

Comprehensive Annual Financial Report For the Year-Ended December 31, 2016



City of Lone Tree, Colorado

*Premier Colorado Community Connected by Great Neighborhoods,
Vibrant Public Spaces, a Beautiful Natural Environment,
and Thriving Businesses*

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CITY OF LONE TREE, COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2016

Prepared by:
Department of Finance

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF LONE TREE

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Lone Tree, Colorado 80124
303-708-1818
www.cityoflonetree.com

May 30, 2017

Citizens of the City of Lone Tree,
Honorable Mayor, and
Honorable Members of Council

State law requires the City of Lone Tree (City) to publish within seven months of the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill these requirements for the fiscal year ended December 31, 2016.

This report consists of management's representation concerning the finances of the City. Responsibility for the accuracy of the data as well as the fairness and completeness of the presentation, including all disclosures, rests with the City's management. To provide a reasonable basis for making those representations, the City's management has established a comprehensive framework of internal control designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatements.

Eide Bailly LLP, a firm of licensed certified public accountants, has audited the City's financial statements for the year ended December 31, 2016. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatements. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, 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. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the year ended December 31, 2016. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to be read in conjunction with the MD&A. The City's MD&A immediately follows the independent auditor's report.

Profile of the City

The City is currently comprised of approximately 6,162 acres or 9.6 square miles and located in the southern Denver metropolitan area at the junction of C-470/E-470 and I-25. With over 13,000 residents, the City is also home to a large and growing business community in the Denver South region with a daytime population of over 25,000 people. The City's commitment to quality development within its boundaries, beautiful surroundings, excellent recreational and cultural opportunities and the flourishing economic community are the first things many people notice about the City.

In 2015, the city administration, working in conjunction with the City Council, began developing the City's Strategic Plan. The first step was a community outreach process, including meeting with the City's various appointed committees, boards and commissions, to solicit input on a vision for the future. The City Council then took this input to draft and eventually adopt the community vision and mission statements. The Community Vision Statement states: Lone Tree is a premier Colorado community connected by great neighborhoods, vibrant public spaces, a beautiful natural environment, and thriving businesses. Additionally, the Organizational Mission Statement states: We will achieve Lone Tree's community vision by doing things the best way, not just the expected way. Along with the vision and mission statements, the City Manager committed to six big ideas. These six big ideas serve as the cornerstone of the Strategic Plan. In order to achieve the vision and mission, the City would be a national model for:

1. Our deep, active commitment to **public safety**
2. Our visionary **transportation** network
3. Building a **great community** known for exceptional places
4. Creating signature **cultural and recreational** opportunities
5. Attracting and growing **top-tier businesses** and a diverse economy
6. Our innovative, customer-focused and efficient **city government**

In 2016, the City continued to expand the Strategic Plan by identifying a number of objectives that further define how we will achieve the big ideas. Collectively, the vision, mission, big ideas and objectives form our Strategic Plan. The Strategic Plan serves as our guide as we set priorities, assign responsibilities, set schedules and budget for operating and capital expenditures.

The City is governed by a Council-Manager form of government where Council sets the City policy and the manager is responsible for City operations. The City consists of five Council members, including the Mayor, elected in non-partisan elections. Each member serves a staggered, four-year term and represents one of the two districts within the City except for the Mayor, who serves as an at-large member. Policy-making and legislative authority are vested in the Council.

The City provides a full range of services including general government, police protection, public works, capital project management and street and highway maintenance, planning and building permit and inspections, zoning services, arts and cultural activities, and municipal court services.

The City maintains budgetary controls that have the objective of ensuring compliance with legal provisions embodied in the annual appropriated budget adopted by Council. The Council is required to adopt a final budget by no later than December 31 of each year. All activities of the City, except for activities related to the Lone Tree Arts Center operations, as well as other City sponsored events and cultural services, and funds held for the future repayment of debt related to arts and cultural facilities and park and recreation improvements are accounted for in the General Fund. The Lone Tree Arts Center operational activities and City-sponsored events and cultural services are accounted for in the Special Revenue Fund – Cultural and Community Services. Revenue and expenditure activities related to the 2009 Cultural Facilities Bonds and the 2008A Park and Recreation Bonds are accounted for separately in separate Debt Service Funds. The appropriation is at the total fund expenditures level. Additionally, the General Fund budget presents expenditures by function (e.g., general government).

Local Economy

The City of Lone Tree continues to develop at a steady rate in both the residential and commercial sectors. Major industries located within the City's boundaries, or in close proximity, include retail trade, public administration, financial services, healthcare, insurance and real estate. With average household incomes exceeding \$105,000, approximately 3.6 million square feet of retail and 3.1 million square feet of office, the City provides an important economic presence to the region and State.

The City is also served by two Light Rail stations that residents describe as “enhancing the City's quality of life”. In the spring of 2016, a federal grant application by the Regional Transportation District (RTD) to the Federal Transit Administration, was approved, enabling the start of construction of the Southeast Light Rail Extension, which began in the second half of 2016. A key factor in RTDs approval came from a commitment of \$25 million from local funding partners, including the City, Douglas County, RidgeGate and the Southeast Public Improvement Metropolitan District. In addition to a monetary contribution, Coventry Development, the property owners of the RidgeGate development where the rail extension will go, has agreed to provide land for right-of-way and light rail stations at no cost. This extension of the light rail system would include 2.3 miles of additional light rail that would add three new stations, including Sky Ridge Medical Center, Lone Tree City Center, as well as an end-of-line station with direct connection to Denver International Airport. This amenity allows residents of Lone Tree to easily access downtown Denver, as well as allows visitors to more easily access the retail and office complexes in Lone Tree. Once the Southeast Light Rail Extension is complete, it will be a significant economic development catalyst for the City and the region, generating additional commercial real estate, residences, and new jobs in the southeast corridor.

In 2016, the City of Lone Tree and Hamon Infrastructure started construction on a signature pedestrian bridge crossing Lincoln Avenue, between I-25 and Yosemite Street. This pedestrian bridge will reduce vehicle congestion on Lincoln Avenue by reducing signal progression disruption and will provide a safer connection between popular destinations on both the north and south side of Lincoln Avenue for pedestrians and cyclists. As the City continues to grow, it is increasingly important to provide an alternative transportation route for pedestrians who may live or work on one side, but want to take advantage of amenities that require them to cross Lincoln Avenue. This project will connect the Willow Creek Trail, thereby, creating a natural

pedestrian and bicycle crossing location. The construction of this bridge has been a community effort supported by the City's partners: Douglas County, Park Meadows Metropolitan District, South Suburban Park and Recreation District, RidgeGate Investments, Inc., OmniPark Metropolitan District and Heritage Hills Metropolitan District. The features of this project include an 81-foot tall sculptural leaf support, a lighted walkway and ADA accessible ramps. The leaf structure will be assembled off-site and lifted into place to allow for minimum disruption to the traveling public. The bridge is estimated to be completed by the end of 2017.

Additionally, 2016 was the second year of operation of the Lone Tree Link shuttle service that is free to its riders, that connects key employment centers along Park Meadows Drive with restaurants, retail, and the RTD transit system. The Link is provided by a collaborative public-private partnership, which consists of the City, Charles Schwab & Co., Inc., Southeast Public Improvement Metropolitan District, ParkRidge Corporate Center, and Sky Ridge Medical Center, that are working together to create a vibrant and healthy community. The Link offers service every 10 minutes Monday-Friday, so it is a reliable and convenient connection to daily destinations and appointments for the estimated 10,000 employees who work along Park Meadows Drive. The service had 80,819 boardings in 2016. The service is an example of the City's proactive approach to preparing for and encouraging future economic growth and to mitigating related traffic impacts. The City and the partners behind the Link are investing in Lone Tree to assure it remains a premier community for both businesses and residents.

The City's largest revenue source is sales taxes which primarily funds the City's operations. During 2016, the City experienced an approximate 1% decrease in sales tax revenue compared to 2015, essentially showing sales tax revenue as remaining flat. While sales tax revenue remained flat, the City ended the year better than the budget estimate, which assumed a 3% decrease at year-end due to how sales tax revenue had been trending throughout the first three quarters of the year. Sales tax revenue remaining flat may be an indicator that consumer spending habits are changing in the types of items purchased as well as how those items are purchased, particularly as seen with an influx in online shopping by consumers. Additionally, a large retail vendor within the City closed in 2016, impacting sales tax revenue. 2017 is anticipated to bring several exciting opportunities including a significant amount of new restaurant, retail, and other hospitality development and re-development in and around the Lone Tree Entertainment District, Park Meadows, Lincoln Commons and RidgeGate Commons, which will contribute to the City's sales tax and use tax revenue sources. Furthermore, Park Meadows Retail Resort and the RidgeGate development continue to maintain a well-diversified and unique shopping and dining experience.

Through conservative revenue budgeting, as well as expenditure monitoring during 2016, the City was able to end the year with a working reserve and a capital replacement reserve pursuant to City policies.

Relevant Financial Policies

In order to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures as well as to ensure stable tax rates, the City has established certain reserve policies. Specifically, the City requires that a minimum unrestricted fund balance of 16.7% of operating expenditures be maintained. For the year ended December 31, 2016, the City's

unrestricted working reserve totaled approximately 25%. The 2017 budget reflects maintaining this reserve at 25%. The City also has adopted a capital reserves policy to ensure that the City maintains adequate cash fund balances to help offset cost of future capital replacement and project needs. The intent of the capital reserves policy is to assist the City to take greater advantage of the “pay as you go” philosophy versus relying entirely or mostly on debt financing.

Additionally, City Council has established financial policies including a debt management policy, an investments policy as well as a vehicle replacement policy for the police department. These three policies were adopted by Council to continue to strengthen the financial framework of the City by following best practices. The debt management policy was adopted as a result of the City understanding the importance of long-range, financial planning in order to meet its capital asset needs. The debt management policy establishes parameters on the issuance of debt to help ensure that the City maintains a sound debt position and that its credit rating is protected. The policy provides a framework relating to current circumstances as they exist today as well as to address the City’s future position relating to debt management. The investment policy was adopted to establish parameters and guidelines for the efficient management of the City’s funds and for the purchase and sale of investments. Primary objectives of the investment policy, in priority order include safety of principal, liquidity and return on investments.

Major Initiatives

Several major initiatives will have a significant impact on the financial future of the City of Lone Tree. The development of RidgeGate, a 3,500 acre planned development based on ‘smart growth’ principles, will play an essential role to this end. Currently, RidgeGate is home to over 1,200 residences, two major retail centers, a recreation center, the Lone Tree Arts Center, the Sky Ridge Medical Center, and the Charles Schwab corporate campus.

As the west-side of the RidgeGate development approaches build-out, the City is beginning to have more focus on planning for the east-side development which is being kicked off with the Southeast Light Rail Extension. The long-term development for this area is an urban-style mixed-use area with capacity for approximately 13,000 housing units, 11 million square feet of office space, 2.3 million square feet of retail, hotels, school and university space, and parks and recreational amenities. This development is estimated to result in a potential population increase of 17,000 residents and an increase in jobs located in the City of approximately 43,000. This development and planning for the future as it builds-out, as well as analysis of overall financial impacts will be a primary focus for the City for years to come.

