

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the comprehensive annual financial report for the City of Commerce City, Colorado (the City), the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2014. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

2014 FINANCIAL HIGHLIGHTS

The City's assets exceeded its liabilities by \$244,692,809 (total net position) for the calendar year reported.

- Total net position are comprised of the following:
 - (1) Net investment in capital assets, of \$156,379,924 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$25,823,135 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$62,405,216 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$156,594,186 this year. This compares to the prior year ending fund balance of \$81,040,600 showing an increase of \$75,553,586 during the current year. This increase relates primarily to the issuance of \$73,445,000 of general obligation debt.
- At the end of the current calendar year, the unassigned fund balance for the General Fund was \$5,689,832 or 11.3% of total General Fund expenditures.
- Overall, the City continues to maintain a strong financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented to allow comparison to the prior calendar year.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City principally supported by taxes from business-type activities intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, community development, public safety, public works, parks and recreation. Business-type activities include the solid waste management and the Commerce City Finance Authority.

The government-wide financial statements are presented on pages 16 & 17 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 18 to 21 of this report.

Individual fund information for nonmajor governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's proprietary funds are classified as enterprise funds and internal service funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The internal service funds are reported as part of the governmental activities at the government-wide financial reporting level.

The basic proprietary fund financial statements are presented on pages 22 to 25 of this report.

The *fiduciary funds* include employee pension and retirement funds held in trust and an agency fund used to hold resources of school impact fees from developers that school districts will use. These statements are found on pages 26 & 27.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 30 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. Budgetary comparison schedules are included as "required supplementary information" for the general fund and the major Urban Renewal Authority Fund. Budgetary comparison schedules for all other governmental funds can be found in the supplementary information section of this report. These schedules demonstrate compliance with the City's adopted and final revised budget. Finally, this section includes a schedule of funding progress for the retirement health savings plan. Required supplementary information can be found on pages 68 & 69 of this report.

Supplementary Information

As discussed, the City reports major funds in the basic financial statements. Comparative information for major funds and combining and individual statements and schedules for nonmajor funds are presented in a supplementary information section of this report beginning on page 72.

