



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the year ended December 31, 2014. 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 2014 Annual Budget for an explanation of variances between the 2013 and 2014 Revised Budgets.

Summary of the December, 2014 Financial Statements

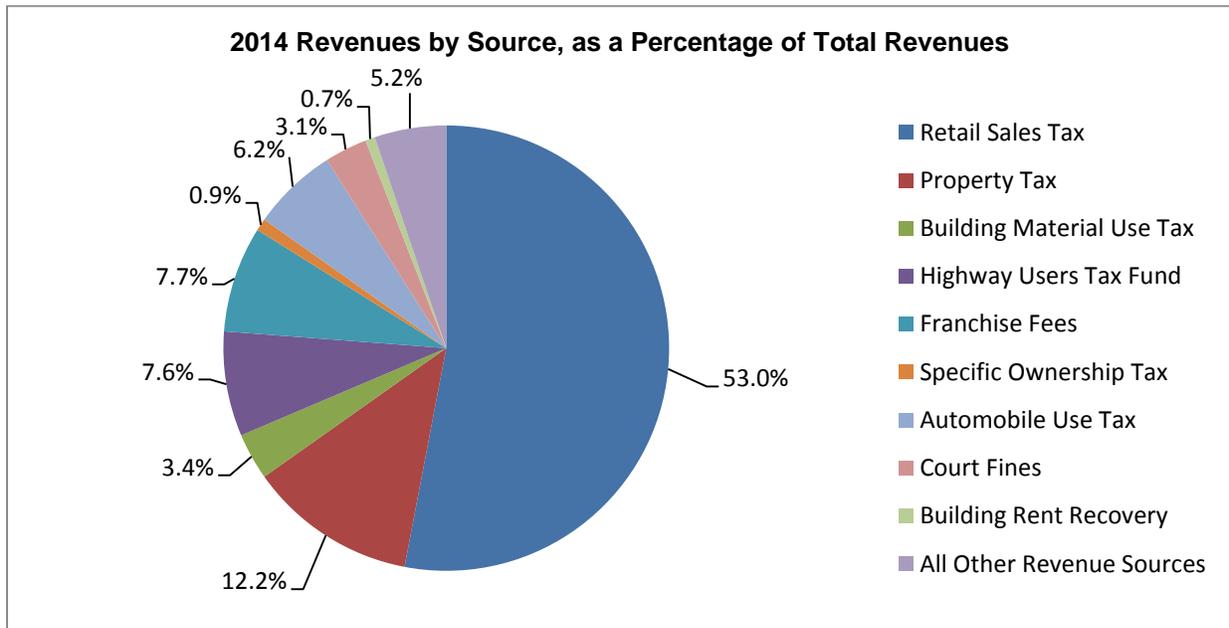
GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

Revenues

The following table is a summary comparison of the primary revenue sources for 2014 and 2013:
(dollar amounts in millions)

	Actual 2014	Actual 2013	\$ Variance	% Variance
Retail Sales Tax	\$ 35.2	\$ 34.1	\$ 1.1	3.4%
Property Tax	8.1	7.9	0.2	2.9%
Building Materials Use Tax	2.3	3.0	(0.7)	-23.7%
Highway Users Tax Fund	5.0	4.8	0.2	4.7%
Franchise Fees	5.1	5.0	0.1	2.3%
Specific Ownership Tax	0.6	0.6	-	7.4%
Automobile Use Tax	4.1	3.7	0.4	10.1%
Court Fines	2.1	2.1	-	-2.7%
Building Rent Recovery	0.5	-	0.5	1089.0%
All Other Revenue Sources	3.4	3.0	0.4	10.6%
	<u>\$ 66.4</u>	<u>\$ 64.3</u>	<u>\$ 2.2</u>	<u>3.4%</u>

