,062	-	-	-	-	-
-	2,160,510	2,067,530	1,398,775	1,480,555	1,930,926
-	-	-	845,000	845,000	845,000
39,734	40,192	45,541	49,402	53,950	53,748
<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>3,138,934</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>5,968,608</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>	<u>18,642,964</u>
(50,268,320)	(51,221,947)	(46,775,108)	(40,818,750)	(46,003,613)	(64,785,867)
<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>(3,246,570)</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>	<u>(68,032,437)</u>

(continued) (continued)

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

	Fiscal Year			
	2009	2010	2011	2012
(continued)				
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Casino license tax	21,095,275	19,776,039	20,392,604	21,181,030
Property taxes	15,593,558	18,219,198	17,322,761	9,423,608
Sales tax	16,728,923	11,608,348	13,108,932	16,459,305
Franchise taxes	1,187,398	1,092,666	1,009,514	1,017,727
Transient occupancy taxes	1,899,796	1,768,066	1,922,843	2,096,487
Motor vehicle in lieu, unrestricted	1,059,444	1,079,141	1,097,697	1,028,203
Investment income	3,515,745	2,391,795	1,858,224	3,994,512
Intergovernmental, unrestricted	-	-	-	-
Miscellaneous revenues (expenses)	1,645,234	1,534,396	1,261,505	2,718,041
Extraordinary gain	-	-	-	6,696,994
Transfers	(1,894,366)	(1,465,006)	(1,631,273)	-
Total governmental activities	<u>60,831,007</u>	<u>56,004,643</u>	<u>56,342,807</u>	<u>64,615,907</u>
Business-type activities:				
Investment income	-	202,500	202,500	-
Transfers	1,894,366	1,465,006	1,631,273	-
Total business-type activities	<u>1,894,366</u>	<u>1,667,506</u>	<u>1,833,773</u>	<u>-</u>
Total primary government	<u>62,725,373</u>	<u>57,672,149</u>	<u>58,176,580</u>	<u>64,615,907</u>
Changes in net position				
Governmental activities	(1,506,165)	(14,021,230)	(5,757,758)	7,784,552
Business-type activities	1,291,740	1,032,761	592,761	(2,664,119)
Total primary government	<u>(214,425)</u>	<u>(12,988,469)</u>	<u>(5,164,997)</u>	<u>5,120,433</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
21,181,030	19,654,726	22,240,233	25,012,715	25,780,700	28,217,260
9,423,608	2,511,686	2,819,939	2,322,486	2,481,617	4,680,877
16,459,305	25,900,879	29,360,146	27,795,167	26,979,330	28,702,600
1,017,727	1,035,234	1,128,060	1,052,568	952,432	1,024,506
2,096,487	2,390,203	2,549,218	2,843,656	3,063,406	3,269,164
1,028,203	1,088,953	1,126,561	1,177,552	1,242,958	6,877
3,994,512	5,651,173	5,484,438	5,372,963	2,413,906	2,410,372
-	-	-	-	-	-
2,718,041	2,147,602	3,662,709	1,179,131	(1,137,872)	3,370,780
6,696,994	-	-	-	-	-
-	(1,746,591)	(2,504,962)	(2,160,387)	(1,662,472)	(1,656,133)
<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>	<u>70,026,303</u>
-	-	-	-	6,268	5,219
-	1,746,591	2,504,962	2,160,387	1,662,472	1,656,133
-	1,746,591	2,504,962	2,160,387	1,668,740	1,661,352
<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>	<u>71,687,655</u>
14,347,587	7,411,918	19,091,234	23,777,101	14,110,392	5,240,436
(1,166,073)	(1,300,474)	(564,942)	(262,359)	(724,444)	(1,585,218)
<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>	<u>3,655,218</u>

