

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds

3-A. Deposits and Investments

Deposits - Colorado State statutes govern the City's deposit of cash. The Public Deposit Protection Act for banks and savings and loans requires the state regulators to certify eligible depositories for public deposits. The Act requires eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the state of Colorado or local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered.

At December 31, 2014, the carrying amount of the City's deposits (including its component units) was \$1,115,569 and the bank balance was \$1,746,958. The bank balance was covered by federal depository insurance (\$329,412) and PDPA (\$1,417,546).

Investments

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City's investment policy limits maturities to ten years or less, with the average maturity of the cash and investment portfolio to not exceed five years.

At December 31, 2014, the City had the following investments and maturities:

Investment Type	Maturity Period				
	Fair Value	Three Months or Less	4 - 12 Months	1 - 5 Years	6 - 10 Years
Farm Credit Notes	\$ 8,933,648	\$ -	\$ -	\$ 7,937,560	\$ 996,088
Freddie Mac Notes	15,440,122	-	-	12,809,987	2,630,135
Fannie Mae Notes	18,751,231	-	-	18,751,231	-
Federal Home Loan Banks BND	27,451,493	-	-	11,832,727	15,618,766
U.S.. Treasury Bonds	60,500,023	7,406,504	47,082,631	6,010,888	-
Total	131,076,517	<u>\$ 7,406,504</u>	<u>\$ 47,082,631</u>	<u>\$ 57,342,393</u>	<u>\$ 19,244,989</u>
Annuity	36,378				
Colo Trust-Money Market	2,547,307				
Colo Trust-GID 104th Ave - 2008	3,228,591				
Wells-Money Market Funds	<u>18,694,175</u>				
Total	<u>\$ 155,582,968</u>				

Credit Quality Risk – Credit quality risk is that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy addresses credit quality risk and authorizes the City to invest as follows:

- Commercial Paper that, at the time of purchase, is rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations.
- Any interest in any local government investment pool organized pursuant to part 7 of article 75 of title 24, Colorado Revised Statutes, as amended.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

At December 31, 2014, Colotrust, a local government investment pool that the City invests in, was rated AAAM by Standard & Poor's. The various federal investments are rated Aaa/AAA and Aaa/AA. The corporate bonds are rated AAA, A+ and AA- by Standard & Poor's and rated Aa1, Aa2 and Aa3 by Moody's.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's investments may not be recovered. The City's investment policy addresses custodial credit risk as follows:

- Any security issued by, guaranteed by, or for which the credit of any of the following is pledged for payment: The United States, a Federal Farm Credit bank, the Federal Land Bank, a Federal Home Loan bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Export-Import Bank, or the Government National Mortgage Association;
- Any security issued by, guaranteed by, or for which the credit of the following is pledged for payment: An entity or organization which is not listed in paragraph (1) above, but which is created by, or the creation of which is authorized by, legislation enacted by the United States Congress and which is subject to control by the federal government which is at least as extensive as that which governs an entity or organization listed in paragraph (1) above. No security may be purchased pursuant to this paragraph (2) unless, at the time of purchase, the security is rated in its highest rating category by one or more nationally recognized organizations, which regularly rate such obligations.
- Any Banker's Acceptance that is issued by a state or national bank which has a combined capital and surplus of at least two hundred fifty million dollars. No security may be purchased pursuant to this paragraph (3) unless (a) the deposits of such bank are insured by the federal deposit insurance corporation, and (b) at the time of purchase, the long-term debt of such bank or the holding company of such bank is rated in one of its three highest rating categories by one or more nationally recognized organizations which regularly rate such obligations.
- Repurchase Agreements fully collateralized by obligations referred to in paragraphs (1) or (2) above if all of the following are met: a) the securities subject to the repurchase agreement must be marketable; b) the title to or a perfected security interest in such securities, along with any necessary transfer documents, must be transferred to the City or to a custodian acting on behalf of the City; c) such securities must actually be delivered to a third-party custodian or trustee for safekeeping on behalf of the City; and d) the collateral securities of the repurchase agreement must be collateralized at no less than one hundred two percent (102%) and marked to market no less frequently than weekly.

