



CITY OF COMMERCE, CALIFORNIA

CAFR

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

for the year ended June 30, 2020

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**CITY OF COMMERCE
Commerce, California**

Comprehensive Annual Financial Report

Year ended June 30, 2020

Prepared by

FINANCE DEPARTMENT

Josh Brooks
Director of Finance

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CITY OF COMMERCE
Comprehensive Annual Financial Report
Year ended June 30, 2020

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CITY OF COMMERCE

Edgar P. Cisneros
City Manager

December 11, 2020

To the Honorable Mayor, Members of the City Council and Citizens of the City of Commerce:

It is our professional pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Commerce for the fiscal year ended June 30, 2020. 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, 2020, 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, 2020, 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-City Manager form of municipal government. The City Council appoints the City Manager 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 Manager 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 Successor Agency to the Commerce Community Development Commission; the Commission acted as the City's redevelopment agency. The Successor Agency has been responsible for the winding down of the Commission's obligations subject to the monitoring by and approval of the

independent County of Los Angeles First District 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 Manager and Finance Director each year. The City Manager and Finance Director use these requests as the starting point for developing a proposed budget. The City Manager 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 Manager’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 local economic environment is experiencing difficult times due to the global pandemic caused by the COVID-19 virus. The City’s primary revenue source is the Commerce Casino which has been closed or partially closed during different time periods since late March of 2020. The impact of the various stay at home orders and the change in consumer behaviors has negatively impacted sales tax and other revenue sources for the City.

While the pandemic has created many challenges, the City has strived to continue to offer essential services to the community while implementing various cost savings measures including staffing reductions and employee wage concessions. Measure VS (Vital Services) recently passed and will provide an additional ¼ cent sales tax to help fund various programs and services that the City provides the community.

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 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 is currently being adjusted on a regular basis to take into account the dramatic impact of the COVID-19 pandemic on the City's revenue sources. As it currently stands the City's cost cutting measures are still being evaluated to determine if additional reductions may be needed. The promise of an effective vaccine as well as prudent public health policy with evidentiary justification based on actual factors for the spread of the virus is at the heart of a national and local economic recovery. Our current projections anticipate that late spring 2021 will be when the economy begins to return to a more normal state as the vaccine becomes more widely available.

While recovery from the economic damage caused by the COVID-19 pandemic is the City's primary challenge the following list anticipates additional future challenges and opportunities:

- Continue development of mixed use development along Washington Blvd.
- Continued development of the Telegraph corridor
- Expansion of the Citadel outlets
- Management of the City's cannabis industry and collaboration with overcoming industry or program obstacles to maximize collective success while identifying and implementing the best use of cannabis related revenue for the benefit of the community
- Advocate for the City of Commerce to ensure that City and 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 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.

In early 2018 the City Council approved the establishment of an irrevocable trust for employee pension benefits. The pension trust fund allows the City to set aside funds for future employee pension costs and potentially earn a higher rate of return on these funds. To date \$2.6 million has been deposited in the trust to fund future pension costs.

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, 2019. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The 2019 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,

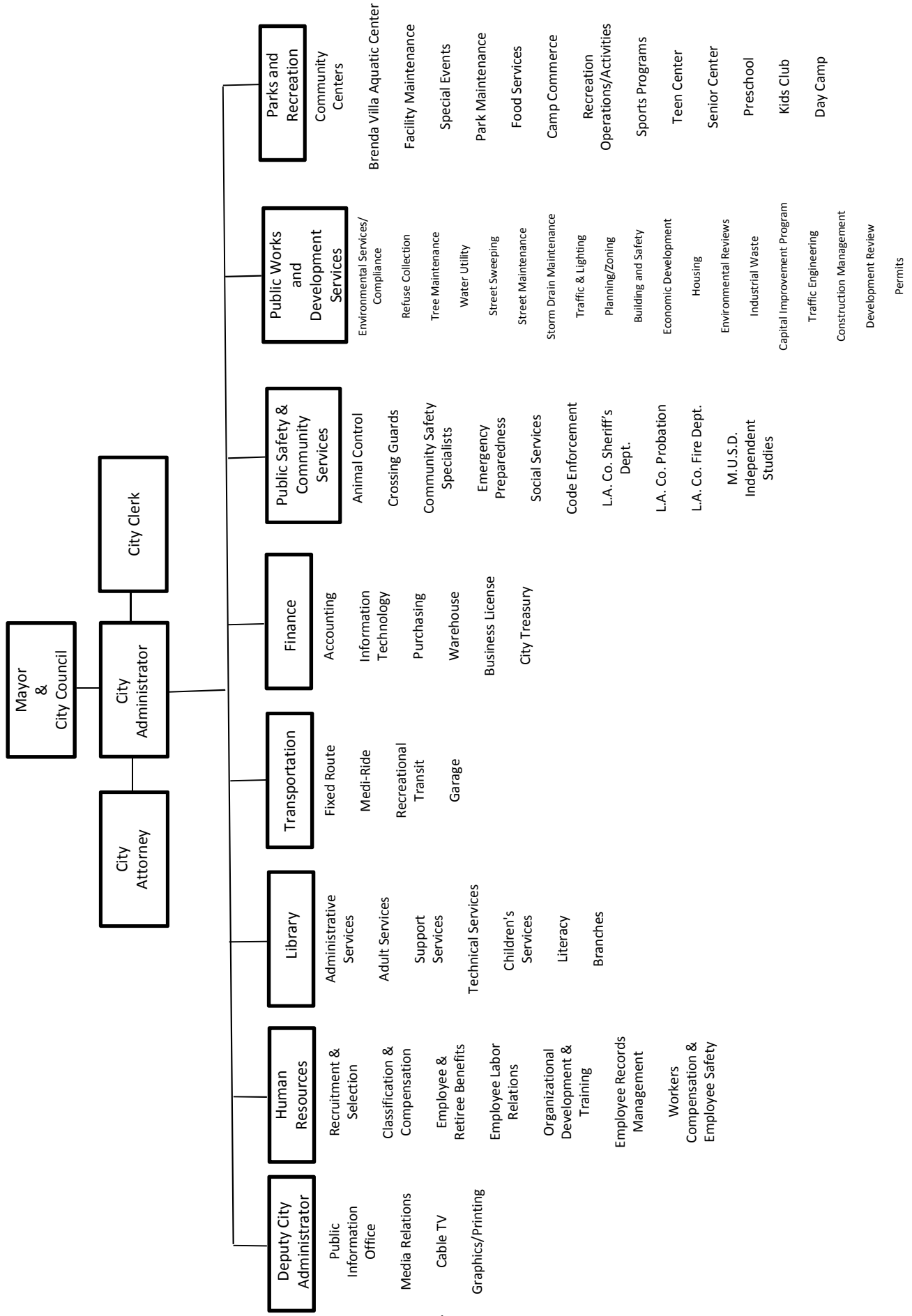


Edgar P. Cisneros
City Manager



Josh Brooks
Acting Director of Finance

City of Commerce Organization Chart



City of Commerce

Directory of Officials

June 30, 2020

CITY COUNCIL

Ivan Altamirano, Mayor

Oralia Rebollo, Mayor Pro Tem

Hugo A. Argumendo, Councilmember

Leonard Mendoza, Councilmember

John Soria, Councilmember

ADMINISTRATION

Edgar P. Cisneros, City Manager

Vilko Domic, Assistant City Manager

Lena Shumway, Director of Administrative Services/City Clerk

Josh Brooks, Director of Finance

Ela Pappo, Director of Human Resources

Beatriz Sarmiento, Director of Library Services

Greg Alaniz, Director of Parks and Recreation

Claude McFerguson, Director of Transportation

Daniel Hernandez, Director of Public Works and Development Services



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, 2019

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

Honorable Mayor and City Council
City of Commerce
Commerce, California

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 (the "City"), as of and for the year ended June 30, 2020, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit, 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, as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Commerce's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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, Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period, Schedule of Pension Plan Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios during the Measurement Period, Schedule of OPEB Plan Contributions* and the *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce's basic financial statements. The *combining and individual nonmajor fund financial statements and schedules*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements and schedules* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 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.

Davis Ferr LLP

Irvine, California
December 11, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2020

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, 2020. 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 \$92,372,242.
- The City's total net position decreased by \$5,590,374. The decrease is primarily due to a decrease in revenues from the COVID-19 pandemic.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$85,597,847, a decrease of \$7,883,000 from the prior year. This decrease is primarily due to the items noted above.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$39,498,623, or 63% of total General Fund expenditures.
- Total government funds revenue from all sources in FY 2019-20 equaled \$70,948,582.
- Total costs for all governmental funds expenses in FY 2019-20 equaled \$74,129,621.
- Deferred outflows of resources for governmental activities in FY 2019-20 equaled \$10,372,831, while deferred inflows of resources for the same period equaled \$7,813,274.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 (i) required supplementary information and (ii) supplementary information in support of 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 disclosures for 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 impact 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 16 through 18.

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 statements.

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 19 through 25.

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 three major enterprise funds, the Transit Fund, CNG Fund and Water Fund, and one non-major enterprise fund, the Cable Television Fund.

The proprietary fund financial statements can be found on pages 26 through 28.

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 pages 29 through 30.

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, 2020 total \$92,372,242. Following is a condensed version of the government-wide statement of net position.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other asset	\$ 88,946,874	97,470,144	4,024,385	2,689,444	92,971,259	100,159,588
Internal balances	5,622,413	5,320,988	(5,622,413)	(5,320,988)	-	-
Capital assets, net	96,750,962	91,706,319	13,066,918	13,413,120	109,817,880	105,119,439
Total Assest	<u>191,320,249</u>	<u>194,497,451</u>	<u>11,468,890</u>	<u>10,781,576</u>	<u>202,789,139</u>	<u>205,279,027</u>
Deferred outflows of resources:						
Pension related	4,630,516	5,416,114	734,864	797,163	5,365,380	6,213,277
OPEB related	5,742,315	1,463,891	911,307	215,461	6,653,622	1,679,352
	<u>10,372,831</u>	<u>6,880,005</u>	<u>1,646,171</u>	<u>1,012,624</u>	<u>12,019,002</u>	<u>7,892,629</u>
Liabilities:						
Current Liabilities	8,339,814	9,534,378	976,596	659,432	9,316,410	10,193,810
Long-term Liabilities	90,989,401	82,708,410	13,076,844	10,860,178	104,066,245	93,568,588
Total Liabilities	<u>99,329,215</u>	<u>92,242,788</u>	<u>14,053,440</u>	<u>11,519,610</u>	<u>113,382,655</u>	<u>103,762,398</u>
Deferred inflows of resources:						
Pension related	745,667	687,679	118,338	101,215	864,005	788,894
OPEB related	7,067,607	9,290,359	1,121,632	1,367,389	8,189,239	10,657,748
	<u>7,813,274</u>	<u>9,978,038</u>	<u>1,239,970</u>	<u>1,468,604</u>	<u>9,053,244</u>	<u>11,446,642</u>
Net Position:						
Net investment in capital assets	87,603,633	82,128,756	13,066,918	13,413,120	100,670,551	95,541,876
Restricted	2,038,137	2,048,261	-	-	2,038,137	2,048,261
Unrestricted	4,908,821	14,979,613	(15,245,267)	(14,607,134)	(10,336,446)	372,479
Total Net Position	<u>\$ 94,550,591</u>	<u>99,156,630</u>	<u>(2,178,349)</u>	<u>(1,194,014)</u>	<u>92,372,242</u>	<u>97,962,616</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 decreased \$5,590,374 in the fiscal year ended June 30, 2020. The decrease was split between the governmental activities of \$4,606,039 and business-type activities of \$984,335. 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 7,366,008	8,656,138	3,716,693	2,328,555	11,082,701	10,984,693
Operating grants & contributions	5,477,203	4,106,368	3,396,603	3,516,775	8,873,806	7,623,143
Capital grants & contributions	295,545	290,533	351,849	2,530,000	647,394	2,820,533
General revenues:						
Casino license tax	20,260,767	27,658,745	-	-	20,260,767	27,658,745
Property tax	4,548,892	4,563,560	-	-	4,548,892	4,563,560
Sales tax	27,005,166	32,166,106	-	-	27,005,166	32,166,106
Franchise taxes	1,055,508	1,089,139	-	-	1,055,508	1,089,139
Transient occupancy taxes	2,613,232	3,145,415	-	-	2,613,232	3,145,415
Motor vehicle in-lieu	10,306	6,272	-	-	10,306	6,272
Investment income	495,961	773,138	15,470	8,689	511,431	781,827
Miscellaneous revenue (expense)	1,819,994	1,661,221	-	-	1,819,994	1,661,221
Special Items (See Footnote 15)	-	6,308,116	-	1,191,884	-	7,500,000
Total revenues	<u>70,948,582</u>	<u>90,424,751</u>	<u>7,480,615</u>	<u>9,575,903</u>	<u>78,429,197</u>	<u>100,000,654</u>
Expenses:						
General government	14,923,956	19,893,477	-	-	14,923,956	19,893,477
Community development	2,444,173	2,112,054	-	-	2,444,173	2,112,054
Public safety	22,513,602	21,457,403	-	-	22,513,602	21,457,403
Public works	16,343,439	13,705,539	-	-	16,343,439	13,705,539
Library	4,719,709	3,627,221	-	-	4,719,709	3,627,221
Parks recreation and culture	12,836,798	13,083,293	-	-	12,836,798	13,083,293
Interest on long-term debt	347,944	365,743	-	-	347,944	365,743
Transit	-	-	7,123,822	5,747,313	7,123,822	5,747,313
CNG	-	-	2,283,888	1,941,685	2,283,888	1,941,685
Water	-	-	482,240	611,098	482,240	611,098
Total expenses	<u>74,129,621</u>	<u>74,244,730</u>	<u>9,889,950</u>	<u>8,300,096</u>	<u>84,019,571</u>	<u>82,544,826</u>
Excess (deficiency) before transfers	(3,181,039)	16,180,021	(2,409,335)	1,275,807	(5,590,374)	17,455,828
Transfers	<u>(1,425,000)</u>	<u>(2,000,747)</u>	<u>1,425,000</u>	<u>2,000,747</u>	<u>-</u>	<u>-</u>
Change in net position	(4,606,039)	14,179,274	(984,335)	3,276,554	(5,590,374)	17,455,828
Net position - beginning of year	<u>99,156,630</u>	<u>84,977,356</u>	<u>(1,194,014)</u>	<u>(4,470,568)</u>	<u>97,962,616</u>	<u>80,506,788</u>
Net position - end of year	<u>\$ 94,550,591</u>	<u>99,156,630</u>	<u>(2,178,349)</u>	<u>(1,194,014)</u>	<u>92,372,242</u>	<u>97,962,616</u>

The total net position of the City was \$92,372,242 as of June 30, 2020. This represents a decrease of \$5,590,374 over the prior year. This change is primarily due to a decrease in revenues as a result of the COVID-19 pandemic.

Additional financial highlights are shown below:

The City's total revenues were \$78,429,197. A significant portion of the Governmental revenues came from Sales tax (38.06%), Casino License tax (28.56%) and Property tax (6.41%) of the total governmental revenues of \$70,948,582. A significant portion of the Business-type Activities revenues were collected from Operating Grants & Contributions (45.41%) and Charges for Services (49.68%) of the total business-type revenues of \$7,480,615.

