

CITY OF COMMERCE
Commerce, California

Comprehensive Annual Financial Report

Year ended June 30, 2012

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, 2012

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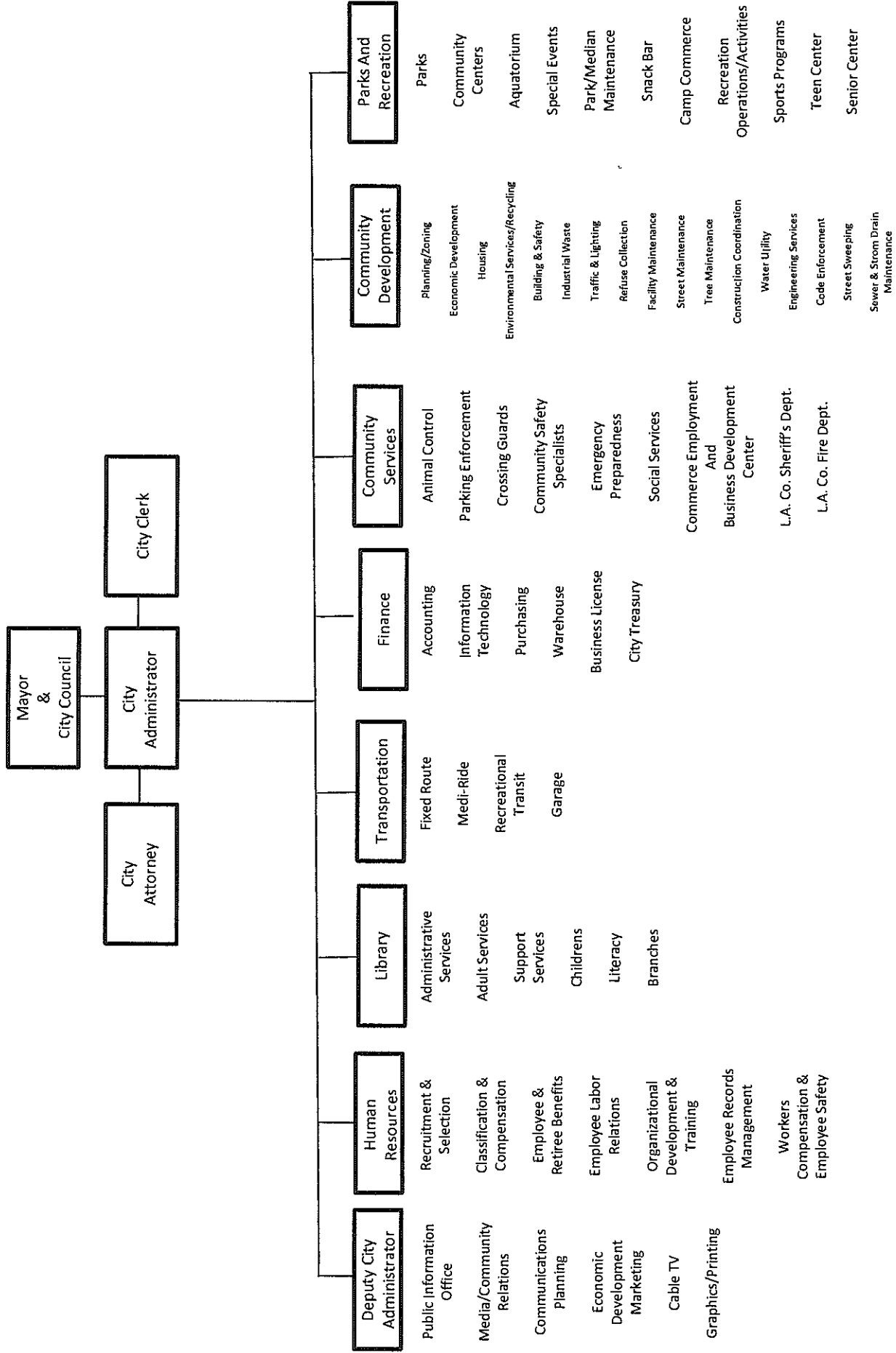
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City of Commerce Organization Chart



City of Commerce

Directory of Officials

June 30, 2012

CITY COUNCIL

Lilia R. Leon, Mayor
Tina Baca Del Rio, Mayor Pro Tem
Joe Aguilar, Council Member
Ivan Altamirano, Council Member
Denise M. Robles, Council Member

ADMINISTRATION

Jorge Rifa, City Administrator
Linda Kay Olivieri, City Clerk
Eduardo Olivo, City Attorney
Loretta Gutierrez, Interim Director of Community Services
Vilko Domic, Director of Finance
Teresa McAllister, Director of Human Resources
Beatriz Sarmiento, Interim Director of Library Services
Scott Wasserman, Interim Director of Parks and Recreation
Claude McFerguson, Director of Transportation



Mayer Hoffman McCann P.C.

An Independent CPA Firm

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Honorable Mayor and City Council
City of Commerce
Commerce, California

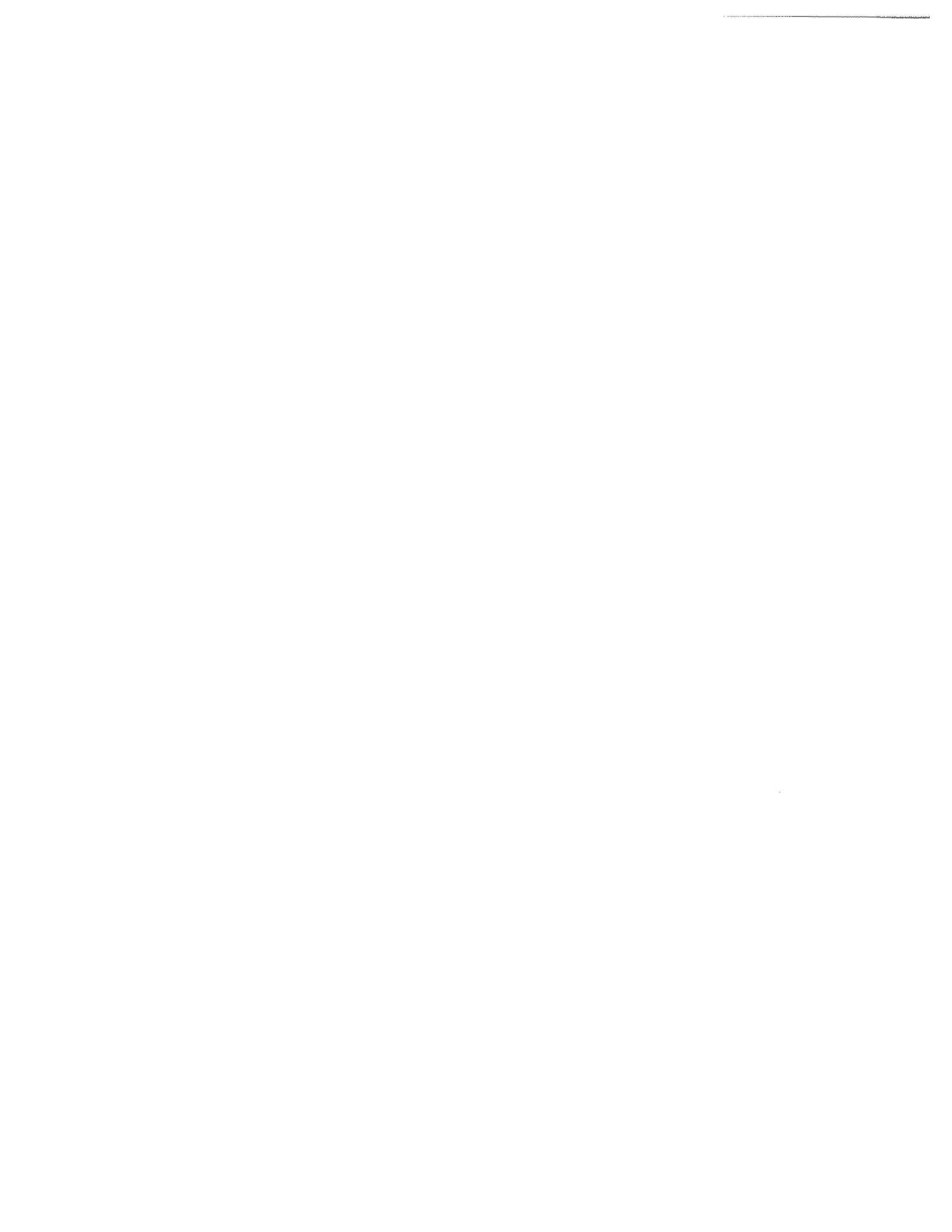
Independent Auditors' Report

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, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Commerce. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Commerce for the year ended June 30, 2011 and, in our report dated February 8, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Commerce, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, of the City of Commerce, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and the budgetary comparison information listed as required supplementary information in the table of contents 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 the 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 regarding the methods of preparing the information and comparing the information for consistency with management's



The Honorable Mayor and City Council
City of Commerce
Commerce, California

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.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Maye Hoffman McCann P.C.

Irvine, California
February 25, 2013

CITY OF COMMERCE
Statement of Net Assets
June 30, 2012
(with comparative information for the prior year)

| | Governmental | Business-type | Totals | |
|--|----------------------|--------------------|--------------------|--------------------|
| | Activities | Activities | 2012 | 2011 |
| Assets: | | | | |
| Cash and investments (note 2) | \$ 28,621,665 | - | 28,621,665 | 57,036,740 |
| Cash and investments with fiscal agent (note 2) | 6,811,110 | - | 6,811,110 | 17,529,108 |
| Interest receivable | 44,201 | - | 44,201 | 286,968 |
| Accounts receivable | 2,424,970 | 70,259 | 2,495,229 | 2,273,051 |
| Unamortized bond issuance costs | 134,085 | - | 134,085 | 2,033,948 |
| Due from other governments | 2,407,164 | 567,695 | 2,974,859 | 4,452,353 |
| Internal balances | 6,008,144 | (6,008,144) | - | - |
| Receivable from Successor Agency (note 7) | 115,565,000 | 2,700,000 | 118,265,000 | - |
| Loans and leases receivable | 482,572 | - | 482,572 | 172,911 |
| Prepaid items and deposits | 147,457 | - | 147,457 | 412,887 |
| Property held for resale | 1,053,000 | - | 1,053,000 | 63,428,172 |
| Investment in joint venture (note 12) | 10,954,350 | - | 10,954,350 | 10,573,585 |
| Capital assets (note 5): | | | | |
| Nondepreciable | 3,105,259 | 334,099 | 3,439,358 | 19,301,236 |
| Depreciable, net | 33,863,196 | 8,798,735 | 42,661,931 | 61,792,892 |
| Total assets | <u>211,622,173</u> | <u>6,462,644</u> | <u>218,084,817</u> | <u>239,293,851</u> |
| Liabilities: | | | | |
| Accounts payable | 4,759,168 | 456,858 | 5,216,026 | 6,852,220 |
| Accrued salaries and benefits | 425,470 | 66,427 | 491,897 | 375,258 |
| Interest payable | 1,961,409 | - | 1,961,409 | 2,221,783 |
| Deposits payable | 38,084 | - | 38,084 | 267,590 |
| Due to other governments | - | - | - | 942,648 |
| Unearned revenue | - | - | - | 96,466 |
| Noncurrent liabilities (note 6) | | | | |
| Due within one year | 5,213,732 | 84,431 | 5,298,163 | 6,463,660 |
| Due in more than one year | <u>121,894,011</u> | <u>197,918</u> | <u>122,091,929</u> | <u>124,270,449</u> |
| Total liabilities | <u>134,291,874</u> | <u>805,634</u> | <u>135,097,508</u> | <u>141,490,074</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 41,949,565 | 9,132,834 | 51,082,399 | (17,298,080) |
| Restricted for: | | | | |
| Housing | 1,013,400 | - | 1,013,400 | 25,612,652 |
| Redevelopment | - | - | - | 2,075,228 |
| Public safety | 156,563 | - | 156,563 | 231,369 |
| Public works | 1,985,000 | - | 1,985,000 | 46,718 |
| Unrestricted | <u>32,225,771</u> | <u>(3,475,824)</u> | <u>28,749,947</u> | <u>87,135,890</u> |
| Total net assets | <u>\$ 77,330,299</u> | <u>5,657,010</u> | <u>82,987,309</u> | <u>97,803,777</u> |

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Statement of Activities
Year ended June 30, 2012
(with comparative information for the prior year)

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|----------------------------------|-----------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Contributions and Grants</u> | <u>Capital Contributions and Grants</u> |
| Governmental activities: | | | | |
| General government | \$ 17,996,527 | 351,962 | - | - |
| Community development | 2,269,890 | 637,061 | 262,423 | 163,426 |
| Public safety | 15,583,635 | 729,369 | 161,288 | - |
| Public works | 6,464,741 | 2,042,031 | 1,343,259 | 386,694 |
| Library | 3,001,247 | 26,827 | 23,075 | - |
| Parks, recreation and culture | 8,808,268 | 667,379 | 553,588 | - |
| Interest on long-term debt | 10,055,429 | - | - | - |
| Total governmental activities | 64,179,737 | 4,454,629 | 2,343,633 | 550,120 |
| Business-type activities: | | | | |
| Transit | 4,417,649 | 373,547 | 2,083,931 | - |
| Water | 491,453 | - | - | - |
| Cable television | 250,312 | 37,817 | - | - |
| Total business-type activities | 5,159,414 | 411,364 | 2,083,931 | - |
| Total | \$ 69,339,151 | 4,865,993 | 4,427,564 | 550,120 |

General revenues:

Taxes:

Casino license tax

Property taxes

Sales taxes

Franchise taxes

Transient occupancy taxes

Motor vehicle in lieu, unrestricted

Investment income

Miscellaneous revenues

Extraordinary gain (note 19)

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated (note 17)

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

| Governmental Activities | Business-type Activities | Totals | |
|----------------------------|-----------------------------|-------------------|-------------------|
| | | 2012 | 2011 |
| (17,644,565) | - | (17,644,565) | (17,651,539) |
| (1,206,980) | - | (1,206,980) | (9,850,310) |
| (14,692,978) | - | (14,692,978) | (14,782,514) |
| (2,692,757) | - | (2,692,757) | (1,514,672) |
| (2,951,345) | - | (2,951,345) | (3,874,525) |
| (7,587,301) | - | (7,587,301) | (6,916,777) |
| (10,055,429) | - | (10,055,429) | (7,510,228) |
| (56,831,355) | - | (56,831,355) | (62,100,565) |
| - | (1,960,171) | (1,960,171) | (659,883) |
| - | (491,453) | (491,453) | (345,153) |
| - | (212,495) | (212,495) | (235,976) |
| - | (2,664,119) | (2,664,119) | (1,241,012) |
| (56,831,355) | (2,664,119) | (59,495,474) | (63,341,577) |
| 21,181,030 | - | 21,181,030 | 20,392,604 |
| 9,423,608 | - | 9,423,608 | 17,322,761 |
| 16,459,305 | - | 16,459,305 | 13,108,932 |
| 1,017,727 | - | 1,017,727 | 1,009,514 |
| 2,096,487 | - | 2,096,487 | 1,922,843 |
| 1,028,203 | - | 1,028,203 | 1,097,697 |
| 3,876,387 | 118,125 | 3,994,512 | 2,060,724 |
| 2,718,041 | - | 2,718,041 | 1,261,505 |
| 6,696,994 | - | 6,696,994 | - |
| (1,379,437) | 1,379,437 | - | - |
| 63,118,345 | 1,497,562 | 64,615,907 | 58,176,580 |
| 6,286,990 | (1,166,557) | 5,120,433 | (5,164,997) |
| 71,043,309 | 6,823,567 | 77,866,876 | 102,968,774 |
| <u>\$ 77,330,299</u> | <u>5,657,010</u> | <u>82,987,309</u> | <u>97,803,777</u> |

CITY OF COMMERCE
Governmental Funds - Balance Sheet
June 30, 2012
(with comparative information for the prior year)

| | General | Debt Service Funds | | |
|--|----------------------|--|---------------------|--|
| | | Joint Powers Financing Authority | Community Center | Community Development Commission |
| Cash and investments | \$ 27,436,339 | 715,621 | - | - |
| Cash and investments with fiscal agent | - | 1,077,158 | 5,733,952 | - |
| Interest receivable | 30,585 | - | 13,616 | - |
| Accounts receivable | 2,424,970 | - | - | - |
| Due from other governments | 2,242,131 | - | - | - |
| Due from other funds (note 7) | 9,025,073 | - | - | - |
| Advances to other funds | - | - | - | - |
| Receivable from Successor Agency | 15,100,000 | 47,345,000 | - | - |
| Loans and leases receivable | 25,344 | - | - | - |
| Prepaid items and deposits | 147,457 | - | - | - |
| Property held for resale | - | - | - | - |
| Total assets | \$ 56,431,899 | 49,137,779 | 5,747,568 | - |
| Accounts payable | \$ 4,151,677 | - | - | - |
| Accrued salaries and benefits | 415,896 | - | - | - |
| Deposits payable | 38,084 | - | - | - |
| Due to other governments | - | - | - | - |
| Due to other funds (note 7) | - | - | 1,021,038 | - |
| Deferred revenue | 501,962 | - | - | - |
| Advances from other funds | - | - | - | - |
| Total liabilities | 5,107,619 | - | 1,021,038 | - |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaid items and deposits | 147,457 | - | - | - |
| Loans and leases receivables | 25,344 | - | - | - |
| Receivable from Successor Agency | 15,100,000 | - | - | - |
| Restricted for: | | | | |
| Capital projects | - | - | - | - |
| Community development | - | - | - | - |
| Debt service | - | 49,137,779 | 4,726,530 | - |
| Housing | - | - | - | - |
| Law enforcement | - | - | - | - |
| Transportation | - | - | - | - |
| Unassigned | 36,051,479 | - | - | - |
| Total fund balances | 51,324,280 | 49,137,779 | 4,726,530 | - |
| Total liabilities and fund balances | \$ 56,431,899 | 49,137,779 | 5,747,568 | - |

See accompanying notes to the basic financial statements.

| General City Capital Projects Fund | Non-Major Governmental Funds | Totals | |
|---|------------------------------------|--------------------|--------------------|
| | | 2012 | 2011 |
| 14,336 | 274,136 | 28,440,432 | 56,447,828 |
| - | - | 6,811,110 | 17,529,108 |
| - | - | 44,201 | 286,968 |
| - | - | 2,424,970 | 2,261,933 |
| 128,252 | 36,781 | 2,407,164 | 3,746,152 |
| - | - | 9,025,073 | 28,237,649 |
| - | - | - | 118,850,000 |
| 53,120,000 | - | 115,565,000 | - |
| - | 457,228 | 482,572 | 172,911 |
| - | - | 147,457 | 412,887 |
| - | 1,053,000 | 1,053,000 | 63,428,172 |
| <u>53,262,588</u> | <u>1,821,145</u> | <u>166,400,979</u> | <u>291,373,608</u> |
| 519,446 | 43,045 | 4,714,168 | 6,312,016 |
| - | 564 | 416,460 | 327,466 |
| - | - | 38,084 | 267,590 |
| - | - | - | 942,648 |
| 1,923,762 | 72,129 | 3,016,929 | 21,919,472 |
| 128,252 | 490,237 | 1,120,451 | 312,023 |
| - | - | - | 121,550,000 |
| <u>2,571,460</u> | <u>605,975</u> | <u>9,306,092</u> | <u>151,631,215</u> |
| - | - | 147,457 | 65,083 |
| - | - | 25,344 | 25,344 |
| - | - | 15,100,000 | 15,100,000 |
| 1,939,644 | - | 1,939,644 | 7,332,392 |
| - | - | - | 27,565,723 |
| 53,120,000 | - | 106,984,309 | 61,667,784 |
| - | 1,013,400 | 1,013,400 | 25,612,652 |
| - | 156,563 | 156,563 | 191,503 |
| - | 45,356 | 45,356 | 46,718 |
| (4,368,516) | (149) | 31,682,814 | 2,135,194 |
| <u>50,691,128</u> | <u>1,215,170</u> | <u>157,094,887</u> | <u>139,742,393</u> |
| <u>53,262,588</u> | <u>1,821,145</u> | <u>166,400,979</u> | <u>291,373,608</u> |

