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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Commerce City, Colorado, (the City) was incorporated in 1960 and operates under a Council/Manager form of government. The City provides the following services as authorized by its charter: public safety (police), highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the City's accounting policies are described below.

1-A. REPORTING ENTITY

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For Commerce City, this entity includes component units as described below.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The City's component units are presented either as "blended" or "discretely presented." If blended, it is reported as if it were a fund of the City throughout the year. It is included at both the government-wide and fund financial reporting levels.

Discretely presented component units are reported only at the government-wide financial reporting level. The component unit columns included on the government-wide financial statements identify the financial data of the City's discretely presented component units. They are reported separately to emphasize that they are legally separate from the City.

A brief description of the blended component units follows:

Commerce City Northern Infrastructure General Improvement District (NIGID) **-** Members of the City Council serve as the Board of Directors of the NIGID. The objective of the NIGID is the development of roadway, water and wastewater improvements in the District that will promote the health, prosperity, security, and general welfare of the citizens of the City and the District. Financial information can be obtained at the City's offices. The NIGID is reported as a capital projects fund. The NIGID does not issue separate financial statements.

Commerce City E-470 Commercial Area General Improvement District (ECAGID) **–** Was established on April 1, 2013. Members of the City Council serve as the Board of Directors of the ECAGID. The objective of the ECAGID is the development of roadway, water and wastewater improvements in the District that will promote the health, prosperity, security, and general welfare of the inhabitants of the City and the District.

Financial information can be obtained at the City's offices. The ECAGID is reported as a capital projects fund. The ECAGID does not issue separate financial statements.

Commerce City E-470 Residential Area General Improvement District (ERAGID) – Was established on July 15, 2013. Members of the City Council serve as the Board of Directors of the ERAGID. The ERAGID has for its purpose the construction, installation, maintenance and operation, for the benefit of its municipal residents, of water and sewer improvements, roadway and related improvements, and recreation improvements. Financial information can be obtained at the City's offices. The ERAGID is reported as a capital projects fund. The ERAGID does not issue separate financial statements.

Urban Renewal Authority (URA) **-** Members of the City Council serve as the governing body of this Authority. The objective of the Authority is the acquisition, clearance, rehabilitation, conservation, development, or redevelopment of slum and blighted areas within the City. Financial information for the Authority can be obtained at the City's offices. The Authority is reported as a special revenue fund. The Authority does not issue separate financial statements.

Commerce City Finance Authority (Finance Authority) – The Finance Authority was created as a not-for-profit organization during 2006 to facilitate the construction of public improvements benefiting the City. The Finance Authority has a four-member board of directors with staggered terms. The remaining board of directors will appoint any vacancies on the board. Financial information for the Finance Authority can be obtained at the City's offices. The Finance Authority is reported as an enterprise fund. The Finance Authority does not issue separate financial statements.

The following component units are discretely presented in the reporting entity:

Quality Community Foundation (QCF) – The Foundation was created as a 501(c)3 organization during 2006 to provide charitable services to the community. The Foundation has a Board of Directors of not less than five directors or more than eleven directors. The Board of Directors consists of the City's finance director and such other members appointed by the City council. There is a financial burden on the City as the City provides the majority of the Foundation's revenues. Financial information for the Foundation can be obtained at the City's offices. The Foundation does not issue separate financial statements.

Commerce City Housing Authority **-** The City Council appoints a voting majority of the Board of Directors of the Commerce City Housing Authority. However, a voting majority of City Council members do not serve on the Authority's Board. The City Council can impose its will on the Authority. The services provided by the Authority exclusively benefit the City's citizens. Financial information for the Authority can be obtained at the City's offices. The Commerce City Housing Authority issues separate annual financial statements.

1-B. BASIS OF PRESENTATION

The City’s basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements* -** The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and the discretely presented component units are presented separately within these financial statements with the focus on the primary government. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The operating activity of the internal service funds is eliminated to avoid duplicating revenues and expenses.

The statement of net position presents the financial position of the governmental and business-type activities of the City and it’s discretely presented component units at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities, for each identifiable activity of the business-type activities of the City and for each major component unit. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

***Fund Financial Statements* -** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***Fund Accounting* -** The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds* -** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities and deferred inflows of resources as fund balance. The following are the City's major governmental funds:

***General Fund* -** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Colorado.

***Capital Expenditures Fund* –** This fund is used to account for the design, construction and resurfacing of various individual construction projects of the City.

***Northern Infrastructure GID Fund* –** This fund is used to account for the construction of infrastructure improvements within the district.

Urban Renewal Authority Fund – This fund is used to account for the expenditures related to acquisition, clearance, rehabilitation, conservation, development, and redevelopment in the interest of public health, safety, morals or welfare for residents of the City.

***Proprietary Funds* -** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The following is the City’s major proprietary fund.

***Finance Authority Fund* –** This major fund is used to account for the proceeds from the 2006 issued certificates of participation, which were used primarily to construct a new civic center and related facilities.

***Internal Service Funds* –** These internal service funds account for the operation and administration activity of the fleet management, information technology and facilities services programs of the City.

***Fiduciary Funds* -** Fiduciary fund reporting focuses on net position. The City’s fiduciary funds are two pension trust funds and an agency fund. The pension trust funds provide pensions to City police employees and City elected officials. The agency fund collects school facility fees for two school districts and forwards these fees to the school districts. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

1-C. MEASUREMENT FOCUS

***Government-wide Financial Statements* -** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows, and all liabilities and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements **-** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types and pension trust funds are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange Transactions **-** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the calendar year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current calendar year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions **-** Non-exchange transactions in which the City receives value without directly giving equal value in return include sales tax, property taxes, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the calendar year for which the taxes are levied, (Note 3-B). Revenue from grants and donations is recognized in the calendar year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected by December 31, 2015 for property taxes and within 60 days for other non-exchange transactions) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, special assessments and federal and state grants.

Unearned Revenue **-** Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, revenues are considered unearned for:

- Grants and entitlements received before the eligibility requirements are met (e.g., cash advances)
- Sales taxes have been received from disputed sales tax assessments
- Noise abatement cash advance from the Denver International Airport

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. ASSETS, LIABILITIES AND FUND EQUITY

1-E-1. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents - Cash and cash equivalents include amounts on demand and time deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. Cash and cash equivalents are reported on balance sheets, statements of net position and in cash flow statements.

