



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period August, 2011; this period will be referred to as Year-to-Date (YTD) throughout this document. The monthly financial statement package includes statements for the following funds: General Fund, Land Use Fund, Capital Improvement Fund, Conservation Trust Fund, Open Space Fund, General Improvement District Funds, and the Centennial Urban Redevelopment Authority Fund. Readers are encouraged to consider the information presented here in conjunction with the unaudited financial statements attached to this report. In addition, please refer to the Executive Summary in the 2011 Annual Budget for an explanation of 2011 budget variances compared to the 2010 Adopted Budget.

Summary of the August, 2011 YTD Financial Statements

GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

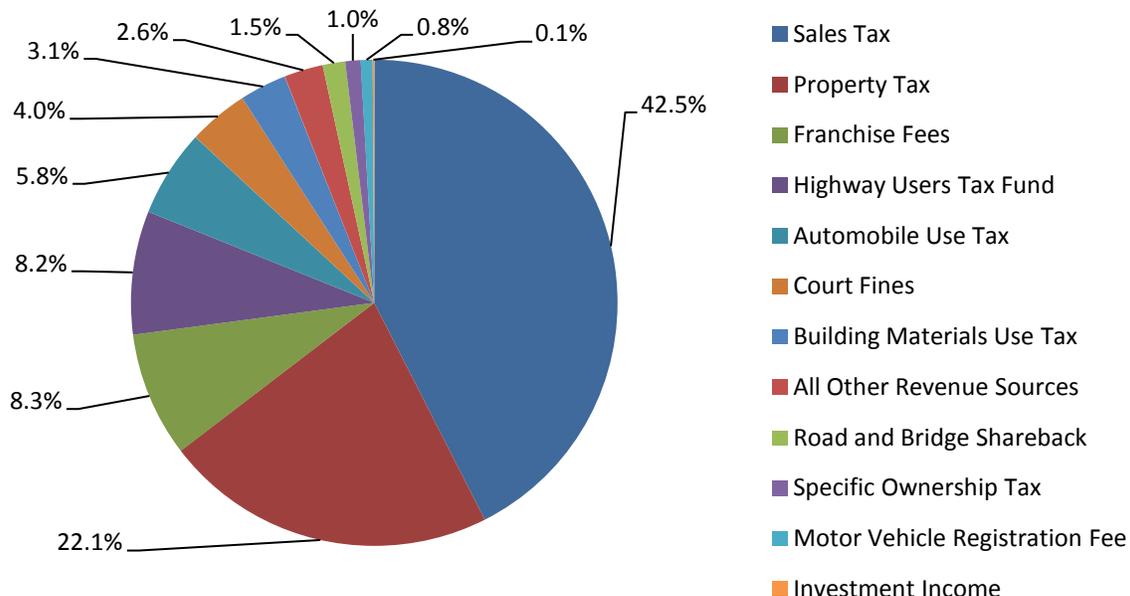
Revenues

The following table is a summary comparison of the primary revenue sources YTD for 2010 and 2011: *(dollar amounts in millions)*

	YTD 2011	YTD 2010	\$ Variance	% Variance
Retail Sales Tax	\$ 15.4	\$ 12.5	\$ 2.9	22.9%
Property Tax	8.0	7.8	0.2	2.1%
Building Materials Use Tax	1.1	1.6	(0.5)	-29.3%
Highway Users Tax Fund	3.0	2.9	0.1	3.0%
Franchise Fees	3.0	3.0	-	-1.1%
Specific Ownership Tax	0.4	0.4	-	-3.8%
Motor Vehicle Registration Fees	0.3	0.3	-	-4.1%
Automobile Use Tax	2.1	2.0	0.1	6.4%
Road and Bridge Shareback	0.5	0.5	-	1.0%
Court Fines	1.4	1.5	(0.1)	-5.9%
Investment Income	-	-	-	-37.7%
All Other Revenue Sources	0.9	1.0	(0.1)	3.5%
	<u>\$ 36.1</u>	<u>\$ 33.5</u>	<u>\$ 2.6</u>	<u>7.9%</u>

Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

2011 YTD Revenues by Source, as a Percentage of Total Revenues



Retail Sales Tax

Retail Sales Tax revenue YTD 2011 is \$2.9 million or 22.9% more than collections YTD 2010. Sales tax collected from new retailers and the top 43 filers in the City contributes approximately \$1.5 million to this increase. The Streets at SouthGlenn center sales tax collections continue to increase, and are approximately \$0.4 million or 29.7% higher than YTD 2010. Sales tax for the top 43 filers in the City is 5.7% higher than the same period in 2010, and 12.2% over YTD 2009, not including retail sales for IKEA or Centennial Promenade. Delinquent sales tax collection YTD 2011 is \$0.2 million, or 67.6% more than collections YTD 2010, and continues to contribute to the sales tax increase year to date compared to the prior year.

