



City of Commerce, California

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2016

CITY OF COMMERCE
Commerce, California

Comprehensive Annual Financial Report

Year ended June 30, 2016

Prepared by

FINANCE DEPARTMENT

VILKO DOMIC

Director of Finance / City Treasurer

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CITY OF COMMERCE
Comprehensive Annual Financial Report
Year ended June 30, 2016

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City of Commerce

Office of the
City Administrator

December 30, 2016

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Commerce for the fiscal year ended June 30, 2016. 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, 2016, 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, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Profile of the City of Commerce

The City of Commerce, incorporated in 1960 is located within the east-central portion of the County of Los Angeles, approximately 6 miles southeast of downtown Los Angeles and 20 miles northeast of the City of Long Beach and the Pacific Ocean. The City is oriented to industrial uses with industrially-zoned land comprising approximately 64% of all land in the City. Residentially-zoned property consists almost entirely of five separate neighborhoods with approximately 3,430 residential units. The City is a regional center of employment in the Los Angeles basin, with the business employee population of approximately 60,000 persons considerably exceeding a residential population of approximately 13,010. The City's land mass encompasses 6.6 square miles.

The City of Commerce, a general law city, was incorporated on January 28, 1960. The City operates under the Council-Administrator form of municipal government. The City Council appoints the City Administrator who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. Policymaking and legislative authority are vested in the City Council, which consists of the Mayor and four Council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government. The five-member City Council is elected on a biennial cycle subject to four-year alternating terms, at large, on a non-partisan basis. The Mayor is selected by the City Council from among its members, serving a one-year term.

The City of Commerce, as a contract city, provides a full range of services, including police (as a contract member of the Los Angeles County Sheriff's Department), fire protection (as a contract member of the Los Angeles County Fire Department), water service, street and infrastructure maintenance and construction, recreational and cultural services, planning and community development and general administration. The City of Commerce also is financially accountable for the legally separate Governing Body of the Successor Agency to the Commerce Community Development Commission. On January 31, 2012, the City of Commerce elected to serve as the SA to the Commerce Community Development Commission; the Commission acted as the City's redevelopment agency. The SA has been responsible for the winding down of the Commission's obligations subject to the monitoring by and approval of the independent Oversight Board established by State law to oversee the dissolution process. The City has accounted for the Successor Agency as "blended" component units and therefore they have been included as an integral part of the City of Commerce's financial statements.

The annual budget serves as the foundation for the City of Commerce's financial planning and control. All departments of the City of Commerce are required to submit requests for appropriation to the City Administrator and Finance Director each year. The City Administrator and Finance Director use these requests as the starting point for developing a proposed budget. The City Administrator and Finance Director then present this proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Commerce's fiscal year. The appropriated budget is prepared by fund (e.g., general), department (e.g., public works), and program (e.g., engineering). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments within the same fund require the City Administrator's approval. Supplemental appropriations during the year and/or transfers between funds, however, require approval of the City Council. The City utilizes an encumbrance accounting system, whereby commitments such as purchase orders are recorded during the year. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are re-appropriated in the ensuing year's budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Local Economy

The City of Commerce economic environment continues to grow at a moderate pace. The City Council continues to focus on diversifying its economic base, along with the maintenance of its arterial streets and/or roadways, continued public safety enhancements and beautification of our neighborhoods / business districts, the continued expansion of the Citadel Outlet Mall, and the revitalization of the Telegraph Corridor all are integral policy objectives.

Making the most of the City's resources continues to be for the benefit of the entire community and is at the heart and soul of the City Council's commitment to fiscal management and to economic development. The City Council seeks to build Commerce's revenue base by attracting jobs and businesses to the City. Clearly, the ongoing emphasis is on sustainability, investment, and reinvestment. These objectives will continue to build a strong healthy community and improve the quality of life for Commerce residents, businesses, and visitors.

Long-term financial planning

The City's five-year financial forecast for operating revenues and expenditures is based primarily on anticipated commercial, industrial and residential development. The forecast produces an evaluation of the City's financial position as projected growth triggers increased service demands. The forecast projects recurring expenditures increasing at an annual average rate of 2.5%, while the average five-year rate for revenues is projected to increase at a slightly lower pace. The rise in expenditures is attributed for the most part to personnel, related benefit costs and the ongoing cost of operations.

The passage of Measure AA has benefited the City in addressing numerous infrastructure (and related) deficiencies since July 2012. The following is a list of completed (or nearly completed) projects:

- Eastern Avenue Rehabilitation
- Metrolink Station Parking Lot, ADA & Lighting Improvement
- FY 2015-16 Annual Pavement Rehabilitation Project
- Slauson Avenue Sidewalk Improvements
- Teen Center Improvements
- Brenda Villa Aquatic Center Supplemental Pool Filtration
- Development of a Facilities Rehab Master Plan
- Ada Comprehensive Study
- Steven's Place Street Beautification
- Annual Sidewalk Improvements
- Camp Commerce Improvements

During FY 15-16, the City Council developed a Capital Improvement Project program for FY 15-16 with the assistance of the Measure AA Committee. The tax increase has generated an additional \$7.18 million for fiscal year 2016 that is being used to address capital projects that have been deferred for numerous years. The injection of these new monies have resulted in an investment never witnessed in this community, reflective of the City Council's commitment to improving, but more importantly, remodeling the "Model City", and in turn increasing the level of service to the community. As a result, the 5-year Financial Forecast becomes even more of an important tool going forward. This document will continue to be a framework in the annual budget preparation, as well as throughout the fiscal year, to assess any state and local economic/political action that might impact the City of Commerce.

Pension and other postemployment benefits

The City of Commerce is a member of the California Public Employees Retirement System (CalPERS). CalPERS sets the contribution rates for the City's represented and non-represented employee groups. Participants are required to contribute 7% of their annual covered salary – up until July 1, 2015; the City was making a portion of the contributions required of City employees on their behalf and for their account. The City employees now contribute the entire 7%. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the

CalPERS Board of Administration. The contribution requirements of the plan members are established by State law. The employer contribution rate is established and may be amended by CalPERS.

The City of Commerce also provides postretirement health, dental and life benefits for retirees. As of the end of the current fiscal year, there were 150 retired employees receiving benefits. These benefits are financed on a pay-as-you-go basis.

Awards and Acknowledgements

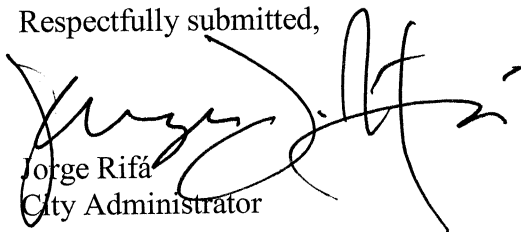
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Commerce for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The 2015 report satisfied both GAAP and applicable legal requirements.

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

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

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

Respectfully submitted,

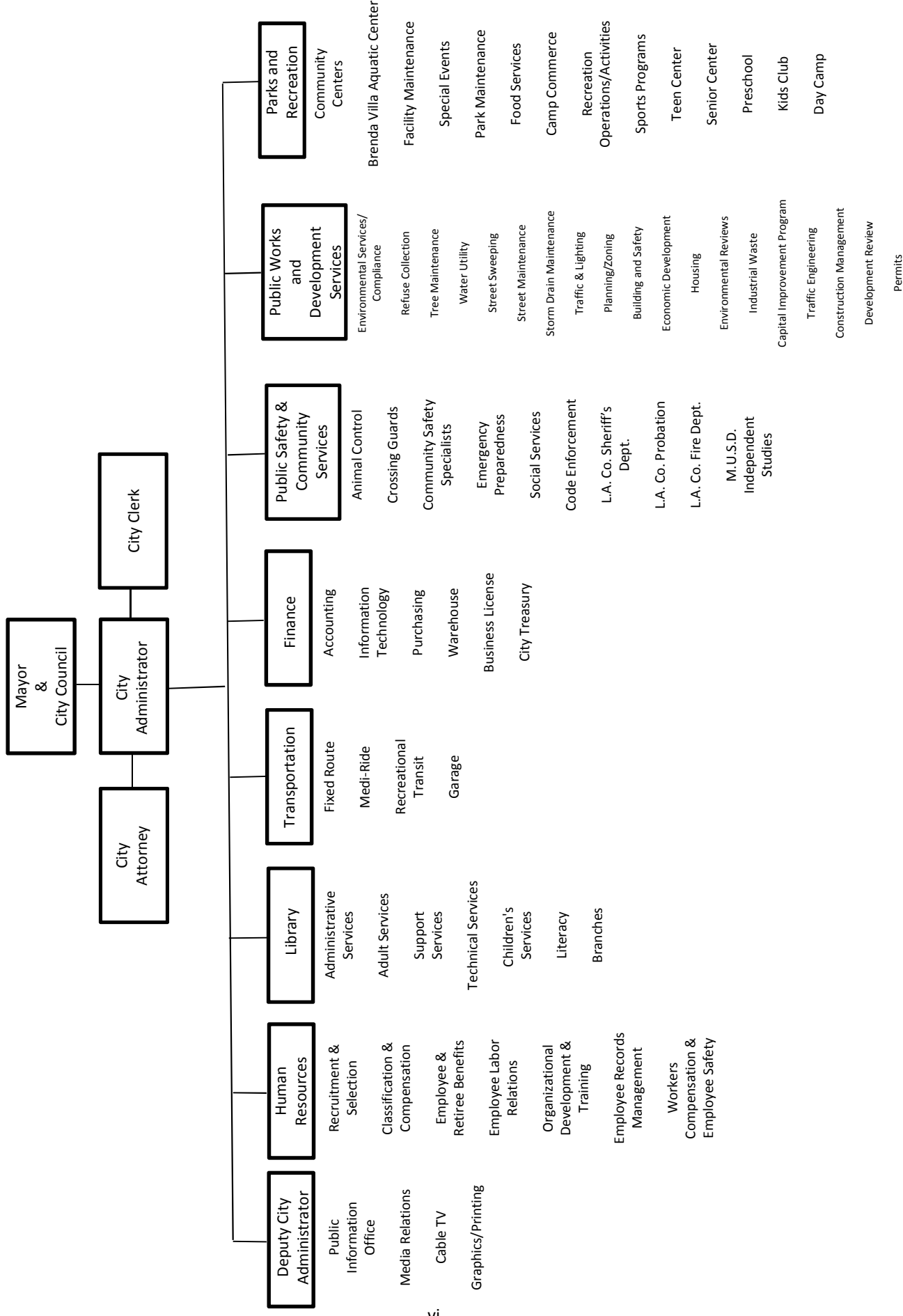


Jorge Rifa
City Administrator



Vilko Domic
Director of Finance

City of Commerce Organization Chart



City of Commerce

Directory of Officials

June 30, 2016

CITY COUNCIL

Ivan Altamirano, Mayor

Tina Baca Del Rio, Mayor Pro Tem

Lilia R. Leon, Council Member

Hugo A. Argumedo, Council Member

Oralia Y. Rebollo, Council Member

ADMINISTRATION

Jorge Rifa, City Administrator

Lena Shumway, City Clerk

Eduardo Olivo, City Attorney

Matthew Rodriguez, Director of Safety and Community Services

Vilko Domic, Director of Finance

Michael Casalou, Director of Human Resources

Beatriz Sarmiento, Director of Library Services

Robert Lipton, Director of Parks and Recreation

Claude McFerguson, Director of Transportation



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, 2015

Executive Director/CEO

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Honorable Mayor and City Council
City of Commerce
Commerce, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Commerce, California, ("the City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We did not audit the financial statements of the Commerce Refuse to Energy Facility (CREA) that the City of Commerce has an investment in joint venture reported on the Statement of Net Position which constitutes 7 percent of total assets and 1 percent of total revenues at June 30, 2016. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that joint venture, is solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Commerce, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 31, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016 on our consideration of the City of Commerce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Commerce's internal control over financial reporting and compliance.

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

Irvine, California
December 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

FINANCIAL HIGHLIGHTS

- Net position, the amount by which total assets exceed total liabilities, equal \$120,848,849.
- The City's total net position increased by \$23,514,742, due to positive changes in fund balances and the refinancing of the JPFA bonds.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$99,741,567, a decrease of \$53,894,888 from the prior year. \$45,665,332, or 85% of this decrease is due to refinancing of the JPFA bonds which decreased the JPFA fund balance by the same amount.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$52,400,666, or 95% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The statement of activities presents information designed to show how the city's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Fiduciary funds

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

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

Notes to the financial statements

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

Other information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The statement of net position can serve as a useful indicator of the city’s financial position. The City of Commerce’s net position at June 30, 2016 total \$120,848,849. Following is a condensed version of the government-wide statement of net position.

Net Position						
	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current and other asset	135,130,076	178,376,238	(3,315,264)	(3,579,765)	131,814,812	174,796,473
Capital assets, net	75,944,264	55,913,008	12,812,420	13,415,492	88,756,684	69,328,500
Total Assets	<u>211,074,340</u>	<u>234,289,246</u>	<u>9,497,156</u>	<u>9,835,727</u>	<u>220,571,496</u>	<u>244,124,973</u>
Deferred outflows of resources:						
Pension related	<u>2,379,748</u>	<u>1,185,092</u>	<u>357,797</u>	<u>183,832</u>	<u>2,737,545</u>	<u>1,368,924</u>
Liabilities:						
Current Liabilities	13,539,605	9,911,574	521,470	399,727	14,061,075	10,311,301
Long-term Liabilities	<u>83,463,120</u>	<u>129,985,823</u>	<u>2,976,477</u>	<u>2,564,047</u>	<u>86,439,597</u>	<u>132,549,870</u>
Total Liabilities	<u>97,002,725</u>	<u>139,897,397</u>	<u>3,497,947</u>	<u>2,963,774</u>	<u>100,500,672</u>	<u>142,861,171</u>
Deferred inflows of resources:						
Pension related	<u>1,684,389</u>	<u>4,587,068</u>	<u>275,131</u>	<u>711,551</u>	<u>1,959,520</u>	<u>5,298,619</u>
Net Position:						
Net investment in capital assets	69,045,438	45,509,674	12,812,420	13,415,492	81,857,858	58,925,166
Restricted	1,695,259	1,208,027	-	-	1,695,259	1,208,027
Unrestricted	<u>44,026,277</u>	<u>44,272,172</u>	<u>(6,730,545)</u>	<u>(7,071,258)</u>	<u>37,295,732</u>	<u>37,200,914</u>
Total Net Position	<u>114,766,974</u>	<u>90,989,873</u>	<u>6,081,875</u>	<u>6,344,234</u>	<u>120,848,849</u>	<u>97,334,107</u>

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

Changes in net position

The changes in net position table illustrates the increases or decreases in net position of the city resulting from its operating activities. The City of Commerce's net position increased \$23,514,742 in the fiscal year ended June 30, 2016. The increase was split between the governmental activities increase of \$23,777,101 and business-type activities decrease of \$262,359. Following is a condensed version of the city's changes in net position. The table shows the revenues, expenses, and related changes in net position for governmental and business-type activities.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues						
Charges for services	5,510,599	5,652,803	2,293,177	2,113,071	7,803,776	7,765,874
Operating grants & contributions	2,208,545	2,517,480	3,140,870	2,726,291	5,349,415	5,243,771
Capital grants & contributions	18,508,737	9,611,896	-	-	18,508,737	9,611,896
General revenues:						
Casino license tax	25,012,715	22,240,233	-	-	25,012,715	22,240,233
Property tax	2,322,486	2,819,939	-	-	2,322,486	2,819,939
Sales tax	27,795,167	29,360,146	-	-	27,795,167	29,360,146
Franchise taxes	1,052,568	1,128,060	-	-	1,052,568	1,128,060
Transient occupancy taxes	2,843,656	2,549,218	-	-	2,843,656	2,549,218
Motor vehicle in-lieu	1,177,552	1,126,561	-	-	1,177,552	1,126,561
Investment income	5,372,963	5,484,438	-	-	5,372,963	5,484,438
Miscellaneous revenues	1,179,131	3,662,709	-	-	1,179,131	3,662,709
Total revenues	<u>92,984,119</u>	<u>86,153,483</u>	<u>5,434,047</u>	<u>4,839,362</u>	<u>98,418,166</u>	<u>90,992,845</u>
Expenses:						
General government	16,097,044	18,681,419	-	-	16,097,044	18,681,419
Community development	4,550,938	2,582,041	-	-	4,550,938	2,582,041
Public safety	18,994,377	17,825,986	-	-	18,994,377	17,825,986
Public works	10,080,047	9,574,171	-	-	10,080,047	9,574,171
Library	3,210,975	1,201,235	-	-	3,210,975	1,201,235
Parks recreation and culture	9,917,064	9,298,527	-	-	9,917,064	9,298,527
Interest on long-term debt	4,196,186	5,393,909	-	-	4,196,186	5,393,909
Transit	-	-	5,322,991	4,982,321	5,322,991	4,982,321
CNG	-	-	1,564,009	2,038,687	1,564,009	2,038,687
Water	-	-	711,572	593,822	711,572	593,822
Cable television	-	-	258,221	294,436	258,221	294,436
Total expenses	<u>67,046,631</u>	<u>64,557,288</u>	<u>7,856,793</u>	<u>7,909,266</u>	<u>74,903,424</u>	<u>72,466,554</u>
Excess (deficiency) before transfers	25,937,488	21,596,195	(2,422,746)	(3,069,904)	23,514,742	18,526,291
Transfers	<u>(2,160,387)</u>	<u>(2,504,962)</u>	<u>2,160,387</u>	<u>2,504,962</u>	<u>-</u>	<u>-</u>
Change in net position	23,777,101	19,091,233	(262,359)	(564,942)	23,514,742	18,526,291
Net position - beginning of year	<u>90,989,873</u>	<u>71,898,640</u>	<u>6,344,234</u>	<u>6,909,176</u>	<u>97,334,107</u>	<u>78,807,816</u>
Net position - end of year	<u>114,766,974</u>	<u>90,989,873</u>	<u>6,081,875</u>	<u>6,344,234</u>	<u>120,848,849</u>	<u>97,334,107</u>

The total net position of the City were \$120,848,849 as of June 30, 2016. This represents an increase of \$23,514,742 over the prior year. This change is explained more fully below.