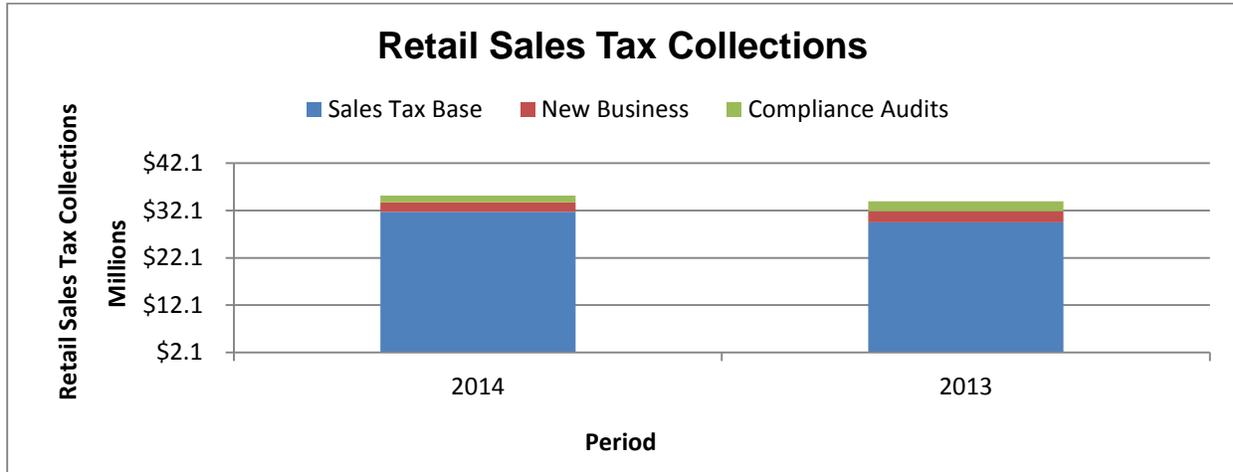
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.



Retail Sales Tax

Retail Sales Tax revenue during 2014 is \$1.1 million or 3.4% more than collections during 2013. This is a result of higher revenues in the sales tax base revenues (\$2.2 million more than 2013) offset by decreases from new businesses (\$0.3 million) and compliance audits (\$0.8 million).

The illustration below depicts the change in the City's 2014 Sales Tax Revenue as it compares to 2013.



The table below represents sales tax collected during 2014 summarized by North American Industry Classification System (NAICS) codes compared to the same codes for 2013.

2014 and 2013—Current Top 20 Sales Tax Receipts by 4-digit NAICS Code

	2014	% of 2014	2013	% of 2013
Furniture Stores	\$ 4,034,054	11.5%	3,975,080.21	11.7%
Full-Service Restaurants	\$ 2,435,986	6.9%	2,264,864.64	6.6%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 1,979,050	5.6%	2,012,597.26	5.9%
Limited-Service Eating Places	\$ 1,765,541	5.0%	1,549,068.32	4.5%
Automobile Dealers	\$ 1,671,645	4.7%	1,637,496.40	4.8%
Electronics and Appliance Stores	\$ 1,499,181	4.3%	1,290,059.82	3.8%
Electric Power Generation, Transmission and Distribution	\$ 1,348,600	3.8%	1,274,628.10	3.7%
Grocery Stores	\$ 1,344,382	3.8%	1,386,786.63	4.1%
Wireless Telecommunications Carriers (except Satellite)	\$ 1,231,951	3.5%	1,204,565.11	3.5%
Other General Merchandise Stores	\$ 926,316	2.6%	930,655.86	2.7%
Clothing Stores	\$ 788,731	2.2%	604,009.69	1.8%
Department Stores	\$ 744,124	2.1%	881,425.25	2.6%
Electronic Shopping and Mail-Order Houses	\$ 700,095	2.0%	446,947.26	1.3%
Beer, Wine, and Liquor Stores	\$ 593,847	1.7%	578,462.24	1.7%
Jewelry, Luggage, and Leather Goods Stores	\$ 564,669	1.6%	521,811.53	1.5%
Commercial and Industrial Machinery & Equipment Rental & Leasing	\$ 558,489	1.6%	603,304.13	1.8%
Automotive Parts, Accessories, and Tire Stores	\$ 552,893	1.6%	538,505.16	1.6%
Home Furnishings Stores	\$ 549,654	1.6%	447,968.58	1.3%
Automotive Repair and Maintenance	\$ 547,261	1.6%	504,127.76	1.5%
Direct Selling Establishments	\$ 529,253	1.5%	482,782.63	1.4%
Total Retail Sales Tax Collected from Top 20 NAICS codes	\$ 24,365,719		\$ 23,135,147	