All of the City's investments either are insured or registered or for which the securities are held by the City or its agent in the City's name or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a formally adopted investment policy for managing concentration of credit risk. The only investments in excess of 5% of the City's investment portfolio are federal securities and money market funds.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Cash and investment reconciliation:

	Pooled Cash and Investments	Investments	Total
Fund Reporting Level:			
Governmental Fund Type - Balance Sheet	\$ 142,823,225	\$ -	\$ 142,823,225
Proprietary Fund Type Statement of Net Position:			
Internal Service Funds	9,446,448	-	9,446,448
Statement of Fiduciary Net Position	2,426,159	19,579,951	22,006,110
Component Units	889,418	-	889,418
Component Units - Restricted Cash	1,117,187	-	1,117,187
Total	\$ 156,702,437	\$ 19,579,951	\$ 176,282,388
Cash	\$ 1,115,569	\$ -	\$ 1,115,569
Petty cash	3,900	-	3,900
Investments	-	175,162,919	175,162,919
Total	\$ 1,119,469	\$ 175,162,919	\$ 176,282,388

3-B. Receivables

Property Taxes - The following is the City's property tax calendar for 2013 property taxes received in 2014:

Levy date	December 16, 2013
Due dates	February 28, 2014 June 17, 2014
Collection dates	February 2014 June 2014
Lien date	August 1, 2014

Long-term Receivables - In April 2013, the City Council approved a loan to the Buffalo Highlands Metro District for construction of 96th Avenue and the 96th Avenue bridge. The construction will be completed in accordance with our engineering construction standards and specifications. The City shall loan to the District an amount currently estimated at \$6,180,000. At December 31, 2014 the amount loaned to the District is \$4,805,695. Annual principal payments are due December 1st (Starting in 2015) maturing June 1st, 2038 and semi-annual payments for interest are due on June 1st and December 1st. The annual interest rate is 6% and the actual loan will vary depending upon the cost of project design work and construction bids.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

3-C. Capital Assets - Capital asset activity for the year ended December 31, 2014 for governmental activities including the internal service funds) was as follows:

Asset Class	Balance 1/1/2014	2014 Additions	2014 Deletions	Balance 12/31/2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,524,941	\$ 1,563,140	\$ 1,388,403	\$ 42,699,678
Golf course	4,224,818	-	-	4,224,818
Water rights	6,267,166	1,489,275	-	7,756,441
Construction in progress	793,176	5,859,768	509,453	6,143,491
Construction in progress-GID	17,291,363	15,366,809	17,291,363	15,366,809
Total capital assets not being depreciated	71,101,464	24,278,992	19,189,219	76,191,237
Other capital assets:				
Storm sewers	40,061,481	80,174	-	40,141,655
Bridges	12,413,405	-	-	12,413,405
Parks (excluding land)	23,025,706	51,512	-	23,077,218
Roads	240,482,751	1,106,158	-	241,588,909
Trails	8,210,033	771,591	-	8,981,624
Islands	149,500	-	-	149,500
Street lights	12,334,368	114,000	-	12,448,368
Traffic signals	2,927,684	-	-	2,927,684
Signage	2,194,085	-	-	2,194,085
GID - Water and Sewer Mains	9,148,117	-	-	9,148,117
GID - Buildings	1,862,965	-	-	1,862,965
GID - Roads	67,915,654	17,291,363	-	85,207,017
Buildings	20,955,810	-	524,542	20,431,268
Machinery & equipment	13,120,468	862,286	254,774	13,727,980
Intangibles	1,353,015	45,275	17,415	1,380,875
Total depreciable capital assets	456,155,042	20,322,359	796,731	475,680,670
Total capital assets	527,256,506	44,601,351	19,985,950	551,871,907
Accumulated depreciation:				
Storm sewers	22,476,962	1,687,619	-	24,164,581
Bridges	6,893,146	446,108	-	7,339,254
Parks (excluding land)	8,835,002	1,070,510	-	9,905,512
Roads	128,545,858	9,612,940	-	138,158,798
Trails	3,890,360	514,994	-	4,405,354
Islands	147,882	-	-	147,882
Street lights	9,156,356	418,356	-	9,574,712
Traffic signals	2,620,140	92,070	-	2,712,210
Signage	1,680,904	58,968	-	1,739,872
GID - Storm Sewers	2,510,243	179,303	-	2,689,546
GID - Buildings	1,840,190	-	-	1,840,190
GID - Roads	11,765,956	3,586,846	-	15,352,802
Buildings	10,160,981	895,920	218,783	10,838,118
Machinery & equipment	8,736,899	984,196	197,480	9,523,615
Intangible	715,707	138,305	10,902	843,110
Total accumulated depreciation	219,976,586	19,686,135	427,165	239,235,556
Governmental activities capital assets, net	\$ 307,279,920	\$ 24,915,216	\$ 19,558,785	\$ 312,636,351