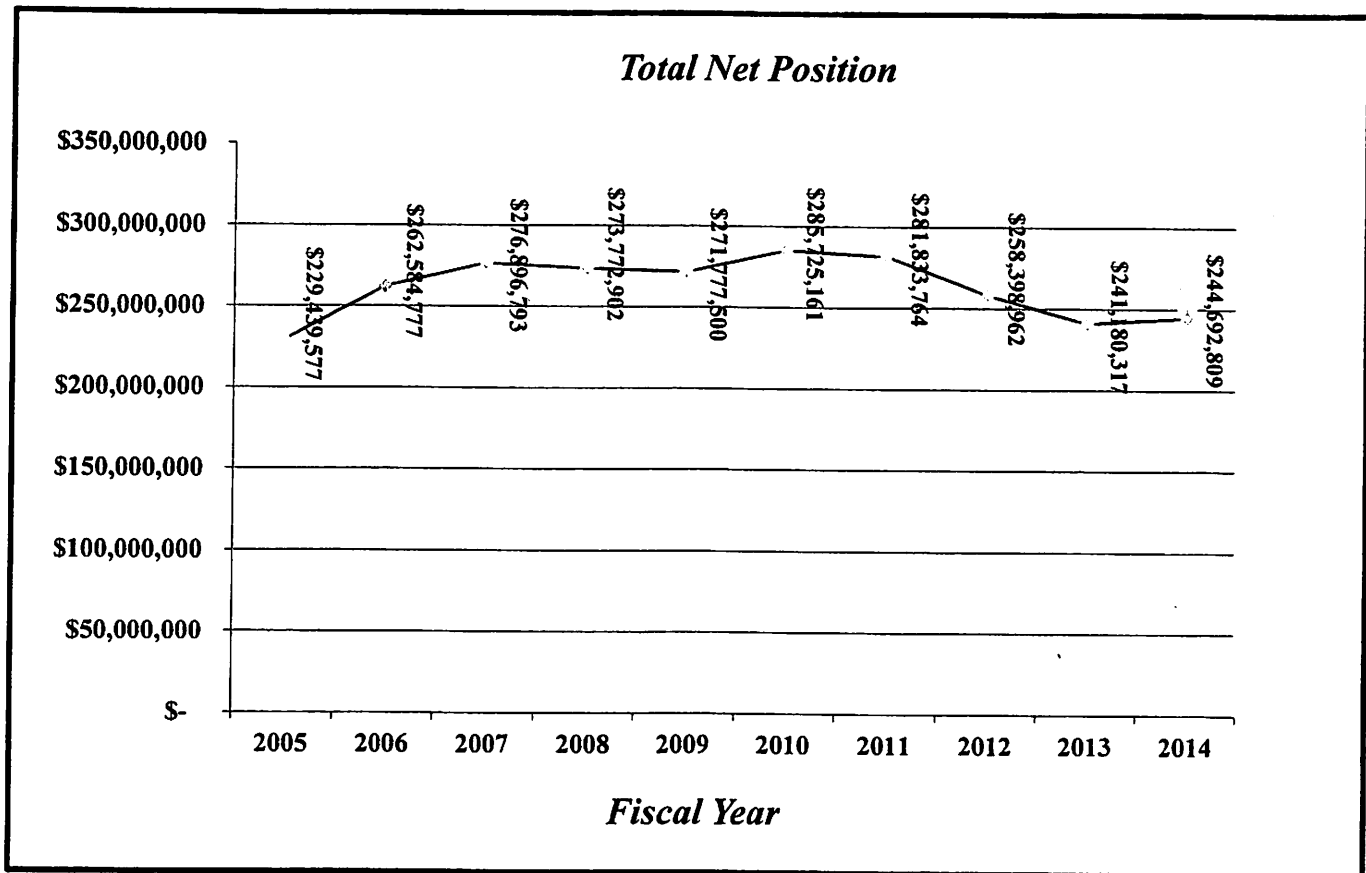
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's net position at calendar year-end is \$244,692,809. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets and deferred outflows:						
Current assets	\$ 184,942,705	\$ 102,206,849	\$ 145,596	\$ 858,970	\$ 185,088,301	\$ 103,065,819
Other non-current assets	1,232,652	2,870,536	266,853	278,983	1,499,505	3,149,519
Capital assets	312,636,351	307,279,921	26,144,126	27,207,470	338,780,477	334,487,391
Deferred outflows	486,102	506,472	-	-	486,102	506,472
Total assets	499,297,810	412,863,778	26,556,575	28,345,423	525,854,385	440,702,729
Liabilities:						
Current liabilities	18,527,167	11,794,511	897,914	616,158	19,425,081	12,410,669
Long-term liabilities	224,688,363	150,351,325	29,614,278	30,193,020	254,302,641	180,544,345
Deferred inflows	7,433,854	7,073,870	-	-	7,433,854	7,073,870
Total liabilities	250,649,384	169,219,706	30,512,192	30,809,178	281,161,576	200,028,884
Net position:						
Net investment in capital assets	160,420,075	157,355,252	(4,040,151)	(3,540,550)	156,379,924	153,814,702
Restricted	25,823,135	20,386,337	-	-	25,823,135	20,386,337
Unrestricted	62,405,216	65,902,483	84,534	1,076,795	62,489,750	66,979,278
Total net position	\$ 248,648,426	\$ 243,644,072	\$ (3,955,617)	\$ (2,463,755)	\$ 244,692,809	\$ 241,180,317

The following chart reports the total net position balances from fiscal year 2005 – 2014:



The City continues to maintain a high current ratio, excluding the deferred inflows and outflows of resources. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 10.0 to 1 as compared to 8.7 to 1 at December 31, 2013. For business-type activities, the current liabilities exceed current assets, as compared to 5.3 to 1 at December 31, 2013. The total current ratio was 9.5 to 1 as compared to 8.7 to 1 at December 31, 2013.

The City reported positive balances in net position for governmental activities and deficit net position for business-type activities. During fiscal year 2014, net position increased \$5,004,354 for governmental activities. For business-type activities, net position decreased \$1,491,862. The City's overall financial position increased during calendar year 2014 by \$3,512,492.