In 2015, when Douglas County Libraries announced they would move out of their former Lone Tree branch on Lone Tree Parkway and Yosemite Street and build a new, larger library building near the Lone Tree Arts Center in RidgeGate, the Lone Tree City Council committed to purchasing the Yosemite Library building to preserve it as a community resource. Additionally, City staff started conversations with community members to determine and prioritize possible reuses for the building and assessing the community’s needs. From that, Council directed staff to investigate several different reuse options, eventually settling in mid-2016 on reusing the building as a community center. Staff then negotiated an IGA with South Suburban Park and Recreation District (SSPRD) for the City to own and renovate the building and SSPRD to provide staff and operate the building. In the later portion of 2016, City Council along with staff

asked the City's residents to assist them in naming the community center by completing an online survey tool or sending in their suggestions via email. City Council requested names that connect to the City's community vision statement, are unique, and have broad-based community support. City Council received numerous suggestions and in early 2017 a name was decided on for the community center, The Lone Tree Hub. The Lone Tree Hub will offer a variety of multi-generational programming and areas to relax, play cards, knit, or curl up with a good book.

During 2017, the City plans to refinance its two outstanding bond issuances from 2008 and 2009. These bonds were issued after voter approved tax increases to fund the construction of the Lone Tree Arts Center and several park and recreation improvements including the Cook Creek Pool, the Tennis Courts at the Golf Course and Prairie Sky Park. The City anticipates approximately \$600,000 in interest savings over the next seven years until the bonds are paid off in 2023.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the year ended December 31, 2015. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The report must satisfy both GAAP and applicable legal requirements. This was the City's eleventh year to submit for and to receive the award. A Certificate of Achievement is valid for one year only. We believe this 2016 CAFR continues to conform to the Certificate of Achievement program requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The City of Lone Tree was the recipient of the Distinguished Budget Presentation Award for excellence in municipal budget reporting by the GFOA for both 2015 and 2016, with 2015 being the first year the City applied for the award. This award represents a significant achievement by the City and staff to meet the highest principles of governmental budgeting.

The preparation of this CAFR could not have been accomplished without the efficient and dedicated service of the highly qualified personnel of the finance division. Other departments of the City also played an instrumental role in the preparation of this report. We wish to express our appreciation to everyone who assisted and contributed in preparing the report. Additionally, we would like to acknowledge the thorough and professional manner in which our independent auditors, Eide Bailly LLP, conducted their audit, as well as the citizen involvement and time commitment of the City's Audit Committee. Finally, credit must be given to the City Council for their consistent support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Seth Hoffman
City Manager



Kristin Baumgartner, CPA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lone Tree
Colorado**

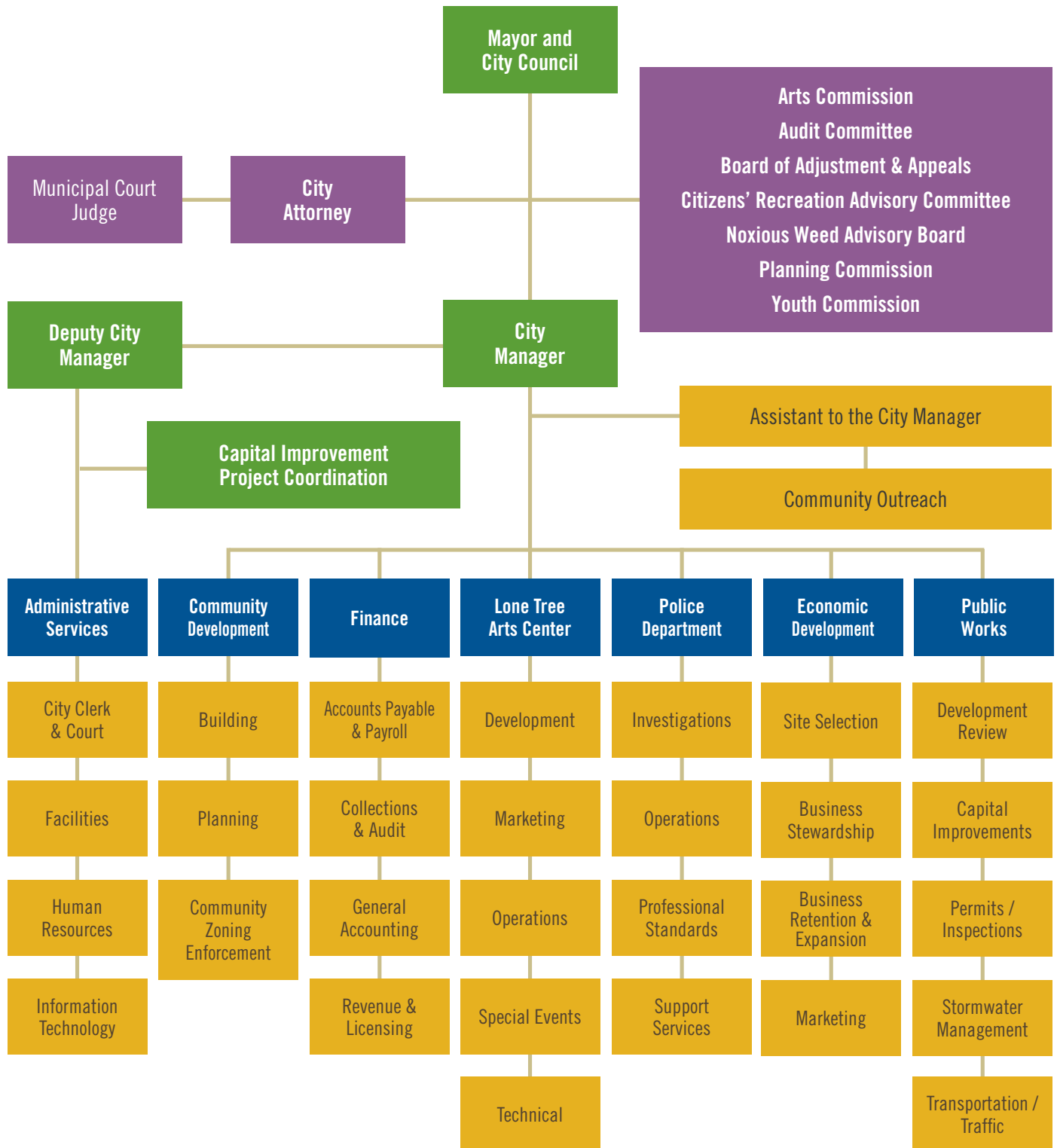
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

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City of Lone Tree Organizational Chart 2016



CITY OF LONE TREE
PRINCIPAL OFFICIALS OF THE CITY OF LONE TREE, COLORADO
December 31, 2016

CITY COUNCIL

Mayor	Jacqueline A. Millet, At-Large
Mayor Pro-Tem.....	Susan Squyer, District 2
Council Members.....	Jay Carpenter, District 1
	Wynne Shaw, District 1
	Cathie Brunnick, District 2

MUNICIPAL JUDGE Louis Gresh

CITY OFFICIALS

City Manager	Seth Hoffman
Deputy City Manager.....	Steve Hebert
City Attorney	Gary White
Finance Director.....	Kristin Baumgartner
Public Works Director	John Cotten
Community Development Director.....	Kelly First
Acting Chief of Police	Ron Pinson
Lone Tree Arts Center Executive Director	Lisa Rigsby Peterson
Economic Development Director	Jeff Holwell
City Clerk.....	Jennifer Pettinger



Independent Auditor's Report

To the Honorable Mayor and City Council
City of Lone Tree, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the City of Lone Tree, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Meadows Business Improvement District, which represents 98%, 99%, and 97%, respectively, of the assets, net position and revenue of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion in so far as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's 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 entity's 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, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, aggregate discretely presented component units, and each major fund of the City of Lone Tree, Colorado, as of December 31, 2016, and the respective changes in financial position 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 management's discussion and analysis and budgetary comparison information on pages 16 through 25, 84 through 91, and the pension schedules of proportionate share of net pension liability or asset for cost sharing plans, schedule of pension contributions for cost sharing plans, schedule of contributions and notes on pages 92 through 97 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 required supplementary 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lone Tree, Colorado's financial statements. The introductory section, combining fund financial statements and budgetary schedules, schedule of debt service requirements to maturity, Local Highway Finance Report, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, budgetary schedules, schedule of debt service requirements to maturity, and Local Highway Finance Report on pages 99 through 117 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 such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the 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.



Denver, Colorado
May 30, 2017

CITY OF LONE TREE

Management's Discussion and Analysis

As management of the City of Lone Tree, City Council offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016.

Financial Highlights

With regard to the primary government:

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$120,016,797 at the close of the fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,152,840.
- Total net position increased by \$3,271,646 from 2015.
- Total cash and investments increased by \$1,387,269 as compared to the prior year.
- Sales and use tax retail revenue decreased by \$234,536 as compared to the prior year. Limited new business openings in the City, increased consumer spending online, as well as a large vendor closing its location in the City were the major factors contributing to this decrease.
- At the end of the current fiscal year, assigned and unassigned fund balance for the General Fund totaled \$16,364,918.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains required supplementary information and schedules in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the City that are principally to be supported by sales taxes (*governmental activities*). The *governmental activities* of the City include general government, municipal court, community development, public works, arts and cultural, police, and interest and related costs on long-term debt.

The government-wide financial statements can be found on pages 27-28 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City include governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Special Revenue Fund – Cultural and Community Services, the Debt Service Fund - Arts and Cultural Facilities and the Debt Service Fund - Park and Recreation Improvements. These four funds are considered to be major funds. Data for the Park Meadows Business Improvement District and the Lone Tree Business Improvement District (discretely presented component units) are provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Fund – Cultural and Community Services, Debt Service Fund - Arts and Cultural Facilities and Debt Service Fund - Park and Recreation Improvements. A budgetary comparison schedule has been provided for each of these funds as supplemental information to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 29-32 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 33-82 of this report.