Cash balances of most City funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each fund based on the fund's average equity balance in the pooled fund, except interest earned on Capital Project Funds financed by transfers, which is credited to the General Fund.

Investments - The City is authorized by the City charter and Colorado statutes to invest in:

- Bonds and other interest-bearing obligations of the United States government;
- Bonds and other interest-bearing obligations which are guaranteed by the United States government;
- Bonds which are a direct obligation of the State of Colorado, or of any city, county, or school district therein;
- Demand accounts, interest bearing savings accounts or certificates of deposit in eligible public depositories;
- Investment instruments defined in Colorado law as eligible for the investment of police and pension funds;
- Notes or bonds issued pursuant to the "National Housing Act";
- Repurchase agreements;
- And local government investment pools.

The City charter also authorizes the City to invest in real estate for the purpose of enhancing development of the City in accordance with the City's Master Plan.

The Urban Renewal Authority, the Commerce City Northern Infrastructure General Improvement District, and the Commerce City Housing Authority are authorized by their respective governing Boards to invest in obligations as prescribed by Colorado statutes and their respective bylaws.

Assets of the City's pension plans are invested in accordance with Colorado statutes. These statutes authorize the City to invest these assets in:

- Bonds and other interest-bearing obligations of the United States government;

- Bonds, and other interest-bearing obligations which are guaranteed by the United States government;
- State and municipal bonds;
- Corporate notes, bonds, or debentures (convertible or otherwise);
- Railroad equipment trust certificates;
- Real property;
- Loans secured by first mortgages or deeds of trust on real property;
- Guarantee agreements with life insurance companies;
- Real estate limited partnerships;
- And common or preferred corporate stocks.

Investments of the City are stated at fair value based upon quoted market prices. The value of investments held in external investment pools is the same as the value of pool shares. These investment pools are created by State Statute and operate similarly to a money market fund and each share is equal in value to $1. The designated custodial bank provides safekeeping and depository services to these investment pools in connection with the direct investment and withdrawal functions of these investment pools. All securities owned by these investment pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by these investment pools. Investments of these investment pools consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Government Securities.

1-E-2. RECEIVABLES

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

1-E-3. INTERFUND BALANCES

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4. CONSUMABLE INVENTORIES

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when consumed.

1-E-5. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation. Prepaid insurance relating to bond issuance costs are described in Note 1-E-9.

1-E-6. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds or contributions. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, storm sewers, traffic islands, street lights, traffic signals and street signs. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized, less the amount of interest earned during the same qualifying period.

All reported capital assets are depreciated except for land, right-of-ways, water rights and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governemental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	30 - 35 years	20 - 30 years
Vehicles and equipment	5 years	2 - 10 years
Intangibles	10 years	-
Infrastructure	3 - 25 years	-

1-E-7. COMPENSATED ABSENCES

After six months of employment, employees earn general leave benefits based upon time employed. General leave benefits accrue as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer would compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits do not vest. Certain employees working over 40 hours per week accrue compensatory time at the rate of 1 1/2 times hours. Compensatory time may be used throughout the year or paid at a scheduled time during the year.

All compensated absence liabilities (compensatory time) include salary related payments, where applicable. At the end of the year, all compensatory time not taken is recorded as a liability at the current salary rates and applicable social security and Medicare costs.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absences liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

1-E-8. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Bonds are recognized as a liability in the governmental fund financial statements "*when due*."

1-E-9. DEBT PREMIUMS, DISCOUNTS, ISSUANCE COSTS AND DEBT REFUNDING GAINS AND LOSSES

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against the debt payable for reporting purposes. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method.

Debt refunding gains and losses are reported as deferred inflows or outflows of resources on the statements of net position. These gains and losses are deferred and amortized over the shorter of the life of the refunding debt (new debt) or the refunded debt (the old debt).

Bond issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred with the exception of prepaid bond insurance costs which are deferred and amortized over the life of the debt as amortization expense.

At the government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

1-E-10. FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position." (Note 3-K)

Fund Balance – Generally, fund balance represents the difference between the current assets and deferred outflows, and current liabilities and deferred inflows. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable –*** Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted* –** Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the approval of an ordinance. The City Council also may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City finance director or designee to assign fund balances.

- ***Unassigned* -** Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

***Net Position Flow Assumptions* –** In order to report net position as a restricted – net position and an unrestricted – net position in the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use restricted – net position first before using unrestricted – net position.

***Fund Balance Flow Assumptions* –** It is the City's policy to consider restricted fund balance to have been used before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

***Net Position* –** The net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows. The net position component, "net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of the net position is reported as unrestricted.

1-E-11. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the use of the golf course and solid waste program, and the internal use of vehicles, computers and facilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. All other revenues and expenses are classified as non-operating including investment earnings, interest expense and the gain or loss on the disposition of capital assets.

1-E-12. CONTRIBUTIONS OF CAPITAL

Contributions of capital reported in proprietary fund financial statements and the government-wide financial statements arise from outside contributions of capital assets (e.g. developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-13. INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. On the government-wide statement of activities, the exchange transactions between the internal service funds and the user funds are eliminated. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-E-14. ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-15. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative data for the prior year have been presented throughout the financial statements in order to provide an understanding of the changes in the financial position and results of operations. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. BUDGETARY INFORMATION

The City adopts an annual appropriated operating budget for the General Fund, certain Special Revenue Funds (all special revenue funds except Police Forfeiture Fund - State, Police Forfeiture Fund - Federal, Special Improvements Fund and CBSD Use Tax Fund), the Debt Service Fund, all capital projects funds except the Future Growth Fund, and all proprietary funds and certain pension trust funds.

The budgets are adopted on a basis consistent with GAAP for all governmental fund types and fiduciary fund types. Proprietary fund type budgets are adopted on the modified accrual basis of accounting (i.e., a non-GAAP budgetary basis).

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the individual fund level. Budgetary control is exercised at the department level.