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Governmental activities depreciation expense

General government	\$ 2,018,421
Public works	16,082,210
Parks and recreation	<u>1,585,504</u>
Total governmental activities depreciation expense	<u>\$ 19,686,135</u>

The following are the changes in the capital assets for the Finance Authority Enterprise Fund:

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
Depreciable capital assets:				
Buildings	\$ 33,744,248	\$ -	\$ -	\$ 33,744,248
Accumulated depreciation				
Buildings	<u>6,536,778</u>	<u>1,063,344</u>	<u>-</u>	<u>7,600,122</u>
Net	<u>\$ 27,207,470</u>	<u>\$ (1,063,344)</u>	<u>\$ -</u>	<u>\$ 26,144,126</u>

The following are the changes in the capital assets for the City's Housing Authority, a component unit:

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
Capital assets:				
Nondepreciable - land	\$ 345,949	\$ -	\$ -	\$ 345,949
Depreciable - buildings	<u>416,204</u>	<u>-</u>	<u>-</u>	<u>416,204</u>
Total capital assets	762,153	-	-	762,153
Less accumulated depreciation-buildings	<u>19,250</u>	<u>10,672</u>	<u>-</u>	<u>29,922</u>
Net	<u>\$ 742,903</u>	<u>\$ (10,672)</u>	<u>\$ -</u>	<u>\$ 732,231</u>

3-D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City reports the deferred charge (\$486,102) on refunding reported in the government-wide statement of net position. The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reports two of these items. One item, *deferred inflow(s)*, is reported only in the governmental funds balance sheet. The governmental funds report deferred inflow(s) from special assessments (\$29,138). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item, property taxes, are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts also are reported on the government-wide statement of net position.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations and to return money to the fund from which it was originally provided once a project is completed.

All City transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer. The transfers between the general fund and the fiduciary funds are both reclassified as expenses on the government-wide statement of activities.

The \$1,240,000 transfer from the capital expenditure fund to the E-470 commercial area GID fund relates to a contribution for a permanent water connection. The transfer from the general fund to the elected officials' retirement fund (\$36,960) is reclassified as a third party transaction on the government-wide statement of activities.

Urban Renewal Authority Obligation/Transfer – On August 1, 2011, the General Fund loaned the Urban Renewal Authority Fund \$4,000,000 to purchase and close a dog track to eliminate blight and provide for the redevelopment of the property. Then on July 2, 2012, the General Fund loaned the Urban Renewal Fund an additional \$2,500,000 to enable the Authority to effect environmental abatement and demolition of structures.

On March 3, 2014, the General Fund agreed to increase the amount of the demolition loan by \$250,000 to cover the costs of remediation and to provide the Urban Renewal Authority a small amount for operating funds. In 2014, management has determined that the interfund loan between the General Fund and the Urban Renewal Authority Fund should have been reported as an interfund transfer during 2012 when it was determined that the interfund loans would not be repaid in a reasonable amount of time. See note 4-E for details.

3-F. Long-Term Debt

Primary Government Bonds - The following is a summary of the outstanding long-term bond issues at December 31, 2014:

2005 Sales and Use Tax Revenue Bonds - On February 20, 2005, the City issued serial revenue bonds in the amount of \$17,500,000 for the design, early construction and right-of-way acquisition for the Prairie Gateway project. The interest rate ranges are 4% – 5%. Annual principal payments are due August 1, maturing August 1, 2034 and semi-annual payments for interest are due on February 1 and August 1.