The City's retail sales tax licensing program continues to identify businesses that should be licensed. Ninety-nine percent of businesses located in the City are licensed, collecting and remitting sales tax. Efforts to maintain this high level of licensure for retailers located inside of the City is a priority. Sales tax auditing efforts also increase overall compliance with the City's ordinance; to date, the City has collected audit revenue totaling \$0.5 million. On-line filing of tax returns and remittance of amounts due has increased from 18% in August, 2010 to 24% for August, 2011.

The table below represents sales tax collected YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2010.

2011 & 2010 YTD through August 2011 - Top 25 Sales by 4-digit NAICS Code

	NAICS Description	2011 YTD	% of Total	2010 YTD	% Change
1	Full-Service Restaurants	\$1,101,791	9.4%	\$ 993,948	10.9%
2	Furniture Stores	991,735	8.4%	262,013	278.5%
3	Automobile Dealers	871,705	7.4%	845,549	3.1%
4	Wireless Telecommunications Carriers (except Satellite)	845,703	7.2%	905,359	-6.6%
5	Limited-Service Eating Places	835,920	7.1%	743,219	12.5%
6	Electric Power Generation, Transmission and Distribution	777,665	6.6%	767,343	1.4%
7	Sporting Goods, Hobby, and Musical Instrument Stores	747,077	6.4%	376,693	98.3%
8	Grocery Stores	745,920	6.4%	706,600	5.6%
9	Other General Merchandise Stores	547,060	4.7%	554,560	-1.4%
10	Electronics and Appliance Stores	499,804	4.3%	362,874	37.7%
11	Department Stores	436,279	3.7%	357,467	22.1%
12	Automotive Parts, Accessories, and Tire Stores	366,834	3.1%	280,866	30.6%
13	Commercial and Industrial Machinery and Equipment Rental and Leasing	357,855	3.0%	334,933	6.8%
14	Beer, Wine, and Liquor Stores	343,115	2.9%	307,341	11.6%
15	Wired Telecommunications Carriers	342,554	2.9%	378,090	-9.4%
16	Traveler Accommodation	255,652	2.2%	236,261	8.2%
17	Automotive Repair and Maintenance	254,876	2.2%	263,012	-3.1%
18	Health and Personal Care Stores	248,368	2.1%	236,826	4.9%
19	Other Miscellaneous Store Retailers	206,704	1.8%	158,244	30.6%
20	Home Furnishings Stores	196,776	1.7%	157,988	24.6%
21	Electrical and Electronic Goods Merchant Wholesalers	178,521	1.5%	219,640	-18.7%
22	Direct Selling Establishments	172,996	1.5%	98,820	75.1%
23	Clothing Stores	172,130	1.5%	131,824	30.6%
24	Building Material and Supplies Dealers	168,241	1.4%	183,515	-8.3%
25	Computer Systems Design and Related Services	88,095	0.8%	161,243	-45.4%
	Total	\$11,753,373	100.0%	\$10,024,226	

*Total does not agree to sales tax revenue reported on the accompanying financial statements as this table only represents the top 25 NAICS codes and does not include audit revenue

Property Tax

Property Tax revenue YTD 2011 is \$0.2 million or 2.1% more than the collections YTD 2010. The timing of collections during the first few months of the year may vary from year to year, however the majority of the property tax due is received by June each year. Property tax payments have three due dates throughout the year. The due date for a payment in full is April 30th and due dates for the two payment option are February 28th and June 15th. Overall, collections for 2011 are expected to be slightly higher than amounts collected during 2010 due to an increase in assessed property valuation of approximately 0.6%. Assessed property valuations are provided by Arapahoe County and reported in the 2011 Adopted Budget.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2011 is \$0.5 million, or 29.3% less than collections YTD 2010. The valuation of permits for all project types, with the exception of commercial remodels, has decreased compared to YTD 2010. The number of building permits issued YTD 2011, with the exception of residential and commercial remodels, is significantly lower than the same period in 2010. Audit revenue of \$0.1 million has been received year to date.

Automobile Use Tax

Automobile Use Tax revenue is \$0.1 million or 6.4% more than collections YTD 2010. An increase in automobile sales YTD compared to the prior year continues to occur locally and at the state and national levels. According to the Colorado Automobile Dealers Association's newsletter, car sales and markets have increased over 2010. New vehicle registrations increased 17.3% in Colorado YTD 2011 compared to YTD 2010. Sales of used vehicles is 5.7% less in Colorado YTD 2011 compared to YTD 2010. The Automobile Use Tax collections for vehicles sold in July were received by the City in August, 2011.