The total cost of all City programs and services during fiscal year ended June 30, 2020 was \$84,019,571. The break down by activity as a percentage of total expenses for selected programs is as follows: Public safety (police and fire) 26.80%, General Government 17.76%, Public works 19.45%, Parks and Recreation 15.28%, and Business-type activities accounted for 11.77%. The remaining three areas, all less than 5% each, comprise the balance.

Change in net position was a decrease of \$5,590,374 for the year as compared to last year's change, an increase of (\$17,455,828). Total net position at the end of the year was \$92,372,242. The City has ample amounts to provide for its outstanding indebtedness.

Governmental activities experienced a decrease in net position of \$4,606,039. This is primarily due to a drop in revenue from the COVID-19 pandemic on the recording of a special item, the acquisition of land held for sale. This in contrast to the prior-year gain of \$14,179,274 on the recording of a special item, the acquisition of land held for resale.

Business-type activities consist of the Transit, Water, and CNG Funds. 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, 2020, this goal was achieved with the City's total business-type activities having realized an overall decrease in net position of \$984,335 primarily due to Prop A exchange that provides funds for Transit operations at a discounted rate.

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

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

	Governmental Funds			
	2020	2019	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 64,415,324	\$ 72,851,932	(8,436,608)	-11.6%
Measure AA	18,617,305	18,107,370	509,935	2.8%
General City Capital Projects Fund	(1,396,833)	(1,509,980)	113,147	7.5%
Total Fund Equity	<u>\$ 81,635,796</u>	<u>\$ 89,449,322</u>	<u>(7,813,526)</u>	-8.7%

The General fund balance decreased by \$8,436,608. Decreased revenue due to the COVID-19 global pandemic was the primary driver of the decrease in fund balance.

The Measure AA fund balance increased by \$509,935, due to revenues exceeding expenditures on various projects.

General City Capital Projects fund balance increased by \$113,147, which is consistent with capital projects in the City.

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			
	2020	2019	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Transit	\$ (5,321,682)	\$ (3,019,463)	(2,302,219)	-76.2%
CNG	3,772,458	2,832,804	939,654	33.2%
Water	(629,125)	(1,007,355)	378,230	37.5%
Total Net Position	<u>\$ (2,178,349)</u>	<u>\$ (1,194,014)</u>	<u>(984,335)</u>	-82.4%
Unrestricted Net Position:				
Transit	\$ (14,341,156)	\$ (12,567,224)	(1,773,932)	-14.1%
CNG	528,533	(182,525)	711,058	-389.6%
Water	(1,432,644)	(1,857,385)	424,741	22.9%
Total Unrestricted Net Position	<u>\$ (15,245,267)</u>	<u>\$ (14,607,134)</u>	<u>(638,133)</u>	-4.4%

The Transit Fund net position decreased \$2,302,219 and unrestricted net position decreased by \$1,773,932. The key factor in the decrease of nets assets is due to the drop in revenue from the COVID-19 global pandemic.

The Water Fund net position increased \$378,230 and unrestricted net position increased by \$424,741. 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 \$58,852,313. This is a 17.02% decrease when compared to last year's revenue total of \$70,923,686. The largest revenue source was Taxes, which includes both sales taxes and property taxes at \$27,852,135 which decreased 13.02% or \$4,170,334 compared to the prior year due to the COVID-19 pandemic. Casino license tax was down by 27.47% or \$7,598,440 when compared to the prior year due to the Casino being shut down in response to the COVID-19 pandemic. General Fund expenditures totaled \$67,288,921, 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, 2019	Additions	Reductions	Balance at June 30, 2020
Governmental Activities:				
2014 Lease Revenue Bonds	8,655,000	-	(370,000)	8,285,000
Premium on bond	923,578	-	(60,234)	863,344
Compenstated absences	3,406,901	1,760,704	(1,778,445)	3,389,160
Total Long-Term Obligations - Governmental Activities	12,985,479	1,760,704	(2,208,679)	12,537,504
Business Activities:				
Compensated Absences	522,963	215,380	(199,895)	538,448
Total Long-Term Obligations	\$ 13,508,442	1,976,084	(2,408,574)	13,075,952

As can be seen from the table above, the City has stabilized its debt financing strategy in support of projects. In fiscal 2018, the City's 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, 2020	June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 10,975,002	5,160,426	5,814,576	112.7%
Construction in progress	161,400	1,296,192	(1,134,792)	-87.5%
Buildings	43,210,992	42,078,566	1,132,426	2.7%
Improvements other than buildings	20,719,853	20,719,853	-	0.0%
Infrastructure	136,885,793	134,113,960	2,771,833	2.1%
Machinery and equipment	7,123,425	6,505,329	618,096	9.5%
Less accumulated depreciation	(122,325,503)	(118,168,007)	(4,157,496)	-3.5%
Net capital assets	<u>\$ 96,750,962</u>	<u>91,706,319</u>	<u>5,044,643</u>	

	June 30, 2020	June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)
Business Activities:				
Land	\$ 2,755,498	2,755,498	-	0.0%
Machinery and equipment	12,512,810	12,512,810	-	0.0%
Water rights	2,141,222	2,141,222	-	0.0%
Building and improvements	12,118,828	11,766,979	351,849	3.0%
Less accumulated depreciation	(16,461,440)	(15,763,389)	(698,051)	-4.4%
Net capital assets	<u>\$ 13,066,918</u>	<u>13,413,120</u>	<u>(346,202)</u>	

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 2021 with the potential for a recession in the next two to five 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 2020-2021 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, 2020
(with comparative information for the prior year)

	Governmental	Business-type	Totals	
	Activities	Activities	2020	2019
Assets:				
Cash and investments (note 2)	\$ 48,060,937	2,080,848	50,141,785	59,628,160
Restricted cash for PARS 115 trust (note 2)	2,913,821	-	2,913,821	2,796,801
Cash and investments with fiscal agent (note 2)	125	-	125	1,015
Interest receivable	78,608	-	78,608	179,253
Accounts receivable	1,514,533	1,424,928	2,939,461	4,292,627
Due from other governments	6,434,126	80,181	6,514,307	7,266,716
Internal balances	5,622,413	(5,622,413)	-	-
Receivable from Successor Agency	2,414,620	431,789	2,846,409	6,687,781
Loans and leases receivable	478,960	-	478,960	467,441
Prepaid items and deposits	388,260	6,639	394,899	626,910
Property held for resale	26,662,884	-	26,662,884	18,212,884
Capital assets (note 4):				
Nondepreciable	11,136,402	2,755,498	13,891,900	9,212,116
Depreciable, net	<u>85,614,560</u>	<u>10,311,420</u>	<u>95,925,980</u>	<u>95,907,323</u>
Total assets	<u>191,320,249</u>	<u>11,468,890</u>	<u>202,789,139</u>	<u>205,279,027</u>
Deferred outflow of resources:				
Pension related (note 2)	4,630,516	734,864	5,365,380	6,213,277
OPEB related (note 9)	<u>5,742,315</u>	<u>911,307</u>	<u>6,653,622</u>	<u>1,679,352</u>
Total deferred outflow of resources	<u>10,372,831</u>	<u>1,646,171</u>	<u>12,019,002</u>	<u>7,892,629</u>
Liabilities:				
Accounts payable	5,946,120	681,057	6,627,177	6,447,247
Accrued salaries and benefits	892,724	164,317	1,057,041	1,432,679
Interest payable	100,591	-	100,591	105,216
Deposit payable	18,680	-	18,680	59,493
Amounts due to joint venture (note 11)	-	-	-	638,164
Noncurrent liabilities:				
Due within one year:				
Bonds payable (note 5)	450,234	-	450,234	430,234
Compensated absences (note 5)	931,465	131,222	1,062,687	1,080,777
Due in more than one year:				
Bonds payable (note 5)	8,698,110	-	8,698,110	9,148,344
Compensated absences (note 5)	2,457,695	407,226	2,864,921	2,849,087
Net pension liability (note 8)	28,104,666	4,460,220	32,564,886	30,186,183
Net OPEB liability (note 9)	<u>51,728,930</u>	<u>8,209,398</u>	<u>59,938,328</u>	<u>51,384,974</u>
Total liabilities	<u>99,329,215</u>	<u>14,053,440</u>	<u>113,382,655</u>	<u>103,762,398</u>
Deferred inflow of resources:				
Pension related (note 8)	745,667	118,338	864,005	788,894
OPEB related (note 9)	<u>7,067,607</u>	<u>1,121,632</u>	<u>8,189,239</u>	<u>10,657,748</u>
Total deferred inflow of resources	<u>7,813,274</u>	<u>1,239,970</u>	<u>9,053,244</u>	<u>11,446,642</u>
Net position:				
Net investment in capital assets	87,603,633	13,066,918	100,670,551	95,541,876
Restricted for:				
Housing	1,700,194	-	1,700,194	1,772,359
Public safety	221,501	-	221,501	178,011
Transportation	116,442	-	116,442	97,891
Unrestricted	<u>4,908,821</u>	<u>(15,245,267)</u>	<u>(10,336,446)</u>	<u>372,479</u>
Total net position	<u>\$ 94,550,591</u>	<u>(2,178,349)</u>	<u>92,372,242</u>	<u>97,962,616</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Statement of Activities
Year ended June 30, 2020
(with comparative information for the prior year)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 14,923,956	-	-	-
Community development	2,444,173	339,948	108,718	10,000
Public safety	22,513,602	1,355,125	114,638	-
Public works	16,343,439	4,470,153	4,049,978	285,545
Library	4,719,709	12,581	55,473	-
Parks, recreation and culture	12,836,798	1,188,201	1,148,396	-
Interest on long-term debt	347,944	-	-	-
Total governmental activities	<u>74,129,621</u>	<u>7,366,008</u>	<u>5,477,203</u>	<u>295,545</u>
Business-type activities:				
Transit	7,123,822	-	3,396,603	-
CNG	2,283,888	2,871,693	-	351,849
Water	<u>482,240</u>	<u>845,000</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>9,889,950</u>	<u>3,716,693</u>	<u>3,396,603</u>	<u>351,849</u>
Total	<u>\$ 84,019,571</u>	<u>11,082,701</u>	<u>8,873,806</u>	<u>647,394</u>

General revenues:

- Taxes:
 - Casino license tax
 - Property taxes
 - Sales taxes
 - Franchise taxes
 - Transient occupancy taxes
- Motor vehicle in lieu, unrestricted
- Investment income
- Miscellaneous
- Special items
- Transfers

Total general revenues, special items and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business Activities	Totals	
		2020	2019
(14,923,956)	-	(14,923,956)	(19,893,477)
(1,985,507)	-	(1,985,507)	(1,869,099)
(21,043,839)	-	(21,043,839)	(19,668,802)
(7,537,763)	-	(7,537,763)	(6,879,952)
(4,651,655)	-	(4,651,655)	(3,558,005)
(10,500,201)	-	(10,500,201)	(8,956,613)
(347,944)	-	(347,944)	(365,743)
<u>(60,990,865)</u>	<u>-</u>	<u>(60,990,865)</u>	<u>(61,191,691)</u>
-	(3,727,219)	(3,727,219)	299,462
-	939,654	939,654	(458,130)
<u>-</u>	<u>362,760</u>	<u>362,760</u>	<u>233,902</u>
<u>-</u>	<u>(2,424,805)</u>	<u>(2,424,805)</u>	<u>75,234</u>
<u>(60,990,865)</u>	<u>(2,424,805)</u>	<u>(63,415,670)</u>	<u>(61,116,457)</u>
20,260,767	-	20,260,767	27,658,745
4,548,892	-	4,548,892	4,563,560
27,005,166	-	27,005,166	32,166,106
1,055,508	-	1,055,508	1,089,139
2,613,232	-	2,613,232	3,145,415
10,306	-	10,306	6,272
495,961	15,470	511,431	781,827
1,819,994	-	1,819,994	1,661,221
-	-	-	7,500,000
<u>(1,425,000)</u>	<u>1,425,000</u>	<u>-</u>	<u>-</u>
<u>56,384,826</u>	<u>1,440,470</u>	<u>57,825,296</u>	<u>78,572,285</u>
(4,606,039)	(984,335)	(5,590,374)	17,455,828
<u>99,156,630</u>	<u>(1,194,014)</u>	<u>97,962,616</u>	<u>80,506,788</u>
<u>\$ 94,550,591</u>	<u>(2,178,349)</u>	<u>92,372,242</u>	<u>97,962,616</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Governmental Funds
Balance Sheet
June 30, 2020
(with comparative information for the prior year)

	<u>General</u>	<u>Measure AA</u>	<u>General City Capital Projects Fund</u>
Assets:			
Cash and investments	\$ 26,849,264	18,232,693	-
Restricted cash for PARS 115 trust	2,913,821	-	-
Cash and investments with fiscal agent	-	-	-
Interest receivable	78,608	-	-
Accounts receivable	1,498,533	-	-
Due from other governments	2,685,150	2,227,487	1,434,495
Due from other funds (note 6)	13,265,947	-	-
Receivable from Successor Agency	2,414,620	-	-
Loans and leases receivable	-	-	-
Prepaid items and deposits	388,260	-	-
Property held for resale	19,200,000	-	6,409,884
Total assets	<u>\$ 69,294,203</u>	<u>20,460,180</u>	<u>7,844,379</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,767,803	1,842,875	180,802
Accrued salaries and benefits	891,934	-	-
Deposits payable	18,680	-	-
Due to other funds (note 6)	-	-	7,625,915
Total liabilities	<u>4,678,417</u>	<u>1,842,875</u>	<u>7,806,717</u>
Deferred inflows of resources:			
Unavailable revenue	200,462	-	1,434,495
Total deferred inflows of resources	<u>200,462</u>	<u>-</u>	<u>1,434,495</u>
Fund balances (deficit):			
Nonspendable:			
Prepaid items and deposits	388,260	-	-
Receivable from Successor Agency	2,414,620	-	-
Property held for resale	19,200,000	-	-
Restricted for:			
Community development	-	-	-
Debt service	-	-	-
Housing	-	-	-
Law enforcement	-	-	-
Transportation	-	-	-
Pensions	2,913,821	-	-
Assigned for:			
Capital projects	-	18,617,305	-
Unassigned	39,498,623	-	(1,396,833)
Total fund balances (deficit)	<u>64,415,324</u>	<u>18,617,305</u>	<u>(1,396,833)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 69,294,203</u>	<u>20,460,180</u>	<u>7,844,379</u>

See accompanying notes to the basic financial statements.

