



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended March 31, 2012; 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 2012 Annual Budget for an explanation of 2012 budget variances compared to the 2011 Adopted Budget.

Summary of the March, 2012 YTD Financial Statements

GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

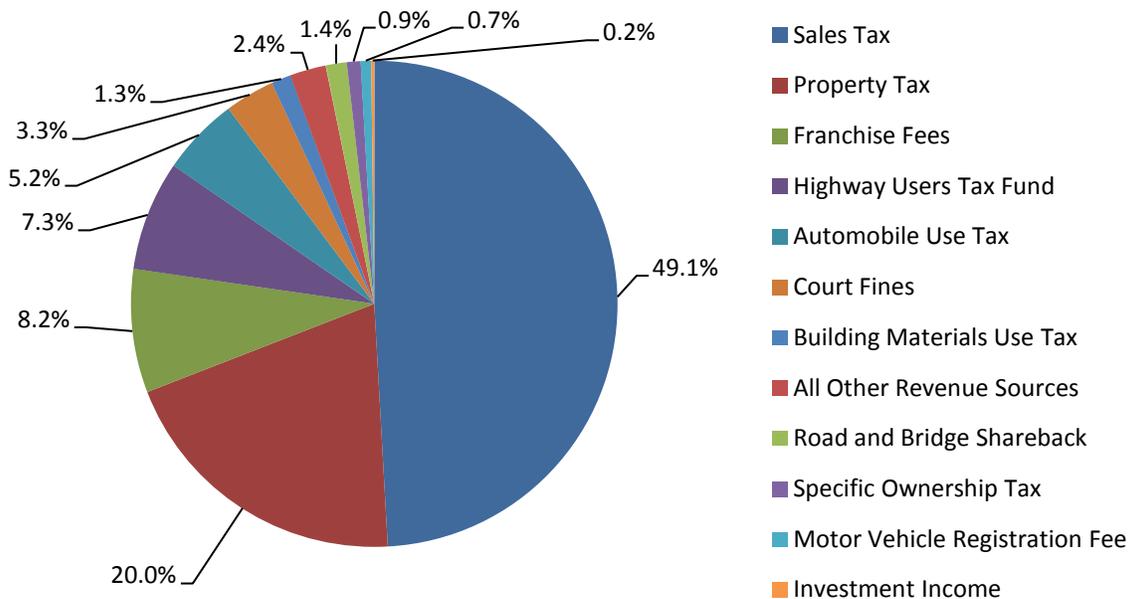
Revenues

The following table is a summary comparison of the primary revenue sources YTD for 2011 and 2012: *(dollar amounts in millions)*

	YTD 2012	YTD 2011	\$ Variance	% Variance
Retail Sales Tax	\$ 7.7	\$ 5.0	\$ 2.7	54.8%
Property Tax	3.1	3.2	(0.1)	-3.5%
Building Materials Use Tax	0.2	0.5	(0.3)	-57.6%
Highway Users Tax Fund	1.1	1.0	0.1	13.0%
Franchise Fees	1.3	1.3	-	-1.4%
Specific Ownership Tax	0.1	0.1	-	4.2%
Motor Vehicle Registration Fees	0.1	0.1	-	-0.9%
Automobile Use Tax	0.8	0.8	-	6.0%
Road and Bridge Shareback	0.2	0.2	-	1.7%
Court Fines	0.5	0.5	-	-7.7%
Investment Income	-	-	-	187.5%
All Other Revenue Sources	0.5	0.4	0.1	8.0%
	<u>\$ 15.6</u>	<u>\$ 13.1</u>	<u>\$ 2.5</u>	<u>18.9%</u>

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

2012 YTD Revenues by Source, as a Percentage of Total Revenues



Retail Sales Tax

Retail Sales Tax revenue YTD 2012 is \$2.7 million or 54.8% more than collections YTD 2011. This increase primarily due to sales tax collections from Centennial Promenade, IKEA, out-of-City vendors delinquencies, and compliance audits. Centennial Promenade was annexed into the City in April 2011 and IKEA opened in July 2011. The City has received approximately \$1.0 million in sales tax revenue from these entities not received YTD 2011.