The City's total revenues were \$98,418,166. A significant portion of the governmental revenues came from the Casino license tax (25.41%), property taxes (2.36%) and sales tax (28.24%) of the total governmental revenues of \$92,418,166. A significant portion of the business-type activities revenues were collected from Operating grants & contributions (57.80%) and Charges for services (42.20%).

The total cost of all City programs and services during fiscal year ended June 30, 2016 was \$74,903,424. The break down by activity as a percentage of total expenses for selected programs is as follows: General government 21.49%, Public safety (police and fire) 25.36%, Interest on long-term debt 5.60%, Parks and Recreation 13.24%, Public works 13.46%, and business type activities accounted for 10.49%.

Change in net position was \$23,514,742 for the year as compared to last year's change in net position of \$18,526,291. Total net position at the end of the year were \$120,848,849. The City has ample amounts to provide for its outstanding indebtedness.

Governmental activities experienced an increase in net position of \$23,777,101. This is primarily due to increased revenues as a result of the current economic recovery.

Business-type activities consist of the Transit, CNG, Water and Cable Television. The financial goal of the City's business-type activities is to operate on a more or less "break-even" basis without making significant profit or needing general tax subsidies. For fiscal year ended June 30, 2016, this goal was achieved with the City's total business-type activities having realized an overall decrease in net position of \$262,359 primarily due to the planned deficit spending in the Transit and CNG Funds.

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

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

	Governmental Funds			
	2016	2015	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	63,875,243	60,621,291	3,253,952	5.4%
Joint Powers Financing Authority	-	45,665,332	(45,665,332)	-100.0%
2007 JPFA Bonds	42,436,576	45,470,511	(3,033,935)	-6.7%
Measure AA	15,622,958	13,214,883	2,408,075	18.2%
General City Capital Projects Fund	(23,495,842)	(11,867,603)	(11,628,239)	98.0%
Total Fund Equity	98,438,935	153,104,414	(54,665,479)	14.9%

The General fund balance increased by \$3,253,952. Increased revenue due to the economic recovery was the primary driver of the increase in fund balance.

The Joint Powers Financing Authority fund balance decreased by (\$45,665,332), due to planned debt refinancing.

The 2007 JPFA fund balance decreased by (\$3,033,935), primarily due to planned debt repayments.

The Measure AA fund increased by \$2,408,075, primarily due to less project expenditures.

General City Capital Projects fund balance decreased by (\$11,628,239) primarily due to planned spending on projects.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR PROPRIETARY FUNDS

Below is an analysis of the fund equity of the City's proprietary funds:

	Proprietary Funds			
	2016	2015	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Transit	4,478,297	5,079,832	(601,535)	-11.8%
CNG	3,563,887	3,729,121	(165,234)	-4.4%
Water	(1,612,054)	(2,095,482)	483,428	-23.1%
Cable Television	(348,255)	(369,237)	20,982	-5.7%
Internal Service Funds	(238,934)	(238,851)	(83)	0.0%
Total Net Position	5,842,941	6,105,383	(262,442)	-4.3%
Unrestricted Net Position:				
Transit	(3,985,864)	(4,043,164)	57,300	-1.4%
CNG	205,188	472,696	(267,508)	-56.6%
Water	(2,601,614)	(3,131,553)	529,939	-16.9%
Cable Television	(348,255)	(369,237)	20,982	-5.7%
Internal Service Funds	(336,327)	(238,851)	(97,476)	40.8%
Total Unrestricted Net Position	(7,066,872)	(7,310,109)	243,237	-3.3%

The Transit Fund net position decreased (\$601,535) and unrestricted net position increased by \$57,300. The key factor in the decrease of nets assets is due to the planned spending on maintenance items during the fiscal year.

The Water Fund net position increased \$483,428 and unrestricted net position increased by \$529,939. The increase in net position is primarily due to an increased funding by the General Fund.

General Fund Budgetary Highlights

The General Fund receives the most public attention since it is where local tax revenues are accounted for and where the most popular municipal services such as police and public works are funded.

The General Fund is the chief operating fund of the City, which is used to account for all discretionary revenues and expenditures necessary to carryout basic government functions that are not accounted for through other special revenue and grant funds. Year-to-date revenues, including transfers-in, totaled \$61,169,764. This is a 0.9% increase when compared to last year's revenue total of \$60,650,498. The largest revenue source was Taxes, which includes both sales taxes and property taxes at \$28,015,298 which decreased 2.4% or \$697,658 compared to the prior year due to the timing of payments with the ending of the triple flip. Casino license tax was up by 12.5% or \$2,772,482 when compared to the prior year due to renovations at the Casino and the improved economic climate. General Fund expenditures totaled \$57,915,812, 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, 2015	Additions	Reductions	Balance at June 30, 2016
Governmental Activities				
2003 JPFA Tax Revenue Bonds	42,890,000	-	(42,890,000)	-
2007 JPFA Revenue Bonds	47,805,000	-	(3,475,000)	44,330,000
2014 Lease Revenue Bonds	10,000,000	-	(325,000)	9,675,000
Premium on bond	1,164,514	-	(60,234)	1,104,280
Claims Payable	304,105	-	(304,105)	-
Compensated absences	3,155,527	1,726,218	(1,359,779)	3,521,966
Total Long-Term Obligations - Governmental Activities	105,319,146	1,726,218	(48,414,118)	58,631,246
Business Activities				
Compensated Absences	449,641	264,418	(203,602)	510,457
Total Long-Term Obligations	105,768,787	1,990,636	(48,617,720)	59,141,703

As can be seen from the table above, the City has implemented a variety of debt financing mechanisms to finance projects. Information on the long-term liabilities is discussed further in Note 5 of the Financial Statements.

Capital Assets

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

	June 30, 2016	June 30, 2015	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 4,070,310	\$ 4,070,310	\$ -	0.0%
Construction in progress	28,774,518	9,342,731	19,431,787	208.0%
Buildings	40,425,663	40,425,663	-	0.0%
Improvements other than buildings	20,719,853	20,202,386	517,467	2.6%
Infrastructure	84,882,091	83,107,408	1,774,683	2.1%
Machinery and equipment	4,836,923	3,666,397	1,170,526	31.9%
Less accumulated depreciation	(107,765,094)	(104,901,887)	(2,863,207)	2.7%
Net capital assets	<u>\$ 75,944,264</u>	<u>\$ 55,913,008</u>	<u>\$ 20,031,256</u>	

	June 30, 2016	June 30, 2015	Amount Increase (Decrease)	Percent Increase (Decrease)
Business Activities:				
Land	\$ 2,755,498	\$ 2,755,498	\$ -	0.0%
Construction in progress	-	-	-	0.0%
Machinery and equipment	9,948,244	9,948,244	-	0.0%
Water rights	2,141,222	2,141,222	-	0.0%
Building and improvements	11,766,979	11,550,248	216,731	1.9%
Less accumulated depreciation	(13,799,523)	(12,979,720)	(819,803)	6.3%
Net capital assets	<u>\$ 12,812,420</u>	<u>\$ 13,415,492</u>	<u>\$ (603,072)</u>	

Governmental capital assets increased as depreciation of assets grew at a steady amount as well as construction in progress and improvements to the infrastructure. Business-type activity capital assets decreased due primarily to depreciation. See note 4 for further details on capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Commerce's economy is clearly linked to the national, state, and regional economy. While the City is moving forward with a transformation in its economical base, its local economy is impacted by the global economy, with resultant recurring revenue fluctuations. Most forecasters are predicting a continued economic recovery in 2017. 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 2016-2017 citywide budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Commerce finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director at the City of Commerce, 2535 Commerce Way, Commerce, CA 90040.

CITY OF COMMERCE
Statement of Net Position
June 30, 2016
(with comparative information for the prior year)

	Governmental	Business-type	Totals	
	Activities	Activities	2016	2015
Assets:				
Cash and investments (note 2)	\$ 36,062,189	243,121	36,305,310	41,639,280
Cash and investments with fiscal agent (note 2)	466,602	-	466,602	1,576,666
Interest receivable	37,487	-	37,487	53,137
Accounts receivable	15,598,388	514,725	16,113,113	5,732,210
Due from other governments	6,933,148	363,772	7,296,920	4,367,610
Internal balances	6,485,022	(6,485,022)	-	-
Receivable from Successor Agency (note 5)	53,424,411	2,048,140	55,472,551	106,515,000
Loans and leases receivable	484,356	-	484,356	484,405
Prepaid items and deposits	20,166	-	20,166	27,548
Property held for resale	1,053,000	-	1,053,000	1,053,000
Investment in joint venture (note 11)	14,565,307	-	14,565,307	13,347,617
Capital assets (note 4):				
Nondepreciable	32,844,828	2,755,498	35,600,326	16,168,539
Depreciable, net	43,099,436	10,056,922	53,156,358	53,159,961
Total assets	211,074,340	9,497,156	220,571,496	244,124,973
Deferred outflow of resources:				
Pension related (note 8)	2,379,748	357,797	2,737,545	1,368,924
Liabilities:				
Accounts payable	6,530,545	278,129	6,808,674	7,703,810
Accrued salaries and benefits	922,742	127,382	1,050,124	732,530
Interest payable	1,117,081	-	1,117,081	1,815,449
Deposits payable	49,086	-	49,086	59,512
Noncurrent liabilities:				
Due within one year (note 5)	4,920,151	115,959	5,036,110	6,417,490
Due in more than one year (note 5)	53,711,095	394,498	54,105,593	99,351,297
OPEB liability (note 9)	12,579,000	-	12,579,000	11,036,000
Net pension liability (note 8)	17,173,025	2,581,979	19,755,004	15,745,083
Total liabilities	97,002,725	3,497,947	100,500,672	142,861,171
Deferred inflow of resources:				
Pension related (note 8)	1,684,389	275,131	1,959,520	5,298,619
Net position:				
Net investment in capital assets	69,045,438	12,812,420	81,857,858	58,925,166
Restricted for:				
Housing	1,551,507	-	1,551,507	1,060,265
Public safety	143,752	-	143,752	147,762
Unrestricted	44,026,277	(6,730,545)	37,295,732	37,200,914
Total net position	\$ 114,766,974	6,081,875	120,848,849	97,334,107

See accompanying notes to the basic financial statements.

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CITY OF COMMERCE
Statement of Activities
Year ended June 30, 2016
(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	\$ 16,097,044	-	-	-
Community development	4,550,938	20,462	113,058	7,075
Public safety	18,994,377	1,481,520	114,618	-
Public works	10,080,047	3,395,581	1,264,200	18,501,662
Library	3,210,975	18,940	31,696	-
Parks, recreation and culture	9,917,064	594,096	684,973	-
Interest on long-term debt	4,196,186	-	-	-
Total governmental activities	<u>67,046,631</u>	<u>5,510,599</u>	<u>2,208,545</u>	<u>18,508,737</u>
Business-type activities:				
Transit	5,322,991	-	3,140,870	-
CNG	1,564,009	1,398,775	-	-
Water	711,572	845,000	-	-
Cable television	258,221	49,402	-	-
Total business-type activities	<u>7,856,793</u>	<u>2,293,177</u>	<u>3,140,870</u>	<u>-</u>
Total	<u>\$ 74,903,424</u>	<u>7,803,776</u>	<u>5,349,415</u>	<u>18,508,737</u>

General revenues:

Taxes:

 Casino license tax
 Property taxes
 Sales taxes
 Franchise taxes
 Transient occupancy taxes
 Motor vehicle in lieu, unrestricted
 Investment income
 Miscellaneous revenues

Transfers

 Total general revenues and transfers

 Change in net position

 Net position at beginning of year

 Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Totals	
		2016	2015
(16,097,044)	-	(16,097,044)	(18,627,011)
(4,410,343)	-	(4,410,343)	1,907,227
(17,398,239)	-	(17,398,239)	(16,039,174)
13,081,396	-	13,081,396	592,855
(3,160,339)	-	(3,160,339)	(1,126,990)
(8,637,995)	-	(8,637,995)	(8,088,107)
(4,196,186)	-	(4,196,186)	(5,393,909)
<u>(40,818,750)</u>	<u>-</u>	<u>(40,818,750)</u>	<u>(46,775,109)</u>
-	(2,182,121)	(2,182,121)	(2,256,030)
-	(165,234)	(165,234)	28,843
-	133,428	133,428	(593,822)
<u>-</u>	<u>(208,819)</u>	<u>(208,819)</u>	<u>(248,895)</u>
<u>-</u>	<u>(2,422,746)</u>	<u>(2,422,746)</u>	<u>(3,069,904)</u>
<u>(40,818,750)</u>	<u>(2,422,746)</u>	<u>(43,241,496)</u>	<u>(49,845,013)</u>
25,012,715	-	25,012,715	22,240,233
2,322,486	-	2,322,486	2,819,939
27,795,167	-	27,795,167	29,360,146
1,052,568	-	1,052,568	1,128,060
2,843,656	-	2,843,656	2,549,218
1,177,552	-	1,177,552	1,126,561
5,372,963	-	5,372,963	5,484,438
1,179,131	-	1,179,131	3,662,709
<u>(2,160,387)</u>	<u>2,160,387</u>	<u>-</u>	<u>-</u>
<u>64,595,851</u>	<u>2,160,387</u>	<u>66,756,238</u>	<u>68,371,304</u>
23,777,101	(262,359)	23,514,742	18,526,291
<u>90,989,873</u>	<u>6,344,234</u>	<u>97,334,107</u>	<u>78,807,816</u>
<u>\$ 114,766,974</u>	<u>6,081,875</u>	<u>120,848,849</u>	<u>97,334,107</u>

CITY OF COMMERCE
Governmental Funds - Balance Sheet
June 30, 2016
(with comparative information for the prior year)

		Debt Service Funds		
	General	Joint Powers Financing Authority	2007 JPFA Bonds	Measure AA
Assets:				
Cash and investments	\$ 18,622,984	2,000	-	15,100,960
Cash and investments with fiscal agent	-	-	466,576	-
Interest receivable	37,487	-	-	-
Accounts receivable	3,234,393	-	-	-
Due from other governments	5,698,540	-	-	1,149,400
Due from other funds (note 6)	29,609,677	-	-	-
Receivable from Successor Agency	11,454,411	-	41,970,000	-
Loans and leases receivable	-	-	-	-
Prepaid items and deposits	20,166	-	-	-
Property held for resale	-	-	-	-
Total assets	<u>\$ 68,677,658</u>	<u>2,000</u>	<u>42,436,576</u>	<u>16,250,360</u>
Liabilities:				
Accounts payable	\$ 3,321,137	2,000	-	627,402
Accrued salaries and benefits	907,193	-	-	-
Deposits payable	49,086	-	-	-
Due to other funds (note 6)	-	-	-	-
Total liabilities	<u>4,277,416</u>	<u>2,000</u>	<u>-</u>	<u>627,402</u>
Deferred inflows of resources:				
Unavailable revenue	<u>524,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>524,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid items and deposits	20,166	-	-	-
Receivable from Successor Agency	11,454,411	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Debt service	-	-	42,436,576	-
Housing	-	-	-	-
Law enforcement	-	-	-	-
Transportation	-	-	-	-
Assigned	-	-	-	15,622,958
Unassigned	<u>52,400,666</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>63,875,243</u>	<u>-</u>	<u>42,436,576</u>	<u>15,622,958</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 68,677,658</u>	<u>2,000</u>	<u>42,436,576</u>	<u>16,250,360</u>

See accompanying notes to the basic financial statements.