Non-Major Governmental Funds	Totals	
	2020	2019
2,978,980	48,060,937	58,733,378
-	2,913,821	2,796,801
125	125	1,015
-	78,608	179,253
16,000	1,514,533	4,161,951
86,994	6,434,126	6,631,242
-	13,265,947	12,964,621
-	2,414,620	5,673,327
478,960	478,960	467,441
-	388,260	612,852
<u>1,053,000</u>	<u>26,662,884</u>	<u>18,212,884</u>
<u>4,614,059</u>	<u>102,212,821</u>	<u>110,434,765</u>
154,640	5,946,120	6,076,712
790	892,724	1,272,146
-	18,680	59,493
<u>17,619</u>	<u>7,643,534</u>	<u>7,643,633</u>
<u>173,049</u>	<u>14,501,058</u>	<u>15,051,984</u>
<u>478,959</u>	<u>2,113,916</u>	<u>1,901,934</u>
<u>478,959</u>	<u>2,113,916</u>	<u>1,901,934</u>
-	388,260	612,852
-	2,414,620	5,673,327
-	19,200,000	17,159,884
2,001,175	2,001,175	572,603
412,491	412,491	413,381
1,221,235	1,221,235	1,304,920
221,501	221,501	178,011
116,442	116,442	97,891
-	2,913,821	2,796,801
-	18,617,305	19,580,713
<u>(10,793)</u>	<u>38,090,997</u>	<u>45,090,464</u>
<u>3,962,051</u>	<u>85,597,847</u>	<u>93,480,847</u>
<u>4,614,059</u>	<u>102,212,821</u>	<u>110,434,765</u>

See accompanying notes to the basic financial statements.

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CITY OF COMMERCE

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

June 30, 2020

Fund balances of governmental funds	\$	85,597,847
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	219,076,465
	Accumulated depreciation	(122,325,503)
Long-term debt and compensated absences that have not been included in the governmental fund activity.		
	Bonds payable	(9,148,344)
	Compensated absences	(3,389,160)
	Net pension liability	(28,104,666)
	OPEB liability	(51,728,930)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.		
		(100,591)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.		
		2,113,916
Deferred inflows and outflows associated with pension and OPEB obligations are not reported in the governmental funds.		
	Deferred outflows of resources	10,372,831
	Deferred inflows of resources	<u>(7,813,274)</u>
Net position of governmental activities	\$	<u>94,550,591</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2020
(with comparative information for the prior year)

	General	Measure AA
	<u>General</u>	<u>AA</u>
Revenues:		
Taxes	\$ 27,852,135	7,380,969
Casino license tax	20,060,305	-
Licenses and permits	3,937,691	-
Intergovernmental	1,600,654	1,986,274
Fines and forfeitures	1,367,724	-
Investment income	340,759	135,546
Activity fees	231,657	-
Charges for services	110,177	-
Rental income	565,777	-
Miscellaneous	1,750,094	-
Total revenues	<u>57,816,973</u>	<u>9,502,789</u>
Expenditures:		
Current:		
General government	17,123,544	-
Community development	3,139,307	-
Public safety	22,449,186	982
Public works	5,451,495	11,767,824
Library	4,185,953	-
Parks, recreation and culture	10,454,525	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
Total expenditures	<u>62,804,010</u>	<u>11,768,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,987,037)</u>	<u>(2,266,017)</u>
Other financing sources (uses):		
Transfers in (note 7)	1,035,340	3,145,000
Transfers out (note 7)	<u>(4,484,911)</u>	<u>(369,048)</u>
Total other financing sources (uses)	<u>(3,449,571)</u>	<u>2,775,952</u>
Net change in fund balances	(8,436,608)	509,935
Fund balances at beginning of year	<u>72,851,932</u>	<u>18,107,370</u>
Fund balances at end of year	<u>\$ 64,415,324</u>	<u>18,617,305</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2020	2019
		-	-
-	-	20,060,305	27,658,745
-	-	3,937,691	3,533,999
16,248	2,176,684	5,779,860	5,607,209
-	-	1,367,724	1,645,009
-	19,656	495,961	773,138
-	-	231,657	458,610
-	-	110,177	361,727
-	1,204,250	1,770,027	2,650,024
-	-	1,750,094	2,290,119
<u>16,248</u>	<u>3,400,590</u>	<u>70,736,600</u>	<u>85,949,072</u>
-	359,148	17,482,692	17,305,892
-	189,037	3,328,344	3,391,322
-	63,434	22,513,602	21,424,472
461,675	-	17,680,994	13,332,466
-	-	4,185,953	4,080,542
-	765,687	11,220,212	11,853,187
-	370,000	370,000	355,000
-	412,803	412,803	430,414
<u>461,675</u>	<u>2,160,109</u>	<u>77,194,600</u>	<u>72,173,295</u>
<u>(445,427)</u>	<u>1,240,481</u>	<u>(6,458,000)</u>	<u>13,775,777</u>
558,574	781,337	5,520,251	4,764,640
-	(2,091,292)	(6,945,251)	(6,862,726)
<u>558,574</u>	<u>(1,309,955)</u>	<u>(1,425,000)</u>	<u>(2,098,086)</u>
113,147	(69,474)	(7,883,000)	18,087,575
<u>(1,509,980)</u>	<u>4,031,525</u>	<u>93,480,847</u>	<u>75,393,272</u>
<u>(1,396,833)</u>	<u>3,962,051</u>	<u>85,597,847</u>	<u>93,480,847</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

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

Year ended June 30, 2020

Net changes in fund balances - total governmental funds		\$	(7,883,000)
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		9,202,139
	Depreciation		(4,157,496)
Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds.			638,164
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		370,000
	Amortization of premium and refunding costs		60,234
Changes in net pension liability and related deferred outflows and inflows are not recorded in governmental funds.			(2,634,956)
Changes in net OPEB liability and related deferred outflows and inflows are not recorded in governmental funds.			(435,472)
The statement of net position includes accrued interest on long term debt.			4,625
To record as an expense the net change in compensated absences in the statement of activities.			17,741
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.			<u>211,982</u>
Change in net position of governmental activities		\$	<u>(4,606,039)</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-type Activities			Total Enterprise Funds
	Transit	CNG	Water	
Assets:				
Current assets:				
Cash and investments	\$ -	-	2,080,848	2,080,848
Accounts receivable, net	-	1,424,928	-	1,424,928
Due from other governments	80,181	-	-	80,181
Prepaid items and deposits	6,639	-	-	6,639
Total current assets	<u>86,820</u>	<u>1,424,928</u>	<u>2,080,848</u>	<u>3,592,596</u>
Noncurrent assets:				
Receivable from Successor Agency	-	-	431,789	431,789
Capital assets:				
Nondepreciable	2,421,399	334,099	-	2,755,498
Depreciable, net	6,598,075	2,909,826	803,519	10,311,420
Total noncurrent assets	<u>9,019,474</u>	<u>3,243,925</u>	<u>1,235,308</u>	<u>13,498,707</u>
Total assets	<u>9,106,294</u>	<u>4,668,853</u>	<u>3,316,156</u>	<u>17,091,303</u>
Deferred outflows of resources:				
Pension related (note 8)	734,864	-	-	734,864
OPEB related (note 9)	911,307	-	-	911,307
Total deferred outflows of resources	<u>1,646,171</u>	<u>-</u>	<u>-</u>	<u>1,646,171</u>
Liabilities:				
Current liabilities:				
Accounts payable	167,681	330,409	182,967	681,057
Accrued salaries and benefits	164,317	-	-	164,317
Due to other funds (note 6)	1,294,113	565,986	3,762,314	5,622,413
Compensated absences (note 5)	131,222	-	-	131,222
Total current liabilities	<u>1,757,333</u>	<u>896,395</u>	<u>3,945,281</u>	<u>6,599,009</u>
Noncurrent liabilities:				
Compensated absences (note 5)	407,226	-	-	407,226
Net pension liability (note 8)	4,460,220	-	-	4,460,220
Net OPEB liability (note 9)	8,209,398	-	-	8,209,398
Total liabilities	<u>14,834,177</u>	<u>896,395</u>	<u>3,945,281</u>	<u>19,675,853</u>
Deferred inflows of resources:				
Pension related (note 8)	118,338	-	-	118,338
OPEB related (note 9)	1,121,632	-	-	1,121,632
Total deferred inflows of resources	<u>1,239,970</u>	<u>-</u>	<u>-</u>	<u>1,239,970</u>
Net Position:				
Investment in capital assets	9,019,474	3,243,925	803,519	13,066,918
Unrestricted	<u>(14,341,156)</u>	<u>528,533</u>	<u>(1,432,644)</u>	<u>(15,245,267)</u>
Total net position (deficit)	<u>\$ (5,321,682)</u>	<u>3,772,458</u>	<u>(629,125)</u>	<u>(2,178,349)</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2020

	Business-type Activities			Total Enterprise Funds
	Transit	CNG	Water	
Operating revenues:				
Charges for services	\$ -	2,871,693	-	2,871,693
Leased water rights	-	-	845,000	845,000
Total operating revenues	<u>-</u>	<u>2,871,693</u>	<u>845,000</u>	<u>3,716,693</u>
Operating expenses:				
General and administrative	1,132,544	-	19,807	1,152,351
Operations	4,015,896	-	415,922	4,431,818
Maintenance	1,447,095	2,160,635	-	3,607,730
Depreciation and amortization	528,287	123,253	46,511	698,051
Total operating expenses	<u>7,123,822</u>	<u>2,283,888</u>	<u>482,240</u>	<u>9,889,950</u>
Operating income (loss)	<u>(7,123,822)</u>	<u>587,805</u>	<u>362,760</u>	<u>(6,173,257)</u>
Non-operating revenues (expenses):				
Intergovernmental	3,396,603	-	-	3,396,603
Interest income	-	-	15,470	15,470
Total non-operating revenue (expenses)	<u>3,396,603</u>	<u>-</u>	<u>15,470</u>	<u>3,412,073</u>
Income before capital contributions and transfer	<u>(3,727,219)</u>	<u>587,805</u>	<u>378,230</u>	<u>(2,761,184)</u>
Transfers and capital contributions:				
Capital contributions	-	351,849	-	351,849
Transfers in (note 7)	1,425,000	-	-	1,425,000
Total transfers and capital contributions	<u>1,425,000</u>	<u>351,849</u>	<u>-</u>	<u>1,776,849</u>
Changes in net position	<u>(2,302,219)</u>	<u>939,654</u>	<u>378,230</u>	<u>(984,335)</u>
Net position (deficit) at beginning of year	<u>(3,019,463)</u>	<u>2,832,804</u>	<u>(1,007,355)</u>	<u>(1,194,014)</u>
Net position (deficit) at end of year	<u>\$ (5,321,682)</u>	<u>3,772,458</u>	<u>(629,125)</u>	<u>(2,178,349)</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2020

	Business-type Activities			Total Enterprise Funds
	Transit	CNG	Water	
Cash flows from operating activities:				
Cash received from other customers	\$ -	1,577,441	845,000	2,422,441
Cash payments to suppliers for goods and services	(1,122,399)	(2,060,153)	(238,796)	(3,421,348)
Cash payments to employees for services	(4,073,210)	-	(18,273)	(4,091,483)
Net cash provided by (used for) operating activities	<u>(5,195,609)</u>	<u>(482,712)</u>	<u>587,931</u>	<u>(5,090,390)</u>
Cash flows from noncapital financing activities:				
Intergovernmental noncapital grants	3,951,896	-	-	3,951,896
Cash received from (paid to) other funds	1,243,713	482,712	582,665	2,309,090
Net cash provided by (used for) non-capital financing activities	<u>5,195,609</u>	<u>482,712</u>	<u>582,665</u>	<u>6,260,986</u>
Cash flows from investing activities:				
Interest received on investments	-	-	15,470	15,470
Net cash provided by (used for) investing activities	<u>-</u>	<u>-</u>	<u>15,470</u>	<u>15,470</u>
Net increase (decrease) in cash and cash equivalents	-	-	1,186,066	1,186,066
Cash and cash equivalents at beginning of year	-	-	894,782	894,782
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>-</u>	<u>2,080,848</u>	<u>2,080,848</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
	\$ (7,123,822)	587,805	362,760	(6,173,257)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	528,287	123,253	46,511	698,051
Adjustments:				
(Increase) decrease in prepaid items and deposits	7,419	-	-	7,419
(Increase) decrease in accounts receivable	-	(1,294,252)	-	(1,294,252)
Increase (decrease) in accounts payable	31,380	100,482	178,660	310,522
Increase (decrease) in accrued salaries and benefits	3,784	-	-	3,784
Increase (decrease) in compensated absences	15,485	-	-	15,485
Net cash provided by (used for) operating activities	<u>\$ (5,195,609)</u>	<u>(482,712)</u>	<u>587,931</u>	<u>(5,090,390)</u>
Schedule of non-cash capital and related financing activities				
Contributions of capital assets	<u>\$ -</u>	<u>351,849</u>	<u>-</u>	<u>351,849</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	<u>Cash Deposits</u> <u>Agency Fund</u>	<u>Private Purpose</u> <u>Trust Funds</u>
Assets:		
Cash and investments (note 2)	\$ 392,878	16,738,980
Cash and investments with fiscal agent (note 2)	-	57,190
Accounts receivable	17,200	-
Interest receivable	-	16,577
Loans receivable	-	17,442
Property held for resale	-	47,355,302
	<hr/>	<hr/>
Total assets	<u>\$ 410,078</u>	<u>64,185,491</u>
Deferred Outflow of Resources:		
Deferred loss on refunding	<u>\$ -</u>	<u>5,260,939</u>
Liabilities:		
Accounts payable	\$ 2,435	1,695,132
Accrued salaries and benefits	-	2,524
Interest payable	-	986,814
Deposits payable	407,643	-
Long-term liabilities:		
Due within one year (note 5)	-	5,802,978
Due in more than one year (note 5)	-	58,300,922
	<hr/>	<hr/>
Total liabilities	<u>\$ 410,078</u>	<u>66,788,370</u>
Net Position:		
Held in trust for Successor Agency		<u>2,658,060</u>
Total net position		<u>\$ 2,658,060</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds
Year ended June 30, 2020

	<u>Private Purpose Trust Funds</u>
Additions:	
Property taxes	\$ 12,825,144
Investment income	124,596
Rental income	941,915
Miscellaneous income	748,362
Transfers in (note 7)	<u>10,526,095</u>
Total additions	<u>25,166,112</u>
Deductions:	
Administrative expenses	735,649
Interest and fiscal charges	3,109,102
Payments under pass-through obligations	209,430
Transfers out (note 7)	<u>10,526,095</u>
Total deductions	<u>14,580,276</u>
Changes in net position	10,585,836
Net position held in trust, beginning of year	<u>(7,927,776)</u>
Net position held in trust, end of year	<u>\$ 2,658,060</u>

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, 2020

(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 (Commission). 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.

ITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(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. 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

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

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.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

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, expenditures 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.

Amounts paid to acquire capital assets are capitalized as assets rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability, rather than as an expenditure.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

(c) Major Funds

The City's major governmental funds are as follows:

General Fund – The primary fund of the City is used to account for all revenue and expenditures of the City not legally restricted as to use.

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.

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

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.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

(h) Prepaid Items

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

(i) Interfund Transactions

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

(j) Fund Balances

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

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

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

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

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

(k) 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 the 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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

(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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(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

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position - consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position – is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

(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.

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

(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.