The City's retail sales tax licensing program continues to identify businesses outside of Centennial that should be licensed. Sales tax revenues received from out-of-City vendors has increased by approximately \$0.2 million or 16.1% compared to YTD 2011. Over ninety-nine percent of businesses located inside 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 and delinquent collection efforts also increase overall compliance with the City's ordinance. The City collected audit revenue totaling \$1.0 million more than collections YTD 2011.

The table below represents sales tax collected 2012 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2011.

2012 & 2011 YTD through March 2012 - Top 25 Sales by 4-digit NAICS Code

NAICS Description	2012 YTD	% of Total	2011 YTD	% Change
1 Furniture Stores	\$ 955,869.29	18.4%	\$ 128,074.81	646.3%
2 Full-Service Restaurants	467,281.57	9.0%	406,185.75	15.0%
3 Automobile Dealers	363,953.53	7.0%	315,619.70	15.3%
4 Limited-Service Eating Places	330,575.42	6.4%	274,195.45	20.6%
5 Sporting Goods, Hobby, and Musical Instrument Stores	314,099.13	6.0%	158,686.45	97.9%
6 Wireless Telecommunications Carriers (except Satellite)	312,172.55	6.0%	324,545.14	-3.8%
7 Electric Power Generation, Transmission and Distribution	291,552.52	5.6%	290,530.32	0.4%
8 Grocery Stores	281,110.20	5.4%	262,862.49	6.9%
9 Other General Merchandise Stores	198,608.36	3.8%	188,543.99	5.3%
10 Electronics and Appliance Stores	167,506.94	3.2%	211,013.24	-20.6%
11 Department Stores	167,259.75	3.2%	134,379.73	24.5%
12 Commercial and Industrial Machinery and Equipment Rental and Leasing	148,299.34	2.9%	85,973.88	72.5%
13 Automotive Parts, Accessories, and Tire Stores	128,302.01	2.5%	126,568.54	1.4%
14 Wired Telecommunications Carriers	126,160.59	2.4%	140,666.14	-10.3%
15 Beer, Wine, and Liquor Stores	125,530.52	2.4%	118,219.39	6.2%
16 Jewelry, Luggage, and Leather Goods Stores	116,400.49	2.2%	57,761.73	101.5%
17 Automotive Repair and Maintenance	109,383.36	2.1%	104,027.13	5.2%
18 Health and Personal Care Stores	99,972.07	1.9%	85,058.22	17.5%
19 Other Miscellaneous Store Retailers	94,496.04	1.8%	64,906.02	45.6%
20 Home Furnishings Stores	84,248.32	1.6%	60,839.83	38.5%
21 Traveler Accommodation	82,148.23	1.6%	75,824.84	8.3%
22 Clothing Stores	64,422.59	1.2%	50,695.54	27.1%
23 Direct Selling Establishments	61,634.10	1.2%	48,483.47	27.1%
24 Electrical and Electronic Goods Merchant Wholesalers	56,753.89	1.1%	69,132.61	-17.9%
25 Building Material and Supplies Dealers	55,054.57	1.1%	51,786.45	6.3%
Total	\$ 5,202,795	100.00%	\$3,834,581	

*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 2012 is \$0.1 million or 3.5% less than collections YTD 2011. The timing of collections during the first few months of the year may vary from year to year, however the majority of 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.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2012 is \$0.3 million or 57.6% less than collections YTD 2011. This is due to a decrease in the total number of permits issued (4.7%), as well as a decrease in the total valuation of projects (12.5%), resulting in decreased use tax collections compared to YTD 2011 figures. An examination of the types of permits issued indicates that there has been a decrease in the number of permits for new commercial projects and commercial remodels, and fewer permits for new residential projects.

Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2012 is \$0.1 million or 13.0% more than collections YTD 2011. This increase is primarily due to a 12.5% increase in the City's monthly HUTF distribution ratio. This ratio is calculated based upon the total number of motor vehicle registrations in the City compared to the total number of registrations in the State. The State's current fiscal year began in July 2011, which is when the City's increased distribution ratio took effect.

Investment Income

Investment Income YTD 2012 is less than \$0.1 million, or 100% more than collections YTD for the same period in 2011. This increase can be attributed to the implementation of the City's new investment policy and investment strategy. This investment strategy takes into account the City's investment objectives of Safety, Liquidity, Yield, and Diversification. City staff anticipates that the City's overall investment yield will increase in future months as a result of implementing this new investment strategy. The weighted average yield of the City's investment portfolio has increased from 0.14% YTD 2011 to 0.25% YTD 2012.