The City Manager is authorized to transfer budgeted amounts between departments within the same fund. Any revisions, which alter total expenditures of any fund, must be approved by the City Council. During the year, the City Council approved supplemental appropriations. All annual appropriations lapse at calendar year end.

The Commerce City Northern Infrastructure General Improvement budget is prepared by the District's Board. Budgetary matters with respect to the basis of accounting, legal level of budgetary control, and lapsing of appropriations are the same for the fund types of the District as similar fund types for the City. The Housing Authority is not legally required to adopt an annual budget.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General and Special Revenue Funds. Encumbered appropriations at year-end lapse and generally are re-appropriated in the following year.

2-B. EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

General Fund- transfers out	$ 6,657,955
Debt Service Fund	329,840
Finance Authority Fund	3,841
Northern Infrastructure GID Fund	9,262,872
Urban Renewal Authority Fund	338,843

2-C FUND DEFICITS

The Finance Authority Fund reported a net position deficit of $4,288,586. As the certificates of participation are retired, this deficit will be eliminated. The E-470 Residential GID Fund reported a deficit fund balance of $53,328. Subsequent years' property taxes will eliminate this deficit.

2-D. EMERGENCY RESERVES

In 1992, Colorado voters approved an amendment to the Colorado Constitution that placed certain limits on revenue and expenditures of the state and local governments. Although the limit is placed on both revenue and expenditures, the constitutional amendment actually applies to revenue collections. The amendment is complex and subject to judicial interpretation.

However, cities have the option of placing a ballot measure before the voters asking for approval on retaining the revenue over the limit. The City's voters have approved a ballot measure that allows the City to exclude all revenues, with the exception of property taxes, from those included within Article X, Section 20 of the Colorado Constitution.

Article X, Section 20 of the Colorado Constitution requires a reserve of 3% of its fiscal spending for emergencies. The use of this reserve is restricted to the purpose for which it was established and can be used solely for declared emergencies. In accordance with Article X, Section 20 of the Colorado Constitution, the City has reserved 3% of total revenues and transfers in less a variety of exemptions including most transfers in, as an emergency reserve in the general fund, northern infrastructure GID fund, capital expenditures fund, impact fees fund, future growth fund, water rights fund, special improvements fund, certain police department funds, chemical roundup fund, CC/BSD use tax fund, the drainage-district funds, impact fees fund and certain internal service funds.

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, 2015, the carrying amount of the City's deposits (including its component units) was $2,058,789 and the bank balance was $2,815,006. The bank balance was covered by federal depository insurance ($364,638) and PDPA ($2,450,368).

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, 2015 the City had the following investments and maturities:

		Maturity Period			
Investment Type	**Fair Value**	**Three Months or Less**	**4 - 12 Months**	**1 - 5 Years**	**6 - 10 Years**
Farm Credit Note	$ 17,004,891	$ -	$ -	$ 12,045,906	$ 4,958,985
Freddie Mac Note	22,536,760	-	-	22,536,760	-
Fannie Mae Note	16,363,258	-	-	16,363,258	-
Federal Home Loan Banks BND	28,574,576	2,999,043	3,022,188	11,899,168	10,654,177
US Treasury Bond	57,719,725	9,525,805	48,193,920	-	-
Total	$ 142,199,210	$ 12,524,848	$ 51,216,108	$ 62,845,092	$ 15,613,162
Annuity	36,378				
Colo Trust - Money Market	3,113,111				
Colo Trust - GID 104th Ave - 2008	3,670,270				
Wells - Money Market	6,064,961				
Total	$ 155,083,930				

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.

At December 31, 2015, 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 AA by Standard & Poor's and rated A1 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.

Cash and investment reconciliation:

Fund Reporting Level:	**Pooled Cash and Investments**	**Investments**	**Total**
Government Fund Type - Balance Sheet	$ 141,169,335	$ -	$ 141,169,335
Proprietary Fund Type Statement of Net Position:			
Internal Service Funds	10,848,474	-	10,848,474
Statement of Fiduciary Net Position	2,561,594	19,023,764	21,585,358
Component Units	1,090,881	-	1,090,881
Component Units - Restricted Cash	1,167,971	-	1,167,971
Enterprise Funds	315,439	-	315,439
Total	$ 157,153,694	$ 19,023,764	$ 176,177,458
Cash	$ 2,058,789	$ -	$ 2,058,789
Petty Cash	3,600	-	3,600
Investments	-	174,115,069	174,115,069
Total	$ 2,062,389	$ 174,115,069	$ 176,177,458

3-B. RECEIVABLES

***Property Taxes* -** The following is the City's property tax calendar for 2014 property taxes received in 2015:

Levy date	December 15, 2014
Due dates	February 28, 2015
	June 15, 2015
Collection dates	February 2015
	June 2015
Lien date	October 31, 2015

***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, 2015 the amount loaned to the District is $5,695,238 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.

DIA Tech Center

In April 2013, the ECAGID board approved a loan to the DIA Tech Center for project costs properly attributable to the public improvements for DIA Tech Center Filing No. 1 and 2. The improvements consist of street improvements and water and sewer improvements. The street improvements generally consist of safety improvements for Tower Road including but not limited to acceleration and deceleration lanes on Tower Road; and various public street improvements internal to the property, including, but not limited to, street, curb, gutter, sidewalk, storm sewer system, and street lighting. The water and sewer improvements consist of water and sewer mains necessary for the development of the property. The district shall loan an amount not to exceed $2,500,000. Payments are due June 1 and December 1 of each year commencing December 2014, maturing on April 2, 2038. The annual interest rate is 6%. As of December 31, 2015 the outstanding loan amount is $2,800,347.