General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
		2016	2015
1,939,644	258,860	35,924,448	40,965,785
-	26	466,602	1,576,666
-	-	37,487	53,137
12,359,527	4,468	15,598,388	5,201,705
-	85,208	6,933,148	4,019,126
-	-	29,609,677	19,164,168
-	-	53,424,411	103,815,000
-	484,356	484,356	484,405
-	-	20,166	27,548
-	1,053,000	1,053,000	1,053,000
<u>14,299,171</u>	<u>1,885,918</u>	<u>143,551,683</u>	<u>176,360,540</u>
2,347,803	53,995	6,352,337	7,319,719
-	343	907,536	628,298
-	-	49,086	59,512
<u>23,087,682</u>	<u>36,973</u>	<u>23,124,655</u>	<u>11,477,168</u>
<u>25,435,485</u>	<u>91,311</u>	<u>30,433,614</u>	<u>19,484,697</u>
<u>12,359,528</u>	<u>491,975</u>	<u>13,376,502</u>	<u>3,239,388</u>
<u>12,359,528</u>	<u>491,975</u>	<u>13,376,502</u>	<u>3,239,388</u>
-	-	20,166	27,548
-	-	11,454,411	15,100,000
-	12,778	12,778	-
-	-	42,436,576	91,135,843
-	1,059,532	1,059,532	1,060,265
-	143,752	143,752	147,762
-	86,544	86,544	88,521
-	-	15,622,958	13,214,883
<u>(23,495,842)</u>	<u>26</u>	<u>28,904,850</u>	<u>32,861,633</u>
<u>(23,495,842)</u>	<u>1,302,632</u>	<u>99,741,567</u>	<u>153,636,455</u>
<u>14,299,171</u>	<u>1,885,918</u>	<u>143,551,683</u>	<u>176,360,540</u>

CITY OF COMMERCE
Governmental Funds

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

June 30, 2016

Fund balances of governmental funds	\$	99,741,567
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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	183,611,965
Accumulated depreciation	(107,765,094)

The City's investment in a joint venture has not been included in the governmental fund activity.	14,565,307
---	------------

Long-term debt and compensated absences that have not been included in the governmental fund activity:

Bonds payable	(55,109,280)
Compensated absences	(3,521,966)
Net pension liability	(16,882,626)
OPEB liability	(12,579,000)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(1,117,081)
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Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.	13,376,502
---	------------

Deferred inflows and outflows associated with pension obligations are not reported in the governmental funds.

Deferred outflows of resources	2,339,506
Deferred inflows of resources	(1,653,892)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.

(238,934)

Net position of governmental activities	\$	<u>114,766,974</u>
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See accompanying notes to the basic financial statements.

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CITY OF COMMERCE
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2016
(with comparative information for the prior year)

		Debt Service Funds	
		Joint Powers	
	General	Financing Authority	2007 JPFA Bonds
Revenues:			
Taxes	\$ 28,015,298	-	-
Casino license tax	25,012,715	-	-
Licenses and permits	3,094,043	-	-
Intergovernmental	950,244	-	-
Fines and forfeitures	1,500,460	-	-
Investment income	80,325	2,732,145	2,495,917
Activity fees	387,652	-	-
Charges for services	442,178	-	-
Rental income	65,804	-	-
Miscellaneous	955,931	-	-
Total revenues	<u>60,504,650</u>	<u>2,732,145</u>	<u>2,495,917</u>
Expenditures:			
Current:			
General government	15,368,816	541,392	-
Community development	2,902,694	2,393,745	141,121
Public safety	18,537,587	-	-
Public works	5,158,715	-	-
Library	3,640,566	-	-
Parks, recreation and culture	9,563,855	-	-
Debt service:			
Principal	-	42,890,000	3,475,000
Interest and fiscal charges	-	2,572,340	1,915,731
Payment to refunding bond escrow agent	-	-	-
Total expenditures	<u>55,172,233</u>	<u>48,397,477</u>	<u>5,531,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,332,417</u>	<u>(45,665,332)</u>	<u>(3,035,935)</u>
Other financing sources (uses):			
Issuance of refunding bonds	-	-	-
Premium on bonds	-	-	-
Payment to refunding bond escrow agent	-	-	-
Transfers in (note 7)	665,114	-	2,000
Transfers out (note 7)	(2,743,579)	-	-
Total other financing sources (uses)	<u>(2,078,465)</u>	<u>-</u>	<u>2,000</u>
Net change in fund balances	3,253,952	(45,665,332)	(3,033,935)
Fund balances at beginning of year	<u>60,621,291</u>	<u>45,665,332</u>	<u>45,470,511</u>
Fund balances at end of year	<u>\$ 63,875,243</u>	<u>-</u>	<u>42,436,576</u>

See accompanying notes to the basic financial statements.

Measure AA	General City Capital Projects Fund	Non-Major Governmental Funds	Totals	
			2016	2015
7,176,131	-	-	35,191,429	36,983,924
-	-	-	25,012,715	22,240,233
-	-	-	3,094,043	2,995,798
-	8,047,844	1,535,444	10,533,532	4,716,798
-	-	-	1,500,460	1,693,006
63,984	-	4,231	5,376,602	5,492,779
-	-	-	387,652	401,567
-	-	-	442,178	481,788
-	-	-	65,804	60,546
177	-	180	956,288	1,805,765
<u>7,240,292</u>	<u>8,047,844</u>	<u>1,539,855</u>	<u>82,560,703</u>	<u>76,872,204</u>
-	-	-	15,910,208	18,208,263
-	-	72,733	5,510,293	2,566,731
-	-	179,699	18,717,286	17,696,949
4,462,253	19,687,240	-	29,308,208	14,543,747
-	-	-	3,640,566	3,593,745
-	-	-	9,563,855	8,948,228
-	-	325,000	46,690,000	4,585,000
-	-	466,717	4,954,788	4,791,759
-	-	-	-	1,591,812
<u>4,462,253</u>	<u>19,687,240</u>	<u>1,044,149</u>	<u>134,295,204</u>	<u>76,526,234</u>
<u>2,778,039</u>	<u>(11,639,396)</u>	<u>495,706</u>	<u>(51,734,501)</u>	<u>345,970</u>
-	-	-	-	10,000,000
-	-	-	-	1,204,670
-	-	-	-	(10,811,993)
-	11,157	1,581,192	2,259,463	6,824,304
(369,964)	-	(1,306,307)	(4,419,850)	(8,560,288)
<u>(369,964)</u>	<u>11,157</u>	<u>274,885</u>	<u>(2,160,387)</u>	<u>(1,343,307)</u>
2,408,075	(11,628,239)	770,591	(53,894,888)	(997,337)
<u>13,214,883</u>	<u>(11,867,603)</u>	<u>532,041</u>	<u>153,636,455</u>	<u>154,633,792</u>
<u>15,622,958</u>	<u>(23,495,842)</u>	<u>1,302,632</u>	<u>99,741,567</u>	<u>153,636,455</u>

CITY OF COMMERCE

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

Year ended June 30, 2016

Net changes in fund balances - total governmental funds \$ (53,894,888)

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	22,797,070
Depreciation	(2,863,207)

Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds.	1,217,690
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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.

Issuance of bonds	41,515,000
Principal expense	5,175,000
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.	540,137
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Changes in other long-term liabilities are not recorded in the governmental funds.	(1,238,895)
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The statement of net position includes accrued interest on long term debt.	698,368
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To record as an expense the net change in compensated absences in the statement of activities.	(366,439)
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Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.	10,137,114
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Internal service funds are used by management to charge the costs of certain activities, such as computing and communication, building maintenance, fleet maintenance, benefits, equipment leasing, workers' compensation, general liability, to individual funds.	(83)
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Change in net position of governmental activities	<u>\$ 23,777,101</u>
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See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Proprietary Funds

Statement of Net Position

June 30, 2016

	Business-type Activities				Governmental Activities
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds Internal Service Funds
Assets:					
Current assets:					
Cash and investments	\$ -	243,121	-	-	243,121
Accounts receivable, net	382,057	120,900	-	11,768	514,725
Due from other governments	363,772	-	-	-	363,772
Total current assets	745,829	364,021	-	11,768	1,121,618
Noncurrent assets:					
Receivable from Successor Agency	-	-	2,048,140	-	2,048,140
Capital assets, net	8,464,161	3,358,699	989,560	-	12,812,420
Total noncurrent assets	8,464,161	3,358,699	3,037,700	-	14,860,560
Total assets	9,209,990	3,722,720	3,037,700	11,768	15,982,178
Deferred outflows of resources:					
Pension related	319,745	-	-	38,052	357,797
Liabilities:					
Current liabilities:					
Accounts payable	91,007	158,833	21,343	6,946	278,129
Accrued salaries and benefits	117,737	-	-	9,645	127,382
Due to other funds (note 6)	1,783,413	-	4,628,411	73,198	6,485,022
Compensated absences	115,959	-	-	-	115,959
Total current liabilities	2,108,116	158,833	4,649,754	89,789	7,006,492
Noncurrent liabilities:					
Compensated absences	394,498	-	-	-	394,498
Net pension liability	2,307,384	-	-	274,595	2,581,979
Total liabilities	4,809,998	158,833	4,649,754	364,384	9,982,969
Deferred inflows of resources:					
Pension related	241,440	-	-	33,691	275,131
Net Position					
Investment in capital assets	8,464,161	3,358,699	989,560	-	12,812,420
Unrestricted	(3,985,864)	205,188	(2,601,614)	(348,255)	(6,730,545)
Total net position	\$ 4,478,297	3,563,887	(1,612,054)	(348,255)	6,081,875

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, 2016

	Business-type Activities					Governmental Activities
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
Charges for services	\$ -	1,398,775	-	49,402	1,448,177	871,483
Leased water rights	-	-	845,000	-	845,000	-
Total operating revenues	-	1,398,775	845,000	49,402	2,293,177	871,483
Operating expenses:						
General and administrative	568,235	-	19,420	216,433	804,088	409,198
Operations	2,678,442	-	645,641	41,788	3,365,871	446,136
Maintenance	1,417,479	1,449,552	-	-	2,867,031	-
Depreciation and amortization	658,835	114,457	46,511	-	819,803	16,232
Total operating expenses	5,322,991	1,564,009	711,572	258,221	7,856,793	871,566
Operating income (loss)	(5,322,991)	(165,234)	133,428	(208,819)	(5,563,616)	(83)
Non-operating revenues (expenses):						
Intergovernmental	3,140,870	-	-	-	3,140,870	-
Total non-operating revenues (expenses)	3,140,870	-	-	-	3,140,870	-
Transfers:						
Transfers in (note 7)	1,580,586	-	350,000	229,801	2,160,387	-
Total transfers	1,580,586	-	350,000	229,801	2,160,387	-
Changes in net position	(601,535)	(165,234)	483,428	20,982	(262,359)	(83)
Net position at beginning of year	5,079,832	3,729,121	(2,095,482)	(369,237)	6,344,234	(238,851)
Net position at end of year	\$ 4,478,297	3,563,887	(1,612,054)	(348,255)	6,081,875	(238,934)

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2016

	Business-type Activities					Governmental Activities
	Transit	CNG	Water	Non-Major Cable Television	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from other customers	\$ -	1,426,418	845,000	49,311	2,320,729	-
Cash received from user departments	-	-	-	-	-	871,483
Cash payments to suppliers for goods and services	(1,590,799)	(1,490,592)	(628,037)	(34,446)	(3,743,874)	(345,618)
Cash payments to employees for services	(3,103,597)	-	(16,845)	(248,886)	(3,369,328)	(419,748)
Net cash provided by (used for) operating activities	<u>(4,694,396)</u>	<u>(64,174)</u>	<u>200,118</u>	<u>(234,021)</u>	<u>(4,792,473)</u>	<u>106,117</u>
Cash flows from noncapital financing activities:						
Intergovernmental noncapital grants	3,113,810	-	-	-	3,113,810	-
Cash received from other funds	1,580,586	-	-	229,801	1,810,387	(113,625)
Cash paid to other funds	-	-	(200,118)	-	(200,118)	-
Net cash provided by (used for) non-capital financing activities	<u>4,694,396</u>	<u>-</u>	<u>(200,118)</u>	<u>229,801</u>	<u>4,724,079</u>	<u>(113,625)</u>
Cash flows from capital and related activities:						
Cash paid to acquire capital assets	-	(216,731)	-	-	(216,731)	-
Net cash provided by (used for) capital and related activities	<u>-</u>	<u>(216,731)</u>	<u>-</u>	<u>-</u>	<u>(216,731)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	(280,905)	-	(4,220)	(285,125)	(7,508)
Cash and cash equivalents at beginning of year	-	524,026	-	4,220	528,246	145,249
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>243,121</u>	<u>-</u>	<u>-</u>	<u>243,121</u>	<u>137,741</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (5,322,991)	(165,234)	133,428	(208,819)	(5,563,616)	(83)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	658,835	114,457	46,511	-	819,803	16,232
Adjustments:						
(Increase) decrease in accounts receivable	-	27,643	-	(91)	27,552	-
(Increase) decrease in deferred outflows	(156,608)	-	-	(17,357)	(173,965)	(19,681)
Increase (decrease) in accounts payable	(6,834)	(41,040)	20,179	(577)	(28,272)	100,518
Increase (decrease) in accrued salaries and benefits	31,382	-	-	2,674	34,056	4,300
Increase (decrease) in net pension liability	431,011	-	-	36,562	467,573	53,916
Increase (decrease) in compensated absences	60,816	-	-	-	60,816	-
Increase (decrease) in deferred inflows	(390,007)	-	-	(46,413)	(436,420)	(49,085)
Net cash provided by (used for) operating activities	<u>\$ (4,694,396)</u>	<u>(64,174)</u>	<u>200,118</u>	<u>(234,021)</u>	<u>(4,792,473)</u>	<u>106,117</u>

There were no significant noncash capital, financing and investing activities during the year ended June 30, 2016.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	<u>Cash Deposits Agency Fund</u>	<u>Private Purpose Trust Funds</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 826,950	15,143,416
Cash and investments with fiscal agent (note 2)	-	4,669,572
Interest receivable	-	5,642
Loans receivable	-	17,442
Property held for resale	-	56,437,787
	<hr/>	<hr/>
Total assets	826,950	76,273,859
	<hr/>	<hr/>
<u>Deferred Outflow of Resources</u>		
Deferred loss on refunding	-	6,073,055
	<hr/>	<hr/>
<u>Liabilities</u>		
Accounts payable	27,208	1,593,495
Accrued salaries and benefits	-	1,515
Interest payable	-	1,253,635
Deposits payable	799,742	180,000
Long-term liabilities (note 5)	-	98,891,697
	<hr/>	<hr/>
Total liabilities	\$ 826,950	101,920,342
	<hr/>	<hr/>
<u>Net Position</u>		
Held in trust for Successor Agency		(19,573,428)
		<hr/>
Total net position		\$ (19,573,428)
		<hr/>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2016

	<u>Private Purpose Trust Funds</u>
Additions:	
Property taxes	\$ 14,881,453
Investment income	245,633
Rental income	1,052,067
Miscellaneous income	1,199,442
Transfer from City of Commerce	2,534,866
Transfers in (note 7)	<u>12,680,213</u>
Total additions	<u>32,593,674</u>
Deductions:	
Administrative expenses	555,006
Professional services	82,192
Interest and fiscal charges	5,045,036
Payments under pass-through obligations	154,206
Bond issuance costs	471,058
Miscellaneous	108,964
Transfers out (note 7)	<u>12,680,213</u>
Total deductions	<u>19,096,675</u>
Changes in net position	13,496,999
Net position held in trust, beginning of year	<u>(33,070,427)</u>
Net position held in trust, end of year	<u><u>\$ (19,573,428)</u></u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year Ended June 30, 2016

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Commerce (“the City”) was incorporated in 1960 under the general laws of the State of California. The City operates under the Council – City Administrator form of government.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. As required by generally accepted accounting principles, these financial statements present the government and its component units, which are entities for which the government is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete.

All of the City’s component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are reported with the interfund data of the primary government.

The following organizations are considered to be component units of the City:

City of Commerce Joint Powers Financing Authority

The City of Commerce Joint Powers Financing Authority (“JPFA”) was established pursuant to a Joint Exercise of Powers Agreement dated January 1, 1988 between the City of Commerce and the Community Development Commission of the City of Commerce. The purpose of the JPFA is to provide financing necessary for the construction of various public improvements through the issuance of debt. Activities of the JPFA are included in the Successor Agency and the Community Center Debt Service Funds and the Water Enterprise Fund of the City. Although the JPFA is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the JPFA. Separate financial statements of the JPFA are not prepared.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

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

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

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction on which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

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

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

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

Proprietary Funds and Private Purpose Trust Funds

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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

(c) Major Funds

The City's major governmental funds are as follows:

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

Joint Powers Financing Authority Fund – This fund is to account for issuance, retirement and cash with fiscal agent held in reserve of bonds issued by the Joint Powers Financing Authority.

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

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

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

The City's major proprietary funds are as follows:

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

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(c) Major Funds, (Continued)

Additionally, the government reports the following fund types:

The *private-purpose trust funds* accounts for the activities of the Successor Agency of the former Community Development Commission.

The *agency fund* accounts for special deposits collected by the City on behalf of others.

(d) Investments

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

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

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

(e) Property Held for Resale

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

(f) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated acquisition value at the date of the contribution. Capital asset purchases in excess of \$25,000 to \$250,000, depending on the type of asset, are capitalized if they have an expected useful life of one year or more.

Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(f) Capital Assets, (Continued)

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

The following schedule summarizes capital asset useful lives:

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

(g) Employee Leave Benefits

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

(h) Prepaid Items

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

(i) Interfund Transactions

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(j) Fund Balances

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

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

Spendable Fund Balance:

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

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

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

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount.