Expenditures

Total expenditures and transfers YTD are \$0.3 million or 2.7% less than expenditures YTD in 2011. The net decrease is attributable to variances in the City Manager's Office, Finance, Nondepartmental, Human Resources and Risk Management Services, Public Works, and Law Enforcement, as well as Capital Improvement Fund transfers.

- City Manager's Office expenditures are \$0.1 million less than expenditures YTD in 2011. This decrease is a result of personnel vacancy savings for 3.0 full-time equivalent (FTE) positions reported in the City Manager's Office for 2012.
- Finance expenditures are \$0.1 million more than expenditures YTD in 2011. This increase is primarily due to an increase in expenditures related to sales tax audit and collection services in 2012.
- Nondepartmental expenditures are \$0.1 million less than expenditures YTD in 2011. This net decrease is partially due to the USPS land purchase made in 2011 (\$0.4), offset by an increase in incentive payments for agreements associated with Centennial Promenade (\$0.3) which were not made at the beginning of 2011.
- Human Resource and Risk Management Services expenditures are \$0.1 million more than expenditures YTD in 2011. This increase is partially related to personnel vacancy savings realized at the beginning of 2011, in addition to part-time temporary staffing for HR related projects in 2012. Additionally, personnel recruitment service costs have increased over 2011 due to the recruitment of a new City Manager.

- Public Works expenditures are \$0.1 million less than expenditures YTD in 2011. This decrease is primarily due to lower snow removal and vehicle fuel costs incurred YTD in 2012, as compared to 2011 figures.
- Law Enforcement expenditures are \$0.1 million more than expenditures YTD in 2011. This increase is primarily due to a Council approved budget increase of 2.8% in the 2012 adopted budget.
- Capital Improvement Fund Transfers are \$0.3 million less than transfers YTD 2011. This decrease is due to lower expenditures YTD in the Capital Improvement Fund for projects associated with new street construction, the street rehabilitation program, and the Vista Verde neighborhood improvements.

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 2012 budget amounts.

Revenues

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

(dollar amounts in millions)

	Actual YTD 2012	Budget YTD 2012	\$ Variance	% Variance
Retail Sales Tax	\$ 7.7	\$ 5.2	\$ 2.5	47.0%
Property Tax	3.1	3.0	0.1	2.9%
Building Materials Use Tax	0.2	0.3	(0.1)	-29.5%
Highway Users Tax Fund	1.1	0.9	0.2	24.7%
Franchise Fees	1.3	1.3	-	-0.6%
Specific Ownership Tax	0.1	0.1	-	-2.4%
Motor Vehicle Registration Fees	0.1	0.1	-	13.5%
Automobile Use Tax	0.8	0.7	0.1	12.7%
Road and Bridge Shareback	0.2	0.2	-	1.7%
Court Fines	0.5	0.6	(0.1)	-13.7%
Investment Income	-	-	-	168.3%
All Other Revenue Sources	0.5	0.4	0.1	26.7%
	<u>\$ 15.6</u>	<u>\$ 12.8</u>	<u>\$ 2.8</u>	<u>21.7%</u>

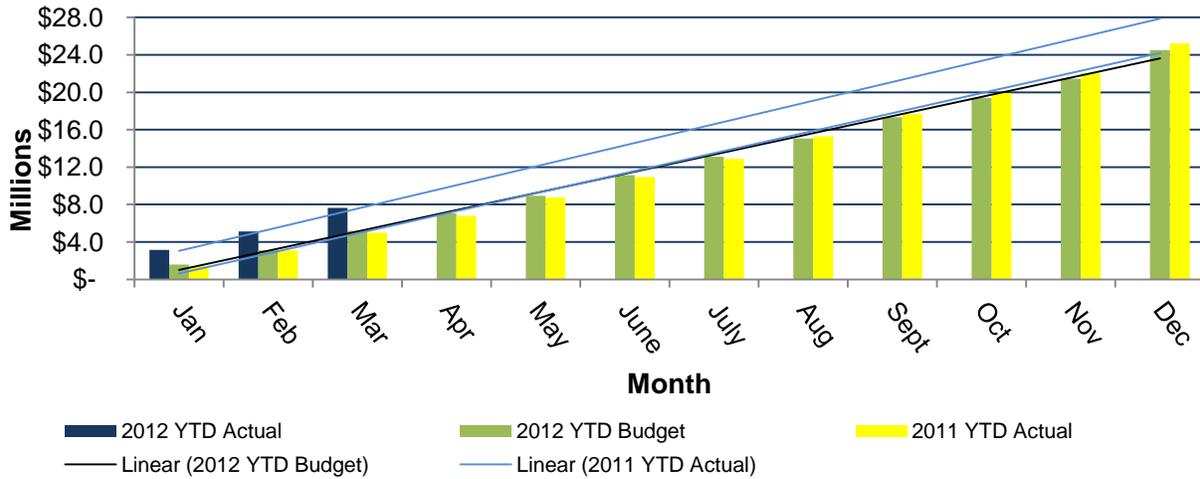
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

