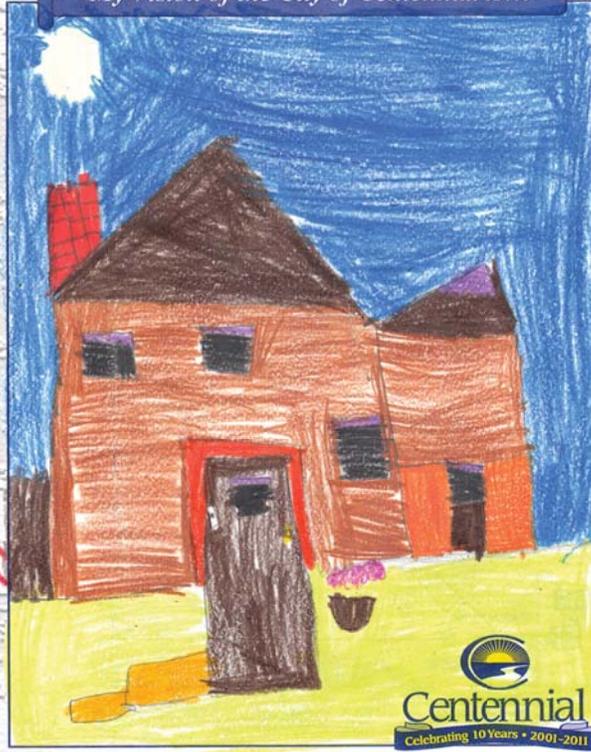


My Vision of the City of Centennial is...



## NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE  
FINANCIAL STATEMENTS

COLORING CONTEST FINALIST  
LITTLETON PUBLIC SCHOOLS  
PEABODY ELEMENTARY  
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**CITY OF CENTENNIAL, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

The City of Centennial, Colorado (the “City”) is located in the southern region of the Denver Metropolitan area, was incorporated on September 12, 2000, and elected its first officials on February 6, 2001. On June 17, 2008, the citizens voted to become a Home Rule City, as authorized by Article 20 of the Colorado State Constitution. The City operates under a Council/ Manager form of government with City Council consisting of a citywide elected mayor and eight council members where two council members are elected from each of the City’s four districts.

The City promotes the health and safety of its citizens by providing public works, law enforcement, animal control, engineering, and planning and zoning services. The City also serves the business community by providing liquor licenses. City citizens receive fire protection, libraries, park and recreation services, schools, water and utilities through special districts.

The financial reporting entity consists of the City, organizations for which the City is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the City. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the City. In addition, any legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the City.

Based on the application of these criteria, the following component units are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City.

*General Improvement Districts*

During 2002, Arapahoe County transferred governing responsibility and accountability of three General Improvement Districts (GIDs) to the City. The transferred GIDs include Foxridge General Improvement District, Cherry Park General Improvement District, and Walnut Hills General Improvement District. During 2004, Antelope General Improvement District was created for the purpose of acquiring, contracting, installing and providing a water system of underground water pipelines to furnish water service within the district. The GIDs are legally separate from the City; members of the City Council, including the Mayor, are the board members of the Districts, with each member serving terms commensurate with their term as Mayor or member of City Council. For financial reporting purposes, the GIDs are reported in the City’s financial statements as blended component units in a single fund. Separate financial statements for the GIDs are not prepared.

*Centennial Urban Redevelopment Authority*

The Centennial Urban Redevelopment Authority (CURA) was established in 2005 pursuant to Part 1 of Article 25 of Title 31, Colorado Revised Statutes (the “Urban Renewal Law”) which provides for the creation and operation of an urban renewal authority to function in the City. The purpose of CURA is to develop, redevelop or rehabilitate the blighted area within the Southglenn Mall Redevelopment area. The Authority is a separate legal entity from the City; members of the City Council, including the Mayor, are the commissioners of the Authority, with each member serving terms commensurate with their term as Mayor or member of City Council. For financial reporting purposes, the Authority is reported as a blended component unit in the City’s financial statements. Separate financial statements for the Authority are not prepared.

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)**

Certain services are provided to residents of the City by the following entities, which are not component units of the City.