Note that approximately 62.6% of the governmental activities' total assets are tied up in capital assets (with 75.6% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. Nearly 100% of the business-type activities assets are tied up in capital assets. Combining governmental activities with business type activities, the City has invested 63.9% of its total assets in capital assets, as presented in the Statement of Net Position. Capital assets used in the business-type activities generate revenues for the solid waste program. The capital assets in the Finance Authority result from the construction of an administration building that is being leased to the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For the Year Ended December 31, 2014

City of Commerce City, Colorado

The following table provides a summary of the City's changes in net position:

Summary of Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program:						
Charges for services	\$ 9,019,934	\$ 5,889,591	\$ 2,367,795	\$ 4,783,907	\$ 11,387,729	\$ 10,673,498
Operating grants	378,293	341,810	-	-	378,293	341,810
Capital grants and contributions	4,732,804	6,414,329	-	72,692	4,732,804	6,487,021
General:						
Taxes	62,037,116	47,146,585	-	-	62,037,116	47,146,585
Other	8,657,754	2,050,891	3,833	5,834	8,661,587	2,056,725
Total revenues	84,825,901	61,843,206	2,371,628	4,862,433	87,197,529	66,705,639
Program Expenses:						
General government	18,048,736	17,900,457	-	-	18,048,736	17,900,457
Human resources	950,390	740,491	-	-	950,390	740,491
Community development	3,467,187	5,457,255	-	-	3,467,187	5,457,255
Public safety	14,272,948	14,551,903	-	-	14,272,948	14,551,903
Public works	25,537,390	25,118,662	-	-	25,537,390	25,118,662
Parks and recreation	10,627,413	8,439,998	-	-	10,627,413	8,439,998
Interest	8,262,483	6,652,767	-	-	8,262,483	6,652,767
Golf course	-	-	-	2,515,214	-	2,515,214
Finance authority	-	-	2,518,490	2,536,537	2,518,490	2,536,537
Total expenses	81,166,547	78,861,533	2,518,490	5,051,751	83,685,038	83,913,284
Revenues over (under) expenses	3,659,354	(17,018,327)	(146,862)	(189,318)	3,512,491	(17,207,645)
Transfers	1,345,000	1,582,891	(1,345,000)	(1,582,891)	-	-
Change in net position	5,004,354	(15,435,436)	(1,491,862)	(1,772,209)	3,512,491	(17,207,645)
Beginning net position	243,644,072	259,079,508	(2,463,755)	(691,546)	241,180,317	258,387,962
Ending net position	<u>\$ 248,648,426</u>	<u>\$ 243,644,072</u>	<u>\$ (3,955,617)</u>	<u>\$ (2,463,755)</u>	<u>\$ 244,692,809</u>	<u>\$ 241,180,317</u>

Governmental Activity Revenues

The City is heavily reliant on sales and use taxes to support governmental operations. Sales and use taxes provided 57.7% of the City's total revenues as compared 55.9% in calendar year 2013. Note that program revenues covered 17.4% of governmental operating expenses as compared to 16% in calendar year 2013.

This means that the government's taxpayers and the City's other general revenues normally fund 82.6% of the governmental activities, primarily from sales and use taxes. As a result, the general economy and the success of local businesses have a major impact on the City's revenue streams.

Governmental Activity Expenses

The following table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

	Governmental Activities			
	Total Cost of Services	Percentage of Total	Net Cost of Services	Percentage of Total
General government	\$ 18,048,736	22.2%	\$ 17,212,689	25.7%
Human resources	950,390	1.2%	950,390	1.4%
Community development	3,467,187	4.3%	1,724,606	2.6%
Public safety	14,272,948	17.6%	12,387,041	18.5%
Public works	25,537,390	31.5%	19,708,498	29.4%
Parks and recreation	10,627,413	13.1%	6,789,808	10.1%
Interest	8,262,483	10.1%	8,262,483	12.3%
Total	<u>\$ 81,166,547</u>	<u>100.0%</u>	<u>\$ 67,035,515</u>	<u>100.0%</u>

The public works function is the highest cost function, primarily because of the City's growth in its infrastructure (e.g., roads and storm sewers), resulting in approximately \$25.5 million including annual depreciation expense. The City spent approximately \$14.2 million on public safety and \$18 million on general government services.