Franchise Fees

Total Franchise Fee revenues YTD 2011 are \$0.1 million, or 1.1% less than collections YTD 2010. This decrease is primarily due to a reduction in Gas Franchise Fees of 3.1% compared to 2010. This reduction is most likely due to mild weather in 2011 which has kept demand for natural gas lower than expected. In addition, Cable Franchise Fees are down by 4.2% compared to YTD 2010. City staff is currently researching this reduction, however, it is anticipated this reduction is due to a decrease in cable subscribership.

Investment Income

Investment Income YTD 2011 is less than \$0.1 million, or 37.7% less than collections for the same period in 2010. This decrease is directly attributable to the significant decline in earnings rates between 2010 and 2011 as the City's cash balances have increased from \$30.2 million as of August 31, 2010, to \$33.3 million as of August 31, 2011.

	<u>Annual Yield – 2010</u>	<u>Annual Yield – 2011</u>	<u>Difference</u>
Colostrust	0.25%	0.08%	(0.17%)
Wells Fargo	0.10%	0.05%	(0.05%)

Expenditures

Total expenditures and transfers YTD are \$1.5 million or 5.0% more than expenditures YTD in 2010. The net increase is attributable to variances in the City Attorney's Office, Finance, Nondepartmental, Human Resources and Risk Management Services, Public Works, and Law Enforcement departments, as well as transfers to the Capital Improvement and Land Use Funds.

- City Attorney expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is primarily due to an increase in charges related to general litigation matters handled by the City Attorney in 2011.
- Finance expenditures are \$0.2 million more than expenditures YTD in 2010. This increase is directly related to personnel vacancy savings realized in 2010, as well as an increase in fees paid for sales tax collection and processing services in 2011.

- Nondepartmental expenditures are \$0.6 million more than expenditures YTD in 2010. This increase is directly attributable to the purchase of the USPS land during March, 2011, as well as an increase in Incentive Agreement payments made YTD in 2011.
- Human Resource and Risk Management Services expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is related to personnel vacancy savings realized in 2010, as well as an increase in expenditures related to property and casualty insurance services in 2011.
- Public Works expenditures are \$0.5 million more than expenditures YTD in 2010. This increase is partly due to higher personnel costs as a result of the reclassification of 1.5 full-time equivalent (FTE) positions from the City Manager's Office, as well as a 5% increase in the Public Works service provider contract for 2011.
- Law Enforcement expenditures are \$0.1 million more than expenditures YTD in 2010. This increase is due to Council negotiated increases to the 2011 budget for law enforcement services.
- Land Use Fund transfers are \$0.5 million more than expenditures YTD in 2010. This increase is primarily due to deferred revenue recognized in 2010 which resulted in a lower General Fund support transfer.
- Capital Improvement Fund transfers are \$0.6 million less than expenditures YTD in 2010. This decrease is primarily due to several large capital projects related to street rehabilitation, concrete replacement and Arapahoe Road improvements completed in 2010, which led to a higher General Fund support transfer.

GENERAL FUND – COMPARISON TO BUDGET
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The City's annual budget is examined on a monthly basis and year to date actual receipts and expenditures are compared to the budget on a line item or departmental basis. Monthly budget allocations represent a portion of the annual budget that is assigned to each month for comparative purposes. The allocation amount may be either 1/12th of the total amount budgeted for the year, or a specific percentage for that month based on actual receipts or expenditures in prior years. The analysis below compares year to date actual amounts to the year to date 2011 budget amounts.

Revenues

The following table is a summary comparison of the primary revenue sources; the table compares actual revenue compared to budget.