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(k) Pensions

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

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

Valuation Date (VD) June 30, 2014

Measurement Date (MD) June 30, 2015

Measurement Period (MP) June 30, 2014 to June 30, 2015

(l) Deferred Outflows/ Inflows of Resources

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(m) Net Position Flow Assumption

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

(n) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(o) Fair Value Measurements

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

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

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(o) Fair Value Measurements (continued)

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

(p) Prior Year Data

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

(2) Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 36,305,310
Cash and investments with fiscal agent	466,602

Statement of Fiduciary Net Position:

Cash and investments	15,970,366
Cash and investments with fiscal agent	<u>4,669,572</u>

Total cash and investments	<u>\$ 57,411,850</u>
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Cash and investments as of June 30, 2016, consist of the following:

Cash on hand	\$ 3,053
Deposits with financial institutions	18,938,714
Investments	<u>38,470,083</u>

Total cash and investments	<u>\$ 57,411,850</u>
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CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	40%
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	40%	10%
Certificates of Deposit	Yes	5 years	30%	10%
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	Yes	5 years	30%	10%
Mutual Funds	Yes	N/A	20%	None
Money Market Mutual Funds	Yes	N/A	20%	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will be to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

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

(2) Cash and Investments, (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 Months or Greater</u>
Negotiable Certificates of Deposit	\$ 2,396,884	751,737	881,544	763,603
State investment pool	26,933,793	26,933,793	-	-
Held by bond trustee:				
Money market funds	4,605,956	4,605,956	-	-
Investment agreements	<u>4,533,450</u>	<u>-</u>	<u>-</u>	<u>4,533,450</u>
Total	<u>\$38,470,083</u>	<u>32,291,486</u>	<u>881,554</u>	<u>5,297,053</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Negotiable Certificates of Deposit	\$ 2,396,884	N/A	-	-	2,396,884
State investment pool	26,933,793	N/A	-	-	26,933,793
Held by bond trustee:					
Money market funds	4,605,956	AAA	4,605,956	-	-
Investment agreements	<u>4,533,450</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>4,533,450</u>
Total	<u>\$ 38,470,083</u>		<u>4,605,956</u>	<u>-</u>	<u>33,864,127</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk

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

Investment in State Investment Pool

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Fair Value Measurement

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair Value Hierarchy</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
State investment pool	\$ -	26,933,793	-	26,933,793
Total	\$ -	26,933,793	-	26,933,793
Investments not reported at fair value				11,536,290
Total investments				\$ 38,470,083

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(3) Property Taxes, (Continued)

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.

(4) Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2016, is as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Buildings	\$40,425,663	-	-	40,425,663
Improvements other than buildings	20,202,386	517,467	-	20,719,853
Infrastructure	83,107,408	1,774,683	-	84,882,091
Machinery and equipment	<u>3,666,397</u>	<u>1,196,478</u>	<u>(25,952)</u>	<u>4,836,923</u>
Total costs of depreciable assets	<u>147,401,854</u>	<u>3,488,628</u>	<u>(25,952)</u>	<u>150,864,530</u>
Less accumulated depreciation:				
Buildings	(22,787,108)	(1,146,132)	-	(23,933,240)
Improvements other than buildings	(5,764,194)	(586,339)	-	(6,350,533)
Infrastructure	(73,408,483)	(827,137)	-	(74,235,620)
Machinery and equipment	<u>(2,942,102)</u>	<u>(329,551)</u>	<u>25,952</u>	<u>(3,245,701)</u>
Total accumulated depreciation	<u>(104,901,887)</u>	<u>(2,889,159)</u>	<u>25,952</u>	<u>(107,765,094)</u>
Net depreciable assets	<u>42,499,967</u>	<u>599,469</u>	<u>-</u>	<u>43,099,436</u>
Capital assets not depreciated:				
Land	4,070,310	-	-	4,070,310
Construction in progress	<u>9,342,731</u>	<u>22,623,272</u>	<u>(3,191,485)</u>	<u>28,774,518</u>
Total assets not being depreciation	<u>13,413,041</u>	<u>22,623,272</u>	<u>(3,191,485)</u>	<u>32,844,828</u>
Capital assets, net	<u>\$ 55,913,008</u>	<u>23,222,741</u>	<u>(3,191,485)</u>	<u>75,944,264</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

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

General government	\$ 1,099,460
Public works	947,333
Parks, recreation and culture	<u>842,366</u>
Total governmental activities	<u>\$2,889,159</u>

Capital asset activity for business-type activities for the year ended June 30, 2016, is as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Water rights	\$ 2,141,222	-	-	2,141,222
Building and improvements	11,550,248	216,731	-	11,766,979
Machinery and equipment	<u>9,948,244</u>	<u>-</u>	<u>-</u>	<u>9,948,244</u>
Total cost of depreciable assets	<u>23,639,714</u>	<u>216,731</u>	<u>-</u>	<u>23,856,445</u>
Less accumulated depreciation:				
Water rights	(1,409,841)	(30,474)	-	(1,440,315)
Building and improvements	(3,973,131)	(319,718)	-	(4,292,849)
Machinery and equipment	<u>(7,596,748)</u>	<u>(469,611)</u>	<u>-</u>	<u>(8,066,359)</u>
Total accumulated depreciation	<u>(12,979,720)</u>	<u>(819,803)</u>	<u>-</u>	<u>(13,799,523)</u>
Net depreciable assets	<u>10,659,994</u>	<u>(603,072)</u>	<u>-</u>	<u>10,056,922</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>\$13,415,492</u>	<u>(603,072)</u>	<u>-</u>	<u>12,812,420</u>

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

Transit	\$789,329
Water	<u>30,474</u>
Total business-type activities	<u>\$819,803</u>

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

(5) Long-Term Liabilities

Changes in governmental long-term liabilities for the year ended June 30, 2016, were as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Bonds payable:					
2003 JPFA Revenue Bonds	\$ 42,890,000	-	(42,890,000)	-	-
2007 JPFA Revenue Bonds	47,805,000	-	(3,475,000)	44,330,000	3,600,000
2014 Lease Revenue Bonds	10,000,000	-	(325,000)	9,675,000	325,000
Premium on bond	<u>1,164,514</u>	<u>-</u>	<u>(60,234)</u>	<u>1,104,280</u>	<u>60,234</u>
Subtotal	101,859,514	-	(46,750,234)	55,109,280	3,985,234
Other long-term liabilities:					
Claims Payable	304,105	-	(304,105)	-	-
Compensated absences*	<u>3,155,527</u>	<u>1,726,218</u>	<u>(1,359,779)</u>	<u>3,521,996</u>	<u>934,917</u>
Total long-term liabilities	<u>\$105,319,146</u>	<u>1,726,218</u>	<u>(48,414,118)</u>	<u>58,631,246</u>	<u>4,920,151</u>

*Compensated absences are generally liquidated by the general fund.

Changes in business-type long-term liabilities for the year ended June 30, 2016, were as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>	<u>Amounts due within one year</u>
Compensated absences	<u>\$449,641</u>	<u>264,418</u>	<u>(203,602)</u>	<u>510,457</u>	<u>115,959</u>

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2016, were as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Bonds payable:					
1994 Tax Allocation Refunding Bonds	\$ 370,000	-	(30,000)	340,000	35,000
1998 Tax Allocation Refunding Bonds	6,570,000	-	(6,570,000)	-	-
2003 Tax Allocation Bonds	44,475,000	-	(44,475,000)	-	-
2007 Tax Allocation Bonds	44,985,000	-	(3,015,000)	41,970,000	3,185,000
2016 Tax Allocation Bonds	-	41,625,000	-	41,625,000	2,525,000
Premium on Bond	-	1,454,146	-	1,454,146	-
Advances to City	<u>17,800,000</u>	<u>-</u>	<u>(4,297,449)</u>	<u>13,502,551</u>	<u>-</u>
Total long-term liabilities	<u>\$ 114,200,000</u>	<u>43,079,146</u>	<u>(58,387,449)</u>	<u>98,891,697</u>	<u>5,745,000</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

1994 Tax Allocation Refunding Bonds

In June 1994, the Authority issued \$1,685,000 in revenue bonds at an average interest rate of 6.4%. The bonds were issued for the purposes of refunding the \$740,000 of Project No. 3 bonds, as well as to generate additional funds to sustain certain activities of Project No. 3. These bonds are secured by the 1994 Authority loan with the Commission. The loan payments from the project area to the Authority coincide with the bond debt service payments. The bonds mature in various amounts ranging from \$70,000 to \$105,000 through the year 2024. The amount outstanding at June 30, 2016 is \$340,000.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending</u>			
2017	\$ 35,000	20,620	55,620
2018	35,000	18,375	53,375
2019	40,000	15,975	55,975
2020	40,000	13,425	53,425
2021	40,000	10,875	50,875
2022-2024	<u>150,000</u>	<u>15,075</u>	<u>165,075</u>
	<u>\$ 340,000</u>	<u>94,345</u>	<u>434,345</u>

2007 JPFA Revenue Bonds and 2007 Tax Allocation Bonds

Financing Authority Bonds

In October, 2007, the City of Commerce Joint Powers Financing Authority issued \$72,305,000 in Revenue Bonds. The proceeds of the bonds were used to purchase \$66,385,000 of the Community Development Commission of the City of Commerce Redevelopment Project No. 1 Tax Allocation Bonds, 2007 A and B Series (Commission Bonds). The remaining proceeds were used finance various capital projects, including the library renovation. Interest on the bonds is payable semi-annually on February 1 and August 1, commencing February 1, 2008. The fixed rates of interest vary from 3.500% to 6.500% per annum. Principal is payable in annual installments ranging from \$105,000 to \$6,230,000 commencing August 1, 2008 to July 1, 2027. The obligation of the Authority is secured by a pledge and assignment under the indenture of amounts derived from the payment by the Commission of debt service on the Commission Bonds. The required reserve for the Bonds is \$4,317,791. As of June 30, 2016, the reserve amount is \$4,608,861. The amount outstanding at June 30, 2016, is \$44,330,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Commission Bonds

In October 2007, the Community Development Commission issued \$58,885,000 of Series A Tax Allocation Bonds and \$7,500,000 of Series B Tax Allocation Bonds. The bonds were issued for the purpose of refunding the 1991 Series A Tax Allocation Bonds, the 1997 Series A Tax Allocation Bonds, the 1997 Series B Tax Allocation Bonds, the 2003 Series A-1 Tax Allocation Bonds, and the 2003 Series A-H Tax Allocation Bonds. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$9,145,832. This amount is being netted against the new debt and amortized over the remaining life on the refunded debt, which is shorter than the life of the new debt issued. Interest on the bonds accrues at rates between 3.5% and 6.5% and are payable on February 1 and August 1. Bonds mature in various amounts ranging from \$105,000 to \$6,230,000 through 2028. At June 30, 2016, the amount outstanding was \$41,970,000.

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

Fiscal Year			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,600,000	1,785,931	5,385,931
2018	3,735,000	1,650,650	5,385,650
2019	3,885,000	1,502,919	5,387,919
2020	3,390,000	1,357,419	4,747,419
2021	4,190,000	1,205,819	5,395,819
2022-2026	16,930,000	3,845,603	20,775,603
2027-2028	<u>8,600,000</u>	<u>466,388</u>	<u>9,066,388</u>
	<u>\$ 44,330,000</u>	<u>11,814,729</u>	<u>56,144,729</u>

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

Fiscal Year			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,185,000	2,196,536	5,381,536
2018	3,360,000	2,018,512	5,378,512
2019	3,550,000	1,830,560	5,380,560
2020	3,095,000	1,649,816	4,744,816
2021	3,945,000	1,458,328	5,403,328
2022-2026	16,250,000	4,582,384	20,832,384
2027-2028	<u>8,585,000</u>	<u>556,648</u>	<u>9,141,648</u>
	<u>\$ 41,970,000</u>	<u>14,292,784</u>	<u>56,262,784</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

2014 Lease Revenue Bonds

In September 2014, the City of Commerce Joint Powers Financing Authority issued \$10,000,000 in Community Center Lease Revenue Bonds. The bonds are limited obligations of the Authority payable from and secured by Revenues, consisting of Base Rental Payment to be made by the City to the Authority pursuant to a Facility Lease, dated as of September 1, 2014. The bonds were composed of \$7,200,000 serial bonds with interest rates ranging from 2% to 5% and maturity dates from 2015 through 2030, \$2,800,000 term bonds with an interest rate of 5.00% maturing in 2034. The bonds were issued to refund the Authority's outstanding Community Center Lease Revenue Bonds, Series 2004. This difference between the cash flows required to service the old debt and the cash flows required to service the new debt was \$3.4 million. Information was not available to calculate the economic gain/loss of the refunding. The amount outstanding at June 30, 2016, is \$9,675,000.

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 325,000	457,088	782,088
2018	340,000	445,413	785,413
2019	355,000	429,738	784,738
2020	370,000	411,613	781,613
2021	390,000	392,613	782,613
2022-2026	2,250,000	1,643,813	3,555,531
2027-2031	2,845,000	1,170,956	3,895,956
2032-2035	<u>2,800,000</u>	<u>444,125</u>	<u>3,859,125</u>
	<u>\$ 9,675,000</u>	<u>5,112,620</u>	<u>14,787,620</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

2016 Tax Allocation Bonds

In March 2016, the Successor Agency to the Commerce Community Development Commission issued \$41,625,000 in Tax Allocation Refunding Bonds. The bonds were issued for the purpose of refunding certain obligations of the former Commerce Community Development Commission's 2003 Series A-1 Tax Allocation Bonds, 2003 Series A-H Tax Allocation Bonds, 2003 Series A-E Tax Allocation Bonds, and the Series 1998A Tax Allocation Bonds. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$585,557. This amount is being amortized over the remaining life of either the old or new the debt, whichever has a shorter life. Interest on the bonds accrues at rates between 3.0% and 5.0% and are payable on February 1 and August 1. Bonds mature in various amounts ranging from \$755,000 to \$6,960,000 through 2035. At June 30, 2016, the amount outstanding was \$41,625,000. The economic gain, the difference between present values of the debt service payments on the old and new debt, as a result of refunding the debt was \$3,613,126.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,525,000	1,074,873	3,599,893
2018	1,820,000	1,257,213	3,077,213
2019	1,855,000	1,220,463	3,075,463
2020	1,890,000	1,183,013	3,073,013
2021	1,930,000	1,142,400	3,072,400
2022-2026	16,760,000	4,477,672	21,237,672
2027-2031	8,575,000	1,948,281	10,523,281
2032-2036	<u>6,270,000</u>	<u>491,259</u>	<u>6,761,259</u>
	\$ <u>41,625,000</u>	<u>12,795,173</u>	<u>54,420,173</u>

Successor Agency Advances to City

<u>Advances to City</u>	<u>Advances from Successor Agency</u>	<u>Amount</u>
General Fund	Successor Agency Private Purpose Trust Fund	\$11,454,411 (a)
Water fund	Successor Agency Private Purpose Trust Fund	<u>2,048,140 (b)</u>
	Total	<u>\$13,502,551</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

- (a) As of June 30, 2016, the amount due to the General Fund from the Successor Agency was \$11,454,411. 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, 2016, the amount due to the Water Enterprise Fund from the Successor Agency was \$2,048,140. 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, 2016, are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	General City Capital	
	Projects Fund	\$ 23,087,682 (a)
	Other Governmental Funds	36,973 (a)
	Transit Fund	1,783,413 (a)
	Water Fund	4,628,411 (b)
	Cable TV	<u>73,198 (a)</u>
	Total	<u>\$ 29,609,677</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
(Continued)

(7) Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2016:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	State Gas Tax	\$ 278,843 (a)
	Measure AA	369,964 (a)
	AQMD Rideshare	16,307
2007 JPFA Bonds	General Fund	2,000
Asset Forfeiture	General Fund	54,408
General City Capital Projects	State Gas Tax	11,157
Water Fund	General Fund	350,000 (b)
Transit Fund	Prop A Local Tax	1,000,000 (c)
	General Fund	580,586 (d)
Community Center	General Fund	1,526,784 (e)
Cable Television	General Fund	229,801 (f)
Successor Agency Trust Fund	Successor Agency - RPPTF	<u>12,680,213 (g)</u>
	Total	<u>\$ 17,100,063</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(7) Interfund Transfers, (Continued)

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

- (a) Transfers to the General Fund to provide funding for eligible street and alley maintenance repairs.
- (b) \$350,000 was transferred to provide funding for future infrastructure projects.
- (c) \$1,000,000 was transferred from the Prop A Local Tax Fund to the Transit Fund for ongoing transportation services.
- (d) \$580,586 was transferred from the General Fund to the Transit Fund to subsidize the transportation operations.
- (e) \$1,526,784 was transferred from the General Fund to the Community Center Debt Service Fund to cover debt service payments.
- (f) \$229,801 was transferred from the General Fund to the Cable Fund to subsidize cable operations.
- (g) \$12,680,213 was transferred from the Redevelopment Property Tax Trust Fund to the Successor Agency Trust Fund to make payments for enforceable obligations approved on the ROPS

(8) Defined Benefit Pension Plan

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

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

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, 2016, are summarized as follows:

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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

Employees Covered As of June 30, 2014, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	191
Inactive employees entitled to but not yet receiving benefits	24
Active employees	147
Total	<u>362</u>

Contribution Description

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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

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

The table below reflects long-term expected real rate of return by asset class.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD)	\$92,079,312	\$76,334,230	\$15,745,082
Changes Recognized for the Measurement Period:			
Service Cost	1,550,187		1,550,187
Interest on the Total Pension Liability	6,869,505		6,869,505
Changes of Benefit Terms	0		0
Differences between Expected and Actual Experience	1,062,228		1,062,228
Changes of Assumptions	(1,650,414)		(1,650,414)
Contributions from the Employer		1,515,782	(1,515,782)
Contributions from Employees		720,100	(720,100)
Investment Income		1,670,372	(1,670,372)
Administrative Expense		(84,670)	84,670
Benefit Payments, including Refunds of Employee Contributions	(4,937,517)	(4,937,517)	0
Net Changes during 2014-15	\$2,893,989	\$(1,115,933)	\$(4,009,922)
Balance at: 6/30/2015 (MD)	\$94,973,301	\$75,218,297	\$19,755,004

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability – Misc.	\$ 32,163,823	\$ 19,755,004	\$ 9,478,270

Subsequent Events

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

Recognition of Gains and Losses

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

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

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

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

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

The EARSL for the Plan for the 2014-15 measurement period is 3.9 years, which was obtained by dividing the total service years of 1,530 (the sum of remaining service lifetimes of the active employees) by 393 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan, (Continued)

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

For the measurement period ending June 30, 2015 (the measurement date), the City of Commerce recognized a pension expense of \$1,249,885 for the Plan.