(2) Cash and Investments

Cash and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 53,055,606
Cash and investments with fiscal agent	125
Statement of Fiduciary Net Position:	
Cash and investments	17,131,858
Cash and investments with fiscal agent	<u>57,190</u>
Total cash and investments	<u>\$ 70,244,779</u>

Cash and investments as of June 30, 2020, consist of the following:

Cash on hand	\$ 3,063
Deposits with financial institutions	45,113,012
Investments	<u>25,128,704</u>
Total cash and investments	<u>\$ 70,244,779</u>

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(2) Cash and Investments, (Continued)

<u>Investment Types Authorized By State Law</u>	<u>Authorized by Investment Policy</u>	<u>* Maximum Maturity</u>	<u>* Maximum Percentage Of Portfolio</u>	<u>* Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	40%
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	40%	10%
Certificates of Deposit	Yes	5 years	30%	10%
Repurchase Agreements	Yes	10 days	None	None
Medium-Term Notes	Yes	5 years	30%	10%
Mutual Funds	Yes	N/A	20%	None
Money Market Mutual Funds	Yes	N/A	20%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will be to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of 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.

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) 12 Months Or Less</u>
State investment pool	\$ 21,543,288	21,543,288
Mutual funds	2,913,821	2,913,821
Money market funds	<u>671,595</u>	<u>671,595</u>
Total	<u>\$ 25,128,704</u>	<u>25,128,704</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>Not Rated</u>
State investment pool	\$ 21,543,288	N/A	-	21,543,288
Mutual funds	2,913,821	N/A	2,913,821	-
Money market funds	<u>671,595</u>	AAA	<u>671,595</u>	<u>-</u>
Total	<u>\$ 25,128,704</u>		<u>3,585,416</u>	<u>21,543,288</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, except for U.S. Agency Securities (limited to a face value of \$10 million) and Commercial Paper and Medium-Term Notes (limited to a face value of \$3 million).

Custodial Credit Risk

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

Investment in State Investment Pool

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

Investment in Public Agency Retirement Services

The City established an Internal Revenue Service Section 115 irrevocable trust with the Public Agency Retirement Services (PARS) for the purposes of funding pension obligations. PARS is not rated and is not registered with the Securities Exchange Commission. The City selects the investment strategy and the pool is managed by the PARS Board.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(2) Cash and Investments, (Continued)

Fair Value Measurement

The City categorizes certain assets within the fair value hierarchy established by generally accepted accounting principles. The City did not have any investments with recurring fair value measurements as of June 30, 2020.

(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

Year ended June 30, 2020

(4) Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2020, is as follows:

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2020</u>
Buildings	\$ 42,078,566	1,132,426	-	43,210,992
Improvements other than buildings	20,719,853	-	-	20,719,853
Infrastructure	134,113,960	2,771,833	-	136,885,793
Machinery and equipment	<u>6,505,329</u>	<u>618,096</u>	-	<u>7,123,425</u>
Total costs of depreciable assets	<u>203,417,708</u>	<u>4,522,355</u>	-	<u>207,940,063</u>
Less accumulated depreciation:				
Buildings	(27,237,195)	(1,104,677)	-	(28,341,872)
Improvements other than buildings	(8,109,550)	(586,339)	-	(8,695,889)
Infrastructure	(78,381,992)	(1,949,009)	-	(80,331,001)
Machinery and equipment	<u>(4,439,270)</u>	<u>(517,471)</u>	-	<u>(4,956,741)</u>
Total accumulated depreciation	<u>(118,168,007)</u>	<u>(4,157,496)</u>	-	<u>(122,325,503)</u>
Net depreciable assets	<u>85,249,701</u>	<u>364,859</u>	-	<u>85,614,560</u>
Capital assets not depreciated:				
Land	5,160,426	5,814,576	-	10,975,002
Construction in progress	<u>1,296,192</u>	<u>850</u>	<u>(1,135,642)</u>	<u>161,400</u>
Total assets not being depreciated	<u>6,456,618</u>	<u>5,815,426</u>	<u>(1,135,642)</u>	<u>11,136,402</u>
Capital assets, net	<u>\$ 91,706,319</u>	<u>6,180,285</u>	<u>(1,135,642)</u>	<u>96,750,962</u>

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

General government	\$ 2,657,208
Public works	687,168
Parks, recreation and culture	<u>813,120</u>
Total governmental activities	<u>\$ 4,157,496</u>

The government has an active construction project as of June 30, 2020. The project is for street rehabilitation in various areas of the City. At year end, the government has total expenditure of \$1,221,857 and a remaining commitment of \$2,364,547 for the Street Rehabilitation Project.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(4) Capital Assets, (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2020, is as follows:

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2020</u>
Water rights	\$ 2,141,222	-	-	2,141,222
Buildings and improvements	11,766,979	351,849	-	12,118,828
Machinery and equipment	<u>12,512,810</u>	<u>-</u>	<u>-</u>	<u>12,512,810</u>
Total costs of depreciable assets	<u>26,421,011</u>	<u>351,849</u>	<u>-</u>	<u>26,772,860</u>
Less accumulated depreciation:				
Water rights	(1,531,737)	(30,474)	-	(1,562,211)
Buildings and improvements	(5,252,003)	(328,514)	-	(5,580,517)
Machinery and equipment	<u>(8,979,649)</u>	<u>(339,063)</u>	<u>-</u>	<u>(9,318,712)</u>
Total accumulated depreciation	<u>(15,763,389)</u>	<u>(698,051)</u>	<u>-</u>	<u>(16,461,440)</u>
Net depreciable assets	<u>10,657,622</u>	<u>(346,202)</u>	<u>-</u>	<u>10,311,420</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>\$ 13,413,120</u>	<u>(346,202)</u>	<u>-</u>	<u>13,066,918</u>

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

Transit	\$ 528,287
CNG	123,253
Water	<u>46,511</u>
Total business-type activities	<u>\$ 698,051</u>

CITY OF COMMERCE
Notes to the Basic Financial Statements
Year ended June 30, 2020

(5) Long-Term Liabilities

Changes in governmental long-term liabilities for the year ended June 30, 2020, were as follows:

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2020</u>	Due Within <u>One Year</u>
Bonds payable:					
2014 JPFA Revenue Bonds	\$ 8,655,000	-	(370,000)	8,285,000	390,000
Premium on bond	<u>923,578</u>	<u>-</u>	<u>(60,234)</u>	<u>863,344</u>	<u>60,234</u>
Subtotal	<u>9,578,578</u>	<u>-</u>	<u>(430,234)</u>	<u>9,148,344</u>	<u>450,234</u>
Other long-term liabilities:					
Compensated absences *	<u>3,406,901</u>	<u>1,760,704</u>	<u>(1,778,445)</u>	<u>3,389,160</u>	<u>931,465</u>
Total long-term liabilities	<u>\$ 12,985,479</u>	<u>1,760,704</u>	<u>(2,208,679)</u>	<u>12,537,504</u>	<u>1,381,699</u>

*Compensated absences are generally liquidated by the general fund.

Changes in business-type long-term liabilities for the year ended June 30, 2020, were as follows:

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2020</u>	Due Within <u>One Year</u>
Compensated absences	<u>\$ 522,963</u>	<u>215,380</u>	<u>(199,895)</u>	<u>538,448</u>	<u>131,222</u>

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2020, were as follows:

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2020</u>	Due Within <u>One Year</u>
Bonds payable:					
1994 Tax Allocation					
Refunding Bonds	\$ 230,000	-	(40,000)	190,000	40,000
2016 Tax Allocation Bonds	35,425,000	-	(1,890,000)	33,535,000	1,930,000
2018 Tax Allocation Bonds	26,450,000	-	(2,600,000)	23,850,000	3,390,000
Premium on bond (2016 TABs)	1,163,317	-	(72,707)	1,090,610	72,704
Premium on bond (2018 TABs)	2,962,193	-	(370,274)	2,591,919	370,274
Advances to City	<u>6,687,781</u>	<u>-</u>	<u>(3,841,372)</u>	<u>2,846,409</u>	<u>-</u>
Total long-term liabilities	<u>\$ 72,918,291</u>	<u>-</u>	<u>(8,814,353)</u>	<u>64,103,938</u>	<u>5,802,978</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(5) Long-Term Liabilities, (Continued)

1994 Tax Allocation Refunding Bonds

In June 1994, the JPFA 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 JPFA loan with the Commission. The loan payments from the project area to the JPFA 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, 2020 is \$190,000.

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 40,000	10,875	50,875
2022	45,000	8,175	53,175
2023	50,000	5,137	55,137
2024	55,000	1,763	56,763
	<u>\$ 190,000</u>	<u>25,950</u>	<u>215,950</u>

2014 Lease Revenue Bonds

In September 2014, the City of Commerce Joint Powers Financing Authority issued \$10,000,000 in Community Center Lease Revenue Bonds. The bonds are limited obligations of the JPFA payable from and secured by Revenues, consisting of Base Rental Payment to be made by the City to the JPFA 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 JPFA'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, 2020, is \$8,285,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(5) Long-Term Liabilities, (Continued)

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

Fiscal Year Ending	Principal	Interest	Total
2021	\$ 390,000	392,613	782,613
2022	410,000	372,613	782,613
2023	425,000	351,738	776,738
2024	450,000	329,863	779,863
2025	470,000	306,862	776,862
2026-2030	2,725,000	1,170,956	3,895,956
2031-2035	3,415,000	444,125	3,859,125
	<u>\$ 8,285,000</u>	<u>3,368,770</u>	<u>11,653,770</u>

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 Fiduciary 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, 2020, the amount outstanding was \$33,535,000.

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

Fiscal Year Ending	Principal	Interest	Total
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	2,080,000	928,625	3,008,625
2025	6,960,000	793,025	7,753,025
2026-2030	8,445,000	2,451,203	10,896,203
2031-2035	6,725,000	706,384	7,431,384
2036	1,330,000	20,781	1,350,781
	<u>\$ 33,535,000</u>	<u>8,144,112</u>	<u>41,679,112</u>

CITY OF COMMERCE
Notes to the Basic Financial Statements
Year ended June 30, 2020

(5) Long-Term Liabilities, (Continued)

2018 Tax Allocation Bonds

In March 2018, the Successor Agency to the Commerce Community Development Commission (CDC) 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, 2020, the amount outstanding was \$23,850,000.

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

Fiscal Year Ending	Principal	Interest	Total
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	3,805,000	765,750	4,570,750
2025	-	575,500	575,500
2026-2028	11,510,000	1,150,271	12,660,271
	<u>\$ 23,850,000</u>	<u>5,574,271</u>	<u>29,424,271</u>

Successor Agency Advances from City

Advances to Successor Agency	Advances from City	Amount
General Fund	Successor Agency Private Purpose Trust Fund	\$ 2,414,620 (a)
Water Fund	Successor Agency Private Purpose Trust Fund	431,789 (b)
		<u>\$ 2,846,409</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(5) Long-Term Liabilities, (Continued)

- (a) As of June 30, 2020, the amount due to the General Fund from the Successor Agency was \$2,414,620. 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, 2020, the amount due to the Water Enterprise Fund from the Successor Agency was \$431,789. The advance was entered into on April 16, 2002 with six-month maturity. The advance has been extended each year thereafter, with an original interest rate of 6.5% per annum.

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

(6) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2020, are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>	
	General City Capital Projects		
General Fund	Fund	\$ 7,625,915	(b)
	Other Governmental Funds	17,619	(a)
	Transit Fund	1,294,113	(a)
	Water Fund	3,762,314	(b)
	CNG Fund	565,986	(a)
		<u>\$ 13,265,947</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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(7) Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2020:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	
General Fund	State Gas Tax	\$ 510,000	(a)
	Measure AA	369,048	(b)
	AQMD Rideshare	16,679	(c)
	Rent Subsidy	<u>139,613</u>	(d)
		1,035,340	
Transit	Prop A Local Tax	1,425,000	(e)
Community Center	General Fund	781,337	(f)
Measure AA	General Fund	3,145,000	(g)
General City Capital Projects	General Fund	<u>558,574</u>	(h)
	Total primary governmental interfund transfers	<u>\$ 6,945,251</u>	
Successor Agency - RPTTF	Successor Agency Trust Fund	<u>\$ 10,526,095</u>	(i)

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

- (a) \$510,000 was transferred from State Gas Tax to the General Fund to provide funding for eligible street and alley maintenance repairs.
- (b) \$369,048 was transferred from Measure AA to the General Fund for administrative costs relating to ongoing projects.
- (c) \$16,679 was transferred from AQMD Ride Share to the General Fund as reimbursement for various clear air initiatives.
- (d) \$139,613 was transferred from the Community Benefits Fund to the General Fund for reimbursement of various administrative and overhead costs.
- (e) \$1,425,000 was transferred from the Prop A Local Tax Fund to the Transit Fund for ongoing transportation services.
- (f) \$781,337 was transferred from the General Fund to the Community Center Debt Service Fund to cover debt service payments.
- (g) \$3,145,000 was transferred from the General Fund to the Measure AA Fund was to fund on-going projects.
- (h) \$558,574 was transferred from the General Fund to the General City Capital Projects Fund to fund certain projects.
- (i) \$10,526,095 was transferred from the Redevelopment Property Tax Trust Fund to the Successor Agency Trust Fund to make payments for enforceable obligations approved on the ROPS.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(8) Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution.

CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full- time employment. The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire date	January 1, 2013	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%	6.958%
Required employer contribution rates	9.615%	9.615%

Employees Covered

As of June 30, 2018 (actuarial valuation date), the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries currently receiving benefits	266
Active employees	<u>159</u>
Total	<u>425</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(8) Defined Benefit Pension Plan, (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2018 valuation was rolled forward to determine the measurement period ending June 30, 2019 (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	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(8) Defined Benefit Pension Plan, (Continued)

rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows.

Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses

The expected real rates of return by asset class are as followed:

Asset Class ¹	Assumed asset allocation	Real Return Years 1 – 10 ²	Real Return Years 11+ ³
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)

¹In the System’s CAFR, Fixed Income included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

²An expected inflation of 2.00% used for this period

³An expected inflation of 2.92% used for this period

CITY OF COMMERCE
Notes to the Basic Financial Statements
Year ended June 30, 2020

(8) Defined Benefit Pension Plan, (Continued)

Subsequent Events

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

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 (EARSL) 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

Year ended June 30, 2020

(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: 6/30/2018 (VD)	\$ 112,888,837	82,702,654	30,186,183
Changes Recognized for the Measurement Period:			
Service Cost	2,088,263	-	2,088,263
Interest on the Total Pension Liability	8,029,232	-	8,029,232
Differences between Expected and Actual Experience	1,265,886	-	1,265,886
Contributions from Employer	-	2,665,962	(2,665,962)
Contributions from Employees	-	989,676	(989,676)
Investment Income	-	5,407,865	(5,407,865)
Administrative Expense	-	(59,018)	59,018
Benefit Payments, including Refunds of Employee Contributions	(5,803,808)	(5,803,808)	-
Other Miscellaneous Income/(Expense)	-	193	(193)
Net Changes during 2018-19	5,579,573	3,200,870	2,378,703
Balance at: 6/30/2019 (MD)	\$ 118,468,410	85,903,524	32,564,886

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2018-19, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

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:

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(8) Defined Benefit Pension Plan, (Continued)

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability - Misc.	\$ 47,872,442	32,564,886	19,839,228

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

For the measurement period ending June 30, 2019 (the measurement date), the City of Commerce recognized a pension expense of \$6,326,105 for the Plan.