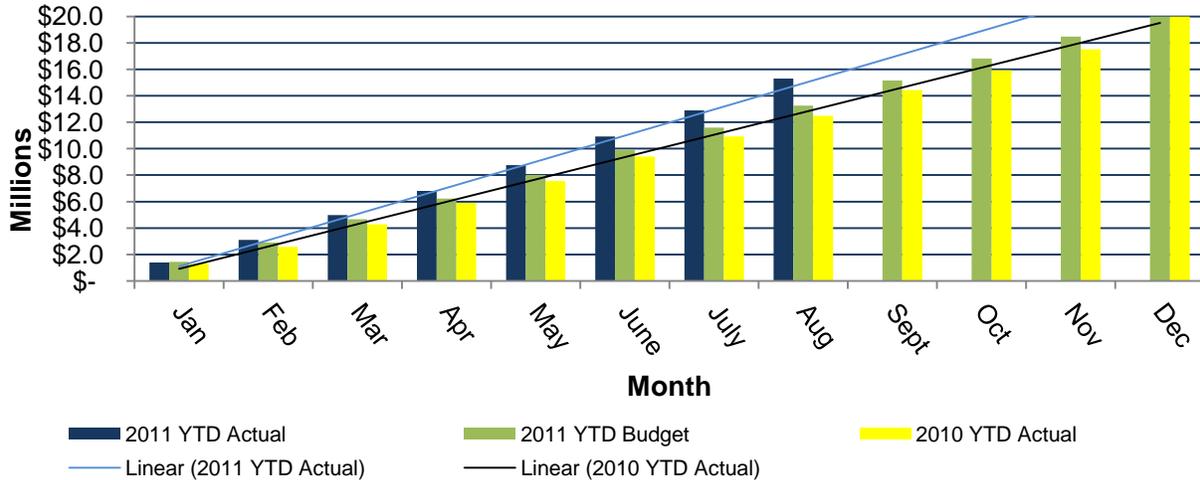
	<i>(dollar amounts in millions)</i>				
	Actual YTD	Budget YTD	\$	%	
	2011	2011	Variance	Variance	
Retail Sales Tax	\$ 15.4	\$ 12.8	\$ 2.6	20.2%	
Property Tax	8.0	8.0	-	0.2%	
Building Materials Use Tax	1.1	0.8	0.3	35.0%	
Highway Users Tax Fund	3.0	2.7	0.3	10.7%	
Franchise Fees	3.0	2.9	0.1	4.6%	
Specific Ownership Tax	0.4	0.4	-	-9.7%	
Motor Vehicle Registration Fees	0.3	0.3	-	10.6%	
Automobile Use Tax	2.1	1.9	0.2	11.7%	
Road and Bridge Shareback	0.5	0.5	-	0.0%	
Court Fines	1.4	1.4	-	-1.8%	
Investment Income	-	-	-	-45.1%	
All Other Revenue Sources	0.9	0.8	0.1	25.6%	
	<u>\$ 36.1</u>	<u>\$ 32.5</u>	<u>\$ 3.6</u>	<u>11.3%</u>	

Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

Retail Sales Tax

Retail Sales Tax revenue YTD is \$2.6 million, or 20.2% favorable compared to budget. This favorable variance is the result of one-time sales tax audit receipts (\$0.5 million) that are conservatively projected in the budget, and the collection of delinquent sales tax (\$0.5 million). In Addition, the City began collecting sales tax revenues for the Centennial Promenade in April 2011; however, the budget did not include anticipated revenues for this shopping center. Likewise, in July 2011 the City began collecting sales tax revenue for IKEA. Centennial Promenade, IKEA and other retailers account for \$1.6 million of this favorable sales tax variance.

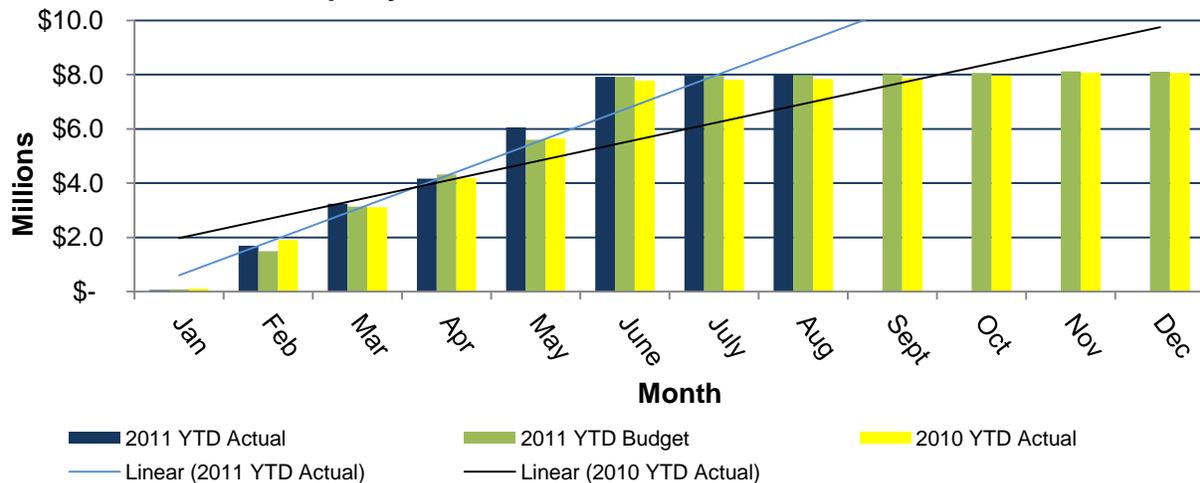
Sales Tax Revenue - Current & Prior Year



Property Tax

Property Tax revenue YTD is consistent with budget. The total revised budget is expected to increase to \$8,281,645 based on the property tax certification in 2010 for collection during 2011.