As of the June 30, 2015 measurement date, the City of Commerce reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,947,683	\$0
Differences between Expected and Actual Experience	789,862	0
Changes of Assumptions	0	(1,227,231)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(732,289)
Total	\$2,737,545	\$(1,959,520)

\$1,947,683 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	(\$665,053)
2017	(665,053)
2018	(649,970)
2019	810,418
Thereafter	0

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Post Employment Benefits Plan

Plan Description: The City administers a single-employer defined benefit plan with medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City has not established a trust for the purpose of holding assets accumulated for plan benefits. After age 65, Medicare automatically becomes the primary provider of health coverage. The City's defined benefit plan becomes the secondary provider. Eligible retirees will have no noticeable change in health benefits or plan administration; however, there is a reduction in the City's cost of health coverage as the secondary provider. The City's defined benefit plan administrator establishes the cost of secondary provider rates annually. The City will pay 100% for eligible retirees' health coverage.

Eligibility: Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	146
Active plan members	<u>150</u>
Total	<u>296</u>

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). In fiscal year 2014-15, the City opened an irrevocable trust with PARS for funding the obligation. For fiscal year 2015-16, the City contributed \$1,832,000 for current premiums and \$500,000 to the irrevocable trust.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Post Employment Benefits Plan, (Continued)

Annual required contribution	\$ 3,866,000
Interest on net OPEB obligation	522,000
Adjustments to annual required contributions	<u>(513,000)</u>
Annual OPEB cost (expense)	3,875,000
Contributions made (including premiums paid)	<u>(2,332,000)</u>
Increase in net OPEB obligation	1,543,000
Net OPEB obligation-beginning of year	<u>11,036,000</u>
Net OPEB obligation-end of year	<u>\$ 12,579,000</u>

The General Fund is typically used to liquidate the net other postemployment benefit obligation.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2016, and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$3,450,000	33%	10,863,000
6/30/15	3,926,000	96%	11,036,000
6/30/16	3,875,000	60%	12,579,000

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Post Employment Benefits Plan, (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included a 6.25 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of actual premiums through 2016, then 7.0% in 2017 reduced to 5.0% in 2021 and beyond. The City is using a 3.25% payroll inflation rate. The UAAL is being amortized as a level percentage of projected payroll over a closed 30 year period. The remaining amortization period at June 30, 2016, was 27 years.

Schedule of Funding Progress.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
6/30/10	-	25,201,000	25,201,000	0%	10,631,000	237.1%
6/30/12	-	41,335,000	41,335,000	0%	9,625,000	429.5%
6/30/14	-	46,466,000	46,466,000	0%	11,101,000	418.6%

(10) Claims Payable/Self Insurance

The City of Commerce is a member of the California Joint Powers Insurance Authority (“the Authority”). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) Costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers' Compensation - The City of Commerce also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$5,000,000 is purchased as part of an excess insurance policy, and losses from \$5,000,000 to \$10,000,000 are pooled among members.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

Pollution Legal Liability Insurance - The City of Commerce participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Commerce. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance - The City of Commerce participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Commerce property is currently insured according to a schedule of covered property submitted by the City of Commerce to the Authority. The City of Commerce currently has all-risk property insurance protection in the amount of \$119,512,991. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance - The City of Commerce purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is arranged by the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. Effective July 1, 2016 the City withdrew from the California Joint Powers Insurance Authority Workers' Compensation Programs and joined Municipal Insurance Cooperative Joint Powers Authority (MICPA).

Changes in liability claims for the years ended June 30, 2015 and June 30, 2016 were as follows:

Balance, July 1, 2014	\$ -
Claim payments	-
Current year claims and changes in estimate	<u>304,105</u>
Balance, June 30, 2015	304,105
Claim payments	(304,105)
Current year claims and changes in estimate	<u>-</u>
Balance, June 30, 2016	\$ <u>-</u>

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(11) Commerce Refuse to Energy Authority

The City is a 50% participant with the County Sanitation District No. 2 of Los Angeles County ("the District") in the Commerce Refuse to Energy Authority ("the CREA"). The CREA was created for the purpose of constructing and operating a facility to dispose of commercial/light industrial non-hazardous and mixed residential solid waste and to recover energy there from. The Board of Directors of the CREA is comprised of six members. Three directors are appointed by the City and three by the District. The CREA has responsibility for operation and maintenance of the facility.

The City and the District have each contributed \$2,000,000 to provide the initial working capital for the project. The City's contribution included the value of the land on which the facility was constructed as well as expenditures made prior to the execution of the Joint Powers Agreement. In addition, a \$1,000,000 grant was received from the California Integrated Waste Management Board that is to be repaid from net revenues and bears no interest. Repayment of the grant began in 1996 from net revenues.

Net revenues are divided between the City, the District and the Waste Management Board. However, payments to the Waste Management Board shall not exceed \$200,000 in any year. Once the grant has been repaid, net revenues will be distributed equally to the City and the District until such time as the City's contributed capital equals zero; then at a rate of \$200,000 per year or 50% of the total distribution, whichever is less, to the City with the remainder to the District until such time as the District's contributed capital equals zero; then equally to the City and the District upon termination. The City accounts for the joint venture under the equity method of accounting. Complete financial statements for the CREA can be obtained from the Los Angeles County Sanitation District, 1955 Workman Mill Rd., Whittier, CA 90601.

	<u>CREA</u>	<u>Commerce's 50% Equity</u>
Net position at June 30, 2015	\$26,695,233	13,347,617
Increase in equity for the year ended June 30, 2016	<u>2,435,380</u>	<u>1,217,690</u>
Net position at June 30, 2016	<u>\$29,130,613</u>	<u>14,565,307</u>

(12) Contingencies

Various claims and suits have been filed against the City in the normal course of operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial position of the City.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(13) Deferred Compensation Plan

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

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

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

(14) Fund Deficits

As of June 30, 2016, deficits were reported in the following funds:

Water	\$ (1,612,054)
Central Garage	(474,068)
Cable Television	(348,255)
Successor Agency Trust Fund	(34,127,777)
Capital Projects Fund	(23,495,842)

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

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

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(15) Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Commerce that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-8.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMMERCE

Required Supplementary Information

Last Ten Fiscal Years *

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

Measurement Period	2014-15	2013-14
TOTAL PENSION LIABILITY		
Service Cost	\$ 1,550,187	1,460,709
Interest	6,869,505	6,545,470
Changes of Benefit Terms	0	0
Difference between Expected and Actual Experience	1,062,228	0
Changes of Assumptions	(1,650,414)	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(4,937,517)</u>	<u>(4,938,877)</u>
Net Change in Total Pension Liability	2,893,989	3,067,302
Total Pension Liability – Beginning	<u>92,079,312</u>	<u>89,012,010</u>
Total Pension Liability – Ending (a)	\$ <u>94,973,301</u>	<u>92,079,312</u>
PLAN FIDUCIARY NET POSITION		
Contributions – Employer	\$ 1,515,782	1,435,188
Contributions – Employee	720,100	694,273
Investment Income	1,670,372	11,658,199
Administrative Expense	(84,670)	(83,334)
Benefit Payments, Including Refunds of Employee Contributions	(4,937,517)	(4,938,877)
Other Changes in Net Fiduciary Position	<u>0</u>	<u>0</u>
Net Change in Fiduciary Net Position	(1,115,933)	8,765,449
Plan Fiduciary Net Position – Beginning	<u>76,334,230</u>	<u>67,568,781</u>
Plan Fiduciary Net Position – Ending (b)	\$ <u>75,218,297</u>	<u>76,334,230</u>
Plan Net Pension Liability – Ending (a) - (b)	\$ <u>19,755,004</u>	<u>15,745,082</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.20%	82.90%
Covered-Employee Payroll	\$ 10,161,824	9,389,402
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	194.40%	167.69%

Notes to Schedule:

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

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent

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

CITY OF COMMERCE

Required Supplementary Information

Last Ten Fiscal Years *

Schedule of Plan Contributions

	Fiscal Year 2015-16	Fiscal Year 2014-15	Fiscal Year 2013-14
Actuarially Determined Contribution	\$ 1,677,005	1,515,782	1,435,188
Contributions in Relation to the Actuarially Determined Contribution	(1,667,005)	(1,515,782)	(1,435,188)
Contribution Deficiency (Excess)	0	0	0
Covered-Employee Payroll	\$9,961,216	10,161,824	9,389,402
Contributions as a Percentage of Covered-Employee Payroll	16.835%	14.92%	15.29%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment Expenses, including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

CITY OF COMMERCE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2016

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Taxes	\$ 28,140,000	28,140,000	28,015,298	(124,702)
Casino license tax	21,320,000	21,320,000	25,012,715	3,692,715
Licenses and permits	2,549,750	2,549,750	3,094,043	544,293
Intergovernmental	804,031	804,031	950,244	146,213
Fines and forfeitures	1,302,205	1,302,205	1,500,460	198,255
Investment income	86,377	86,377	80,325	(6,052)
Activity fees	439,582	439,582	387,652	(51,930)
Charges for services	50,127	50,127	442,178	392,051
Rental and lease income	2,632	2,632	65,804	63,172
Miscellaneous	824,417	824,417	955,931	131,514
Total revenues	<u>55,519,121</u>	<u>55,519,121</u>	<u>60,504,650</u>	<u>4,985,529</u>
Expenditures:				
Current:				
General government	16,820,480	16,820,480	15,368,816	1,451,664
Community development	2,980,862	2,980,862	2,902,694	78,168
Public safety	18,185,897	18,185,897	18,537,587	(351,690)
Public works	5,455,748	5,455,748	5,158,715	297,033
Library	3,528,775	3,528,775	3,640,566	(111,791)
Parks, recreation and culture	9,350,883	9,350,883	9,563,855	(212,972)
Total expenditures	<u>56,322,645</u>	<u>56,322,645</u>	<u>55,172,233</u>	<u>1,150,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(803,524)</u>	<u>(803,524)</u>	<u>5,332,417</u>	<u>6,135,941</u>
Other financing sources (uses):				
Transfers in	725,000	725,000	665,114	(59,886)
Transfers out	<u>(1,201,307)</u>	<u>(1,201,307)</u>	<u>(2,743,579)</u>	<u>(1,542,272)</u>
Total other financing sources (uses)	<u>(476,307)</u>	<u>(476,307)</u>	<u>(2,078,465)</u>	<u>(1,602,158)</u>
Net change in fund balance	<u>(1,279,831)</u>	<u>(1,279,831)</u>	<u>3,253,952</u>	<u>4,533,783</u>
Fund balance at beginning of year	<u>60,621,291</u>	<u>60,621,291</u>	<u>60,621,291</u>	<u>-</u>
Fund balance at end of year	<u>\$ 59,341,460</u>	<u>59,341,460</u>	<u>63,875,243</u>	<u>4,533,783</u>

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2016

(1) Budgets and Budgetary Accounting

The City of Commerce, a general law city in the State of California, does not legally require a budget. However, the City Council annually reviews and adopts a budget in accordance with GAAP as a management control device for all funds except the Joint Powers Financing Authority Debt Service Fund and the 2007 Joint Powers Financing Authority Fund. Each May, the City Administrator submits a proposed budget to the City Council. The City Council holds public hearings and may modify the appropriations by majority approval. Budgets are adopted at the object level. Management may transfer amounts within the function level within a fund without the approval of City Council. Additional appropriations during the year may be submitted to the City Council for review and approval.

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SUPPLEMENTARY SCHEDULES

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CITY OF COMMERCE
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds	Community Center Debt Service Fund	Totals
<u>Assets</u>			
Cash and investments	\$ 258,860	-	258,860
Cash and investments with fiscal agent	-	26	26
Accounts receivable	4,468	-	4,468
Due from other governments	85,208	-	85,208
Loans receivable	484,356	-	484,356
Property held for resale	1,053,000	-	1,053,000
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,885,892	26	1,885,918
	<hr/>	<hr/>	<hr/>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 53,995	-	53,995
Accrued salaries and benefits	343	-	343
Due to other funds	36,973	-	36,973
	<hr/>	<hr/>	<hr/>
Total liabilities	91,311	-	91,311
	<hr/>	<hr/>	<hr/>
Deferred inflows of resources:			
Unavailable revenue	491,975	-	491,975
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	491,975	-	491,975
	<hr/>	<hr/>	<hr/>
Fund balances:			
Restricted for:			
Community Development	12,778	-	12,778
Housing	1,059,532	-	1,059,532
Law enforcement	143,752	-	143,752
Transportation	86,544	-	86,544
Unassigned	-	26	26
	<hr/>	<hr/>	<hr/>
Total fund balances	1,302,606	26	1,302,632
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and fund balances	\$ 1,885,892	26	1,885,918
	<hr/>	<hr/>	<hr/>

CITY OF COMMERCE

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2016

	Special Revenue Funds	Community Center Debt Service Fund	Totals
Revenues:			
Intergovernmental	\$ 1,535,444	-	1,535,444
Investment income	4,149	82	4,231
Miscellaneous	180	-	180
Total revenues	<u>1,539,773</u>	<u>82</u>	<u>1,539,855</u>
Expenditures:			
Current:			
Community development	72,733	-	72,733
Public safety	179,699	-	179,699
Debt service:			
Principal payments	-	325,000	325,000
Interest and fiscal charges	-	466,717	466,717
Total expenditures	<u>252,432</u>	<u>791,717</u>	<u>1,044,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,287,341</u>	<u>(791,635)</u>	<u>495,706</u>
Other financing sources (uses):			
Transfers in	54,408	1,526,784	1,581,192
Transfers out	<u>(1,306,307)</u>	<u>-</u>	<u>(1,306,307)</u>
Total other financing sources (uses)	<u>(1,251,899)</u>	<u>1,526,784</u>	<u>274,885</u>
Net change in fund balances	35,442	735,149	770,591
Fund balances (deficit) beginning of year	<u>1,267,164</u>	<u>(735,123)</u>	<u>532,041</u>
Fund balances at end of year	<u>\$ 1,302,606</u>	<u>26</u>	<u>1,302,632</u>

NON-MAJOR SPECIAL REVENUE FUNDS

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

Supplemental Law Enforcement Fund - To account for the City's allocation from the state under Assembly Bill 3229, which supplements frontline law enforcement costs used to supplement existing police services.

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

Local Law Enforcement Block Grant Fund - To account for revenues and expenditures of the federal Local Law Enforcement Block Grant that assist in projects that reduce crime and improve public safety.

Prop A Local Return Tax Fund - To account for the City's Prop A local return allocation and Prop A money purchased from other cities with General Fund money. Revenues are to be spent for public transit purposes and are transferred to the Transit Enterprise Fund to be spent accordingly.

State Gas Tax Fund - To account for gasoline allocations made by the State of California. These revenues are restricted by the State to expenditures for street-related purposes only.

Community Development Block Grant (CDBG) Fund - To account for CDBG allocations received and expenditures incurred for allowable projects; primarily home improvements of eligible households.

Air Quality Management District - To account for clean air fees collected by the State and distributed by the Southern California Air Quality Management District to cities for clean air projects.

Housing - To account for the housing activities of the City that were previously accounted for in the low and moderate income housing redevelopment agency fund.

