

My Vision of the City of Centennial is...



FINANCIAL SECTION

FINANCIAL SECTION

COLORING CONTEST WINNER  
CHERRY CREEK SCHOOL DISTRICT  
TRAILS WEST ELEMENTARY  
CRYSTAL L.



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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, 2012, 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' judgement, 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, 2012, 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.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the 2011 financial statements have been restated to report sales and use tax audit revenues in the same accounting period as the underlying exchange transaction. Our opinion is not modified with respect to this matter.

***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 the 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, 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 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 21, 2013, 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 21, 2013

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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, 2012. 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, 2013. 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 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 \$193.3 million. Unrestricted net position represents \$33.5 million, or 17.3%, of total net position which is available to meet ongoing and future obligations of the City.

- Total net position of the City increased by \$11.7 million, or 6.5%, compared to 2011. This net increase is the result of additions to cash, investments and capital assets offset by a decrease in accounts payable reported at year-end.
- The total cost of all City programs increased \$5.8 million, or 9.8%, to \$65.0 million compared to 2011. The cost of governmental activities program expenses increased \$5.6 million, or 10.0%, to \$61.9 million from 2011. The cost of business-type activities increased \$0.2 million, or 6.1%, to \$3.1 million in 2012.
- Compared to 2011, total revenues excluding transfers, increased \$7.8 million, or 11.4%, to \$76.8 million. Governmental activities revenue increased \$7.4 million, or 11.3%, to \$73.6 million. The change in these revenues is attributable to an increase in Sales Tax revenues (\$4.9 million), Use Tax revenues (\$0.3 million), Property Tax revenues (\$0.4 million), Auto Use Tax revenues (\$0.3 million), and Capital Grants and Contributions (\$1.2 million).

Business-type activities revenue increased \$0.4 million, or 12.8%, to \$3.2 million. The increase in these revenues is due to an increase in building permit fees and building plan review fees compared to the prior year.

- General Fund revenues increased by \$6.7 million, or 12.4%, 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 \$44.6 million, of which \$21.7 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 33.4% 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 \$29.7 million is 49.4% 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, 2012, the City had total assets of \$217,584,064, and the City's assets exceeded its liabilities by \$193,297,305.

The following reflects the City's Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$ 66,847,633	\$ 61,410,746	\$ 170,573	\$ 97,734	\$ 67,018,206	\$61,508,480
Capital Assets	150,533,967	144,592,118	31,891	39,654	150,565,858	144,631,772
Total Assets	217,381,600	206,002,864	202,464	137,388	217,584,064	206,140,252
<b>Liabilities</b>						
Long-term Liabilities	2,829,881	2,918,295	-	-	2,829,881	2,918,295
Other Liabilities	21,254,414	21,524,328	202,464	137,388	21,456,878	21,661,716
Total Liabilities	24,084,295	24,442,623	202,464	137,388	24,286,759	24,580,011
<b>Net Position</b>						
Net Investment in						
Capital Assets	150,533,967	144,592,118	31,891	39,654	150,565,858	144,631,772
Restricted	9,180,350	7,656,451	94,106	88,726	9,274,456	7,745,177
Unrestricted	33,582,988	29,311,672	(125,997)	(128,380)	33,456,991	29,992,303
Total Net Position	\$ 193,297,305	\$ 181,560,241	\$ -	\$ -	\$ 193,297,305	\$ 181,560,241

### 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 \$150,565,858, or 69.2%, of total assets. Capital assets being depreciated increased during 2012 by \$2.9 million, or 5.3%, 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 2012 by \$3.0 million, or 3.3%, due to the addition of land from the purchase of the new public works facility and additions to construction in progress. Overall, total capital assets increased \$5.9 million, or 4.1%, in 2012 over 2011 figures.

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 continued to decrease overall. The City's obligation for Compensated Absences decreased slightly during 2012 from \$123,295 to \$99,881. During 2012, the City did not enter into any additional long-term debt agreements.