Annual debt service requirements to amortize this debt, as of December 31, 2014 follow:

Year	2005 Sales Tax Revenue Bonds		
	Principal	Interest	Total
2015	\$ 460,000	\$ 661,493	\$ 1,121,493
2016	485,000	640,793	1,125,793
2017	505,000	616,543	1,121,543
2018	530,000	591,293	1,121,293
2019	550,000	564,793	1,114,793
2020-2024	3,155,000	2,404,333	5,559,333
2025-2029	3,955,000	1,669,275	5,624,275
2030-2034	4,890,000	721,200	5,611,200
Total	\$ 14,530,000	\$ 7,869,720	\$ 22,399,720

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

2006 Sales and Use Tax Revenue Bonds - On March 28, 2006, the City issued serial revenue bonds in the amount of \$46,500,000 to finance certain public infrastructure improvements related to the Prairie Gateway project. The interest rate ranges are 4% – 5%. Annual principal and interest payments are due August 1, with the principal maturing August 1, 2036.

Annual debt service requirements to amortize this debt, as of December 31, 2014 follow:

Year	2006 Sales Tax Revenue Bonds		
	Principal	Interest	Total
2015	\$ 1,100,000	\$ 1,856,419	\$ 2,956,419
2016	1,145,000	1,801,419	2,946,419
2017	1,200,000	1,744,169	2,944,169
2018	1,255,000	1,696,169	2,951,169
2019	1,310,000	1,645,969	2,955,969
2020-2024	7,485,000	7,251,844	14,736,844
2025-2029	9,340,000	5,271,031	14,611,031
2030-2034	11,695,000	2,914,100	14,609,100
2035-2036	5,465,000	371,700	5,836,700
	<u>\$ 39,995,000</u>	<u>\$ 24,552,819</u>	<u>\$ 64,547,819</u>

2002 City of Commerce City Northern Infrastructure General Improvement District General Obligation Refunding Bonds – On February 1, 2013, the City of Commerce City Northern Infrastructure General Improvement District issued general obligation refunding bonds, Series 2002, in the amount of \$10,120,000 to advance refund \$10,190,000 of outstanding 2002 Series bonds. The interest rate ranges are 1.75% – 5%. Annual principal and interest payments are due August 1, with the principal maturing August 1, 2031.

Annual debt service requirements to amortize this debt, as of December 31, 2014 follow:

Year	2002 General Obligation Refunding Bonds		
	Principal	Interest	Total
2015	\$ 395,000	\$ 335,556	\$ 730,556
2016	415,000	319,756	734,756
2017	435,000	303,156	738,156
2018	455,000	285,756	740,756
2019	475,000	267,556	742,556
2020-2024	2,670,000	1,031,881	3,701,881
2025-2029	3,165,000	539,406	3,704,406
2030-2031	1,410,000	69,063	1,479,063
	<u>\$ 9,420,000</u>	<u>\$ 3,152,131</u>	<u>\$ 12,572,131</u>

2013 City of Commerce City Northern Infrastructure General Improvement District General Obligation Remarketed Bonds – On February 1, 2013, the City of Commerce City Northern Infrastructure General Improvement District issued general obligation remarketed bonds, Series 2013, in the amount of \$76,280,000 to advance refund \$79,800,000 of outstanding 2006 and 2008 Series bonds. Also included in the proceeds was new debt of \$1,018,445 for capital outlay purposes. The interest rate ranges are 1.75% – 5%. Annual principal and interest payments are due August 1, with the principal maturing August 1, 2038.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Annual debt service requirements to amortize this debt, as of December 31, 2014 follow:

Year	2013 General Obligation Remarketed Bonds		
	Principal	Interest	Total
2015	\$ 965,000	\$ 3,271,991	\$ 4,236,991
2016	1,100,000	3,245,041	4,345,041
2017	1,255,000	3,201,041	4,456,041
2018	1,435,000	3,138,291	4,573,291
2018	1,620,000	3,072,416	4,692,416
2020-2024	11,070,000	13,936,331	25,006,331
2025-2029	14,595,000	10,801,581	25,396,581
2030-2034	20,890,000	6,728,806	27,618,806
2035-2038	21,180,000	2,097,798	23,277,798
	<u>\$ 74,110,000</u>	<u>\$ 49,493,298</u>	<u>\$ 123,603,298</u>

2014 Sales and Use Tax Revenue Bonds - On June 5, 2014 the City issued serial revenue bonds in the amount of \$73,445,000 to finance construction, installation, operation and maintenance of parks, recreation and roadway improvements. The interest rate ranges are 1.75% – 5%. Annual principal and interest payments are due August 1, with the principal maturing August 1, 2044.

