

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, 2013, 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, 2013, 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 19, 2014, 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 19, 2014

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, 2013. 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 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 \$204.1 million. Unrestricted net position represents \$41.4 million, or 20.3%, of total net position which is available to meet ongoing and future obligations of the City.

- Total net position of the City increased by \$10.8 million, or 5.6%, compared to 2012. This net increase is the result of additions to cash, investments and capital assets offset by additions in accounts payable, accrued liabilities, developer contributions and escrow deposits.
- The total cost of all City programs increased \$2.5 million, or 3.8%, to \$67.5 million compared to 2012. The cost of governmental activities program expenses increased \$2.5 million, or 4.1%, to \$64.4 million from 2012. The cost of business-type activities decreased by less than \$0.1 million, or 2.2%, to \$3.1 million in 2013.
- Compared to 2012, total revenues excluding transfers, increased \$1.6 million, or 2.1%, to \$78.3 million. Governmental activities revenue increased \$1.1 million, or 1.5%, to \$74.6 million. The change in these revenues is attributable to an increase in Sales Tax revenues (\$1.8 million), Use Tax revenues (\$1.0 million), Auto Use Tax revenues (\$0.3 million) Unrestricted Franchise Fees (\$0.4 million), and Operating Grants and Contributions (\$0.6 million); these increases are offset by a decrease in Capital Grants and Contributions (\$3.0 million).

Business-type activities revenue increased \$0.5 million, or 15.9%, to \$3.7 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 \$4.0 million, or 6.7%, 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 \$53.6 million, of which \$36.5 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 54.7% 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 \$38.2 million is 68.6% 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, 2013, the City had total assets of \$232.5 million and the City's assets exceeded its liabilities by \$204.1 million.

The following reflects the City's Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 79,296,495	\$ 66,847,633	\$ 123,889	\$ 170,573	\$ 79,420,384	\$67,018,206
Capital Assets	153,105,667	150,533,967	10,592	31,891	153,116,259	150,565,858
Total Assets	232,402,162	217,381,600	134,481	202,464	232,536,643	217,584,064
Liabilities						
Long-term Liabilities	2,857,018	2,829,881	-	-	2,857,018	2,829,881
Other Liabilities	11,327,787	7,506,780	134,481	202,464	11,462,268	7,709,244
Total Liabilities	14,184,805	10,336,661	134,481	202,464	14,319,286	10,539,125
Deferred Inflows of Resources	14,077,049	13,747,634	-	-	14,077,049	13,747,634
Net Position						
Net Investment in						
Capital Assets	153,105,667	150,533,967	10,592	31,891	153,116,259	150,565,858
Restricted	9,515,406	9,180,350	92,070	94,106	9,607,476	9,274,456
Unrestricted	41,519,235	33,582,988	(102,662)	(125,997)	41,416,573	33,456,991
Total Net Position	\$ 204,140,308	\$ 193,297,305	\$ -	\$ -	\$ 204,140,308	\$ 193,297,305

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 \$153.1 or 65.8%, of total assets. Capital assets being depreciated increased during 2013 by \$3.8 million, or 6.7%, 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 decreased during 2013 by \$1.3 million, or 1.4%, due to the transfer of construction in progress to infrastructure. Overall, total capital assets increased \$2.6 million, or 1.7%, in 2013 over 2012 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 increased slightly overall. The City's obligation for Compensated Absences increased during 2013 from \$99,881 to \$197,018. This increase is solely due to the change to a paid time off bank from

**Management's Discussion and Analysis
for the Year Ended December 31, 2013**



separate vacation and sick banks. During 2013, the City did not enter into any additional long-term debt agreements.

