

# Financial Section

Financial Section





Honorable Mayor and Members of the City Council  
City of Centennial  
Centennial, Colorado

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Centennial as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Centennial, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Centennial as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters (Required Supplementary Information)***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Matters (Other Information)***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Centennial’s basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical section, and local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the local highway finance report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2015, on our consideration of the City of Centennial’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Centennial’s internal control over financial reporting and compliance.



May 13, 2015

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This section of the City of Centennial's Comprehensive Annual Financial Report ("CAFR") offers readers a narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014. Readers are encouraged to consider the information presented here, in conjunction with the letter of transmittal, the basic financial statements, and the notes to the financial statements, contained in this report.

## **I. Financial Highlights**

Taken as a whole, the City's increase in net position demonstrates the continued positive overall financial health of the City. One factor contributing to the City's overall financial health is voter approval for temporarily waiving the revenue limits of Article X, Section 20 of the Colorado Constitution from January, 2005 through December, 2014. The use of these revenues is restricted to costs for road and street repair/maintenance, public safety, and open space acquisition/maintenance.

In November, 2012 the City received voter approval to permanently extend the waiver of the revenue limits of Article X, Section 20 of the Colorado Constitution. As a result of this permanent waiver, the City may collect, retain, and spend revenues over the Taxpayer Bill of Rights (TABOR) revenue limitations from any and all sources. This will ensure the City's continued ability to fund City services and infrastructure projects.

At the close of the year, total assets of the City exceeded its liabilities (net position) by \$213.7 million. Unrestricted net position represents \$51.6 million, or 24.1%, of total net position which is available to meet ongoing and future obligations of the City.

- Total net position of the City increased by \$9.6 million, or 4.7%, compared to 2013. This net increase is the result of growth of services provided by the City in areas such as Permit/Plan Review fees and an increase in sales tax received. Additionally, the City has continued to manage costs and reduce expenses in various areas.
- The total cost of all City programs increased \$2.4 million, or 3.6%, to \$69.9 million compared to 2013. The cost of governmental activities program expenses increased \$2.5 million, or 3.9%, to \$66.9 million from 2013. The cost of business-type activities decreased by less than \$0.1 million, or .5%, to \$3.1 million in 2014.
- Compared to 2013, total revenues excluding transfers, increased \$1.2 million, or 1.5%, to \$79.5 million. Governmental activities revenue increased \$1.3 million, or 1.7%, to \$75.9 million. The change in these revenues is attributable to an increase in Charges for Services (\$0.5 million), Sales and Use Tax revenues (\$0.7 million), Property Tax revenues (\$0.6 million), Operating Grants and Contributions (\$0.2 million), and Intergovernmental Revenue and Franchise Fees, (each \$0.1 million).
- General Fund revenues increased by \$2.3 million, or 3.6%, as compared to the prior year.

- As of the close of the current fiscal year, the City's governmental funds reported an increase in the combined ending fund balances. The combined ending governmental fund balance is \$63.9 million, of which \$40.9 million represents unassigned fund balance. This unassigned fund balance is available for spending at the City's discretion within the purposes specified for the City's funds. It is important to note that the unassigned fund balance represents 60.9% of total governmental expenditures. It is the stated policy of the City to make every effort, even in difficult economic times, to maintain its fund balance for the General Fund at a level equal to no less than 25.0% of annual expenditures plus transfers. The General Fund fund balance of \$42.5 million is 68.3% of annual expenditures plus transfers.

## II. Overview of the Financial Statements

Management's Discussion and Analysis is intended to provide an introduction to the City's basic financial statements. The City's basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Following these statements, this report provides additional supplementary information. The basic financial statements include two types of statements that present unique views of the City's financial position: (1) government-wide financial statements; and (2) fund financial statements.

### 1. Government-wide Financial Statements

The government-wide financial statements are intended to provide readers with a broad overview of the City's financial condition. They are presented using accounting methods very similar to a privately owned business, or the *economic resources* measurement focus, and full accrual accounting.

- *The Statement of Net Position* presents information on all of the City's assets and liabilities, with the balance between the two reported as *Net Position*. Over time, increases or decreases in net position can serve as an indicator of the City's financial condition.
- *The Statement of Activities* presents information showing how the City's net position changed during the given fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Capital expenditures are not included in this statement; however capital grant revenues are reported.