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

	Fiscal Year						
	2012	2013	2014	2015	2016	2017	2018
General fund:							
Nonspendable	15,272,801	15,216,754	15,110,492	15,127,548	11,474,577	9,529,236	9,348,695
Unassigned	<u>36,051,479</u>	<u>40,946,024</u>	<u>43,062,013</u>	<u>45,493,743</u>	<u>52,400,666</u>	<u>55,268,246</u>	<u>59,647,840</u>
Total general fund	<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>	<u>68,996,535</u>
All other governmental funds:							
Restricted	110,139,272	105,913,679	105,980,666	105,647,274	59,362,140	55,507,264	18,151,913
Unassigned	<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>	<u>(11,755,176)</u>
Total all other governmental funds	<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>	<u>6,396,737</u>

	Fiscal Year		
	2009	2010	2011 (a)
General fund:			
Nonspendable			\$ 15,190,427
Unassigned			33,552,248
Reserved	12,524,030	12,342,170	-
Unreserved	<u>13,096,988</u>	<u>11,807,678</u>	<u>-</u>
Total general fund	<u>25,621,018</u>	<u>24,149,848</u>	<u>48,742,675</u>
All other governmental funds:			
Restricted			125,592,920
Unassigned			(34,639,920)
Reserved	64,561,820	71,195,075	-
Unreserved, reported in:			
Special revenue funds	23,685,219	22,929,354	-
Debt service funds	64,380,169	61,397,363	-
Capital projects funds	<u>49,232,460</u>	<u>34,191,660</u>	<u>-</u>
Total all other governmental funds	<u>201,859,668</u>	<u>189,713,452</u>	<u>\$ 90,953,000</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			
	2009	2010	2011	2012
Revenues:				
Taxes	40,023,311	36,717,353	36,849,238	30,838,722
Casino license tax	21,095,275	19,776,039	20,392,604	21,181,030
Licenses and permits	2,880,662	2,266,014	2,515,108	2,051,387
Fines and forfeitures	257,603	1,255,554	1,315,707	756,196
Investment income	3,515,745	5,937,005	8,379,360	7,001,775
Rental income	692,172	3,802,188	918,914	707,840
Intergovernmental	2,538,032	3,461,021	2,806,231	2,539,595
Charges for services	1,340,772	895,661	757,199	500,455
Activity Fees	483,122	354,582	346,616	436,868
Settlement Income	-	2,325,000	-	-
Other	1,645,234	1,632,210	1,286,695	1,972,515
Total revenues	<u>74,471,928</u>	<u>78,422,627</u>	<u>75,567,672</u>	<u>67,986,383</u>
Expenditures				
Current:				
General government	21,329,416	17,386,171	17,447,206	16,547,709
Public safety	15,523,154	15,622,837	15,903,482	15,583,635
Public works	4,560,649	6,513,338	6,763,595	5,894,285
Community development	4,851,198	13,338,627	7,128,103	2,140,768
Library	3,037,302	2,915,498	2,794,256	2,775,283
Parks, recreation and culture	9,820,859	8,958,379	8,075,994	7,969,161
Capital outlay	386,226	-	-	-
Debt service:				
Principal retirement	5,871,179	6,299,277	9,332,647	7,971,902
Interest and fiscal charges	12,395,178	11,898,888	13,485,684	9,677,103
SERAF Payments	-	7,022,026	1,359,567	-
Bond Issuance Costs	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Pass-through payments	3,635,798	2,949,934	2,387,491	813,392
Total expenditures	<u>81,410,959</u>	<u>92,904,975</u>	<u>84,678,025</u>	<u>69,373,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,939,031)</u>	<u>(14,482,348)</u>	<u>(9,110,353)</u>	<u>(1,386,855)</u>
Other financing sources (uses):				
Transfers in	29,855,879	29,089,788	24,202,439	2,331,429
Transfers out	(32,122,322)	(30,644,794)	(25,833,712)	(3,710,866)
Issuance of bonds	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Premium on bonds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(2,266,443)</u>	<u>(1,555,006)</u>	<u>(1,631,273)</u>	<u>(1,379,437)</u>
Extraordinary gain (loss) (note 19)	-	-	-	20,466,590
Net change in fund balances	<u>(9,205,474)</u>	<u>(16,037,354)</u>	<u>(10,741,626)</u>	<u>17,700,298</u>
Ratio of debt service expenditures to noncapital expenditures	23%	22%	28%	26%