Business-Type Activities

Finance Authority Fund – In 2007, this fund issued \$30,900,000 in certificates of participation, which were used to fund the construction of an administration building, which is leased to the City, beginning in 2007. In 2014, this fund recognized \$2,006,231 in rental income and paid interest on long-term debt totaling \$1,449,559. At December 31, 2014, this fund reports a deficit of \$3,824,467, which will be eliminated with future rental revenue.

Solid Waste Management Fund - The other business-type activity is the solid waste management fund. Tipping fees charged at the BFI landfill operation provide the revenues for this fund. The City receives 5% of the total amount of fees collected or assessed and has no "out-of-pocket" costs. These revenues are to be used only for transportation improvements and maintenance on streets and bridges in the area of the landfill. The 2014 fee revenues of \$361,564 decreased from the 2013 revenues due to a refund for overpayment of prior year revenues. The revenues collected are transferred to the Capital Expenditures Fund to finance future capital improvement projects.

FUND ANALYSIS

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$156,594,186 compared to the \$81,040,600 at December 31, 2013.

Of this year-end total, \$5,634,454 is unassigned indicating the availability for continuing City service delivery requirements. However, because of the URA asset that the City has committed to improve and resell, the City expects unassigned fund balance to turn-around as soon as this asset is sold. Legally restricted fund balances are \$98,371,059

Included in this amount are \$80.9 million for capital construction, \$9.6 million for debt service and the money set aside to meet the TABOR emergency reserve requirements, or \$4.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For the Year Ended December 31, 2014

City of Commerce City, Colorado

Committed fund balance totals \$10,975,262. Included in this amount is \$330,436 for court surcharges and \$10.6 million for capital construction.

The total ending fund balances of governmental funds show an increase of \$75,553,586 or 86.3% from the prior year.

Major Governmental Funds

General Fund - The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$13,146,670 or 53.9% as compared to 30.3% decrease in calendar year 2013. The ending unassigned fund balance is considered adequate, representing the equivalent of 11.9% of annual expenditures. This compares to 3% at December 31, 2013.

Total tax revenues are above those of 2013 by \$14.7 million, most of which relates to increased sales and use taxes. \$10.3 million of this increase was due to an increase in the sales tax rate of 1% and an increase of taxes from audits.

Property taxes increased \$218,362 or 10% resulting in normal growth in the tax base, assessed value.

Plan check fees increased \$55,934 or 27.7% due to more building development in the City. Building permits were up \$266,649 or 26.6% due to a recovering economy. Court and docket fees are higher than the 2013 amount by \$51,507 or 20.9%. Fines and forfeitures through the municipal court were higher than the 2013 amount by \$111,294 or 20.6%. Revenues from photo red light enforcement were \$60,077 or 13.5% below the 2013 amount.

Recreation and golf fees increased \$2.6 million because the golf fund was closed at the end of last year and its activities were incorporated into the general fund this year.

Most other revenue streams were consistent with the prior years' revenues.

Total General Fund expenditures increased approximately \$3.5 million over the 2013 amount.

Total general government expenditures were \$331,510 or 9.2% above the 2013 amount. Within the general government function, legal fees increased \$361,318 or 48.6% because of fees paid to outside attorney's increased over the prior year. Communication expenditures increased \$214,273 or 27.4% due to a reclassification of some intergovernmental costs to this function.

Within the finance function, total expenditures increased \$1.6 million. The increases relate to:

- Finance planning costs - \$119,035 or 28.3% due to a reclassification of some intergovernmental costs.
- Financial services - \$824,997 or 83.6% due to the 2K administrative costs which are being paid from a line item in the Finance department \$14,034, the 2K program management costs are being tracked in a capital outlay account in the finance department or \$752,972, and salaries increased to account for the interim positions during the organization transition (Director, Controller, Acct Supervisor)
- Tax - \$186,865 or 20.3%

In total, public safety costs were \$63,096 below the 2013 amount. Administration costs were \$404,441 below the prior year due to Adams County Communications (Communications Center/Dispatch) expenditures, which were reclassified to the police operations division.

In the public works function, expenditures were \$499,910 or 7% higher than 2013.