*Water and Sanitation* services are provided by Southeast Englewood Water District, South Englewood Sanitation District, Southeast Metro Storm Water Authority, Willows Water District, South Arapahoe Sanitation District, Arapahoe Estates Water District, Southgate Water and Sanitation District, Arapahoe County Water and Wastewater Authority, East Cherry Creek Valley Water and Sanitation District, Havana Water District, Castlewood Water and Sanitation District, Denver Water, and East Valley Water and Sanitation District.

*Fire protection* services are provided by Littleton Fire Protection District, South Metro-Parker Fire District (merged during 2008), and Cunningham Fire Protection District.

*Parks and recreation* services are provided by South Suburban Parks and Recreation District, Arapahoe Park and Recreation District, and the Arapahoe Recreation District.

*Library* services are provided by the Arapahoe Library District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements consist of government-wide statements including a Statement of Net Position and a Statement of Activities, and fund financial statements that provide a more detailed level of financial information. The following summary of significant accounting policies is presented to assist the reader in evaluating the City's financial statements.

**Government-wide and Fund Financial Statements**

Government-wide Financial Statements

The City's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These financial statements include all of the activities of the City's primary government and its blended component units in the governmental activities column; business-type activities are included in a separate column. The effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support. The government-wide focus relates to the sustainability of the City as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-wide and Fund Financial Statements (continued)**

Government-wide Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function or segment of the City is funded from the general revenues of the City.

Fund Financial Statements

All financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated in one column as Non-major Funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide and Proprietary Fund Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. For example, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities. Contributed infrastructure assets are recorded as capital contributions when received.

Governmental Fund Financial Statements

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are taxes, intergovernmental revenues, franchise fees, and investment income. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures, other than interest on long-term obligations, are recorded when the fund liability is incurred or the long-term obligation is paid. Principal and interest on long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Compensated absences are recorded only when payment is due.

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Governmental Fund Financial Statements (continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Open Space Fund*** accounts for funds received from Arapahoe County restricted for the acquisition, development, and maintenance of open space projects.

The ***Conservation Trust Fund*** accounts for lottery funds received from the State of Colorado restricted for parks and open space.

The ***Centennial Urban Redevelopment Authority Fund*** accounts for funds received and payments made pursuant to the Public Finance Agreement concerning the Streets at SouthGlenn redevelopment.

The ***Capital Improvement Fund*** accounts for resources used for the acquisition, construction, and improvements of infrastructure. Revenues for this fund are primarily derived from the City's General Fund.

The City reports the following proprietary fund:

The ***Land Use Fund*** accounts for City building and land use operations financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges. The Land Use Fund accounts for the fees and other revenues collected for services provided by the Planning and Development Department.

**Assets, Liabilities, and Net Position/Fund Balance**

Cash and investments

The City's cash and cash equivalents include amounts that are readily convertible to cash and are not subject to significant risk from changes in interest rates. Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

The City follows the practice of pooling cash of most funds to maximize daily investment earnings. Except when required by trust or other agreements, all cash is deposited to, and disbursed from, applicable fund operating accounts. Cash in excess of immediate operating requirements is swept from operating accounts to investment accounts.

Receivables

Receivables are reported net of an allowance for uncollectible accounts, where applicable.

Property taxes receivable

Property taxes attach as an enforceable lien on property on January 1 and are levied by City Council based on assessed valuations determined by the County Assessor each year. The levy is set annually by December 15, by certification to the County Commissioners. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or if in equal installments at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the City.

Property taxes levied for the previous year, but collected in the subsequent year, are recorded in the governmental funds as taxes receivable and deferred revenue in the year there is an enforceable lien and the amount is measurable. Amounts deferred are subsequently recorded as revenue in the year they are available or collected.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/items in both government-wide and fund financial statements using the consumption method.

Capital assets

Capital assets, which include property, plant, equipment, and all infrastructure assets owned by the City (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund in the fund financial statements. Purchases or construction of capital assets are recorded as expenditures in the governmental funds. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. Contributed infrastructure by developers or other governmental entities is recorded as capital contributions and additions to the systems at fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

Capital assets are depreciated using the straight-line method of depreciation over the estimated economic useful lives as follows:

Buildings	50 Years
Machinery and equipment	3 - 5 Years
Infrastructure:	
Bridges	50 Years
Storm drainage system	75 Years
Streets and sidewalks	20 Years
Signals	10 Years
Signs	20 Years

Deferred revenue

Deferred revenue includes grants and contributions that have been collected, but corresponding expenditures have not been incurred, and fees or deposits collected but not earned. Property taxes earned, but levied for a subsequent year, are also deferred. In addition, grants not available as current financial resources are reported as deferred revenue in the governmental fund financial statements.