Fiscal Year					
2013	2014	2015	2016	2017	2018
28,073,069	32,926,955	36,983,924	35,191,429	34,719,747	37,684,024
20,600,922	19,654,726	22,240,233	25,012,715	25,780,700	28,217,260
2,489,592	2,900,240	2,995,798	3,094,043	2,593,315	2,811,786
1,467,241	1,605,598	1,693,006	1,500,460	1,571,605	13,918,486
5,840,623	5,662,019	5,492,779	5,376,602	2,442,142	1,554,112
12,319	73,324	60,546	65,804	107,310	2,410,372
4,193,761	4,469,864	4,716,798	10,533,532	15,151,211	433,813
163,657	473,358	481,788	442,178	331,457	394,724
433,859	414,127	401,567	387,652	433,274	256,456
-	-	-	-	-	-
1,770,546	1,768,877	1,805,765	956,288	1,232,109	3,940,461
<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>	<u>91,621,494</u>
15,609,127	16,616,771	18,208,263	15,910,208	16,416,508	16,594,325
16,226,042	16,737,125	17,696,949	18,717,286	20,010,785	20,871,826
11,156,226	10,682,593	14,543,747	29,308,208	21,221,420	12,614,426
2,171,051	1,975,546	2,566,731	5,510,293	3,015,986	3,084,391
2,860,346	3,222,372	3,593,745	3,640,566	3,764,624	3,808,597
8,035,395	8,426,766	8,948,228	9,563,855	10,613,121	10,804,067
-	-	-	-	-	4,301,838
4,510,000	5,480,000	4,585,000	46,690,000	3,925,000	4,075,000
5,186,151	4,940,642	4,791,759	4,954,788	2,243,768	2,098,092
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,591,812	-	-	5,050,414
-	-	-	-	-	-
<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>	<u>83,302,976</u>
<u>(708,749)</u>	<u>1,867,273</u>	<u>345,970</u>	<u>(51,734,501)</u>	<u>3,151,658</u>	<u>8,318,518</u>
2,331,429	3,368,424	6,824,304	2,259,463	1,676,324	1,535,053
(3,710,866)	(5,429,737)	(8,560,288)	(4,419,850)	(3,201,056)	(3,191,186)
-	-	-	-	-	-
-	-	10,000,000	-	-	-
-	-	1,204,670	-	-	-
-	-	(10,811,993)	-	-	(32,637,606)
<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>	<u>(34,293,739)</u>
-	-	-	-	-	-
<u>(2,088,186)</u>	<u>(194,040)</u>	<u>(997,337)</u>	<u>(53,894,888)</u>	<u>1,626,926</u>	<u>(25,975,221)</u>
15%	17%	14%	41%	8%	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 ¹		Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured		Secured	Unsecured		
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%
2018	4,599,699	666,905	5,266,604	-	-	-	0.068%

¹ 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

Source: HdI

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

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
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	0.00994	0.01854	0.02677	0.01782	0.02594	0.02502	-	-	-	-
County Detention Facilities 1987 Debt	-	-	-	-	-	-	-	-	-	-
Downey Unified School District	0.05790	0.06507	0.07018	0.06725	0.07132	0.06603	-	-	-	-
LA CCD DS 2008 Series F	-	-	-	-	0.01119	-	-	-	-	-
LA Community College District	0.02212	0.02311	0.04031	0.03530	0.03756	0.04454	0.04017	0.03575	0.03596	0.04599
LA County Flood Control	-	-	-	-	-	-	-	-	-	-
LAUSD	0.12478	0.15181	0.18695	0.16819	0.17560	0.14644	0.14688	0.12971	0.13110	0.12219
MWD	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Montebello Unified School District	0.08063	0.09673	0.09792	0.10001	0.09630	0.09457	0.08750	0.08715	0.14705	0.13514
Total Direct & Overlapping (2) Tax Rates	1.29967	1.35956	1.42583	1.39227	1.42141	1.38010	1.27805	1.25611	1.31761	1.30682
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)	1.00430	1.00430	1.00370	1.00370	-	-	-	-	-	-
Total Direct Rate (5)	0.46446	0.47585	0.46503	0.45879	0.46863	0.06818	0.06818	0.06817	0.06817	0.06815