**Management's Discussion and Analysis  
for the Year Ended December 31, 2012**



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 2012 of \$65,000 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	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues -						
Charges for Services	\$ 2,728,819	\$ 2,772,290	\$ 3,209,520	\$ 2,845,280	\$ 5,938,339	\$ 5,617,570
Operating Grants and Contributions	5,354,851	5,111,685	-	-	5,354,851	5,111,685
Capital Grants and Contributions	7,872,115	6,654,649	-	-	7,872,115	6,654,649
General Revenue -						
Sales and Use Taxes	38,243,820	32,773,706	-	-	38,243,820	32,773,706
Property Taxes	13,301,715	12,930,171	-	-	13,301,715	12,930,171
Other Taxes	539,677	519,284	-	-	539,677	519,284
Unrestricted Franchise Fees	4,646,174	4,749,865	-	-	4,646,174	4,749,865
Investment Income	146,534	40,173	-	-	146,534	40,173
Intergovernmental revenues not restricted to specific programs	267,307	253,944	-	-	267,307	253,944
Miscellaneous	453,685	277,132	-	-	453,685	277,132
<b>Total Revenues</b>	<b>73,554,697</b>	<b>66,082,899</b>	<b>3,209,519</b>	<b>2,845,280</b>	<b>76,764,217</b>	<b>68,928,179</b>
<b>Expenses</b>						
General Government	10,953,334	8,491,057	-	-	10,953,334	8,491,057
Community Services	21,736,983	21,577,444	-	-	21,736,983	21,577,444
City Infrastructure	22,482,836	20,568,461	-	-	22,482,836	20,568,461
Culture and Recreation	736,800	496,048	-	-	736,800	496,048
Urban Redevelopment	5,843,043	5,000,756	-	-	5,843,043	5,000,756
Interest on Long-term Debt	137,299	139,905	-	-	137,299	139,905
Land Use Service Fees	-	-	3,136,858	2,957,524	3,136,858	2,957,524
<b>Total Expenses</b>	<b>61,890,295</b>	<b>56,273,671</b>	<b>3,136,857</b>	<b>2,957,524</b>	<b>65,027,153</b>	<b>59,231,195</b>
<b>Increase (Decrease) Before Transfers</b>						
Transfers	11,664,402	9,809,228	72,662	(112,244)	11,737,064	9,696,984
Transfers	72,662	(112,244)	(72,662)	112,244	-	-
<b>Increase (Decrease) in Net Position</b>	<b>11,737,064</b>	<b>9,696,984</b>	<b>-</b>	<b>-</b>	<b>11,737,064</b>	<b>9,696,984</b>
<b>Net Position, Beginning of Year (Restated)</b>						
	181,560,241	171,863,257	-	-	181,560,241	171,863,257
<b>Net Position, End of Year</b>	<b>\$193,297,305</b>	<b>\$ 181,560,241</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 193,297,305</b>	<b>\$ 181,560,241</b>

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Governmental activities increased the City's net position by \$11.7 million, thereby accounting for 100.0% of the total growth in the net position of the City. Key elements of this net increase are as follows:

- Sales Tax revenue increased by \$4.9 million, or 17.4%, during the year primarily due to sales tax collections from new retail centers and out-of-City vendors. General sales tax collections for all other retailers throughout the City have increased over \$2.7 million compared to 2011, while new retail centers collected and remitted \$2.2 million. Sale tax revenues were also affected by the restatement of collections from prior years. For additional information regarding this restatement please see Note 11 – Prior Period Adjustment in the Notes to the Financial Statements section of this report.
- Capital Grants and Contributions revenue increased by \$1.2 million, or 18.3%, during the year. The variance is a result of increased federal and local grant awards for open space and capital improvement projects related to the construction of the Arapahoe Road - Holly to Krameria project (CDOT), Signal Master System project (EECBG), Weather Station project (CDOT), and the Signal Communication Improvements projects (DRCOG).
- General Government expenditures increased \$2.5 million, or 29.0%, during the year. This increase is primarily attributable to expenditures related to incentive payments made for agreements associated with Centennial Promenade, The Streets at SouthGlenn, and IKEA.
- City Infrastructure expenditures increased \$1.9 million, or 9.3%, during the year. This net variance is partially due to an increase in salaries and benefits in 2012 as a result of 3.5 FTE positions being transferred from the Land Use Fund to the Public Works department. Additionally, amounts dedicated to the City's street rehabilitation program increased compared to the prior year.

Revenue attributable to Business-type activities increased \$0.4 million, or 12.8%, compared to the prior year. This variance is due to an increase in revenues related to building permit fees and building plan review fees compared to the prior year. More specifically, the City experienced an increase in new residential and miscellaneous building permits during 2012.