CITY OF COMMERCE
Governmental Funds

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

June 30, 2012

| | |
|--|----------------|
| Fund balances of governmental funds | \$ 157,094,887 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity. | |
| Capital assets | 131,945,468 |
| Accumulated depreciation | (94,977,013) |
| The City's investment in a joint venture has not been included in the governmental fund activity. | |
| | 10,954,350 |
| Long-term debt and compensated absences that have not been included in the governmental fund activity: | |
| Bonds payable | (117,395,000) |
| Compensated absences | (2,712,193) |
| Other long-term liabilities | (7,000,550) |
| Unamortized bond issuance costs | 134,085 |
| Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. | |
| | (1,961,409) |
| Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting. | |
| | 1,120,451 |
| 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 assets. | |
| | 127,223 |
| Net assets of governmental activities | \$ 77,330,299 |

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CITY OF COMMERCE
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012
(with comparative information for the prior year)

| | Debt Service Funds | | | |
|---|----------------------|--|---------------------|--|
| | General | Joint Powers Financing Authority | Community Center | Community Development Commission |
| Revenues: | | | | |
| Taxes | \$ 22,441,114 | - | - | 8,397,608 |
| Casino license tax | 21,181,030 | - | - | - |
| Licenses and permits | 2,051,387 | - | - | - |
| Intergovernmental | 562,038 | - | - | - |
| Fines and forfeitures | 756,196 | - | - | - |
| Investment income | 723,834 | 2,981,840 | 45,545 | 221,870 |
| Activity fees | 436,868 | - | - | - |
| Charges for services | 500,455 | - | - | - |
| Rental income | 86,450 | - | - | 192,408 |
| Miscellaneous | 1,330,339 | - | - | - |
| Total revenues | <u>50,069,711</u> | <u>2,981,840</u> | <u>45,545</u> | <u>8,811,886</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 14,428,270 | - | - | 105,000 |
| Community development | 1,321,452 | - | - | - |
| Public safety | 15,406,557 | - | - | - |
| Public works | 4,845,545 | - | - | - |
| Library | 2,775,283 | - | - | - |
| Parks, recreation and culture | 7,969,161 | - | - | - |
| Debt service: | | | | |
| Principal | 36,902 | 1,070,000 | 340,000 | 3,305,000 |
| Interest and fiscal charges | 477 | 2,331,348 | 588,735 | 2,903,942 |
| SERAF payments | - | - | - | - |
| Payments under pass-through obligations | - | - | - | 813,392 |
| Total expenditures | <u>46,783,647</u> | <u>3,401,348</u> | <u>928,735</u> | <u>7,127,334</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,286,064</u> | <u>(419,508)</u> | <u>(883,190)</u> | <u>1,684,552</u> |
| Other financing sources (uses): | | | | |
| Transfers in (note 8) | 477,579 | - | 926,235 | 311,628 |
| Transfers out (note 8) | (1,182,038) | (311,629) | - | (582,175) |
| Total other financing sources (uses) | <u>(704,459)</u> | <u>(311,629)</u> | <u>926,235</u> | <u>(270,547)</u> |
| Extraordinary gain (loss) (note 19) | - | - | - | 67,692,831 |
| Net change in fund balances | 2,581,605 | (731,137) | 43,045 | 69,106,836 |
| Fund balances at beginning of year, as restated (note 17) | <u>48,742,675</u> | <u>49,868,916</u> | <u>4,683,485</u> | <u>(69,106,836)</u> |
| Fund balances at end of year | <u>\$ 51,324,280</u> | <u>49,137,779</u> | <u>4,726,530</u> | <u>-</u> |

See accompanying notes to the basic financial statements.

| General City Capital Projects Fund | Non-Major Governmental Funds | Totals | |
|---|------------------------------------|--------------------|--------------------|
| | | 2012 | 2011 |
| - | - | 30,838,722 | 36,849,238 |
| - | - | 21,181,030 | 20,392,604 |
| - | - | 2,051,387 | 2,515,108 |
| 3,579 | 1,973,978 | 2,539,595 | 2,806,231 |
| - | - | 756,196 | 1,315,707 |
| 2,960,283 | 68,403 | 7,001,775 | 8,379,360 |
| - | - | 436,868 | 346,616 |
| - | - | 500,455 | 757,199 |
| - | 428,982 | 707,840 | 918,914 |
| 597,959 | 44,217 | 1,972,515 | 1,286,695 |
| <u>3,561,821</u> | <u>2,515,580</u> | <u>67,986,383</u> | <u>75,567,672</u> |
| - | 2,014,439 | 16,547,709 | 17,447,206 |
| - | 819,316 | 2,140,768 | 7,128,103 |
| - | 177,078 | 15,583,635 | 15,903,482 |
| 1,048,740 | - | 5,894,285 | 6,763,595 |
| - | - | 2,775,283 | 2,794,256 |
| - | - | 7,969,161 | 8,075,994 |
| 2,900,000 | 320,000 | 7,971,902 | 9,332,647 |
| 2,479,014 | 1,373,587 | 9,677,103 | 13,485,684 |
| - | - | - | 1,359,567 |
| - | - | 813,392 | 2,387,491 |
| <u>6,427,754</u> | <u>4,704,420</u> | <u>69,373,238</u> | <u>84,678,025</u> |
| <u>(2,865,933)</u> | <u>(2,188,840)</u> | <u>(1,386,855)</u> | <u>(9,110,353)</u> |
| 33,811 | 582,176 | 2,331,429 | 24,202,439 |
| - | (1,635,024) | (3,710,866) | (25,833,712) |
| <u>33,811</u> | <u>(1,052,848)</u> | <u>(1,379,437)</u> | <u>(1,631,273)</u> |
| - | (47,226,241) | 20,466,590 | - |
| (2,832,122) | (50,467,929) | 17,700,298 | (10,741,626) |
| <u>53,523,250</u> | <u>51,683,099</u> | <u>139,394,589</u> | <u>150,484,019</u> |
| <u>50,691,128</u> | <u>1,215,170</u> | <u>157,094,887</u> | <u>139,742,393</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, 2012

Net changes in fund balances - total governmental funds \$ 17,700,298

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 | 537,575 |
| Depreciation | (2,482,373) |

Increases and decreases in Investment in Joint Venture are not recorded as revenue or expenditures in the governmental funds. 380,765

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Amortization of issuance costs premiums and discounts are recorded as an adjustment to long-term liabilities and is recorded as an adjustment to interest expense.

| | |
|---|-----------|
| Principal expense | 7,971,902 |
| Amortization of issuance costs and other fiscal charges | (465,672) |

Increases in other long-term liabilities are not recorded as expenditures in the governmental funds. (1,614,031)

The statement of net assets includes accrued interest on long term debt. (2,866,004)

To record as an expense the net change in compensated absences in the statement of activities. (20,387)

Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting. 914,514

Extraordinary loss through the dissolution of the redevelopment agency:

| | |
|---|--------------|
| Adjustment to capital assets | (12,436,605) |
| Adjustment to long-term liabilities | (4,393,149) |
| Adjustment to interest payable and deferred revenue | 3,060,158 |

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. _____(1)

Change in net assets of governmental activities \$ 6,286,990

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Net Assets
June 30, 2012

| | Business-type Activities | | | | Governmental |
|----------------------------------|--------------------------|--------------------|---------------------|------------------------------|------------------------------|
| | | | | | Activities |
| | Transit | Water | Cable Television | Total Enterprise Funds | Internal Service Funds |
| <u>Assets</u> | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ - | - | - | - | 181,233 |
| Accounts receivable, net | 60,325 | - | 9,934 | 70,259 | - |
| Due from other governments | 567,695 | - | - | 567,695 | - |
| Total current assets | <u>628,020</u> | <u>-</u> | <u>9,934</u> | <u>637,954</u> | <u>181,233</u> |
| Noncurrent assets: | | | | | |
| Receivable from Successor Agency | - | 2,700,000 | - | 2,700,000 | - |
| Capital assets, net | 8,310,029 | 822,805 | - | 9,132,834 | - |
| Total noncurrent assets | <u>8,310,029</u> | <u>3,522,805</u> | <u>-</u> | <u>11,832,834</u> | <u>-</u> |
| Total assets | <u>\$ 8,938,049</u> | <u>3,522,805</u> | <u>9,934</u> | <u>12,470,788</u> | <u>181,233</u> |
| <u>Liabilities</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 256,101 | 196,765 | 3,992 | 456,858 | 45,000 |
| Accrued salaries and benefits | 60,513 | - | 5,914 | 66,427 | 9,010 |
| Due to other funds (note 7) | 1,568,603 | 4,369,243 | 70,298 | 6,008,144 | - |
| Compensated absences | 84,431 | - | - | 84,431 | - |
| Total current liabilities | <u>1,969,648</u> | <u>4,566,008</u> | <u>80,204</u> | <u>6,615,860</u> | <u>54,010</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences | 197,918 | - | - | 197,918 | - |
| Total liabilities | <u>2,167,566</u> | <u>4,566,008</u> | <u>80,204</u> | <u>6,813,778</u> | <u>54,010</u> |
| <u>Net Assets</u> | | | | | |
| Invested in capital assets | 8,310,029 | 822,805 | - | 9,132,834 | - |
| Unrestricted | <u>(1,539,546)</u> | <u>(1,866,008)</u> | <u>(70,270)</u> | <u>(3,475,824)</u> | <u>127,223</u> |
| Total net assets | <u>\$ 6,770,483</u> | <u>(1,043,203)</u> | <u>(70,270)</u> | <u>5,657,010</u> | <u>127,223</u> |

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2012

| | Business-type Activities | | | Total Enterprise Funds | Governmental Activities |
|---|--------------------------|--------------------|---------------------|------------------------------|------------------------------|
| | Transit | Water | Cable Television | | Internal Service Funds |
| Operating revenues: | | | | | |
| Charges for services | \$ 373,547 | - | 37,817 | 411,364 | 713,999 |
| Total operating revenues | <u>373,547</u> | <u>-</u> | <u>37,817</u> | <u>411,364</u> | <u>713,999</u> |
| Operating expenses: | | | | | |
| General and administrative | 380,335 | 1,231 | 228,622 | 610,188 | 349,844 |
| Operations | 2,262,696 | 459,748 | 21,690 | 2,744,134 | 364,156 |
| Maintenance | 842,324 | - | - | 842,324 | - |
| Depreciation and amortization | 932,294 | 30,474 | - | 962,768 | - |
| Total operating expenses | <u>4,417,649</u> | <u>491,453</u> | <u>250,312</u> | <u>5,159,414</u> | <u>714,000</u> |
| Operating income (loss) | <u>(4,044,102)</u> | <u>(491,453)</u> | <u>(212,495)</u> | <u>(4,748,050)</u> | <u>(1)</u> |
| Non-operating revenues (expenses): | | | | | |
| Intergovernmental | 2,083,931 | - | - | 2,083,931 | - |
| Interest income | - | 118,125 | - | 118,125 | - |
| Total non-operating revenues (expenses) | <u>2,083,931</u> | <u>118,125</u> | <u>-</u> | <u>2,202,056</u> | <u>-</u> |
| Transfers and capital contributions: | | | | | |
| Transfers in (note 8) | 1,285,066 | - | 255,803 | 1,540,869 | - |
| Transfers out (note 8) | - | (118,125) | (43,307) | (161,432) | - |
| Total transfers and capital contributions | <u>1,285,066</u> | <u>(118,125)</u> | <u>212,496</u> | <u>1,379,437</u> | <u>-</u> |
| Changes in net assets | <u>(675,105)</u> | <u>(491,453)</u> | <u>1</u> | <u>(1,166,557)</u> | <u>(1)</u> |
| Net assets at beginning of year, as restated (note 17) | <u>7,445,588</u> | <u>(551,750)</u> | <u>(70,271)</u> | <u>6,823,567</u> | <u>127,224</u> |
| Net assets at end of year | <u>\$ 6,770,483</u> | <u>(1,043,203)</u> | <u>(70,270)</u> | <u>5,657,010</u> | <u>127,223</u> |

CITY OF COMMERCE
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2012

| | Business-type Activities | | | | Governmental Activities |
|--|--------------------------|-----------|------------|------------------------------|------------------------------|
| | Transit | Water | Cable | Total Enterprise Funds | Internal Service Funds |
| | | | Television | | |
| Cash flows from operating activities: | | | | | |
| Cash received from other customers | \$ 395,778 | - | 38,351 | 434,129 | - |
| Cash received from user departments | - | - | - | - | 713,999 |
| Cash payments to suppliers for goods and services | (977,109) | (494,129) | (35,420) | (1,506,658) | (323,975) |
| Cash payments to employees for services | (2,357,624) | - | (210,969) | (2,568,593) | (346,533) |
| Net cash provided by (used for) operating activities | (2,938,955) | (494,129) | (208,038) | (3,641,122) | 43,491 |
| Cash flows from noncapital financing activities: | | | | | |
| Intergovernmental noncapital grants | 2,083,931 | - | - | 2,083,931 | - |
| Cash received from other funds | 1,285,066 | 494,129 | 201,101 | 1,980,296 | (400,926) |
| Cash paid to other funds | (348,534) | (118,125) | (43,307) | (509,966) | - |
| Net cash provided by (used for) non-capital financing activities | 3,020,463 | 376,004 | 157,794 | 3,554,261 | (400,926) |
| Cash flows from capital and related activities: | | | | | |
| Cash paid to acquire capital assets | (81,508) | - | - | (81,508) | - |
| Net cash provided by (used for) capital and related activities | (81,508) | - | - | (81,508) | - |
| Cash flows from investing activities: | | | | | |
| Interest received on investments | - | 118,125 | - | 118,125 | - |
| Net cash provided by (used for) investing activities | - | 118,125 | - | 118,125 | - |
| Net increase (decrease) in cash and cash equivalents | - | - | (50,244) | (50,244) | (357,435) |
| Cash and cash equivalents at beginning of year | - | - | 50,244 | 50,244 | 538,668 |
| Cash and cash equivalents at end of year | \$ - | - | - | - | 181,233 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ (4,044,102) | (491,453) | (212,495) | (4,748,050) | (1) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation | 932,294 | 30,474 | - | 962,768 | - |
| Adjustments: | | | | | |
| (Increase) decrease in accounts receivable | (59,675) | - | 534 | (59,141) | - |
| (Increase) decrease in due from other governments | 138,506 | - | - | 138,506 | - |
| Increase (decrease) in accounts payable | 94,067 | (33,150) | 1,635 | 62,552 | 40,181 |
| Increase (decrease) in accrued salaries and benefits | 22,046 | - | 2,288 | 24,334 | 3,311 |
| Increase (decrease) in deferred revenue | (56,600) | - | - | (56,600) | - |
| Increase (decrease) in compensated absences | 34,509 | - | - | 34,509 | - |
| Net cash provided by (used for) operating activities | \$ (2,938,955) | (494,129) | (208,038) | (3,641,122) | 43,491 |

There were no noncash capital, financing and investing activities during the year ended June 30, 2012.

See accompanying notes to the basic financial statements.

CITY OF COMMERCE
Fiduciary Funds
Statement of Fiduciary et Assets
June 30, 2012

| | Cash Deposits Agency Fund | Private Purpose Trust Funds |
|---|------------------------------|--------------------------------|
| <u>Assets</u> | | |
| Cash and investments (note 2) | \$ 583,948 | 32,525,476 |
| Cash and investments with fiscal agent (note 2) | - | 10,196,296 |
| Interest receivable | - | 199,188 |
| Unamortized bond issuance costs | - | 1,780,219 |
| Loans receivable | - | 31,130 |
| Lease receivable (note 4) | - | 76,730 |
| Property held for resale | - | 62,375,172 |
| Capital assets, net (note 5) | - | 12,320,422 |
| | 583,948 | 119,504,633 |
| <u>Liabilities</u> | | |
| Accounts payable | 25,168 | 1,562,284 |
| Accrued salaries and benefits | - | 67,158 |
| Interest payable | - | 2,602,947 |
| Deposits payable | 558,780 | 180,000 |
| Due to other governments | - | 335,567 |
| Long-term liabilities (note 6) | - | 119,048,334 |
| | 583,948 | 123,796,290 |
| <u>Net Assets</u> | | |
| Assets held in trust for Successor Agency | | (4,291,657) |
| | | \$ (4,291,657) |

CITY OF COMMERCE
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2012

| | Private Purpose Trust Funds |
|--|--------------------------------|
| Additions: | |
| Property taxes | \$ 5,775,849 |
| Intergovernmental | 51,883 |
| Investment income | 364,763 |
| Rental income | 275,638 |
| Total additions | 6,468,133 |
| Deductions: | |
| Administrative expenses | 813,326 |
| Maintenance and repair expenses | 18,168 |
| Professional services | 365,513 |
| Interest and fiscal charges | 2,517,311 |
| Payments under pass-through obligations | 51,883 |
| Depreciation | 116,183 |
| Miscellaneous | 180,412 |
| Total deductions | 4,062,796 |
| Changes in net assets before extraordinary items | 2,405,337 |
| Extraordinary gain (loss) (note 19) | (6,696,994) |
| Changes in net assets | (4,291,657) |
| Net assets held in trust, beginning of year | - |
| Net assets held in trust, end of year | \$ (4,291,657) |

CITY OF COMMERCE

Notes to the Basic Financial Statements

Year ended June 30, 2012

(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:

Community Development Commission of the City of Commerce

The Community Development Commission of the City of Commerce (the Commission) has established four redevelopment project areas pursuant to the State of California Health & Safety Code, Section 33000 entitled “Community Redevelopment Law”. The City Council approved and adopted the Redevelopment Plans for the Commerce Redevelopment Project Areas. These plans provide for the elimination of blight and deterioration, which was found to exist in the project areas. The operations include Capital Projects and Debt Service. See footnote 19 for additional information about the dissolution of the Commerce Community Development Commission on January 31, 2012. Separate financial statements for the Community Development Commission are not prepared.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

City of Commerce Joint Powers Financing Authority

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

(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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

Governmental Funds

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

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

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. 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.

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

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

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 assets.

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(c) Major Funds

The City's major governmental funds are as follows:

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

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.

Community Center Debt Service Fund – To account for issuance and retirement of lease revenue bonds used to assist in the construction of the Rosewood Park Community Center.