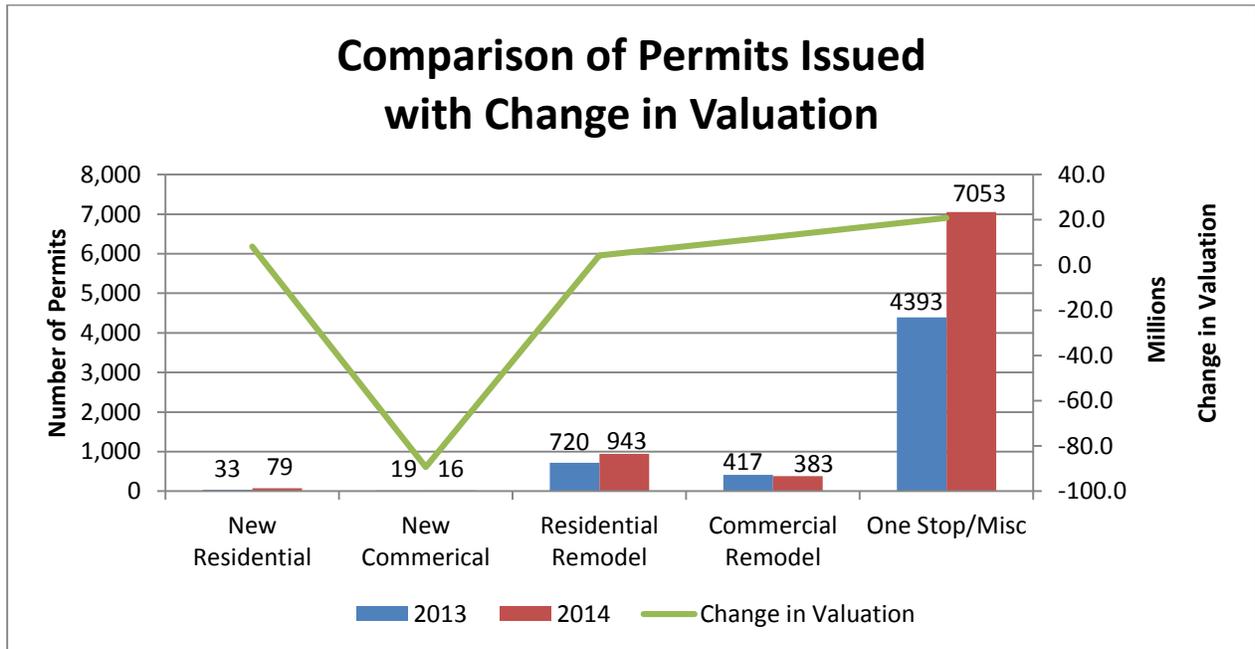
**This table only represents the top 20 NAICS codes, or 69.2% of 2014 Sales Tax collections, and does not include audit revenue.*

Property Tax

Property Tax revenue received during 2014 is \$0.2 million or 2.9% more than collections during 2013. The increase of property tax is due to a 3.7% increase of assessed valuations of property. Property tax payments have three due dates throughout the year. The due date for 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 received during 2014 is \$0.7 million or 23.7% less than collections during 2013. As depicted in the graph below, 2014 Residential and Commercial permits (New and Remodel) have increased by 232 and permits for One Stop/Miscellaneous increased by 2,660 when compared to 2013. Despite the increase in permits during 2014, the total valuation for these permits has decreased by \$43.5 million when compared to 2013. The decreased total valuation is due to a large new commercial development permit issued in August 2013.



Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue received during 2014 is \$0.2 million or 4.7% more than collections during 2013. The percentage share of HUTF revenue is recalculated annually in July and is based on the City's: 1) previous year's vehicle registration figure as certified by the Department of Revenue to the State Treasurer, and 2) previous year's miles of open, used and maintained streets as certified to the Treasurer by CDOT. The increase is from the recalculated percentages for the HUTF distributions.

Franchise Fees

Franchise Fees revenue received during 2014 is \$0.1 million or 2.3% more than collections during 2013. A slight increase in gas rates and usage from those during 2013 has contributed to the increase in franchise fee collections.