3-C. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2015 for governmental activities including the internal service funds) was as follows:

Asset Class	Balance 1/1/2015	2015 Additions	2015 Deletions	Balance 12/31/2015
Governmental activities				
Capital assets not being depreciated:				
Land	$ 42,699,678	$ 1,275,404	$ -	$ 43,975,082
Golf course	4,224,818	-	-	4,224,818
Water rights	7,756,441	157,812	573,733	7,340,520
Construction in progress	6,143,491	2,002,934	-	8,146,425
Construction in progress - GID	15,366,809	9,056,626	15,366,809	9,056,625
Total capital assets not being depreciated	76,191,237	12,492,776	15,940,542	72,743,470
Depreciable capital assets				
Strom sewers	40,141,655	-	-	40,141,655
Bridges	12,413,405	-	-	12,413,405
Parks (excluding land)	23,077,218	12,497,998	-	35,575,216
Roads	241,588,909	5,775,972	-	247,364,881
Trails	8,981,624	-	-	8,981,624
Islands	149,500	-	-	149,500
Street lights	12,448,368	60,000	-	12,508,368
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	85,207,017	15,366,809	-	100,573,826
Buildings	20,431,268	297,546	-	20,728,814
Machinery & equipment	13,727,980	1,524,682	289,069	14,963,593
Intangibles	1,380,875	30,000	-	1,410,875
Total depreciable capital assets	475,680,670	35,553,007	289,069	510,944,609
Total capital assets	551,871,907	48,045,783	16,229,611	583,688,079
Accumulated depreciation:				
Strom sewers	24,164,581	1,688,757	-	25,853,338
Bridges	7,339,254	426,714	-	7,765,968
Parks (excluding land)	9,905,512	1,269,670	-	11,175,182
Roads	138,158,798	8,521,364	-	146,680,162
Trails	4,405,354	532,088	-	4,937,442
Islands	147,882	-	-	147,882
Street lights	9,574,712	421,022	-	9,995,734
Traffic signals	2,712,210	86,729	-	2,798,939
Signage	1,739,872	34,856	-	1,774,728
GID - water and sewer mains	2,689,546	179,303	-	2,868,849
GID - buildings	1,840,190	-	-	1,840,190
GID - roads	15,352,802	4,339,820	-	19,692,622
Buildings	10,838,118	818,209	-	11,656,327
Machinery & equipment	9,523,615	1,181,544	278,562	10,426,597
Intangibles	843,110	140,829	-	983,939
Total accumulated depreciation	239,235,556	19,640,905	278,562	258,597,899
Governmental activities capital assets, net	$ 312,636,351	$ 28,404,878	$ 15,951,049	$ 325,090,180

Governmental activities depreciation expense:

General government	$	2,140,582
Public works		15,698,565
Parks and recreation		1,801,758
Total governmental activities depreciation expense	$	19,640,905

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

Asset Class	Balance 1/1/2015	2015 Additions	2015 Deletions	Balance 12/31/2015
Depreciable capital assets				
Buildings	$ 33,744,248	$ -	$ 11,520	$ 33,732,728
Accumulated depreciation				
Buildings	7,600,122	1,063,344		8,663,466
Finance Authority capital assets, net	$ 26,144,126	$ (1,063,344)	$ (11,520)	$ 25,069,262

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

Asset Class	Balance 1/1/2015	2015 Additions	2015 Deletions	Balance 12/31/2015
Capital assets not being depreciated:				
Nondepreciable - land	$ 345,949	$ -	$ -	$ 345,949
Depreciable - buildings	416,204	-	-	416,204
Total capital assets	762,153	-	-	762,153
Accumulated depreciation:				
Building	29,922	10,672	-	40,594
Housing Authroity capital assets, net	$ 732,231	$ (10,672)	$ -	$ 721,559

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 ($2,254,075) 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 ($27,370). 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.

These amounts are reported as follows:

Governmental Fund Balance Sheet

Fund	Amount
General	$ 2,590,002
Northern Infrastructure GID	5,637,639
E-470 Commercial GID	16,247
Urban Renewal	524,701
Special Improvements	27,370
Total	$ 8,795,959

Government Wide Statement of Position

Fund	Amount
General	$ 2,590,002
Northern Infrastructure GID	5,637,639
E-470 Commercial GID	16,247
Urban Renewal	524,701
Total	$ 8,768,589

3-E. ASSETS HELD FOR RESALE

The City has acquired the following assets as held for resale:

Water Acquisition Fund in the amount $3,574,987

The Water Rights Acquisition Fund exists for the purchase of irrigation and potable water rights.

Frico Water held for resale Northern Infrastructure GID Fund $2,415,559

URA Fund $4,640,400

The objective of the Authority is the acquisition, clearance, rehabilitation, conservation, development, or redevelopment of slum and blighted areas within the City

3-F. INTERFUND BALANCES AND TRANSFERS

Interfund balances at December 31, 2015 of $127,797 relates to the reclassification of a cash overdraft in the City's cash and investment pool.

Payable to:	Payable from: Nonmajor Governmental Funds	Total
General Fund	$ 127,797	$ 127,797

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfer to:	Transfer from: General Fund	Urban Renewal Authroity	NGID Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total
Urban Renewal Authority	$ 83,000	$ -	$ -	$ -	$ -	$ -	$ 83,000
Capital Expenditures Fund	55,880	-	130,000	4,579,000	40,000	18,900	4,823,780
Nonmajor Governmental Funds	7,231,328	265,710	-	-	-	-	7,497,038
Internal Service Funds	34,631	-	-	-	-	-	34,631
Fiduciary Funds	39,360	-	-	-	-	-	39,360
Nonmajor Enterprise Funds	11,520	-	-	-	-	-	11,520
Total	$ 7,455,719	$ 265,710	$ 130,000	$ 4,579,000	$ 40,000	$ 18,900	$ 12,489,329

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 transfer from the general fund to the elected officials' retirement fund ($39,360) is reclassified as a third party transaction on the government-wide statement of activities.

3-G. LONG-TERM DEBT

***Primary Government Bonds* -** The following is a summary of the outstanding long-term bond issues at December 31, 2015:

***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. These bonds were refunded in 2015 (see 2015 Sales and Use Tax Revenue Bonds).

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. These bonds were refunded in 2015 (see 2015 Sales and Use Tax Revenue Bonds).

2015 Sales and Use Tax Revenue Bonds - On April 2, 2015, the City issued serial revenue bonds in the amount of $52,645,000 to refinance and combine the 2005 Series Sales and Use Tax Revenue Bonds in the amount of $17,500,000 and the 2006 Series Sales and Use Tax revenue bonds in the amount of $46,500,000.