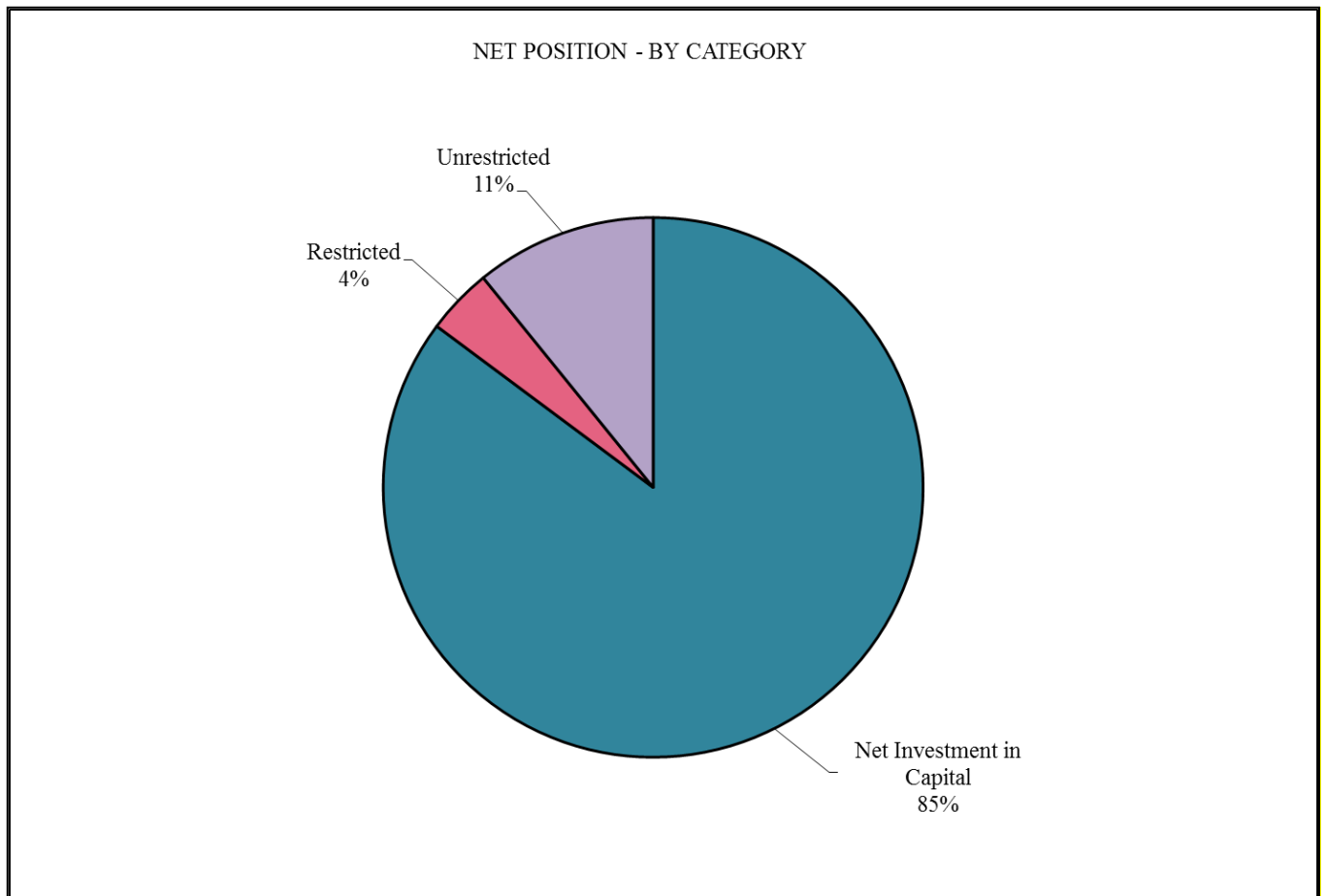
Required supplementary information. A budgetary comparison schedule has been provided in this section for the General Fund and the Special Revenue Fund – Cultural and Community Services to demonstrate compliance with the budgets. Also included in this section are additional schedules related to the City’s pension plans as well as the notes to required supplementary information. The budget schedules and notes are found after the *Notes to Financial Statements* on pages 84-97 of this report.

Other supplementary information. A budgetary comparison schedule for the Debt Service Fund - Arts and Cultural Facilities and the Debt Service Fund - Park and Recreation Improvements are presented immediately following the required supplemental information. Additionally, combined financial statements and schedules of the Park Meadows Business Improvement District and the Lone Tree Business Improvement District are included in this section. Furthermore, other supplementary information also includes schedules of debt service requirements to maturity and a local highway finance report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The City’s assets and deferred outflows of resources related to governmental activities exceeded liabilities and deferred inflows of resources by \$120,016,797 at the close of the most recent fiscal year.

Net Position			
		<u>2016</u>	<u>2015</u>
Current assets	\$	31,823,255	\$ 30,248,856
Capital assets		118,928,729	116,370,509
Long-term assets		<u>8,345,840</u>	<u>16,773,972</u>
Total assets		<u>159,097,824</u>	<u>163,393,337</u>
Pension related amounts		2,975,971	1,092,521
Southeast light rail extension agreement		<u>4,888,333</u>	<u>7,332,500</u>
Total deferred outflows of resources		<u>7,864,304</u>	<u>8,425,021</u>
Other liabilities		15,113,017	14,333,287
Long-Term liabilities		<u>31,745,642</u>	<u>40,725,109</u>
Total liabilities		<u>46,858,659</u>	<u>55,058,396</u>
Pension related amounts		<u>86,672</u>	<u>14,811</u>
Total deferred inflows of resources		<u>86,672</u>	<u>14,811</u>
Net investment in capital assets		102,243,231	97,829,372
Restricted net position		4,762,302	5,202,543
Unrestricted net position		<u>13,011,264</u>	<u>13,713,236</u>
Total net position	\$	<u>120,016,797</u>	<u>\$ 116,745,151</u>



The largest portion of the City's net position (85%) reflects its net investment in capital assets. The City utilizes these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

An additional portion of the City's net position (4%) represents resources that are subject to restrictions on how they can be used and are not currently available for the City's ongoing obligations (e.g., emergency TABOR reserve, Conservation Trust Fund, funds received from litigation settlements, emergency maintenance and repairs required by an annexation agreement, funds reserved for future debt service payments, and the net pension asset). The remaining balance of *unrestricted net position* totaling \$13,011,264 may be used to meet the City's future expenditures.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position.