Annual debt service requirements to amortize this debt, as of December 31, 2014 follow:

Year	2014 Sales and Use Tax Revenue Bonds		
	Principal	Interest	Total
2015	\$ 1,325,000	\$ 3,210,075	\$ 4,535,075
2016	1,350,000	3,183,575	4,533,575
2017	1,405,000	3,129,575	4,534,575
2018	1,430,000	3,104,988	4,534,988
2019	1,460,000	3,076,388	4,536,388
2020-2024	8,150,000	14,521,588	22,671,588
2025-2029	10,100,000	12,577,438	22,677,438
2030-2034	12,740,000	9,938,038	22,678,038
2035-2039	15,825,000	6,854,750	22,679,750
2040-2044	19,660,000	3,015,400	22,675,400
	<u>\$ 73,445,000</u>	<u>\$ 62,611,813</u>	<u>\$ 136,056,813</u>

2013 Lease Purchase Agreement – On April 26, 2013 the City entered into a lease purchase agreement with All American Investment Group in the amount of \$1,929,648 to finance the installation of solar photovoltaic and energy conservation equipment on various City buildings. The interest rate is 2.2%. Quarterly principal and interest payments are paid, with the principal maturing January 28, 2023.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Annual debt service requirements to amortize this debt, as of December 31, 2014 follow:

Year	2010 Lease Purchase Agreement		
	Principal	Interest	Total
2015	\$ 145,508	\$ 36,867	\$ 182,375
2016	163,636	33,519	197,155
2017	183,361	29,760	213,121
2018	204,815	25,552	230,367
2019	228,141	20,857	248,999
2020-2023	803,310	31,294	834,604
	<u>\$ 1,728,771</u>	<u>\$ 177,850</u>	<u>\$ 1,906,621</u>

Business-type Activity Debt – The City reports one debt issuance for business-type activities:

2006 Certificates of Participation - On May 23, 2006, the City issued certificates of participation in the amount of \$30,900,000 to finance a new civic center and related facilities. The interest rate ranges are 4.25% – 4.625%. Annual principal (starting in 2013) and interest payments are due December 15, with the principal maturing December 15, 2037.

Annual debt service requirements to amortize this debt, as of December 31, 2014 follow:

Year	2006 Certificates of Participation		
	Principal	Interest	Total
2015	\$ 570,000	\$ 1,427,644	\$ 1,997,644
2016	600,000	1,403,419	2,003,419
2017	635,000	1,377,919	2,012,919
2018	655,000	1,350,931	2,005,931
2019	685,000	1,322,275	2,007,275
2020-2024	4,010,000	6,120,206	10,130,206
2025-2029	5,120,000	5,112,844	10,232,844
2030-2034	6,500,000	3,783,650	10,283,650
2035-2037	11,180,000	1,277,000	12,457,000
	<u>\$ 29,955,000</u>	<u>\$ 23,175,888</u>	<u>\$ 53,130,888</u>

(This page continued on the subsequent page)

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2014 (includes internal service funds):

Governmental Activities	Outstanding 1/1/2014	Additions	Reductions	Outstanding 12/31/2014	Amounts Due in One Year
2002 GID general obligation fixed refunding bonds	\$ 9,795,000	\$ -	\$ 375,000	\$ 9,420,000	\$ 395,000
2005 sales and use tax revenue bonds	14,970,000	-	440,000	14,530,000	460,000
2006 sales and use tax revenue bonds	41,045,000	-	1,050,000	39,995,000	1,100,000
2013 GID general obligation refunding bonds	74,940,000	-	830,000	74,110,000	965,000
2014 sales and use tax revenue bonds	-	73,445,000	-	73,445,000	1,325,000
2013 lease purchase agreement	1,862,209	-	133,438	1,728,771	145,508
Net deferred premiums	7,312,460	5,157,213	403,602	12,066,071	-
Total bonded debt	149,924,669	78,602,213	3,232,040	225,294,842	4,390,508
Compensated absences	100,701	86,339	80,561	106,479	85,183
	<u>\$ 150,025,370</u>	<u>\$ 78,688,552</u>	<u>\$ 3,312,601</u>	<u>\$ 225,401,321</u>	<u>\$ 4,475,691</u>
Business-type Activities					
2006 certificates of participation	\$ 30,510,000	\$ -	\$ 555,000	\$ 29,955,000	\$ 570,000
Deferred premiums	238,020	-	8,743	229,277	-
Total Business-type Activities	<u>\$ 30,748,020</u>	<u>\$ -</u>	<u>\$ 563,743</u>	<u>\$ 30,184,277</u>	<u>\$ 570,000</u>