The City refunded the 2005 and 2006 Series bonds to reduce its total debt service payments over the next 20 years. The net proceeds of $57,408,772 (after payment of $455,357 in underwriting fees, insurance, and other closing costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2015 Series bonds. As a result, the 2005 and 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The City refunded the 2005 and 2006 Series bonds to reduce its total debt service payments over the next 20 years by almost $6,818,526 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $4,070,286.

The interest rate ranges are 2% – 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, 2015 follow:

	2015 Sales and Use Tax Revenue Bonds		
Year	**Principal**	**Interest**	**Total**
2016	$ 1,730,000	$ 2,081,475	$ 3,811,475
2017	1,760,000	2,046,875	3,806,875
2018	1,820,000	1,994,075	3,814,075
2019	1,890,000	1,921,275	3,811,275
2020	1,930,000	1,883,475	3,813,475
2021-2025	10,490,000	8,472,125	18,962,125
2026-2030	13,195,000	5,744,225	18,939,225
2031-2035	15,265,000	2,512,275	17,777,275
2036	2,535,000	126,750	2,661,750
Total	$ 50,615,000	$ 26,782,550	$ 77,397,550

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, 2015 follow:

	2002 General Obligation Refunding Bonds		
Year	**Principal**	**Interest**	**Total**
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	495,000	248,556	743,556
2021-2025	2,770,000	929,713	3,699,713
2026-2030	3,265,000	438,844	3,703,844
2031	715,000	23,238	738,238
Total	$ 9,025,000	$ 2,816,575	$ 11,841,575

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.

Annual debt service requirements to amortize this debt, as of December 31, 2015 follow:

	2013 General Obligation Remarketed Bonds		
Year	**Principal**	**Interest**	**Total**
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
2019	1,620,000	3,072,416	4,692,416
2020	1,825,000	2,991,416	4,816,416
2021-2025	11,885,000	13,382,831	25,267,831
2026-2030	15,325,000	10,071,831	25,396,831
2031-2035	22,530,000	5,828,319	28,358,319
2036-2038	16,170,000	1,290,119	17,460,119
Total	$ 73,145,000	$ 46,221,305	$ 119,366,305

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, 2015 follow:

	2014 Sales and Use Tax Revenue Bonds		
Year	**Principal**	**Interest**	**Total**
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	1,490,000	3,047,188	4,537,188
2021-2025	8,490,000	14,182,138	22,672,138
2026-2030	10,605,000	12,072,438	22,677,438
2031-2035	13,310,000	9,364,013	22,674,013
2036-2040	16,500,000	6,182,188	22,682,188
2041-2044	16,080,000	2,059,250	18,139,250
Total	$ 72,120,000	$ 59,401,741	$ 131,521,741

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.

Annual debt service requirements to amortize this debt, as of December 31, 2015 follow:

	2013 Lease Purchase Agreement		
Year	**Principal**	**Interest**	**Total**
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	248,998
2020	240,524	15,704	256,228
2021-2023	562,786	15,590	578,376
Total	$ 1,583,263	$ 140,982	$ 1,724,245

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, 2015 follow:

	2006 Certificates of Participation		
Year	**Principal**	**Interest**	**Total**
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	715,000	1,292,306	2,007,306
2021-2025	4,230,000	5,939,756	10,169,756
2026-2030	5,355,000	4,875,725	10,230,725
2031-2035	7,955,000	3,467,913	11,422,913
2036-2037	8,555,000	718,000	9,273,000
Total	$ 29,385,000	$ 21,748,244	$ 51,133,244

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2015 (includes internal service funds):

	Outstanding 1/1/2015	2015 Additions	2015 Reductions	Outstanding 12/31/2015	Amounts Due in One Year
Governmental activities					
2002 GID general obligation fixed refunding bonds	$ 9,420,000	$ -	$ 395,000	$ 9,025,000	$ 415,000
2005 sales and use tax revenue bonds	14,530,000	-	14,530,000	-	-
2006 sales and use tax revenue bonds	39,995,000	-	39,995,000	-	-
2013 GID general obligation fixed remarketed bonds	74,110,000	-	965,000	73,145,000	1,100,000
2014 sales and use tax revenue bonds	73,445,000	-	1,325,000	72,120,000	1,350,000
2015 sales and use tax revenue bonds	-	52,645,000	2,030,000	50,615,000	1,730,000
2013 lease purchase agreement	1,728,771	-	145,508	1,583,263	163,636
Net deferred premiums	12,066,071	5,219,129	1,506,426	15,778,774	-
Total bonded debt	225,294,842	57,864,129	60,891,934	222,267,037	4,758,636
Compensated absences	106,479	116,264	85,183	137,560	110,048
Total Governmental Activities	$ 225,401,321	$ 57,980,393	$ 60,977,117	$ 222,404,597	$ 4,868,684
Business-Type Activities					
2006 certificate of participation	$ 29,955,000	$ -	$ 570,000	$ 29,385,000	$ 600,000
Deferred premiums	229,277	-	36,939	192,338	-
Total Business-Type Activities	$ 30,184,277	$ -	$ 606,939	$ 29,577,338	$ 600,000

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 2013 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. The City refunded the 2005 and 2006 Series bonds during 2015, and the debt is payable solely from the pledged sales and use tax revenues and are payable through 2036.

Annual principal and interest payments on the bonds referenced above are expected to require approximately 18.5 percent of pledged revenues. The total principal and interest remaining to be paid on the total bonds is approximately $209 million. For the current year, total principal and interest paid and total incremental sales and use tax revenues were approximately $3,990,000 and $39,774,000, respectively.

3-H. OPERATING LEASES

The City has entered to various operating lease agreements financing corporations, primarily for copiers. The following payments are due to the various lessors on an annual basis for the term of the lease as follows:

Year	Annual Payment
2016	$ 54,603
2017	51,316
2018	50,885
2019	54,763
2020	54,763
Total	$ 266,330

The 2015 rental payments totaled $53,172.

3-I. PENSIONS

The City sponsors four defined contribution retirement plans. The first three plans listed below are reported as pension trust funds of the City. A separately issued audited financial report is not available for these plans. The financial statements for these pension plans are presented at the end of this note.