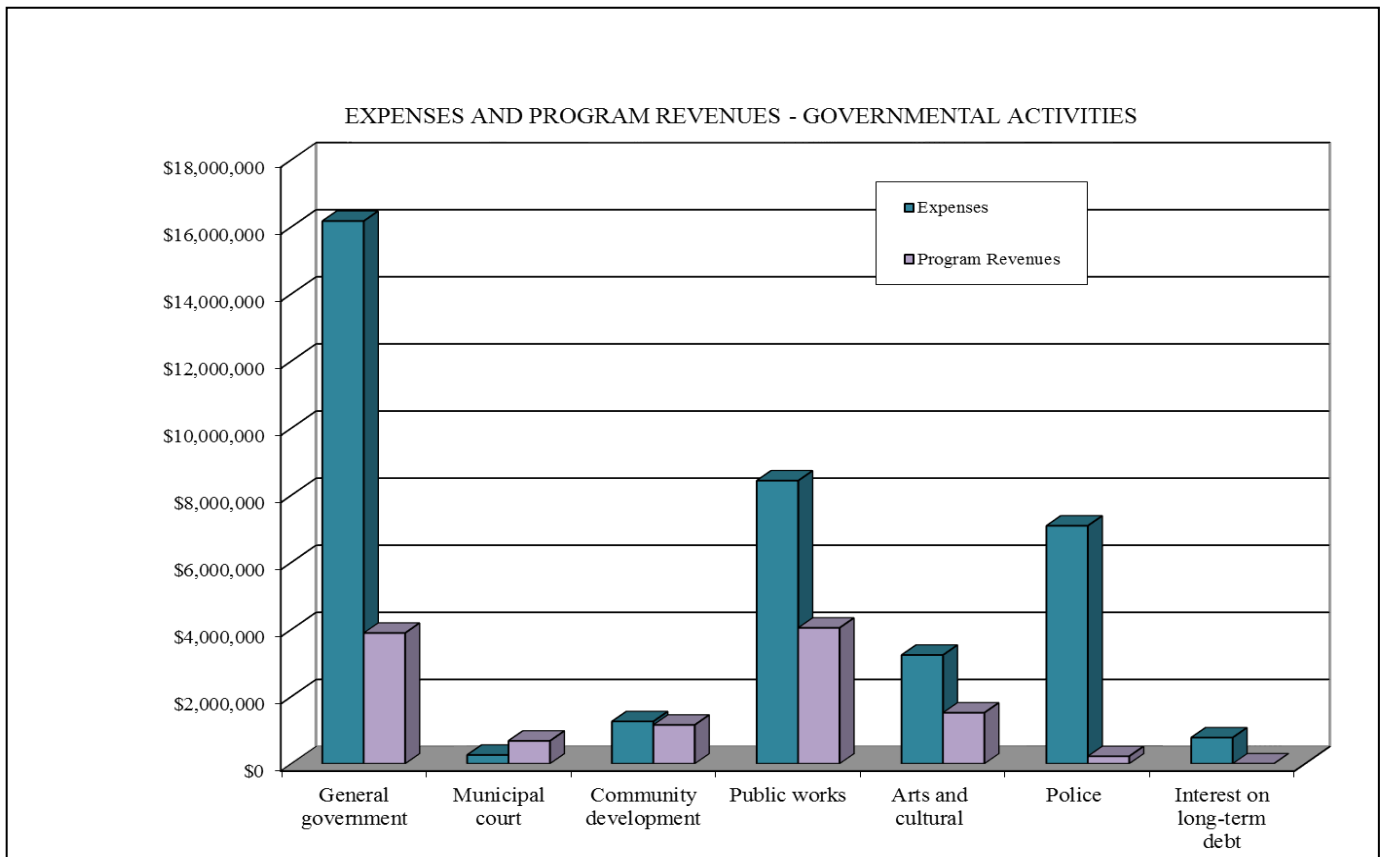
Change in Net Position

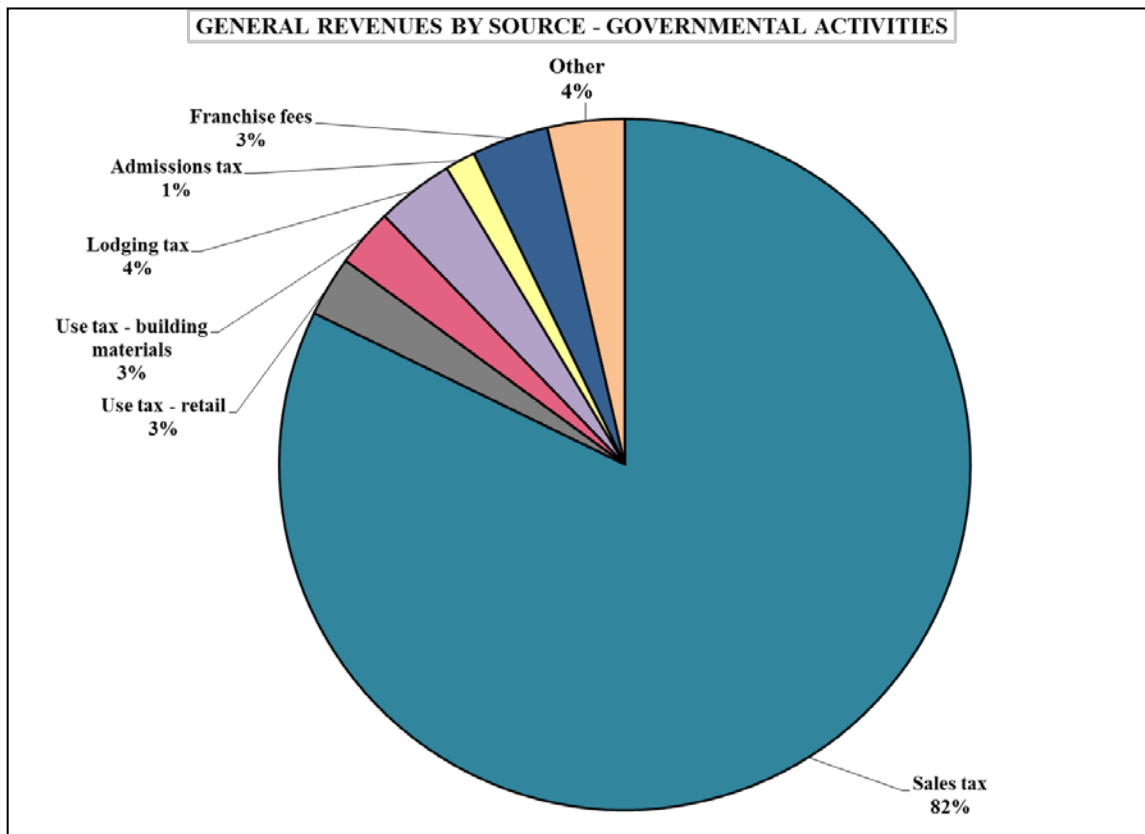
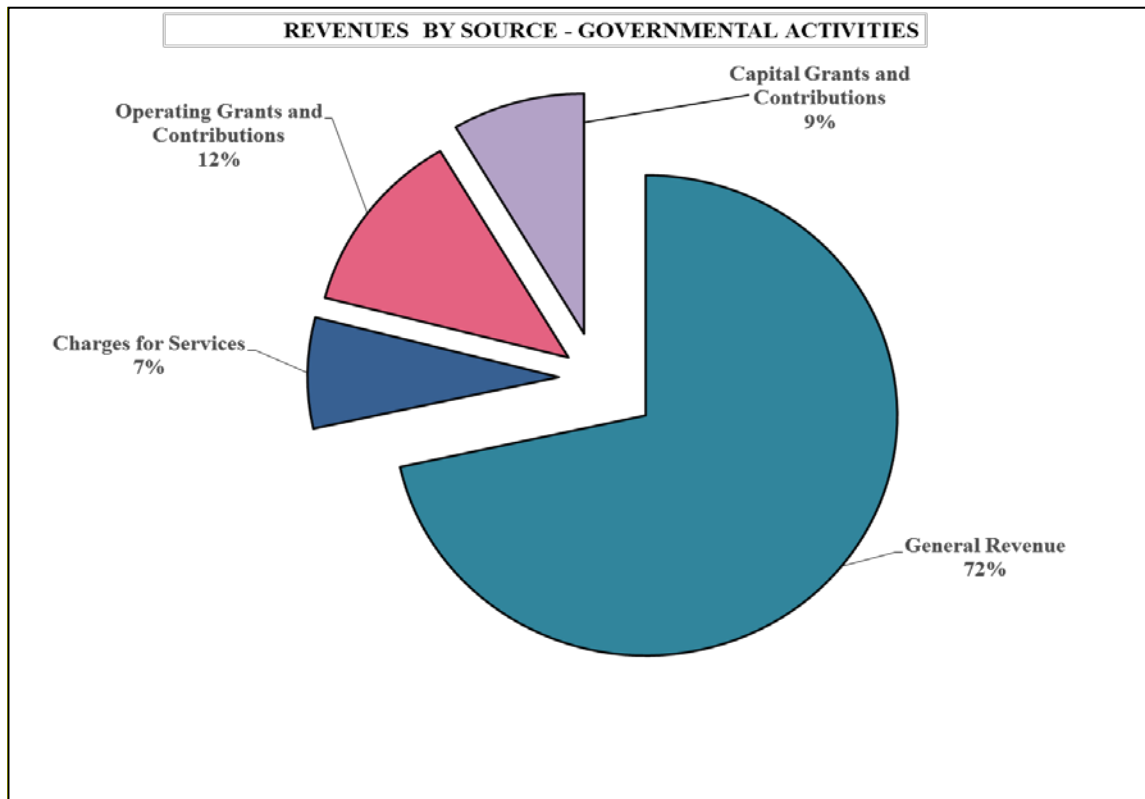
	<u>2016</u>	<u>2015</u>
Revenue		
Program revenues		
Charges for services	\$ 3,018,441	\$ 3,616,769
Operating grants and contributions	5,050,314	4,728,754
Capital grants and contributions	3,453,329	16,971,208
General revenues		
Sales and use (retail) taxes	24,649,096	24,883,632
Other taxes	2,448,894	2,719,057
Franchise fees	1,041,604	1,040,429
Investment earnings	140,767	22,376
Other	707,051	136,995
Total revenues	<u>40,509,496</u>	<u>54,119,220</u>
Expenses		
General government	16,173,154	14,483,424
Municipal court	259,849	234,799
Community development	1,260,292	1,080,566
Public works	8,436,353	8,743,403
Arts and cultural	3,239,157	3,198,170
Police	7,091,270	6,779,310
Interest and related costs on long-term debt	777,775	837,895
Total expenses	<u>37,237,850</u>	<u>35,357,566</u>
Change in net position	3,271,646	18,761,654
Net position – Beginning	<u>116,745,151</u>	<u>97,983,497</u>
Net position - Ending	<u>\$ 120,016,797</u>	<u>\$ 116,745,151</u>

The City's net position related to governmental activities increased by \$3,271,646 during the current fiscal year. Several key highlights of the statement of activities during 2016 include the following items:

- 2016 charges for services decreased by \$598,328 from the previous year. A significant portion of this decrease was due to the decrease in building permit fees as well as ticket sales at the Lone Tree Arts Center. The decrease in ticket sales from 2015 to 2016 was largely due to a difference in the programming schedule, specifically fewer performances and different types of shows. 2015 included a "headliner" performance, two popular children's touring shows and the Nutcracker, which were not included in 2016.
- Capital grants and contributions decreased by \$13,517,879 from 2015 to 2016 largely due to the City receiving \$15,357,820 in contributed capital from the acceptance of streets per the amended RidgeGate Annexation and Development Agreement effective January 1, 2015.

- Sales and use (retail) taxes decreased by \$234,536 from 2015 to 2016 as a result of limited new businesses opening in 2016, the continued shift to online shopping and a large vendor closing in 2016.
- Other revenue increased in 2016 by \$570,056 from 2015. The majority of this increase was a result of a large insurance claim the City received for facility damage from a hail storm.
- General government expenses increased by \$1,689,730 or 11.7% from 2015 to 2016. A significant portion of this increase was related to the first payment to RTD for the Southeast Light Rail Extension, offset by decreased costs associated with the shareback agreements that are linked to sales tax revenue.
- Community development expenses increased by \$179,726 or 16.6% due to additional administrative staff needs related to the building division and engineering costs related to development review work.
- Public works expenses decreased by \$307,050 or 3.6% from 2015 to 2016 primarily due to decreased snow removal costs.
- Police department expenses increased by \$311,960 or 4.6% from 2015 to 2016 primarily due to costs associated with specialized ballistic vests, a new E-ticketing software system and training costs.





Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *assigned and unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$27,152,840. Of this amount, \$16,311,259 constitutes *assigned and unassigned fund balance* which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the assigned and unassigned fund balance of the General Fund was \$16,364,918 out of a total fund balance of \$24,723,662.

The fund balance of the City's General Fund increased by \$2,652,812 during the current fiscal year. The key factor contributing to this increase were revenues increasing due to multiple partner contributions in the funding of the Southeast Light Rail Extension, as well as the Lincoln Pedestrian Bridge.

At the end of the current fiscal year, the Special Revenue Fund – Cultural and Community Services reported a fund balance of \$-0-.

At the end of the current fiscal year, the Debt Service Fund - Arts and Cultural Facilities reported a restricted fund balance of \$1,158,403. This balance is an accumulation of pledged revenues coming in higher than anticipated.

At the end of the current fiscal year, the Debt Service Fund - Park and Recreation Improvements reported a restricted fund balance of \$1,270,775. This balance is an accumulation of pledged revenues coming in higher than anticipated.

General Fund Budgetary Highlights

The City's total revenue in the General Fund for 2016 came in under budget. The difference between the final budgeted revenue of \$48,004,382 and the actual revenue of \$43,000,558 was \$5,003,824. The main reason for this variance had to do with reimbursable costs that were lower than budgeted due to the delay of the construction of the Lincoln Pedestrian Bridge, resulting in partner contributions being moved to the following year once construction begins. Additionally, sales tax collection was lower than budgeted largely due to limited new retail business openings, an increase in consumer spending online and the closing of a major sporting goods retailer. Furthermore, use tax - building materials came in lower than budgeted due to the timing of construction projects in the City. The decrease in sales tax and use tax – building materials are

the factors used to calculate the transportation shareback with Douglas County, so as a result the revenue from this shareback was also lower than budgeted.

The City's General Fund total expenditures for 2016 did not exceed the budgeted appropriation. The difference between the budgeted expenditures (exclusive of transfers out) of \$49,229,538 and the actual expenditures of \$39,747,074 was \$9,482,464. The primary factor contributing to this variance was a result of certain capital projects coming in under budget and/or that will be completed in 2017, such as the Lincoln Pedestrian Bridge and the Yosemite library building capital improvements. Additionally, vehicles and equipment in the Police Department came in under budget due to the purchase of two less vehicles, as well as significant savings in fuel costs for the police vehicles. Furthermore, various salary savings were experienced as a result of attrition.

Capital Assets

The City invested \$8,093,422 in capital assets for its governmental-type activities for the year ended December 31, 2016, which of this amount \$97,123 was contributed streets in the RidgeGate area due to the amended RidgeGate Annexation and Development Agreement. Additionally, investment in capital assets consisted of projects in 2016 including the construction of the Lincoln Pedestrian Bridge, street overlay, the purchase of The Hub (Lone Tree's new Community Center - previously Douglas County Library), and completion of the extension of the Yosemite Turn Lane.

Additional information on the City's capital assets can be found in Note 6 on pages 49-50 of this report.

Long-Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$16,675,000. This amount represents debt secured for park and recreational improvements and the Lone Tree Arts Center. Additionally, the City had \$18,666,667 as a long-term liability for the agreement with the Regional Transportation District (RTD) on the Southeast Light Rail Extension. Additional information on this agreement with RTD and the agreements with the contributing partners can be found on pages 55-56.

At the end of the fiscal year, the Park Meadows Business Improvement District (PMBID) had total outstanding debt of \$13,175,000. This amount represents debt secured for capital expenditures related to street, park and recreation, utility lines, transportation, and television relay improvements.

Additional information on the City's long-term debt can be found in Note 7 on pages 51-56 of this report.

Next Year's Budget

The 2017 budget reflects City Council's endeavor for a fiscally responsible budget, while continuing to provide a high level of services to our community, maintain operating reserves, and fund several long-sought infrastructure investments.

The City has appropriated a total of \$68,720,768 for spending in fiscal year 2017. The 2017 budget includes new City staff positions, including an Accounting Manager, Community Development Assistant, and a part-time Project Assistant. Capital initiatives planned for 2017 include continued overlay of City streets, the construction and opening of the Lincoln Pedestrian Bridge, second year contribution toward the Southeast Light Rail Extension, improvements of The Hub and various intersection improvements. The City anticipates utilizing revenues projected to be received in 2017 along with prior year accumulated fund balances to pay for these capital initiatives along with on-going operational costs related to City services.

Requests for Information

This financial report is designed to provide a general overview of the City of Lone Tree's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Lone Tree, 9220 Kimmer Drive, Suite 100, Lone Tree, Colorado 80124.