- (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

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

2017/18			2008/09		
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	\$ 239,496,428	5.21%	AMB Institutional Alliance Fund	\$137,181,893	3.51%
AMB Institutional Alliance Fund	183,081,828	3.98%	Craig Realty Group Citadel LLC	119,246,544	3.05%
Prologis USLV NewCA 6 LLC	111,342,869	2.42%	California Commerce Club Inc.	106,822,283	2.73%
California Commerce Club, Inc.	103,224,055	2.24%	Rreef America Reit II Corporation	87,351,300	2.23%
Rreef America Reit II Corporation	99,029,940	2.15%	LIT Commerce Distribution Center L	84,071,282	2.15%
LIT Commerce Distribution Center I	95,789,778	2.08%	Smart & Final Properties	61,937,953	1.58%
TELACU	63,071,715	1.11%	PRI Garfield Industrial California LL	57,859,500	1.48%
Terreno Garfield, LLC	56,710,501	1.23%	Certified Grocers of CA Limited	53,223,315	1.36%
Liberty Property	56,651,717	1.23%	Vons Companies/Safeway Inc.	49,452,263	1.26%
99 Cents Only Stores	50,866,277	1.13%	ARI COP 17 LLC	<u>46,171,030</u>	<u>1.18%</u>
	<u>\$ 1,059,265,108</u>	<u>22.78%</u>		<u>\$803,317,363</u>	<u>20.53%</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
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%
2018	1,951,337	1,936,177	99.22%	65,548	2,001,725	102.58%

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Gross Card Room -- Gaming Revenue	20,975	19,656	20,273	21,061	20,481	19,535	22,130	24,883	25,661	28,097
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>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>	<u>28,217</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>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>	<u>2018</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>2018</u>			<u>2009</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	\$ 28,097,260	1	100.00%	<i>Information is not available</i>		
Total	<u>\$ 28,097,260</u>		<u>100.00%</u>			

Source: City of Commerce - Finance Department

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

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds ¹	Loans	
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
2018	-	9,993,812	-	9,993,812

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

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

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

Business-type Activities						
Water Revenue Bonds	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²	
-	-	-	143,808,826	76.66%	10,703	
-	-	-	139,514,549	76.03%	10,337	
-	-	-	130,181,902	60.18%	9,586	
-	-	-	117,395,000	55.70%	9,602	
-	-	-	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	
-	-	-	9,993,812	4.93%	765	

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		
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
2018	-	9,993,812	9,993,812	0.23%	100

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

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

CITY OF COMMERCE
 Direct and Overlapping Debt
 June 30, 2018

	Gross Bonded Debt Balance	Percent Applicable to City
Total Direct Debt	\$ 9,993,812	100.000%
Metropolitan Water District	29,354,442	0.238%
Los Angeles Unified School District	10,604,230,000	0.047%
Los Angeles City Community College District	4,165,830,000	0.663%
Montebello Unified School District	196,211,889	31.055%
Total Overlapping Debt	14,995,626,331	
Total Direct and Overlapping Debt	\$ 15,005,620,143	

2017/18 Assessed Valuation: \$2,731,894,221 After Deducting \$2,534,710,779 Incremental Value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.34%
	Overlapping Debt	3.43%
	Total Debt	3.77%