## 2. Fund Financial Statements

The fund financial statements focus on specific elements of the City's finances and report on fund-specific operations in more detail than the government-wide financial statements. A fund is a grouping of resources that are segregated for the purpose of carrying on a specific activity or attaining certain objectives in accordance with given regulations, restrictions, or limitations.

### Governmental Funds

The governmental funds presentation is different from the governmental activities section of the government-wide financial statements even though these two statements account for essentially the same activities. Governmental funds, as presented, have a budgetary or *current financial resources* measurement focus and use the modified accrual basis of accounting. That is, the governmental funds presentation focuses on the City's near-term financial position and changes thereto.

### Proprietary Funds

Proprietary funds are unlike governmental funds in that they report the business-type activities of the City.

- *Enterprise funds* account for the operation of governmental programs that are intended to be supported primarily by user fees. These fees are presented as business-type activities on the government-wide financial statements but are presented in greater detail in the fund financial statements. In both cases, enterprise funds are presented using the *economic resources* measurement focus and full accrual accounting.

## 3. Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a thorough understanding of the data provided in the government-wide and the fund financial statements.

## III. Government-wide Financial Statement Analysis

### Assets

As noted earlier, the Statement of Net Position can serve as an indicator of the overall financial condition of the City. As of December 31, 2014, the City had total assets of \$239.3 million and the City's assets exceeded its liabilities by \$213.7 million.

The following reflects the City's Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and Other Assets	\$ 86,514,643	\$ 79,296,495	\$ 293,314	\$ 123,889	\$ 86,807,957	\$ 79,420,384
Capital Assets	152,471,869	153,105,667	24,314	10,592	152,496,183	153,116,259
Total Assets	238,986,512	232,402,162	317,628	134,481	239,304,140	232,536,643
<b>Liabilities</b>						
Long-term Liabilities	2,722,024	2,857,018	-	-	2,722,024	2,857,018
Other Liabilities	9,381,219	11,327,787	317,628	134,481	9,698,847	11,462,268
Total Liabilities	12,103,243	14,184,805	317,628	134,481	12,420,871	14,319,286
Deferred Inflows of Resources	13,151,162	14,077,049	-	-	13,151,162	14,077,049
<b>Net Position</b>						
Net Investment in						
Capital Assets	152,471,869	153,105,667	24,314	10,592	152,496,183	153,116,259
Restricted	9,528,493	9,515,406	91,577	92,070	9,620,070	9,607,476
Unrestricted	51,731,745	41,519,235	(115,891)	(102,662)	51,615,854	41,416,573
Total Net Position	\$ 213,732,107	\$ 204,140,308	\$ -	\$ -	\$ 213,732,107	\$ 204,140,308

### Capital Assets

Capital assets include items such as infrastructure, buildings, equipment, land, and other tangible and intangible items. Infrastructure assets include streets, sidewalks, traffic signals, and drainage systems. The City uses these assets to provide services to the community and thus they are not available for immediate spending.

Capital assets are the largest portion of the City's total assets representing \$152.5 or 63.7%, of total assets. Capital assets being depreciated increased during 2014 by \$2.7 million, or 2.1%, as a result of the completion of capital projects related to streets, traffic signals, park construction, buildings, and the addition of machinery and equipment. Capital assets not being depreciated increased during 2014 by \$1.0 million, or 1.0%, due to the net increase of construction in progress for infrastructure.

Additional information regarding the City's capital assets can be found in Note 5 – Capital Assets in the Notes to the Financial Statements section of this report.

### Long-term Debt

The long-term debt of the City, as detailed in the Notes to the Financial Statements, has increased slightly overall. The City's obligation for Compensated Absences increased during 2014 from \$197,018 to \$214,495. During 2014, the City did not enter into any additional long-term debt agreements.

**Management's Discussion and Analysis  
for the Year Ended December 31, 2014**



During 2005, the Antelope General Improvement District issued \$3.05 million of general obligation bonds, for which the District has made a principal payment during 2014 of \$70,000 in addition to all scheduled interest payments.

Additional information regarding the City's long-term debt may be found in Note 6 – Long-term Obligations in the Notes to the Financial Statements section of this report.