BASIC FINANCIAL STATEMENTS

CITY OF LONE TREE
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Park Meadows Business Improvement District	Lone Tree Business Improvement District
ASSETS			
Cash and Investments	\$ 14,934,592	\$ 3,094,773	\$ 118,168
Cash and Investments - Restricted	11,736,434	1,517,366	5,282
Receivables:			
Intergovernmental	990,298	1,272,099	1,141
Sales, Use, Admissions and Lodging Taxes	3,513,803	-	-
Other	79,732	-	-
Prepaid items	568,396	71,285	-
Property Taxes Receivable	-	-	191,031
Long-Term Receivable	8,333,333	-	-
Capital Assets:			
Non-Depreciable	27,022,556	-	-
Depreciable, Net	91,906,173	14,551,428	-
Net Pension Asset - FPPA	12,507	-	-
Total Assets	<u>159,097,824</u>	<u>20,506,951</u>	<u>315,622</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Amounts	2,975,971	-	-
Southeast Light Rail Extension Agreement	4,888,333	-	-
Total Deferred Outflows of Resources	<u>7,864,304</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts Payable	3,937,061	262,978	21,252
Unearned Revenue - Arts Center Ticket Sales	274,316	-	-
Retainage Payable	120,117	-	-
Tenant Security Deposit Payable	13,666	-	-
Rental Security Deposit Payable	10,000	-	-
Surety Deposits Payable	315,255	-	-
Accrued Interest Payable	61,310	58,279	-
Noncurrent Liabilities			
Due within One Year	10,381,292	540,000	-
Due in More than One Year:			
Other Noncurrent Liabilities	25,814,614	12,439,280	-
Net Pension Liability - PERA	5,931,028	-	-
Total Liabilities	<u>46,858,659</u>	<u>13,300,537</u>	<u>21,252</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Amounts	86,672	-	-
Property Taxes	-	-	191,031
Total Deferred Inflows of Resources	<u>86,672</u>	<u>-</u>	<u>191,031</u>
NET POSITION			
Net investment in Capital Assets	102,243,231	1,572,148	-
Restricted:			
Emergency Reserve (TABOR)	969,413	168,000	5,282
Conservation Trust	312,402	-	-
Brick Fence Replacement	986,200	-	-
RidgeGate Annexation Reserve	52,601	-	-
Debt Service	2,429,179	1,349,366	-
Net Pension Asset - FPPA	12,507	-	-
Unrestricted	13,011,264	4,116,900	98,057
Total Net Position	<u>\$ 120,016,797</u>	<u>\$ 7,206,414</u>	<u>\$ 103,339</u>

These financial statements should be read
only in connection with the accompanying
Notes to Financial Statements.

CITY OF LONE TREE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Functions/Programs					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Program Revenues			Primary Government	Component Unit	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Park Meadows Business Improvement District	Lone Tree Business Improvement District
Primary Government:							
Governmental Activities:							
General Government	\$ 16,173,154	\$ 179,424	\$ 263,430	\$ 3,453,329	\$ (12,276,971)	\$ -	\$ -
Municipal Court	259,849	680,688	-	-	420,839	-	-
Community Development	1,260,292	1,156,256	-	-	(104,036)	-	-
Public Works	8,436,353	736	4,047,314	-	(4,388,303)	-	-
Arts and Cultural Services	3,239,157	996,884	522,433	-	(1,719,840)	-	-
Police	7,091,270	4,453	217,137	-	(6,869,680)	-	-
Interest and Related Costs on Long-Term Debt	777,775	-	-	-	(777,775)	-	-
Total Primary Government	<u>\$ 37,237,850</u>	<u>\$ 3,018,441</u>	<u>\$ 5,050,314</u>	<u>\$ 3,453,329</u>	<u>(25,715,766)</u>	<u>-</u>	<u>-</u>
Component Unit:							
Park Meadows Business Improvement District:							
General Government	\$ 4,790,187	\$ -	\$ -	\$ -		(4,790,187)	-
Interest on Long-Term Debt	739,496	-	-	-		(739,496)	-
Total Component Unit	<u>\$ 5,529,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(5,529,683)</u>	<u>-</u>
Component Unit:							
Lone Tree Business Improvement District:							
General Government	\$ 72,737	\$ -	\$ -	\$ -			(72,737)
Interest on Long-Term Debt	-	-	-	-			-
Total Component Unit	<u>\$ 72,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>(72,737)</u>
General Revenues:							
Sales Tax					23,830,601	5,288,210	-
Use Tax - Retail					818,495	-	-
Use Tax - Building Materials					791,702	29,778	-
Lodging Tax					1,048,252	-	-
Admissions Tax					411,421	-	-
Franchise Fees					1,041,604	-	-
Cigarette Tax					197,519	-	-
Sales Tax and Liquor Licenses					24,283	-	-
Property Tax					-	-	160,815
Investment Earnings					140,767	30,044	42
Other					682,768	253,027	15,219
Total General Revenues					<u>28,987,412</u>	<u>5,601,059</u>	<u>176,076</u>
Change in Net Position					3,271,646	71,376	103,339
Net Position - Beginning					116,745,151	7,135,038	-
Net Position - Ending					<u>\$ 120,016,797</u>	<u>\$ 7,206,414</u>	<u>\$ 103,339</u>

These financial statements should be read only in
connection with the accompanying Notes to Financial
Statements.

**CITY OF LONE TREE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	<u>General</u>	<u>Special Revenue - Cultural and Community Services</u>	<u>Debt Service - Arts and Cultural Facilities</u>	<u>Debt Service - Park and Recreation Improvements</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 14,688,879	\$ 245,713	\$ -	\$ -	\$ 14,934,592
Cash and Investments - Restricted	9,709,485	-	917,146	1,109,803	11,736,434
Receivables:					
Intergovernmental	990,298	-	-	-	990,298
Sales, Use, Admissions and Lodging Taxes	3,111,374	-	241,457	160,972	3,513,803
Other	39,857	39,875	-	-	79,732
Prepaid items	514,737	53,659	-	-	568,396
TOTAL ASSETS	<u>\$ 29,054,630</u>	<u>\$ 339,247</u>	<u>\$ 1,158,603</u>	<u>\$ 1,270,775</u>	<u>\$ 31,823,255</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 3,881,930	\$ 54,931	\$ 200	\$ -	\$ 3,937,061
Unearned Revenue - Arts Center Ticket Sales	-	274,316	-	-	274,316
Retainage Payable	120,117	-	-	-	120,117
Tenant Security Deposit Payable	13,666	-	-	-	13,666
Rental Security Deposit Payable	-	10,000	-	-	10,000
Surety Deposits Payable	315,255	-	-	-	315,255
Total Liabilities	<u>4,330,968</u>	<u>339,247</u>	<u>200</u>	<u>-</u>	<u>4,670,415</u>
FUND BALANCES					
Non-Spendable	514,737	53,659	-	-	568,396
Restricted	7,844,007	-	1,158,403	1,270,775	10,273,185
Assigned	11,966,918	-	-	-	11,966,918
Unassigned	4,398,000	(53,659)	-	-	4,344,341
Total Fund Balances	<u>24,723,662</u>	<u>-</u>	<u>1,158,403</u>	<u>1,270,775</u>	<u>27,152,840</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,054,630</u>	<u>\$ 339,247</u>	<u>\$ 1,158,603</u>	<u>\$ 1,270,775</u>	<u>\$ 31,823,255</u>

These financial statements should be read only in connection
with the accompanying Notes to Financial Statements.

CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance - Governmental Funds	\$ 27,152,840
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	118,928,729
Other long-term assets are not current financial resources available to pay current period expenditures and, therefore, are not reported in the funds.	
RTD Light Rail Extension	8,333,333
Net Pension Asset - FPPA	12,507
Deferred outflows and inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, are not reported in the funds.	
Deferred Outflows - Pension Plan	2,975,971
Deferred Outflows - Southeast Light Rail Extension	4,888,333
Deferred Inflows - Pension Plan	(86,672)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds Payable	(16,675,000)
Accrued Interest on Bonds Payable	(61,310)
Bond Premiums (Net of Amortization)	(88,889)
Southeast Light Rail Extension	(18,666,667)
Net Pension Liability - PERA	(5,931,028)
Compensated Absences	(765,350)
Net Position of Governmental Activities	<u><u>\$ 120,016,797</u></u>

These financial statements should be read only in connection with
the accompanying Notes to Financial Statements.

CITY OF LONE TREE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue - Cultural and Community Services</u>	<u>Debt Service - Arts and Cultural Facilities</u>	<u>Debt Service - Park and Recreation Improvements</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 23,692,922	\$ -	\$ 1,924,509	\$ 1,283,040	\$ 26,900,471
Franchise fees	1,041,604	-	-	-	1,041,604
Intergovernmental	15,301,133	-	-	-	15,301,133
Licenses, fees and charges	1,134,976	-	-	-	1,134,976
Fines and forfeitures	680,688	-	-	-	680,688
Tenant rental income	179,424	-	-	-	179,424
Arts and cultural	-	1,519,316	-	-	1,519,316
Net investment income	130,630	-	5,274	4,863	140,767
Other	839,181	-	-	-	839,181
Total revenues	<u>43,000,558</u>	<u>1,519,316</u>	<u>1,929,783</u>	<u>1,287,903</u>	<u>47,737,560</u>
EXPENDITURES					
Current					
General government	4,932,276	-	-	-	4,932,276
Municipal court	226,495	-	-	-	226,495
Community development	1,181,680	-	-	-	1,181,680
Public works	4,325,451	-	-	-	4,325,451
Arts and cultural services	-	2,451,342	-	-	2,451,342
Police	6,918,837	-	-	-	6,918,837
Debt service					
Bond principal	-	-	1,060,000	695,000	1,755,000
Bond interest	-	-	439,744	365,688	805,432
Paying agent fees	-	-	200	200	400
Capital outlay	22,162,335	-	-	-	22,162,335
Total expenditures	<u>39,747,074</u>	<u>2,451,342</u>	<u>1,499,944</u>	<u>1,060,888</u>	<u>44,759,248</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,253,484</u>	<u>(932,026)</u>	<u>429,839</u>	<u>227,015</u>	<u>2,978,312</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	331,355	932,026	-	-	1,263,381
Transfers (out)	(932,026)	-	(331,355)	-	(1,263,381)
Total other financing sources (uses)	<u>(600,671)</u>	<u>932,026</u>	<u>(331,355)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,652,812	-	98,484	227,015	2,978,311
FUND BALANCES - BEGINNING OF YEAR	<u>22,070,850</u>	<u>-</u>	<u>1,059,919</u>	<u>1,043,760</u>	<u>24,174,529</u>
FUND BALANCES - END OF YEAR	<u>\$ 24,723,662</u>	<u>\$ -</u>	<u>\$ 1,158,403</u>	<u>\$ 1,270,775</u>	<u>\$ 27,152,840</u>

These financial statements should be read only in connection
with the accompanying Notes to Financial Statements.

CITY OF LONE TREE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 2,978,311
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Asset Additions	8,189,863
Depreciation Expense	(5,631,642)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Bond Principal	1,755,000
Bond Premium, Amortization	22,248
Revenues in the government funds that do not provide current financial resources available to pay current period expenditures are therefore, not reported in the statement of activities.	
Southeast Light Rail Extension Partner Contributions	(3,715,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	
Compensated Absences - Change in Liability	(74,753)
Pension Expense	(258,190)
Accrued Interest on Bonds - Change in Liability	5,809
Changes in Net Position of Governmental Activities	<u><u>\$ 3,271,646</u></u>

These financial statements should be read only in connection with
the accompanying Notes to Financial Statements.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

The City of Lone Tree, Colorado (City) was incorporated by general election on November 7, 1995. The citizenry voted to become a home rule city on May 5, 1998, under the provisions of Article XX of the Constitution of the State of Colorado. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: building, permitting, planning and zoning, public works (including trash service), public safety (police and animal control) and general government activities including administration, finance, communications, cultural, recreation and municipal court.

The City follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

As required by generally accepted accounting principles (GAAP), these financial statements present the City (the primary government) and its component units.