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 2013 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	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues -						
Charges for Services	\$ 2,733,448	\$ 2,728,819	\$ 3,720,910	\$ 3,209,520	\$ 6,454,358	\$ 5,938,339
Operating Grants and Contributions	5,959,577	5,354,851	-	-	5,959,577	5,354,851
Capital Grants and Contributions	4,849,633	7,872,115	-	-	4,849,633	7,872,115
General Revenue -						
Sales and Use Taxes	41,304,023	38,243,820	-	-	41,304,023	38,243,820
Property Taxes	13,391,623	13,301,715	-	-	13,391,623	13,301,715
Other Taxes	586,360	539,677	-	-	586,360	539,677
Unrestricted Franchise Fees	5,011,913	4,646,174	-	-	5,011,913	4,646,174
Investment Income	69,801	146,534	-	-	69,801	146,534
Intergovernmental revenues not restricted to specific programs	363,051	267,307	-	-	363,051	267,307
Miscellaneous	354,910	453,685	-	-	354,910	453,685
Total Revenues	74,624,339	73,554,697	3,720,910	3,209,520	78,345,249	76,764,217
Expenses						
General Government	12,845,868	10,953,334	-	-	12,845,868	10,953,334
Community Services	21,819,639	21,736,983	-	-	21,819,639	21,736,983
City Infrastructure	22,215,397	22,482,836	-	-	22,215,397	22,482,836
Culture and Recreation	2,258,120	736,800	-	-	2,258,120	736,800
Urban Redevelopment	5,159,616	5,843,043	-	-	5,159,616	5,843,043
Interest on Long-term Debt	134,611	137,299	-	-	134,611	137,299
Land Use Service Fees	-	-	3,068,995	3,136,858	3,068,995	3,136,858
Total Expenses	64,433,251	61,890,295	3,068,995	3,136,858	67,502,246	65,027,153
Increase (Decrease) Before Transfers	10,191,088	11,664,402	651,915	72,662	10,843,003	11,737,064
Transfers	651,915	72,662	(651,915)	(72,662)	-	-
Increase (Decrease) in Net Position	10,843,003	11,737,064	-	-	10,843,003	11,737,064
Net Position, Beginning of Year	193,297,305	181,560,241	-	-	193,297,305	181,560,241
Net Position, End of Year	\$204,140,308	\$ 193,297,305	\$ -	\$ -	\$ 204,140,308	\$ 193,297,305

Governmental activities increased the City's net position by \$10.8 million, or 5.6%. Key elements of this net increase are as follows:

- Charges for Services increased by \$0.5 million, or 8.7%. During 2013, the City experienced growth in Building Permit Fees, Building Plan Review Fees and Permit/Plan Review Fees. The primary reason for this increase was new commercial construction and the associated valuation on the construction projects.
- Operating Grants and Contributions increased by \$0.6 million, or 11.3% compared to 2012. Although the amounts reported in this category are consistent with 2012, Road and Bridge Shareback funds were reported as Capital Grants and Contributions for 2012.
- Unrestricted Franchise Fees increased by \$0.4 million, or 7.9%. This change is primarily due to a slight increase in gas and electric rates combined with increased gas and electric usage.
- General Government expenses increased \$1.9 million, or 17.3%, during the year. This increase is attributable to expenditures related to incentive payments made for agreements associated with Centennial Promenade, The Streets at SouthGlenn, and IKEA, as well as several projects including landscaping on Civic Center grounds.
- Culture and Recreation expenses increased \$1.5 million, or more than 100%, during the year. During 2012, Open Space funds were primarily for park maintenance and enhancements and construction of Centennial Link Trail. In 2013, Open Space funds were utilized for the Parker Jordan Open Space and Cherry Creek Regional Trails, Centennial Center Park overflow parking lot construction, and enhancements to community parks such as Indian Ridge, Toll Gate, Fox Hill, and Smoky Hill parks.

Revenue attributable to Business-type activities increased \$0.5 million, or 15.9%, compared to the prior year as a result of an increase in Building Permit Fees, Building Plan Review Fees and Permit/Plan Review Fees. In 2013, the total valuation of building permits issued increased 66.3% despite a reduction in the total number of permits issued (-21.9%). Since building permit and plan review fees are assessed based upon the valuation of projects, the result is an increase in building services fee collections as compared to 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 \$4.0 million, or 6.7%, in 2013 compared to 2012.
 - Sales Tax revenue increased by \$2.3 million, or 7.1%. Overall, the City's sales tax base collections (excluding collections attributable to new development and compliance audits) have exceeded 2012 collections by \$1.5 million. The remaining \$0.8 million in growth is attributable to an increase in sales tax collections from new development, offset by a decrease in collections from sales tax compliance audits.
 - Building Materials Use Tax revenue for 2013 is \$1.0 million, or 49.1% more as compared to 2012. New commercial construction has been the major driver for the overall growth of Building Materials Use Tax collections in 2013. Conversely, there has been a decrease in new residential projects within the City in 2013 as compared to 2012.
 - Property Tax revenue for 2013 is \$0.2 million, or 2.1% more than collections during 2012. The increase in property tax collections is due to a slight increase in assessed valuations (1.0%) as compared to the prior year.
 - Automobile Use Tax revenue for 2013 is \$0.3 million, or 8.4% more than amounts collected during 2012. This is the direct result of an increase in the total motor vehicle registrations in 2013 (3.5%) as well as a trend identified by the Colorado Automobile Dealers Association indicating that consumers purchased more expensive vehicles such as light trucks in 2013 as compared to 2012.
- Unrestricted Franchise Fee revenue for 2013 is \$0.4 million, or 7.9% more than collections during 2012. A slight increase in average gas and electric rates during 2013 over those charged in 2012, as well as changes in temperature, contributed to the increase in franchise fee collections.