Retail Sales Tax

Retail sales tax revenue YTD is \$2.5 million, or 47.0% favorable compared to budget. This favorable variance is mainly due to the collection of one-time sales tax audit receipts. The audit revenue receipts YTD 2012 are \$1.1 million favorable compared to budget.

Additionally, sales tax revenues have been conservatively budgeted due to the uncertain economic environment. The sales tax base budget represents all of the sales tax paid to the City that is not attributable to audit or delinquency revenue. The majority of the increase in the sales tax base (\$0.9 million), as described, is from sales tax collections from retailers outside the City and new businesses opened inside the City.

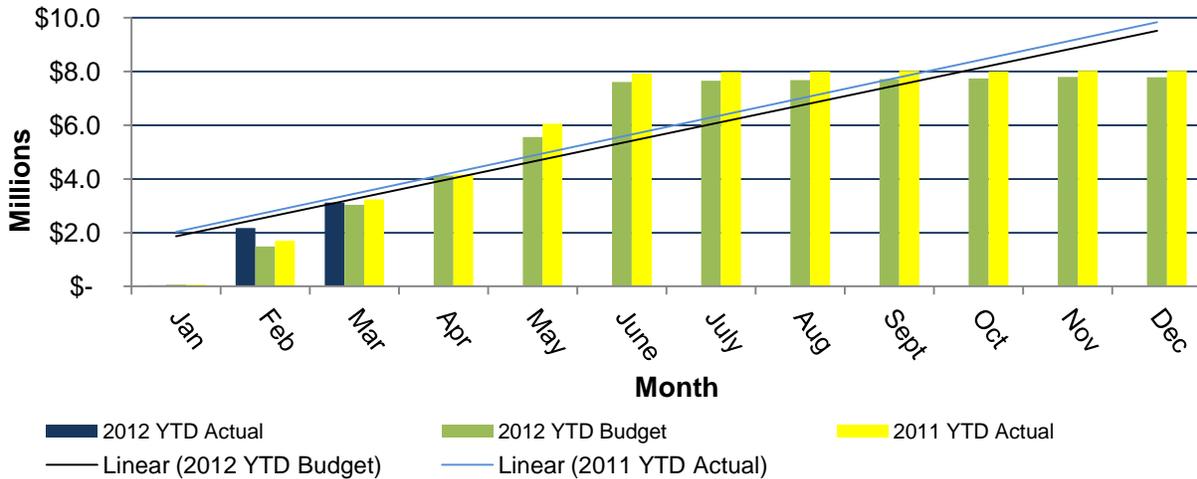
Sales Tax Revenue - Current & Prior Year



Property Tax

Property Tax revenue YTD is \$0.1 million, or 2.9% favorable compared to budget. This favorable variance is due to the timing of property tax payments as compared to the monthly budget allocations; monthly budget allocations are based on receipts for the same period in prior years. The City receives property tax collections from the Arapahoe County Treasurer's office and these collections are based on actual collections from property owners.