Compensated absences

The City's compensated absences policy allows employees to accumulate earned but unused paid time off (PTO) benefits of at least 3.08 hours per pay period depending on length of service and employment status (an increase in PTO hours occurs when an employee reaches 4 years of service and again at 7 years of service; part-time employees earn PTO at a different rate than full-time employees). Employees may carry over PTO hours equivalent to the annual accrual for the employee during the immediately preceding year. Such carry-over leave must be used within the year into which it is carried over. PTO hours accrued above the carry-over amount during the preceding calendar year, and not used by December 31, will be forfeited, and will not be paid by the City. In the event of separation from the City, an employee is paid 100% of accumulated PTO benefits.

In the governmental fund financial statements, compensated absences are recognized as current salary costs when used/incurred. In the government-wide and proprietary fund financial statements, compensated absences are reported when earned. The City's General Fund is used to liquidate compensated absences of the governmental activities.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, bond discounts and bond issuance costs in the year of issue. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the debt proceeds received, are reported as current expenditures

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Fund balance

In the governmental fund financial statements fund balance is restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report fund balances based on financial reporting standards that establish criteria for classifying fund balances into specifically defined classifications to make the nature and extent of constraints more useful and understandable. The classifications comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable Fund Balance - Nonspendable amounts are those that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash, including inventories and prepaids.
- Restricted Fund Balance - Restricted amounts are those that are restricted for specific purpose. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation that are legally enforceable. For example, the Fund Balances of the Open Space and Conservation Trust Funds are reported as Restricted for parks and open space, as the use of fund resources is restricted for specific uses as defined by Arapahoe County and the State of Colorado, respectively.

Fund Balances Restricted for emergency reserves constitute fiscal year spending as defined by a 1992 amendment to the State Constitution, Article X, Section 20 (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only and, if used, to be repaid within one year. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary/fringe benefit increases. These reserves are required to be three percent (3%) or more of fiscal year spending (as defined by TABOR); these reserves are included in the Fund Balance in the category “Restricted”. The use of this reserve is restricted to the purpose for which it was established and can be used solely for declared emergencies.

Revenue limits under TABOR are determined based on prior year revenues (as defined under TABOR) adjusted for inflation and annual local growth. Revenues collected in excess of these limits must be refunded in the next fiscal year unless voters approve retention of such revenue.

**CITY OF CENTENNIAL, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

- Committed Fund Balance – Committed amounts are those that can only be used for specific purposes pursuant to constraints imposed by the City Council by ordinance. The committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts. This classification also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned Fund Balance - Assigned amounts are those that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. City Council may assign fund balances as directed in the City’s approved Fund Balance & Reserve Policy.
- Unassigned Fund Balance - Unassigned amounts represent the remaining fund balance after amounts are set aside for other classifications.

As of December 31, 2012, the City had in place a minimum fund balance policy which states that the overall fund balance of the General Fund shall equal no less than twenty-five percent (25%) of annual expenditures, including transfers. Additionally, the City had in place a ten percent (10%) operating reserve in the General Fund totaling \$6,219,032 which is to be used for emergency purposes as designated by City Council. The City of Centennial has not established a formal policy for its use of restricted and unrestricted (committed, assigned, and unassigned) fund balance. However, if expenditures are incurred, the City uses restricted fund balance first if the expenditure meets the restricted purpose, followed by committed amounts, assigned amounts, and finally, by unassigned amounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - CASH AND INVESTMENTS**

A summary of cash and investments at December 31, 2012, follows:

Petty Cash	\$	650
Cash Deposits		15,473,249
Investments		30,282,659
Total	\$	45,756,558

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible, as determined by state regulators, public depositories. Eligible public depositories must pledge eligible collateral, as determined by the PDPA, for any amounts in excess of the required FDIC insurance having a market value in excess of 102% of the aggregate uninsured public deposits. The PDPA allows the institution to create a single collateral pool for all public funds, however eligible collateral must be held in the custody of any Federal Reserve Bank or any branch thereof, or of any depository trust company which is a member of the Federal Reserve system and supervised by the State Banking Board.