The City organized the Park Meadows Business Improvement District (PMBID) in October 2006 for the purpose of providing public improvements within the boundaries of the operations area of the PMBID as defined by Ordinance approved by City Council. The PMBID will receive a portion of the sales taxes generated by the Park Meadows Mall (see Note 9 & 11) for the purpose of funding such improvements. The PMBID is comprised of five board members appointed by City Council. The PMBID is required to submit an annual operating plan and budget for City Council approval. Due to the fact that the PMBID's governing body is appointed by City Council along with its fiscal dependence of receiving funds from the City, the PMBID is considered to be a component unit of the City but does not meet the definition of an integral part of the primary government. Therefore, the PMBID is included and presented as a discretely presented component unit of the City.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

The formation of the Lone Tree Business Improvement District (LTBID) was initiated by commercial business owners and approved by the City on September 1, 2015. The LTBID was created to assist with the financing, construction, operation, marketing and maintenance of public improvements and public services intended to maintain and improve the economic performance of business entities located within the LTBID. The LTBID is governed by a Board of Directors who are appointed by, and may be removed by, City Council. The LTBID must submit an annual operating plan and budget for City Council approval by September 30th of each year per State statute. Since the LTBID's governing body is appointed by City Council and the City has the ability to impose its will, the LTBID is considered to be a component unit of the City but does not meet the definition of an integral part of the primary government. Therefore, the LTBID is included and presented as a discretely presented component unit of the City.

None of the component units included in the reporting entity issue their own annual financial statements.

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

- Water and sewer services are provided by Southgate Water and Sanitation District and Northern Douglas County Water Sanitation District.
- Fire protection services are provided by South Metro Fire Rescue Authority.
- Parks and recreation services are provided by South Suburban Parks and Recreation District.
- Street construction and landscaping maintenance of right of way are partially provided by Park Meadows Metropolitan District (PMMD).
- Rampart Range Metropolitan Districts 1-9 (RRMD) provide financing for water, sewer, streets, parks and storm drainage in the areas within RRMD, in the City (see Note 11).
- Heritage Hills Metropolitan District (HHMD) provided financing for public infrastructure within HHMD, in the City, and currently provides certain landscaping maintenance.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the City are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report all of the activities of the primary government and its component units except for the fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by sales taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of net position reports all financial and capital resources of the primary government and its component units. The difference between the assets and deferred outflows and liabilities and deferred inflows of the City is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment 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.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property, equipment and infrastructure are shown as increases in assets, and redemption of bonds are recorded as a reduction in liabilities.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within a reasonable period (typically within 60 days) following the end of the current fiscal period. The major sources of revenue susceptible to accrual are sales, use, lodging and admissions taxes. 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 liability is incurred or the long-term obligation due.

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 Special Revenue Fund – Cultural and Community Services is used to account for revenues and expenditures related to the operations of the Lone Tree Arts Center, as well as other City sponsored events and cultural services. Revenue reported in this fund include all sales at the Lone Tree Arts Center, which include ticket sales and related fees, rental fees, concessions, donations, and grants.

The Debt Service Fund - Arts and Cultural Facilities is used to account for the resources accumulated and payments made for principal and interest on long-term debt related to arts and cultural facilities improvements.

The Debt Service Fund - Park and Recreation Improvements is used to account for the resources accumulated and payments made for the principal and interest on long-term debt related to park and recreational improvements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the City Council holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The City Council can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting, unless otherwise indicated. Budgets for all governmental funds are adopted on a basis consistent with GAAP. Unused appropriations lapse at the end of each fiscal year.

During the year ended December 31, 2016, there were no supplementary budget amendment appropriations for the City.

During the year ended December 31, 2016, supplementary appropriations approved by the PMBID modified the appropriation from \$5,406,643 to \$8,061,643 in the General Fund.

Pooled Cash and Investments

The City follows the practice of pooling cash and investments of all funds to maximize interest earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

Interfund Balances

The City reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings and building improvements	3 - 50 years
Equipment	3 - 15 years
Vehicles	5 years
Infrastructure	10 - 50 years
Intangibles	40 years

Amortization

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Compensated Absences

The City has a policy that allows employees to accumulate unused vacation benefits up to certain maximum hours based on years of service. Compensated absences are accrued when incurred in the government-wide financial statements. The City's General Fund is used to liquidate compensated absences of the governmental activities.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

No allowance of doubtful accounts have been provided. Bad debts are expensed when deemed uncollectible. Management has evaluated the accounts and believes they are all collectible.

Unearned Revenue

Unearned revenue in the government-wide and the fund financial statements consists of unearned ticket sales for the Lone Tree Arts Center.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first is shown as pension-related amounts that includes items related to the City's portion of the Colorado Fire and Police Pension Association (FPPA) and Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the difference between expected and actual experience, any changes of assumptions or other inputs, the net difference between projected and actual investment earnings on pension plan investments, the change in employer allocation percentage from 2014 to 2015, the difference between the actual contributions and proportionate share of total contributions, as well as the amortization related to the difference, and the related contributions subsequent to the measurement date (see Notes 12 and 13). The second is shown as the Southeast Light Rail Extension Agreement, which includes the City's portion of this project. The agreement is between the City and the Regional Transportation District (RTD) which assumes a local match from the City totaling a \$25 million cash contribution. During 2015, the City entered into multiple agreements with partners related to the funding of this project (see Note 7).

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies, as well as the Lone Tree Business Improvement District (component unit) having one item that qualifies for reporting in this category. The City's item is shown as pension-related amounts that includes items related to the City's portion of the Colorado Fire and Police Pension Association (FPPA) and Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the difference between expected and actual experience, any changes of assumptions on other inputs, the net difference between projected and actual investment earnings on pension plan investments, the change in employer allocation percentage from 2014 to 2015, the difference between the actual contributions and proportionate share of total contributions, as well as the amortization related to this difference (see Notes 12 and 13). The Lone Tree Business Improvement District has one item shown as Property Taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, City Council. The constraint may be removed or changed only through formal action of City Council. City Council will either pass an ordinance or resolution as the highest level of decision making dependent on the subject matter. An ordinance requires the matter to be added to the City's municipal code, whereas a resolution does not require this action, but depending on the subject matter, both are equally binding.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. City Council has approved an Intergovernmental Agreement with Douglas County for an emergency disaster management reserve, entered into multiple agreements with private-public entities to operate a free shuttle service between certain employers and the light rail station, as well as setting requirements as part of the site improvement application process for park fees in lieu of land dedication. Additionally, City Council has adopted a Council Adopted Policy to assign fund balance. CAP #12-02, the Capital Reserve Policy, establishes reserves for future capital replacement and project needs.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above. Additionally, the unassigned fund balance is generally a negative amount, except for in the general fund, which reports a positive unassigned fund balance amount. The negative amount is appropriate in other governmental funds (excluding the general fund) if the expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the City’s policy to use the most restrictive classification first.

New Accounting Pronouncements

Effective January 1, 2016, the City implemented the provisions of GASB Statement No. 72, “*Fair Value Measurement and Application*” and GASB Statement No. 77, “*Tax Abatement Disclosures*”.

GASB Statement No. 72 categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this statement encompass tax abatements resulting from both agreements that are entered into by the reporting government and agreements that are entered into by other governments that reduce the reporting government’s tax revenues.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of implementing GASB Statements No. 72 and 77, the City has added notes to the basic financial statements disclosing all currently active tax abatement agreements and have reviewed their investments and determined that all investments are Level 2 inputs and measured at their fair value levels as of December 31, 2016 (see Notes 3 and 9).

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

	<u>Primary Government</u>	<u>Park Meadows BID Component Unit</u>	<u>Lone Tree BID Component Unit</u>
Statement of net position:			
Cash and investments	\$ 14,934,592	\$ 3,094,773	\$ 118,168
Cash and investments – Restricted	11,736,434	1,517,366	5,282
Total cash and investments	<u>\$ 26,671,026</u>	<u>\$ 4,612,139</u>	<u>\$ 123,450</u>

Cash and investments as of December 31, 2016 consist of the following:

	<u>Primary Government</u>	<u>Park Meadows BID Component Unit</u>	<u>Lone Tree BID Component Unit</u>
Deposits with financial institutions	\$ 5,286,450	\$ 1,724,546	\$ 123,450
Certificates of deposit	-	1,538,227	-
Investments	21,384,576	1,349,366	-
Total cash and investments	<u>\$ 26,671,026</u>	<u>\$ 4,612,139</u>	<u>\$ 123,450</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

least 102% of the aggregate uninsured deposits.

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.

As of December 31, 2016 the City's cash deposits had a bank balance of \$4,284,669 and a carrying balance of \$5,286,450. None of the City's deposits are subject to custodial risk since they are deposited in certified eligible public depositories under the PDPA.

As of December 31, 2016, the PMBID's cash deposits, including certificates of deposit, had a bank balance of \$3,591,311 and a carrying balance of \$3,262,773.

As of December 31, 2016, the LTBIID's cash deposits had a bank balance of \$146,522 and a carrying balance of \$123,450.

Investments

The City has adopted a formal investment policy to establish parameters and guidelines for the efficient management of the City's funds and for the purchase and sale of investments. The City will consolidate the balances from all funds, except those held in trusts or special funds that have a designated purpose, to maximize investment earnings. The City's primary objectives, in priority order, are: a) Safety of Principal, b) Liquidity, and c) Return on Investments. Pursuant to the City's investment policy, investments will have a duration of no longer than five years. Additionally, the City follows state statutes regarding investments.

The City generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the City is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the City Council. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, in 2016 to categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select Series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which records their investments at amortized cost.

The City has the following recurring fair value measurements through Colotrust that are valued using the market approach with maturities based on a weighted average under 60 days approach. PMBID has investments through CSAFE that are valued at their amortized cost with maturities based on a weighted average under 60 days approach. Their investments as of December 31, 2016 are as follows:

- City - Local Government Investment Pool of \$21,384,576 are valued using the fair value of the pool's share price multiplied by the number of shares held. (Level 2)
- PMBID - Money Market Funds – CSAFE of \$1,349,366 valued at amortized cost.

The City does not have recurring fair value measurements as of December 31, 2016, that are valued using quoted prices in active markets for identical assets (Level 1) or significant unobservable inputs (Level 3).

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The City invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals.

The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Poor's.

CSAFE

The PMBID invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals.

The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - FUND BALANCE

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

	General Fund	Special Revenue Cultural & Community Services	Debt Service Fund - Arts & Cultural Facilities	Debt Service Fund - Park & Recreation Improvements	Total
Fund Balances					
Nonspendable:					
Prepaid Items	\$ 514,737	\$ 53,659	\$ -	\$ -	\$ 568,396
	<u>514,737</u>	<u>53,659</u>	<u>-</u>	<u>-</u>	<u>568,396</u>
Restricted for:					
Emergency Reserve (TABOR)	969,413	-	-	-	969,413
Conservation Trust	312,402	-	-	-	312,402
Park and Recreation Improvements					
Series 2008A Bonds	78,391	-	-	-	78,391
Brick Fence Replacement Reserve	986,200	-	-	-	986,200
RidgeGate Annexation Reserve	52,601	-	-	-	52,601
Southeast Light Rail Extension	5,445,000	-	-	-	5,445,000
Debt Service	-	-	1,158,403	1,270,775	2,429,178
	<u>7,844,007</u>	<u>-</u>	<u>1,158,403</u>	<u>1,270,775</u>	<u>10,273,185</u>
Committed to:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to:					
Emergency Disaster Management - County	130,385	-	-	-	130,385
Capital Replacement	10,027,744	-	-	-	10,027,744
Park Fee in Lieu of Land Dedication	138,957	-	-	-	138,957
Lone Tree Link	854,985	-	-	-	854,985
Subsequent Year's Expenditures (capital projects)	814,847	-	-	-	814,847
	<u>11,966,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,966,918</u>
Unassigned	<u>4,398,000</u>	<u>(53,659)</u>	<u>-</u>	<u>-</u>	<u>4,344,341</u>
Total Fund Balance	<u>\$ 24,723,662</u>	<u>\$ -</u>	<u>\$ 1,158,403</u>	<u>\$ 1,270,775</u>	<u>\$ 27,152,840</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4- FUND BALANCE (CONTINUED)

Nonspendable

The nonspendable fund balance for prepaid items represents payments to vendors that are applicable to a future accounting period and are, therefore, nonspendable resources and unavailable for appropriation.