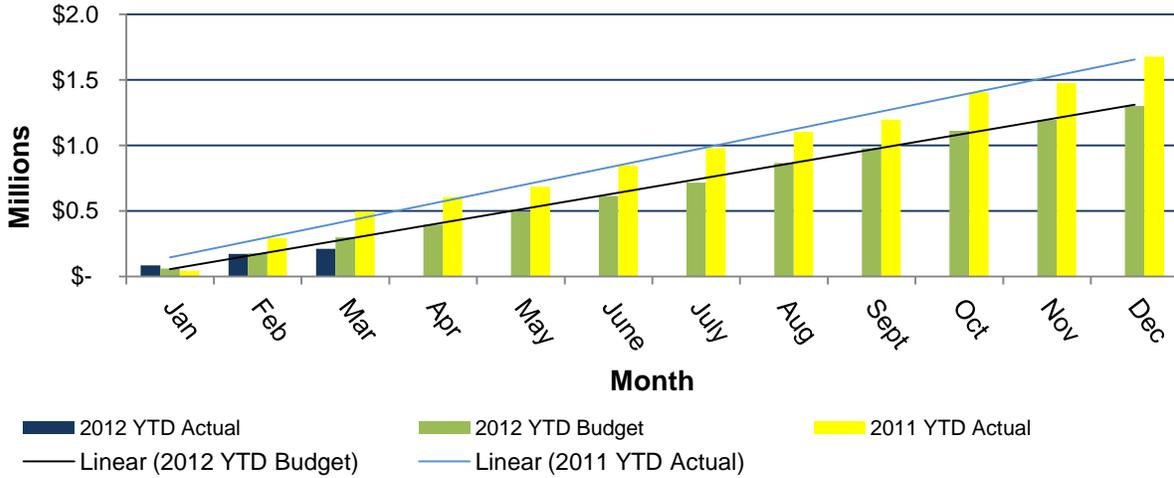
Property Tax Revenue - Current & Prior Year



Building Materials Use Tax

Building Materials Use Tax revenue YTD is \$0.1 million, or 29.5% unfavorable compared to budget. This unfavorable variance is due to lower use tax collections for new commercial projects and commercial remodel projects than anticipated in the budget.

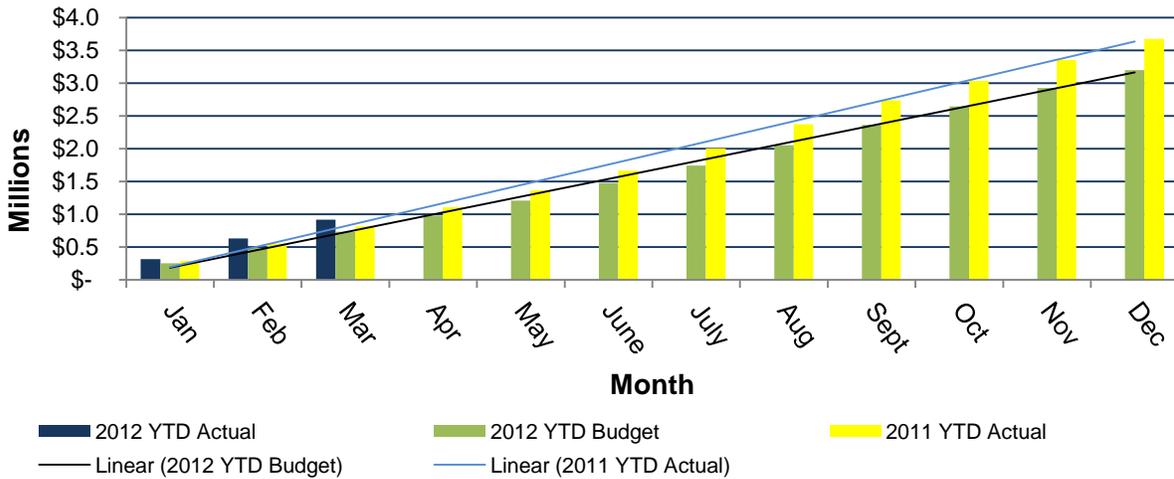
Building Materials Use Tax Revenue - Current & Prior Year