As of the June 30, 2019 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	\$ 3,024,394	-
Differences between Expected and Actual Experience	1,061,404	(103,275)
Changes of Assumptions	1,279,582	(350,405)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(410,325)
Total	\$ 5,365,380	(864,005)

Deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date in the amount of \$3,024,394 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. 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
2020	\$ 1,744,526
2021	(452,376)
2022	100,851
2023	83,980
2024	-
Thereafter	-

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(9) Other Post-Employment Benefits (OPEB)

Plan Description

The City administers an agent multiple employers defined benefit plan with medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. 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.

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, 2019 measurement date, the following participants were covered by the benefit terms:

Active employees	164
Inactive employees or beneficiaries currently receiving benefits	147
Inactive employees entitled to, but not yet receiving benefits	<u>6</u>
Total	<u>317</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 2019-20, the City contributed \$6,655,622 for current premiums.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

Actuarial Methods and Assumptions used to determine Total OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.65%
Inflation	2.75% annually
Salary Increases	3.00% annually, in aggregate
Investment Rate of Return	6.00%
Municipal Bond Rate	3.50%
Mortality, Retirement, Disability, Termination	Derived using CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare – 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare – 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076

Expected Long-Term Rate of Return

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

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%
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 3.65 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

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

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.

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: 6/30/2019	\$ 54,304,368	2,919,394	51,384,974
Changes recognized for the Measurement period:			
Service cost	2,029,528	-	2,029,528
Interest	2,386,306	-	2,386,306
Differences between Expected and Actual Experience	-	-	-
Changes of assumptions	5,977,722	-	5,977,722
Contributions - employer	-	1,679,352	(1,679,352)
Net investment income	-	168,198	(168,198)
Benefit payments	(1,676,840)	(1,676,840)	-
Administrative expense	-	(7,348)	7,348
Net Changes	8,716,716	163,362	8,553,354
Balance at: 6/30/2020	\$ 63,021,084	3,082,756	59,938,328

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 3.65 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.65 percent) or 1 percentage-point higher (4.65 percent) than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB Liability	\$ 71,092,381	59,938,328	51,085,584

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(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 OPEB 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, 2019:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 49,630,607	59,938,328	73,267,136

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, 2020, the City recognized OPEB expense of \$2,835,198. As of fiscal year, ended June 30, 2020, the City 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	\$ 1,724,623	-
Differences between Expected and Actual Experience	-	2,935,460
Changes of assumptions	4,928,999	5,220,962
Net difference between projected and actual earnings on OPEB plan investments	-	32,817
Total	\$ 6,653,622	8,189,239

Deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date in the amount of \$1,724,623 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

Fiscal Year ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ (1,412,965)
2022	(1,410,965)
2023	(922,964)
2024	(247,453)
2025	734,107
Thereafter	-

(10) Self-Insurance Pooling and Purchased Insurance

Risk Pool Membership

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The Authority arranges and administers programs for the pooling of self-insured losses, purchases excess insurance and reinsurance, and arranges 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 Authority's Board of Directors. The Board operates through a nine-member Executive Committee.

Excess Liability Program

Liability coverage includes auto liability, employment practices liability, public officials' errors and omissions, bodily injury, personal injury, third party property damage, advertising injury, and employee benefit administration liability. The City has a retained limit of \$250,000 per occurrence. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. The coverage structure is composed of a combination of pooled self-insurance, reinsurance and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

Primary Workers' Compensation Program

For 2019-20 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(10) Self-Insurance Pooling and Purchased Insurance, (Continued)

Liability losses from \$5 million to \$10 million are pooled among members. There is no retained limit under this program (first dollar coverage).

Purchased Insurance

The City also participates in the following coverage programs provided by the Authority:

(a) All-Risk Property Protection Program

This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Authority. The total insured value of scheduled City property is \$119,558,842. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

(b) Earthquake and Flood Insurance

This coverage is part of the Property Protection Program. The City has total insured values of \$4,660,284 scheduled for coverage under this program. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

(c) Pollution Legal Liability Insurance Program

The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

(d) Crime Insurance Program

Formerly called Blanket Fidelity Bond, this policy covers faithful performance, depositor's forgery, theft of money and securities, and computer fraud related to the transfer of money. The policy limit is \$1,000,000, and the deductible is \$2,500.

(e) Special Event Tenant User Liability Insurance

This coverage protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays the insurance broker and/or carrier. The insurance is facilitated by the Authority.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(11) Contingencies

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.

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 \$1,181,000 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 \$209,430 to that retailer based on sales and property tax revenue generated.

(12) 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(12) Deferred Compensation Plan, (Continued)

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.

(13) Fund Deficits

As of June 30, 2020, deficits were reported in the following funds:

Transit Fund	\$ (5,321,682)
Water Fund	(629,125)
Successor Agency Trust Fund	(14,080,920)
Capital Projects Fund	(1,396,833)
CDBG Fund	(10,793)

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.

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.

As of June 30, 2020, expenditures in excess of appropriations were reported in the following funds:

General Fund:	
Community development	\$ (36,802)
Public safety	(289,950)
Measure AA Fund:	
Public safety	(982)
Housing Fund:	
Community development	(84,946)
Community Benefits Fund:	
Parks, recreation, and culture	(443,584)

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2020

(14) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although many of the City's services are considered essential, City Hall was temporarily closed to the public, certain other services transitioned to online-only. The City of Commerce major revenue sources, including businesses that collect taxes, are directly impacted by these events, it is probable that this matter will negatively impact the City. However, the ultimate financial impact and duration cannot be estimated at this time.

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	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY						
Service Cost	\$ 2,088,263	2,000,050	1,989,007	1,662,850	1,550,187	1,460,709
Interest	8,029,232	7,644,908	7,385,664	7,177,076	6,869,505	6,545,470
Difference between Expected and Actual Experience	1,265,886	299,589	(490,554)	512,205	1,062,228	-
Changes of Assumptions	-	(762,647)	6,078,010	-	(1,650,414)	-
Benefit Payments, Including Refunds of Employee Contributions	-	(5,355,765)	(5,226,953)	(4,997,904)	(4,937,517)	(4,938,877)
Net Change in Total Pension Liability	11,383,381	3,826,135	9,735,174	4,354,227	2,893,989	3,067,302
Total Pension Liability – Beginning	<u>112,888,837</u>	<u>109,062,702</u>	<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>124,272,218</u>	<u>112,888,837</u>	<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	2,665,962	2,265,421	2,034,184	1,895,010	1,515,782	1,435,188
Contributions – Employee	989,676	847,735	756,795	788,933	720,100	694,273
Investment Income	5,407,865	6,641,333	7,980,374	364,679	1,670,372	11,658,199
Administrative Expense	(59,018)	(122,573)	(108,109)	(45,842)	(84,670)	(83,334)
Benefit Payments, Including Refunds of Employee Contributions	-	(5,355,765)	(5,226,953)	(4,997,904)	(4,937,517)	(4,938,877)
Other Changes in Net Fiduciary Position	<u>193</u>	<u>(232,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fiduciary Net Position	9,004,678	4,043,190	5,436,291	(1,995,124)	(1,115,933)	8,765,449
Plan Fiduciary Net Position – Beginning	<u>82,702,654</u>	<u>78,659,464</u>	<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>91,707,332</u>	<u>82,702,654</u>	<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>\$ 32,564,886</u>	<u>30,186,183</u>	<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	73.80%	73.26%	72.12%	73.72%	79.20%	82.90%
Covered Payroll	\$ 12,258,791	11,672,945	10,861,205	9,961,216	10,161,824	9,389,402
Plan Net Pension Liability as a Percentage of Covered Payroll	265.65%	258.60%	279.93%	262.06%	194.40%	167.69%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: No changes in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the 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 percent 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 Plan Contributions
Last Ten Fiscal Years*

Fiscal Year	2019-20	2018-19	2017-18	2016-17
Actuarially Determined Contribution	\$ 3,024,399	2,665,962	2,059,096	2,135,197
Contributions in Relation to the				
Actuarially Determined Contribution	<u>(3,024,399)</u>	<u>(2,665,962)</u>	<u>(2,059,096)</u>	<u>(2,135,197)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	13,377,980	12,258,791	11,672,945	10,861,205
Contributions as a				
Percentage of Covered Payroll	22.61%	21.75%	17.64%	19.66%

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

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were from the June 30, 2017 actuarial valuation.

Actuarial Cost Method:	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2017 Funding Valuation Report
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Changes of Assumption: On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.15 percent.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

*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

Measurement Period	2018-19	2017-18	2016-17
TOTAL OPEB LIABILITY			
Service Cost	\$ 2,029,528	2,300,649	2,234,000
Interest	2,386,306	2,509,423	2,294,000
Difference between Expected and Actual Experience	-	(4,522,194)	-
Changes in Assumptions	5,977,722	(6,043,482)	(3,068,000)
Benefit Payments	-	(1,698,028)	(1,666,000)
Net Change in Total Pension Liability	10,393,556	(7,453,632)	(206,000)
Total Pension Liability – Beginning	54,304,368	61,758,000	61,964,000
Total Pension Liability – Ending (a)	64,697,924	54,304,368	61,758,000
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	1,679,352	1,698,028	2,166,402
Contributions – Employee	-	172,173	225,000
Investment income	168,198	-	-
Benefit Payments	-	(1,698,028)	(1,666,000)
Administrative Expense	(7,348)	(7,181)	(6,000)
Net change in Plan Fiduciary Net Position	1,840,202	164,992	719,402
Plan Fiduciary Net Position - Beginning	2,919,394	2,754,402	2,035,000
Plan Fiduciary Net Position - Ending (b)	4,759,596	2,919,394	2,754,402
Plan Net Pension Liability – Ending (a) - (b)	\$ 59,938,328	51,384,974	59,003,598
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.36%	5.38%	4.46%
Covered Payroll	\$ 12,462,034	13,074,368	13,175,000
Plan Net OPEB Liability as a Percentage of Covered-Employee Payroll	480.97%	393.02%	447.85%

Notes to Schedule:

Changes in assumptions: The discount rate was changed from 3.97 percent (net of administrative expense) to 4.30 percent for the measurement period ended June 30, 2018. The discount rate changed from 4.30 percent to 3.65% for the measurement period ended June 30, 2019. The discount rate was updated based on current crossover test and Municipal Bond Rate.

*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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 27,635,000	27,635,000	27,852,135	217,135
Casino license tax	27,500,000	27,500,000	20,060,305	(7,439,695)
Licenses and permits	3,674,250	3,674,250	3,937,691	263,441
Intergovernmental	1,104,500	1,104,500	1,600,654	496,154
Fines and forfeitures	1,475,000	1,475,000	1,367,724	(107,276)
Investment income	100,000	100,000	340,759	240,759
Activity fees	477,481	477,481	231,657	(245,824)
Charges for services	228,500	228,500	110,177	(118,323)
Rental and lease income	-	-	565,777	565,777
Miscellaneous	1,253,000	1,253,000	1,750,094	497,094
Total revenues	<u>63,447,731</u>	<u>63,447,731</u>	<u>57,816,973</u>	<u>(5,630,758)</u>
Expenditures:				
Current:				
General government	16,910,553	18,169,170	17,123,544	1,045,626
Community development	3,053,890	3,102,505	3,139,307	(36,802)
Public safety	21,228,080	22,159,236	22,449,186	(289,950)
Public works	5,936,774	5,853,555	5,451,495	402,060
Library	3,842,144	4,306,495	4,185,953	120,542
Parks, recreation and culture	10,140,494	11,030,702	10,454,525	576,177
Total expenditures	<u>61,111,935</u>	<u>64,621,663</u>	<u>62,804,010</u>	<u>1,817,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,335,796</u>	<u>(1,173,932)</u>	<u>(4,987,037)</u>	<u>(3,813,105)</u>
Other financing sources (uses):				
Transfers in	861,000	861,000	1,035,340	174,340
Transfers out	(1,380,000)	(1,380,000)	(4,484,911)	(3,104,911)
Total other financing sources (uses)	<u>(519,000)</u>	<u>(519,000)</u>	<u>(3,449,571)</u>	<u>(2,930,571)</u>
Net change in fund balance	1,816,796	(1,692,932)	(8,436,608)	(6,743,676)
Fund balance at beginning of year	<u>72,851,932</u>	<u>72,851,932</u>	<u>72,851,932</u>	<u>-</u>
Fund balance at end of year	<u>\$ 74,668,728</u>	<u>71,159,000</u>	<u>64,415,324</u>	<u>(6,743,676)</u>

See notes to Required Supplemental Information

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2020

(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.

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.

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, 2020

	Special Revenue Funds	Community Center Debt Service Fund	2007 JPFA Bonds	Totals
Assets				
Cash and investments	\$ 2,566,614	-	412,366	2,978,980
Cash and investments with fiscal agent	-	125	-	125
Accounts receivable	16,000	-	-	16,000
Due from other governments	86,994	-	-	86,994
Loans receivable	478,960	-	-	478,960
Property held for resale	1,053,000	-	-	1,053,000
Total assets	\$ 4,201,568	125	412,366	4,614,059
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 154,640	-	-	154,640
Accrued salaries and benefits	790	-	-	790
Due to other funds	17,619	-	-	17,619
Total liabilities	173,049	-	-	173,049
Deferred inflows of resources:				
Unavailable revenue	478,959	-	-	478,959
Total deferred inflows of resources	478,959	-	-	478,959
Fund balances:				
Restricted for:				
Community development	2,001,175	-	-	2,001,175
Housing	1,221,235	-	-	1,221,235
Law enforcement	221,501	-	-	221,501
Transportation	116,442	-	-	116,442
Debt service	-	125	412,366	412,491
Unassigned	(10,793)	-	-	(10,793)
Total fund balances	3,549,560	125	412,366	3,962,051
Total liabilities, deferred inflows of resources and fund balances	\$ 4,201,568	125	412,366	4,614,059

CITY OF COMMERCE
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2020

	Special Revenue Funds	Community Center Debt Service Fund	2007 JPFA Bonds	Totals
Revenues:				
Intergovernmental	\$ 2,176,684	-	-	2,176,684
Investment income	19,080	576	-	19,656
Licenses and permits	1,204,250	-	-	1,204,250
Total revenues	3,400,014	576	-	3,400,590
Expenditures:				
Current:				
General government	359,148	-	-	359,148
Community development	189,037	-	-	189,037
Parks, recreation, and culture	765,687	-	-	765,687
Public safety	63,434	-	-	63,434
Debt service:				
Principal payments	-	370,000	-	370,000
Interest and fiscal charges	-	412,803	-	412,803
Total expenditures	1,377,306	782,803	-	2,160,109
Excess (deficiency) of revenues over (under) expenditures	2,022,708	(782,227)	-	1,240,481
Other financing sources (uses):				
Transfers in	-	781,337	-	781,337
Transfers out	(2,091,292)	-	-	(2,091,292)
Total other financing sources (uses)	(2,091,292)	781,337	-	(1,309,955)
Net change in fund balances	(68,584)	(890)	-	(69,474)
Fund balances beginning of year	3,618,144	1,015	412,366	4,031,525
Fund balances at end of year	\$ 3,549,560	125	412,366	3,962,051