A brief discussion of the other major governmental funds follows:

Capital Expenditures Fund – This fund is used to fund major City capital projects. The county open space tax and the county transportation tax, plus intergovernmental revenue provided the majority of this fund's revenue. The fund also recognized approximately \$3.0 million of transfers from other funds, including approximately \$1.3 million from the General Fund, \$477,100 from the Conservation Trust Fund, and \$1.3 million from the Solid Waste Fund.

During this year, this fund incurred \$9.3 million in capital costs including a Boys & Girls Club \$250,000, public works projects for \$3,164,987 and parks and recreation projects for \$5,766,174. In this year, the City issued general obligation bonds totaling \$73,445,000 for the 2K projects. The major projects include:

- Neighborhood Parks (3) - \$8,372,360
- Road Project (1) – \$48,833,294
- Outdoor Pool (1) – \$9,372,080
- New Recreation Center Building (1) – \$3,379,635
- New Recreation Center Infrastructure - \$3,251,787
- Existing Recreation Center Expansion - \$272,244
- MSC Renovations - \$323,000
- Program Contingency - \$4,518,100

This fund reports an ending fund balance of \$85,448,293 at December 31, 2014.

Northern Infrastructure GID Fund - This fund is used to account for the construction of infrastructure improvements within the district, including debt service on these improvements. This fund recognized over \$4.7 million in property and specific ownership taxes.

This fund continued to expend the 2008 bond proceeds on infrastructure projects, or \$15.4 million. The major project was work completed on 104th avenue. This fund also incurred interest costs on debt of approximately \$3.6 million. At December 31, 2014, the fund reports fund balance of \$11.5 million, down from the \$18.4 million at December 31, 2013.

Urban Renewal Agency Fund – Current plans are to resell the property held for resale with a cost of \$4.7 million. This fund recognized \$260,785 in property taxes as compared to \$256,789 in 2013. This fund expended \$633,634 and reports a fund balance of \$6,213,047 at December 31, 2014.

Impact Fees Fund – In fiscal year 2014, this fund recognized \$860,693 in impact fees. This compares to \$754,100 in fiscal year 2013. In fiscal year 2014, the fund only spent \$38,973. The year-end fund balance is \$5,664,288.

Proprietary Funds

Proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The business-type activities analysis above discusses the City's three enterprise funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's revenue budget was amended during 2014 to account for the sales tax increase authorized by voters in November 2013.

Revenue from sales and use taxes were \$3,530,395 over budget as explained above. Franchise fees exceeded the budget by \$243,110. Building permit revenue exceeded the budget by \$516,718 because of conservative budgeting.

Court and docket fees revenue were \$32,745 below budget. Total fines and forfeitures were below the budget by \$385,392 primarily due to position vacancies within the police department and fewer citations issued than in past years.

Investment earnings exceeded the final budget by \$370,950, due to conservative budgeting.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For the Year Ended December 31, 2014

City of Commerce City, Colorado

In total, the City recognized 108.2% of the final revenue budget.

The General Fund's expenditure budget was amended upward \$697,710 or 1.4%.

The expenditures for the city manager and city clerk were below budget by \$14,433 and \$15,842, respectively compared to the 2013 expenditures. The public safety department was below budget by \$63,096 compared to the 2013 expenditures. This is primarily due to position vacancies within the department.

In total, the City under spent the final expenditure budget for the general fund by \$1,241,735.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2014, was \$312,636,351 and \$26,144,127 respectively. The change in this net investment was an approximate 1.7% increase for governmental activities (including the internal service funds) and a 3.9% decrease for business-type activities. See Note 3-C for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

The following table provides a summary of capital asset activity:

	Capital Assets					
	Governmental Activities*		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-depreciable assets:						
Land	\$ 42,699,676	\$ 42,524,941	\$ -	\$ -	\$ 42,699,676	\$ 42,524,941
Golf course	4,224,818	4,224,818	-	-	4,224,818	4,224,818
Water rights	7,159,033	6,267,166	-	-	7,159,033	6,267,166
Construction in progress	22,107,710	18,084,539	-	-	22,107,710	18,084,539
Total non-depreciable	76,191,237	71,101,464	-	-	76,191,237	71,101,464
Depreciable assets:						
Buildings	22,294,233	22,818,775	33,744,248	33,744,249	56,038,481	56,563,024
Machinery, equipment furniture and intangibles	15,108,855	14,473,483	-	-	15,108,855	14,473,483
Infrastructure	438,277,582	418,862,784	-	-	438,277,582	418,862,784
Total depreciable assets	475,680,670	456,155,042	33,744,248	33,744,249	509,424,918	489,899,291
Less accumulated depreciation	239,235,556	219,976,586	7,600,122	6,536,778	246,835,678	226,513,364
Book value - depreciable assets	236,445,114	236,178,456	26,144,125	27,207,470	262,589,240	263,385,927
Percentage depreciated	50%	48%	23%	19%	48%	46%
Total book value	\$ 312,636,351	\$ 307,279,921	\$ 26,144,126	\$ 27,207,470	\$ 338,780,477	\$ 334,487,391