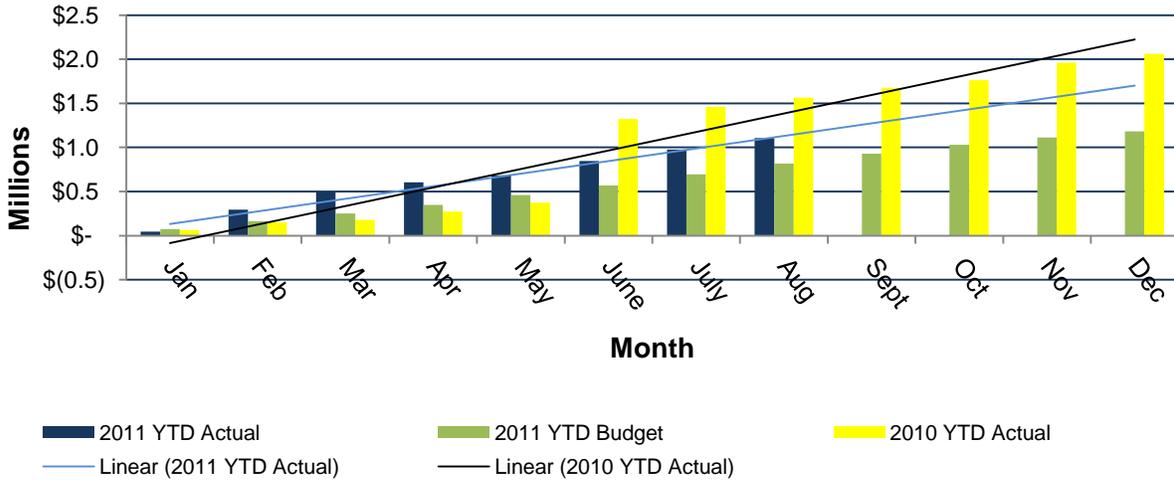
Property Tax Revenue - Current & Prior Year



Building Materials Use Tax

Building Materials Use Tax revenue YTD is \$0.3 million, or 35.0% favorable compared to budget. This favorable variance is due to the issuance of a large building permit for a new commercial project and several commercial remodel projects that were not anticipated in the budget. Total revenue YTD also includes audit receipts of \$0.1 million, which were no included in the budget.

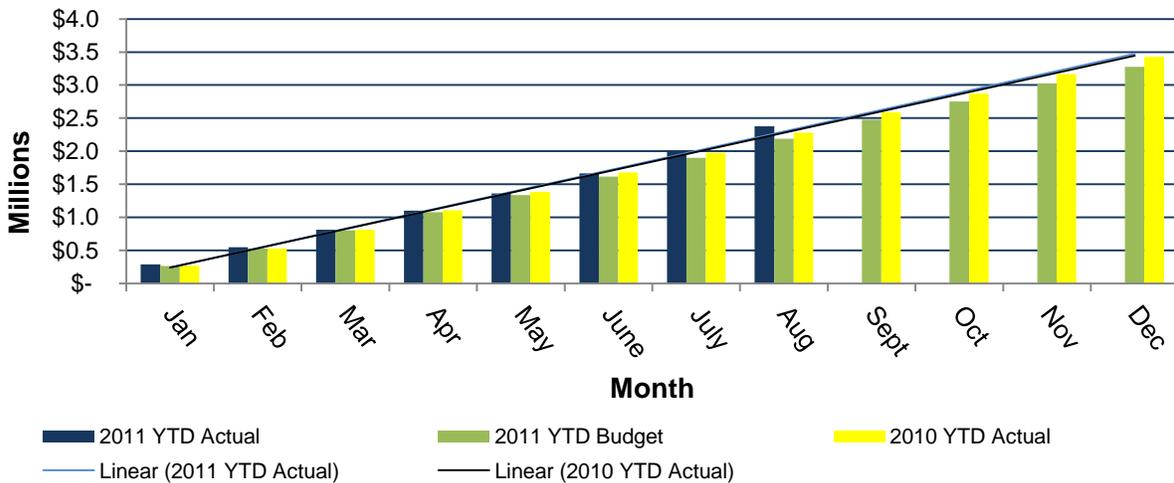
Building Materials Use Tax Revenue - Current & Prior Year