Community Development Commission Debt Service Fund – This debt service fund is used to account for the payment of debt service of tax allocation bonds used to finance the activities of Redevelopment Project Areas. The retirement of debt is financed through tax increment and investment income.

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.

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

Cable Television Fund – This fund is used to account for the City-owned cable television operations.

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 account for special deposits collected by the City of behalf of others.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(d) Investments

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

- (e) 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.

(f) Capital Assets

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

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

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

The following schedule summarizes capital asset useful lives:

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

(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.

(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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

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

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 Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted to persons or bodies other than City Council.

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

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

(k) 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.

(l) Prior Year Data

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

| | |
|--|----------------------|
| Statement of Net Assets: | |
| Cash and investments | \$28,621,665 |
| Cash and investments with fiscal agent | 6,811,110 |
| Statement of Fiduciary Net Assets: | |
| Cash and investments | 33,109,424 |
| Cash and investments with fiscal agent | <u>10,196,296</u> |
| Total cash and investments | <u>\$ 78,738,495</u> |

Cash and investments as of June 30, 2012 consist of the following:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 3,050 |
| Deposits with financial institutions | 7,694,969 |
| Investments | <u>71,040,476</u> |
| Total cash and investments | <u>\$ 78,738,495</u> |

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

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

| <u>Investment Types Authorized by State Law</u> | <u>Authorized By Investment Policy</u> | <u>*Maximum Maturity</u> | <u>*Maximum Percentage Of Portfolio</u> | <u>*Maximum Investment In One Issuer</u> |
|---|--|------------------------------|---|--|
| U.S. Treasury Obligations | Yes | 5 years | None | None |
| U.S. Agency Securities | Yes | 5 years | None | 40% |
| Banker's Acceptances | Yes | 180 days | 40% | 10% |
| Commercial Paper | Yes | 270 days | 40% | 10% |
| Certificates of Deposit | Yes | 5 years | 30% | 10% |
| Repurchase Agreements | 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.

Investments Authorized by Debt Agreements

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

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

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

(2) Cash and Investments. (Continued)

Disclosures Relating to Interest Rate Risk

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

| <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 | \$ 4,234,082 | 603,259 | 2,119,976 | 1,510,847 |
| Federal agency securities | 4,016,130 | - | - | 4,016,130 |
| Money market funds | 10,527,727 | 10,527,727 | - | - |
| State investment pool | 36,146,932 | 36,146,932 | - | - |
| Held by bond trustee: | | | | |
| Money market funds | 5,650,052 | 5,650,052 | - | - |
| Investment agreements | <u>10,465,553</u> | <u>-</u> | <u>-</u> | <u>10,465,553</u> |
| Total | <u>\$71,040,476</u> | <u>52,927,970</u> | <u>2,119,976</u> | <u>15,992,530</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.

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

(2) Cash and Investments. (Continued)

| <u>Investment Type</u> | <u>Total</u> | <u>Minimum</u> | <u>AAA</u> | <u>AA+</u> | <u>Not Rated</u> |
|--------------------------------------|----------------------|----------------|-------------------|------------------|-------------------|
| | | <u>Legal</u> | | | |
| Negotiable Certificates of Deposit * | \$ 4,234,082 | N/A | - | - | 4,234,082 |
| Federal agency securities | 4,016,130 | N/A | - | 4,016,130 | |
| Money market funds | 10,527,727 | AAA | 10,527,727 | - | |
| State investment pool * | 36,146,932 | N/A | - | - | 36,146,932 |
| Held by bond trustee: | | | | | |
| Money market funds | 5,650,052 | AAA | 5,650,052 | - | |
| Investment agreements * | <u>10,465,553</u> | N/A | - | - | <u>10,465,553</u> |
| Total | \$ 71,040,476 | | 16,177,779 | 4,016,130 | 50,846,567 |

* Not rated

Concentration of Credit Risk

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

| <u>Issuer</u> | <u>Investment Type</u> | <u>Amount</u> |
|---------------------------|------------------------|---------------|
| GE Funding Capital Market | Investment Agreement | \$ 9,768,838 |

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

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

(2) Cash and Investments. (Continued)

state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

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

(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 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) Lease Receivable

Successor Agency:

In 1990, the Commission entered into a 50 year operating lease with three individuals on a certain site owned by the Commission. The lease called for the site to be developed as a truck stop and gas station. The lease called for fixed base annual rent of \$65,025 for the first five years and adjusted every five years thereafter with a minimum adjustment of 15% and a maximum adjustment of 50%. The agreement also required the property to be appraised every ten years resulting in an adjustment of the rent to 9% of the appraised value of the property. The property was appraised in 2009; however, the rental schedule was not adjusted. The City is in the process of amending the lease to reflect the new rental payments. Minimum future annual rental revenues based on the 2009 appraisal range from \$167,850 to \$227,960 through 2039. The unpaid balance at June 30, 2012 net of allowances was \$76,730.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2012 is as follows:

| | <u>Balance at June 30, 2011*</u> | <u>Additions</u> | <u>Deletions**</u> | <u>Balance at June 30, 2012</u> |
|---------------------------------------|--------------------------------------|--------------------|---------------------|-------------------------------------|
| Buildings | \$39,279,053 | - | - | 39,279,053 |
| Improvements other than buildings | 13,798,550 | 984,379 | (7,683,696) | 7,099,233 |
| Infrastructure | 79,252,545 | - | - | 79,252,545 |
| Machinery and equipment | <u>2,730,767</u> | <u>-</u> | <u>(159,006)</u> | <u>2,571,761</u> |
| Total cost of depreciable assets | <u>135,060,915</u> | <u>984,379</u> | <u>(7,842,702)</u> | <u>128,202,592</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (18,259,910) | (1,117,467) | - | (19,377,377) |
| Improvements other than buildings | (3,894,292) | (326,886) | 2,112,811 | (2,108,367) |
| Infrastructure | (70,942,224) | (705,387) | - | (71,647,611) |
| Machinery and equipment | <u>(1,615,136)</u> | <u>(332,633)</u> | <u>104,111</u> | <u>(1,843,658)</u> |
| Total accumulated depreciation | <u>(94,711,562)</u> | <u>(2,482,373)</u> | <u>2,216,922</u> | <u>(94,977,013)</u> |
| Net depreciable assets | <u>40,349,353</u> | <u>(1,497,994)</u> | <u>(5,625,780)</u> | <u>33,225,579</u> |
| Capital assets not depreciated: | | | | |
| Land | 9,410,505 | - | (6,810,825) | 2,599,680 |
| Construction in progress | <u>1,590,000</u> | <u>537,575</u> | <u>(984,379)</u> | <u>1,143,196</u> |
| Total assets not being depreciated | <u>11,000,505</u> | <u>537,575</u> | <u>(7,795,204)</u> | <u>3,742,876</u> |
| Capital assets, net | <u>\$ 51,349,858</u> | <u>(960,419)</u> | <u>(13,420,984)</u> | <u>36,968,455</u> |

* Balance at July 1, 2011, as restated. See footnote 17 for additional information.

** On February 1, 2012 \$7,683,696 of Improvements other than buildings, \$159,006 of Machinery and Equipment and \$6,810,825 of Land were transferred to the Successor Agency of the former Commerce Community Development Commission. See footnote 19 for additional information.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

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

| | |
|-------------------------------|--------------------|
| General government | \$ 1,342,251 |
| Public works | 962,768 |
| Parks, recreation and culture | <u>177,354</u> |
| Total governmental activities | <u>\$2,482,373</u> |

Capital asset activity for business-type activities for the year ended June 30, 2012 is as follows:

| | <u>Balance at June 30, 2011*</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2012</u> |
|------------------------------------|--------------------------------------|------------------|------------------|-------------------------------------|
| Water rights | \$ 2,141,222 | - | - | 2,141,222 |
| Building and improvements | 11,202,635 | - | - | 11,202,635 |
| Machinery and equipment | <u>7,041,552</u> | <u>-</u> | <u>-</u> | <u>7,041,552</u> |
| Total cost of depreciable assets | <u>20,385,409</u> | <u>-</u> | <u>-</u> | <u>20,385,409</u> |
| Less accumulated depreciation: | | | | |
| Water rights | (1,287,943) | (30,474) | - | (1,318,417) |
| Building and improvements | (5,067,729) | (280,066) | - | (5,347,795) |
| Machinery and equipment | <u>(4,268,234)</u> | <u>(652,228)</u> | <u>-</u> | <u>(4,920,462)</u> |
| Total accumulated depreciation | <u>(10,623,906)</u> | <u>(962,768)</u> | <u>-</u> | <u>(11,586,674)</u> |
| Net depreciable assets | 9,761,503 | (962,768) | - | 8,798,735 |
| Capital assets not depreciated: | | | | |
| Land | <u>334,099</u> | <u>-</u> | <u>-</u> | <u>334,099</u> |
| Total assets not being depreciated | <u>334,099</u> | <u>-</u> | <u>-</u> | <u>334,099</u> |
| Capital assets, net | <u>\$10,095,602</u> | <u>(962,768)</u> | <u>-</u> | <u>9,132,834</u> |

* Balance at July 1, 2011, as restated. See footnote 17 for additional information.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets. (Continued)

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

| | |
|--------------------------------|------------------|
| Transit | \$932,294 |
| Water | <u>30,474</u> |
| Total business-type activities | <u>\$962,768</u> |

Capital asset activity for the Private Purpose Trust Funds for the year ended June 30, 2012 is as follows:

| | <u>June 30, 2011</u> | <u>Additions*</u> | <u>Deletions</u> | <u>June 30, 2012</u> |
|--------------------------------|----------------------|-------------------|------------------|----------------------|
| Land | \$ - | 6,810,825 | - | 6,810,825 |
| Buildings and improvements | - | 7,683,696 | - | 7,683,696 |
| Machinery and equipment | - | 159,006 | - | 159,006 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | - | (2,219,529) | - | (2,219,529) |
| Machinery and equipment | <u>-</u> | <u>(113,576)</u> | <u>-</u> | <u>(113,576)</u> |
| Capital assets, net | <u>\$ -</u> | <u>12,320,422</u> | <u>-</u> | <u>12,320,422</u> |

* On February 1, 2012 \$7,683,696 of Improvements other than buildings, \$159,006 of Machinery and Equipment and \$6,810,825 of Land were transferred to the Successor Agency of the former Commerce Community Development Commission. See footnote 19 for additional information.

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

(6) Long-Term Liabilities

Changes in governmental long-term liabilities for the year ended June 30, 2012 were as follows:

| | <u>Balance at July 1, 2011</u> | <u>Additions</u> | <u>Reductions*</u> | <u>Balance at June 30, 2012</u> | <u>Due Within One Year</u> |
|--|------------------------------------|------------------|--------------------|-------------------------------------|--------------------------------|
| Bonds payable: | | | | | |
| 1994 Tax Allocation Refunding Bonds | \$ 755,000 | - | (755,000) | - | - |
| 1998 Tax Allocation Refunding Bonds | 7,685,000 | - | (7,685,000) | - | - |
| 2003 JPFA Revenue Bonds | 48,230,000 | - | (1,070,000) | 47,160,000 | 1,120,000 |
| 2004 Lease Revenue Bonds | 13,175,000 | - | (340,000) | 12,835,000 | 350,000 |
| 2007 JPFA Revenue Bonds | <u>60,300,000</u> | <u>-</u> | <u>(2,900,000)</u> | <u>57,400,000</u> | <u>3,040,000</u> |
| Subtotal | 130,145,000 | - | (12,750,000) | 117,395,000 | 4,510,000 |
| Unamortized Bond Costs | <u>(7,773,958)</u> | <u>-</u> | <u>7,773,958</u> | <u>-</u> | <u>-</u> |
| Total bonds payable | <u>122,371,042</u> | <u>-</u> | <u>(4,976,042)</u> | <u>117,395,000</u> | <u>4,510,000</u> |
| Other liabilities: | | | | | |
| Other Post Employment Benefits (note 10) | 5,386,519 | 2,397,927 | (1,179,024) | 6,605,422 | - |
| Claims Payable (note 11) | 650,719 | - | (255,591) | 395,128 | - |
| Capital leases | 36,902 | - | (36,902) | - | - |
| Compensated absences** | <u>2,691,806</u> | <u>1,770,433</u> | <u>(1,750,046)</u> | <u>2,712,193</u> | <u>703,732</u> |
| Total long-term liabilities | <u>\$131,136,988</u> | <u>4,168,360</u> | <u>(7,414,271)</u> | <u>127,107,743</u> | <u>5,213,732</u> |

* On February 1, 2012 \$783,334 of liabilities of the former Community Development Commission of the City of Commerce were transferred to the Successor Agency. See footnote 19.

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

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Changes in business-type long-term liabilities for the year ended June 30, 2012 were as follows:

| | <u>Balance at June 30, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2012</u> | <u>Amounts due within one year</u> |
|----------------------|-------------------------------------|------------------|------------------|-------------------------------------|--|
| Compensated absences | \$247,840 | 178,607 | (144,098) | 282,349 | 84,431 |

Changes in Private Purpose Trust Fund long-term liabilities for the year ended June 30, 2012 were as follows:

| | <u>Balance at July 1, 2011</u> | <u>Additions</u> | <u>Reductions*</u> | <u>Balance at June 30, 2012</u> | <u>Due Within One Year</u> |
|-------------------------------------|------------------------------------|--------------------|--------------------|-------------------------------------|--------------------------------|
| Bonds payable: | | | | | |
| 1994 Tax Allocation Refunding Bonds | \$ - | 755,000 | (85,000) | 670,000 | 95,000 |
| 1998 Tax Allocation Refunding Bonds | - | 7,685,000 | (255,000) | 7,430,000 | 270,000 |
| 2003 Tax Allocation Bonds | - | 48,190,000 | (845,000) | 47,345,000 | 1,120,000 |
| 2007 Tax Allocation Bonds | - | 55,560,000 | (2,440,000) | 53,120,000 | 2,565,000 |
| Advances to City | - | 17,800,000 | - | 17,800,000 | - |
| Deferred Refunding Charge | - | <u>(7,316,666)</u> | - | <u>(7,316,666)</u> | <u>457,292</u> |
| Total long-term liabilities | <u>\$ -</u> | <u>122,673,334</u> | <u>(3,625,000)</u> | <u>119,048,334</u> | <u>4,507,292</u> |

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, 2012 is \$670,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

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

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-------------------|-----------------|----------------|
| 2013 | \$ 95,000 | 39,616 | 134,616 |
| 2014 | 100,000 | 33,435 | 133,435 |
| 2015 | 105,000 | 26,935 | 131,935 |
| 2016 | 30,000 | 22,675 | 52,675 |
| 2017 | 35,000 | 20,620 | 55,620 |
| 2018-2022 | 200,000 | 66,825 | 266,825 |
| 2023-2024 | <u>105,000</u> | <u>6,900</u> | <u>111,900</u> |
| | <u>\$ 670,000</u> | <u>217,006</u> | <u>887,006</u> |

1998 Tax Allocation Refunding Bonds

In June 1998, the Community Development Commission issued \$9,935,000 in tax allocation refunding bonds for the Merged Project Area with an average interest rate of 5.64%. The bonds were issued for the purpose of refunding the Commission's \$9,155,000 outstanding principal amount of Project Area 2 1991 Revenue Bonds, funding a reserve and paying the bond issuance cost. The advance refunding extended debt service payments by six years and resulted in an increase in total debt service payments of \$41,004 and an economic gain (the difference between the present values of the debt service payments on the old debt and the new debt) of \$1,161,821. The bonds mature in various amounts ranging from \$155,000 to \$5,180,000 through 2029. It is anticipated that the amounts will be repaid from the future tax increment revenue received for the project area. The amount outstanding at June 30, 2012 is \$7,430,000.

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

(6) Long-Term Liabilities. (Continued)

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

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|------------------|-------------------|
| 2013 | \$ 270,000 | 414,758 | 684,758 |
| 2014 | 285,000 | 399,079 | 684,079 |
| 2015 | 305,000 | 382,411 | 687,411 |
| 2016 | 320,000 | 364,755 | 684,755 |
| 2017 | 340,000 | 346,110 | 686,110 |
| 2018-2022 | 1,995,000 | 1,412,518 | 3,407,518 |
| 2023-2027 | 2,640,000 | 756,390 | 3,396,390 |
| 2028-2029 | <u>1,275,000</u> | <u>73,675</u> | <u>1,348,675</u> |
| | <u>\$ 7,430,000</u> | <u>4,149,696</u> | <u>11,579,693</u> |

2003 JPFA Tax Revenue Bonds and 2003 Tax Allocation Bonds

In December 2003, the Community Development Commission issued a total of \$52,525,000 tax allocation bonds for Project Area 1, Project Area 4 and Merged Project Area. The Bonds were issued for financing various redevelopment and low and moderate income housing projects. On the same date, the City of Commerce Joint Powers Financing Authority issued a total of \$52,525,000 tax revenue bonds to purchase the tax allocation bonds issued by the Community Development Commission. The interest rates of the revenue bonds ranges from 1.75% to 5.125% for the Revenue Bonds and for the Tax Allocation Bonds. The obligation of the Authority is secured by a pledge and assignment under the indenture of amounts derived from the payment of debt service on the tax allocation bonds. This payment will be derived from certain tax increment revenues and other amounts payable to the Commission. The outstanding balance of the 2003 JPFA Revenue Bonds as of June 30, 2012 was \$47,160,000 and the outstanding balance of the 2003 Tax Allocation Bonds at June 30, 2012 was \$47,345,000.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

2003 JPFA Tax Revenue Bonds and 2003 Tax Allocation Bonds, (Continued)

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

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|-------------------|-------------------|
| 2013 | \$ 1,120,000 | 2,273,548 | 3,393,548 |
| 2014 | 1,175,000 | 2,217,061 | 3,392,061 |
| 2015 | 1,230,000 | 2,162,836 | 3,392,836 |
| 2016 | 1,375,000 | 2,106,985 | 3,481,985 |
| 2017 | 1,430,000 | 2,045,224 | 3,475,224 |
| 2018-2022 | 8,650,000 | 9,131,367 | 17,781,367 |
| 2023-2027 | 16,520,000 | 5,846,731 | 22,366,731 |
| 2028-2032 | 9,705,000 | 2,647,591 | 12,352,591 |
| 2033-2036 | <u>5,955,000</u> | <u>568,196</u> | <u>6,523,196</u> |
| | <u>\$ 47,160,000</u> | <u>28,999,539</u> | <u>76,159,539</u> |

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

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|-------------------|-------------------|
| 2013 | \$ 900,000 | 2,898,623 | 3,798,623 |
| 2014 | 955,000 | 2,841,301 | 3,796,301 |
| 2015 | 1,015,000 | 2,780,427 | 3,795,427 |
| 2016 | 1,175,000 | 2,712,749 | 3,887,749 |
| 2017 | 1,245,000 | 2,637,955 | 3,882,955 |
| 2018-2022 | 8,000,000 | 11,871,265 | 19,871,465 |
| 2023-2027 | 16,400,000 | 7,808,240 | 24,208,240 |
| 2028-2032 | 10,540,000 | 3,747,650 | 14,287,650 |
| 2033-2036 | <u>7,115,000</u> | <u>906,603</u> | <u>8,021,603</u> |
| | <u>\$ 47,345,000</u> | <u>38,205,013</u> | <u>85,550,013</u> |

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

(6) Long-Term Liabilities. (Continued)

2004 Lease Revenue Bonds

In October 2004, the City of Commerce Joint Powers Financing Authority issued \$15,040,000 in Community Center Lease Revenue Bonds. The bonds are special limited obligations of the Authority payable solely from and secured by revenues, consisting primarily of base rental payments to be made by the City to the Authority pursuant to a lease dated as of October 1, 2004 by and between the Authority and the City. The bonds were composed of \$7,785,000 serial bonds with interest rates ranging from 2.00% to 4.375% and maturity dates from 2005 through 2024, \$3,150,000 term bonds with an interest rate of 5.00% maturing in 2029, and \$4,015,000 term bonds with an interest rate of 5.00% maturing in 2034. The bonds mature in various amounts from \$295,000 to \$885,000 through 2034. The bonds were issued to refund the Authority's \$8,590,000 outstanding Community Center Lease Revenue Bonds, Series 1997A and to finance the costs of construction of the City Hall Expansion Project. At June 30, 2012, unspent bond proceeds in the amount of \$4,681,889 were held by the trustee for future projects. On November 8, 2012, Moody's Investors Services withdrew its insurer financial strength rating of the insurer on the bonds. The amount outstanding at June 30, 2012 is \$12,835,000.