Automobile Use Tax

Automobile Use Tax revenue received during 2014 is \$0.4 million or 10.1% more than collections during 2013. This favorable variance is due to an increase in purchases and registrations of new vehicles. According to the Colorado Automobile Dealers Association (CADA), there was a 6.8% increase in 2014 of new registrations statewide from 2013.

Building Rent Recovery

Building Rent Recovery revenue received during 2014 is \$0.5 million or over 100.0% more than collections during 2013. This favorable variance is due to rent received from leasing the City's new Eagle Street property which opened in January 2014.

Expenditures

Total expenditures and transfers during 2014 are \$6.5 million or 11.7% more than expenditures during 2013. Of this amount, \$6.3 million is attributable to transfers to the Capital Improvement Fund and the Land Use Fund. General Fund expenditures (excluding transfers) increased by \$0.2 million and are explained below.

- Law Enforcement expenditures during 2014 are \$0.3 million or 1.6% more than expenditures during 2013. This increase is primarily due to higher expenditures for contracted service obligations.
- City Manager's Office expenditures during 2014 are \$0.2 million or 21.9% more than expenditures during 2013. This increase is due primarily to the reclassification personnel from other departments to the City Manager's Office during 2014.
- Office of Innovation expenditures during 2014 are \$0.2 million or over 100.0% more than expenditures during 2013 as a result of project specific costs in the area of street lighting, telecommunications and conduit and collocation costs.
- Finance expenditures during 2014 are \$0.3 million or 13.0% lower than expenditures during 2013 due to vacancy savings, lower sales tax collection costs and a reduction in insurance costs.
- Information Technology expenditures during 2014 are \$0.1 million or 18.6% lower than expenditures during 2013 due to reduced costs associated with website/support and project costs. For example, prior year project costs included audio/visual technology for City Council Chambers and City kiosks in libraries and other remote locations.
- Community Development Administration expenditures during 2014 are \$0.1 million or 29.9% lower than expenditures during 2013 due primarily to the reclassification of personnel to other departments during 2014.
- Land Use Fund transfers during 2014 are \$0.1 million or 18.3% lower than transfers during 2013. This decrease is due to a reduction in professional engineering and legal costs.
- Capital Improvement Fund transfers during 2014 are \$6.2 million or 63.2% more than transfers during 2013. This increase is due to a revised budget transfer to the Capital Improvement Fund for projects associated with street construction, traffic signals, and building maintenance and improvements. During 2013 funds were utilized for Vista Verde neighborhood Improvements, the City's Street Rehabilitation program, and building improvements to the new Public Works facility. In 2014, capital outlay in the Capital Improvement Fund increased for construction of the Arapahoe Road - Waco to Himalaya project, the Peakview/Dayton intersection, and Arapahoe and I-25 Interchange construction projects. These projects will continue through 2015 in the Capital Improvement Fund.

GENERAL FUND – COMPARISON TO BUDGET
--

The City's annual budget is examined on a monthly basis. The annual 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 actual amounts to the 2014 Revised Budget.

Revenues

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

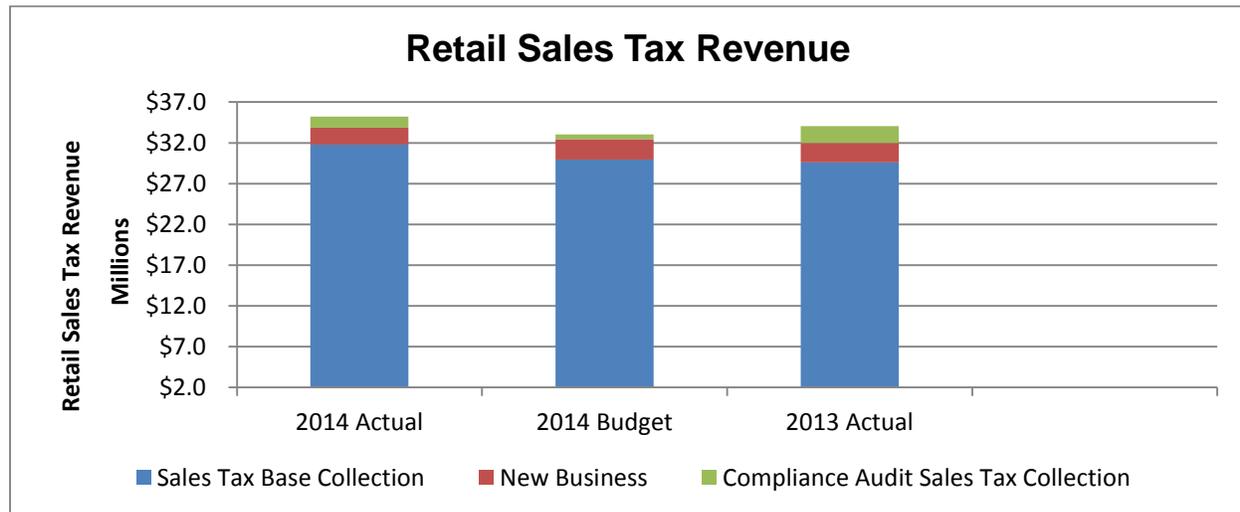
(dollar amounts in millions)