The debt service fund services the sales and use tax refunding bonds and revenue bonds, the Northern Infrastructure GID fund services the GID general obligation refunding bonds and the 2006 GID general obligation bonds. The general fund services the outstanding certificates of participation. The 2010 lease purchase agreement will be repaid from the general fund. Compensated absences are paid from the fund in which the employee works, primarily the general fund.

Pledged Revenues – The City has pledged future sales and use tax receipts (pledged revenues) to repay the original amount of sales and use tax revenue bonds totaling \$64,000,000 issued in 2005 and 2006. The proceeds from the 2005 and 2006 series were used to construct infrastructure. The bonds are payable solely from the pledged sales and uses taxes and are payable through 2036.

In November 2013, City voters approved a 1% increase in the City's sales tax rate, which will be used to repay the 2014 bond issue of \$73,445,000, through 2044. Collection of this tax began January 1, 2014.

Annual principal and interest payments on the bonds referenced above are expected to require approximately 17.6 percent of pledged revenues. The total principal and interest remaining to be paid on the total bonds is approximately \$223 million.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

3-1. Other Postemployment Benefits (OPEB)

The City administers a single-employer health care plan, the “*Retirement Health Savings Plan*”. The plan is a defined contribution medical expense plan for general employees and is a retiree medical benefit plan for the

Fraternal Order of Police (FOP). The City Council has the authority for establishing and amending the contributions to the plan.

Plan Description - The Plan includes two employee groups, the general employees and the Fraternal Order of Police (FOP) employees. The City Council established and may amend the plan’s provisions. Any general employee employed by the City on a permanent, full-time basis, who was hired prior to July 1, 2006, is eligible under the Vantagecare Retirement Savings Plan. The FOP Retiree Health Insurance Plan covers retired FOP personnel who retire with twenty or more years of service as per their FOP contract.

General Employees – Upon retirement or total and permanent disability (as defined by the Social Security Administration), general employees are eligible to receive a fixed monthly benefit, to be applied towards medical expenses, including premiums. The general employees are eligible for OPEB when reaching age 59 ½ and ten years of service or with 80 points. Credited service is the continuous permanent full-time service period from the date of eligible employment with the City to the date of termination of such employment. Upon the death of the retiree, any remaining account balance will be transferred to a surviving spouse, if applicable, or forfeited to the City if no spouse is present.

FOP Employees – Upon retirement FOP retirees are eligible for subsidized medical coverage. The FOP employees are eligible for OPEB upon 20 years of service. Credited service is the continuous permanent full-time service period from the date of eligible employment with the City to the date of termination of such employment. The coverage can continue until age 65, at which time the benefit becomes a flat fee per month, paid towards the Medigap coverage.

Funding Policy – The City has established a funding methodology for the annual OPEB costs to retire the net OPEB obligation for general employees. Based upon an actuarial analysis the City is advance funding this obligation over a 15-year period. The City Council set the original contribution rates for the general employee group and the FOP contract requires the City to pay the cost of the required health insurance benefit. The City Council may amend the contribution requirements for the general employee group.

General Employees – Upon retirement, general employees are eligible to receive a fixed monthly benefit of \$358 per month, to be applied towards medical expenses, including premiums. This amount may be increased each year, based on Denver-Boulder CPI-U. Due to the uncertain nature of when a benefit increase would be implemented, only one future year had an increased applied.