CITY OF COMMERCE
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2020

	Supplemental Law Enforcement	Proposition A Local Return Tax	State Gas Tax	CDBG
Assets:				
Cash and investments	\$ 221,501	-	100,204	-
Accounts receivable	-	-	-	-
Due from other governments	-	-	16,238	70,756
Loans receivable	-	-	-	7,500
Property held for resale	-	-	-	-
Total assets	<u>\$ 221,501</u>	<u>-</u>	<u>116,442</u>	<u>78,256</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	63,140
Accrued salaries and benefits	-	-	-	790
Due to other funds	-	-	-	17,619
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,549</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	7,500
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Fund balances (deficit):				
Restricted for:				
Community development	-	-	-	-
Housing	-	-	-	-
Law enforcement	221,501	-	-	-
Transportation	-	-	116,442	-
Unassigned	-	-	-	(10,793)
Total fund balances (deficit)	<u>221,501</u>	<u>-</u>	<u>116,442</u>	<u>(10,793)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 221,501</u>	<u>-</u>	<u>116,442</u>	<u>78,256</u>

Air Quality Management District	Housing	Art in Public Places	Community Benefits	Totals
-	169,664	715,935	1,359,310	2,566,614
-	-	-	16,000	16,000
-	-	-	-	86,994
-	471,460	-	-	478,960
-	1,053,000	-	-	1,053,000
-	1,694,124	715,935	1,375,310	4,201,568
-	1,430	-	90,070	154,640
-	-	-	-	790
-	-	-	-	17,619
-	1,430	-	90,070	173,049
-	471,459	-	-	478,959
-	471,459	-	-	478,959
-	-	715,935	1,285,240	2,001,175
-	1,221,235	-	-	1,221,235
-	-	-	-	221,501
-	-	-	-	116,442
-	-	-	-	(10,793)
-	1,221,235	715,935	1,285,240	3,549,560
-	1,694,124	715,935	1,375,310	4,201,568

CITY OF COMMERCE
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2020

	Supplemental Law Enforcement	Proposition A Local Return Tax	State Gas Tax	CDBG
Revenues:				
Intergovernmental	\$ 100,000	1,425,000	527,806	107,199
Investment income	1,647	-	745	-
Licenses and permits	-	-	-	-
	<u>101,647</u>	<u>1,425,000</u>	<u>528,551</u>	<u>107,199</u>
Total revenues				
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	-	-	104,091
Parks, recreation, and culture	-	-	-	-
Public safety	58,157	-	-	5,277
	<u>58,157</u>	<u>-</u>	<u>-</u>	<u>109,368</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	43,490	1,425,000	528,551	(2,169)
Other financing sources (uses):				
Transfers out	-	(1,425,000)	(510,000)	-
	<u>-</u>	<u>(1,425,000)</u>	<u>(510,000)</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	43,490	-	18,551	(2,169)
Fund balances (deficit) at beginning of year	178,011	-	97,891	(8,624)
Fund balances (deficit) at end of year	<u>\$ 221,501</u>	<u>-</u>	<u>116,442</u>	<u>(10,793)</u>

<u>Air Quality Management District</u>	<u>Housing</u>	<u>Art In Public Places</u>	<u>Community Benefits</u>	<u>Totals</u>
16,679	-	-	-	2,176,684
-	1,261	5,322	10,105	19,080
<u>-</u>	<u>-</u>	<u>138,010</u>	<u>1,066,240</u>	<u>1,204,250</u>
<u>16,679</u>	<u>1,261</u>	<u>143,332</u>	<u>1,076,345</u>	<u>3,400,014</u>
-	-	-	359,148	359,148
-	84,946	-	-	189,037
-	-	-	765,687	765,687
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,434</u>
<u>-</u>	<u>84,946</u>	<u>-</u>	<u>1,124,835</u>	<u>1,377,306</u>
<u>16,679</u>	<u>(83,685)</u>	<u>143,332</u>	<u>(48,490)</u>	<u>2,022,708</u>
<u>(16,679)</u>	<u>-</u>	<u>-</u>	<u>(139,613)</u>	<u>(2,091,292)</u>
<u>(16,679)</u>	<u>-</u>	<u>-</u>	<u>(139,613)</u>	<u>(2,091,292)</u>
-	(83,685)	143,332	(188,103)	(68,584)
<u>-</u>	<u>1,304,920</u>	<u>572,603</u>	<u>1,473,343</u>	<u>3,618,144</u>
<u>-</u>	<u>1,221,235</u>	<u>715,935</u>	<u>1,285,240</u>	<u>3,549,560</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 100,000	100,000	-
Investment income	<u>-</u>	<u>1,647</u>	<u>1,647</u>
Total revenues	<u>100,000</u>	<u>101,647</u>	<u>1,647</u>
Expenditures:			
Current:			
Public safety	<u>100,000</u>	<u>58,157</u>	<u>41,843</u>
Total expenditures	<u>100,000</u>	<u>58,157</u>	<u>41,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>43,490</u>	<u>43,490</u>
Net change in fund balances	-	43,490	43,490
Fund balance at beginning of year	<u>178,011</u>	<u>178,011</u>	<u>-</u>
Fund balance at end of year	<u>\$ 178,011</u>	<u>221,501</u>	<u>43,490</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,300,000	1,425,000	125,000
Total revenues	<u>1,300,000</u>	<u>1,425,000</u>	<u>125,000</u>
Other financing sources (uses):			
Transfers out	<u>(1,300,000)</u>	<u>(1,425,000)</u>	<u>(125,000)</u>
Total other financing sources (uses)	<u>(1,300,000)</u>	<u>(1,425,000)</u>	<u>(125,000)</u>
Net change in fund balances	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>

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, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 350,000	527,806	177,806
Investment income	<u>-</u>	<u>745</u>	<u>745</u>
Total revenues	<u>350,000</u>	<u>528,551</u>	<u>178,551</u>
Other financing sources (uses):			
Transfers out	<u>(350,000)</u>	<u>(510,000)</u>	<u>(160,000)</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(510,000)</u>	<u>(160,000)</u>
Net change in fund balances	-	18,551	18,551
Fund balance at beginning of year	<u>11,360</u>	<u>97,891</u>	<u>(86,531)</u>
Fund balance at end of year	<u>\$ 11,360</u>	<u>116,442</u>	<u>(67,980)</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 95,000	107,199	12,199
Total revenues	<u>95,000</u>	<u>107,199</u>	<u>12,199</u>
Expenditures:			
Current:			
Community development	121,832	104,091	17,741
Public safety	<u>14,311</u>	<u>5,277</u>	<u>9,034</u>
Total expenditures	<u>136,143</u>	<u>109,368</u>	<u>26,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,143)</u>	<u>(2,169)</u>	<u>38,974</u>
Net change in fund balances	(41,143)	(2,169)	38,974
Fund balance (deficit) at beginning of year	<u>(8,624)</u>	<u>(8,624)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (49,767)</u>	<u>(10,793)</u>	<u>38,974</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	16,679	16,679
Total revenues	<u>-</u>	<u>16,679</u>	<u>16,679</u>
Other financing sources (uses):			
Transfers out	<u>(16,000)</u>	<u>(16,679)</u>	<u>(679)</u>
Total other financing sources (uses)	<u>(16,000)</u>	<u>(16,679)</u>	<u>(679)</u>
Net change in fund balances	(16,000)	-	16,000
Fund balance (deficit) at beginning of year	<u>(15,914)</u>	<u>-</u>	<u>(15,914)</u>
Fund balance (deficit) at end of year	<u>\$ (31,914)</u>	<u>-</u>	<u>86</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	<u>1,261</u>	<u>1,261</u>
Total revenues	<u>-</u>	<u>1,261</u>	<u>1,261</u>
Expenditures:			
Current:			
Community development	<u>-</u>	<u>84,946</u>	<u>(84,946)</u>
Total expenditures	<u>-</u>	<u>84,946</u>	<u>(84,946)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(83,685)</u>	<u>(83,685)</u>
Net change in fund balances	-	(83,685)	(83,685)
Fund balance at beginning of year	<u>1,304,920</u>	<u>1,304,920</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,304,920</u>	<u>1,221,235</u>	<u>(83,685)</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ -	138,010	138,010
Investment income	<u>-</u>	<u>5,322</u>	<u>5,322</u>
Total revenues	<u>-</u>	<u>143,332</u>	<u>143,332</u>
Expenditures:			
Current:			
Parks, recreation and culture	<u>7,900</u>	<u>-</u>	<u>7,900</u>
Total expenditures	<u>7,900</u>	<u>-</u>	<u>7,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,900)</u>	<u>143,332</u>	<u>151,232</u>
Net change in fund balances	(7,900)	143,332	151,232
Fund balance at beginning of year	<u>572,603</u>	<u>572,603</u>	<u>-</u>
Fund balance at end of year	<u>\$ 564,703</u>	<u>715,935</u>	<u>151,232</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	10,105	10,105
Licenses and permits	<u>700,000</u>	<u>1,066,240</u>	<u>366,240</u>
Total revenues	<u>700,000</u>	<u>1,076,345</u>	<u>376,345</u>
Expenditures:			
Current:			
General government	518,224	359,148	159,076
Parks, recreation, and culture	<u>322,103</u>	<u>765,687</u>	<u>(443,584)</u>
Total expenditures	<u>840,327</u>	<u>1,124,835</u>	<u>(284,508)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,327)</u>	<u>(48,490)</u>	<u>91,837</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(139,613)</u>	<u>(139,613)</u>
Total other financing sources (uses)	<u>-</u>	<u>(139,613)</u>	<u>(139,613)</u>
Net change in fund balances	(140,327)	(188,103)	(47,776)
Fund balance (deficit) at beginning of year	<u>(5,516)</u>	<u>1,473,343</u>	<u>(1,478,859)</u>
Fund balance (deficit) at end of year	<u><u>\$ (145,843)</u></u>	<u><u>1,285,240</u></u>	<u><u>(1,526,635)</u></u>

CITY OF COMMERCE
Debt Service Fund
Community Center Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	576	576
Total revenues	<u>-</u>	<u>576</u>	<u>576</u>
Expenditures:			
Debt service:			
Principal payments	315,000	370,000	(55,000)
Interest and fiscal charges	<u>489,812</u>	<u>412,803</u>	<u>77,009</u>
Total expenditures	<u>804,812</u>	<u>782,803</u>	<u>22,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(804,812)</u>	<u>(782,227)</u>	<u>22,585</u>
Other financing sources (uses):			
Transfers in	<u>757,941</u>	<u>781,337</u>	<u>23,396</u>
Total other financing sources (uses)	<u>757,941</u>	<u>781,337</u>	<u>23,396</u>
Net change in fund balances	(46,871)	(890)	45,981
Fund balance (deficit) at beginning of year	<u>1,015</u>	<u>1,015</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (45,856)</u>	<u>125</u>	<u>45,981</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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ -	7,380,969	7,380,969
Intergovernmental	-	1,986,274	1,986,274
Investment income	-	135,546	135,546
Total revenues	-	9,502,789	9,502,789
Expenditures			
Current:			
Public safety	-	982	(982)
Public works	24,447,455	11,767,824	12,679,631
Total expenditures	24,447,455	11,768,806	12,678,649
Excess (deficiency) of revenues over (under) expenditures	(24,447,455)	(2,266,017)	22,181,438
Other financing sources (uses):			
Transfers in	-	3,145,000	3,145,000
Transfers out	-	(369,048)	(369,048)
Total other financing sources (uses)	-	2,775,952	2,775,952
Net change in fund balances	(24,447,455)	509,935	24,957,390
Fund balance at beginning of year	14,446,669	18,107,370	(3,660,701)
Fund balance at end of year	\$ (10,000,786)	18,617,305	21,296,689

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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	16,248	16,248
Total revenues	<u>-</u>	<u>16,248</u>	<u>16,248</u>
Expenditures:			
Current:			
Public works	<u>843,039</u>	<u>461,675</u>	<u>381,364</u>
Total expenditures	<u>843,039</u>	<u>461,675</u>	<u>381,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(843,039)</u>	<u>(445,427)</u>	<u>397,612</u>
Net change in fund balances	(843,039)	113,147	956,186
Fund balance (deficit) at beginning of year	<u>(12,290,831)</u>	<u>(1,509,980)</u>	<u>(10,780,851)</u>
Fund balance (deficit) at end of year	<u>\$ (13,133,870)</u>	<u>(1,396,833)</u>	<u>(9,824,665)</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 Agency 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
Combining Statement of Changes in Assets and Liabilities
Year ended June 30, 2020

	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2020</u>
Assets				
Cash and investments	\$ 1,007,345	486,195	1,100,662	392,878
Accounts receivable	<u>-</u>	<u>17,200</u>	<u>-</u>	<u>17,200</u>
Total assets	<u>1,007,345</u>	<u>503,395</u>	<u>1,100,662</u>	<u>410,078</u>
Liabilities				
Accounts payable	44,024	910,220	951,809	2,435
Deposits payable	<u>963,321</u>	<u>236,160</u>	<u>791,838</u>	<u>407,643</u>
Total liabilities	<u>\$ 1,007,345</u>	<u>1,146,380</u>	<u>1,743,647</u>	<u>410,078</u>

CITY OF COMMERCE
Private Purpose Trust Funds
Combining Statement of Net Position
June 30, 2020

	Successor Agency		Totals
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	
<u>Assets</u>			
Cash and investments	\$ 16,738,980	-	16,738,980
Cash and investments with fiscal agents	-	57,190	57,190
Accounts receivable	-	16,577	16,577
Loans receivable	-	17,442	17,442
Property held for resale	-	47,355,302	47,355,302
	<u>16,738,980</u>	<u>47,446,511</u>	<u>64,185,491</u>
<u>Deferred Outflow of Resources</u>			
Deferred loss on refunding	-	5,260,939	5,260,939
<u>Liabilities</u>			
Accounts payable	-	1,695,132	1,695,132
Accrued salaries and benefits	-	2,524	2,524
Interest payable	-	986,814	986,814
Long-term liabilities	-	64,103,900	64,103,900
	<u>-</u>	<u>66,788,370</u>	<u>66,788,370</u>
<u>Net Position (Deficit)</u>			
Held in trust for Successor Agency	<u>\$ 16,738,980</u>	<u>(14,080,920)</u>	<u>2,658,060</u>

CITY OF COMMERCE
Private Purpose Trust Fund
Combining Statement of Changes in Net Position
Year ended June 30, 2020

	Successor Agency		Totals
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	
Additions:			
Property tax	\$ 12,825,144	-	12,825,144
Investment income	124,596	-	124,596
Rental income	-	941,915	941,915
Miscellaneous income	-	748,362	748,362
Transfers in	-	10,526,095	10,526,095
Total additions	<u>12,949,740</u>	<u>12,216,372</u>	<u>25,166,112</u>
Deductions:			
Administrative expenses	-	735,649	735,649
Interest and fiscal charges	-	3,109,102	3,109,102
Payments under pass-through obligations	-	209,430	209,430
Transfers out	10,526,095	-	10,526,095
Total deductions	<u>10,526,095</u>	<u>4,054,181</u>	<u>14,580,276</u>
Changes in net position	2,423,645	8,162,191	10,585,836
Net position (deficit) held in trust, beginning of year	<u>14,315,335</u>	<u>(22,243,111)</u>	<u>(7,927,776)</u>
Net position (deficit) held in trust, end of year	<u>\$ 16,738,980</u>	<u>(14,080,920)</u>	<u>2,658,060</u>