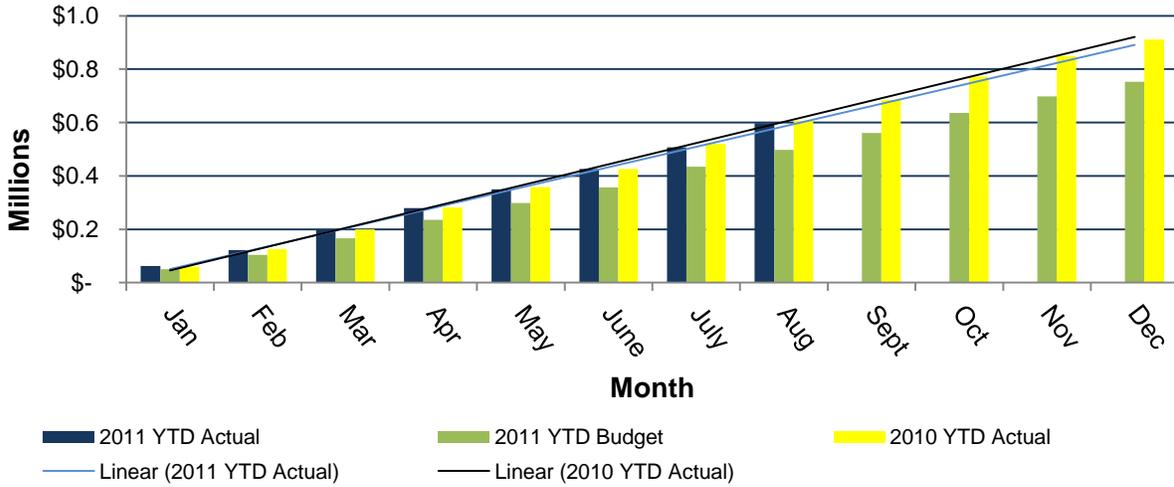
Highway Users Tax Fund

Highway Users Tax Fund revenue YTD is \$0.3 million, or 10.7% favorable to budget. This favorable variance is due to budget allocations being conservatively projected as a result of limited historic data. The total amount budgeted for the Highway Users Tax Fund will be revised for 2011 based on more current data available.

HUTF Revenue - Current & Prior Year



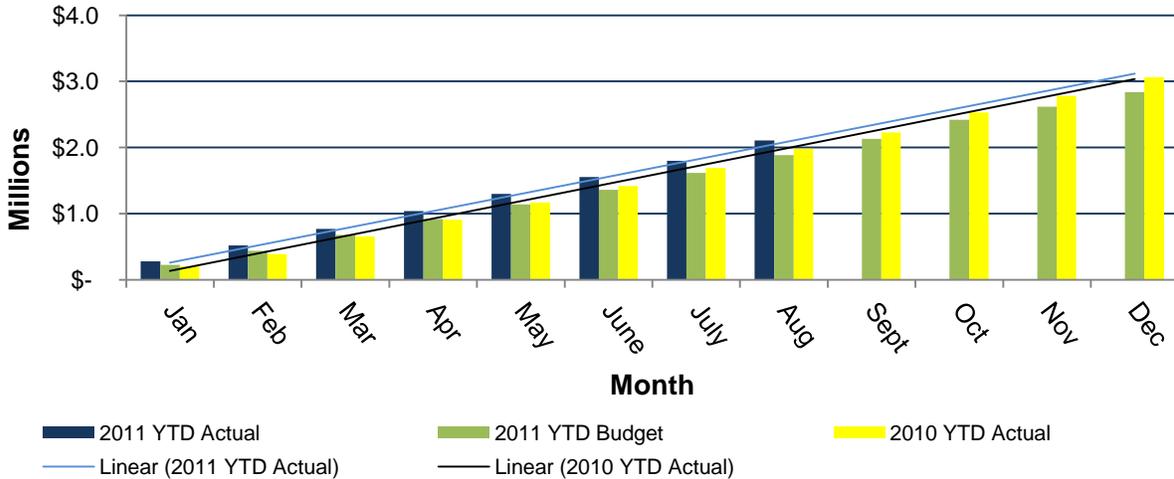
FASTER Revenue - Current & Prior Year



Automobile Use Tax

Automobile Use Tax revenue YTD is \$0.2 million, or 11.7% favorable compared to budget. Automobile industry information indicates an overall increase in new car sales at the state and national level. There is normally a forty-five (45) day period after the purchase of a vehicle during which the registration of that vehicle should occur. The economic recovery has a volatile impact on the sales of automobiles and a variance is anticipated for the balance of the year. Due to the volatility of this revenue source there was a conservative approach budgeting this revenue for 2011.