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2012, the City had bank deposits of \$12,598,887 collateralized with securities held by the financial institutions' agents, but not in the City's name.

**Investments**

The City is required to comply with State statutes and the City's Investment Policy which specify instruments meeting defined rating, maturity, concentration and custodial risk criteria in which local governments may invest, which include the following.

- Obligations of the United States and certain U.S. government agency securities
- Certain corporate or bank securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The City's policy is to invest funds to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio; the primary investment goals are safety, liquidity, and maximizing yield while avoiding speculation.

At December 31, 2012, the City's investment balances were as follows:

<b>Investment</b>	<b>S&amp;P Rating</b>	<b>% of Total</b>	<b>Fair Value</b>	<b>Maturities</b>		
				<b>Less than 1 year</b>	<b>1-2 years</b>	<b>3-5 years</b>
U.S. Agency Securities	AA+	21.51%	\$ 6,514,118	\$ -	\$ 1,000,890	\$ 5,513,228
Corporate Notes	AA+	6.83%	2,069,675	1,010,485	1,059,190	-
Commercial Paper	A-1+	13.20%	3,997,580	3,997,580	-	-
Money Market Mutual Funds	AAA	0.05%	12,792	12,792	-	-
Local Government Investment Pool	AAAm	58.41%	17,688,494	17,688,494	-	-
		100.00%	\$ 30,282,659	\$ 22,709,351	\$ 2,060,080	\$ 5,513,228

*Interest Rate Risk* – The City's investment policy limits the final maturity of investments in U.S. agency securities to a maximum of five years, or as dictated by state statutes governing said investments. Likewise, investments in corporate notes cannot have a final maturity exceeding 3 years from the date of purchase.

*Credit Risk* – The City's investment policy limits investments in U. S. agency securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). In the event that an agency security carries a rating lower than the highest category by any NRSRO, the security is eligible for

**CITY OF CENTENNIAL, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Investments (continued)**

purchase subject to any statutory limits regarding final maturity and rating as permitted by State law. Corporate notes must be rated at least AA- or the equivalent by two or more NRSROs. Commercial paper must be rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the commercial paper. State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission’s Rule 2a-7, and either assets of one billion dollars or the highest rating issued by a NRSRO.

*Concentration of Credit Risk* – The City’s investment policy requires that at no time shall the aggregate investment in corporate notes, commercial paper, and banker’s acceptances exceed 50% of the City’s total investment portfolio. Furthermore, investments in corporate notes and commercial paper shall not individually exceed 25% of the City’s investment portfolio, and no more than 5% of the City’s investment portfolio may be invested in the obligations of any one issuer of corporate debt or commercial paper. Investments in U.S. agency securities shall not exceed 90% of the City’s total portfolio and no more than 30% of the portfolio can be invested in any one issuer of agency securities. As of December 31, 2012 the City held investments in the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and the Federal Farm Credit Bank totaling 6%, 7%, and 6% of the total portfolio, respectively.

Local Government Investment Pools

As of December 31, 2012, the City had \$17,688,494 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE). The Trusts are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Trusts. The Trusts operate in conformity with the Securities and Exchange Commission’s Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Investments of the Trusts are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

**NOTE 4 – INTERFUND TRANSFERS**

The following schedule summarizes the City’s interfund transfer activity for the year ended December 31, 2012.

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>Capital Improvement Fund</u>	<u>General Fund</u>	<u>Total</u>
General Fund	\$ 14,931,665	\$ -	\$ 14,931,665
Land Use Fund	-	72,662	72,662
	\$ 14,931,665	\$ 72,662	\$ 15,004,327

The transfer of \$14,931,665 from the General Fund to the Capital Improvement Fund was made to provide necessary funding for 2012 budgeted capital projects. The transfer from the Land Use Fund to the General Fund for \$72,662 was to return resources not used to cover the year’s expenditures.