The following reflects the City's Change in Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues -						
Charges for Services	\$ 3,252,258	\$ 2,733,448	\$ 3,596,103	\$ 3,720,910	\$ 6,848,361	\$ 6,454,358
Operating Grants and Contributions	6,209,974	5,959,577	-	-	6,209,974	5,959,577
Capital Grants and Contributions	3,480,178	4,849,633	-	-	3,480,178	4,849,633
General Revenue -						
Sales and Use Taxes	42,076,714	41,304,023	-	-	42,076,714	41,304,023
Property Taxes	13,976,189	13,391,623	-	-	13,976,189	13,391,623
Other Taxes	628,585	586,360	-	-	628,585	586,360
Unrestricted Franchise Fees	5,128,961	5,011,913	-	-	5,128,961	5,011,913
Investment Income	177,993	69,801	-	-	177,993	69,801
Intergovernmental revenues not restricted to specific programs	568,105	363,051	-	-	568,105	363,051
Miscellaneous	445,389	354,910	-	-	445,389	354,910
Total Revenues	75,944,346	74,624,339	3,596,103	3,720,910	79,540,449	78,345,249
Expenses						
General Government	11,763,347	12,845,868	-	-	11,763,347	12,845,868
Community Services	22,174,239	21,819,639	-	-	22,174,239	21,819,639
City Infrastructure	24,731,604	22,215,397	-	-	24,731,604	22,215,397
Culture and Recreation	2,546,267	2,258,120	-	-	2,546,267	2,258,120
Urban Redevelopment	5,548,953	5,159,616	-	-	5,548,953	5,159,616
Interest on Long-term Debt	131,665	134,611	-	-	131,665	134,611
Land Use Service Fees	-	-	3,052,575	3,068,995	3,052,575	3,068,995
Total Expenses	66,896,075	64,433,251	3,052,575	3,068,995	69,948,650	67,502,246
Increase (Decrease) Before Transfers	9,048,271	10,191,088	543,528	651,915	9,591,799	10,843,003
Transfers	543,528	651,915	(543,528)	(651,915)	-	-
Increase (Decrease) in Net Position	9,591,799	10,843,003	-	-	9,591,799	10,843,003
Net Position, Beginning of Year	204,140,308	193,297,305	-	-	204,140,308	193,297,305
Net Position, End of Year	\$213,732,107	\$ 204,140,308	\$ -	\$ -	\$213,732,107	\$ 204,140,308

Governmental activities increased the City's net position by \$9.6 million, or 4.7%. Key elements of this net increase are as follows:

- Operating Grants and Contributions increased by \$0.3 million, or 4.2% compared to 2013. Amounts reported in this category include the Highway Users Tax Fund revenue and Road and Bridge Shareback funds.
- Sales and Use tax increased by \$0.8 million, or 1.9%. This change is primarily the result of higher revenues in the sales tax base that were offset by decreases in sales tax receipts from new business and compliance audits.
- Property tax increased by \$0.6 million, or 4.4% based on increased assessed valuations.
- Unrestricted Franchise Fees increased by \$0.1 million, or 2.3%. This change is primarily due to a slight increase in gas and electric rates combined with increased gas and electric usage.
- City Infrastructure expenses increased \$2.5 million, or 11.3%. During 2014, Capital Improvement funds were primarily utilized for street maintenance and traffic control and signals.
- Culture and Recreation expenses increased \$0.3 million, or 12.8% during the year. During 2014, Open Space funds were primarily utilized for maintenance of Centennial Link Trail, Amphitheatre maintenance, and Centennial Center Park maintenance.

Revenue attributable to Business-type activities decreased \$0.1 million, or 3.3%, compared to the prior year as a result of a decrease in Building Permit Fees, Building Plan Review Fees and Land Development Applications.

#### **IV. Fund Financial Statement Analysis**

As noted earlier, the City uses fund accounting to segregate resources for the purpose of carrying on a specific activity or attaining certain objectives in accordance with regulations, restrictions, or other limitations on the use of the funds.

##### **Revenues**

##### **General Fund**

- Overall, General Fund revenues increased \$2.3 million, or 3.6%, in 2014 compared to 2013.
  - Sales Tax revenue increased by \$1.1 million, or 3.4%. Overall, the City's sales tax base collections (excluding collections attributable to new development and compliance audits) have exceeded 2013 collections by \$2.2 million. Decreases that offset the sales

tax base include \$0.3 million attributable to a decrease in sales tax collections from new development and \$0.8 million attributable to a decrease in collections from sales tax compliance audits.