STATISTICAL SECTION

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

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

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

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

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

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	(32,579,229)	41,949,565	29,678,249	35,963,254
Restricted	27,965,967	2,862,221	6,852,897	4,189,145
Unrestricted	<u>90,467,496</u>	<u>32,518,513</u>	<u>44,875,673</u>	<u>49,067,403</u>
Total governmental activities net position	<u>85,854,234</u>	<u>77,330,299</u>	<u>81,406,819</u>	<u>89,219,802</u>
Business-type activities:				
Invested in capital assets, net of related debt	15,281,149	9,132,834	15,050,922	14,033,290
Restricted	-	-	-	-
Unrestricted	<u>(3,331,606)</u>	<u>(3,475,824)</u>	<u>(4,154,394)</u>	<u>(4,437,236)</u>
Total business-type activities net position	<u>11,949,543</u>	<u>5,657,010</u>	<u>10,896,528</u>	<u>9,596,054</u>
Primary government:				
Invested in capital assets, net of related debt	(17,298,080)	51,082,399	44,729,171	49,996,544
Restricted	27,965,967	2,862,221	6,852,897	4,189,145
Unrestricted	<u>87,135,890</u>	<u>29,042,689</u>	<u>40,721,279</u>	<u>44,630,167</u>
Total primary government net position	<u>97,803,777</u>	<u>82,987,309</u>	<u>92,303,347</u>	<u>98,815,856</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
45,509,674	69,045,438	84,719,037	81,609,386	82,699,502	87,603,633
(8,770,483)	1,695,259	1,706,688	1,876,124	2,048,261	2,038,137
<u>54,250,682</u>	<u>44,026,277</u>	<u>42,451,641</u>	<u>7,083,848</u>	<u>11,612,066</u>	<u>4,908,821</u>
<u>90,989,873</u>	<u>114,766,974</u>	<u>128,877,366</u>	<u>90,569,358</u>	<u>96,359,829</u>	<u>94,550,591</u>
13,415,492	12,812,420	12,305,690	11,644,934	13,413,120	13,066,918
-	-	-	-	-	-
<u>(7,071,258)</u>	<u>(6,730,545)</u>	<u>(6,948,259)</u>	<u>(16,115,502)</u>	<u>(14,607,134)</u>	<u>(15,245,267)</u>
<u>6,344,234</u>	<u>6,081,875</u>	<u>5,357,431</u>	<u>(4,470,568)</u>	<u>(1,194,014)</u>	<u>(2,178,349)</u>
58,925,166	81,857,858	97,024,727	93,254,320	96,112,622	100,670,551
(8,770,483)	1,695,259	1,706,688	1,876,124	2,048,261	2,038,137
<u>47,179,424</u>	<u>37,295,732</u>	<u>35,503,382</u>	<u>(9,031,654)</u>	<u>(2,995,068)</u>	<u>(10,336,446)</u>
<u>97,334,107</u>	<u>120,848,849</u>	<u>134,234,797</u>	<u>86,098,790</u>	<u>95,165,815</u>	<u>92,372,242</u>

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses:				
Governmental activities:				
General government	17,651,539	18,362,277	16,664,200	18,216,730
Public safety	16,205,717	15,583,635	16,494,702	17,466,237
Public works	5,867,584	6,464,741	6,953,510	6,902,561
Community development	11,021,254	2,269,890	2,205,819	2,084,600
Parks and Recreation	8,152,321	8,808,268	9,122,504	9,743,642
Library	3,970,137	3,001,247	2,799,278	1,361,478
Interest on long-term debt	<u>7,510,228</u>	<u>10,055,429</u>	<u>5,554,206</u>	<u>4,847,305</u>
Total governmental activities expenses	<u>70,378,780</u>	<u>64,545,487</u>	<u>59,794,219</u>	<u>60,622,553</u>
Business-type activities:				
Transit	3,678,189	4,417,649	5,571,290	4,724,375
CNG	-	-	-	1,883,647
Water	345,153	491,453	176,589	281,869
Cable Television	<u>273,826</u>	<u>250,312</u>	<u>232,154</u>	<u>310,004</u>
Total business-type activities expenses	<u>4,297,168</u>	<u>5,159,414</u>	<u>5,980,033</u>	<u>7,199,895</u>
Total primary government expenses	<u>74,675,948</u>	<u>69,704,901</u>	<u>65,774,252</u>	<u>67,822,448</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	-	717,712	-	-
Public safety	1,285,140	729,369	1,440,460	1,582,241
Public works	2,515,767	2,042,031	2,488,665	2,894,236
Community development	920,610	637,061	-	70,211
Library	30,567	26,827	26,781	23,357
Parks and recreation	621,815	667,379	562,364	595,134
Operating grants and contributions	2,296,474	2,343,633	2,484,684	2,254,889
Capital grants and contributions	<u>607,842</u>	<u>550,120</u>	<u>2,522,945</u>	<u>1,980,538</u>
Total governmental activities program revenues	<u>8,278,215</u>	<u>7,714,132</u>	<u>9,525,899</u>	<u>9,400,606</u>
Business-type activities:				
Charges for services:				
Transit	-	-	1,046,062	-
CNG	-	-	-	2,160,510
Water	-	-	-	-
Cable Television	37,850	37,817	39,734	40,192
Operating grants and contributions	<u>3,018,306</u>	<u>2,457,478</u>	<u>3,728,164</u>	<u>1,952,128</u>
Total business-type activities program revenues	<u>3,056,156</u>	<u>2,495,295</u>	<u>4,813,960</u>	<u>4,152,830</u>
Total primary government program revenues	<u>11,334,371</u>	<u>10,209,427</u>	<u>14,339,859</u>	<u>13,553,436</u>
Net revenues (expenses):				
Governmental activities	(62,100,565)	(56,831,355)	(50,268,320)	(51,221,947)
Business-type activities	<u>(1,241,012)</u>	<u>(2,664,119)</u>	<u>(1,166,073)</u>	<u>(3,047,065)</u>
Total net revenues (expenses)	<u>(63,341,577)</u>	<u>(59,495,474)</u>	<u>(51,434,393)</u>	<u>(54,269,012)</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
18,681,419	16,097,044	17,143,378	19,705,680	22,493,477	14,923,956
17,825,986	18,994,377	20,528,705	21,462,109	21,457,403	22,513,602
9,574,171	10,080,047	7,753,735	13,955,387	13,705,539	16,343,439
2,582,041	4,550,938	3,111,106	3,189,480	2,112,054	2,444,173
9,298,527	9,917,064	11,936,131	12,835,675	13,083,293	12,836,798
1,201,234	3,210,975	3,774,862	4,275,731	3,627,221	4,719,709
<u>5,393,909</u>	<u>4,196,186</u>	<u>1,870,823</u>	<u>2,036,161</u>	<u>365,743</u>	<u>347,944</u>
<u>64,557,287</u>	<u>67,046,631</u>	<u>66,118,740</u>	<u>77,460,223</u>	<u>76,844,730</u>	<u>74,129,621</u>
4,982,321	5,322,991	4,919,636	6,191,022	5,747,313	7,123,822
2,038,687	1,564,009	1,657,378	2,027,056	1,941,685	2,283,888
593,822	711,572	695,715	637,396	611,098	482,240
294,436	258,221	301,827	359,704	-	-
<u>7,909,266</u>	<u>7,856,793</u>	<u>7,574,556</u>	<u>9,215,178</u>	<u>8,300,096</u>	<u>9,889,950</u>
<u>72,466,553</u>	<u>74,903,424</u>	<u>73,693,296</u>	<u>86,675,401</u>	<u>85,144,826</u>	<u>84,019,571</u>
-	-	-	-	-	-
1,670,473	1,481,520	1,560,967	1,536,732	1,639,854	1,355,125
3,336,377	3,395,581	2,753,032	3,027,305	4,063,390	4,470,153
48,270	20,462	89,950	40,000	88,882	339,948
22,533	18,940	10,638	17,380	5,155	12,581
575,150	594,096	647,552	674,476	2,858,857	1,188,201
2,517,480	2,208,545	2,549,722	2,757,719	4,106,368	5,477,203
<u>9,611,896</u>	<u>18,508,737</u>	<u>12,503,266</u>	<u>4,620,744</u>	<u>290,533</u>	<u>295,545</u>
<u>17,782,179</u>	<u>26,227,881</u>	<u>20,115,127</u>	<u>12,674,356</u>	<u>13,053,039</u>	<u>13,138,756</u>
-	-	-	-	-	-
2,067,530	1,398,775	1,480,555	1,930,926	1,483,555	2,871,693
-	845,000	845,000	845,000	845,000	845,000
45,541	49,402	53,950	53,748	-	-
<u>2,726,291</u>	<u>3,140,870</u>	<u>2,801,867</u>	<u>3,138,934</u>	<u>6,046,775</u>	<u>3,748,452</u>
<u>4,839,362</u>	<u>5,434,047</u>	<u>5,181,372</u>	<u>5,968,608</u>	<u>8,375,330</u>	<u>7,465,145</u>
<u>22,621,541</u>	<u>31,661,928</u>	<u>25,296,499</u>	<u>18,642,964</u>	<u>21,428,369</u>	<u>20,603,901</u>
(46,775,108)	(40,818,750)	(46,003,613)	(64,785,867)	(63,791,691)	(60,990,865)
<u>(3,069,904)</u>	<u>(2,422,746)</u>	<u>(2,393,184)</u>	<u>(3,246,570)</u>	<u>75,234</u>	<u>(2,424,805)</u>
<u>(49,845,012)</u>	<u>(43,241,496)</u>	<u>(48,396,797)</u>	<u>(68,032,437)</u>	<u>(63,716,457)</u>	<u>(63,415,670)</u>
		(continued)	(continued)	(continued)	(continued)

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

	Fiscal Year			
	2011	2012	2013	2014
(continued)				
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Casino license tax	20,392,604	21,181,030	20,600,922	19,654,726
Property taxes	17,322,761	9,423,608	3,972,269	2,511,686
Sales tax	13,108,932	16,459,305	19,795,117	25,900,879
Franchise taxes	1,009,514	1,017,727	968,579	1,035,234
Transient occupancy taxes	1,922,843	2,096,487	2,274,182	2,390,203
Motor vehicle in lieu, unrestricted	1,097,697	1,028,203	1,062,922	1,088,953
Investment income	1,858,224	3,994,512	5,838,632	5,651,173
Intergovernmental, unrestricted	-	-	-	-
Miscellaneous revenues (expenses)	1,261,505	2,718,041	1,613,284	2,147,602
Extraordinary gain (loss)	-	6,696,994	-	-
Transfers	(1,631,273)	-	(1,646,982)	(1,746,591)
Total governmental activities	<u>56,342,807</u>	<u>64,615,907</u>	<u>54,478,925</u>	<u>58,633,865</u>
Business-type activities:				
Investment income	202,500	-	-	-
Transfers	1,631,273	-	1,646,982	1,746,591
Special Items	-	-	-	-
Total business-type activities	<u>1,833,773</u>	<u>-</u>	<u>1,646,982</u>	<u>1,746,591</u>
Total primary government	<u>58,176,580</u>	<u>64,615,907</u>	<u>56,125,907</u>	<u>60,380,456</u>
Changes in net position				
Governmental activities	(5,757,758)	7,784,552	4,210,605	7,411,918
Business-type activities	592,761	(2,664,119)	480,909	(1,300,474)
Total primary government	<u>(5,164,997)</u>	<u>5,120,433</u>	<u>4,691,514</u>	<u>6,111,444</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
22,240,233	25,012,715	25,780,700	28,217,260	27,658,745	20,260,767
2,819,939	2,322,486	2,481,617	4,680,877	4,563,560	4,548,892
29,360,146	27,795,167	26,979,330	28,702,600	32,166,106	27,005,166
1,128,060	1,052,568	952,432	1,024,506	1,089,138	1,055,508
2,549,218	2,843,656	3,063,406	3,269,164	3,145,415	2,613,232
1,126,561	1,177,552	1,242,958	6,877	6,272	10,306
5,484,438	5,372,963	2,413,906	2,410,372	576,337	495,961
-	-	-	-	-	-
3,662,709	1,179,131	(1,137,872)	3,370,780	1,661,221	1,819,994
-	-	-	(8,515,224)	6,308,116	-
(2,504,962)	(2,160,387)	(1,662,472)	(1,656,133)	(2,000,747)	(1,425,000)
<u>65,866,342</u>	<u>64,595,851</u>	<u>60,114,005</u>	<u>61,511,079</u>	<u>75,174,163</u>	<u>56,384,826</u>
-	-	6,268	5,219	8,689	15,470
2,504,962	2,160,387	1,662,472	1,656,133	2,000,747	1,425,000
-	-	-	-	1,191,884	-
<u>2,504,962</u>	<u>2,160,387</u>	<u>1,668,740</u>	<u>1,661,352</u>	<u>3,201,320</u>	<u>1,440,470</u>
<u>68,371,304</u>	<u>66,756,238</u>	<u>61,782,745</u>	<u>63,172,431</u>	<u>78,375,483</u>	<u>57,825,296</u>
19,091,234	23,777,101	14,110,392	(3,274,788)	11,382,472	(4,606,039)
(564,942)	(262,359)	(724,444)	(1,585,218)	3,276,554	(984,335)
<u>18,526,292</u>	<u>23,514,742</u>	<u>13,385,948</u>	<u>(4,860,006)</u>	<u>14,659,026</u>	<u>(5,590,374)</u>

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

	Fiscal Year						
	2014	2015	2016	2017	2018	2019	2020
General fund:							
Nonspendable	15,110,492	15,127,548	11,474,577	9,529,236	9,348,695	17,036,179	22,002,880
Restricted	-	-	-	-	-	-	2,913,821
Unassigned	<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>	<u>55,618,952</u>	<u>39,498,623</u>
Total general fund	<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>	<u>72,655,131</u>	<u>64,415,324</u>
All other governmental funds:							
Restricted	105,980,666	105,647,274	59,362,140	55,507,264	18,151,913	28,145,037	22,590,149
Unassigned	<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>	<u>(10,116,122)</u>	<u>(1,407,626)</u>
Total all other governmental funds	<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>	<u>18,028,915</u>	<u>21,182,523</u>

	Fiscal Year		
	2011 (a)	2012	2013
General fund:			
Nonspendable	\$ 15,190,427	15,272,801	15,216,754
Unassigned	<u>33,552,248</u>	<u>33,552,248</u>	<u>40,946,024</u>
Total general fund	<u>48,742,675</u>	<u>48,825,049</u>	<u>56,162,778</u>
All other governmental funds:			
Restricted	125,592,920	110,139,272	105,913,679
Unassigned	<u>(34,639,920)</u>	<u>(4,368,665)</u>	<u>(7,649,689)</u>
Total all other governmental funds	<u>\$ 90,953,000</u>	<u>105,770,607</u>	<u>98,263,990</u>