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			
	2009	2010	2011	2012
Assessed valuation	1,253,820,000	1,266,489,000	1,305,623,000	1,307,737,000
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	313,455,000	316,622,250	326,405,750	326,934,250
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	47,018,250	47,493,338	48,960,863	49,040,138
Total net debt applicable to limit: General obligation bonds	<u>1,885,947</u>	<u>2,136,851</u>	<u>2,109,437</u>	<u>2,360,341</u>
Legal debt margin	<u><u>45,132,303</u></u>	<u><u>45,356,487</u></u>	<u><u>46,851,426</u></u>	<u><u>46,679,797</u></u>
Total debt applicable to the limit as a percentage of debt limit	4.0%	4.5%	4.3%	4.8%

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						
2013	2014	2015	2016	2017	2018	
4,296,649,000	4,455,208,000	4,586,304,000	4,792,383,000	5,164,198,000	5,266,604,000	
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	
1,074,162,250	1,113,802,000	1,146,576,000	1,198,095,750	1,291,049,500	1,316,651,000	
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	
161,124,338	167,070,300	171,986,400	179,714,363	193,657,425	197,497,650	
<u>2,332,927</u>	<u>2,583,831</u>	<u>2,556,417</u>	<u>2,807,321</u>	<u>2,779,907</u>	<u>3,030,811</u>	
<u><u>158,791,411</u></u>	<u><u>164,486,469</u></u>	<u><u>169,429,983</u></u>	<u><u>176,907,042</u></u>	<u><u>190,877,518</u></u>	<u><u>194,466,839</u></u>	
1.4%	1.5%	1.5%	1.6%	1.4%	1.5%	

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>
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%
2018	13,067	202,639	15,507	6.1%

- 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	2018		2009	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
California Commerce Club, Inc.	2,328	3.58%	2,191	3.45%
American International Industries	1,120	1.72%	592	0.93%
Parsec, Inc.	1,070	1.65%	890	1.40%
County of Los Angeles	1,000	1.54%	898	1.41%
99 Cents Only Stores #900	748	1.15%	671	1.06%
AltaMed Health Service Corporation	547	0.84%	-	0.00%
Smart & Final Stores LLC #601	525	0.81%	-	0.00%
Smart & Final, Inc. #70400	484	0.74%	769	1.21%
Fedex Ground Package System, Inc.*	433	0.67%	-	0.00%
ACCO Engineered Systems	424	0.65%	-	0.00%

"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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	76	72	70	69	69	39	39	39	39	38
Public safety ¹	-	-	-	-	-	-	-	-	1	-
Community services	32	32	29	29	29	28	28	28	29	28
Public Works & Development Services	25	24	19	13	13	17	17	13	17	21
Park & Recreation	125	118	105	105	105	135	135	136	136	135
Library Services	43	43	37	36	36	39	39	39	39	39
Transportation	<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>	<u>34</u>
 Total	 <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>	 <u>295</u>

¹ Police and fire services were provided by the County.

Source: City Budget Book

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

	Fiscal Year			
	2009	2010	2011	2012
Police:				
Stations	-	-	-	-
Fire:				
Fire stations	3	3	3	3
Public services:				
Streets (miles)	133.80	133.80	133.80	133.80
Streetlights	3,191	3,193	3,193	3,193
Traffic signals	79	80	80	80
Parks and recreation:				
Parks	4	4	4	4
Community centers	2	2	2	2
Water:				
Water mains (miles)	173.90	173.90	173.90	173.90
Maximum daily capacity (thousands of gallons)	12,850	12,850	12,850	12,850
Wastewater:				
Sanitary sewers (miles)	181.75	181.75	181.75	181.75
Storm sewers (miles)	58.50	58.50	58.50	58.50
Maximum daily treatment capacity (thousands of gallons)	7,015	7,015	7,015	7,015
Library:				
Libraries	4	4	4	4

Source: City of Commerce

Fiscal Year					
2013	2014	2015	2016	2017	2018
-	-	-	-	-	-
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