#### **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 \$6.7 million, or 12.4%, in 2012 compared to 2011.

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- Sales Tax revenue increased by \$4.9 million, or 17.4%, during the year primarily due to sales tax collections from new retail centers and out-of-City vendors. General sales tax collections for all other retailers throughout the City have increased over \$2.7 million compared to 2011, while new retail centers collected and remitted \$2.2 million.
  - Building Materials Use Tax revenues increased \$0.3 million, or 19.4%, compared to 2011. The variance in use tax collections is primarily due to an increase in the number of permits issued for, and total valuations on, residential projects and miscellaneous permits. This increase is partially offset by a reduction in the number of permits issued for, and total valuations on, commercial projects. Typically, total valuations on commercial projects have been higher than total valuations on residential projects; however, the opposite was true during 2012.
  - Property Tax revenues decreased by \$0.3 million, or 3.7%, compared to 2011. The decrease in property tax collections is primarily due to a 5.5% reduction in overall assessed property valuations compared to the prior year, partially offset by fewer abatements processed for the current and prior years. The overall decrease in valuations is primarily due to a reduction in the values for vacant, residential and commercial properties as a consequence of adverse economic conditions.
  - Auto Use Tax revenues increased \$0.3 million, or 8.8%, compared to 2011. This increase is a result of an increase in automobile sales occurring locally and at the state and national levels. New vehicle registrations increased 21.9% in Colorado during 2012 when compared to 2011.
  - Unrestricted Franchise Fees decreased \$0.1 million, or 2.2%, compared to 2011. This decrease is primarily due to a reduction in gas franchise fees of 12.6% compared to 2011, and this is likely the result of average natural gas costs being 37.0% lower in 2012 compared to 2011. Natural gas costs reflect Xcel Energy's cost to purchase the natural gas commodity, as determined by prevailing market prices.
  - Highway Users Tax Fund (HUTF) revenues increased \$0.2 million, or 5.0%, compared to 2011. This variance is a result of an increase in the City's monthly HUTF distribution ratio from the State of Colorado. While the total amount available for distribution to all municipalities remained virtually unchanged compared to the prior year, the City's monthly distribution ratio increased approximately 5.0% in 2012 compared to 2011.
  - Investment Income increased \$0.1 million, or more than 100.0%, compared to 2011. This variance is attributable 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.

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Open Space Fund

The primary source of revenues for the Open Space Fund is from a county-wide ¼ cent sales tax to pay for the preservation of open space within Arapahoe County. Open Space Fund revenues decreased \$0.5 million, or 16.2%, compared to 2011. This decrease is due to lower grant revenue collections compared to the prior year. While the City has entered into several Open Space grant agreements, the receipt of funds from these grants varies from year to year based upon the terms and conditions of the grant agreements.

Conservation Trust Fund

The primary source of revenues for the Conservation Trust Fund is from lottery proceeds from the State of Colorado. During 2012, lottery ticket revenue increased 13.4% in comparison to the prior year, thus resulting in a higher distribution to the City's Conservation Trust Fund.

Capital Improvement Fund

Capital Improvement Fund revenues increased \$0.2 million, or 15.8%, in 2012 compared to 2011. This increase is due to the receipt of grant revenue for the Arapahoe Road - Holly to Krameria project (CDOT), Signal Master System project (EECBG), Weather Station project (CDOT), and the Signal Communication Improvements projects (DRCOG) received during 2012.

Centennial Urban Redevelopment Authority Fund

Centennial Urban Redevelopment Authority Fund revenues increased \$1.1 million, or 22.8%, in 2012 compared to 2011. This increase is primarily due to higher property and sales tax collections as a result of higher assessed property valuations and improved retail conditions at The Streets at SouthGlenn. Assessed property valuations increased \$4,054,360 or 12.3% compared to the prior year. Additionally, the Authority received construction funds for the installation of a new traffic signal at the intersection of Arapahoe Road and Vine Street, which were not received in 2011.