Future principal and interest payments are as follows:

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|------------------|-------------------|
| 2013 | \$ 350,000 | 575,448 | 925,448 |
| 2014 | 360,000 | 563,685 | 923,685 |
| 2015 | 370,000 | 551,135 | 921,135 |
| 2016 | 385,000 | 537,730 | 922,730 |
| 2017 | 395,000 | 523,394 | 918,394 |
| 2018-2022 | 2,240,000 | 2,368,009 | 4,608,009 |
| 2023-2027 | 2,740,000 | 1,837,721 | 4,577,721 |
| 2028-2032 | 3,470,000 | 1,081,750 | 4,551,750 |
| 2033-2035 | <u>2,525,000</u> | <u>193,625</u> | <u>2,718,625</u> |
| | <u>\$12,835,000</u> | <u>8,232,497</u> | <u>21,067,497</u> |

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities. (Continued)

2007 JPFA Revenue Bonds and 2007 Tax Allocation Bonds

Financing Authority Bonds

In October, 2007, the City of Commerce Joint Powers Financing Authority issued \$72,305,000 in Revenue Bonds. The proceeds of the bonds were used to purchase \$66,385,000 of the Community Development Commission of the City of Commerce Redevelopment Project No. 1 Tax Allocation Bonds, 2007 A and B Series (Commission Bonds). The remaining proceeds will be used to finance various capital projects, including the library renovation. Unspent bond proceeds at June 30, 2012 are \$1,939,644 and are invested in the Commission's Local Agency Investment Fund. Interest on the bonds is payable semi-annually on February 1 and August 1, commencing February 1, 2008. The fixed rates of interest vary from 3.500% to 6.500% per annum. Principal is payable in annual installments ranging from \$105,000 to \$6,230,000 commencing August 1, 2008 to July 1, 2027. The obligation of the Authority is secured by a pledge and assignment under the indenture of amounts derived from the payment by the Commission of debt service on the Commission Bonds. The required reserve for the Bonds is \$6,401,433. As of June 30, 2012, the reserve amount is \$5,824,022. The amount outstanding at June 30, 2012 is \$57,400,000.

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 Assets. 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, 2012, the amount outstanding was \$53,120,000.

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

(6) Long-Term Liabilities. (Continued)

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

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|-------------------|-------------------|
| 2013 | \$ 3,040,000 | 2,329,706 | 5,369,706 |
| 2014 | 3,200,000 | 2,173,706 | 5,373,706 |
| 2015 | 3,355,000 | 2,034,994 | 5,389,994 |
| 2016 | 3,475,000 | 1,913,731 | 5,388,731 |
| 2017 | 3,600,000 | 1,785,931 | 5,385,931 |
| 2018-2022 | 19,110,000 | 6,758,182 | 25,868,182 |
| 2023-2027 | 15,705,000 | 3,137,529 | 18,842,529 |
| 2028 | <u>5,915,000</u> | <u>110,906</u> | <u>6,025,906</u> |
| | <u>\$ 57,400,000</u> | <u>20,244,685</u> | <u>77,644,685</u> |

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

| <u>Fiscal Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|-------------------|-------------------|
| 2013 | \$ 2,565,000 | 2,819,960 | 5,384,960 |
| 2014 | 2,710,000 | 2,676,480 | 5,386,480 |
| 2015 | 2,860,000 | 2,524,976 | 5,384,976 |
| 2016 | 3,015,000 | 2,365,176 | 5,380,176 |
| 2017 | 3,185,000 | 2,196,536 | 5,381,536 |
| 2018-2022 | 17,665,000 | 8,207,192 | 25,872,192 |
| 2023-2027 | 15,180,000 | 3,727,488 | 18,907,488 |
| 2028 | <u>5,940,000</u> | <u>134,640</u> | <u>6,074,640</u> |
| | <u>\$ 53,120,000</u> | <u>24,652,448</u> | <u>77,772,448</u> |

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

(6) Long-Term Liabilities, (Continued)

Successor Agency Advances to City

| <u>Advances to City</u> | <u>Advances from Successor Agency</u> | <u>Amount</u> |
|-------------------------|---|----------------------|
| General Fund | Successor Agency Private Purpose Trust Fund | \$15,100,000 (a) |
| Water fund | Successor Agency Private Purpose Trust Fund | <u>2,700,000 (b)</u> |
| | Total | <u>\$17,800,000</u> |

(a) As of June 30, 2012, the amount due to the General Fund from the Successor Agency was \$15,100,000. This consists of several outstanding advances with amounts ranging from \$100,000 to \$6,000,000. The largest advance is in the amount of \$6,000,000 loaned to the CDC was entered into on March 3, 1992 and accrues interest at 7.5% per annum. The other material outstanding advances of \$5,000,000 and \$3,000,000 were loaned to the CDC on November 2, 1999 and April 16, 2002, respectively, and both accrue interest at 7.5% per annum.

(b) As of June 30, 2012, the amount due to the Water Enterprise Fund from the Successor Agency was \$2,700,000. The advance was entered into on April 16, 2002 with one year maturity. The advance has been extended each year thereafter, with interest accruing at 7.5% 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, 2012, no interest is being accrued or paid on the advances.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(7) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2012 are as follows:

| <u>Due from other funds</u> | <u>Due to other funds</u> | <u>Amount</u> |
|-----------------------------|------------------------------------|---------------------|
| General Fund | Community Center Debt Service Fund | \$ 1,021,038 (a) |
| | General City Capital Projects Fund | 1,923,762 (a) |
| | Other Governmental Funds | 72,129 (a) |
| | Transit Fund | 1,568,603 (b) |
| | Water Fund | 4,369,243 (b) |
| | Cable Television Fund | <u>70,298 (a)</u> |
| | Total | <u>\$ 9,025,073</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.

(8) Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2012:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|-------------------------------------|----------------------------------|---------------------|
| General Fund | Water Fund | \$ 118,125 |
| | Cable Television Fund | 43,307 |
| | Other Governmental Funds | <u>316,147</u> |
| Subtotal General Fund | | <u>477,579</u> |
| Community Service Debt Service Fund | General Fund | 926,235 (c) |
| CDC Debt Service Fund | Joint Powers Financing Authority | 311,628 |
| Other Governmental Funds | CDC Debt Service Fund | 582,176 |
| General City Capital Projects | Other Governmental | 33,811 |
| Transit Fund | Other Governmental Funds | 1,285,066 (d) |
| Cable Television Fund | General Fund | <u>255,803</u> |
| | Total | <u>\$ 3,872,298</u> |

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(8) Interfund Transfers. (Continued)

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

- (c) \$926,235 was transferred from the General Fund to the Community Center Debt Service Fund for the General Fund's portion of the 2004 JPFA Bond.
- (d) \$1,200,188 was transferred to the Transit Fund from the Prop A Local Return Tax to reimburse the Transit fund for expenses incurred and reimbursed under Proposition A.

(9) Defined Benefit Pension Plan

Plan Description

The City of Commerce contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 10.916% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2011 to June 30, 2012.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan. (Continued)

A summary of principle assumptions and methods used to determine the ARC is shown below.

| | |
|----------------------------|--|
| Valuation Date | June 30, 2009 |
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Amortization Method | Level Percent of Payroll |
| Average Remaining Period | 27 Years as of the Valuation Date |
| Asset Valuation Method | 15 Year Smoothed Market |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.75% (net of administrative expenses) |
| Projected Salary Increases | 3.55% to 14.45% depending on Age, Service, and type of employment |
| Inflation | 3.00% |
| Payroll Growth | 3.25% |
| Individual Salary Growth | A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3% and an annual production growth of 0.25%. |

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level % of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period. The unfunded liability is amortized over a period ending June 30, 2026.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

Miscellaneous Employees

Three-Year Trend Information

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/10 | \$1,792,754 | 100% | -0- |
| 6/30/11 | 1,643,636 | 100% | -0- |
| 6/30/12 | 1,765,404 | 100% | -0- |

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan. (Continued)

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded Liability/ (Excess Assets) | Funded Status | Annual Covered Payroll | UAAL as a % of Payroll |
|----------------|------------------------------------|---------------------------|-------------------------------------|---------------|------------------------|------------------------|
| 06/30/09 | \$72,490,523 | 67,086,985 | 5,403,538 | 92.5% | 11,364,009 | 47.6% |
| 06/30/10 | 76,561,387 | 70,048,929 | 6,512,458 | 91.5% | 11,719,003 | 55.6% |
| 06/30/11 | 80,838,150 | 73,118,999 | 7,719,151 | 90.5% | 10,477,171 | 73.7% |

(10) Post Employment Benefits Plan

Plan Description: The City administers a single-employer defined benefit plan which 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, 2012, the date of the latest actuarial valuation:

| | |
|---|------------|
| Retirees and beneficiaries receiving benefits | 143 |
| Active plan members | <u>160</u> |
| Total | <u>303</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). For fiscal year 2011-12, the City contributed \$1,179,024 to the plan for current premiums.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(10) Post Employment Benefits Plan. (Continued)

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:

| | |
|--|--------------------|
| Annual required contribution | \$2,500,000 |
| Interest on net OPEB obligation | 228,927 |
| Adjustments to annual required contributions | <u>(331,000)</u> |
| Annual OPEB cost (expense) | 2,397,927 |
| Contributions made (including premiums paid) | <u>(1,179,024)</u> |
| Increase in net OPEB obligation | 1,218,903 |
| Net OPEB obligation-beginning of year | <u>5,386,519</u> |
| Net OPEB obligation-end of year | <u>\$6,605,422</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, 2012 and the two preceding years were as follows:

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------|------------------|--|---------------------|
| 6/30/10 | \$3,293,000 | 29% | 4,306,450 |
| 6/30/11 | 2,283,000 | 53% | 5,386,519 |
| 6/30/12 | 2,397,927 | 49% | 6,605,422 |

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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(10) Post Employment Benefits Plan. (Continued)

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.

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

The actuarial cost method used for determining the benefit obligations is the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included a 4.75 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 3.4 percent initially, reduced by decrements of 0.5 per year to an ultimate rate of 2 percent after the third year. The City is using a 4% payroll inflation rate. The UAAL is being amortized as a level percentage of projected payroll over a closed 30 year period.

Schedule of Funding Progress.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued 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) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 6/30/09 | \$0 | 37,514,000 | 37,514,000 | 0% | 11,621,000 | 322.8% |
| 6/30/10 | 0 | 25,201,000 | 25,201,000 | 0% | 10,631,000 | 210.0% |

(11) Claims Payable/Self Insurance

The City of Commerce is a member of the California Joint Powers Insurance Authority (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)

(11) 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 \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(11) Claims Payable/Self Insurance. (Continued)

Environmental 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, 2008 through July 1, 2011. 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 \$130,998,869. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Changes in claims payable for the last two years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--------------------|--------------------------|------------------|------------------|-----------------------|
| 10/11 | \$ - | 650,719 | - | 650,719 |
| 11/12 | 650,719 | - | 255,591 | 395,128 |

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(12) Commerce Refuse to Energy Authority

The City is a 50% participant with the County Sanitation District No. 2 of Los Angeles County (District) in the Commerce Refuse to Energy Authority (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 900601.

| | <u>CREA</u> | <u>Commerce's 50% Equity</u> |
|--|---------------------|----------------------------------|
| Net assets at June 30, 2011 | \$21,147,170 | 10,573,585 |
| Decrease in equity for the year ended June 30, 2012 | <u>761,530</u> | <u>380,765</u> |
| Net assets at June 30, 2012 | <u>\$21,908,700</u> | <u>10,954,350</u> |

(13) 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)

(14) 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.

(15) Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2012 exceeded the appropriations of the following fund:

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------------|---------------|---------------|-----------------|
| General Fund | \$46,482,159 | 46,783,647 | (301,488) |
| Supplemental Law Enforcement Fund | 100,000 | 130,792 | (30,792) |
| Housing Fund | - | 175,221 | (175,221) |

(16) Fund Deficits

As of June 30, 2012, deficits were reported in the following funds:

| | | |
|--|----|-------------|
| Air Quality Management District Special Revenue Fund | \$ | (149) |
| Central Garage | | (10,518) |
| Water | | (1,043,203) |
| Cable Television | | (70,270) |
| Private Purpose Trust Funds | | (4,767,577) |

AQMD, Central Garage, and Cable Television deficits will be eliminated through transfers during fiscal year 2012/13.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(16) Fund Deficits. (Continued)

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

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

(17) Restatement of Beginning Balances

The following schedule summarized the effect of the prior period adjustment to the Fund Financial Statements and the Government-Wide Financial Statements.

Governmental Fund Financial Statements:

| | <u>CDC Debt Service</u> | <u>CDC Capital Projects</u> |
|--|-----------------------------|---------------------------------|
| Fund balance at beginning of year, as previously reported | \$(70,492,380) | 53,144,563 |
| To remove escrow balance that had been liquidated in prior years | - | (347,804) |
| To correct prior year debt service related to Housing debt | <u>1,385,544</u> | <u>(1,385,544)</u> |
| Fund balance at beginning of year, as restated | <u>\$(69,106,836)</u> | <u>51,411,215</u> |

Proprietary Fund Financial Statements:

| | <u>Transit Fund</u> | <u>Water Fund</u> | <u>Cable TV Fund</u> |
|--|-------------------------|-----------------------|--------------------------|
| Net Assets at beginning of year, as previously reported | \$10,542,267 | 1,300,906 | 106,370 |
| Write off of capital assets due to change in capitalization limits | <u>(3,096,679)</u> | <u>(1,852,656)</u> | <u>(176,641)</u> |
| Net Assets at beginning of year, as restated | <u>\$ 7,445,588</u> | <u>(551,750)</u> | <u>(70,271)</u> |

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

(17) Restatement of Beginning Balances. (Continued)

Government Wide Financial Statements:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net Assets at beginning of year, as previously reported | \$85,854,234 | 11,949,543 |
| To remove escrow balance that had been liquidated in prior years | (347,804) | - |
| Write off of capital assets due to change in capitalization limit and reconstruction of capital asset records | <u>(14,463,121)</u> | <u>(5,125,976)</u> |
| Net Assets at beginning of year, as restated | <u>\$71,043,309</u> | <u>6,823,567</u> |

(18) Pledged Tax Revenues

All tax revenues received by the Community Development Commission other than the amount required by law to be deposited in a low and moderate income housing fund, are required to be used to meet debt service requirements of the bond indentures for the 1994, 1998, 2003, and 2007 Tax Allocation Bonds before any payments may be made on other obligations of the Community Development Commission.

On February 2, 2011, the City filed a Non-Payment Related Default for the 2007A and 2007B Tax Allocation Bonds and the 2003A, 2003B, and 2003C Tax Allocation Bonds. The filing disclosed a projected shortfall in tax increment in Project Area No. 1 to pay principal and interest on the bonds in the amount of \$31,338,036. To remedy the situation, on February 1, 2011 the Community Development Commission approved a transfer of tax increment from Project Area No. 4 to Project Area No. 1 in the amount of \$29,200,000.

As of June 30, 2012, this transfer has been made. Additionally, the Community Development Commission plans to repurchase certain bonds in the secondary market with Project Area No. 1 cash on hand.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(19) 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.

CITY OF COMMERCE

Notes to the Basic Financial Statements

(Continued)

(19) Successor Agency Trust For Assets of Former Redevelopment Agency. (Continued)

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

| | |
|---|-----------------------|
| Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund | \$ (20,466,590) |
| Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund | 12,436,605 |
| Elimination of deferred revenue not reported in the Successor Agency Trust Funds | 66,220 |
| Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund | (3,126,378) |
| Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund | <u>4,393,149</u> |
| Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City) | <u>\$ (6,696,994)</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMMERCE
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year ended June 30, 2012

| | Budget | | Actual | Variance with Final Budget |
|---|----------------------|--------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues: | | | | |
| Taxes | \$ 18,697,975 | 18,697,975 | 22,441,114 | 3,743,139 |
| Casino license tax | 20,345,000 | 20,345,000 | 21,181,030 | 836,030 |
| Licenses and permits | 2,509,580 | 2,509,580 | 2,051,387 | (458,193) |
| Intergovernmental | 754,101 | 954,101 | 562,038 | (392,063) |
| Fines and forfeitures | 347,850 | 747,850 | 756,196 | 8,346 |
| Investment income | 1,695,000 | 1,645,000 | 723,834 | (921,166) |
| Activity fees | 396,950 | 464,509 | 436,868 | (27,641) |
| Charges for services | 1,477,370 | 877,370 | 500,455 | (376,915) |
| Rental income | (55,000) | 55,000 | 86,450 | 31,450 |
| Miscellaneous | 1,169,560 | 1,168,168 | 1,330,339 | 162,171 |
| Total revenues | <u>47,338,386</u> | <u>47,464,553</u> | <u>50,069,711</u> | <u>2,605,158</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 12,033,868 | 13,538,749 | 14,428,270 | (889,521) |
| Community development | 1,389,087 | 1,144,919 | 1,321,452 | (176,533) |
| Public safety | 16,899,534 | 15,673,463 | 15,406,557 | 266,906 |
| Public works | 4,711,864 | 4,703,314 | 4,845,545 | (142,231) |
| Library | 3,022,684 | 2,959,659 | 2,775,283 | 184,376 |
| Parks, recreation and culture | 8,341,285 | 8,314,041 | 7,969,161 | 344,880 |
| Debt service: | | | | |
| Principal | 148,014 | 134,277 | 36,902 | 97,375 |
| Interest and fiscal charges | 13,737 | 13,737 | 477 | 13,260 |
| Total expenditures | <u>46,560,073</u> | <u>46,482,159</u> | <u>46,783,647</u> | <u>(301,488)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>778,313</u> | <u>982,394</u> | <u>3,286,064</u> | <u>2,303,670</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 325,000 | - | 477,579 | 477,579 |
| Transfers out | (1,261,853) | (1,261,853) | (1,182,038) | 79,815 |
| Total other financing sources (uses) | <u>(936,853)</u> | <u>(1,261,853)</u> | <u>(704,459)</u> | <u>557,394</u> |
| Net change in fund balance | (158,540) | (279,459) | 2,581,605 | 2,861,064 |
| Fund balance at beginning of year | 48,742,675 | 48,742,675 | 48,742,675 | - |
| Fund balance at end of year | <u>\$ 48,584,135</u> | <u>48,463,216</u> | <u>51,324,280</u> | <u>2,861,064</u> |