	Actual 2014	Revised Budget 2014	\$ Variance	% Variance
Retail Sales Tax	\$ 35.2	\$ 33.0	\$ 2.2	6.6%
Property Tax	8.1	8.2	(0.1)	-0.9%
Building Materials Use Tax	2.3	1.6	0.7	42.4%
Highway Users Tax Fund	5.0	4.8	0.2	4.2%
Franchise Fees	5.1	5.1	-	0.8%
Specific Ownership Tax	0.6	0.6	-	5.1%
Automobile Use Tax	4.1	3.8	0.3	6.6%
Court Fines	2.1	2.0	0.1	2.4 %
Building Rent Recovery	0.5	0.5	-	0.7%
All Other Revenue Sources	3.4	3.5	(0.1)	-2.5%
	<u>\$ 66.4</u>	<u>\$ 63.1</u>	<u>\$ 3.3</u>	<u>5.2%</u>

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

Retail Sales Tax

Retail Sales Tax revenue during 2014 is \$2.2 million or 6.6% favorable compared to budget. This variance is the result of sales tax base (\$1.8 million) and compliance audit (\$0.8 million) revenues, partially offset by an unfavorable variance attributable to sales tax revenue from new businesses (\$0.4 million).



Building Materials Use Tax

Building Materials Use Tax revenue during 2014 is \$0.7 million or 42.4% favorable compared to the budget. This favorable variance is due to an increase in permits issued and several large construction projects in the City that were not anticipated during the budget process. These projects include an addition to the Comcast building and construction of a new 30,000 square foot retail store.

Highway Users Tax Fund

Highway Users Tax Fund revenue during 2014 is \$0.2 million or 4.2% favorable compared to the budget. The Highway Users Tax Fund amount available for distribution to all municipalities has increased

compared to 2013, which was the basis utilized for 2014 budget projections. Therefore, the increase in the total funds available for distribution was not anticipated during the 2014 budget process.

Automobile Use Tax

Automobile Use Tax revenue during 2014 is \$0.3 million or 6.6% favorable compared to the budget. This variance is due to an increase in automobile purchases. According to the Colorado Automobile Dealers Association (CADA), 2014 was the best year for Colorado new auto sales since 2002. CADA attributes the increase in sales to low fuel prices and interest rates, affordable lease terms and incentives from dealers. The increase in automobile sales was not anticipated in the 2014 budget process.

Expenditures

Total expenditures including transfers during 2014 are \$5.3 million, or 7.9% favorable compared to the budget. This favorable variance is primarily attributable to variances in the Office of Innovation, Information Technology, Finance, Economic Development, Nondepartmental, Public Works, Facilities and Fleet, Municipal Court, and Community Development Administration.