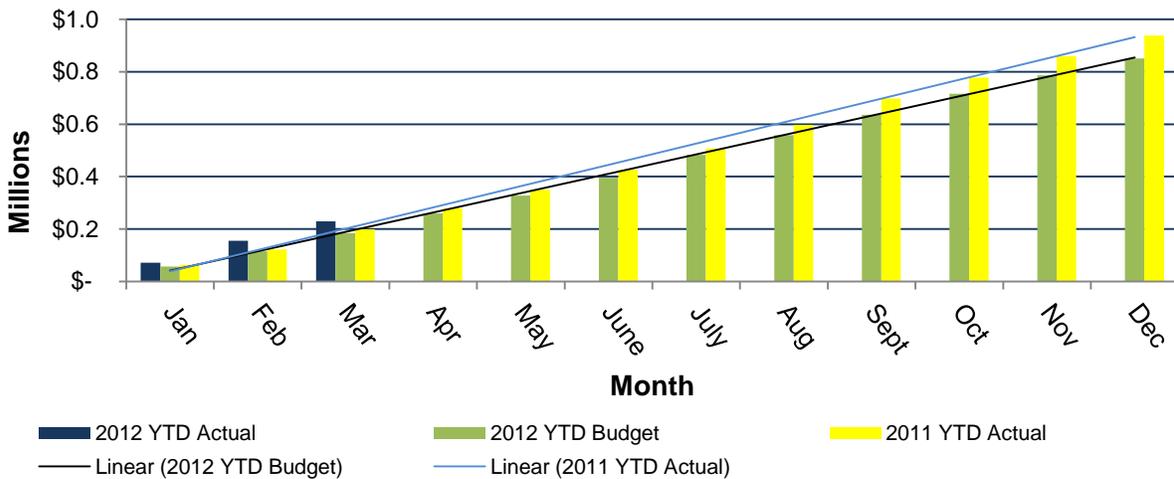
Highway Users Tax Fund

Highway Users Tax Fund revenue YTD is \$0.2 million, or 24.7% favorable to budget. This favorable variance is due to an increase of 12.5% in the City's HUTF distribution ratio which took effect in July 2011. This increase to the City's distribution ratio was not included in the 2012 budget.

HUTF Revenue - Current & Prior Year



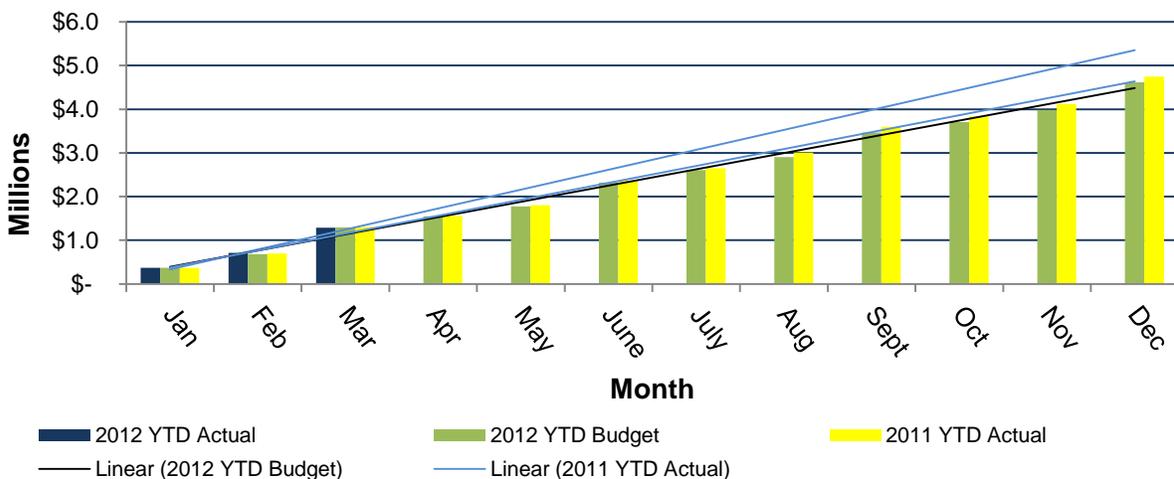
FASTER Revenue - Current & Prior Year



Franchise Fees

Franchise Fee revenue YTD is consistent with the budget.