- Building Materials Use Tax revenue for 2014 is \$0.7 million, or 23.7% less compared to 2013. Permits for new residential and commercial construction and permits for One Stop/Miscellaneous construction have increased from 2013 levels. However, total valuation of these permits have decreased by \$43.5 million when compared to 2013. The decrease in total valuation is due to a large commercial development permit that was issued in 2013.
- Property Tax revenue for 2014 is \$0.2 million, or 2.9% more than collections during 2013. The increase in property tax collections is due to a slight increase in assessed valuations (3.7%) as compared to the prior year.
- Automobile Use Tax revenue for 2013 is \$0.4 million, or 10.1% more than amounts collected during 2013. This favorable variance is due to an increase in sales and registration of new vehicles. According to the Colorado Automobile Dealers Association (CADA), new registrations increased statewide by 6.8% from the prior year.
- Building Rent Recovery Revenue received during 2014 is \$0.5 million or over 100.0% more than collections during 2013 as a result of rent received from leasing the City's new Eagle Street property, which opened in January 2014.

#### Centennial Urban Redevelopment Authority (CURA) Fund

Centennial Urban Redevelopment Authority Fund revenues increased by \$0.5 million, or 7.5% as compared to 2013. Sales Tax collections in 2014 increased by \$0.1 million when compared to 2013. The increase in the sales tax collection is attributable to several new retail outlets opening during 2013 at The Streets at SouthGlenn. CURA receives 76% of sales tax collections once total collections exceed approximately \$1.9 million in a one year time span.

The increase in sales tax is complemented by an increase in property tax collections of \$0.2 million. The increase in property tax collections is the result of lower prior years' property valuations within the redevelopment area, as provided by the Arapahoe County Assessor's Office.

#### Capital Improvement Fund

Capital Improvement Fund revenues increased by \$0.1 million, or 12.7% compared to 2013. This increase is attributable to federal grant revenues of \$0.5 million for projects related to Vista Verde Neighborhood Improvements (Community Development Block Grant) and Signal Communication Improvements (DRCOG Grant). The increase in revenue was offset by a decrease of \$0.4 million in contributions for the Arapahoe Road – Waco to Himalaya and Potomac and Briarwood Signal projects that were received in 2013.

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**Expenditures**

**General Fund**

- General Fund expenditures and transfers increased \$6.5 million, or 11.7%, in 2014 compared to 2013.
  - General Government expenditures increased \$0.2 million, or 0.4%, compared to 2013. This increase is attributable to the Office of Innovation expenditures in project specific areas of street lighting, telecommunications and conduit and collocation costs. Law enforcement expenditures increased from 2013 due to contracted service obligations and were offset by reduced Finance Department expenditures, realized through vacancy savings.
  - Transfers from the General Fund to the Capital Improvement Fund increased \$6.2 million, or 63.2% compared to 2013. This increase is due to a 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 Road and I-25 Interchange construction projects.

**Centennial Urban Redevelopment Authority Fund**

Centennial Urban Redevelopment Authority Fund expenditures for 2014 increased by \$0.5 million, or 7.5% compared to 2013. This increase is the result of higher sales and property tax pass-thru payments from the Authority to the Southglenn Metropolitan District.

**Capital Improvement Fund**

Capital Improvement Fund expenditures for 2014 were \$0.6 million, or 5.7% more than expenditures in 2013. This increase is attributable to the street rehabilitation program and the Arapahoe Road – Waco to Himalaya street project.

**Fund Balance**

The net change in the General Fund fund balance was an increase of \$4.3 million, increasing the fund balance to \$42,469,867. As of December 31, 2014, the General Fund fund balance as a percentage of 2014 expenditures and transfers out was 68.3%, which was in compliance with the City's minimum fund balance policy of 25% of expenditures and transfers out.

Economic peaks and planned savings allow the City the opportunity to increase fund balance; strong financial planning in turn, provides financial flexibility during economic downturns. Since incorporation, the City has increased the General Fund fund balance each year, with the exception

of 2006 where a significant amount was transferred to the Capital Improvement Fund for capital projects.

The net change in the Capital Improvement Fund fund balance was an increase of \$6.0 million, or 55.5% of 2014 expenditures. The increase in fund balance is primarily due a revised budget transfer for projects associated with street construction, to include the Arapahoe Road - Waco to Himalaya project and interchange construction projects; these projects will be continued through 2014 in the Capital Improvement Fund.