- Office of Innovation expenditures during 2014 are \$0.8 million or 74.4% favorable compared to budget. This department had budgeted several 2014 projects, including fiber optic projects that were not completed in 2014. This funding will likely carry over into 2015 to allow for projects to be completed.
- Information Technology expenditures during 2014 are \$0.3 million or 32.0% favorable compared to the budget. This favorable variance is due to a reduction in contracted services in website hosting/support services and project specific costs for GIS and website design that were not completed in 2014. A portion of this funding will likely carry over into 2015 to allow for projects to be completed.
- Finance expenditures during 2014 are \$0.5 million or 21.1% favorable compared to budget. This favorable variance is due to vacancy savings and lower than anticipated costs relating to the City's Sales Tax Program.
- Economic Development expenditures during 2014 are \$0.3 million or 87.8% favorable compared to the budget. This favorable variance is primarily due to funding set aside for economic development projects (e.g. business assistance program) that were not implemented during the year.
- Nondepartmental expenditures during 2014 are \$0.4 million or 7.3% favorable compared to budget. This favorable variance is primarily due to amounts set aside for contingency costs that were not utilized during 2014.
- Public Works expenditures during 2014 are \$0.8 million or 6.0% favorable compared to budget. This favorable variance is due to lower than anticipated costs for contracted Public Works services and contract management. In addition, savings were realized for snow removal, asphalt and fuel materials during 2014 as compared to budget. A portion of this remaining funding will likely be carried over to 2015.
- Facilities and fleet expenditures during 2014 are \$0.3 million or 24.1% favorable to budget. This favorable variance is primarily due to projects related to building and land improvements that were budgeted during 2014, but not completed. This funding will most likely be used during 2015.
- Municipal Court expenditures during 2014 are \$0.3 million for 12.8% favorable to budget. This favorable variance is due to personnel vacancy savings and amounts set aside, but not used, for municipal court software. The funding for the municipal court software will be utilized during 2015.

- Community Development Administration expenditures during 2014 are \$0.8 million or 75.6% favorable compared to budget. This favorable variance is primarily due to funding set aside for the Dry Creek Light Rail Station project. It is anticipated these funds will be carried forward to 2015.
- Various other department expenditures contributed to the remaining favorable variance to budget. These departments include Elected Officials (\$0.1 million), City Attorney's Office (\$0.1 million), Human Resources (\$0.1 million), Central Services, (\$0.1 million), and various smaller favorable variances. The favorable variances to 2014 budget are mostly the result of lower than anticipated costs for contracted services as well as other unanticipated cost savings.
- Land Use Fund transfers during 2014 are \$0.2 million or 44.7% favorable compared to the budget. This favorable variance is due to lower Permitting/Inspection and Professional Engineering Service expenses than anticipated in the budget; as a result, the transfer to the Land Use Fund from the General Fund was lower than anticipated in the budget.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue during 2014 is \$0.1 million or 2.8% less than revenue collected in 2013. This decrease is primarily due to revenue reduction from Building Plan Review Fees and Land Development Applications during 2014 as compared to the prior year.

Expenses

- Expenses during 2014 are in line with the prior year.

Comparison to Budget

Revenue

- Revenue during 2014 is \$0.1 million or 2.2% unfavorable compared to the 2014 Revised Budget. This unfavorable variance is primarily due to Building Plan Review Fees which were lower than anticipated. The 2014 Revised Budget anticipated higher Building Plan Review Fees due to record permitting requests initiated in conjunction with hail damage in the area. Actual revenues fell slightly short from the 2014 Revised Budget.

Expenses

- Expenses during 2014 are \$0.2 million or 7.4% favorable compared to the 2014 Revised Budget. Permitting and Inspections and Professional Engineering Services are specific items that account for this favorable variance, which are attributable, in part, to lower than anticipated Building Plan Review Fees as described above.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenue during 2014 is \$0.1 million or 12.7% more than revenue collected during 2013. This increase is due to \$0.5 million attributable to federal grant revenues for projects related to Vista Verde Neighborhood Improvements (Community Development Block Grant) and Signal Communication Improvements (DRCOG Grant). This increase in revenue is offset by a decrease of \$0.4 million in contributions for the Arapahoe Road – Waco to Himalaya and Potomac and Briarwood Signal projects received in 2013.

Expenditures

- Expenditures during 2014 are \$0.7 million or 7.3% more than expenditures during 2013. This increase is primarily due to the street rehabilitation program and the Arapahoe Road - Waco to Himalaya street project.

Comparison to Budget

Revenue

- Revenue received during 2014 is \$0.6 million or 36.7% unfavorable compared to budget. This unfavorable variance is due to federal grant revenues expected during 2014, but uncollected.