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 5 – CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2012 is as follows:

	<u>Balance at December 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2012</u>
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land, easements, and rights of way	\$ 19,063,021	\$ 1,064,948	\$ -	\$ 20,127,969
Streets - subsurface	69,187,158	170,252	-	69,357,410
Construction in progress	1,741,570	1,949,661	173,084	3,518,147
Total capital assets, not being depreciated	<u>89,991,749</u>	<u>3,184,861</u>	<u>173,084</u>	<u>93,003,526</u>
Capital assets, being depreciated:				
Streets and sidewalks	59,775,617	4,571,394	-	64,347,011
Drainage	21,094,588	-	-	21,094,588
Traffic signals	6,372,819	652,475	-	7,025,294
Traffic signs	1,872,290	-	-	1,872,290
Bridges	16,492,985	-	-	16,492,985
Buildings	4,999,343	1,714,955	-	6,714,298
Comprehensive plan	89,234	-	-	89,234
Equipment	332,279	48,331	-	380,610
Total capital assets being depreciated	<u>111,029,155</u>	<u>6,987,155</u>	<u>-</u>	<u>118,016,310</u>
Less accumulated depreciation for:				
Streets and sidewalks	37,535,563	2,744,175	-	40,279,738
Drainage	8,109,720	281,259	-	8,390,979
Traffic signals	4,449,582	366,821	-	4,816,403
Traffic signs	1,290,943	110,576	-	1,401,519
Bridges	4,452,137	405,088	-	4,857,225
Buildings	360,310	99,618	-	459,928
Comprehensive plan	16,712	2,230	-	18,942
Equipment	213,819	47,316	-	261,135
Total accumulated depreciation	<u>56,428,786</u>	<u>4,057,083</u>	<u>-</u>	<u>60,485,869</u>
Total capital assets being depreciated, net	<u>54,600,369</u>	<u>2,930,072</u>	<u>-</u>	<u>57,530,441</u>
Governmental activities capital assets, net	<u>\$ 144,592,118</u>	<u>\$ 6,114,933</u>	<u>\$ 173,084</u>	<u>\$ 150,533,967</u>

**CITY OF CENTENNIAL, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

	<b>Balance at December 31, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2012</b>
<b><u>Business-type Activities:</u></b>				
Capital assets, being depreciated:				
Equipment	\$ 141,676	\$ 15,890	\$ 23,410	\$ 134,156
Total capital assets being depreciated	<u>141,676</u>	<u>15,890</u>	<u>23,410</u>	<u>134,156</u>
Less accumulated depreciation for:				
Equipment	102,022	23,653	23,410	102,265
Total accumulated depreciation	<u>102,022</u>	<u>23,653</u>	<u>23,410</u>	<u>102,265</u>
Total capital assets being depreciated, net	<u>39,654</u>	<u>(7,763)</u>	<u>-</u>	<u>31,891</u>
Business-type activities capital assets, net	<u>\$ 39,654</u>	<u>\$ (7,763)</u>	<u>\$ -</u>	<u>\$ 31,891</u>

Depreciation expense of the governmental activities was charged to the city infrastructure and general government programs in the amounts of \$4,009,767 and \$47,316, respectively.

**NOTE 6 – LONG-TERM OBLIGATIONS**

Long-term obligation transactions as of December 31, 2012 are summarized below.

	<b>Balance at December 31, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2012</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities:</u></b>					
Bonds payable					
Antelope GID Bonds	\$ 2,795,000	\$ -	\$ 65,000	\$ 2,730,000	\$ 70,000
Total Bonds Payable	<u>2,795,000</u>	<u>-</u>	<u>65,000</u>	<u>2,730,000</u>	<u>70,000</u>
Compensated absences	123,295	207,813	231,227	99,881	9,114
Total long-term obligations	<u>\$ 2,918,295</u>	<u>\$ 207,813</u>	<u>\$ 296,227</u>	<u>\$ 2,829,881</u>	<u>\$ 79,114</u>

**General Obligation Bonds**

During September, 2005 Antelope General Improvement District issued \$3,050,000 of general obligation bonds with interest rates varying from 3.25% to 5.125% payable semi-annually on June 1 and December 1 commencing on June 1, 2006 through December, 2035. The bonds maturing on and before December 1, 2016 are subject to redemption prior to maturity at the option of the District, in whole or in part in integral multiples of \$5,000, and if in part in such order of maturities as the District may determine and by lot within a maturity, on December 1, 2015 and on any date thereafter, at a redemption price equal to the principal amount redeemed plus accrued interest to the redemption date.