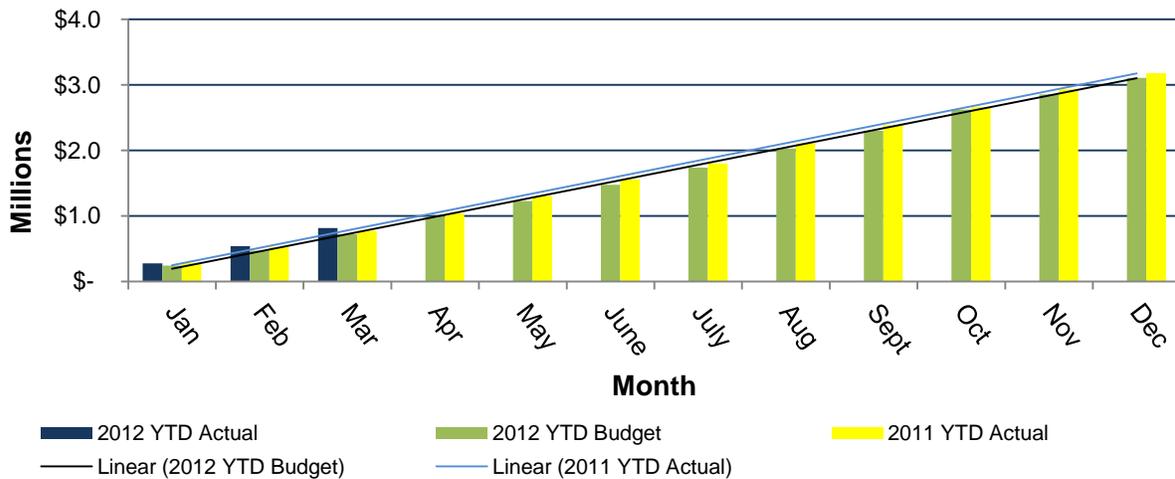
Franchise Fee Revenue - Current & Prior Year



Automobile Use Tax

Automobile Use Tax revenue YTD is \$0.1 million, or 12.7% favorable compared to budget. The economic recovery has an unpredictable impact on automobile sales. However, information on the automobile industry indicates an overall increase in new car sales at the state and national levels. The budget for this revenue was estimated conservatively for 2012.

Auto Use Tax Revenue - Current & Prior Year



Investment Income

Investment Income revenue YTD is less than \$0.1 million, or 100% favorable compared to budget. This increase is attributable to the implementation of the City's new investment strategy.

Expenditures

Total expenditures and transfers YTD are \$1.2 million, or 10.0% favorable compared to budget. The net overall favorable variance is primarily due to the City Manager's Office, City Attorney's Office, Nondepartmental, Support Service, and Public Works departments.

- City Manager's Office expenditures are \$0.1 million or 33.0% favorable to budget. This favorable variance is primarily due to personnel vacancy savings realized YTD.
- City Attorney's Office expenditures are \$0.1 million or 19.8% favorable to budget. This favorable variance is primarily due to lower than anticipated expenditures for outside counsel as compared to the monthly budget allocation. It is anticipated that this favorable variance will diminish throughout the remainder of the year.
- Nondepartmental expenditures are \$0.6 million or 59.9% favorable to budget. This favorable variance is primarily due to lower than anticipated expenditures related to incentive agreement payments. This favorable variance is expected to diminish throughout the remainder of the year.
- Support Services expenditures are \$0.1 million or 30.5% favorable to budget. This favorable variance is primarily due to budget allocations outpacing actual monthly expenditures. This favorable variance is expected to diminish throughout the remainder of the year.
- Public Works expenditures are \$0.3 million, or 8.7% favorable to budget. This favorable variance is due to cumulative department savings in areas such as snow removal, vehicle fuel costs, and utilities.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.2 million, or 29.7% less than revenue collected during the same period in 2011. This decrease is primarily due to a decrease in permit and plan review fees.

Expenditures

- Expenditures YTD are \$0.2 million, or 31.1% less than expenses YTD for the prior year. This decrease is partially due to lower expenditures related to salary and benefit expenditures, which have decreased compared to the prior year due to the transfer of 3.5 FTE positions to the Public Works department in the General Fund. Additionally, expenditures related to the Bus Bench project, which was a one-time project funded by grant proceeds during 2011, have not been incurred YTD 2012. Lastly, expenditures related to permit and plan review fees have decreased compared to YTD 2011.

Comparison to Budget

Revenue

- Revenue received YTD is less than \$0.1 million, or 8.9% unfavorable compared to budget. This unfavorable variance is due to lower than anticipated collections for permits and plan review fees.

Expenditures

- Expenditures YTD are less than \$0.1 million, or 8.2% favorable compared to budget. This favorable variance is primarily due to cumulative department savings in areas such as equipment and building maintenance and permitting and plan review fees.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenue YTD is less than \$0.1 million, or 18.4% less than revenue collected YTD 2011. This decrease is due to a reduction in contributions received during the prior year for specific projects related to streets and traffic signal enhancements.