Expenditures

- Expenditures during 2014 are \$14.3 million or 57.3% favorable compared to the 2014 Revised Budget. This favorable variance is primarily due to the timing of new construction on streets and sidewalks and building maintenance and improvement expenditures. This favorable variance is due to construction timing on the Arapahoe Road - Waco to Himalaya, Peakview/Dayton intersection, and Arapahoe and I-25 Interchange construction projects. Construction of these projects will continue into 2015.

CONSERVATION TRUST FUND

Comparison to Prior Year

Revenue

- Revenues during 2014 are \$0.1 million or 9.5% less than revenue collected during 2013. The total state-wide distribution of lottery funds decreased in 2014 compared to 2013.

Expenditures

- Expenditures during 2014 are \$0.7 million or over 100.0% more than expenditures during 2013. The increase in expenditures is primarily due to the improvements at Centennial Center Park during 2014.

Comparison to Budget

Revenue

- Revenues during 2014 are in line with the 2014 Revised Budget.

Expenditures

- Expenditures during 2014 are \$1.8 million or 69.4% favorable compared to the 2014 Revised Budget. This favorable variance is primarily due to the timing of expenditures compared to projections for projects such as the Natural Area Restoration project.

OPEN SPACE FUND

Comparison to Prior Year

Revenue

- Revenue during 2014 is \$0.8 million or 27.0% less than revenue collected during 2013. This decrease is due to \$1.0 million in grant revenue related to the Cherry Creek Regional Trail project in April 2013. This reduction in revenue is offset by an increase of \$0.2 million attributable to the County Open Space sales tax received compared to receipts during 2013.

Expenditures

- Expenditures during 2014 are \$1.3 million or 38.0% less than expenditures during 2013. This decrease is primarily due to expenditures related to trails (\$0.8 million) and parks and recreation (\$0.6 million) as compared to 2013 expenditures which included amounts expended

on the Centennial Link and Lone Tree Trails and amounts expended on parks and recreation near the Littleton Peabody School.

Comparison to Budget

Revenue

- Revenues during 2014 are \$0.1 million or 4.8% favorable compared to budget. This favorable variance is due to a higher distribution by Arapahoe County for the County Open Space sales tax.

Expenditures

- Expenditures during 2014 are \$3.8 million or 64.2% favorable compared to budget. Trails and other capital outlay are primarily responsible for this variance. The Waco to Himalaya Trail and the Potomac Park development were budgeted in 2014 and expenses submitted were less than anticipated on these projects.

GENERAL IMPROVEMENT DISTRICT FUNDS

Comparison to Prior Year

Revenue

- Revenues received during in 2014 are in line with the prior year.

Expenditures

- Expenditures for 2014 are in line with the prior year.

Comparison to Budget

Revenue

- Revenues received during 2014 are in line with budget projections.

Expenditures

- Expenditures during 2014 are \$0.2 million, or 35.4% favorable compared to budget. This favorable variance is primarily due to amounts set aside for contracted services and other projects that were not completed during 2014.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND
--

Comparison to Prior Year

Revenue

- Revenue received during 2014 is \$0.3 million or 5.1% more than collections during 2013. The increase in revenues is a result of higher sales tax and property tax collections in the redevelopment area.

Expenditures

- Expenditures for 2014 are \$0.3 million or 4.9% more than expenditures during 2013. This increase is due to expenditures for sales tax and property tax pass-thru payments by the Authority to the Southglenn Metropolitan District.

Comparison to Budget

Revenue

- Revenues received during 2014 are \$0.5 million or 6.8% unfavorable compared to budget. This unfavorable variance is due to lower than expected sales tax and property tax revenues compared to budget.

Expenditures

- Expenditures during 2014 are \$0.5 million or 6.8% favorable compared to budget. This favorable variance is primarily related to lower than anticipated sales tax and property tax pass-through payments by the Authority to the Southglenn Metropolitan District as a result of lower receipts. Additionally, the Public Finance Agreement allows the Authority to incur expenses related to the administration and management of the Authority up to an amount not to exceed \$150,000 annually, which will be billed to the Authority during the first quarter of 2015 for actual amounts incurred during 2014. As a result, it is anticipated this variance will decrease slightly.