Auto Use Tax Revenue - Current & Prior Year



Investment Income

Investment Income revenue YTD is less than \$0.1 million, or 45.1% unfavorable compared to budget. This decrease is directly attributable to the significant decline in earnings rates.

Expenditures

Total expenditures and transfers YTD are \$1.1 million, or 3.4% favorable compared to budget. The overall favorable variance is primarily due to the City Attorney's Office, Finance, Human Resources and Risk Management Services, Support Services, Public Works, and Code Compliance, as well as the transfer to the Land Use Fund.

- City Attorney Office expenditures are \$0.1 million, or 23.2% unfavorable to budget. This unfavorable variance is due primarily to various legal projects that have been conducted YTD, but were not included in the adopted budget.
- Finance expenditures are \$0.1 million, or 12.3% favorable to budget. This favorable variance is partially due to personnel vacancy savings realized during the beginning of 2011, as well as the timing of expenditures related to contracted auditing services.
- Human Resources and Risk Management Services expenditures are \$0.1 million, or 17.6% favorable to budget. This favorable variance is due to personnel vacancy savings, as well as lower than anticipated costs associated with personnel recruitment services and property and casualty insurance services.
- Support Services expenditures are \$0.3 million, or 37.3% favorable to budget. This favorable variance is partially due to the delay of website hosting and other projects and the timing of equipment and GIS software purchases in the Information Technology division. In addition, the City entered into new copier contracts during the latter part of 2010 which are projected to produce overall expenditure savings during 2011. The favorable variance is also due to the timing of expenditures related to Civic Center Park and other services and supplies within Facilities. This favorable variance is expected to diminish through the remainder of the year.
- Public Works expenditures are \$0.2 million, or 2.6% favorable to budget. This favorable variance is due to cumulative department savings in areas such as personnel services, contacted services and supplies and services. This variance appears to be due to the timing of actual expenditures and budget allocations. It is anticipated that this variance will diminish through the remainder of the year.
- Code Compliance expenditures are \$0.1 million, or 26.4% favorable to budget. This favorable variance is primarily due to the timing of payments made for contracted services. This variance is expected to diminish by year end.
- Land Use Fund transfers are \$0.1 million, or 53.2% favorable compared to budget. This favorable variance is partially due to the timing of revenue and expenditure variances compared to budget in the Land Use Fund. In addition, an overall favorable revenue variance compared to budget required a smaller total transfer from the General Fund.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.6 million, or 22.8% less than revenue collected during the same period in 2010. This decrease is primarily due to the recognition of one-time deferred revenue in August, 2010, as well as the collection of building permit fees from a large commercial project in June, 2010.

Expenses

- Expenses YTD are less than \$0.1 million, or 2.0% less than expenses YTD for the prior year. This decrease is primarily due to decreased expenditures related to building permit and plan review services in 2011.

Comparison to Budget

Revenue

- Revenue YTD is \$0.2 million, or 14.5% favorable compared to budget. This favorable variance is primarily due to building permit and building plan review fees collected for a large new commercial project not included in the budget. In addition, land development applications, construction drawing fees, and other permit fees are higher than anticipated in the 2011 budget. Finally, Federal Grant revenue was received for the bus bench project earlier in the year than projected.

Expenses

- Expenses YTD are \$0.1 million, or 4.9% unfavorable compared to budget. This unfavorable variance is primarily due to higher building permit and plan review fees compared to budget; these higher costs are offset by an increase in related revenues.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.7 million, or more than 100.0% higher than revenue collected YTD 2010. This increase is due to contributions for the Chester at County Line Road right turn lane project and the receipt of federal grant revenue for several capital projects.

Expenditures

- Expenditures YTD are \$2.3 million, or more than 100.0% higher than expenditures YTD during the prior year. This net increase is the result of higher expenditures for building improvements, new street construction, sidewalks, traffic signals, and the Vista Verde neighborhood improvements project. In addition, City Council dedicated additional funding during 2011 to the street rehabilitation program.

Comparison to Budget

Revenue

- Revenue YTD is \$0.7 million, or more than 100.0% favorable compared to budget. This favorable variance is due to the receipt of federal grant revenue for various EECBG and CDBG projects, contributions for the Chester at County Line Road right turn lane project, and curb cut program reimbursements.

Expenditures

- Expenditures are \$2.9 million, or 41.0% favorable compared to budget. This favorable variance is primarily due to the timing of budget allocations for expenditures related to the construction of new streets, sidewalks, traffic signals, street rehabilitation, and street surface treatments.