**CITY OF CENTENNIAL, COLORADO**  
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**NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)**

The bonds were issued for the purposes of: (i) financing or reimbursing all or any part of the costs of acquiring, construction, relocating, installing and providing a system of water pipelines to furnish municipal water service within the District; (ii) providing capitalized interest to pay a portion of debt service on the bonds; and (iii) pay the costs of issuance of the bonds. Although the District issued bonds for the purposes stated above, and has recorded the related obligation, the water system is owned and maintained by the Arapahoe County Water and Wastewater Authority (ACWWA) and therefore no corresponding asset is recorded by the District.

Bonds outstanding and related interest requirements as of December 31, 2012, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	70,000	134,707	204,707
2014	70,000	131,766	201,766
2015	75,000	128,756	203,756
2016	75,000	125,456	200,456
2017	80,000	121,987	201,987
2018-2022	465,000	549,806	1,014,806
2023-2027	585,000	427,288	1,012,288
2028-2032	755,000	262,144	1,017,144
2033-2035	555,000	57,913	612,913
Totals	<u>\$ 2,730,000</u>	<u>\$ 1,939,823</u>	<u>\$ 4,669,823</u>

**NOTE 7 – OPERATING LEASES**

The City leases certain office equipment and storage facilities. Leased property not having elements of ownership is classified as operating leases. Lease payments are recorded as expenditures when payable. Total expenditures on such leases for the year ended December 31, 2012 were approximately \$43,190.

The City has leases for certain office equipment through November, 2013. Monthly rent is comprised of a base amount and an amount based upon usage. These leases generally do not have purchase options; however, the City may renew the terms of each agreement upon expiration.

As of December 31, 2012, the City had future minimum lease payments with a remaining term of more than one year as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>
2013	21,666
Total	<u>\$ 21,666</u>

**CITY OF CENTENNIAL, COLORADO**  
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**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The City entered into construction contracts for various capital projects which are not complete as of December 31, 2012. The total unexpended commitments at December 31, 2012 are \$2,554,065 as detailed below.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Remaining Contract Amount</u>
Arapahoe Road - Dry Creek	12,856	1,355
Arapahoe Road - Holly/Krameria	1,325,482	173,712
Arapahoe Road - Waco/Himalaya	49,870	1,698
Centennial Center Park	5,465,779	11,850
Centennial Link Trail	160,000	6,054
Fiber Optic Cable Enhancements	293,834	293,834
Foxridge GID Fence Improvements	49,308	11,765
Peoria Road - Peakview Reconstruction	1,111,791	49,806
Piney Creek Trail Signage	113,061	53,004
Potomac Park Development	103,500	60,720
SSPRD Park & Trail Improvements	2,897,349	1,134,629
Traffic Signal Master	135,204	31,103
Trail & Open Space Enhancements	967,902	560,555
Vista Verde Neighborhood Improvements	331,700	163,980
Total	<u>\$ 13,017,636</u>	<u>\$ 2,554,065</u>

**Commitments – Economic Development**

The City has entered into certain agreements in an effort to promote economic development and re-development within the City. While the parties to the agreements and the various components therein are different, there are certain fundamentals that are consistent within each of the agreements, as described below.

1. Within each project, the City has agreed to either forego a portion of its sales and/or property tax, or pay a portion of its sales and/or property tax, in order to reimburse the property owners for construction and maintenance of public improvements.
2. In an effort to promote immediate economic development, the property owners have paid for and installed the improvements in advance.
3. Within each project agreement, the City has only committed to foregoing or reimbursing sales and use taxes generated within the given project area. The City has not committed to foregoing or reimbursing property developers from revenues not directly generated within the given project area.
4. In each project area, the revenues to the City were either zero or declining. As such, the City was in a position to both enhance its economic base on improve overall economic vitality in areas surrounding the specific projects.
5. Each financial agreement is set to terminate at either a date certain, or when a given amount of funds have been paid to reimburse the project developers, whichever occurs first.

**CITY OF CENTENNIAL, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Commitments – Economic Development (continued)**

6. In no instance has the City incurred or credit enhanced any debts or entered in to any lease/purchase arrangements related to these agreements and project areas.
  
7. Since the reimbursements are payable solely from the sales, use and property tax revenue increments generated by each project area, long-term debt is not required to be reported on the City’s financial statements.

The following table presents a summary of the funding obligations related to economic development commitments of the City.