CITY OF COMMERCE

Notes to Required Supplementary Information

Year ended June 30, 2012

(1) Budgets and Budgetary Accounting

The City of Commerce, a general law city in the State of California, does not legally require a budget. However, the City Council annually reviews and adopts a budget in accordance with GAAP as a management control device for all funds except the Joint Powers Financing Authority Debt Service Fund. Each May, the City Administrator submits his 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 is not authorized to transfer amounts within the individual fund budgets without the approval of the City Council. 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

CITY OF COMMERCE
General Fund
Combining Balance Sheet
June 30, 2012

| | General Fund | Card Club Fund | California Gaming Cities Coalition Fund | UDAG | Eliminations | Totals |
|--|----------------------|-------------------|---|----------|--------------|-------------------|
| Assets: | | | | | | |
| Cash and investments | \$ 27,436,339 | - | - | - | - | 27,436,339 |
| Interest receivable | 30,585 | - | - | - | - | 30,585 |
| Accounts receivable | 2,424,970 | - | - | - | - | 2,424,970 |
| Due from other governments | 2,242,131 | - | - | - | - | 2,242,131 |
| Due from other funds | 9,025,073 | - | - | - | - | 9,025,073 |
| Receivable from Successor Agency | 15,100,000 | - | - | - | - | 15,100,000 |
| Loans receivable | 25,344 | - | - | - | - | 25,344 |
| Prepaid items and deposits | 147,457 | - | - | - | - | 147,457 |
| Total assets | \$ 56,431,899 | - | - | - | - | 56,431,899 |
| Liabilities: | | | | | | |
| Accounts payable | \$ 4,151,677 | - | - | - | - | 4,151,677 |
| Accrued salaries and benefits | 415,896 | - | - | - | - | 415,896 |
| Deposits payable | 38,084 | - | - | - | - | 38,084 |
| Deferred revenue | 501,962 | - | - | - | - | 501,962 |
| Total liabilities | 5,107,619 | - | - | - | - | 5,107,619 |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items and deposits | 147,457 | - | - | - | - | 147,457 |
| Long-term receivables | 25,344 | - | - | - | - | 25,344 |
| Advances to other funds | 15,100,000 | - | - | - | - | 15,100,000 |
| Unassigned | 36,051,479 | - | - | - | - | 36,051,479 |
| Total fund balances | 51,324,280 | - | - | - | - | 51,324,280 |
| Total liabilities and fund balances | \$ 56,431,899 | - | - | - | - | 56,431,899 |

CITY OF COMMERCE
General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012

| | General Fund | Card Club Fund | California Gaming Cities Coalition Fund | UDAG | Eliminations (1) | Totals |
|---|----------------------|---------------------|---|--------------------|-------------------|--------------------|
| Revenues: | | | | | | |
| Taxes | \$ 22,441,114 | - | - | - | - | 22,441,114 |
| Casino license tax | - | 21,181,030 | - | - | - | 21,181,030 |
| Licenses and permits | 2,051,387 | - | - | - | - | 2,051,387 |
| Intergovernmental | 562,038 | - | - | - | - | 562,038 |
| Fines and forfeitures | 756,196 | - | - | - | - | 756,196 |
| Investment income | 703,221 | - | - | 20,613 | - | 723,834 |
| Activity fees | 436,868 | - | - | - | - | 436,868 |
| Charges for services | 500,455 | - | - | - | - | 500,455 |
| Rental income | 86,450 | - | - | - | - | 86,450 |
| Miscellaneous | 1,319,619 | - | - | 10,720 | - | 1,330,339 |
| Total revenues | <u>28,857,348</u> | <u>21,181,030</u> | <u>-</u> | <u>31,333</u> | <u>-</u> | <u>50,069,711</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 14,428,270 | - | - | - | - | 14,428,270 |
| Community development | 1,321,452 | - | - | - | - | 1,321,452 |
| Public safety | 15,406,557 | - | - | - | - | 15,406,557 |
| Public works | 4,845,545 | - | - | - | - | 4,845,545 |
| Library | 2,775,283 | - | - | - | - | 2,775,283 |
| Parks, recreation and culture | 7,969,161 | - | - | - | - | 7,969,161 |
| Debt service: | | | | | | |
| Principal | 36,902 | - | - | - | - | 36,902 |
| Interest and fiscal charges | 477 | - | - | - | - | 477 |
| Total expenditures | <u>46,783,647</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>46,783,647</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(17,926,299)</u> | <u>21,181,030</u> | <u>-</u> | <u>31,333</u> | <u>-</u> | <u>3,286,064</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | 47,434,285 | - | - | - | (46,956,706) | 477,579 |
| Transfers out | <u>(1,182,038)</u> | <u>(40,543,955)</u> | <u>(2,542)</u> | <u>(6,410,209)</u> | <u>46,956,706</u> | <u>(1,182,038)</u> |
| Total other financing sources (uses) | <u>46,252,247</u> | <u>(40,543,955)</u> | <u>(2,542)</u> | <u>(6,410,209)</u> | <u>-</u> | <u>(704,459)</u> |
| Net change in fund balances | <u>28,325,948</u> | <u>(19,362,925)</u> | <u>(2,542)</u> | <u>(6,378,876)</u> | <u>-</u> | <u>2,581,605</u> |
| Fund balances at beginning of year | <u>22,998,332</u> | <u>19,362,925</u> | <u>2,542</u> | <u>6,378,876</u> | <u>-</u> | <u>48,742,675</u> |
| Fund balances at end of year | <u>\$ 51,324,280</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>51,324,280</u> |

(1) Transfers within the group of funds that are consolidated to form the General Fund for purposes of the combined financial statements have been eliminated on this schedule.

NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

CITY OF COMMERCE
 Non-Major Governmental Funds
 Combining Balance Sheet
 June 30, 2012

| | <u>Special Revenue Funds</u> | <u>Community Development Commission Capital Projects</u> | <u>Totals</u> |
|--|--------------------------------------|--|------------------|
| <u>Assets</u> | | | |
| Cash and investments | \$ 274,136 | - | 274,136 |
| Due from other governments | 36,781 | - | 36,781 |
| Loans receivable | 457,228 | - | 457,228 |
| Property held for resale | <u>1,053,000</u> | <u>-</u> | <u>1,053,000</u> |
| Total assets | <u>\$ 1,821,145</u> | <u>-</u> | <u>1,821,145</u> |
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 43,045 | - | 43,045 |
| Accrued salaries and benefits | 564 | - | 564 |
| Due to other funds | 72,129 | - | 72,129 |
| Deferred revenue | <u>490,237</u> | <u>-</u> | <u>490,237</u> |
| Total liabilities | <u>605,975</u> | <u>-</u> | <u>605,975</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| Housing | 1,013,400 | - | 1,013,400 |
| Law enforcement | 156,563 | - | 156,563 |
| Transportation | 45,356 | - | 45,356 |
| Unassigned | <u>(149)</u> | <u>-</u> | <u>(149)</u> |
| Total fund balances | <u>1,215,170</u> | <u>-</u> | <u>1,215,170</u> |
| Total liabilities and fund balances | <u>\$ 1,821,145</u> | <u>-</u> | <u>1,821,145</u> |

CITY OF COMMERCE
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012

| | Special Revenue Funds | Community Development Commission Capital Projects | Totals |
|---|-----------------------------|--|---------------------|
| Revenues: | | | |
| Intergovernmental | \$ 1,973,353 | 625 | 1,973,978 |
| Investment income | 15,292 | 53,111 | 68,403 |
| Rental income | - | 428,982 | 428,982 |
| Miscellaneous | 24,289 | 19,928 | 44,217 |
| Total revenues | <u>2,012,934</u> | <u>502,646</u> | <u>2,515,580</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | - | 2,014,439 | 2,014,439 |
| Community development | 410,595 | 408,721 | 819,316 |
| Public safety | 177,078 | - | 177,078 |
| Debt service: | | | |
| Principal | - | 320,000 | 320,000 |
| Interest and fiscal charges | - | 1,373,587 | 1,373,587 |
| Total expenditures | <u>587,673</u> | <u>4,116,747</u> | <u>4,704,420</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,425,261</u> | <u>(3,614,101)</u> | <u>(2,188,840)</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 582,176 | 582,176 |
| Transfers out | (1,635,024) | - | (1,635,024) |
| Total other financing sources (uses) | <u>(1,635,024)</u> | <u>582,176</u> | <u>(1,052,848)</u> |
| Extraordinary gain (loss) | <u>1,153,049</u> | <u>(48,379,290)</u> | <u>(47,226,241)</u> |
| Net change in fund balances | 943,286 | (51,411,215) | (50,467,929) |
| Fund balances at beginning of year, as restated | <u>271,884</u> | <u>51,411,215</u> | <u>51,683,099</u> |
| Fund balances at end of year | <u>\$ 1,215,170</u> | <u>-</u> | <u>1,215,170</u> |

CITY OF COMMERCE
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2012

| | Supplemental Law Enforcement | Local Law Enforcement Block Grant | Proposition A Local Return Tax |
|--|------------------------------------|---|--------------------------------------|
| <u>Assets</u> | | | |
| Cash and investments | \$ 130,997 | 97,783 | - |
| Due from other governments | - | - | - |
| Loans receivable | - | - | - |
| Property held for resale | - | - | - |
| Total assets | \$ 130,997 | 97,783 | - |
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 38,644 | - | - |
| Accrued salaries and benefits | - | 564 | - |
| Due to other funds | - | - | - |
| Deferred revenue | - | 33,009 | - |
| Total liabilities | 38,644 | 33,573 | - |
| Fund balances: | | | |
| Restricted for: | | | |
| Housing | | | |
| Law enforcement | 92,353 | 64,210 | - |
| Transportation | - | - | - |
| Unassigned | - | - | - |
| Total fund balances | 92,353 | 64,210 | - |
| Total liabilities and fund balances | \$ 130,997 | 97,783 | - |

| <u>State Gas Tax</u> | <u>CDBG</u> | <u>Air Quality Management District</u> | <u>Housing</u> | <u>Totals</u> |
|--------------------------|---------------|--|------------------|------------------|
| 45,356 | - | - | - | 274,136 |
| - | 32,799 | 3,982 | - | 36,781 |
| - | - | - | 457,228 | 457,228 |
| - | - | - | 1,053,000 | 1,053,000 |
| <u>45,356</u> | <u>32,799</u> | <u>3,982</u> | <u>1,510,228</u> | <u>1,821,145</u> |
| - | - | - | 4,401 | 43,045 |
| - | - | - | - | 564 |
| - | 32,799 | 4,131 | 35,199 | 72,129 |
| - | - | - | 457,228 | 490,237 |
| <u>-</u> | <u>32,799</u> | <u>4,131</u> | <u>496,828</u> | <u>605,975</u> |
| - | - | - | 1,013,400 | 1,013,400 |
| - | - | - | - | 156,563 |
| 45,356 | - | - | - | 45,356 |
| - | - | (149) | - | (149) |
| <u>45,356</u> | <u>-</u> | <u>(149)</u> | <u>1,013,400</u> | <u>1,215,170</u> |
| <u>45,356</u> | <u>32,799</u> | <u>3,982</u> | <u>1,510,228</u> | <u>1,821,145</u> |

CITY OF COMMERCE

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

| | <u>Supplemental Law Enforcement</u> | <u>Local Law Enforcement Block Grant</u> | <u>Proposition A Local Return Tax</u> |
|---|---|--|---|
| Revenues: | | | |
| Intergovernmental | \$ 100,000 | 21,422 | 1,198,459 |
| Investment income | 621 | 413 | 1,729 |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>100,621</u> | <u>21,835</u> | <u>1,200,188</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | - | - | - |
| Public safety | <u>130,792</u> | <u>26,604</u> | <u>-</u> |
| Total expenditures | <u>130,792</u> | <u>26,604</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(30,171)</u> | <u>(4,769)</u> | <u>1,200,188</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>(1,200,188)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(1,200,188)</u> |
| Extraordinary gain (loss) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (30,171) | (4,769) | - |
| Fund balances (deficit) at beginning of year | <u>122,524</u> | <u>68,979</u> | <u>-</u> |
| Fund balances (deficit) at end of year | <u>\$ 92,353</u> | <u>64,210</u> | <u>-</u> |

| State Gas Tax | CDBG | Air Quality Management District | Housing | Totals |
|------------------|-----------------|---------------------------------------|------------------|--------------------|
| 383,115 | 254,211 | 16,146 | - | 1,973,353 |
| 401 | 845 | - | 11,283 | 15,292 |
| - | - | - | 24,289 | 24,289 |
| <u>383,516</u> | <u>255,056</u> | <u>16,146</u> | <u>35,572</u> | <u>2,012,934</u> |
| - | 235,374 | - | 175,221 | 410,595 |
| - | 19,682 | - | - | 177,078 |
| - | <u>255,056</u> | - | <u>175,221</u> | <u>587,673</u> |
| <u>383,516</u> | <u>-</u> | <u>16,146</u> | <u>(139,649)</u> | <u>1,425,261</u> |
| <u>(384,878)</u> | <u>(33,811)</u> | <u>(16,147)</u> | <u>-</u> | <u>(1,635,024)</u> |
| <u>(384,878)</u> | <u>(33,811)</u> | <u>(16,147)</u> | <u>-</u> | <u>(1,635,024)</u> |
| - | - | - | 1,153,049 | 1,153,049 |
| (1,362) | (33,811) | (1) | 1,013,400 | 943,286 |
| <u>46,718</u> | <u>33,811</u> | <u>(148)</u> | <u>-</u> | <u>271,884</u> |
| <u>45,356</u> | <u>-</u> | <u>(149)</u> | <u>1,013,400</u> | <u>1,215,170</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, 2012

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-----------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 100,000 | 100,000 | - |
| Investment income | <u>2,500</u> | <u>621</u> | <u>(1,879)</u> |
| Total revenues | <u>102,500</u> | <u>100,621</u> | <u>(1,879)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | <u>100,000</u> | <u>130,792</u> | <u>(30,792)</u> |
| Total expenditures | <u>100,000</u> | <u>130,792</u> | <u>(30,792)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,500</u> | <u>(30,171)</u> | <u>(32,671)</u> |
| Net change in fund balances | 2,500 | (30,171) | (32,671) |
| Fund balance at beginning of year | <u>122,524</u> | <u>122,524</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 125,024</u> | <u>92,353</u> | <u>(32,671)</u> |

CITY OF COMMERCE
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, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|----------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 14,579 | 21,422 | 6,843 |
| Investment income | <u>-</u> | <u>413</u> | <u>413</u> |
| Total revenues | <u>14,579</u> | <u>21,835</u> | <u>7,256</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | <u>27,579</u> | <u>26,604</u> | <u>975</u> |
| Total expenditures | <u>27,579</u> | <u>26,604</u> | <u>975</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(13,000)</u> | <u>(4,769)</u> | <u>8,231</u> |
| Net change in fund balances | (13,000) | (4,769) | 8,231 |
| Fund balance at beginning of year | <u>68,979</u> | <u>68,979</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 55,979</u> | <u>64,210</u> | <u>8,231</u> |

CITY OF COMMERCE
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, 2012

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--------------------------------------|-------------------------|--------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 1,000,000 | 1,198,459 | 198,459 |
| Investment income | <u>2,500</u> | <u>1,729</u> | <u>(771)</u> |
| Total revenues | <u>1,002,500</u> | <u>1,200,188</u> | <u>197,688</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(1,000,000)</u> | <u>(1,200,188)</u> | <u>(200,188)</u> |
| Total other financing sources (uses) | <u>(1,000,000)</u> | <u>(1,200,188)</u> | <u>(200,188)</u> |
| Net change in fund balances | 2,500 | - | (2,500) |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 2,500</u> | <u>-</u> | <u>(2,500)</u> |

CITY OF COMMERCE
Special Revenue Funds

State Gas Tax Fund

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

Year ended June 30, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--------------------------------------|-------------------------|------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 227,500 | 383,115 | 155,615 |
| Investment income | <u>-</u> | <u>401</u> | <u>401</u> |
| Total revenues | <u>227,500</u> | <u>383,516</u> | <u>156,016</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(300,000)</u> | <u>(384,878)</u> | <u>(84,878)</u> |
| Total other financing sources (uses) | <u>(300,000)</u> | <u>(384,878)</u> | <u>(84,878)</u> |
| Net change in fund balances | (72,500) | (1,362) | 71,138 |
| Fund balance at beginning of year | <u>46,718</u> | <u>46,718</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ (25,782)</u> | <u>45,356</u> | <u>71,138</u> |

CITY OF COMMERCE
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, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 150,000 | 254,211 | 104,211 |
| Investment income | <u>-</u> | <u>845</u> | <u>845</u> |
| Total revenues | <u>150,000</u> | <u>255,056</u> | <u>105,056</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | 521,288 | 235,374 | 285,914 |
| Public safety | <u>8,000</u> | <u>19,682</u> | <u>(11,682)</u> |
| Total expenditures | <u>529,288</u> | <u>255,056</u> | <u>274,232</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(379,288)</u> | <u>-</u> | <u>379,288</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(15,500)</u> | <u>(33,811)</u> | <u>(18,311)</u> |
| Total other financing sources (uses) | <u>(15,500)</u> | <u>(33,811)</u> | <u>(18,311)</u> |
| Net change in fund balances | (394,788) | (33,811) | 360,977 |
| Fund balance at beginning of year | <u>33,811</u> | <u>33,811</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ (360,977)</u> | <u>-</u> | <u>360,977</u> |

CITY OF COMMERCE
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, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 16,000 | 16,146 | 146 |
| Total revenues | <u>16,000</u> | <u>16,146</u> | <u>146</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(15,500)</u> | <u>(16,147)</u> | <u>(647)</u> |
| Total other financing sources (uses) | <u>(15,500)</u> | <u>(16,147)</u> | <u>(647)</u> |
| Net change in fund balances | 500 | (1) | (501) |
| Fund balance (deficit) at beginning of year | <u>(148)</u> | <u>(148)</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ 352</u> | <u>(149)</u> | <u>(501)</u> |

CITY OF COMMERCE
Special Revenue Funds

Housing Fund

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

Year ended June 30, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---|
| Revenues: | | | |
| Investment income | \$ - | 11,283 | 11,283 |
| Miscellaneous | <u>-</u> | <u>24,289</u> | <u>24,289</u> |
| Total revenues | <u>-</u> | <u>35,572</u> | <u>35,572</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | <u>-</u> | <u>175,221</u> | <u>(175,221)</u> |
| Total expenditures | <u>-</u> | <u>175,221</u> | <u>(175,221)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(139,649)</u> | <u>(139,649)</u> |
| Extraordinary gain | <u>-</u> | <u>1,153,049</u> | <u>1,153,049</u> |
| Net change in fund balances | - | 1,013,400 | 1,013,400 |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ -</u> | <u>1,013,400</u> | <u>1,013,400</u> |