FOP Employees – The City will pay an amount equal to the lowest single premium for single retirees and half of the lowest employee plus dependent premium for retirees who wish to cover a spouse. The retiree is responsible for the balance of premium, if any. At age 65, the benefit becomes a flat \$75 per month towards Medigap coverage. Based on the assumed partial distribution at retirement, and current premiums, the average contribution from the City for the pre-age 65 coverage, is \$381 per retiree only or \$552 if the retiree selects the family option. This amount is assumed to increase annually according to the “Health Care Cost Trend Rate” table. The \$75 for Medigap coverage is not assumed to increase at any point in the near future.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Annual OPEB Cost – The City’s annual OPEB cost for the last three years are as follows:

Year Beginning January 1,	Annual OPEB Cost	Annual OPEB Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2012	\$ 692,640	\$ 156,491	22.6%	\$ 2,560,533
2013	844,421	170,000	20.1%	3,234,954
2014	737,493	214,336	29.1%	3,758,111

Annual OPEB Cost and Net OPEB Obligation – The following table includes the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation:

	December 31, 2014	December 31, 2013
Normal cost	\$ 313,230	\$ 300,000
Interest on normal costs	10,963	12,000
Amortization of unfunded actuarial accrued liability (UAAL)	470,018	430,000
Annual required contribution (ARC)	794,211	742,000
Interest on Net OPEB obligation	113,223	102,421
ARC adjustment	(169,941)	-
Annual OPEB cost	737,493	844,421
Expected employer benefit payments	214,336	170,000
Increase in net OPEB obligation	523,157	674,421
Net OPEB obligation, beginning of year	3,234,954	2,560,533
Net OPEB obligation, end of year	\$ 3,758,111	\$ 3,234,954

Funded Status and Funding Progress – The City’s funding status based upon the most recent actuarial valuation follows:

Schedule of Funding Progress						
Measurement Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
1/1/2014	\$ -	\$ 8,947,137	0.0%	\$ 8,947,137	\$ 10,687,947	83.71%

The schedule of funding progress for OPEB included in the required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. More specifically, the actuarial valuation includes estimates of the value of reported amounts and assumptions about the probability of events far into the future.

The City's actuarial valuation information is as follows:

Current Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar Amount, Open
Amortization Period	30 years
Asset Valuation Method	Fair Value of assets
Actuarial Assumptions:	
Investment rate of return	4%, includes 2.5% inflation assumption
Discount rate	3.50%
Healthcare Cost Trend Rate	10% for the first year; decreasing each year until 4.5% in year 2024 and after
Assumed rates of increase applied to retiree premiums	10% for the first year; decreasing each year until 4.5% in year 2024 and after

The total City contributions in 2012 were \$355,934, in 2013 were \$404,155 and in 2014 were \$404,155, all deposited into the Ventagecare Retirement Savings Plan for the general employees while the FOP Retiree Health Insurance Plan is which funded on a pay-as-you-go basis.

(this page continued on the subsequent page)

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 4 - Other Notes (Continued)

4-B. Commitments

Commitments - As of December 31, 2014, the City has made the following commitments:

Contractor	Total Contract	Project To-date Expenditures	Remaining Commitments
Huitt-Zollars	\$ 1,464,002	\$ 603,743	\$ 860,259
Golden Triangle, Inc.- Fronterra	2,381,823	185,622	2,196,201
Golden Triangle, Inc.- Outdoor Pool	7,216,848	1,866,010	5,350,838
Webmer	862,911	75,805	787,106
Ohlson Lavoie Collaborative	525,000	374,649	150,351
JR Engineering	16,817,764	15,388,635	1,429,129
Zak Dirt	20,495,187	11,749,387	8,745,800
Union Pacific Railroad	3,917,699	3,411,781	505,918
Bowman Vision Land	1,109,539	444,430	665,109
Total	<u>\$ 54,790,773</u>	<u>\$ 34,100,062</u>	<u>\$ 20,690,711</u>

Prairie Gateway/Victory Crossing – In 2005 and 2006, the City issued sales and use tax bonds totaling \$64 million to finance public improvements known as “Prairie Gateway.” Kroenke Soccer Stadium, LLC (KSS) arranged for construction financing for all the work not funded by the City’s \$64 million sales and use tax bonds and \$10 million in CIPP funds. The KSS investment was approximately \$102 million for the remainder of the public improvements on the Prairie Gateway and the Colorado Rapids Soccer Stadium. Later, when commercial/retail development occurs, the Urban Renewal Authority will issue tax increment bonds to reimburse KSS investment. KSS will have to guarantee repayment of the Urban Renewal Authority bonds. The Prairie Gateway has now been renamed “Victory Crossing.”