NON-MAJOR DEBT SERVICE FUND

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

CITY OF COMMERCE
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2016

	Supplemental Law Enforcement	Asset Forfeiture	Local Law Enforcement Block Grant	Proposition A Local Return Tax
<u>Assets</u>				
Cash and investments	\$ 65,810	54,408	37,055	-
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	-	-	-	-
Property held for resale	-	-	-	-
Total assets	<u>\$ 65,810</u>	<u>54,408</u>	<u>37,055</u>	<u>-</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 13,521	-	-	-
Accrued salaries and benefits	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>13,521</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Community development	-	-	-	-
Housing	-	-	-	-
Law enforcement	52,289	54,408	37,055	-
Transportation	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>52,289</u>	<u>54,408</u>	<u>37,055</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 65,810</u>	<u>54,408</u>	<u>37,055</u>	<u>-</u>

State Gas Tax	CDBG	Air Quality Management District	Housing	Totals
86,291	-	-	15,296	258,860
-	-	4,468	-	4,468
-	85,208	-	-	85,208
-	7,320	-	477,036	484,356
-	-	-	1,053,000	1,053,000
<u>86,291</u>	<u>92,528</u>	<u>4,468</u>	<u>1,545,332</u>	<u>1,885,892</u>
-	39,329	-	1,145	53,995
-	343	-	-	343
-	32,758	4,215	-	36,973
<u>-</u>	<u>72,430</u>	<u>4,215</u>	<u>1,145</u>	<u>91,311</u>
-	7,320	-	484,655	491,975
<u>-</u>	<u>7,320</u>	<u>-</u>	<u>484,655</u>	<u>491,975</u>
-	12,778	-	-	12,778
-	-	-	1,059,532	1,059,532
-	-	-	-	143,752
86,291	-	253	-	86,544
-	-	-	-	-
<u>86,291</u>	<u>12,778</u>	<u>253</u>	<u>1,059,532</u>	<u>1,302,606</u>
<u>86,291</u>	<u>92,528</u>	<u>4,468</u>	<u>1,545,332</u>	<u>1,885,892</u>

CITY OF COMMERCE
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2016

	Supplemental Law Enforcement	Asset Forfeiture	Local Law Enforcement Block Grant
Revenues:			
Intergovernmental	\$ 114,618	-	-
Investment income	512	-	-
Miscellaneous	-	-	-
	<u>115,130</u>	<u>-</u>	<u>-</u>
Total revenues			
Expenditures:			
Current:			
Community development	-	-	-
Public safety	173,548	-	-
	<u>173,548</u>	<u>-</u>	<u>-</u>
Total expenditures			
	<u>173,548</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,418)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfers in	-	54,408	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
	<u>-</u>	<u>54,408</u>	<u>-</u>
Net change in fund balances	(58,418)	54,408	-
Fund balances (deficit) at beginning of year	<u>110,707</u>	<u>-</u>	<u>37,055</u>
Fund balances at end of year	<u>\$ 52,289</u>	<u>54,408</u>	<u>37,055</u>

Proposition A Local Return Tax	State Gas Tax	CDBG	Air Quality Management District	Housing	Totals
1,000,000	286,696	117,588	16,542	-	1,535,444
-	1,092	271	-	2,274	4,149
-	-	-	-	180	180
<u>1,000,000</u>	<u>287,788</u>	<u>117,859</u>	<u>16,542</u>	<u>2,454</u>	<u>1,539,773</u>
-	-	69,546	-	3,187	72,733
-	-	6,151	-	-	179,699
-	-	75,697	-	3,187	252,432
<u>1,000,000</u>	<u>287,788</u>	<u>42,162</u>	<u>16,542</u>	<u>(733)</u>	<u>1,287,341</u>
-	-	-	-	-	54,408
<u>(1,000,000)</u>	<u>(290,000)</u>	<u>-</u>	<u>(16,307)</u>	<u>-</u>	<u>(1,306,307)</u>
<u>(1,000,000)</u>	<u>(290,000)</u>	<u>-</u>	<u>(16,307)</u>	<u>-</u>	<u>(1,251,899)</u>
-	(2,212)	42,162	235	(733)	35,442
-	88,503	(29,384)	18	1,060,265	1,267,164
<u>-</u>	<u>86,291</u>	<u>12,778</u>	<u>253</u>	<u>1,059,532</u>	<u>1,302,606</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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 100,000	114,618	14,618
Investment income	<u>-</u>	<u>512</u>	<u>512</u>
Total revenues	<u>100,000</u>	<u>115,130</u>	<u>15,130</u>
Expenditures:			
Current:			
Public safety	<u>175,000</u>	<u>173,548</u>	<u>1,452</u>
Total expenditures	<u>175,000</u>	<u>173,548</u>	<u>1,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,000)</u>	<u>(58,418)</u>	<u>16,582</u>
Net change in fund balances	(75,000)	(58,418)	16,582
Fund balance at beginning of year	<u>110,707</u>	<u>110,707</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 35,707</u></u>	<u><u>52,289</u></u>	<u><u>16,582</u></u>

CITY OF COMMERCE
Special Revenue Funds

Asset Forfeiture Fund

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

Year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other financing sources (uses):			
Transfers in	\$ -	54,408	54,408
Total other financing sources (uses)	-	54,408	54,408
Net change in fund balances	-	54,408	54,408
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	54,408	54,408

CITY OF COMMERCE
Non-Major Special Revenue Funds
Local Law Enforcement Block Grant Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:			
Current:			
Public safety	\$ 10,109	-	10,109
Total expenditures	10,109	-	10,109
Excess (deficiency) of revenues over (under) expenditures	(10,109)	-	10,109
Net change in fund balances	(10,109)	-	10,109
Fund balance at beginning of year	37,055	37,055	-
Fund balance at end of year	\$ 26,946	37,055	10,109

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, 2016

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

CITY OF COMMERCE
Non-Major Special Revenue Funds

State Gas Tax Fund

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

Year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 360,250	286,696	(73,554)
Investment income	<u>-</u>	<u>1,092</u>	<u>1,092</u>
Total revenues	<u>360,250</u>	<u>287,788</u>	<u>(72,462)</u>
Other financing sources (uses):			
Transfers out	<u>(350,000)</u>	<u>(290,000)</u>	<u>60,000</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(290,000)</u>	<u>60,000</u>
Net change in fund balances	10,250	(2,212)	(12,462)
Fund balance at beginning of year	<u>88,503</u>	<u>88,503</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 98,753</u></u>	<u><u>86,291</u></u>	<u><u>(12,462)</u></u>

CITY OF COMMERCE
Non-Major Special Revenue Funds
Community Development Block Grant (CDBG) Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 120,203	117,588	(2,615)
Investment income	<u>-</u>	<u>271</u>	<u>271</u>
Total revenues	<u>120,203</u>	<u>117,859</u>	<u>(2,344)</u>
Expenditures:			
Current:			
Community development	105,000	69,546	35,454
Public safety	<u>15,203</u>	<u>6,151</u>	<u>9,052</u>
Total expenditures	<u>120,203</u>	<u>75,697</u>	<u>44,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>42,162</u>	<u>42,162</u>
Net change in fund balances	-	42,162	42,162
Fund balance (deficit) at beginning of year	<u>(29,384)</u>	<u>(29,384)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (29,384)</u></u>	<u><u>12,778</u></u>	<u><u>42,162</u></u>

CITY OF COMMERCE
Non-Major Special Revenue Funds
Air Quality Management District (AQMD) Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	16,542	16,542
Total revenues	-	16,542	16,542
Other financing sources (uses):			
Transfers out	(12,000)	(16,307)	(4,307)
Total other financing sources (uses)	(12,000)	(16,307)	(4,307)
Net change in fund balances	(12,000)	235	12,235
Fund balance at beginning of year	18	18	-
Fund balance (deficit) at end of year	\$ (11,982)	253	12,235

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	2,274	2,274
Miscellaneous	-	180	180
Total revenues	-	2,454	2,454
Expenditures:			
Current:			
Community development	35,000	3,187	31,813
Total expenditures	35,000	3,187	31,813
Excess (deficiency) of revenues over (under) expenditures	(35,000)	(733)	34,267
Net change in fund balances	(35,000)	(733)	34,267
Fund balance at beginning of year	1,060,265	1,060,265	-
Fund balance at end of year	\$ 1,025,265	1,059,532	34,267

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	82	82
Total revenues	<u>-</u>	<u>82</u>	<u>82</u>
Expenditures:			
Debt service:			
Principal payments	325,000	325,000	-
Interest and fiscal charges	<u>476,203</u>	<u>466,717</u>	<u>9,486</u>
Total expenditures	<u>801,203</u>	<u>791,717</u>	<u>9,486</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(801,203)</u>	<u>(791,635)</u>	<u>9,568</u>
Other financing sources (uses):			
Transfers in	<u>801,203</u>	<u>1,526,784</u>	<u>725,581</u>
Total other financing sources (uses)	<u>801,203</u>	<u>1,526,784</u>	<u>725,581</u>
Net change in fund balances	-	735,149	735,149
Fund balance (deficit) at beginning of year	<u>(735,123)</u>	<u>(735,123)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (735,123)</u></u>	<u><u>26</u></u>	<u><u>735,149</u></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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ -	7,176,131	7,176,131
Investment income	-	63,984	63,984
Miscellaneous	268,965	177	(268,788)
Total revenues	268,965	7,240,292	6,971,327
Expenditures			
Current:			
Public safety	-	-	-
Public works	7,443,149	4,462,253	2,980,896
Total expenditures	7,443,149	4,462,253	2,980,896
Excess (deficiency) of revenues over (under) expenditures	(7,174,184)	2,778,039	9,952,223
Other financing sources (uses):			
Transfers out	-	(369,964)	(369,964)
Total other financing sources (uses)	-	(369,964)	(369,964)
Net change in fund balances	(7,174,184)	2,408,075	9,582,259
Fund balance at beginning of year	13,214,883	13,214,883	-
Fund balance at end of year	\$ 6,040,699	15,622,958	9,582,259

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 33,638,186	8,047,844	(25,590,342)
Total revenues	<u>33,638,186</u>	<u>8,047,844</u>	<u>(25,590,342)</u>
Expenditures:			
Current:			
Public works	25,944,978	19,687,240	6,257,738
Total expenditures	<u>25,944,978</u>	<u>19,687,240</u>	<u>6,257,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,693,208</u>	<u>(11,639,396)</u>	<u>(19,332,604)</u>
Other financing sources (uses):			
Transfers in	-	11,157	11,157
Total other financing sources (uses)	<u>-</u>	<u>11,157</u>	<u>11,157</u>
Net change in fund balances	7,693,208	(11,628,239)	(19,321,447)
Fund balance (deficit) at beginning of year	<u>(11,867,603)</u>	<u>(11,867,603)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (4,174,395)</u>	<u>(23,495,842)</u>	<u>(19,321,447)</u>

INTERNAL SERVICE FUNDS

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

The City of Commerce has the following Internal Service Funds:

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

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

CITY OF COMMERCE
Internal Service Funds
Combining Statement of Net Position
June 30, 2016

	<u>Central Garage</u>	<u>Central Stores</u>	<u>Totals</u>
<u>Assets</u>			
Current assets:			
Cash and investments	\$ -	137,741	137,741
Total current assets	<u>-</u>	<u>137,741</u>	<u>137,741</u>
Noncurrent assets:			
Capital assets, net	<u>97,393</u>	<u>-</u>	<u>97,393</u>
Total noncurrent assets	<u>97,393</u>	<u>-</u>	<u>97,393</u>
Total assets	<u>97,393</u>	<u>137,741</u>	<u>235,134</u>
<u>Deferred Outflow of Resources</u>			
Pension related	<u>40,242</u>	<u>-</u>	<u>40,242</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	178,208	-	178,208
Accrued salaries and benefits	<u>15,206</u>	<u>-</u>	<u>15,206</u>
Total current liabilities	193,414	-	193,414
Noncurrent liabilities:			
Net pension liability	<u>290,399</u>	<u>-</u>	<u>290,399</u>
Total liabilities	<u>483,813</u>	<u>-</u>	<u>483,813</u>
<u>Deferred Inflow of Resources</u>			
Pension related	<u>30,497</u>	<u>-</u>	<u>30,497</u>
<u>Net Position</u>			
Unrestricted	<u>(474,068)</u>	<u>137,741</u>	<u>(336,327)</u>
Total net position	<u>\$ (376,675)</u>	<u>137,741</u>	<u>(238,934)</u>

CITY OF COMMERCE

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2016

	Central Garage	Central Stores	Totals
Operating revenues:			
Charges for services	\$ 871,483	-	871,483
Total operating revenues	<u>871,483</u>	<u>-</u>	<u>871,483</u>
Operating expenses:			
General and administrative	409,198	-	409,198
Operations	446,136	-	446,136
Depreciation and amortization	<u>16,232</u>	<u>-</u>	<u>16,232</u>
Total operating expenses	<u>871,566</u>	<u>-</u>	<u>871,566</u>
Changes in net position	(83)	-	(83)
Net position (deficit) at beginning of year	<u>(376,592)</u>	<u>137,741</u>	<u>(238,851)</u>
Net position (deficit) at end of year	<u><u>\$ (376,675)</u></u>	<u><u>137,741</u></u>	<u><u>(238,934)</u></u>

CITY OF COMMERCE
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2016

	Central Garage	Central Stores	Totals
Cash flows from operating activities:			
Cash received from user departments	\$ 871,483	-	871,483
Cash payments to suppliers for goods and services	(345,618)	-	(345,618)
Cash payments to employees	(419,748)	-	(419,748)
Net cash provided by (used for) operating activities	<u>106,117</u>	<u>-</u>	<u>106,117</u>
Cash flows from capital and related activities:			
Cash paid to acquire capital assets	(113,625)	-	(113,625)
Net cash provided by (used for) capital and related activities	<u>(113,625)</u>	<u>-</u>	<u>(113,625)</u>
Net increase (decrease) in cash and cash equivalents	(7,508)	-	(7,508)
Cash and cash equivalents at beginning of year	<u>7,508</u>	<u>137,741</u>	<u>145,249</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>	<u><u>137,741</u></u>	<u><u>137,741</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (83)	-	(83)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	16,232	-	16,232
Adjustments:			
(Increase) decrease in deferred outflows	(19,681)	-	(19,681)
Increase (decrease) in accounts payable	100,518	-	100,518
Increase (decrease) in accrued liabilities	4,300	-	4,300
Increase (decrease) in net pension liability	53,916	-	53,916
Increase (decrease) in deferred inflows	(49,085)	-	(49,085)
Net cash provided by (used for) operating activities	<u><u>\$ 106,117</u></u>	<u><u>-</u></u>	<u><u>106,117</u></u>

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FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for an individual, private organizations and other governmental units. The agency funds and their purposes are as follows:

The City of Commerce has the following agency fund:

Cash Deposits Fund - To account for cash deposits where the City acts as an agent for debt service activity.

Trust Funds are used to account for the activities of the Redevelopment Obligation Retirement Funds, and other Successor Agency funds, which accumulates resources for obligations previously incurred by the former Commerce Redevelopment Agency.

The City of Commerce has the following fiduciary funds:

Redevelopment Property Tax Trust Fund - To account for property tax allocated to the Successor Agency to pay the enforceable obligations listed on the ROPS.

Successor Agency Trust Fund - To account for the housing activities of the former community development commission taken over by the Successor Agency.