CITY OF COMMERCE
Debt Service Fund

Community Development Commission Debt Service Fund

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

Year ended June 30, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---|
| Revenues: | | | |
| Taxes | \$ - | 8,397,608 | 8,397,608 |
| Investment income | - | 221,870 | 221,870 |
| Rental income | - | 192,408 | 192,408 |
| Total revenues | <u>-</u> | <u>8,811,886</u> | <u>8,811,886</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | - | 105,000 | (105,000) |
| Debt service: | | | |
| Principal | 3,790,000 | 3,305,000 | 485,000 |
| Interest and fiscal charges | 4,324,543 | 2,903,942 | 1,420,601 |
| Payments under pass-through obligations | <u>1,090,000</u> | <u>813,392</u> | <u>276,608</u> |
| Total expenditures | <u>9,204,543</u> | <u>7,127,334</u> | <u>2,077,209</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(9,204,543)</u> | <u>1,684,552</u> | <u>10,889,095</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 311,628 | 311,628 |
| Transfers out | <u>(3,120,000)</u> | <u>(582,175)</u> | <u>2,537,825</u> |
| Total other financing sources (uses) | <u>(3,120,000)</u> | <u>(270,547)</u> | <u>2,849,453</u> |
| Extraordinary gain (loss) | <u>-</u> | <u>67,692,831</u> | <u>67,692,831</u> |
| Net change in fund balances | (12,324,543) | 69,106,836 | 81,431,379 |
| Fund balance (deficit) at beginning of year, as restated | <u>(69,106,836)</u> | <u>(69,106,836)</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ (81,431,379)</u> | <u>-</u> | <u>81,431,379</u> |

CITY OF COMMERCE
Debt Service Fund
Community Center

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

Year ended June 30, 2012

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive <u>(Negative)</u> |
|--|-------------------------|------------------|--|
| Revenues: | | | |
| Investment income | \$ 5,000 | 45,545 | 40,545 |
| Total revenues | <u>5,000</u> | <u>45,545</u> | <u>40,545</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal | 310,000 | 340,000 | (30,000) |
| Interest and fiscal charges | <u>628,200</u> | <u>588,735</u> | <u>39,465</u> |
| Total expenditures | <u>938,200</u> | <u>928,735</u> | <u>9,465</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(933,200)</u> | <u>(883,190)</u> | <u>50,010</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>924,000</u> | <u>926,235</u> | <u>2,235</u> |
| Total other financing sources (uses) | <u>924,000</u> | <u>926,235</u> | <u>2,235</u> |
| Net change in fund balances | (9,200) | 43,045 | 52,245 |
| Fund balance at beginning of year | <u>4,683,485</u> | <u>4,683,485</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 4,674,285</u> | <u>4,726,530</u> | <u>52,245</u> |

CITY OF COMMERCE

Capital Projects Fund

General City Capital Projects Fund

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

Year ended June 30, 2012

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|--------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ - | 3,579 | 3,579 |
| Investment income | - | 2,960,283 | 2,960,283 |
| Miscellaneous | - | 597,959 | 597,959 |
| Total revenues | <u>-</u> | <u>3,561,821</u> | <u>3,561,821</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 7,574,407 | 1,048,740 | 6,525,667 |
| Debt service: | | | |
| Principal | - | 2,900,000 | (2,900,000) |
| Interest and fiscal charges | - | 2,479,014 | (2,479,014) |
| Total expenditures | <u>7,574,407</u> | <u>6,427,754</u> | <u>1,146,653</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(7,574,407)</u> | <u>(2,865,933)</u> | <u>4,708,474</u> |
| Net change in fund balances | (7,574,407) | (2,832,122) | 4,742,285 |
| Fund balance at beginning of year | <u>53,523,250</u> | <u>53,523,250</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 45,948,843</u> | <u>50,691,128</u> | <u>4,742,285</u> |

CITY OF COMMERCE
Capital Projects Fund

Community Development Commission Capital Projects Fund

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

Year ended June 30, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ - | 625 | 625 |
| Investment income | - | 53,111 | 53,111 |
| Rental income | - | 428,982 | 428,982 |
| Miscellaneous | - | 19,928 | 19,928 |
| Total revenues | <u>-</u> | <u>502,646</u> | <u>502,646</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,542,124 | 2,014,439 | 527,685 |
| Community development | 7,876,962 | 408,721 | 7,468,241 |
| Debt service: | | | |
| Principal | 832,500 | 320,000 | 512,500 |
| Interest and fiscal charges | <u>52,500</u> | <u>1,373,587</u> | <u>(1,321,087)</u> |
| Total expenditures | <u>11,304,086</u> | <u>4,116,747</u> | <u>7,187,339</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(11,304,086)</u> | <u>(3,614,101)</u> | <u>7,689,985</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 582,176 | 582,176 |
| Transfers out | <u>(2,300,637)</u> | <u>-</u> | <u>2,300,637</u> |
| Total other financing sources (uses) | <u>(2,300,637)</u> | <u>582,176</u> | <u>2,882,813</u> |
| Extraordinary gain (loss) | <u>-</u> | <u>(48,379,290)</u> | <u>(48,379,290)</u> |
| Net change in fund balances | (13,604,723) | (51,411,215) | (37,806,492) |
| Fund balance at beginning of year, as restated | <u>51,411,215</u> | <u>51,411,215</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 37,806,492</u> | <u>-</u> | <u>(37,806,492)</u> |

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INTERNAL SERVICE FUNDS

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

The City of Commerce has the following Internal Service Funds:

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

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

CITY OF COMMERCE
Internal Service Funds
Combining Statement of Net Assets
June 30, 2012

| | <u>Central Garage</u> | <u>Central Stores</u> | <u>Totals</u> |
|-------------------------------|---------------------------|---------------------------|----------------|
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and investments | \$ 43,492 | 137,741 | 181,233 |
| Total assets | <u>\$ 43,492</u> | <u>137,741</u> | <u>181,233</u> |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 45,000 | - | 45,000 |
| Accrued salaries and benefits | 9,010 | - | 9,010 |
| Total liabilities | <u>54,010</u> | <u>-</u> | <u>54,010</u> |
| <u>Net Assets</u> | | | |
| Unrestricted | <u>(10,518)</u> | <u>137,741</u> | <u>127,223</u> |
| Total net assets | <u>\$ (10,518)</u> | <u>137,741</u> | <u>127,223</u> |

CITY OF COMMERCE

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2012

| | <u>Central Garage</u> | <u>Central Stores</u> | <u>Totals</u> |
|---|---------------------------|---------------------------|----------------|
| Operating revenues: | | | |
| Charges for services | \$ 713,999 | - | 713,999 |
| Total operating revenues | <u>713,999</u> | <u>-</u> | <u>713,999</u> |
| Operating expenses: | | | |
| General and administrative | 349,844 | - | 349,844 |
| Operations | <u>364,156</u> | <u>-</u> | <u>364,156</u> |
| Total operating expenses | <u>714,000</u> | <u>-</u> | <u>714,000</u> |
| Changes in net assets | (1) | - | (1) |
| Net assets (deficit) at beginning of year | <u>(10,517)</u> | <u>137,741</u> | <u>127,224</u> |
| Net assets (deficit) at end of year | <u>\$ (10,518)</u> | <u>137,741</u> | <u>127,223</u> |

CITY OF COMMERCE
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2012

| | <u>Central Garage</u> | <u>Central Stores</u> | <u>Totals</u> |
|---|---------------------------|---------------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash received from user departments | \$ 713,999 | - | 713,999 |
| Cash payments to suppliers for goods and services | (323,975) | - | (323,975) |
| Cash payments to employees | <u>(346,533)</u> | <u>-</u> | <u>(346,533)</u> |
| Net cash provided by (used for) operating activities | <u>43,491</u> | <u>-</u> | <u>43,491</u> |
| Cash flows from non-capital financing activities: | | | |
| Cash received from other funds | <u>(400,926)</u> | <u>-</u> | <u>(400,926)</u> |
| Net cash provided by (used for) non-capital financing activities | <u>(400,926)</u> | <u>-</u> | <u>(400,926)</u> |
| Net increase (decrease) in cash and cash equivalents | (357,435) | - | (357,435) |
| Cash and cash equivalents at beginning of year | <u>400,927</u> | <u>137,741</u> | <u>538,668</u> |
| Cash and cash equivalents at end of year | <u>\$ 43,492</u> | <u>137,741</u> | <u>181,233</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (1) | - | (1) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Adjustments: | | | |
| Increase (decrease) in accounts payable | 40,181 | - | 40,181 |
| Increase (decrease) in accrued liabilities | <u>3,311</u> | <u>-</u> | <u>3,311</u> |
| Net cash provided by (used for) operating activities | <u>\$ 43,491</u> | <u>-</u> | <u>43,491</u> |

There were no noncash capital, financing and investing activities for the year ended June 30, 2012.

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 Upland 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
Private Purpose Trust Funds
Combining Statement of Net Assets

June 30, 2012

| | Successor Agency | | |
|---|---|-----------------------------------|--------------------|
| | Redevelopment Property Tax Trust Fund | Successor Agency Trust Fund | Totals |
| <u>Assets</u> | | | |
| Cash and investments | \$ 5,775,849 | 26,749,627 | 32,525,476 |
| Cash and investments with fiscal agents | - | 10,196,296 | 10,196,296 |
| Interest receivable | - | 199,188 | 199,188 |
| Unamortized bond issuance costs | - | 1,780,219 | 1,780,219 |
| Loans receivable | - | 31,130 | 31,130 |
| Lease receivable | - | 76,730 | 76,730 |
| Property held for resale | - | 62,375,172 | 62,375,172 |
| Capital assets, net | - | 12,320,422 | 12,320,422 |
| | <u>5,775,849</u> | <u>113,728,784</u> | <u>119,504,633</u> |
| <u>Liabilities</u> | | | |
| Accounts payable | - | 1,562,284 | 1,562,284 |
| Accrued salaries and benefits | - | 67,158 | 67,158 |
| Deposits payable | - | 180,000 | 180,000 |
| Interest payable | - | 2,602,947 | 2,602,947 |
| Due to other governments | - | 335,567 | 335,567 |
| Long-term liabilities | - | 119,048,334 | 119,048,334 |
| | <u>-</u> | <u>123,796,290</u> | <u>123,796,290</u> |
| <u>Net assets</u> | | | |
| Assets held in trust for Successor Agency | <u>\$ 5,775,849</u> | <u>(10,067,506)</u> | <u>(4,291,657)</u> |

Private Purpose Trust Fund
Combining Statement of Changes in Net Assets
Year ended June 30, 2012

| | Successor Agency | | Totals |
|---|---|-----------------------------------|-------------|
| | Redevelopment Property Tax Trust Fund | Successor Agency Trust Fund | |
| Additions: | | | |
| Property Tax | \$ 5,775,849 | - | 5,775,849 |
| Intergovernmental | - | 51,883 | 51,883 |
| Investment income | - | 364,763 | 364,763 |
| Rental income | - | 275,638 | 275,638 |
| | 5,775,849 | 692,284 | 6,468,133 |
| Deductions: | | | |
| Administrative expenses | - | 813,326 | 813,326 |
| Maintenance and repair expenses | - | 18,168 | 18,168 |
| Professional services | - | 365,513 | 365,513 |
| Interest and fiscal charges | - | 2,517,311 | 2,517,311 |
| Payments under pass-through obligations | - | 51,883 | 51,883 |
| Depreciation | - | 116,183 | 116,183 |
| Miscellaneous | - | 180,412 | 180,412 |
| | - | 4,062,796 | 4,062,796 |
| Changes in net assets before extraordinary items: | 5,775,849 | (3,370,512) | 2,405,337 |
| Extraordinary gain (loss) | - | (6,696,994) | (6,696,994) |
| Changes in net assets | 5,775,849 | (10,067,506) | (4,291,657) |
| Net assets held in trust, beginning of year | - | - | - |
| Net assets held in trust, end of year | \$ 5,775,849 | (10,067,506) | (4,291,657) |

CITY OF COMMERCE
Cash Deposits Agency Fund

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2012

| | <u>Balance at June 30, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2012</u> |
|----------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| <u>Assets</u> | | | | |
| Cash and investments | \$ 710,525 | - | 126,577 | 583,948 |
| Total assets | <u>\$ 710,525</u> | <u>-</u> | <u>126,577</u> | <u>583,948</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 137,119 | - | 111,951 | 25,168 |
| Deposits payable | <u>573,406</u> | <u>-</u> | <u>14,626</u> | <u>558,780</u> |
| Total liabilities | <u>\$ 710,525</u> | <u>-</u> | <u>126,577</u> | <u>583,948</u> |

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STATISTICAL SECTION

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

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

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

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

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

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

| | Fiscal Year | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Governmental activities: | | | | | |
| Invested in capital assets, net of related debt | (28,637,654) | (64,082,027) | (80,164,000) | (29,578,541) | (35,988,743) |
| Restricted | 49,808,193 | 103,987,262 | 121,522,451 | 86,626,421 | 74,367,830 |
| Unrestricted | <u>23,287,969</u> | <u>20,979,513</u> | <u>21,040,670</u> | <u>21,826,673</u> | <u>49,830,630</u> |
| Total governmental activities net assets | <u>44,458,508</u> | <u>60,884,748</u> | <u>62,399,121</u> | <u>78,874,553</u> | <u>88,209,717</u> |
| Business-type activities: | | | | | |
| Invested in capital assets, net of related debt | 10,979,998 | 9,976,441 | 7,507,704 | 9,161,881 | 9,717,831 |
| Restricted | - | - | - | - | - |
| Unrestricted | <u>5,085,850</u> | <u>2,564,586</u> | <u>4,074,831</u> | <u>1,363,291</u> | <u>848,744</u> |
| Total business-type activities net assets | <u>16,065,848</u> | <u>12,541,027</u> | <u>11,582,535</u> | <u>10,525,172</u> | <u>10,566,575</u> |
| Primary government: | | | | | |
| Invested in capital assets, net of related debt | (17,657,656) | (54,105,586) | (72,656,296) | (20,416,660) | (26,270,912) |
| Restricted | 49,808,193 | 103,987,262 | 121,522,451 | 86,626,421 | 74,367,830 |
| Unrestricted | <u>28,373,819</u> | <u>23,544,099</u> | <u>25,115,501</u> | <u>23,189,964</u> | <u>50,679,374</u> |
| Total primary government net assets | <u>60,524,356</u> | <u>73,425,775</u> | <u>73,981,656</u> | <u>89,399,725</u> | <u>98,776,292</u> |

The City of Commerce implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

| Fiscal Year | | | | |
|--------------------|--------------------|--------------------|-------------------|-------------------|
| 2008 | 2009 | 2010 | 2011 | 2012 |
| (57,251,831) | (57,521,168) | (67,538,656) | (32,579,229) | 41,949,565 |
| 10,920,863 | 3,941,343 | 463,128 | 27,965,967 | 2,862,221 |
| <u>139,147,166</u> | <u>139,073,655</u> | <u>159,586,801</u> | <u>90,467,496</u> | <u>32,518,513</u> |
| <u>92,816,198</u> | <u>85,493,830</u> | <u>92,511,273</u> | <u>85,854,234</u> | <u>77,330,299</u> |
| 9,205,642 | 11,171,521 | 14,345,897 | 15,281,149 | 9,132,834 |
| (432,900) | (847,500) | (2,989,115) | (3,331,606) | (3,475,824) |
| <u>8,772,742</u> | <u>10,324,021</u> | <u>11,356,782</u> | <u>11,949,543</u> | <u>5,657,010</u> |
| (48,046,189) | (46,349,647) | (53,192,759) | (17,298,080) | 51,082,399 |
| 10,920,863 | 3,941,343 | 463,128 | 27,965,967 | 2,862,221 |
| <u>138,714,266</u> | <u>138,226,155</u> | <u>156,597,686</u> | <u>87,135,890</u> | <u>29,042,689</u> |
| <u>101,588,940</u> | <u>95,817,851</u> | <u>103,868,055</u> | <u>97,803,777</u> | <u>82,987,309</u> |

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

| | Fiscal Year | | |
|---|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 |
| Expenses: | | | |
| Governmental activities: | | | |
| General government | 13,139,118 | 17,735,863 | 19,216,052 |
| Public safety | 12,251,354 | 13,555,848 | 13,694,828 |
| Public works | 2,156,381 | 2,109,522 | 2,318,999 |
| Community development | 7,784,154 | 5,890,086 | 6,574,946 |
| Parks and Recreation | 8,754,035 | 9,121,359 | 9,387,845 |
| Library | 2,476,032 | 2,461,733 | 2,402,587 |
| Interest on long-term debt | 7,143,899 | 8,513,881 | 10,444,185 |
| Total governmental activities expenses | <u>53,704,973</u> | <u>59,388,292</u> | <u>64,039,442</u> |
| Business-type activities: | | | |
| Citadel Authority | <u>8,315,493</u> | | |
| Transit | 2,876,149 | 2,980,087 | 3,051,138 |
| Water | 1,612,125 | 807,382 | 583,008 |
| Cable Television | 223,393 | 239,572 | 280,934 |
| Total business-type activities expenses | <u>13,027,160</u> | <u>4,027,041</u> | <u>3,915,080</u> |
| Total primary government expenses | <u>66,732,133</u> | <u>63,415,333</u> | <u>67,954,522</u> |
| Program revenues: | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government | 124,157 | 475,829 | 445,845 |
| Public safety | 170,925 | 192,875 | 197,343 |
| Public works | 324,323 | 341,277 | 392,123 |
| Community development | 1,723,744 | 1,726,119 | 1,461,203 |
| Library | 48,855 | 37,205 | 40,958 |
| Parks and recreation | 344,111 | 398,967 | 432,165 |
| Operating grants and contributions | 2,485,200 | 3,028,580 | 1,811,158 |
| Capital grants and contributions | 44,146 | 30,800 | 207,970 |
| Total governmental activities program revenues | <u>5,265,461</u> | <u>6,231,652</u> | <u>4,988,765</u> |
| Business-type activities: | | | |
| Charges for services: | | | |
| Citadel Authority | 9,290,126 | | |
| Transit | - | - | - |
| Water | 1,763,803 | - | - |
| Cable Television | 65,147 | 64,516 | 56,712 |
| Operating grants and contributions | 1,372,215 | 1,208,941 | 1,356,282 |
| Capital grants and contributions | - | - | - |
| Total business-type activities program revenues | <u>12,491,291</u> | <u>1,273,457</u> | <u>1,412,994</u> |
| Total primary government program revenues | <u>17,756,752</u> | <u>7,505,109</u> | <u>6,401,759</u> |
| Net revenues (expenses): | | | |
| Governmental activities | (48,439,512) | (53,156,640) | (59,050,677) |
| Business-type activities | <u>(535,869)</u> | <u>(2,753,584)</u> | <u>(2,502,086)</u> |
| Total net revenues (expenses) | <u>(48,975,381)</u> | <u>(55,910,224)</u> | <u>(61,552,763)</u> |