4-C. Contingent Liabilities

Various claims and lawsuits are pending against the City. After consideration of applicable insurance policy coverage, and the relative merits of each claim or lawsuit, it is the opinion of the City Attorney and City Management that the potential ultimate liability resulting from these actions, if any, will not have a material adverse financial effect on the City.

Colorado voters have passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue limitations, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment’s language in order to determine its compliance.

4-D. Subsequent Event

Refunding Debt - On April 2, 2015 the City refunded the Series 2005 and 2006 Sales and Use Tax Bonds. The new Series 2015 annual bond payments are consistent with the previous bond payments and the maturity schedule remains the same as the retired Series 2005 and 2006 bonds, with the final bonds maturing in 2036. The aggregate principal amount of the 2015 bonds shall be \$52,645,000 and the maximum interest rate is 5%.

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 4 - Other Notes (Continued)

4-E. Restatements

Reclassifications of Interfund Receivables/Payables as Interfund Transfers

Management has determined that the interfund loan between the General Fund and the Urban Renewal Authority Fund should have been reported as an interfund transfer during 2012 when it was determined that the interfund loans would not be repaid in a reasonable amount of time, as follows:

December 31, 2013	General Fund	Urban Renewal Authority
Fund balance as previously reported	\$ 24,850,675	\$ (755,046)
Less amount reclassified as an interfund transfer	<u>(6,500,000)</u>	<u>6,500,000</u>
Fund balance, as restated	<u>\$ 18,350,675</u>	<u>\$ 5,744,954</u>
December 31, 2012	General Fund	Urban Renewal Authority
Fund balance as previously reported	\$ 35,647,539	\$ (149,875)
Less amount reclassified as an interfund transfer	<u>(6,500,000)</u>	<u>6,500,000</u>
Fund balance, as restated	<u>\$ 29,147,539</u>	<u>\$ 6,350,125</u>

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 4 - Other Notes (Continued)

Pension Trust Fund

Management has determined that within the police pension trust fund, the amounts for investment earnings and benefits were both overstated on the "schedule of additions, deductions and changes in net position", and a reclassification from cash to a loan receivable on the "statement of fiduciary net position" should have been reported at December 31, 2013 as follows:

The restatement of Fiduciary Net Position follows:

	2013				
	As Previously Reported Police Pension	Restate- ment	Restated Police Pension	Elected Official Retirement	Restated Total
Assets					
Equity in pooled cash and investments	\$ 373,024	\$ -	\$ 373,024	\$ 240,082	\$ 613,106
Loans receivable	-	779,038	779,038	-	779,038
Mutual money market funds	19,560,940	(779,038)	18,781,901	-	18,781,901
Total Assets	<u>19,933,964</u>	<u>-</u>	<u>19,933,964</u>	<u>240,082</u>	<u>20,174,045</u>
Net Position					
Held in trust for pension benefits	<u>\$ 19,933,964</u>	<u>\$ -</u>	<u>\$ 19,933,964</u>	<u>\$ 240,082</u>	<u>\$ 20,174,045</u>

City of Commerce City, Colorado
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 4 - Other Notes(Continued)

The restatement of the Combining Statement of Changes in Fiduciary Net Position follows:

	2013				
	As Previously Reported Police Pension	Restate- ment	Restated Restated Police Pension	Elected Officials Retirement	Restated Total
Additions					
Contributions:					
City	\$ 704,393	\$ -	\$ 704,393	\$ -	\$ 704,393
Employee	704,913	-	704,913	-	704,913
Investment earnings	4,993,246	(1,413,015)	3,580,231	(9,368)	3,570,863
Transfer in	-	-	-	36,960	36,960
Total Additions	6,402,552	(1,413,015)	4,989,537	27,592	5,017,129
Deductions					
Administration	62,111	-	62,111	-	62,111
Benefits	1,413,015	(1,413,015)	-	38,880	38,880
Withdrawals	3,567,767	-	3,567,767	-	3,567,767
Total Deductions	5,042,893	(1,413,015)	3,629,878	38,880	3,668,758
Change in Net Position	\$ 1,359,659	\$ -	\$ 1,359,659	\$ (11,288)	\$ 1,348,371

The above restatements have no effect on net position.

CITY OF COMMERCE CITY

THIS PAGE INTENTIONALLY LEFT BLANK