**Expenditures**

General Fund

- General Fund expenditures and transfers increased \$12.9 million, or 27.3%, in 2012 compared to 2011.
- General Government expenditures increased \$2.5 million, or 29.6%, compared to 2011. This increase is primarily attributable to Nondepartmental expenditures related to incentive payments made for agreements associated with Centennial Promenade, The Streets at SouthGlenn and IKEA.
- Finance and Administration expenditures increased \$0.4 million, or 11.9%, compared to 2011. The variance is primarily due to an increase in expenditures related to sales tax audit and collection services in 2012. Additionally, Support Services expenditures increased as a result of the purchase of computer equipment and software, as well as an increase in utility charges related to the opening and maintenance of Centennial Center Park.

- City infrastructure expenditures increased \$0.5 million, or 4.1%, compared to 2011. This variance is primarily due to an increase in salaries and benefits in 2012 as a result of 3.5 FTE positions being transferred from the Land Use Fund to the Public Works department in the General Fund. This net increase is offset by a decrease in expenditures related to snow removal materials and public works administration costs during 2012.
- Transfers from the General Fund to the Capital Improvement Fund increased \$10.2 million compared to 2011. This increase is due to a higher transfer to the Capital Improvement Fund for projects associated with new street construction, street rehabilitation, land improvements, and building maintenance and improvements. More specifically, funding was provided for the following projects: Peakview/Peoria roundabout, Citywide street surface treatments and concrete replacement, traffic system upgrades, weather station installations, public works facility purchase.

#### Open Space Fund

Open Space Fund expenditures decreased \$5.1 million, or 81.0%, compared to 2011. During 2011, Open Space funds were utilized for the purchase of the USPS land, construction of Centennial Center Park, open space maintenance and enhancements, and legal services. Open Space funds in 2012 were utilized for trail construction and park maintenance and enhancements.

#### Conservation Trust Fund

Conservation Trust Fund expenditures decreased \$3.2 million, or 93.8%, compared to 2011. This decrease is due to the construction of Centennial Center Park, which was completed in 2011. These decreased expenditures are offset by an increase in park maintenance costs in 2012.

#### Capital Improvement Fund

Capital Improvement Fund expenditures increased \$5.9 million, or 96.1%, compared to 2011. During 2011, funds were utilized primarily for rehabilitation purposes, with additional expenditures for management of related rehabilitation and construction projects (\$6.2 million). However, in 2012 funds were utilized for the construction of the Peakview/Peoria roundabout, City-wide street resurface treatments and concrete replacements (\$8.6 million), upgrades to the City's signal master system (\$0.6 million), and the purchase of a new public works facility (\$2.8 million).

#### Centennial Urban Redevelopment Authority Fund

Centennial Urban Redevelopment Authority Fund Expenditures were \$1.1 million, or 21.7%, more in 2012 than in the prior year. This increase is a result of higher property tax and sales tax pass-thru payments by the Authority to the Southglenn Metropolitan District due to higher property and sales tax collections for The Streets at SouthGlenn. Additionally, construction service costs increased over 2011 due to the construction of a new traffic signal at Arapahoe Road and Vine Street.

### **Fund Balance**

The net change in the General Fund fund balance was an increase of \$0.1 million, increasing the fund balance to \$29,651,887. As of December 31, 2012, the General Fund fund balance as a percentage of 2012 expenditures and transfers out was 49.4%, 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 Open Space Fund fund balance was an increase of \$1.2 million, or 97.0% of 2012 expenditures. This increase in fund balance is the result of minimal expenditure activity in the fund during the year and will allow funding in future years for planned projects.

The net change in the Conservation Trust Fund fund balance was an increase of \$0.3 million, or more than 100.0% of expenditures in 2012. This increase in fund balance is the result of minimal expenditure activity in the fund during the year and will allow funding in future years for planned projects.

The net change in the Capital Improvement Fund fund balance was an increase of \$4.5 million, or more than 100.0%. The increase in fund balance is primarily due to projects in progress at the end of the year for which funding was provided from the General Fund during 2012; these projects are expected to be completed during 2013.

### **General Fund Budgetary Highlights**

In total, the City's General Fund revenues for 2012 were \$1.4 million, or 2.4%, favorable to the amended budget, while total General Fund expenditures and transfers were \$2.2 million, or 3.5% favorable to the amended budget. During 2012, City Council revised the City's budget for various reasons; the primary reasons are described below.