Centennial Urban Redevelopment Authority (CURA) Fund

Centennial Urban Redevelopment Authority Fund revenues decreased by \$0.1 million, or 1.6% as compared to 2012. Sales Tax collections in 2013 increased by \$0.3 million when compared to 2012. The increase in Sales Tax collections is attributable to several new retail outlets opening in

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 the sales tax increment is offset by a decrease in property tax collections of \$0.2 million. The decrease in property tax collections is the direct result of a reduction in the assessed valuation of properties within the redevelopment area, as provided by the Arapahoe County Assessor's Office.

In addition to a reduction in property tax collections, the Authority experienced a reduction in construction funds of \$0.2 million for 2013 as compared to 2012. The reduction of construction funds is due to the installation of a new traffic signal at the intersection of Arapahoe Road and Vine Street in 2012.

Capital Improvement Fund

Capital Improvement Fund revenues decreased by \$0.8 million, or 51.3% compared to 2012. This decrease is attributable to lower grant receipts. During 2012, grant funds and other contributions of \$1.7 million were received for the Arapahoe Road Reconstruction project, upgrades to the City's signal master system, and enhancements to weather station equipment. In 2013, the City received grant funds and other contributions of \$0.9 million for Vista Verde Neighborhood Improvements, the Arapahoe Road and Waco to Himalaya project design fees and Potomac and Briarwood Traffic Signal.

Expenditures

General Fund

- General Fund expenditures and transfers decreased \$4.4 million, or 7.8%, in 2013 compared to 2012.
 - General Government expenditures increased \$0.8 million, or 11.5%, compared to 2012. This increase is attributable to Nondepartmental expenditures related to incentive payments made for agreements associated with Centennial Promenade, The Streets at SouthGlenn and IKEA. Additionally, the City Manager's Office realized vacancy savings during 2012 that were not realized during 2013, coupled an increase in personnel costs as a result of the creation of the Office of Innovation.
 - Transfers from the General Fund to the Capital Improvement Fund decreased \$5.1 million, or 34.5% compared to 2012. This decrease is due to a lower transfer to the Capital Improvement Fund for projects associated with new street construction, traffic signals, and building maintenance and improvements. During 2012, funds were utilized for the Arapahoe Road Reconstruction project, enhancements to weather station equipment, the transportation master plan, upgrades to the City's signal master system, and the purchase of a new public works facility. However in 2013, the timing of expenditures has differed compared to the prior year and funds have primarily been

utilized for Vista Verde Neighborhood Improvements, the City's Street Rehabilitation program, and building improvements to the new public works facility.

Centennial Urban Redevelopment Authority Fund

Centennial Urban Redevelopment Authority Fund expenditures for 2013 decreased by \$0.1 million, or 1.2% compared to 2012. This decrease is the result of lower property tax pass-thru payments from the Authority to the Southglenn Metropolitan District. Additionally, during 2012 the Authority paid for the construction costs for a traffic signal at Arapahoe/Vine; the Authority did not incur any similar costs during 2013. These decreased expenditures are partially offset by an increase in Sales Tax pass-thru payments.

Capital Improvement Fund

Capital Improvement Fund expenditures for 2013 were \$1.9 million, or 15.5% less than expenditures in 2012. During 2012, expenditures were made for the Arapahoe Road Reconstruction project, enhancements to the weather station equipment, the transportation master plan, upgrades to the City's signal master system, and the purchase of a new public works facility. During 2013, the City's expenditures have been for the Vista Verde Neighborhood Improvements, the City's Street Rehabilitation program, and building improvements to the new public works facility.