### **General Fund Budgetary Highlights**

In total, the City's General Fund revenues for 2014 were \$3.3 million, or 5.3%, favorable to the amended budget, while total General Fund expenditures and transfers were \$5.3 million, or 7.8% favorable to the amended budget. During 2014, City Council amended the City's budget for various reasons; the primary reasons are described below.

- Budgeted Sales Tax revenue for 2014 is \$2.2 million, or 6.6 % favorable compared to budget. This favorable 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 business (\$0.4 million).
- Budgeted Building Materials Use Tax revenue for 2014 is \$0.2 million, or 4.2% favorable compared to budget. This favorable variance is the result of the 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.
- Budgeted Highway Users Tax Fund revenue for 2014 is \$0.7 million, or 4.2% favorable to budget. The Highway Users Tax Fund amount available for distribution to all municipalities has increased compared to 2013, which was the basis utilized for the 2014 budget projections. Therefore, the increase in the total funds available for distribution was not anticipated during the 2014 budget process.
- The Office of Innovation budgeted several 2014 project, including fiber optic projects that were not completed during 2014. This department contributed \$0.8 million to the favorable variance to budget. These projects will likely carry over into 2015 for completion.
- Public Works expenditures during 2014 are \$0.8 million or 6.0% favorable compared to the 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.

- Community Development Administration expenditures during 2014 are \$0.8 million or 75.6% favorable compared to the 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.
- Finance expenditures during 2015 are \$0.5 million for 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.
- Information Technology expenditures and Facilities and fleet expenditures were each favorable by \$0.3 million to their respective budgets. Both departments have projects that were not completed in 2014 and this funding will likely carry over into 2015 to allow for project completion on GIS and website design and building and land improvements respectively.
- Municipal Court expenditures during 2014 are \$0.3 million or 12.8% favorable to budget. This favorable variance is primarily due 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.
- Various other department expenditures contributed to the remaining favorable variance to budget. The favorable variance to the 2014 budget is mostly the result of lower than anticipated costs for contracted services as well as other unanticipated cost savings.

#### **Economic Factors and Next Year's Budget**

The 2015 Budget was developed to provide desired City services at the maximum level possible while maintaining financially responsible practices. While the City has been fortunate to be somewhat resilient to the impact of the downturn in the overall market in prior years, the City remains cautious about the local economy over the next several years. The 2015 and future budgets will respond to the challenge of balancing the on-going maintenance of infrastructure with the community's standards of excellence in public works, public safety, quality of life, and the increasing demands for services and facilities.

The City's budget is the long-range plan by which financial policy is implemented and controlled. City Council's goals, City-wide objectives, ordinances and resolutions provide policy direction that respond to the needs and desires of the community. The City's budget process is a continuous cycle that begins with City Council's strategic vision and planning, continues through the planning and development stages of the budget, and finishes with the final adoption of the budget by Council in November/December.

The total budget for 2015 is \$84,801,638. The total City budget is comprised of the funds listed below. Department directors prepared their 2015 budgets with a zero percent (0%) increase in

expenditures over the adopted 2014 budget, excluding increases for salaries, health care costs, and other types of expenditures beyond the control of the City (e.g. gas, asphalt, concrete, and other materials). Increases were also permitted for certain contractual obligations of the City, such as increases required by service providers. The zero percent (0%) increase over the 2014 Adopted Budget has made it more challenging for department directors to absorb cost increases while providing the same high level of service.

The 2015 Adopted Budget includes health care cost increases of 12%, 2%, and 7% for health, vision, and dental insurance costs, respectively, based on estimated projections. These changes represent an increase from the 2014 Adopted Budget.

#### General Fund

The Adopted General Fund Budget for 2015 is \$52,699,681, excluding fund transfers. The 2015 General Fund budget represents an increase of 7.0% from the 2014 Adopted Budget. This increase is primarily due to the City's contractual obligation with the public works and law enforcement service providers. Without the increases for these contractual obligations, the Adopted 2015 General Fund Budget would have increased approximately 3.2% from the 2014 Adopted Budget.

#### **V. Requests for Information**

This financial report is designed to provide a general overview of the City's finances. Questions concerning the information provided in this report or other financial information should be addressed to Finance Director, City of Centennial, 13133 East Arapahoe Road, Centennial, Colorado 80112, or via telephone at (303) 325-8000.



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