| Fiscal Year | | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 14,440,629 | 16,891,474 | 15,824,307 | 21,404,492 | 16,399,307 | 17,651,539 | 18,362,277 |
| 12,798,953 | 13,741,711 | 14,671,657 | 16,197,845 | 16,357,834 | 16,205,717 | 15,583,635 |
| 2,119,550 | 2,863,690 | 3,197,631 | 4,900,387 | 7,285,450 | 5,867,584 | 6,464,741 |
| 6,034,767 | 6,429,943 | 7,028,967 | 3,257,937 | 21,050,782 | 11,021,254 | 2,269,890 |
| 10,309,407 | 10,158,100 | 10,633,778 | 10,949,754 | 10,516,653 | 8,152,321 | 8,808,268 |
| 2,554,010 | 2,862,061 | 3,220,489 | 3,216,089 | 2,472,071 | 3,970,137 | 3,001,247 |
| 9,299,836 | 9,101,258 | 9,684,698 | 9,996,589 | 9,813,078 | 7,510,228 | 10,055,429 |
| <u>57,557,152</u> | <u>62,048,237</u> | <u>64,261,527</u> | <u>69,923,093</u> | <u>83,895,175</u> | <u>70,378,780</u> | <u>64,545,487</u> |
| 3,330,525 | 3,285,381 | 3,682,946 | 3,267,752 | 3,835,053 | 3,678,189 | 4,417,649 |
| 528,814 | 459,317 | 402,063 | 444,737 | 632,118 | 345,153 | 491,453 |
| 320,510 | 342,295 | 340,497 | 346,045 | 260,442 | 273,826 | 250,312 |
| <u>4,179,849</u> | <u>4,086,993</u> | <u>4,425,506</u> | <u>4,058,534</u> | <u>4,727,613</u> | <u>4,297,168</u> | <u>5,159,414</u> |
| <u>61,737,001</u> | <u>66,135,230</u> | <u>68,687,033</u> | <u>73,981,627</u> | <u>88,622,788</u> | <u>74,675,948</u> | <u>69,704,901</u> |
| 2,656,244 | 2,506,530 | 862,446 | 845,966 | - | - | 717,712 |
| - | - | 161,491 | 233,659 | 1,232,769 | 1,285,140 | 729,369 |
| 206,527 | 215,474 | - | - | 3,152,579 | 2,515,767 | 2,042,031 |
| - | 674,996 | 2,204,296 | 2,034,696 | 6,058,596 | 920,610 | 637,061 |
| 35,957 | 32,373 | 61,536 | 23,943 | 25,410 | 30,567 | 26,827 |
| 423,820 | 473,395 | 486,158 | 483,122 | 521,232 | 621,815 | 667,379 |
| 2,616,670 | 3,091,095 | 4,847,995 | 3,813,612 | 2,376,672 | 2,296,474 | 2,343,633 |
| - | - | 400,000 | 150,923 | 502,044 | 607,842 | 550,120 |
| <u>5,939,218</u> | <u>6,993,863</u> | <u>9,023,922</u> | <u>7,585,921</u> | <u>13,869,302</u> | <u>8,278,215</u> | <u>7,714,132</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 50,587 | 61,440 | 43,408 | 31,972 | 41,302 | 37,850 | 37,817 |
| 1,357,140 | 1,341,483 | 1,057,156 | 3,423,936 | 4,051,566 | 3,018,306 | 2,457,478 |
| - | - | - | - | - | - | - |
| <u>1,407,727</u> | <u>1,402,923</u> | <u>1,100,564</u> | <u>3,455,908</u> | <u>4,092,868</u> | <u>3,056,156</u> | <u>2,495,295</u> |
| <u>7,346,945</u> | <u>8,396,786</u> | <u>10,124,486</u> | <u>11,041,829</u> | <u>17,962,170</u> | <u>11,334,371</u> | <u>10,209,427</u> |
| (51,617,934) | (55,054,374) | (55,237,605) | (62,337,172) | (70,025,873) | (62,100,565) | (56,831,355) |
| (2,772,122) | (2,684,070) | (3,324,942) | (602,626) | (634,745) | (1,241,012) | (2,664,119) |
| <u>(54,390,056)</u> | <u>(57,738,444)</u> | <u>(58,562,547)</u> | <u>(62,939,798)</u> | <u>(70,660,618)</u> | <u>(63,341,577)</u> | <u>(59,495,474)</u> |

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

| | Fiscal Year | | |
|---|-------------|-------------|-------------|
| | 2003 | 2004 | 2005 |
| (continued) | | | |
| General revenues and other changes in net assets: | | | |
| Governmental activities: | | | |
| Taxes: | | | |
| Casino license tax | 15,012,228 | 15,722,281 | 17,428,322 |
| Property taxes | 12,344,899 | 13,799,718 | 18,566,291 |
| Sales tax | 10,634,666 | 11,568,746 | 10,676,245 |
| Business License tax | 810,266 | 798,590 | 826,069 |
| Franchise taxes | 1,171,103 | 1,172,413 | 1,112,744 |
| Transient occupancy taxes | - | - | - |
| Motor vehicle in lieu, unrestricted | 742,483 | 601,583 | 287,356 |
| Rental Income | 2,949,147 | 2,712,082 | 1,740,100 |
| Investment income | 3,798,975 | 5,567,788 | 3,542,248 |
| Sale of property | - | 15,416,261 | 9,614,151 |
| Intergovernmental, unrestricted | - | - | - |
| Miscellaneous revenues | 1,419,286 | 1,431,789 | (1,706,613) |
| Extraordinary gain (note 19) | | | |
| Transfers | (1,524,488) | (1,689,093) | (1,544,990) |
| Total governmental activities | 47,358,565 | 67,102,158 | 60,541,923 |
| Business-type activities: | | | |
| Investment income | 3,042 | 20,392 | 4,004 |
| Transfers | 1,524,488 | 1,689,093 | 1,544,990 |
| Total business-type activities | 1,527,530 | 1,709,485 | 1,548,994 |
| Total primary government | 48,886,095 | 68,811,643 | 62,090,917 |
| Changes in net assets | | | |
| Governmental activities | (1,080,947) | 13,945,518 | 1,491,246 |
| Business-type activities | 991,661 | (1,044,099) | (953,092) |
| Total primary government | (89,286) | 12,901,419 | 538,154 |

*The City of Commerce implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

| Fiscal Year | | | | | | |
|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|-------------------|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| (Continued) | | | | | | |
| 19,081,838 | 21,221,796 | 22,667,115 | 21,095,275 | 19,776,039 | 20,392,604 | 21,181,030 |
| 14,417,628 | 15,766,275 | 15,484,157 | 15,593,558 | 18,219,198 | 17,322,761 | 9,423,608 |
| 14,711,153 | 15,915,922 | 16,353,317 | 16,728,923 | 11,608,348 | 13,108,932 | 16,459,305 |
| 1,199,544 | 1,239,109 | 1,157,899 | 1,187,398 | 1,092,666 | 1,009,514 | 1,017,727 |
| 981,102 | 2,045,918 | 2,187,982 | 1,899,796 | 1,768,066 | 1,922,843 | 2,096,487 |
| 914,608 | 896,548 | 954,809 | 1,059,444 | 1,079,141 | 1,097,697 | 1,028,203 |
| - | - | - | - | - | - | - |
| 4,165,719 | 4,681,652 | 4,585,456 | 3,515,745 | 2,391,795 | 1,858,224 | 3,994,512 |
| - | - | - | - | - | - | - |
| 3,602,205 | 1,788,110 | 1,644,693 | - | - | - | - |
| 2,356,042 | 3,386,308 | 1,627,044 | 1,645,234 | 1,534,396 | 1,261,505 | 2,718,041 |
| | | | | | | 6,696,994 |
| <u>(1,933,319)</u> | <u>(2,725,473)</u> | <u>(1,531,109)</u> | <u>(1,894,366)</u> | <u>(1,465,006)</u> | <u>(1,631,273)</u> | <u>-</u> |
| <u>59,496,520</u> | <u>64,216,165</u> | <u>65,131,363</u> | <u>60,831,007</u> | <u>56,004,643</u> | <u>56,342,807</u> | <u>64,615,907</u> |
| - | - | - | - | 202,500 | 202,500 | - |
| <u>1,933,319</u> | <u>2,725,473</u> | <u>1,531,109</u> | <u>1,894,366</u> | <u>1,465,006</u> | <u>1,631,273</u> | <u>-</u> |
| <u>1,933,319</u> | <u>2,725,473</u> | <u>1,531,109</u> | <u>1,894,366</u> | <u>1,667,506</u> | <u>1,833,773</u> | <u>-</u> |
| <u>61,429,839</u> | <u>66,941,638</u> | <u>66,662,472</u> | <u>62,725,373</u> | <u>57,672,149</u> | <u>58,176,580</u> | <u>64,615,907</u> |
| 7,878,586 | 9,161,791 | 9,893,758 | (1,506,165) | (14,021,230) | (5,757,758) | 7,784,552 |
| (838,803) | 41,403 | (1,793,833) | 1,291,740 | 1,032,761 | 592,761 | (2,664,119) |
| <u>7,039,783</u> | <u>9,203,194</u> | <u>8,099,925</u> | <u>(214,425)</u> | <u>(12,988,469)</u> | <u>(5,164,997)</u> | <u>5,120,433</u> |

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

| | Fiscal Year | | | | |
|------------------------------------|--------------------|--------------------|--------------------|-------------------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 (a) | 2012 |
| General fund: | | | | General fund: | |
| Reserved | 12,580,739 | 12,524,030 | 12,342,170 | Nonspendable | 15,190,427 |
| Unreserved | 12,462,392 | 13,096,988 | 11,807,678 | Restricted | - |
| Total general fund | <u>25,043,131</u> | <u>25,621,018</u> | <u>24,149,848</u> | Unassigned | 33,552,248 |
| | | | | Total general fund | <u>48,742,675</u> |
| | | | | | <u>51,324,280</u> |
| All other governmental funds: | | | | All other governmental funds: | |
| Reserved | 81,299,408 | 64,561,820 | 71,195,075 | Nonspendable | - |
| Unreserved, reported in: | | | | Restricted | 125,592,920 |
| Special revenue funds | 23,782,402 | 23,685,219 | 22,929,354 | Unassigned | <u>(34,639,920)</u> |
| Debt service funds | 63,934,115 | 64,380,169 | 61,397,363 | Total all other | |
| Capital projects funds | <u>45,020,349</u> | <u>49,232,460</u> | <u>34,191,660</u> | governmental funds | <u>90,953,000</u> |
| Total all other governmental fund: | <u>214,036,274</u> | <u>201,859,668</u> | <u>189,713,452</u> | | <u>-</u> |

| | Fiscal Year | | | | |
|------------------------------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| General fund: | | | | | |
| Reserved | 12,959,989 | 13,656,227 | 12,796,287 | 12,243,762 | 14,102,208 |
| Unreserved | 3,482,014 | 2,732,304 | 3,639,316 | 8,709,875 | 9,405,130 |
| Total general fund | <u>16,442,003</u> | <u>16,388,531</u> | <u>16,435,603</u> | <u>20,953,637</u> | <u>23,507,338</u> |
| All other governmental funds: | | | | | |
| Reserved | 78,007,698 | 69,330,967 | 85,475,440 | 63,230,125 | 79,616,682 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 6,673,540 | 6,945,488 | 8,126,202 | 14,034,613 | 15,361,611 |
| Debt service funds | (3,429,881) | 40,779,084 | 26,220,659 | 57,900,984 | 59,701,697 |
| Capital projects funds | <u>(26,137,905)</u> | <u>(8,783,960)</u> | <u>9,888,801</u> | <u>(2,342,763)</u> | <u>(19,868,092)</u> |
| Total all other governmental fund: | <u>55,113,452</u> | <u>108,271,579</u> | <u>129,711,102</u> | <u>132,822,959</u> | <u>134,811,898</u> |

The City of Commerce implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

(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 Nine Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | |
|--|--------------------|-------------------|-------------------|--------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Revenues: | | | | |
| Taxes | 24,150,670 | 26,540,875 | 30,355,280 | 34,629,662 |
| Casino license tax | - | - | - | 19,081,838 |
| Licenses and permits | 17,549,067 | 18,250,186 | 19,717,248 | 2,656,229 |
| Fines and forfeitures | 168,096 | 189,679 | 195,688 | 206,527 |
| Investment income | 3,809,215 | 8,026,452 | 3,560,792 | 4,165,719 |
| Rental income | 3,159,955 | 255,036 | 483,611 | 1,223,947 |
| Intergovernmental | 3,306,993 | 3,723,897 | 1,003,139 | 3,602,205 |
| Charges for services | 988,355 | 965,076 | 1,061,616 | 1,329,154 |
| Activity Fees | 387,155 | 447,533 | 1,740,100 | 459,777 |
| Sale of Citadel / Property | - | 15,416,261 | 24,000,000 | - |
| Settlement Income | | | | |
| Other | 760,326 | 1,840,120 | 7,355,307 | 2,450,054 |
| Total revenues | <u>54,279,832</u> | <u>75,655,115</u> | <u>89,472,781</u> | <u>69,805,112</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 13,022,093 | 17,859,008 | 19,258,191 | 15,008,572 |
| Public safety | 12,191,016 | 13,549,322 | 13,680,741 | 12,772,565 |
| Public works | 1,971,679 | 1,927,178 | 2,172,772 | 1,973,538 |
| Community development | 3,853,872 | 3,815,753 | 2,832,456 | 5,949,287 |
| Library | 2,430,966 | 2,437,593 | 2,379,117 | 2,505,707 |
| Parks, recreation and culture | 7,665,220 | 8,066,062 | 8,434,528 | 9,017,017 |
| Capital outlay | 5,889,354 | 11,621,007 | 3,717,264 | 127,282 |
| Debt service: | | | | |
| Principal retirement | 4,249,722 | 10,636,235 | 19,771,571 | 4,597,180 |
| Interest and fiscal charges | 5,764,866 | 5,954,930 | 9,257,685 | 10,109,154 |
| SERAF Payments | - | - | - | - |
| Bond Issuance Costs | - | - | - | - |
| Payment to bond escrow agent | - | - | - | - |
| Pass-through payments | - | - | - | - |
| Total expenditures | <u>57,038,788</u> | <u>75,867,088</u> | <u>81,504,325</u> | <u>62,060,302</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,758,956)</u> | <u>(211,973)</u> | <u>7,968,456</u> | <u>7,744,810</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 21,179,459 | 23,110,477 | 23,763,879 | 25,055,015 |
| Transfers out | (22,703,947) | (24,799,571) | (25,308,869) | (26,988,334) |
| Issuance of bonds | - | 52,525,000 | 15,040,000 | - |
| Payment to bond escrow agent | - | - | - | - |
| Total other financing sources (uses) | <u>(1,524,488)</u> | <u>50,835,906</u> | <u>13,495,010</u> | <u>(1,933,319)</u> |
| Extraordinary gain (loss) (note 19) | | | | |
| Net change in fund balances | <u>(4,283,444)</u> | <u>50,623,933</u> | <u>21,463,466</u> | <u>5,811,491</u> |
| Debt service as a percentage of noncapital expenditures | 24% | 35% | 60% | 31% |

The City of Commerce implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

| Fiscal Year | | | | | |
|--------------------|-------------------|--------------------|---------------------|---------------------|--------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 38,514,264 | 39,821,812 | 40,023,311 | 36,717,353 | 36,849,238 | 30,838,722 |
| 21,221,796 | 22,667,115 | 21,095,275 | 19,776,039 | 20,392,604 | 21,181,030 |
| 2,506,530 | 3,102,448 | 2,880,662 | 2,266,014 | 2,515,108 | 2,051,387 |
| 215,474 | 161,491 | 257,603 | 1,255,554 | 1,315,707 | 756,196 |
| 5,378,004 | 4,573,986 | 3,515,745 | 5,937,005 | 8,379,360 | 7,001,775 |
| 936,585 | 723,613 | 692,172 | 3,802,188 | 918,914 | 707,840 |
| 2,360,915 | 3,313,647 | 2,538,032 | 3,461,021 | 2,806,231 | 2,539,595 |
| 1,197,648 | 1,407,376 | 1,340,772 | 895,661 | 757,199 | 500,455 |
| 505,768 | 547,694 | 483,122 | 354,582 | 346,616 | 436,868 |
| - | - | - | - | - | - |
| - | - | - | 2,325,000 | - | - |
| <u>2,373,403</u> | <u>2,831,191</u> | <u>1,645,234</u> | <u>1,632,210</u> | <u>1,286,695</u> | <u>1,972,515</u> |
| <u>75,210,387</u> | <u>79,150,373</u> | <u>74,471,928</u> | <u>78,422,627</u> | <u>75,567,672</u> | <u>67,986,383</u> |
| 17,612,838 | 18,211,676 | 21,329,416 | 17,386,171 | 17,447,206 | 16,547,709 |
| 13,285,301 | 14,644,542 | 15,523,154 | 15,622,837 | 15,903,482 | 15,583,635 |
| 2,768,577 | 3,311,795 | 4,560,649 | 6,513,338 | 6,763,595 | 5,894,285 |
| 6,216,382 | 6,109,380 | 4,851,198 | 13,338,627 | 7,128,103 | 2,140,768 |
| 2,767,002 | 3,186,168 | 3,037,302 | 2,915,498 | 2,794,256 | 2,775,283 |
| 9,820,714 | 10,365,481 | 9,820,859 | 8,958,379 | 8,075,994 | 7,969,161 |
| 245,274 | 1,636,332 | 386,226 | - | - | - |
| 6,112,623 | 5,150,560 | 5,871,179 | 6,299,277 | 9,332,647 | 7,971,902 |
| 7,597,938 | 7,645,536 | 12,395,178 | 11,898,888 | 13,485,684 | 9,677,103 |
| - | - | - | 7,022,026 | 1,359,567 | - |
| - | 2,392,879 | - | - | - | - |
| - | 5,297,255 | - | - | - | - |
| <u>1,325,248</u> | <u>2,006,249</u> | <u>3,635,798</u> | <u>2,949,934</u> | <u>2,387,491</u> | <u>813,392</u> |
| <u>67,751,897</u> | <u>79,957,853</u> | <u>81,410,959</u> | <u>92,904,975</u> | <u>84,678,025</u> | <u>69,373,238</u> |
| <u>7,458,490</u> | <u>(807,480)</u> | <u>(6,939,031)</u> | <u>(14,482,348)</u> | <u>(9,110,353)</u> | <u>(1,386,855)</u> |
| 30,205,114 | 34,049,740 | 29,855,879 | 29,089,788 | 24,202,439 | 2,331,429 |
| (32,947,592) | (35,580,849) | (32,122,322) | (30,644,794) | (25,833,712) | (3,710,866) |
| - | 138,915,753 | - | - | - | - |
| - | (56,008,368) | - | - | - | - |
| <u>(2,742,478)</u> | <u>81,376,276</u> | <u>(2,266,443)</u> | <u>(1,555,006)</u> | <u>(1,631,273)</u> | <u>(1,379,437)</u> |
| | | | | - | <u>20,466,590</u> |
| <u>4,716,012</u> | <u>80,568,796</u> | <u>(9,205,474)</u> | <u>(16,037,354)</u> | <u>(10,741,626)</u> | <u>17,700,298</u> |
| 26% | 23% | 31% | 28% | 39% | 35% |

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

| Fiscal Year Ended June 30 | City | | | Taxable Assessed Value | Redevelopment Agency | | | Taxable Assessed Value | Total Direct Tax Rate |
|---------------------------------|-----------|-----------|----------------------------------|------------------------------|----------------------|-----------|----------------------------------|------------------------------|-----------------------------|
| | Secured | Unsecured | Less: Exemptions ¹ | | Secured | Unsecured | Less: Exemptions ¹ | | |
| 2003 | 761,975 | 240,177 | - | 1,002,152 | 1,651,740 | 548,550 | - | 2,200,290 | 0.093% |
| 2004 | 791,554 | 241,666 | - | 1,033,220 | 1,725,449 | 530,185 | - | 2,255,634 | 0.093% |
| 2005 | 847,413 | 234,456 | - | 1,081,869 | 1,801,403 | 491,620 | - | 2,293,023 | 0.093% |
| 2006 | 897,076 | 238,531 | - | 1,135,607 | 2,006,696 | 487,645 | - | 2,494,341 | 0.093% |
| 2007 | 950,650 | 235,577 | - | 1,186,227 | 2,082,111 | 486,053 | - | 2,568,164 | 0.093% |
| 2008 | 957,294 | 213,131 | - | 1,170,425 | 2,266,652 | 474,724 | - | 2,741,376 | 0.093% |
| 2009 | 1,049,626 | 204,194 | - | 1,253,820 | 2,402,608 | 477,214 | - | 2,879,822 | 0.093% |
| 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 | 0.093% |

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

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Los Angeles County Assessor's Office - Form SV 13

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City Direct Rates: | | | | | | | | | | |
| City basic rate | 0.068 | 0.068 | 0.068 | 0.068 | 0.068 | 0.068 | 0.068 | 0.068 | 0.068 | 0.068 |
| Redevelopment agency | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> | <u>0.025</u> |
| Total City Direct Rate | 0.093 | 0.093 | 0.093 | 0.093 | 0.093 | 0.093 | 0.093 | 0.093 | 0.093 | 0.093 |
| Overlapping Rates: | | | | | | | | | | |
| LA Detention Facilities | 0.008 | 0.007 | 0.006 | 0.006 | 0.006 | 0.006 | 0.006 | 0.006 | 0.006 | 0.006 |
| Commerce Sanitary District | 0.003 | 0.003 | 0.003 | 0.003 | 0.003 | 0.003 | 0.003 | 0.003 | 0.003 | 0.003 |
| Commerce Unified School District | 0.008 | 0.010 | 0.013 | 0.012 | 0.012 | 0.012 | 0.013 | 0.013 | 0.013 | 0.013 |
| Commerce Unified School District Bonds | 0.002 | 0.008 | 0.006 | 0.008 | 0.007 | 0.008 | 0.008 | 0.008 | 0.008 | 0.008 |
| County of Commerce | <u>0.835</u> | <u>0.834</u> | <u>0.832</u> | <u>0.833</u> | <u>0.834</u> | <u>0.834</u> | <u>0.833</u> | <u>0.833</u> | <u>0.833</u> | <u>0.833</u> |
| Total Direct Rate | <u>0.949</u> | <u>0.955</u> | <u>0.953</u> | <u>0.955</u> | <u>0.955</u> | <u>0.956</u> | <u>0.956</u> | <u>0.956</u> | <u>0.956</u> | <u>0.956</u> |

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the Example Unified School District bonds.