Fund Balance

The net change in the General Fund fund balance was an increase of \$8.5 million, increasing the fund balance to \$38,166,946. As of December 31, 2013, the General Fund fund balance as a percentage of 2013 expenditures and transfers out was 68.6%, 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 \$0.4 million, or 3.9% of 2013 expenditures. 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 2013; these projects are expected to be completed during 2014.

General Fund Budgetary Highlights

In total, the City's General Fund revenues for 2013 were \$3.2 million, or 5.3%, favorable to the amended budget, while total General Fund expenditures and transfers were \$2.8 million, or 4.7%

favorable to the amended budget. During 2013, City Council revised the City's budget for various reasons; the primary reasons are described below.

- Budgeted Sales Tax revenue for 2013 is \$2.2 million, or 6.6% favorable compared to budget. This favorable variance is primarily due to collections from sales tax compliance audits of \$1.8 million, which was not projected in the 2013 Revised Budget.
- Budgeted Building Materials Use Tax revenue for 2013 is \$0.9 million, or 46.2% favorable compared to budget. This favorable variance is the result of the issuance of several commercial building permits that were not anticipated in the 2013 Revised Budget.
- Budgeted Highway Users Tax Fund revenue for 2013 is \$0.1 million, or 2.8% favorable to budget. While the City's distribution ratio decreased by 1.5%, the total HUTF amount available for distribution to all municipalities increased 1.0% as compared to 2012. The increase in the total funds available for distribution was not anticipated in the 2013 Revised Budget.
- The General Fund expenditure budget, including transfers, increased by \$1.6 million, or 2.7%. The primary change to the original budget was for amendments to the Capital Improvement Fund, which accounted for an addition to the budget of \$1.8 million for improvements made at the City's new public works facility.
- During 2013 certain amounts were budgeted for various projects that were not completed during the year. As a result, budgets were reappropriated, or carried over, to 2014 in order to complete these projects.

Economic Factors and Next Year's Budget

The 2014 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 2014 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 2014 is \$71,853,218. The total City budget is comprised of the funds listed below. Department directors prepared their 2014 budgets with a zero percent (0%) increase in expenditures over the adopted 2013 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 2013 Adopted Budget has made it more challenging for department directors to absorb cost increases while providing the same high level of service.

General Fund

The General Fund budget for 2014 is \$49,268,683, excluding fund transfers. The 2014 General Fund budget represents an increase of 0.7% from the 2013 Adopted Budget. This increase is primarily due to compensation changes for contracted services pursuant to contractual obligations. Without the increases in contractual obligations, the 2014 Adopted General Fund Budget would have remained relatively (less than 1% change) consistent with the 2013 Adopted Budget.

Land Use Fund

The Land Use Fund budget for 2014 is \$2,913,331, an increase of 15.2% compared to the 2013 Adopted Budget. The increase is due to an increase in building service fees, which are directly tied to an increase in building service revenues.

Capital Improvement Fund

The Capital Improvement Fund budget for 2014 is \$9,995,500 an increase of 19.4% from the 2013 Adopted Budget. This increase is due to several new projects, including projects that will be partially funding through grants.

Open Space Fund

The Open Space Fund budget for 2014 is \$1,890,000, a decrease of 13.5% compared to the 2013 Adopted Budget. This decrease is primarily due to the reduction of funding for one-time projects, such as the Lone Tree Creek and Centennial Link Trails. This decrease is partially offset by additional funding for several one-time projects, including the Centennial Center Park and Regional Park Contributions.

Conservation Trust Fund

The Conservation Trust Fund budget for 2014 is \$552,500, a decrease of 60.1% from the 2013 Adopted Budget. This decrease is the result of a reduction in funding for one-time projects, including Potomac Site Improvements and City-wide Regional Park & Open Space Reserves. The decrease is partially offset with additional funding included for park maintenance and multi-use trails.

Centennial Urban Redevelopment Authority Fund

The Centennial Urban Redevelopment Authority Fund budget for 2014 is \$6,679,997, an increase

of 5.1% from the 2013 Adopted Budget. The 2014 budget includes an increase in funding from the 2013 Adopted Budget primarily as a result of contractual obligations of the Authority to collect and distribute sales and property taxes above the base amount specified in the Amended and Restated 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 2014 are collectively \$520,830, an increase of 3.4% from the 2013 Adopted 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 Director, City of Centennial, 13133 East Arapahoe Road, Centennial, Colorado 80112, or via telephone at (303)325-8000.