Restricted

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 19).

Conservation Trust reserve represents funds received from the State of Colorado from lottery proceeds that are restricted by the State Constitution to be spent for parks, recreation and open space purposes.

Park and recreation improvements represents unspent bond proceeds received from the 2008A Park and Recreation Improvements bond issuance. These funds are to be used exclusively for park and recreational improvements.

The brick fence replacement reserve represents funds received by the City as part of a litigation settlement. These funds are to be used exclusively for capital repairs related to the brick fences throughout the City as a requirement of the settlement.

The RidgeGate annexation reserve has been provided for as required by the Annexation Agreement with the developer of RidgeGate (see Note 11) for emergency maintenance and repairs of capital improvements.

The Southeast Light Rail Extension restricted balance represents funds received by the City from City partners on this project. These funds are to be used exclusively for future payments to RTD as outlined in the agreement (see Note 7).

The debt service restricted balance represents funds to be used for future payment of bond principal, interest and costs related to the 2008A Park and Recreation Improvement Bonds and 2009 Arts and Cultural Facilities Bonds.

Assigned

The emergency disaster management reserve has been provided for pursuant to an intergovernmental agreement with Douglas County estimated at 0.02% of the City's assessed value.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4- FUND BALANCE (CONTINUED)

Capital replacement represents funds accumulated for future replacement of capital improvements and/or for capital projects.

Park fee in lieu of land dedication represents funds received on development projects that are pledged for future park and recreation projects pursuant to development site improvement applications.

Lone Tree Link funds are related to a public-private partnership the City has formed with institutions, businesses and organizations along the Park Meadows Drive corridor to provide a circulator shuttle bus service between businesses and the light rail station. These funds are assigned to pay for the operations of this service, which is free to riders (see Note 10).

Subsequent year's expenditures represents the amount appropriated for use in the budget for the year ending December 31, 2017. This classification of expenditures is present when prior-year fund balance is used for expenditures, such as capital projects. For 2017, these expenditures are primarily for capital projects, such as street improvements.

Unassigned

Included in the unassigned amount in the General Fund is the City's working reserve or stabilization fund. This amount was established by City Council in CAP #11-01 to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures as well as to ensure stable tax rates.

NOTE 5 - TRANSFERS

The following schedule summarizes the City's transfers for the year ended December 31, 2016:

Transfers Out	Transfers in General Fund	Transfers in Special Revenue Fund - Cultural & Community Services
Debt Service Fund – Arts / Cultural Facilities	\$ 331,355	\$ -
General Fund	-	932,026
	<u>\$ 331,355</u>	<u>\$ 932,026</u>

The transfer of \$331,355 from the Debt Service Fund – Arts and Cultural Facilities represents excess revenue not required for bond payments that was transferred to the General Fund and used to pay for costs related to capital purchases for the Lone Tree Arts Center.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - TRANSFERS (CONTINUED)

The transfer of \$932,026 from the General Fund represents the subsidy needed from the General Fund to cover the operational costs of the Lone Tree Arts Center in excess of revenues generated by the Lone Tree Arts Center.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Primary Government				
Capital Assets, Not Being Depreciated:				
Land	\$ 23,986,788	\$ 345,276	\$ -	\$ 24,332,064
Construction in Progress	1,073,719	4,003,444	(2,386,671)	2,690,492
Total Capital Assets, Not Being Depreciated	<u>25,060,507</u>	<u>4,348,720</u>	<u>(2,386,671)</u>	<u>27,022,556</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	39,410,017	1,185,710	-	40,595,727
Equipment	2,635,665	616,407	-	3,252,072
Vehicles	1,389,927	111,215	(96,441)	1,404,701
Infrastructure	114,781,409	4,314,482	-	119,095,891
Intangibles	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	<u>159,717,019</u>	<u>6,227,814</u>	<u>(96,441)</u>	<u>165,848,391</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(6,037,829)	(997,182)	-	(7,035,011)
Equipment	(1,691,890)	(369,735)	-	(2,061,625)
Vehicles	(1,002,456)	(151,431)	96,441	(1,057,446)
Infrastructure	(59,243,592)	(4,075,794)	-	(63,319,386)
Intangibles	(431,250)	(37,500)	-	(468,750)
Total Accumulated Depreciation	<u>(68,407,016)</u>	<u>(5,631,642)</u>	<u>96,441</u>	<u>(73,942,218)</u>
Total Capital Assets, Being Depreciated, Net	<u>91,310,002</u>	<u>596,172</u>	<u>-</u>	<u>91,906,173</u>
Capital Assets, Net	<u>\$ 116,370,509</u>	<u>\$ 4,944,892</u>	<u>\$ (2,386,671)</u>	<u>\$ 118,928,729</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Park Meadows BID Component Unit:				
Capital Assets, Being Depreciated:				
Infrastructure	\$ 16,783,836	\$ 2,111,966	\$ -	\$ 18,895,802
Total Capital Assets, Being Depreciated	<u>16,783,836</u>	<u>2,111,966</u>	<u>-</u>	<u>18,895,802</u>
Less Accumulated Depreciation for:				
Infrastructure	(3,570,894)	(773,480)	-	(4,344,374)
Total Accumulated Depreciation	<u>(3,570,894)</u>	<u>(773,480)</u>	<u>-</u>	<u>(4,344,374)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,212,942</u>	<u>1,338,486</u>	<u>-</u>	<u>14,551,428</u>
Capital Assets, Net	<u>\$ 13,212,942</u>	<u>\$ 1,338,486</u>	<u>\$ -</u>	<u>\$ 14,551,428</u>

Depreciation expense for 2016 was charged to the following functions/programs:

	Governmental Activities	Park Meadows BID Component Unit
General government	\$ 452,547	\$ 773,480
Municipal court	11,723	-
Community development	37,473	-
Public works	4,095,579	-
Police department	411,407	-
Arts and cultural	<u>622,913</u>	<u>-</u>
Total depreciation expense	<u>\$ 5,631,642</u>	<u>\$ 773,480</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the City's long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
Governmental Activities					
Sales and Use Tax Revenue Bonds - Series 2008A	\$ 7,305,000	\$ -	\$ 695,000	\$ 6,610,000	\$ 750,000
Unamortized premium on Series 2008A Bonds	17,364	-	3,547	13,817	-
Sales and Use Tax Revenue Bonds- Series 2009	11,125,000	-	1,060,000	10,065,000	1,140,000
Unamortized premium on Series 2009 Bonds	93,773	-	18,701	75,072	-
Southeast Light Rail Extension	25,000,000	-	6,333,333	18,666,667	8,333,333
Compensated Absences	690,597	204,492	129,739	765,350	157,959
	<u>\$ 44,231,734</u>	<u>\$ 204,492</u>	<u>\$ 8,240,320</u>	<u>\$ 36,195,906</u>	<u>\$ 10,381,292</u>

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
Park Meadows BID Component Unit					
Shared Sales Tax Revenue Bonds - Series 2007	\$ 13,690,000	\$ -	\$ 515,000	\$ 13,175,000	\$ 540,000
Unamortized discount on Series 2007 Bonds	(208,768)	-	(13,048)	(195,720)	-
	<u>\$ 13,481,232</u>	<u>\$ -</u>	<u>\$ 501,952</u>	<u>\$ 12,979,280</u>	<u>\$ 540,000</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On May 6, 2008, a majority of the qualified electors of the City authorized the issuance of indebtedness in an amount not to exceed \$18,500,000 and \$12,500,000, for sales and use tax revenue bonds for funding capital improvements for cultural facilities and park and recreation, respectively. The voters also authorized a temporary sales and use tax rate increase of .1875% for arts and cultural facilities and .125% for park and recreation improvements effective July 1, 2008 through December 31, 2023 or until the full payment of such debt if occurring earlier. At December 31, 2016, the City had authorized but unissued bond indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized 2008	Amount Used Series 2008A	Amount Used Series 2009	Remaining Authorization
Arts and cultural facilities	\$ 18,500,000	\$ -	\$ 16,880,000	\$ 1,620,000
Park and recreation improvements	<u>12,500,000</u>	<u>11,000,000</u>	<u>-</u>	<u>1,500,000</u>
	<u>\$ 31,000,000</u>	<u>\$ 11,000,000</u>	<u>\$ 16,880,000</u>	<u>\$ 3,120,000</u>

In the future, the City may issue a portion or all of the remaining authorized but unissued bond indebtedness for purposes of providing public improvements.

Additionally, the PMBID held an election on November 7, 2006 where eligible voters of the PMBID authorized the issuance of \$135,000,000 of indebtedness payable from ad valorem property taxes or other legally available revenues of the PMBID for capital expenditures related to street, park and recreation, utility lines, transportation, and television relay improvements. As of December 31, 2016, the PMBID has \$118,690,000 in authorized, but unissued indebtedness for capital purposes.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

The detail of the City's long-term obligations are as follows:

Series 2008A, \$11,000,000 Sales and Use Tax Revenue Bonds, dated November 19, 2008 (2008A Bonds). On November 19, 2008, the City issued \$11,000,000 in Sales and Use Tax Revenue Bonds for park and recreation projects. The proceeds of the 2008A Bonds were used to acquire and develop park and recreation facilities within the City and pay for the costs of issuing the 2008A Bonds. The 2008A Bonds are due annually in various amounts beginning December 1, 2010 through December 1, 2023 with interest from 3.50% to 5.25%, payable semiannually on June 1 and December 1.

The 2008A Bonds maturing on or before December 1, 2018 are not subject to redemption prior to maturity. The 2008A Bonds maturing on or after December 1, 2019 are subject to redemption prior to maturity at the option of the City with no redemption premium. The principal and interest on the 2008A Bonds is payable solely from and secured by an irrevocable pledge of the 2008A pledged revenues which primarily consist of the revenues derived from the City's recreation sales and use tax imposed at a rate equal to 0.125%. The recreation sales tax went into effect on July 1, 2008 and will end on December 1, 2023, or after full payment of the 2008A Bonds, whichever occurs first.

Series 2009, \$16,880,000 Sales and Use Tax Revenue Bonds, dated August 11, 2009 (2009 Bonds). On August 11, 2009, the City issued \$16,880,000 in Sales and Use Tax Revenue Bonds for arts and cultural facilities projects. The proceeds of the 2009 Bonds will be used to design and construct the Lone Tree Arts Center and pay for the costs of issuing the 2009 Bonds. The 2009 Bonds are due annually in various amounts beginning December 1, 2009 through December 1, 2023 with interest from 2.50% to 4.25%, payable semiannually on June 1 and December 1.