Police Pension Plan - The City sponsors a defined contribution (money purchase) pension plan, known as the City of Commerce City Police Pension Plan (the Plan) that covers all commissioned officers of the police department. The authority for establishing and amending benefits and contribution rates rests with the City Council. The Plan is accounted for as a pension trust fund.

Additionally, officers are provided with death and disability coverage by a statewide plan administered by the State of Colorado Fire and Police Pension Association.

The principal provisions of the Plan are as follows:

All commissioned officers of the police department who work 32 hours or more per week enter the Plan on the date on which the individual commences employment. The Plan is funded by both employer and employee contributions. The City and the participant each contribute an amount equal to 10 percent of the participant's compensation. In addition to the mandatory 10 percent participant contribution, participants also may make voluntary contributions to the Plan. Participant contributions are fully vested upon payment, while City contributions are subject to a 5-year graded vesting schedule.

Effective January 1, 1991, the Plan was modified such that the mandatory employee contributions are no longer subject to federal income tax at the time of contribution pursuant to Section 414 (h) (2) of the Internal Revenue Code. In addition to the retirement benefits funded under the Plan, certain benefit payments also are made under the Plan to individuals who were beneficiaries under the City of Commerce City Police City of Commerce City, Colorado Pension Plan (a defined benefit plan) prior to the Plan's amendment on December 1, 1982, to the present money purchase pension plan. Funding for these additional benefits is paid for solely by the City according to the following formula. The City contributes an amount annually to provide benefits to beneficiaries of the Plan in an amount equal to either:

- From the effective date of the Plan until the plan year in which the balance in the Plan account is equal to or greater than the present value of expected future payments for all remaining Plan beneficiaries, an amount which will be sufficient to fund the eligible plan participants;

- From the plan year at the beginning of which the balance in the Plan account is equal to or greater than the present value of expected future payments for all remaining Plan beneficiaries until the plan year in which the last surviving Plan beneficiary dies or otherwise becomes ineligible for further benefit payments, an amount which will be sufficient to credit the Plan account with the excess, if any, of such present value over the balance in the Plan account as of the beginning of the plan year. If, for any given plan year in which this paragraph applies, the balance in the Plan account equals or exceeds the present value of sexpected future payments, the City will not make a contribution pursuant to this paragraph.

For the year ended December 31, 2015, the City's total Police Department payroll was $9,973,463 and the total payroll covered by the Plan was $7,081,757.

Contributions to the Plan for the year ended December 31, 2015, and the Plan participant composition at December 31, 2015, are summarized below:

Contributions	**Employee**	**Employer**
10% required contribution	$ 630,331	$ 630,331
Total	$ 630,331	$ 630,331

Plan Participants	
Fully vested employees	83
Partially vested employees	35
Total plan participants	118

The Plan had net position available for benefits of $19,868,413 at December 31, 2015. $19,023,764 of these assets are maintained by an independent investment management company and represents investments in mutual funds. $372,819 is held in pooled cash and investments at the end of the year.

Elected Officials Retirement Plan - As approved by the City Council through Ordinance 764 dated April 14, 1986, the City is to provide a monthly cash benefit of twenty dollars per month for each year of service for Council members who have served more than five years and have attained their sixtieth birth date. As of year-end, there were fifteen Council members who have qualified for this benefit. The City finances the plan on a pay-as-you-go basis. This plan is a single employer plan. For the year ended December 31, 2015, the City recognized as incurred $39,360 expenditures. This trust fund is named Elected Officials Retirement Fund. The fair value of total pooled cash and investment assets held by this plan at December 31, 2015 was $255,410.

401(a) Employee Retirement Plans - The City has four defined contribution (money purchase) pension plans for full-time employees. Activity for the Plans is aggregated within the City's 401(a) Employee Retirement Plans Fund. A separately issued audited financial report for the total ICMA plan is available from the ICMA.

The Plans are:

- General Employees
- City Manager
- Executive Team
- Police Executive Team

In accordance with Internal Revenue Service Code Section 401(a), these funds are considered qualified trusts and remain tax-exempt. A separately audited pension plan report is not available for these plans.

The assets of all four plans are invested with International City Manager's Association (ICMA). The City Council has the authority for establishing and amending contribution requirements. The City's fiduciary responsibility is limited to acting as an agent for the transfer of assets to ICMA; therefore, a trust fund is not reported for these plans. ICMA is responsible for the investment of the funds as directed by the Plan participants. The fair value of the total assets maintained with ICMA for all four Plans at December 31, 2015, was $21,357,551.

General Employees - Participation in the General Employee defined contribution plan is mandatory for all general employees with each employee required to contribute 6% of compensation, and the City contributes an amount equal to 6% of the employees' compensation. An employee is fully vested in his/her own contributions upon payment and vests in the City contributions based on years of continuous service. An employee is vested 20% after one year of continuous service and vests an additional 20% per year until fully vested. The funds are not available to the employee until separation from service or retirement, and only for amounts vested. Loans are available with restrictions.

Total employee and employer contributions to the plan for 2015 were $621,044 and $620,896, respectively. For the year ended December 31, 2015, the City's total payroll was $24,210,452 while the total payroll covered by the Plan was $10,339,329.

City Manager - The City Manager's defined contribution plan is mandatory for the City Manager. The City Manager is required to contribute 8% of compensation and the City contributes an amount equal to 8% of the Manager's compensation. The City Manager is fully vested in all contributions to the plan. Loans are available with restrictions.

The total employee and employer contributions to the Plan for 2015 were $13,576 and $13,576, respectively. For the year ended December 31, 2015, the payroll covered by the plan was $169,697.

***Executive Team* -** Effective July 1, 1997, the City developed an Executive Team defined contribution plan for all general management team employees. Participation in the Executive Team defined contribution plan is mandatory for general management team members, with each employee required to contribute 6% of compensation with the City matching an amount equal to 6% of the employees' compensation. For the City's Deputy City Managers, the contribution rate is 8% rather than 6%. An employee is fully vested in his/her own contributions at all times and vests in the City contributions based on years of continuous service. An employee is vested 33% after one year of service, 66% after two years of service, and is fully vested after three years of service. Loans are available with restrictions.

Total employee and employer contributions to the Plan for 2015 were $177,906 and $177,895, respectively. For the year ended December 31, 2015, the payroll covered by the Plan was $3,134,797.