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

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

	Fiscal Year			
	2011	2012	2013	2014
Revenues:				
Taxes	36,849,238	30,838,722	28,073,069	32,926,955
Casino license tax	20,392,604	21,181,030	20,600,922	19,654,726
Licenses and permits	2,515,108	2,051,387	2,489,592	2,900,240
Fines and forfeitures	1,315,707	756,196	1,467,241	1,605,598
Investment income	8,379,360	7,001,775	5,840,623	5,662,019
Rental income	918,914	707,840	12,319	73,324
Intergovernmental	2,806,231	2,539,595	4,193,761	4,469,864
Charges for services	757,199	500,455	163,657	473,358
Activity Fees	346,616	436,868	433,859	414,127
Other	<u>1,286,695</u>	<u>1,972,515</u>	<u>1,770,546</u>	<u>1,768,877</u>
Total revenues	<u>75,567,672</u>	<u>67,986,383</u>	<u>65,045,589</u>	<u>69,949,088</u>
Expenditures				
Current:				
General government	17,447,206	16,547,709	15,609,127	16,616,771
Public safety	15,903,482	15,583,635	16,226,042	16,737,125
Public works	6,763,595	5,894,285	11,156,226	10,682,593
Community development	7,128,103	2,140,768	2,171,051	1,975,546
Library	2,794,256	2,775,283	2,860,346	3,222,372
Parks, recreation and culture	8,075,994	7,969,161	8,035,395	8,426,766
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	9,332,647	7,971,902	4,510,000	5,480,000
Interest and fiscal charges	13,485,684	9,677,103	5,186,151	4,940,642
SERAF Payments	1,359,567	-	-	-
Bond Issuance Costs	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Pass-through payments	<u>2,387,491</u>	<u>813,392</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>84,678,025</u>	<u>69,373,238</u>	<u>65,754,338</u>	<u>68,081,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,110,353)</u>	<u>(1,386,855)</u>	<u>(708,749)</u>	<u>1,867,273</u>
Other financing sources (uses):				
Transfers in	24,202,439	2,331,429	2,331,429	3,368,424
Transfers out	(25,833,712)	(3,710,866)	(3,710,866)	(5,429,737)
Issuance of bonds	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Premium on bonds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(1,631,273)</u>	<u>(1,379,437)</u>	<u>(1,379,437)</u>	<u>(2,061,313)</u>
Extraordinary/ Special Items	-	<u>20,466,590</u>	-	-
Net change in fund balances	<u>(10,741,626)</u>	<u>17,700,298</u>	<u>(2,088,186)</u>	<u>(194,040)</u>
Ratio of debt service expenditures to noncapital expenditures	28%	26%	15%	17%

Fiscal Year					
2015	2016	2017	2018	2019	2020
36,983,924	35,191,429	34,719,747	37,684,024	40,970,492	35,233,104
22,240,233	25,012,715	25,780,700	28,217,260	27,658,745	20,060,305
2,995,798	3,094,043	2,593,315	2,811,786	3,533,999	3,937,691
1,693,006	1,500,460	1,571,605	1,554,112	1,645,009	1,367,724
5,492,779	5,376,602	2,442,142	2,410,372	576,337	495,961
60,546	65,804	107,310	256,456	2,650,024	1,770,027
4,716,798	10,533,532	15,151,211	13,918,486	5,607,209	5,779,860
481,788	442,178	331,457	394,724	361,727	110,177
401,567	387,652	433,274	433,813	458,610	231,657
1,805,765	956,288	1,232,109	3,940,461	2,290,119	1,750,094
<u>76,872,204</u>	<u>82,560,703</u>	<u>84,362,870</u>	<u>91,621,494</u>	<u>85,752,271</u>	<u>70,736,600</u>
18,208,263	15,910,208	16,416,508	16,594,325	19,905,892	17,482,692
17,696,949	18,717,286	20,010,785	20,871,826	21,424,472	22,513,602
14,543,747	29,308,208	21,221,420	12,614,426	13,332,466	17,680,994
2,566,731	5,510,293	3,015,986	3,084,391	3,391,322	3,328,344
3,593,745	3,640,566	3,764,624	3,808,597	4,080,542	4,185,953
8,948,228	9,563,855	10,613,121	10,804,067	11,853,187	11,220,212
-	-	-	4,301,838	-	-
4,585,000	46,690,000	3,925,000	4,075,000	355,000	370,000
4,791,759	4,954,788	2,243,768	2,098,092	430,414	412,803
-	-	-	-	-	-
-	-	-	-	-	-
1,591,812	-	-	5,050,414	-	-
-	-	-	-	-	-
<u>76,526,234</u>	<u>134,295,204</u>	<u>81,211,212</u>	<u>83,302,976</u>	<u>74,773,295</u>	<u>77,194,600</u>
<u>345,970</u>	<u>(51,734,501)</u>	<u>3,151,658</u>	<u>8,318,518</u>	<u>10,978,976</u>	<u>(6,458,000)</u>
6,824,304	2,259,463	1,676,324	1,535,053	2,164,640	5,520,251
(8,560,288)	(4,419,850)	(3,201,056)	(3,191,186)	(4,262,726)	(6,945,251)
-	-	-	-	-	-
10,000,000	-	-	-	-	-
1,204,670	-	-	-	-	-
<u>(10,811,993)</u>	<u>-</u>	<u>-</u>	<u>(32,637,606)</u>	<u>-</u>	<u>-</u>
<u>(1,343,307)</u>	<u>(2,160,387)</u>	<u>(1,524,732)</u>	<u>(34,293,739)</u>	<u>(2,098,086)</u>	<u>(1,425,000)</u>
-	-	-	-	6,409,884	-
<u>(997,337)</u>	<u>(53,894,888)</u>	<u>1,626,926</u>	<u>(25,975,221)</u>	<u>15,290,774</u>	<u>(7,883,000)</u>
14%	41%	8%	8%	1%	1%

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

Fiscal Year Ended June 30	City		Taxable Assessed Value	Redevelopment Agency ¹		Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured		Secured	Unsecured		
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%
2019	4,713,735	702,582	5,416,317	-	-	-	0.068%
2020	5,054,122	720,534	5,774,656	-	-	-	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 above.

Source: HdI 2020 Statistical Package

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

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Basic Levy (1)		1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College District	0.02677	0.01782	0.02594	0.02502	-	-	-	-	-	-
County Detention Facilities 1987 Debt	-	-	-	-	-	-	-	-	-	-
Downey Unified School District	0.07018	0.06725	0.07132	0.06603	-	-	-	-	-	-
LA CCD DS 2008 Series F	-	-	0.01119	-	-	-	-	-	-	-
LA Community College District	0.04031	0.03530	0.03756	0.04454	0.04017	0.03575	0.03596	0.04599	0.04621	0.02717
LA County Flood Control	-	-	-	-	-	-	-	-	-	-
LAUSD	0.18695	0.16819	0.17560	0.14644	0.14688	0.12971	0.13110	0.12219	0.12323	0.12552
MWD	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Montebello Unified School District	0.09792	0.10001	0.09630	0.09457	0.08750	0.08715	0.14705	0.13514	0.13921	0.09305
Total Direct & Overlapping (2) Tax Rate	0.42583	1.39227	1.42141	1.38010	1.27805	1.25611	1.31761	1.30682	1.31215	1.24924
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)	1.00370	1.00370	-	-	-	-	-	-	-	-
Total Direct Rate (5)	0.46503	0.45879	0.46863	0.06818	0.06818	0.06817	0.06817	0.06815	0.06832	0.06813

(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

2019/20			2010/11		
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	\$ 297,870,397	5.15%	Craig Realty Group Citadel LLC	\$ 130,411,993	3.09%
Prologis USLV NewCA 6 LLC	150,647,563	2.61%	California Commerce Club Inc.	100,587,416	2.39%
AMB Institutional Alliance Fund	115,147,950	1.99%	AMB Institutional Alliance Fund	86,023,788	2.04%
California Commerce Club, Inc.	105,974,534	1.83%	LIT Commerce Distribution Center LLC	86,018,784	2.04%
Rreef America Reit II Corporation	103,030,725	1.78%	Rreef America Reit II Corporation	81,979,650	1.94%
LIT Commerce Distribution Center LLC	99,790,473	1.73%	Smart & Final Properties	63,559,081	1.51%
Liberty Property LP	94,554,000	1.64%	AMB Property LP	53,891,115	1.28%
99 Cents Only Stores	74,080,322	1.28%	ARI COP 17 LLC	46,982,824	1.11%
Safeway Inc.	73,633,770	1.27%	99 Cents Only Stores	46,154,060	1.09%
TELACU	<u>68,676,495</u>	<u>1.19%</u>	Commerce Industrial Park LLC	<u>43,171,443</u>	<u>1.02%</u>
	<u>\$ 1,183,406,229</u>	<u>20.47%</u>		<u>\$ 738,780,154</u>	<u>17.51%</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
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%
2019	2,204,661	2,260,554	102.54%	9,655	2,270,209	102.97%
2020	2,028,219	2,010,999	99.15%	26,875	2,037,874	100.48%

NOTE:

The amounts presented for 2010 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 agency basis.

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Card Room -- Gaming Revenue	20,273	21,061	20,481	19,535	22,130	24,883	25,661	28,097	27,539	19,960
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>100</u>
Total	<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>	<u>27,659</u>	<u>20,060</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

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

<u>Tax Remitter</u>	<u>2020</u>			<u>2011</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	\$ 19,960,305	1	100.00%	\$ 20,392,604	1	100.00%
Total	<u>\$ 19,960,305</u>		<u>100.00%</u>	<u>\$ 20,392,604</u>		<u>100.00%</u>

Source: City of Commerce - Finance Department

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	
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
2019	-	9,578,578	-	9,578,578
2020	-	9,148,344	-	9,148,344

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

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

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

Business-type Activities			Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
Water Revenue Bonds	Certificates of Participation	Total Business-type Activities			
-	-	-	\$ 130,181,902	60.18%	9,586
-	-	-	117,395,000	58.34%	9,121
-	-	-	112,885,000	51.56%	8,727
-	-	-	107,405,000	49.99%	8,260
-	-	-	101,859,514	49.48%	7,829
-	-	-	55,109,280	27.18%	4,198
-	-	-	51,124,046	24.91%	3,913
-	-	-	9,993,812	4.93%	765
-	-	-	9,578,578	4.49%	736
-	-	-	9,148,344	3.94%	711

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		
2011	36,902	130,145,000	130,181,902	9.97%	9,586
2012	-	117,395,000	117,395,000	8.98%	9,121
2013	-	112,885,000	112,885,000	2.63%	8,727
2014	-	107,405,000	107,405,000	2.41%	8,260
2015	-	101,859,514	101,859,514	2.22%	7,829
2016	-	55,109,280	55,109,280	1.15%	4,198
2017	-	51,124,046	51,124,046	0.99%	3,913
2018	-	9,993,812	9,993,812	0.19%	765
2019	-	9,578,578	9,578,578	0.18%	736
2020	-	9,148,344	9,148,344	0.16%	711

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, 2020

	Gross Bonded Debt Balance	Percent Applicable to City
Total Direct Debt	<u>\$ 8,285,000</u>	100.000%
Metropolitan Water District	18,151,752	0.225%
Los Angeles Unified School District	10,535,750,000	0.044%
Los Angeles City Community College District	4,234,460,000	0.638%
Montebello Unified School District	<u>169,874,609</u>	30.504%
Total Overlapping Debt	<u>14,958,236,361</u>	
Total Direct and Overlapping Debt	<u>\$ 14,966,521,361</u>	

2019/20 Assessed Valuation: \$2,902,313,440 After Deducting \$2,879,514,425 Incremental Value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.29%
	Overlapping Debt	2.88%
	Total Debt	3.16%

Source: HdL

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			
	2011	2012	2013	2014
Assessed valuation	1,305,623,000	1,307,737,000	4,296,649,000	4,455,208,000
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	326,405,750	326,934,250	1,074,162,250	1,113,802,000
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	48,960,863	49,040,138	161,124,338	167,070,300
Total net debt applicable to limit: General obligation bonds	<u>2,109,437</u>	<u>2,360,341</u>	<u>2,332,927</u>	<u>2,583,831</u>
Legal debt margin	<u>46,851,426</u>	<u>46,679,797</u>	<u>158,791,411</u>	<u>164,486,469</u>
Total debt applicable to the limit as a percentage of debt limit	4.3%	4.8%	1.4%	1.5%

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

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

Fiscal Year					
2015	2016	2017	2018	2019	2020
4,586,304,000	4,792,383,000	5,164,198,000	5,266,604,000	5,416,317,000	5,774,656,000
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,146,576,000	1,198,095,750	1,291,049,500	1,316,651,000	1,354,079,250	1,443,664,000
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
171,986,400	179,714,363	193,657,425	197,497,650	203,111,888	216,549,600
<u>2,556,417</u>	<u>2,807,321</u>	<u>2,779,907</u>	<u>3,030,811</u>	<u>3,003,397</u>	<u>3,254,301</u>
<u>169,429,983</u>	<u>176,907,042</u>	<u>190,877,518</u>	<u>194,466,839</u>	<u>200,108,491</u>	<u>213,295,299</u>
1.5%	1.6%	1.4%	1.5%	1.5%	1.5%

CITY OF COMMERCE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
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%
2019	13,021	213,295	16,380	6.7%
2020	12,868	231,904	18,021	5.3%

Sources:

- (1) HDL 2019-20 CAFR Statistical Reports
- (2) State Department of Finance
- (3) Office of Economic Development
- (4) State of California Employment Development Department (data shown is for the County)

CITY OF COMMERCE
Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>2020</u>		<u>2011</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
California Commerce Club, Inc.	4,750	9.87%	2,191	3.81%
County of Los Angeles	1,100	2.28%	910	1.58%
Parsec, Inc.	1,036	2.15%	890	1.55%
Acco Engineered Systems	705	1.46%	n/a	n/a
American International Industries	642	1.33%	592	1.03%
99 Cents Only Stores #900	635	1.32%	566	0.98%
Mission Foods	532	1.10%	n/a	n/a
JWCH Institute Inc.	521	1.08%	n/a	n/a
Capstone Logistics LLC	447	0.93%	n/a	n/a
Wine Warehouse	426	0.88%	368	0.64%
Gruma Corporation (Mission Foods)	n/a	n/a	590	1.03%
Unified Grocers, Inc.	n/a	n/a	436	0.76%
Smart & Final Stores, LLC	n/a	n/a	384	0.67%
Gibson Overseas, Inc.	n/a	n/a	346	0.60%

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

Source: City of Commerce

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	70	69	69	39	39	39	39	38	38	39
Public safety ¹	-	-	-	-	-	-	1	-	-	-
Community services	29	29	29	28	28	28	29	28	21	11
Public Works & Development Services	19	13	13	17	17	13	17	21	26	55
Park & Recreation	105	105	105	135	135	136	136	135	139	122
Library Services	37	36	36	39	39	39	39	39	43	45
Transportation	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>40</u>	<u>33</u>
 Total	 <u>295</u>	 <u>287</u>	 <u>287</u>	 <u>292</u>	 <u>292</u>	 <u>289</u>	 <u>295</u>	 <u>295</u>	 <u>307</u>	 <u>305</u>

¹ Police and fire services were provided by the County.

Source: City Budget Book

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

	Fiscal Year			
	2011	2012	2013	2014
Police:				
Stations	-	-	-	-
Fire:				
Fire stations	3	3	3	3
Public services:				
Streets (miles)	133.80	133.80	133.80	133.80
Streetlights	3,193	3,193	3,193	3,193
Traffic signals	80	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					
2015	2016	2017	2018	2019	2020
-	-	-	-	-	-
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