CITY OF COMMERCE
Cash Deposits Agency Fund
Statement of Changes in Assets and Liabilities
Year ended June 30, 2016

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
<u>Assets</u>				
Cash and investments	\$ 813,190	<u>277,446</u>	<u>263,686</u>	<u>826,950</u>
Total assets	<u>\$ 813,190</u>	<u>277,446</u>	<u>263,686</u>	<u>826,950</u>
<u>Liabilities</u>				
Accounts payable	\$ 26,651	288,824	288,267	27,208
Deposits payable	<u>786,539</u>	<u>244,234</u>	<u>231,031</u>	<u>799,742</u>
Total liabilities	<u>\$ 813,190</u>	<u>533,058</u>	<u>519,298</u>	<u>826,950</u>

CITY OF COMMERCE
Private Purpose Trust Funds
Combining Statement of Net Position
June 30, 2016

	<u>Successor Agency</u>		
	<u>Redevelopment Property Tax Trust Fund</u>	<u>Successor Agency Trust Fund</u>	<u>Totals</u>
<u>Assets</u>			
Cash and investments	\$ 14,357,311	786,105	15,143,416
Cash and investments with fiscal agents	-	4,669,572	4,669,572
Interest receivable	-	5,642	5,642
Loans receivable	-	17,442	17,442
Property held for resale	-	56,437,787	56,437,787
Total assets	<u>14,357,311</u>	<u>61,916,548</u>	<u>76,273,859</u>
<u>Deferred Outflow of Resources</u>			
Deferred loss on refunding	<u>-</u>	<u>6,073,055</u>	<u>6,073,055</u>
<u>Liabilities</u>			
Accounts payable	-	1,593,495	1,593,495
Accrued salaries and benefits	-	1,515	1,515
Deposits payable	-	180,000	180,000
Interest payable	-	1,253,635	1,253,635
Long-term liabilities	-	98,891,697	98,891,697
Total liabilities	<u>-</u>	<u>101,920,342</u>	<u>101,920,342</u>
<u>Net Position</u>			
Held in trust for Successor Agency	<u>\$ 14,357,311</u>	<u>(33,930,739)</u>	<u>(19,573,428)</u>

CITY OF COMMERCE
Private Purpose Trust Fund
Combining Statement of Changes in Net Position
Year ended June 30, 2016

	Successor Agency		
	Redevelopment Property Tax Trust Fund	Successor Agency Trust Fund	Totals
Additions:			
Property tax	\$ 14,881,453	-	14,881,453
Investment income	-	245,633	245,633
Rental income	-	1,052,067	1,052,067
Miscellaneous income	-	1,199,442	1,199,442
Transfer from City of Commerce	-	2,534,866	2,534,866
Transfers in	-	12,680,213	12,680,213
Total additions	14,881,453	17,712,221	32,593,674
Deductions:			
Administrative expenses	-	555,006	555,006
Maintenance and repair expenses	-	-	-
Professional services	-	82,192	82,192
Interest and fiscal charges	-	5,045,036	5,045,036
Payments under pass-through obligations	-	154,206	154,206
Loss on disposition of capital assets	-	-	-
Depreciation	-	-	-
Bond issuance costs	-	471,058	471,058
Miscellaneous	-	108,964	108,964
Transfers out	12,680,213	-	12,680,213
Total deductions	12,680,213	6,416,462	19,096,675
Changes in net position	2,201,240	11,295,759	13,496,999
Net position held in trust, beginning of year	12,156,071	(45,226,498)	(33,070,427)
Net position held in trust, end of year	\$ 14,357,311	(33,930,739)	(19,573,428)

STATISTICAL SECTION

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

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

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

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

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

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

	Fiscal Year		
	2007	2008	2009
Governmental activities:			
Net investment in			
capital assets	\$ (35,988,743)	(57,251,831)	(57,521,168)
Restricted	74,367,830	10,920,863	3,941,343
Unrestricted	<u>49,830,630</u>	<u>139,147,166</u>	<u>139,073,655</u>
Total governmental activities			
net assets	<u>88,209,717</u>	<u>92,816,198</u>	<u>85,493,830</u>
Business-type activities:			
Invested in capital assets,			
net of related debt	9,717,831	9,205,642	11,171,521
Restricted	-	-	-
Unrestricted	<u>848,744</u>	<u>(432,900)</u>	<u>(847,500)</u>
Total business-type activities			
net assets	<u>10,566,575</u>	<u>8,772,742</u>	<u>10,324,021</u>
Primary government:			
Invested in capital assets,			
net of related debt	(26,270,912)	(48,046,189)	(46,349,647)
Restricted	74,367,830	10,920,863	3,941,343
Unrestricted	<u>50,679,374</u>	<u>138,714,266</u>	<u>138,226,155</u>
Total primary government			
net position	<u>\$ 98,776,292</u>	<u>101,588,940</u>	<u>95,817,851</u>

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
(67,538,656)	(32,579,229)	41,949,565	29,678,249	35,963,254	45,509,674	69,045,438
463,128	27,965,967	2,862,221	6,852,897	4,189,145	(8,770,483)	1,695,259
<u>159,586,801</u>	<u>90,467,496</u>	<u>32,518,513</u>	<u>44,875,673</u>	<u>49,067,403</u>	<u>54,250,682</u>	<u>44,026,277</u>
<u><u>92,511,273</u></u>	<u><u>85,854,234</u></u>	<u><u>77,330,299</u></u>	<u><u>81,406,819</u></u>	<u><u>89,219,802</u></u>	<u><u>90,989,873</u></u>	<u><u>114,766,974</u></u>
14,345,897	15,281,149	9,132,834	15,050,922	14,033,290	13,415,492	12,812,420
-	-	-	-	-	-	-
<u>(2,989,115)</u>	<u>(3,331,606)</u>	<u>(3,475,824)</u>	<u>(4,154,394)</u>	<u>(4,437,236)</u>	<u>(7,071,258)</u>	<u>(6,730,545)</u>
<u><u>11,356,782</u></u>	<u><u>11,949,543</u></u>	<u><u>5,657,010</u></u>	<u><u>10,896,528</u></u>	<u><u>9,596,054</u></u>	<u><u>6,344,234</u></u>	<u><u>6,081,875</u></u>
(53,192,759)	(17,298,080)	51,082,399	44,729,171	49,996,544	58,925,166	81,857,858
463,128	27,965,967	2,862,221	6,852,897	4,189,145	(8,770,483)	1,695,259
<u>156,597,686</u>	<u>87,135,890</u>	<u>29,042,689</u>	<u>40,721,279</u>	<u>44,630,167</u>	<u>47,179,424</u>	<u>37,295,732</u>
<u><u>103,868,055</u></u>	<u><u>97,803,777</u></u>	<u><u>82,987,309</u></u>	<u><u>92,303,347</u></u>	<u><u>98,815,856</u></u>	<u><u>97,334,107</u></u>	<u><u>120,848,849</u></u>

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

	Fiscal Year		
	2007	2008	2009
Expenses:			
Governmental activities:			
General government	\$ 16,891,474	15,824,307	21,404,492
Public safety	13,741,711	14,671,657	16,197,845
Public works	2,863,690	3,197,631	4,900,387
Community development	6,429,943	7,028,967	3,257,937
Parks and Recreation	10,158,100	10,633,778	10,949,754
Library	2,862,061	3,220,489	3,216,089
Interest on long-term debt	9,101,258	9,684,698	9,996,589
Total governmental activities expenses	<u>62,048,237</u>	<u>64,261,527</u>	<u>69,923,093</u>
Business-type activities:			
Transit	3,285,381	3,682,946	3,267,752
CNG	-	-	-
Water	459,317	402,063	444,737
Cable Television	342,295	340,497	346,045
Total business-type activities expenses	<u>4,086,993</u>	<u>4,425,506</u>	<u>4,058,534</u>
Total primary government expenses	<u>66,135,230</u>	<u>68,687,033</u>	<u>73,981,627</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	2,506,530	862,446	845,966
Public safety	-	161,491	233,659
Public works	215,474	-	-
Community development	674,996	2,204,296	2,034,696
Library	32,373	61,536	23,943
Parks and recreation	473,395	486,158	483,122
Operating grants and contributions	3,091,095	4,847,995	3,813,612
Capital grants and contributions	-	400,000	150,923
Total governmental activities program revenues	<u>6,993,863</u>	<u>9,023,922</u>	<u>7,585,921</u>
Business-type activities:			
Charges for services:			
Transit	-	-	-
CNG	-	-	-
Water	-	-	-
Cable Television	61,440	43,408	31,972
Operating grants and contributions	1,341,483	1,057,156	3,423,936
Total business-type activities program revenues	<u>1,402,923</u>	<u>1,100,564</u>	<u>3,455,908</u>
Total primary government program revenues	<u>8,396,786</u>	<u>10,124,486</u>	<u>11,041,829</u>
Net revenues (expenses):			
Governmental activities	(55,054,374)	(55,237,605)	(62,337,172)
Business-type activities	(2,684,070)	(3,324,942)	(602,626)
Total net revenues (expenses)	<u>(57,738,444)</u>	<u>(58,562,547)</u>	<u>(62,939,798)</u>

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

	Fiscal Year		
	2007	2008	2009
(continued)			
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Casino license tax	21,221,796	22,667,115	21,095,275
Property taxes	15,766,275	15,484,157	15,593,558
Sales tax	15,915,922	16,353,317	16,728,923
Franchise taxes	1,239,109	1,157,899	1,187,398
Transient occupancy taxes	2,045,918	2,187,982	1,899,796
Motor vehicle in lieu, unrestricted	896,548	954,809	1,059,444
Investment income	4,681,652	4,585,456	3,515,745
Intergovernmental, unrestricted	1,788,110	1,644,693	-
Miscellaneous revenues	3,386,308	1,627,044	1,645,234
Extraordinary gain	-	-	-
Transfers	(2,725,473)	(1,531,109)	(1,894,366)
Total governmental activities	<u>64,216,165</u>	<u>65,131,363</u>	<u>60,831,007</u>
Business-type activities:			
Investment income	-	-	-
Transfers	<u>2,725,473</u>	<u>1,531,109</u>	<u>1,894,366</u>
Total business-type activities	<u>2,725,473</u>	<u>1,531,109</u>	<u>1,894,366</u>
Total primary government	<u>66,941,638</u>	<u>66,662,472</u>	<u>62,725,373</u>
Changes in net position			
Governmental activities	9,161,791	9,893,758	(1,506,165)
Business-type activities	<u>41,403</u>	<u>(1,793,833)</u>	<u>1,291,740</u>
Total primary government	<u>\$ 9,203,194</u>	<u>8,099,925</u>	<u>(214,425)</u>

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
16,399,307	17,651,539	18,362,277	16,664,200	18,216,730	18,681,419	16,097,044
16,357,834	16,205,717	15,583,635	16,494,702	17,466,237	17,825,986	18,994,377
7,285,450	5,867,584	6,464,741	6,953,510	6,902,561	9,574,171	10,080,047
21,050,782	11,021,254	2,269,890	2,205,819	2,084,600	2,582,041	4,550,938
10,516,653	8,152,321	8,808,268	9,122,504	9,743,642	9,298,527	9,917,064
2,472,071	3,970,137	3,001,247	2,799,278	1,361,478	1,201,234	3,210,975
9,813,078	7,510,228	10,055,429	5,554,206	4,847,305	5,393,909	4,196,186
<u>83,895,175</u>	<u>70,378,780</u>	<u>64,545,487</u>	<u>59,794,219</u>	<u>60,622,553</u>	<u>64,557,287</u>	<u>67,046,631</u>
3,835,053	3,678,189	4,417,649	5,571,290	4,724,375	4,982,321	5,322,991
-	-	-	-	1,883,647	2,038,687	1,564,009
632,118	345,153	491,453	176,589	281,869	593,822	711,572
<u>260,442</u>	<u>273,826</u>	<u>250,312</u>	<u>232,154</u>	<u>310,004</u>	<u>294,436</u>	<u>258,221</u>
<u>4,727,613</u>	<u>4,297,168</u>	<u>5,159,414</u>	<u>5,980,033</u>	<u>7,199,895</u>	<u>7,909,266</u>	<u>7,856,793</u>
<u>88,622,788</u>	<u>74,675,948</u>	<u>69,704,901</u>	<u>65,774,252</u>	<u>67,822,448</u>	<u>72,466,553</u>	<u>74,903,424</u>
-	-	717,712	-	-	-	-
1,232,769	1,285,140	729,369	1,440,460	1,582,241	1,670,473	1,481,520
3,152,579	2,515,767	2,042,031	2,488,665	2,894,236	3,336,377	3,395,581
6,058,596	920,610	637,061	-	70,211	48,270	20,462
25,410	30,567	26,827	26,781	23,357	22,533	18,940
521,232	621,815	667,379	562,364	595,134	575,150	594,096
2,376,672	2,296,474	2,343,633	2,484,684	2,254,889	2,517,480	2,208,545
<u>502,044</u>	<u>607,842</u>	<u>550,120</u>	<u>2,522,945</u>	<u>1,980,538</u>	<u>9,611,896</u>	<u>18,508,737</u>
<u>13,869,302</u>	<u>8,278,215</u>	<u>7,714,132</u>	<u>9,525,899</u>	<u>9,400,606</u>	<u>17,782,179</u>	<u>26,227,881</u>
-	-	-	1,046,062	-	-	-
-	-	-	-	2,160,510	2,067,530	1,398,775
-	-	-	-	-	-	845,000
41,302	37,850	37,817	39,734	40,192	45,541	49,402
<u>4,051,566</u>	<u>3,018,306</u>	<u>2,457,478</u>	<u>3,728,164</u>	<u>1,952,128</u>	<u>2,726,291</u>	<u>3,140,870</u>
<u>4,092,868</u>	<u>3,056,156</u>	<u>2,495,295</u>	<u>4,813,960</u>	<u>4,152,830</u>	<u>4,839,362</u>	<u>5,434,047</u>
<u>17,962,170</u>	<u>11,334,371</u>	<u>10,209,427</u>	<u>14,339,859</u>	<u>13,553,436</u>	<u>22,621,541</u>	<u>31,661,928</u>
(70,025,873)	(62,100,565)	(56,831,355)	(50,268,320)	(51,221,947)	(46,775,108)	(40,818,750)
<u>(634,745)</u>	<u>(1,241,012)</u>	<u>(2,664,119)</u>	<u>(1,166,073)</u>	<u>(3,047,065)</u>	<u>(3,069,904)</u>	<u>(2,422,746)</u>
<u>(70,660,618)</u>	<u>(63,341,577)</u>	<u>(59,495,474)</u>	<u>(51,434,393)</u>	<u>(54,269,012)</u>	<u>(49,845,012)</u>	<u>(43,241,496)</u>

(Continued)

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
19,776,039	20,392,604	21,181,030	21,181,030	19,654,726	22,240,233	25,012,715
18,219,198	17,322,761	9,423,608	9,423,608	2,511,686	2,819,939	2,322,486
11,608,348	13,108,932	16,459,305	16,459,305	25,900,879	29,360,146	27,795,167
1,092,666	1,009,514	1,017,727	1,017,727	1,035,234	1,128,060	1,052,568
1,768,066	1,922,843	2,096,487	2,096,487	2,390,203	2,549,218	2,843,656
1,079,141	1,097,697	1,028,203	1,028,203	1,088,953	1,126,561	1,177,552
2,391,795	1,858,224	3,994,512	3,994,512	5,651,173	5,484,438	5,372,963
-	-	-	-	-	-	-
1,534,396	1,261,505	2,718,041	2,718,041	2,147,602	3,662,709	1,179,131
-	-	6,696,994	6,696,994	-	-	-
(1,465,006)	(1,631,273)	-	-	(1,746,591)	(2,504,962)	(2,160,387)
56,004,643	56,342,807	64,615,907	64,615,907	58,633,865	65,866,342	64,595,851
202,500	202,500	-	-	-	-	-
1,465,006	1,631,273	-	-	1,746,591	2,504,962	2,160,387
1,667,506	1,833,773	-	-	1,746,591	2,504,962	2,160,387
57,672,149	58,176,580	64,615,907	64,615,907	60,380,456	68,371,304	66,756,238
(14,021,230)	(5,757,758)	7,784,552	14,347,587	7,411,918	19,091,234	23,777,101
1,032,761	592,761	(2,664,119)	(1,166,073)	(1,300,474)	(564,942)	(262,359)
(12,988,469)	(5,164,997)	5,120,433	13,181,514	6,111,444	18,526,292	23,514,742

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

	Fiscal Year					
	2011 (a)	2012	2013	2014	2015	2016
General fund:						
Nonspendable	\$ 15,190,427	15,272,801	15,216,754	15,110,492	15,127,548	11,474,577
Restricted	-	-	-	-	-	-
Unassigned	33,552,248	36,051,479	40,946,024	43,062,013	45,493,743	52,400,666
Total general fund	<u>48,742,675</u>	<u>51,324,280</u>	<u>56,162,778</u>	<u>58,172,505</u>	<u>60,621,291</u>	<u>63,875,243</u>
 All other governmental funds:						
Nonspendable	-	-	-	-	-	-
Restricted	125,592,920	110,139,272	105,913,679	105,980,666	105,647,274	59,362,140
Unassigned	(34,639,920)	(4,368,665)	(7,649,689)	(9,519,379)	(12,632,110)	(23,495,816)
Total all other governmental funds	<u>\$ 90,953,000</u>	<u>105,770,607</u>	<u>98,263,990</u>	<u>96,461,287</u>	<u>93,015,164</u>	<u>35,866,324</u>
	Fiscal Year					
	2007	2008	2009	2010		
General fund:						
Reserved	\$ 14,102,208	12,580,739	12,524,030	12,342,170		
Unreserved	9,405,130	12,462,392	13,096,988	11,807,678		
Total general fund	<u>23,507,338</u>	<u>25,043,131</u>	<u>25,621,018</u>	<u>24,149,848</u>		
 All other governmental funds:						
Reserved	79,616,682	81,299,408	64,561,820	71,195,075		
Unreserved, reported in:						
Special revenue funds	15,361,611	23,782,402	23,685,219	22,929,354		
Debt service funds	59,701,697	63,934,115	64,380,169	61,397,363		
Capital projects funds	(19,868,092)	45,020,349	49,232,460	34,191,660		
Total all other governmental funds	<u>\$ 134,811,898</u>	<u>214,036,274</u>	<u>201,859,668</u>	<u>189,713,452</u>		