<b>Project Name</b>	<b>Maximum Amount Committed<sup>(1)</sup></b>	<b>Termination of Agreement<sup>(2)</sup></b>	<b>Description of Sharing Agreement</b>	<b>Amount of Tax Shared with Developer<sup>(3)</sup></b>
The Streets at Southglenn	Up To \$85,000,000	11/21/2030	76% of 2.5% Sales Tax Exceeding \$2.1 Million Base	\$817,580
			All Property Tax Increment in Excess of Base	\$11,922,470
IKEA Store	\$18,000,000 - Sales Tax  \$204,100 - Use Tax	07/31/2021	75% of 2.5% Sales Tax for 3 years due to early opening, then 50% of 2.5% Sales Tax for balance of the agreement.	\$3,724,144
			25% of 2.5% Use Tax	\$204,052
Centennial Center	Up To \$1,400,000	12/31/2020	50% of 2.5% Sales Tax	\$0
United Launch Alliance	Up To \$200,000 – Sales Tax	03/15/2013	100% of 2.5% Sales Tax	\$66,560
	Up To \$200,000 Use Tax	03/15/2015	50% of 2.5% Use Tax	\$38,025
Centennial Promenade	Up to \$12,000,000 – Sales Tax	03/21/2021	50% of 2.5% Sales Tax	\$1,443,726

**CITY OF CENTENNIAL, COLORADO**  
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**NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Commitments – Economic Development (continued)**

- (1) Maximum amount committed includes amounts to be reimbursed or waived, but does not include interest or other costs.
- (2) The amount required to be reimbursed will terminate on the termination date, or when the reimbursement obligation has been satisfied, whichever occurs first.
- (3) The amount stated represents the total amount shared with the developer over the life of the agreement. Amount of tax shared with developer is net of associated collection fees.

**Litigation**

Notices of claims for damages have been filed with the City and forwarded to its insurer, Colorado Intergovernmental Risk Sharing Agency (CIRSA). After consideration of applicable insurance policy coverage, and the relative merits of each claim or lawsuit, and consultation with CIRSA and the City Attorney, it is the opinion of the City that the potential ultimate liability resulting from these actions, if any, will not have a material adverse financial effect on the City.

**Grants**

The City receives revenue from various federal and state grant programs, which are subject to final review and approval as to the allowability of expenditures by the respective grantor agencies.

**NOTE 9 – EMPLOYEE RETIREMENT PLAN**

The City has a defined contribution money purchase pension plan (City of Centennial Money Purchase Plan) authorized by City Council and administered by ICMA Retirement Corporation. The City Council is authorized to amend the Plan provisions, and determines the contributions made by the City. The Plan covers all employees of the City who have met certain eligibility requirements. The City contributes on behalf of each participant 10% of earnings for the Plan year. Each Participant is required to contribute to the plan as a condition of participation in the Plan. Participant contributions during 2012 were 8% of pre-tax earnings. The City's contribution to the plan was \$411,374 for the year ending December 31, 2012. There is no liability on the part of the City beyond its annual contribution.

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; thefts; damage to, or destruction of, assets; errors or omissions; injuries to employees; or acts of God. The City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is a joint self-insurance pool created by intergovernmental agreement of 174 municipalities to provide property, worker's compensation, general and automobile liability and public officials' coverage to its members. CIRSA is governed by a seven member Board elected by and from its members.

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and that amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess

**CITY OF CENTENNIAL, COLORADO  
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**NOTE 10 – RISK MANAGEMENT (CONTINUED)**

insurance are direct liabilities of the participating members. It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA.

It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

During 2012, the City received sales and use tax audit revenue which related to underlying sales occurring in prior years. While the assessment and collection of these audit revenues were not made and received until 2012, the City accrued these revenues back to 2011 to be consistent with the provisions of GASB Statement No. 33 – *Accounting and Reporting for Nonexchange Transactions*. The Governmental Activities ending Net Position and General Fund ending Fund Balance at December 31, 2011 have been restated as follows:

	<b>Governmental Activities</b>	<b>General Fund</b>
Net Position / Fund Balance, December 31, 2011, as Originally Stated	\$ 180,369,252	\$ 28,323,770
Audit Revenues	1,190,989	1,190,989
Net Position / Fund Balance, December 31, 2011, as Restated	\$ 181,560,241	\$ 29,514,759



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