***Police Executive Team* -** Effective July 1, 1997, the City developed a Police Executive Team defined contribution plan for all police management team employees. Participation in the Police Executive Team defined contribution plan is mandatory for all police management team members with each employee required to contribute 3% of compensation and the City contributes an amount equal to 3% of the employee's compensation. An employee is fully vested in his/her own contributions at all times and vests in the City contributions based on years of continuous service. An employee is vested 33% after one year of service, 66% after two years of service, and is fully vested after three years of service. Loans are available with restrictions.

Total employee and employer contributions to the Plan for 2015 were $12,369 and $12,369, respectively. For the year ended December 31, 2015, the payroll covered by the Plan was $412,303.

Pension Plan Financial Statements – The following financial information for each of the two pension trust funds are presented below:

City of Commerce City, Colorado
Combining Statement of Fiduciary Net Position
Pension Trust Funds
December 31, 2015
(With Comparative Totals At December 31, 2014)

	2015			2014
	Police Pension	**Elected Official Retirement**	**Fiduciary Funds Total**	**Total**
Assets				
Equity in pooled cash and investments	$ 372,819	$ 255,410	$ 628,229	$ 623,511
Loans receivable	471,830	-	471,830	491,709
Mutual money market funds, at fair value	19,023,764	-	19,023,764	19,579,951
Total Assets	19,868,413	255,410	20,123,823	20,695,171
Net Position				
Held in trust for pension benefits	$ 19,868,413	$ 255,410	$ 20,123,823	$ 20,695,171

City of Commerce City, Colorado
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended December 31, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			2014
	Police Pension	**Elected Official Retirement**	**Total**	**Total**
Additions				
Contributions:				
City	$ 630,331	$ -	**$ 630,331**	$ 652,548
Employee	630,331	-	**630,331**	652,848
Investment earnings	453,614	4,717	**458,331**	1,044,427
Transfers in - General Fund	-	39,360	**39,360**	39,360
Total Additions	1,714,276	44,077	**1,758,353**	2,389,183
Deductions				
Administration	65,570	-	**65,570**	78,379
Benefits	-	39,360	**39,360**	39,360
Withdrawals	2,224,772	-	**2,224,772**	1,750,319
Total Deductions	2,290,342	39,360	**2,329,702**	1,868,058
Change in Net Position	(576,066)	4,717	**(571,349)**	521,125
Net Position Beginning of Year	20,444,479	250,692	**20,695,171**	20,174,045
Net Position End of Year	$ 19,868,413	$ 255,410	**$ 20,123,823**	$ 20,695,171

3-J. 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.

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)
2013	$ 844,421	$ 170,000	20.1%	$ 3,234,954
2014	737,493	214,336	29.1%	3,758,111
2015	971,494	273,947	28.2%	4,455,658

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, 2015	December 31, 2014
Normal cost	$ 325,759	$ 313,230
Interest on normal cost	11,292	10,963
Amortization of unfunded actuarial accrued liability (UAAL)	484,119	470,018
Annual required contribution (ARC)	821,170	794,211
Interest on Net OPEB obligation	150,324	113,223
ARC Adjustment	-	(169,941)
Annual OPEB cost	971,494	737,493
Expected employer benefit payments	273,947	214,336
Increase in net OPEB obligation	697,547	523,157
Net OPEB obligation, beginning of year	3,758,111	3,234,954
Net OPEB obligation, end of year	$ 4,455,658	$ 3,758,111

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

Measurement Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Lianility (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	0.00%	$ 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.

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:

The City's actuarial valuation information is as follows:

Current vaulation date	January 1, 2014
Actuarial cost method	Entry Age
Amoritizaiton method	Level dollar amount, Open
Amoritization period	30 years
Asset valuation method	Fair value of assets
Actualrial assumptions:	
Investment rate of return	4.00%
Healthcare cost Tred Rate (HCCTR)	10.0% for the first year; decreasing each year until 4.5% in year 2024 and after
Assumed rates of increase applied to retiree premiums	Same as HCCTR

The total City contributions in 2013 were $404,155, in 2014 were $404,155 and in 2015 were $419,426, all deposited into the Vantagecare Retirement Savings Plan for the general employees while the FOP Retiree Health Insurance Plan is which funded on a pay-as-you-go basis.

3-K. FUND EQUITY

Fund Balances – Fund balances are classified as follows:

Nonspendable – The following fund balances are nonspendable because they are not in spendable form:

General Fund:		
Prepaid items	$	8,264
Inventories		45,513
Long-term receivables		71,385
Total	$	125,161
Major Capital Projects Fund:		
Prepaid items	$	94
Long-term receivables		6,226,312
Total	$	6,226,406
Major Northern Infrastructure GID Fund:		
Assets held for resale	$	2,415,559
Major Urban Renewal Authroity Fund:		
Assets held for resale	$	4,640,400
Nonmajor Governmental Fund:		
Assets held for resale	$	3,574,987
Long-term interfund receivable		2,800,347
Total	$	6,375,334

Restricted – The following fund balances are legally restricted to specified purposes:

General Fund:		
Emergencies	$	2,041,031
Capital outlay and operations		4,643,876
Total	$	6,684,907
Major Capital Projects Fund:		
Emergencies	$	76,309
Capital projects		60,448,898
Total	$	60,525,207

Major Northern Infrastructure GID Fund:		
Emergencies	$	1,245
Major Urban Renewal Authroity Fund:		
Emergencies	$	18,099
Urban renewal		1,655,143
Total	$	1,673,242
Nonmajor Governmental Fund:		
Restricted	$	1,770,494

Committed – The following fund balance is committed to the following purpose:

General Fund:		
Court surcharge	$	265,994
Nonmajor Governmental Fund:		
Committed	$	8,375,273

Assigned – The following fund balances are assigned to the following purposes:

General Fund:		
Operating reserves	$	5,469,947
Safeguard		9,642,472
Total	$	15,112,419
Major Capital Projects Fund:		
Capital projects	$	8,146,687
Nonmajor Governmental Fund:		
Assigned	$	3,352,290