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

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

	Fiscal Year		
	2007	2008	2009
Revenues:			
Taxes	\$ 38,514,264	39,821,812	40,023,311
Casino license tax	21,221,796	22,667,115	21,095,275
Licenses and permits	2,506,530	3,102,448	2,880,662
Fines and forfeitures	215,474	161,491	257,603
Investment income	5,378,004	4,573,986	3,515,745
Rental income	936,585	723,613	692,172
Intergovernmental	2,360,915	3,313,647	2,538,032
Charges for services	1,197,648	1,407,376	1,340,772
Activity Fees	505,768	547,694	483,122
Settlement Income	-	-	-
Other	2,373,403	2,831,191	1,645,234
Total revenues	<u>75,210,387</u>	<u>79,150,373</u>	<u>74,471,928</u>
Expenditures			
Current:			
General government	17,612,838	18,211,676	21,329,416
Public safety	13,285,301	14,644,542	15,523,154
Public works	2,768,577	3,311,795	4,560,649
Community development	6,216,382	6,109,380	4,851,198
Library	2,767,002	3,186,168	3,037,302
Parks, recreation and culture	9,820,714	10,365,481	9,820,859
Capital outlay	245,274	1,636,332	386,226
Debt service:			
Principal retirement	6,112,623	5,150,560	5,871,179
Interest and fiscal charges	7,597,938	7,645,536	12,395,178
SERAF Payments	-	-	-
Bond Issuance Costs	-	2,392,879	-
Payment to bond escrow agent	-	5,297,255	-
Pass-through payments	1,325,248	2,006,249	3,635,798
Total expenditures	<u>67,751,897</u>	<u>79,957,853</u>	<u>81,410,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,458,490</u>	<u>(807,480)</u>	<u>(6,939,031)</u>
Other financing sources (uses):			
Transfers in	30,205,114	34,049,740	29,855,879
Transfers out	(32,947,592)	(35,580,849)	(32,122,322)
Issuance of bonds	-	138,915,753	-
Proceeds of refunding bonds	-	-	-
Premium on bonds	-	-	-
Payment to bond escrow agent	-	(56,008,368)	-
Total other financing sources (uses)	<u>(2,742,478)</u>	<u>81,376,276</u>	<u>(2,266,443)</u>
Extraordinary gain (loss) (note 19)	-	-	-
Net change in fund balances	<u>\$ 4,716,012</u>	<u>80,568,796</u>	<u>(9,205,474)</u>
Ratio of debt service expenditures to noncapital expenditures	21%	18%	23%

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
36,717,353	36,849,238	30,838,722	28,073,069	32,926,955	36,983,924	35,191,429
19,776,039	20,392,604	21,181,030	20,600,922	19,654,726	22,240,233	25,012,715
2,266,014	2,515,108	2,051,387	2,489,592	2,900,240	2,995,798	3,094,043
1,255,554	1,315,707	756,196	1,467,241	1,605,598	1,693,006	1,500,460
5,937,005	8,379,360	7,001,775	5,840,623	5,662,019	5,492,779	5,376,602
3,802,188	918,914	707,840	12,319	73,324	60,546	65,804
3,461,021	2,806,231	2,539,595	4,193,761	4,469,864	4,716,798	10,533,532
895,661	757,199	500,455	163,657	473,358	481,788	442,178
354,582	346,616	436,868	433,859	414,127	401,567	387,652
2,325,000	-	-	-	-	-	-
1,632,210	1,286,695	1,972,515	1,770,546	1,768,877	1,805,765	956,288
78,422,627	75,567,672	67,986,383	65,045,589	69,949,088	76,872,204	82,560,703
17,386,171	17,447,206	16,547,709	15,609,127	16,616,771	18,208,263	15,910,208
15,622,837	15,903,482	15,583,635	16,226,042	16,737,125	17,696,949	18,717,286
6,513,338	6,763,595	5,894,285	11,156,226	10,682,593	14,543,747	29,308,208
13,338,627	7,128,103	2,140,768	2,171,051	1,975,546	2,566,731	5,510,293
2,915,498	2,794,256	2,775,283	2,860,346	3,222,372	3,593,745	3,640,566
8,958,379	8,075,994	7,969,161	8,035,395	8,426,766	8,948,228	9,563,855
-	-	-	-	-	-	-
6,299,277	9,332,647	7,971,902	4,510,000	5,480,000	4,585,000	46,690,000
11,898,888	13,485,684	9,677,103	5,186,151	4,940,642	4,791,759	4,954,788
7,022,026	1,359,567	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,591,812	-
2,949,934	2,387,491	813,392	-	-	-	-
92,904,975	84,678,025	69,373,238	65,754,338	68,081,815	76,526,234	134,295,204
(14,482,348)	(9,110,353)	(1,386,855)	(708,749)	1,867,273	345,970	(51,734,501)
29,089,788	24,202,439	2,331,429	2,331,429	3,368,424	6,824,304	2,259,463
(30,644,794)	(25,833,712)	(3,710,866)	(3,710,866)	(5,429,737)	(8,560,288)	(4,419,850)
-	-	-	-	-	-	-
-	-	-	-	-	10,000,000	-
-	-	-	-	-	1,204,670	-
-	-	-	-	-	(10,811,993)	-
(1,555,006)	(1,631,273)	(1,379,437)	(1,379,437)	(2,061,313)	(1,343,307)	(2,160,387)
-	-	20,466,590	-	-	-	-
(16,037,354)	(10,741,626)	17,700,298	(2,088,186)	(194,040)	(997,337)	(53,894,888)
22%	28%	26%	15%	16.85%	13.8%	40.6%

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			Redevelopment Agency ¹			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2007	\$ 950,650	235,577	1,186,227	2,082,111	486,053	2,568,164	0.068%
2008	957,294	213,131	1,170,425	2,266,652	474,724	2,741,376	0.068%
2009	1,049,626	204,194	1,253,820	2,402,608	477,214	2,879,822	0.068%
2010	1,068,751	197,738	1,266,489	2,536,257	454,588	2,990,845	0.093%
2011	1,085,986	219,637	1,305,623	2,493,982	413,912	2,907,894	0.093%
2012	1,105,952	201,785	1,307,737	2,565,465	428,426	2,993,891	0.068%
2013	3,666,439	630,210	4,296,649	-	-	-	0.068%
2014	3,851,105	604,103	4,455,208	-	-	-	0.068%
2015	3,960,810	625,494	4,586,304	-	-	-	0.068%
2016	4,128,859	663,524	4,792,383	-	-	-	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: Los Angeles County Assessor's Office - Form SV 13

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

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

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all property within the City. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed value for approved bonds.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates are included in the tax ratio figures.

(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. This rate is not 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 1981. Redevelopment and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from 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 the government preparing the statistical section information.

<u>2013/14</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
1.00000	1.00000	1.00000	1.00000
0.02502	0.02502	-	-
-	-	-	-
0.06603	0.06603	-	-
-	-	-	-
0.04454	0.04454	0.04017	0.03575
-	-	-	-
0.14644	0.14644	0.14688	0.12971
0.00350	0.00350	0.00350	0.00350
<u>0.09457</u>	<u>0.09457</u>	<u>0.08750</u>	<u>0.08715</u>
1.38010	1.38010	1.27805	1.25611
0.06793	0.06793	0.06793	0.06793
-	-	-	-
0.06818	0.06818	0.06818	0.06817

by all taxing agencies for which the subject
erty values for the payment of any voter

rates apply to all city property owners.
e city. ERAF general fund tax shifts may

9 per California State statute. RDA direct
om the State of California for the fiscal year

range of all individual direct rates applied by

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

Taxpayer	2015/16		Taxpayer	2006/07	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value		Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Craig Realty Group Citadel LLC	\$ 186,325,010	3.88%	California Commerce Club Inc.	\$ 103,149,779	2.75%
AMB Institutional Alliance Fund	176,735,106	3.68%	Craig Realty Group Citadel LLC	84,621,034	2.25%
California Commerce Club, Inc.	100,045,196	2.08%	AMB Institutional Alliance Fund	80,951,518	2.16%
LIT Commerce Distribution Center LLC	92,500,925	1.93%	LIT Commerce Distribution Center LLC	80,769,193	2.15%
Rreef America Reit II Corporation	87,059,909	1.81%	Union Pacific Railroad Company	72,753,894	1.94%
Prologis USLV NewCA 6 LLC	81,892,726	1.71%	AMB Property LP	50,903,460	1.36%
Von's Companies Inc. Safeway	71,102,506	1.48%	Rreef America Reit II Corporation	49,612,928	1.32%
99 Cents Only Stores	63,345,184	1.32%	Von's Companies Inc.	45,369,980	1.21%
TELACU	60,946,011	1.27%	ARI COP 17 LLC	44,378,160	1.18%
Terreno Garfield LLC	54,763,391	1.14%	99 Cents Only Stores	42,252,205	1.13%
	<u>\$ 974,715,964</u>	<u>20.30%</u>		<u>\$ 654,762,151</u>	<u>17.45%</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
2007	\$ 17,181,443	16,908,962	98.41%	1,292,831	18,201,793	105.94%
2008	17,255,072	17,142,440	99.35%	398,321	17,540,761	101.66%
2009	19,155,236	19,040,059	99.40%	525,897	19,565,956	102.14%
2010	19,726,330	20,619,058	104.53%	478,562	21,097,620	106.95%
2011	19,880,502	19,294,354	97.05%	359,833	19,654,187	98.86%
2012	20,212,223	15,824,853	78.29%	36,888	15,861,741	78.48%
2013*	1,672,673	1,656,783	99.05%	91,973	1,748,756	104.55%
2014	1,704,028	1,660,778	97.46%	42,529	1,703,307	99.96%
2015	1,728,663	1,726,766	99.89%	1,897	1,728,663	100.00%
2016	1,838,006	1,811,369	98.55%	28,534	1,839,903	100.10%

NOTE:

The amounts presented for 2004 to 2012 include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

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

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

Source: Los Angeles County Auditor Controller's Office

CITY OF COMMERCE
Card Club License Fee by Category
Last Ten Calendar Years
(in thousands of dollars)

	Calendar Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross Card Room -- Gaming Revenue	\$ 21,102	22,547	20,975	19,656	20,273	21,061	20,481	19,535	22,130	24,883
Monthly License Fee	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>
Total	<u>\$ 21,222</u>	<u>22,667</u>	<u>21,095</u>	<u>19,776</u>	<u>20,393</u>	<u>21,181</u>	<u>20,601</u>	<u>19,655</u>	<u>22,250</u>	<u>25,003</u>
Monthly Percentage applied	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)

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

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

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

Source: City of Commerce - Finance Department

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

<u>Monthly Gross Card Club Revenue</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
First \$0 to \$1,600,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Next \$1,600,001 to \$8,500,000	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Next \$8,500,001 to \$12,000,000	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Next \$12,000,001 to \$16,000,000	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
Over \$16,000,000	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Average Rate									12.9%	

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

Source: City of Commerce - Finance Department

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

<u>Tax Remitter</u>	<u>2016</u>			<u>2007</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	\$ 24,822,715	1	100.00%	<i>Information is not available</i>		
Total	<u>\$ 24,822,715</u>		<u>100.00%</u>			

Source: City of Commerce - Finance Department

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

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Tax Allocation Bonds ¹	Loans	Total Governmental Activities
2007	\$ 558,891	129,739,897	219,249	130,518,037
2008	440,005	147,340,000	105,703	147,885,708
2009	313,826	143,495,000	-	143,808,826
2010	179,549	139,335,000	-	139,514,549
2011	36,902	130,145,000	-	130,181,902
2012	-	117,395,000	-	117,395,000
2013	-	112,885,000	-	112,885,000
2014	-	107,405,000	-	107,405,000
2015	-	101,859,514	-	101,859,514
2016	-	55,109,280	-	55,109,280

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			
-	-	-	130,518,037	73.09%	9,750
-	-	-	147,885,708	79.94%	11,068
-	-	-	143,808,826	76.66%	10,703
-	-	-	139,514,549	76.03%	10,337
-	-	-	130,181,902	55.70%	9,602
-	-	-	117,395,000	58.34%	9,121
-	-	-	112,885,000	51.56%	8,727
-	-	-	107,405,000	49.99%	8,260
-	-	-	101,859,514	49.48%	7,829
-	-	-	55,109,280	27.18%	4,198

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	Tax				
	Obligation Bonds	Allocation Bonds	Total			
2007	\$ 558,891	129,739,897	130,298,788	3.47%	97	
2008	440,005	147,340,000	147,780,005	3.78%	107	
2009	313,826	143,495,000	143,808,826	3.48%	102	
2010	179,549	139,335,000	139,514,549	3.28%	100	
2011	36,902	130,145,000	130,181,902	3.06%	100	
2012	-	117,395,000	117,395,000	2.76%	100	
2013	-	112,885,000	112,885,000	2.65%	100	
2014	-	107,405,000	107,405,000	2.52%	100	
2015	-	101,859,514	101,859,514	2.39%	100	
2016	-	55,109,280	55,109,280	1.29%	100	

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

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

CITY OF COMMERCE
Direct and Overlapping Debt
June 30, 2016

	Gross Bonded Debt Balance	Percent Applicable to City
Total Direct Debt	\$ -	100.000%
Metropolitan Water District	44,916,916	0.251%
Los Angeles Unified School District	10,457,575,000	0.049%
Los Angeles City Community College District	3,671,000,000	0.681%
Montebello Unified School District	<u>117,436,341</u>	30.883%
Total Overlapping Debt	<u>14,290,928,257</u>	
Total Direct and Overlapping Debt	<u>\$ 14,290,928,257</u>	

2015/16 Assessed Valuation: \$2,583,924,399 After Deducting \$2,216,732,515 Incremental Value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.37%
	Overlapping Debt	2.57%
	Total Debt	2.95%

Source: Hdl

CITY OF COMMERCE
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Assessed valuation	2,568,164	2,741,376	2,879,822	2,990,845
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	642,041	685,344	719,956	747,711
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	96,306	102,802	107,993	112,157
Total net debt applicable to limit: General obligation bonds	<u>1,913,361</u>	<u>2,033,361</u>	<u>2,136,851</u>	<u>2,256,851</u>
Legal debt margin	<u>(1,817,055)</u>	<u>(1,930,559)</u>	<u>(2,028,858)</u>	<u>(2,144,694)</u>
Total debt applicable to the limit as a percentage of debt limit	1986.7%	1977.9%	1978.7%	2012.2%

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					
2011	2012	2013	2014	2015	2016
2,907,894	2,993,891	4,296,649	4,455,208	4,586,304	4,792,383
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
726,974	748,473	1,074,162	1,113,802	1,146,576	1,198,096
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
109,046	112,271	161,124	167,070	171,986	179,714
<u>2,360,341</u>	<u>2,480,341</u>	<u>2,583,831</u>	<u>2,703,831</u>	<u>2,807,321</u>	<u>2,927,321</u>
<u>(2,251,295)</u>	<u>(2,368,070)</u>	<u>(2,422,707)</u>	<u>(2,536,761)</u>	<u>(2,635,335)</u>	<u>(2,747,607)</u>
2164.5%	2209.2%	1603.6%	1618.4%	1632.3%	1628.9%

CITY OF COMMERCE
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2007	13,387	178,562	13,338	9.5%
2008	13,362	184,992	13,845	10.1%
2009	13,436	187,588	13,962	14.5%
2010	13,497	183,493	13,595	21.6%
2011	13,581	216,332	15,929	23.3%
2012	12,871	201,225	15,634	22.8%
2013	12,935	218,925	16,925	17.7%
2014	13,003	214,849	16,523	14.8%
2015	13,010	205,857	15,823	12.0%
2016	13,127	202,739	15,444	9.8%

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

CITY OF COMMERCE
Principal Employers
Current Year and Ten Years Ago

Employer	2016		2007	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
County of Los Angeles	2,500	3.85%	1,352	2.00%
California Commerce Club, Inc.	2,448	3.77%	2,191	3.25%
American International Industries	998	1.54%	686	1.02%
99 Cents Only Stores #914	539	0.83%	570	0.84%
Smart & Final Stores LLC	508	0.78%	937	1.39%
Gibson Overseas, Inc.*	395	0.61%		
Wine Warehouse	379	0.58%	376	0.56%
Unified Grocers Inc.	377	0.58%	743	1.10%
UPS Ground Freight, Inc.*	351	0.54%		
OnTrac*	350	0.54%		

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

*Information for 2007 is not available

Source: City of Commerce - Business License

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	78	78	76	72	70	69	69	39	39	39
Public safety ¹	-	-	-	-	-	-	-	-	-	-
Community services	31	31	32	32	29	29	29	28	28	28
Public Works & Development Services	20	20	25	24	19	13	13	17	17	13
Park & Recreation	124	124	125	118	105	105	105	135	135	136
Library Services	38	38	43	43	37	36	36	39	39	39
Transportation	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>34</u>
Total	<u>323</u>	<u>323</u>	<u>334</u>	<u>322</u>	<u>295</u>	<u>287</u>	<u>287</u>	<u>292</u>	<u>292</u>	<u>289</u>

¹ Police and fire services were provided by the County.

Source: City Budget Book

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

	Fiscal Year			
	2007	2008	2009	2010
Police:				
Stations	-	-	-	-
Fire:				
Fire stations	3	3	3	3
Public services:				
Streets (miles)	133.10	133.80	133.80	133.80
Streetlights	3,185	3,188	3,191	3,193
Traffic signals	76	77	79	80
Parks and recreation:				
Parks	4	4	4	4
Community centers	2	2	2	2
Water:				
Water mains (miles)	172.90	173.40	173.90	173.90
Maximum daily capacity (thousands of gallons)	12,500	12,750	12,850	12,850
Wastewater:				
Sanitary sewers (miles)	179.15	181.25	181.75	181.75
Storm sewers (miles)	57.60	58.50	58.50	58.50
Maximum daily treatment capacity (thousands of gallons)	6,976	6,995	7,015	7,015
Library:				
Libraries	4	4	4	4

Source: City of Commerce

Fiscal Year					
2011	2012	2013	2014	2015	2016
-	-	-	-	-	-
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