- Budgeted retail Sales Tax revenues were increased by \$6.9 million primarily as a result of one-time sales tax audit receipts and an increase in the City's sales tax base.
- Budgeted Highway Users Tax Fund revenues were increased by \$0.8 million due to an increase in the City's monthly distribution ratio from the State of Colorado.
- Budgeted Automobile Use Tax revenues were increased by \$0.2 million due to automobile sales and registrations outperforming estimates made during the budget process.

- The General Fund expenditure budget, including transfers, was increased by \$10.0 million, or 19.2%. This increase is the net effect of higher transfers to the Capital Improvement Fund (\$10.5 million) for additional funding towards the City's street rehabilitation program, offset by a decrease in expenditures related to City Management and Public Safety (\$0.5 million).
- During 2012 certain amounts were budgeted for various projects that were not completed during the year. As a result, budgets were reappropriated, or carried over, to 2013 in order to complete these projects.

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

The 2013 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 2013 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 2013 is \$70,233,416. The total City budget is comprised of the funds listed below. Department directors prepared their 2013 budgets with a zero percent (0%) increase in expenditures over the adopted 2012 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 2012 Adopted Budget has made it more challenging for department directors to absorb cost increases while providing the same high level of service.

The 2013 Adopted Budget includes health care cost increases of 12% and 8% for health and dental insurance costs, respectively, based on the projected national average. These changes represent a decrease from the 2012 Adopted Budget.

### **General Fund**

The General Fund budget for 2013 is \$48,908,869, excluding fund transfers. The 2013 General Fund budget represents a 2.6% increase from the Adopted 2012 budget. This increase is primarily due to the City's contractual obligations for public works services and revenue sharing

agreements as a result of retail developments. These agreements require the City to share sales and/or use tax revenues for public and public related improvements, based upon corresponding sales, use and/or property tax receipts by the City. Without the increases for these contractual obligations, the Adopted 2013 General Fund budget would have remained relatively (less than 1% change) consistent with the 2012 Adopted Budget.

#### Land Use Fund

The Land Use Fund budget for 2013 is \$2,528,238, a decrease of 3.4% compared to the 2012 Adopted Budget. This decrease is primarily due to a reduction in personnel services as a result of the City's reorganization. The decrease is offset by an increase in additional funds included for professional engineering services. These additional funds will be used to reimburse the General Fund for staff time spent on Land Use projects as well as contracted services.

#### Capital Improvement Fund

The Capital Improvement Fund budget for 2013 is \$8,368,000, an increase of 80.1% from the Adopted 2012 Budget. This increase is due to several new projects and an increase in funding for the City's street rehabilitation program. The 2013 budget also includes additional funding for recurring programs such as the Neighborhood Traffic Management Survey & Design program and Signal Communication Improvements.

#### Open Space Fund

The Open Space Fund budget for 2013 is \$2,185,000, a decrease of 12.9% compared to the 2012 Adopted Budget. This variance is primarily due to the decrease in funding for park, trail, and open space maintenance. This decrease is partially offset by the additional funding included for several one-time projects, including City-wide Neighborhood Park Improvements.

#### Conservation Trust Fund

The Conservation Trust Fund budget for 2013 is \$1,385,500, an increase of more than 100.0% from the 2012 Adopted Budget. This increase is the result of additional funding for projects, including Potomac Site Improvements and City-wide Regional Park Improvements. Additional funding was also included for park maintenance.

#### Centennial Urban Redevelopment Authority Fund

The Centennial Urban Redevelopment Authority Fund budget for 2013 is \$6,353,998, an increase of 9.7% from the Adopted 2012 Budget. The 2013 budget includes an increase in funding from the 2012 Adopted Budget primarily as a result of contractual obligations of the Authority to collect and distribute sales and property tax above the base amount specified in the Amended and Final Sales Tax Base Certificate of the Amended Public Finance Agreement (PFA). Revenue amounts above the base, as specified in the PFA, are to be passed through to the Southglenn Metropolitan District.

General Improvement District Fund

The General Improvement District Fund budgets for 2013 are collectively \$503,811, an increase of 0.8% from the Adopted 2012 Budget. The City has four General Improvement Districts, or GIDs, including Walnut Hills, Foxridge, Cherry Park, and Antelope, each with a corresponding budgetary fund and dedicated revenue stream.

**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 Department, City of Centennial, 13133 East Arapahoe Road, Centennial, Colorado 80112, or via telephone at (303)325-8000.



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