Source: Los Angeles County Assessor's Office

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

| Taxpayer | 2012 | | | 2002 | |
|-----------------------------------|------------------------|--|-----------------------------------|------------------------|--|
| | 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 | \$ 130,385,746 | 3.09% | AMB Institutional Alliance Fund | 100,224,180 | 3.13% |
| California Commerce Club Inc. | 101,678,421 | 2.41% | California Commerce Club Inc | 94,225,160 | 2.94% |
| AMB Institutional Alliance Fund | 86,671,539 | 2.06% | Union Pacific Railroad Company | 66,631,368 | 2.08% |
| LIT Commerce Distribution Center | 86,666,498 | 2.06% | Commerce Citadel Development A | 66,273,945 | 2.07% |
| Rreef America Reit II Corporation | 75,520,315 | 1.79% | Mail-Well Commercial Printing Inc | 49,481,882 | 1.55% |
| VON'S Companies Inc | 58,476,430 | 1.39% | Newcrow | 42,198,596 | 1.32% |
| TELAC 5500 5600 Inc | 57,704,096 | 1.37% | Allied Records Company | 41,009,345 | 1.28% |
| AMB Property LP | 54,296,911 | 1.29% | Commerce Office Holding Co | 36,226,830 | 1.13% |
| 99 Cents Only Store | 48,104,728 | 1.14% | TELACU | 34,070,525 | 1.06% |
| Omninet Commerce LP | 47,336,599 | 1.12% | SCIF Portfolio III LLC | 33,492,532 | 1.05% |
| | <u>\$ 746,841,283</u> | <u>17.72%</u> | | <u>\$ 563,834,363</u> | <u>17.61%</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 Endec 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 |
| 2003 | 13,521,455 | 12,831,098 | 94.89% | 302,050 | 13,133,148 | 97.13% |
| 2004 | 13,772,509 | 13,221,376 | 96.00% | 370,895 | 13,592,271 | 98.69% |
| 2005 | 15,369,274 | 14,753,256 | 95.99% | 576,026 | 15,329,282 | 99.74% |
| 2006 | 17,543,210 | 16,463,952 | 93.85% | 648,182 | 17,112,134 | 97.54% |
| 2007 | 17,181,443 | 16,908,962 | 98.41% | 1,292,831 | 18,201,793 | 105.94% |
| 2008 | 17,255,072 | 17,142,440 | 99.35% | 398,321 | 17,540,761 | 101.66% |
| 2009 | 19,155,236 | 19,040,059 | 99.40% | 525,897 | 19,565,956 | 102.14% |
| 2010 | 19,726,330 | 20,619,058 | 104.53% | 478,562 | 21,097,620 | 106.95% |
| 2011 | 19,880,502 | 19,294,354 | 97.05% | 359,833 | 19,654,187 | 98.86% |
| 2012 | 20,212,223 | 15,824,853 | 78.29% | 36,888 | 15,861,741 | 78.48% |

NOTE:

The amounts presented 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.

Source: Los Angeles County Auditor Controller's Office

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

| | Calendar Year | | | | | | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Gross Card Room – Gaming Re | 14,892 | 15,602 | 17,308 | 18,962 | 21,102 | 22,547 | 20,975 | 19,656 | 20,273 | 21,061 |
| 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>15,012</u> | <u>15,722</u> | <u>17,428</u> | <u>19,082</u> | <u>21,222</u> | <u>22,667</u> | <u>21,095</u> | <u>19,776</u> | <u>20,393</u> | <u>21,181</u> |
| Monthly Percentage applied | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) |

(a)

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

Source: City of Commerce - Finance Department.

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

CITY OF COMMERCE

Direct and Overlapping Card Club Rates

Last Ten Fiscal Years

| <u>Monthly Gross Card Club Revenue</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</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% 12.9% |

Source: City of Commerce - Finance Department.

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

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

| <u>Tax Remitter</u> | 2012 | | | 2002 | | |
|---------------------|----------------------|-------------|----------------------------|-------------------------------------|-------------|----------------------------|
| | <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 | \$ 21,061,030 | 1 | 0.00% | <i>Information is not available</i> | | |
| Total | <u>\$ 21,061,030</u> | | <u>100.00%</u> | | | |

Source: City of Commerce - Finance Department.

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

| Fiscal Year Ended June 30 | Governmental Activities | | | Total Governmental Activities |
|---------------------------------|--------------------------------|---|---------|-------------------------------------|
| | General Obligation Bonds | Tax Allocation Bonds ¹ | Loans | |
| 2003 | 15,883,799 | 80,445,350 | 755,609 | 97,084,758 |
| 2004 | 9,165,361 | 130,739,677 | 572,813 | 140,477,851 |
| 2005 | 2,017,217 | 134,902,307 | 444,387 | 137,363,911 |
| 2005 | 2,017,217 | 134,902,307 | 444,387 | 137,363,911 |
| 2006 | 1,811,833 | 132,535,789 | 332,795 | 134,680,417 |
| 2007 | 558,891 | 129,739,897 | 219,249 | 130,518,037 |
| 2008 | 440,005 | 147,340,000 | 105,703 | 147,885,708 |
| 2009 | 313,826 | 143,495,000 | - | 143,808,826 |
| 2010 | 179,549 | 139,335,000 | - | 139,514,549 |
| 2011 | 36,902 | 130,145,000 | - | 130,181,902 |
| 2012 | - | 117,395,000 | - | 117,395,000 |

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

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

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

| Business-type Activities | | | | | |
|---------------------------|----------------------------------|--------------------------------------|--------------------------------|--|------------------------------------|
| Water Revenue Bonds | Certificates of Participation | Total Business-type Activities | Total Primary Government | Percentage of Personal Income ² | Debt Per Capita ² |
| 826,509 | 24,050,953 | 24,877,462 | 121,962,220 | 66.02% | 9,358 |
| 468,836 | - | 468,836 | 140,946,687 | 74.19% | 10,815 |
| - | - | - | 137,363,911 | 72.52% | 10,272 |
| - | - | - | 137,363,911 | 70.37% | 10,232 |
| - | - | - | 134,680,417 | 66.36% | 9,950 |
| - | - | - | 130,518,037 | 60.96% | 9,459 |
| - | - | - | 147,885,708 | 66.69% | 10,709 |
| - | - | - | 143,808,826 | 66.80% | 10,607 |
| - | - | - | 139,514,549 | 66.42% | 10,273 |
| - | - | - | 130,181,902 | 55.70% | 9,602 |
| - | - | - | 117,395,000 | 62.14% | 9,121 |

CITY OF COMMERCE

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years
(In Thousands, except Per Capita)

| Fiscal Year Ended June 30 | Outstanding General Bonded Debt | | | Percent of Assessed Value | Per Capita |
|---------------------------------|---------------------------------|----------------------------|-------------|---------------------------------|---------------|
| | General Obligation Bonds | Tax Allocation Bonds | Total | | |
| 2003 | 15,883,799 | 80,445,350 | 96,329,149 | 3.01% | 1219 |
| 2004 | 9,165,361 | 130,739,677 | 139,905,038 | 4.25% | 703 |
| 2005 | 2,017,217 | 134,902,307 | 136,919,524 | 4.06% | 151 |
| 2006 | 1,811,833 | 132,535,789 | 134,347,622 | 3.68% | 88 |
| 2007 | 558,891 | 129,739,897 | 130,298,788 | 3.47% | 97 |
| 2008 | 440,005 | 147,340,000 | 147,780,005 | 3.78% | 107 |
| 2009 | 313,826 | 143,495,000 | 143,808,826 | 3.48% | 102 |
| 2010 | 179,549 | 139,335,000 | 139,514,549 | 3.28% | 100 |
| 2011 | 36,902 | 130,145,000 | 130,181,902 | 3.06% | 100 |
| 2012 | - | 117,395,000 | 117,395,000 | 2.76% | 100 |

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, 2012

| | | | |
|--|--------------------------------|---------------------|----------------------|
| City Assessed Valuation | \$ 2,454,250,021 | | |
| Redevelopment Agency Incremental Valuation | <u>1,759,274,790</u> | | |
| Total Assessed Valuation | <u>\$ 4,213,524,811</u> | | |
| | <u>Percentage</u> | <u>Outstanding</u> | <u>Estimated</u> |
| | <u>Applicable ¹</u> | <u>Debt 6/30/12</u> | <u>Share of</u> |
| | | | <u>Overlapping</u> |
| Overlapping Debt Repaid with Property Taxes: | | | <u>Debt</u> |
| Metropolitan Water District -- Central Basin | 0.284% | 94,031,705 | 267,050 |
| Los Angeles Unified School District | 0.053% | 11,290,485,000 | 5,983,957 |
| Los Angeles City Community College District | 0.724% | 3,504,910,000 | 25,375,548 |
| Montebello Unified School District | 30.736% | 143,684,211 | <u>44,162,779</u> |
| Subtotal overlapping debt | | | 75,789,335 |
| City direct governmental debt | | | <u>-</u> |
| Total direct and overlapping governmental debt | | | <u>\$ 75,789,335</u> |

Notes:

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

Source: Hdl Coren & Cone, L.A. County Assessor and Auditor Combined 2011/12 Lien Date Tax Rolls

Legal Debt Margin Information
Last Ten Fiscal Years

| | Fiscal Year | | | | |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Assessed valuation | 3,054,543,000 | 3,202,442,000 | 3,288,854,000 | 3,374,892,000 | 3,629,948,000 |
| Conversion percentage | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> |
| Adjusted assessed valuation | 763,635,750 | 800,610,500 | 822,213,500 | 843,723,000 | 907,487,000 |
| Debt limit percentage | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> |
| Debt limit | 114,545,363 | 120,091,575 | 123,332,025 | 126,558,450 | 136,123,050 |
| Total net debt applicable to limit: General obligation bonds | <u>16,382,567</u> | <u>15,883,799</u> | <u>9,165,361</u> | <u>2,017,217</u> | <u>2,087,820</u> |
| Legal debt margin | <u>98,162,796</u> | <u>104,207,776</u> | <u>114,166,664</u> | <u>124,541,233</u> | <u>134,035,230</u> |
| Total debt applicable to the limit as a percentage of debt limit | 14.3% | 13.2% | 7.4% | 1.6% | 1.5% |

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

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

| Fiscal Year | | | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
| 3,754,391,000 | 3,911,801,000 | 4,133,642,000 | 4,257,334,000 | 4,213,517,000 | 4,213,524,811 | |
| <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> |
| 938,597,750 | 977,950,250 | 1,033,410,500 | 1,064,333,500 | 1,053,379,250 | 1,053,381,203 | |
| <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> |
| 140,789,663 | 146,692,538 | 155,011,575 | 159,650,025 | 158,006,888 | 158,007,180 | |
| <u>2,181,772</u> | <u>2,432,676</u> | <u>2,552,676</u> | <u>2,656,166</u> | <u>2,776,166</u> | <u>2,879,656</u> | |
| <u>138,607,891</u> | <u>144,259,862</u> | <u>152,458,899</u> | <u>156,993,859</u> | <u>155,230,722</u> | <u>155,127,524</u> | |
| 1.5% | 1.7% | 1.6% | 1.7% | 1.8% | 1.8% | |

CITY OF COMMERCE
Demographic and Economic Statistics
Last Ten Calendar Years

| Calendar Year | Population (1) | Personal Income (in thousands) (2) | Per Capita Personal Income (2) | Unemployment Rate (3) |
|------------------|-------------------|--|---|-----------------------------|
| 2003 | 13,033 | 189,973 | 14,576 | 10.0% |
| 2004 | 13,373 | 189,421 | 14,164 | 9.5% |
| 2005 | 13,425 | 195,194 | 14,540 | 8.3% |
| 2006 | 13,536 | 202,966 | 14,995 | 8.1% |
| 2007 | 13,798 | 214,114 | 15,518 | 8.1% |
| 2008 | 13,809 | 221,761 | 16,059 | 8.5% |
| 2009 | 13,558 | 215,274 | 15,878 | 13.8% |
| 2010 | 13,581 | 210,060 | 15,467 | 18.5% |
| 2011 | 12,823 | 193,205 | 15,067 | 22.8% |
| 2012 | 12,871 | 188,912 | 14,677 | 22.8% |

Sources:

- (1) State Department of Finance
- (2) Office of Economic Development
- (3) State of California Employment Development Department (data shown is for the County)

CITY OF COMMERCE
Principal Employers
Current Year and Ten Years Ago

| Employer | 2012 | | 2002* | |
|-----------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| California Commerce Club, Inc. | 2,191 | 3.81% | | |
| County of Los Angeles | 910 | 1.58% | | |
| American International Industries | 783 | 1.36% | | |
| Parsec, Inc. | 780 | 1.36% | | |
| 99 Cents Only Stores | 640 | 1.11% | | |
| Gruma Corp. Dba Mission Foods | 563 | 0.98% | | |
| Unified Grocers Inc. | 449 | 0.78% | | |
| Smart & Final Stores LLC | 396 | 0.69% | | |
| Monogram Aerospace Fasteners | 395 | 0.69% | | |
| Mojave Foods Corp | 391 | 0.68% | | |
| Wine Warehouse | 361 | 0.63% | | |
| Smart & Final Inc. | 351 | 0.61% | | |

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

*Information for 2002 is not available

Source: City of Commerce

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

| <u>Function</u> | <u>Full-time and Part-time Employees as of June 30</u> | | | | | | | | | |
|----------------------------|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| General government | 69 | 70 | 72 | 75 | 78 | 78 | 76 | 72 | 70 | 69 |
| Public safety ¹ | - | - | - | - | - | - | - | - | - | - |
| Public services | 27 | 25 | 27 | 26 | 31 | 31 | 32 | 32 | 29 | 29 |
| Community | | | | | | | | | | |
| development | 15 | 15 | 18 | 19 | 20 | 20 | 25 | 24 | 19 | 13 |
| Park & Recreation | 125 | 126 | 126 | 125 | 124 | 124 | 125 | 118 | 105 | 105 |
| Library Services | 33 | 33 | 33 | 35 | 38 | 38 | 43 | 43 | 37 | 36 |
| Transportation | <u>32</u> | <u>33</u> | <u>33</u> | <u>35</u> | <u>33</u> | <u>33</u> | <u>33</u> | <u>33</u> | <u>35</u> | <u>35</u> |
| Total | <u>301</u> | <u>302</u> | <u>310</u> | <u>314</u> | <u>323</u> | <u>323</u> | <u>334</u> | <u>322</u> | <u>295</u> | <u>287</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 | | | |
|--|-------------|-------------|-------------|-------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Police: | | | | |
| Stations | 0 | 0 | 0 | 0 |
| Fire: | | | | |
| Fire stations | 3 | 3 | 3 | 3 |
| Public services: | | | | |
| Streets (miles) | 122.08 | 127.14 | 131.76 | 132.60 |
| Streetlights | 2,956 | 2,967 | 3,039 | 3,183 |
| Traffic signals | 74 | 74 | 76 | 76 |
| Parks and recreation: | | | | |
| Parks | 4 | 4 | 4 | 4 |
| Community centers | 1 | 2 | 2 | 2 |
| Water: | | | | |
| Water mains (miles) | 167.90 | 170.60 | 172.50 | 172.90 |
| Maximum daily capacity (thousands of gallons) | 12,500 | 12,500 | 12,500 | 12,500 |
| Wastewater: | | | | |
| Sanitary sewers (miles) | 176.90 | 178.40 | 179.15 | 179.15 |
| Storm sewers (miles) | 51.40 | 53.50 | 57.60 | 57.60 |
| Maximum daily treatment capacity (thousands of gallons) | 6,976 | 6,976 | 6,976 | 6,976 |
| Library: | | | | |
| Libraries | 4 | 4 | 4 | 4 |

Source: City of Commerce

Fiscal Year

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 133.10 | 133.80 | 133.80 | 133.80 | 133.80 | 133.80 |
| 3,185 | 3,188 | 3,191 | 3,193 | 3,193 | 3 |
| 76 | 77 | 79 | 80 | 80 | 80 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 172.90 | 173.40 | 173.90 | 173.90 | 173.90 | 173.90 |
| 12,500 | 12,750 | 12,850 | 12,850 | 12,850 | 12,850 |
| 179.15 | 181.25 | 181.75 | 181.75 | 181.75 | 181.75 |
| 57.60 | 58.50 | 58.50 | 58.50 | 58.50 | 58.50 |
| 6,976 | 6,995 | 7,015 | 7,015 | 7,015 | 7,015 |
| 4 | 4 | 4 | 4 | 4 | 4 |