Expenditures

- Expenditures YTD are \$0.5 million, or 69.7% lower than expenditures YTD during the prior year. This decrease is due to the timing of expenditures related to new street construction, the street rehabilitation program, and Vista Verde neighborhood improvements as compared to 2011. This favorable variance is anticipated to diminish as capital projects get underway in 2012.

Comparison to Budget

Revenue

- Revenue YTD is \$0.1 million, or more than 100% favorable compared to budget. This favorable variance is due to higher than anticipated collections of federal grant revenue and pavement restoration fees.

Expenditures

- Expenditures are \$0.1 million, or 96.3% unfavorable compared to budget. This unfavorable variance is primarily due to the timing of expenditures compared to budget allocations for projects related to traffic signals, traffic control and building maintenance improvement.

CONSERVATION TRUST FUND

Comparison to Prior Year

Revenue

- Revenue YTD is less than \$0.1 million, or 7.7% less than revenue collected YTD 2011. This decrease is due to lower lottery proceeds and investment income collections compared to the prior year.

Expenditures

- Expenditures YTD are \$0.2 million, or 97.5% lower than expenditures YTD during the prior year. The decrease is due to the construction of Centennial Center Park in 2011.

Comparison to Budget

Revenue

- Revenue received YTD 2012 is consistent with budgeted figures.

Expenditures

- Expenditures YTD 2012 are in line with budgeted figures.

OPEN SPACE FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.3 million or 60.1% less than revenue collected YTD 2011. This decrease is due to lower grant revenue collections compared to the prior year. A portion of the grant revenues collected YTD 2011 were for the construction of Centennial Center Park. Construction of the park was completed at the end of 2011, resulting in no grant funds being received in 2012.

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 0.25% 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.

Expenditures

- Expenditures YTD are \$3.1 million, or 99.9% less than expenditures YTD during the prior year. During 2011, Open Space funds were utilized for the purchase of the USPS land, land improvements, open space maintenance and legal services. Open Space funds YTD 2012 have been used for trails maintenance.

Comparison to Budget

Revenue

- Revenue received YTD is \$0.2 million, or more than 100% favorable compared to YTD budget. This favorable variance is due to the receipt of grant revenue which was not included in the 2012 Budget. Grant revenue received YTD is for the construction of Centennial Link Trail and will be included in the 2012 Revised Budget.

Expenditures

- Expenditures YTD 2012 are in line with budgeted figures.

GENERAL IMPROVEMENT DISTRICT FUNDS

Comparison to Prior Year

Revenue

- Revenue received YTD for the consolidated GID Funds is consistent with revenues collected YTD 2011.

Expenditures

- Expenditures YTD are less than \$0.1 million, or more than 100% more than expenditures YTD during the prior year. This increase over 2011 YTD expenditures is a result of split rail fencing being installed within the Foxridge GID in 2012.

Comparison to Budget

Revenue

- Revenue received YTD is consistent with the budget.

Expenditures

- Expenditures are less than \$0.1 million, or 60.2% favorable compared to budget. This favorable variance is primarily due to the timing of expenditures compared to budget allocations. This favorable variance is expected to diminish throughout the remainder of the year.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND
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Comparison to Prior Year

Revenue

- Revenue received YTD is \$1.0 million, or 79.0% more compared to 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. These valuations increased \$4,054,360 or 12.3% compared to the prior year.

Expenditures

- Expenditures YTD are \$1.0 million, or 77.7% more compared to prior year expenditures. This increase is a result of higher Property Tax Pass-thru payments by the Authority to the Southglenn Metropolitan District due to higher property tax collections for The Streets at SouthGlenn.

Comparison to Budget

Revenue

- Revenue received YTD is \$0.9 million, or 59.4% favorable compared to budget. This favorable variance is due to a large increase in assessed property valuation during 2011, in addition to the timing of property tax payments compared to monthly budget allocations. Monthly budget allocations are based on receipts for the same period in prior year.

Expenditures

- Expenditures are \$0.9 million, or more than 58.3% unfavorable compared to budget. This unfavorable variance is primarily due to the timing of budget allocations related to the property tax pass-through payments by the Authority to the Southglenn Metropolitan District.