CONSERVATION TRUST FUND

Comparison to Prior Year

Revenue

- Revenue received YTD is consistent with collections for the same period during the prior year.

Expenditures

- Expenditures are \$2.3 million, or more than 100.0% higher than expenditures YTD during the prior year. This increase is due to expenditures related to the Civic Center Park project.

Comparison to Budget

Revenue

- Revenue YTD is less than \$0.1 million, or 21.7% favorable compared to budget. The majority of this variance is due to an increase in the receipt of Lottery Proceeds.

Expenditures

- Expenditures are \$0.3 million, or 10.9% favorable compared to budget. This favorable variance is due to the timing of budget allocations for expenditures related to the Civic Center Park project.

OPEN SPACE FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.5 million, or 29.8% above collections during the prior year. The majority of the increase is due to the receipt of two grants received from Arapahoe County - one for the Civic Center Park and one for the Centennial Link Trail project.

Open Space Fund revenues are received from the Arapahoe County Open Space Sales Tax and Investment Income. The County distributes fifty percent of revenue derived from the .25% tax based on population to incorporated cities and towns to help enhance their parks, trails and open spaces. This revenue is distributed by June 1st of each year based on collections from May 16th of the prior year through May 15th of the current year. The revenues are invested until the time they are used and the investment income is allocated directly to the fund. Investment income is slightly below YTD 2010 collections due to lower earnings rates.

Expenditures

- Expenditures YTD are \$3.5 million, or more than 100.0% higher than expenditures YTD during the prior year. YTD 2010, Open Space funds were utilized for the Piney Creek Hollow Park and the Civic Center Park; during the current year, Open Space funds have been utilized for the purchase of the USPS property, as well as the Civic Center Park project.

Comparison to Budget

Revenue

- Open Space revenue is \$0.5 million, or 24.1% favorable to budget. This favorable variance is partially related to the receipt of \$0.3 million in grants. One of the grants was included in the 2011 Budget, while the other will be included in the 2011 Revised Budget. The remainder of the variance, \$0.2 million, is due to higher than expected Open Space sales tax revenue receipts. The 2011 Adopted Budget included a projected reduction in Open Space sales tax revenues as a result of declining sales tax revenue trends during 2009 and 2010. Investment income is slightly below YTD budget.

Expenditures

- Expenditures are \$3.4 million, or 45.0% favorable compared to budget. This favorable variance is due to the timing of the budget allocations for expenditures related to the Civic Center Park, Centennial Link Trail, and Parker Jordan Open Space Trail projects.

GENERAL IMPROVEMENT DISTRICT FUNDS

Comparison to Prior Year

Revenue

- Revenue received YTD for the consolidated GID Funds is consistent with revenues collected YTD 2010.

Expenditures

- Expenditures YTD are \$0.2 million, or more than 100% higher than expenditures YTD during the prior year. This increase is due to expenditures related to the installation of split rail fencing in the Walnut Hills and Cherry Park GID's in 2011.

Comparison to Budget

Revenue

- Revenue received YTD is consistent with the budget.

Expenditures

- Expenditures are less than \$0.1 million, or 1.7% favorable compared to budget. This favorable variance is a result of budget allocations exceeding actual expenditures related to the fencing projects for the Walnut Hills and Cherry Park GID's.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND
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Comparison to Prior Year

Revenue

- Revenue received YTD is \$3.8 million or more than 100.0% above revenues collected year to date during the prior year. This favorable variance is due to higher property tax collections for The Streets at SouthGlenn as a result of higher assessed property valuations; the valuation increased \$23.4 million, or 93.0% compared to the prior year.

Expenditures

- Expenditures YTD are \$3.8 million, or more than 100.0% higher compared to prior year expenditures. This increase is directly attributable to an increase in the property tax pass-through payment by the Authority to the Southglenn Metropolitan District pursuant to the public finance agreement.

Comparison to Budget

Revenue

- Revenue YTD is \$3.6 million, or more than 100.0% favorable compared to budget. This favorable variance is due to an increase in assessed property valuation during 2010, for amounts certified for collection during 2011. This favorable variance is also due to the timing of property tax receipts compared to monthly budget allocations. Monthly budget allocations are based on receipts for the same period in prior years.

Expenditures

- Expenditures are \$3.6 million, or more than 100.0% unfavorable compared to budget. This unfavorable variance is due to an increase in the property tax pass-through payment as a result of higher collections. The Authority is the collecting agent for property taxes for the SouthGlenn redevelopment area; the amounts collected are then passed through to the Southglenn Metro District. The total amount budgeted for 2011 will be increased in the 2011 Revised Budget.