* The governmental activities amounts include the City's three internal service funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For the Year Ended December 31, 2014

City of Commerce City, Colorado

The various capitalized additions to governmental activities infrastructure capital assets of \$19.4 million include:

- Roads, pavement management and rehabilitation \$17,291,363
- Roads, pavement management and rehabilitation \$1,106,158
- Parks \$51,512
- Trails \$771,591
- Storm sewer \$80,174
- Street lights \$114,000
- Buildings (\$524,542)
- Land \$174,735
- Equipment/Intangibles \$37,837

The December 31, 2014 balances in governmental activities construction in progress relates to various road and park projects.

Long-term Debt

The City established the City of Commerce City Northern Infrastructure General Improvement District (GID) as a legally separate entity. Since the City Council serves as the Board of Directors for the GID, it is reported as a blended component unit. Therefore, the \$83,530,000 of general obligation debt of the GID is reported here as if it is the City's debt. In reality, the GID debt is not an obligation of the City and no City funds are used to retire the debt. The GID has its own property tax levy to generate the revenue necessary to retire its debt.

The following table reports debt balances at December 31, 2014 and 2013, exclusive of deferred debt related items.

	Outstanding Borrowings					
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
GID general obligation bonds	\$ 83,530,000	\$ 84,735,000	\$ -	\$ -	\$ 83,530,000	\$ 84,735,000
Sales tax revenue bonds	127,970,000	56,015,000	-	-	127,970,000	56,015,000
Lease purchase agreement	1,728,771	1,862,209	-	-	1,728,771	1,862,209
Certificates of participation	-	-	29,955,000	30,510,000	29,955,000	30,510,000
Compensated absences	106,479	100,701	-	-	106,479	100,701
Total	\$ 213,335,250	\$ 142,712,910	\$ 29,955,000	\$ 30,510,000	\$ 243,290,250	\$ 173,222,910

See Note 3-F for additional information about the City's long-term debt.

ECONOMIC CONDITIONS AFFECTING THE CITY

The national economy went into a major recession starting in 2008. In 2010, the economy started growing again, but there was a small drop in business sales in Commerce City in 2011. In 2014 sales and use tax remittances from businesses increased by 41.29% compared to 2013. Sales and use tax revenues increased primarily due to the voter approved 1% tax rate increase effective January 1, 2014. In addition, audit revenue and auto use tax receipts increased as well.

The City experienced unprecedented residential growth from 1999 through 2004. The Northeast quadrant of the Denver metropolitan area contains the only remaining close in, open land available for development. This, coupled with low interest rates, resulted in residential development increasing in the City's north range area. Then in 2005 through 2009, the growth rate slowed. The total numbers of building permits were 10,285 in 2005 and declined to 1,448 in 2009. In 2014, the number of total permits was 2,444 compared to 1,934 permits in 2013. Permit valuations went through a corresponding decline from 2005 through 2009. Total permit valuations were \$129,165,777 in 2008 and dropped to \$49,900,132 in 2009. In 2014, total permit valuations were \$127,119,585 compared to \$94,990,823 in 2013.

Residential construction valuations were \$59,874,192 in 2014 compared to \$68,952,147 in 2013. There were 353 housing units permitted in 2014 compared to 384 in 2013. Management monitors sales, use tax revenues, and the construction related revenues in relation to the operating expenditures and by observing, the trends work to prevent a cash flow problem for the City and to ensure that the City does not become too reliant on construction related revenues to fund its operating budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Manager's Office or the City's Finance Department.

CITY OF COMMERCE CITY

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