Net Investment in Capital Assets **-** The "*net investment in capital assets*" amount as reported on the government-wide statement of net position as of December 31, 2015 is as follows:

	Governmental Activities	Business-Type Activities	Compnent Units
Net invested in capital assets:			
Cost of capital assets	$ 583,688,079	$ 33,732,728	$ 762,153
Less: accumulated depcreciation	258,597,899	8,663,466	40,594
Book value	325,090,180	25,069,262	721,559
Less: capital related debt	206,488,264	29,385,000	-
Add: unspent bond proceeds	60,448,898	-	-
Add: refunding loss	2,254,075	-	-
Less: deferred bond premiums	15,778,774	192,339	-
Net investement in capital assets:	$ 165,526,117	$ (4,508,077)	$ 721,559

NOTE 4 – OTHER NOTES

4-A. RISK MANAGEMENT

The City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity, which was established pursuant to an intergovernmental agreement authorized by state statutes. The purposes of CIRSA are to provide property and casualty and workers' compensation insurance coverage and risk management services to its municipal members at a reasonable cost. The City obtains property and casualty insurance coverage from CIRSA.

Members can participate actively in policy-making through the Board of Directors, which are nominated and elected by members; involvement on a number of board committees; and participation at annual general membership meetings. Operations are funded by individual membership contributions.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the by-laws, any member of CIRSA against stated liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage's at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The by-laws shall constitute the substance of the intergovernmental contract among the members. The amount of settlements has not exceeded insurance coverage for any of the three previous years.

The City obtains worker's compensation insurance coverage from Pinnacol Assurance.

4-B. COMMITMENTS

Commitments - As of December 31, 2015, the City has made the following commitments:

Contractor		Total Contract		Project To-date Expenditures		Remaining Commitments
Wember	$	862,911	$	296,719	$	566,192
HDR, Inc		1,970,675		1,250,201		720,474
Felsburg Holt & Ullevig		1,599,305		101,399		1,497,906
CH2M Hill Engineers Inc		1,742,754		1,016,085		726,669
Ohlson Lavoie Collaborative		525,000		434,567		90,433
JR Engineering		16,869,171		15,552,791		1,316,380
Zak Dirt		20,129,345		18,738,171		1,391,174
Union Pacific Railroad		3,917,699		3,466,191		451,508
Bowman Vision Land		1,109,539		966,596		142,943
Total	$	48,726,400	$	41,822,722	$	6,903,678

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."

CDOT Intergovernmental Agreement (IGA) – The City entered into an Intergovernmental Agreement (IGA) which includes a provision for payback of funds if the City does not proceed with the project and thus there is a potential liability if it does not occur. The language was included in the agreement to ensure that the money was expended on Highway 2, which was devolved from the state to the City, and not spent on some other effort.

The City has completed the design of the Highway 2 Widening project and has recently received bids to complete the construction. Construction is estimated to begin in September 2016 and be completed in the Spring of 2018. The City will expend the money received on Hwy 2 on the intended work and the risk to the City is minimal.

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

Sales and Use Tax Revenue Bonds Series 2016 - On November 6, 2013 , City voters authorized to increase the rate of sales and use tax levied by the City by an additional 1.0% commencing January 1, 2014, and to issue debt in an amount not to exceed $166,000,000. On June 5, 2014, the city issued $78,000,000 in Sales and Use Tax revenue bonds at a fixed interest rate of 4.5%. Annual principal payments are due August 1st (Starting in 2014) maturing August 1st, 2044 and semi-annual payments for interest are due on August 1st and February 1st. In September of 2016 the City anticipates bond proceeds from the second tranche to continue construction and operations of the projects identified during the election. The amount is estimated to be between $60-70M. Staff is still evaluating and working with CH2MHill, program administrators, to determine the final amount before taking the ordinance to Council in August for approval.

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. Staff anticipates a refunding will occur in September or October to restructure the debt and realize a savings of an anticipated $4M over the remaining life of the bonds.

4-E. RESTATEMENTS

RECLASSIFICATIONS OF WATER RIGHTS

In 2014 use of water rights were estimated for future projects from various portfolios. In 2015 staff and management reviewed projects and determined that a correction was needed as city held assets could be utilized for park projects as opposed to using the assets held for resale portfolio that was charged in 2014. The following is the restatement:

The Statement of Comparative Balance Sheet:

	2014		
	As Previously Reported Water Rights	**Restatement Water Rights**	**Restated Total**
Assets			
Equity in pooled cash and investments	**$ 2,978,442**	$ -	$ 2,978,442
Assets held for resale	**3,344,136**	474,007	3,818,143
Total Assets	**$ 6,322,578**	$ -	$ 6,796,585
Fund Balances			
Nonspendable - assets held for resale	**$ 3,344,136**	474,007	$ 3,818,213
Restricted for emergencies	**18,705**	-	18,705
Committed for water rights	**2,959,737**	-	2,959,737
Total Fund Balances	**$ 6,322,578**	$ -	$ 6,796,655

Statement of Schedule of Revenues, Expenditures and Changes in Fund Balances:

	2014		
	As Previously Reported Water Rights	Restatement Water Rights	Restated Total
Revenues			
Water acquisition fees	$ 435,057	$ 474,077	**$ 909,134**
Sale of water rights	83,685	-	**83,685**
Investment earnings	104,742	-	**104,742**
Total Revenues	623,484	474,077	**1,097,561**
Expenditures			
Current:			
Cost of water rights	64,257	-	**64,257**
Total Expenditures	64,257	-	**64,257**
Net Change in Fund Balances	559,227	474,077	**1,033,304**
Fund Balances Beginning of Year	5,763,351	-	**5,763,351**
Fund Balances End of Year	$ 6,322,578	$ 474,077	**$ 6,796,655**

Statement of Activities restatement of opening net position

	2014								
	As Previously Reported Statement of Activities				Restatement of Statement of Activities	Restated Total			
	Governmental Activities	Business-Type Activities	Total	Component Units		Governmental Activities	Business-Type Activities	Total	Component Units
Net Position End of Year	$ 248,648,426	$ (3,955,617)	$ 244,692,809	$ 6,087,421	$ 584,189	$ 249,232,615	$ (3,955,617)	$ 245,276,998	$ 6,087,421