The 2009 Bonds maturing on or before December 1, 2019 are not subject to redemption prior to maturity. The 2009 Bonds maturing on or after December 1, 2020 are subject to redemption prior to maturity at the option of the City with no redemption premium. The principal and interest on the 2009 Bonds is payable solely from and secured by an irrevocable pledge of the 2009 pledged revenues which primarily consist of the revenues derived from the City's cultural sales and use tax imposed at a rate equal to 0.1875%. The cultural sales tax went into effect on July 1, 2008 and will end on December 1, 2023, or after full payment of the 2009 Bonds, whichever occurs first.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

The detail of the PMBID's long-term obligation is as follows:

Series 2007, \$16,310,000 Shared Sales Tax Revenue Bonds, dated June 20, 2007 (2007 Bonds). On June 20, 2007, the PMBID issued \$16,310,000 in Shared Sales Tax Revenue Bonds for capital improvement projects. The proceeds of the 2007 Bonds were used to develop an addition to the Park Meadows Mall, provide capitalized interest for payment of a portion of the interest on the 2007 Bonds, fund a reserve account and pay for the costs of issuing the 2007 Bonds. The 2007 Bonds are due annually in various amounts beginning December 1, 2010 through December 1, 2031, with interest from 5.00% to 5.35%, payable semiannually on June 1 and December 1.

The 2007 Bonds are subject to a mandatory sinking fund redemption beginning on December 1, 2010. The 2007 Bonds maturing on or after December 1, 2017 are subject to redemption prior to maturity at the option of the PMBID with no redemption premium. The principal and interest on the 2007 Bonds is payable solely from and secured by an irrevocable pledge of the 2007 pledged revenues, which primarily consist of the revenues derived from the PMBID's shared sales tax with the City imposed at a rate equal to 1.8125%. The City is required to pledge 50% of the taxes collected in the PMBID area pursuant to the annexation agreement (see Note 11); however, the City is not ultimately responsible for the payment of the bonds.

Annual debt service requirements to maturity are as follows:

Year Ended December 31,	<u>Governmental Activities</u>		
	<u>Sales and Use Tax Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 1,890,000	\$ 735,719	\$ 2,625,719
2018	2,030,000	658,656	2,688,656
2019	2,195,000	569,406	2,764,406
2020	2,365,000	470,731	2,835,731
2021	2,540,000	366,731	2,906,731
2022-2023	5,655,000	388,309	6,043,309
	<u>\$ 16,675,000</u>	<u>\$ 3,189,552</u>	<u>\$ 19,864,552</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

	Component Unit		Total
	Principal	Interest	
2017	\$ 540,000	\$ 699,345	\$ 1,239,345
2018	570,000	672,345	1,242,345
2019	600,000	642,135	1,242,135
2020	630,000	610,335	1,240,335
2021	665,000	576,945	1,241,945
2022-2026	3,885,000	2,317,890	6,202,890
2027-2031	<u>6,285,000</u>	<u>1,169,592</u>	<u>7,454,592</u>
	<u>\$ 13,175,000</u>	<u>\$ 6,688,587</u>	<u>\$ 19,863,587</u>

Southeast Light Rail Extension Project

During 2015, the City entered into multiple agreements related to the funding of the Southeast Light Rail Extension project, which will add three additional stops, approximately 2.3 miles of additional trackage, and associated infrastructure. The master agreement, which was entered into on October 7, 2015 between the City and the Regional Transportation District (RTD) assumes a local match from the City totaling a \$25 million cash contribution. Construction on this project began in 2016 and is projected to be completed during 2019.

The City's local match to RTD is not contingent upon payment from the other entities, however the City executed agreements with the other entities in 2015, prior to the finalization of the master agreement with RTD. The City agrees to pay RTD in three total annual payments of \$6,333,333 in 2016, \$8,333,333 in 2017, and \$10,333,334 in 2018. Each annual payment will be made in two equal installments, the first of which will be made on May 2 and the second of which will be made on November 1, of each year an annual payment is due. The City made the required payments to RTD in 2016 in accordance with the installment schedule.

In addition to the agreement with RTD, the City entered into cost sharing agreements with Douglas County, the Southeast Public Improvement Metropolitan District (SPIMD), and the Rampart Range Metropolitan District (RRMD). Contributions from each entity are as follows:

- City - \$7,332,500
- Douglas County - \$7,335,000
- RRMD - \$7,332,500
- SPIMD - \$3,000,000

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Details of each of the funding partner agreements are below:

On February 24, 2015, the City and Douglas County entered into an intergovernmental agreement where the County agrees to pay the City \$7,335,000. This amount will be paid in three installments, \$1,730,000 by December 1, 2015, \$3,160,000 by March 1, 2016 and \$2,445,000 by December 1, 2017. In 2016, the City received the 2016 required payment of \$3,160,000 from the County, which was recorded as a reduction to the long-term receivable on the government-wide statements.

On July 21, 2015, the City and RRMD entered into an intergovernmental agreement where RRMD agrees to pay the City \$7,332,500. This amount will be paid in six installments, two per year, each \$1,222,083 by January 1 and May 31 of 2016-2018. In 2016, the City received the two required payments during the year totaling \$2,444,166 from RRMD, which was recorded as a reduction to the long-term receivable.

On June 16, 2015, the City and SPIMD entered into an intergovernmental agreement where SPIMD agrees to pay the City \$3,000,000. This amount will be paid in three installments, \$1,000,000 by December 1, 2015, \$1,000,000 by March 1, 2016 and \$1,000,000 by December 1, 2017. In 2016, the City received the 2015 and 2016 payments totaling \$2,000,000, which were recorded as reductions to the long-term receivable.

NOTE 8 - NET POSITION

The City has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2016, the City had net investment in capital assets of \$102,243,231 calculated as follows:

Primary Government	<u>Governmental Activities</u>
Net investment in capital assets:	
Capital assets, net	\$ 118,928,729
Unspent bonds proceeds	78,391
Current portion of long-term obligations	(1,890,000)
Noncurrent portion of long-term obligations	(14,785,000)
Premium (net of accumulated amortization)	(88,889)
Net investment in capital assets	<u>\$ 102,243,231</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - NET POSITION (CONTINUED)

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City had restricted net position of \$4,762,302 as of December 31, 2016 as follows:

Primary Government	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve (see Note 19)	\$ 969,413
Conservation Trust	312,402
Brick Fence Replacement	986,200
RidgeGate Annexation Reserve (see Note 11)	52,601
Debt service (see Note 4)	2,429,179
Net Pension Asset (see Note 12)	<u>12,507</u>
	<u><u>\$ 4,762,302</u></u>

The unrestricted component of net position as of December 31, 2016 totaled \$13,011,264.

NOTE 9 – TAX ABATEMENTS

In accordance with GASB Statement No. 77, the City has disclosed all agreements entered into with other entities that involve sales tax abatements. Due to the limited amount of abatement instances that the City is a part of, no quantitative threshold was set and all agreements were included. The terms of the agreements and payment amounts as of December 31, 2016 are detailed as follows:

Retailer A is to be paid a total of \$750,000, at a minimum, in ten equal installments of \$75,000 beginning in 2011 on condition that Retailer A leases and continually occupies and conducts retail operations at the current location within the City. The payments made pursuant to the agreement are subject to annual appropriation. This agreement was put in place to retain Retailer A in the City to help preserve the City's sales tax revenue and has a termination date of September 30, 2021. As of December 31, 2016, Retailer A has been paid \$450,000 with a remaining amount committed of \$300,000.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 – TAX ABATEMENTS (CONTINUED)

Retailer B is to be paid a total of \$7,200,000. \$2,200,000 will be due from the City upon the issuance of a certificate of occupancy. Additionally, once Retailer B opens, the City will remit an amount equal to 65% of the revenues collected by the City from taxable transactions occurring on the property during the first three years of the revenue sharing period and 50% during the remainder of the revenue sharing period. The revenue sharing period will be fifteen years from the effective date of May 17, 2012 or until the revenue cap of \$5,000,000 is achieved. Furthermore, the City also agrees to rebate 100% of any and all applicable use taxes collected on building and construction materials used for construction of the site improvements and public improvements at the time the initial certificate of occupancy is issued by the City. Such use tax rebates will not be credited against the revenue cap but shall be in addition thereto. The agreement with Retailer B was put in place to help bring in a new tourist retail location to drive economic development and future tax revenues in the City. As of December 31, 2016, Retailer B has been paid \$4,286,048 with a remaining amount committed of \$2,913,952.

Service Provider B shall be reimbursed 100% of all sales and use tax payments imposed or collected by the City on building and construction materials purchased for use in construction or imposed or collected on machinery, equipment, furniture, fixtures, supplies and all other tangible personal property or taxable services purchased for use on the property for 10 years effective from February 7, 2012 to February 7, 2022. As of December 31, 2016, no payments have been made to Service Provider B.

Service Provider C shall be reimbursed 75% of all sales and use tax payments imposed or collected by the City on building and construction materials and building permit and review fees purchased for use in construction or imposed or collected on furniture, fixtures, and equipment for use on the property for 5 years effective from May 21, 2013 to May 21, 2018. Additionally, the City agrees to apply the State of Colorado's definition of "taxable software" when determining sales and use taxes under the Municipal Code. Service Provider C shall provide an accounts payable listing by project number to verify, to the sole reasonable satisfaction of the City, that the building permit fees, review fees, sales taxes, and use taxes paid by Lessee were for expenditures directly associated with the Property. As of December 31, 2016, \$732 has been remitted to Service Provider C.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 – TAX ABATEMENTS (CONTINUED)

Pursuant to the First Amendment to the Annexation and Development Agreement, during the period commencing on January 1, 2014 and ending on December 31, 2032 the City will share with Rampart Range Metropolitan District No.1 (the District) all sales tax, lodging tax, admissions tax or use tax collected on taxable transactions occurring within the west side property, without deduction whatsoever other than the deduction of all amounts that the City is required to rebate to Retailer B (discussed above) pursuant to the existing Retailer B Incentive Agreement and MOU. The sales tax shareback was originally created for the purpose of providing certain public improvements and services to and for the benefit of the property located within the boundaries of the special districts contemplated in the service plan that governs the District and that is located within the boundaries of the City as a result of the annexation contemplated and authorized by the Annexation Agreement.

The shareback per this agreement is as follows:

- 45% to the District from January 1, 2014 to December 31, 2018
- 25% to the District from January 1, 2019 to December 31, 2023
- 15% to the District from January 1, 2024 to December 31, 2028
- 10% to the District from January 1, 2029 to December 31, 2032

The City shall make payment to the District in each calendar quarter within sixty (60) days after the end of each calendar quarter. In 2016, the amount paid to the District pursuant to the First Amendment to the Annexation and Development Shareback Agreement totaled \$1,388,524.

Pursuant to the agreement between the City and the owner of the Park Meadows Town Center, commencing on January 1, 2007 and continuing for twenty-five years from the commencement date, the City will distribute 50% of sales tax collections received from the annexed property to the created Park Meadows Business Improvement District (PMBID). Sales tax is considered any sales tax, lodging tax, admissions tax or use tax imposed by the City or on its behalf which is imposed upon taxable transactions occurring with respect to, or the taxable exercise of any privilege on or with respect to the Park Meadows Town Center, specifically excluding ad valorem property taxes. The term of the agreement will automatically be extended for an additional five year period if the sales tax collected in 2027 is more than the sales tax collections in the first full sales tax collection year (referred to as the base year) which begins after the first to occur: i) annexation by the City of all of the anchor retail stores and substantial completion of the “Lifestyle Extension” or ii) December 31, 2009. This sales tax shareback was a negotiated component of the annexation agreement which has contributed to the economic growth of the City and has increased tax revenues.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 – TAX ABATEMENTS (CONTINUED)

The City shall make payment to the PMBID in a lump sum due not more than sixty (60) days following the close of each month, provided that such payments may be made at greater intervals, not to exceed one year. In 2016, the amount paid to PMBID totaled \$5,317,988.

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS

Dispatch Services

The City has entered into an intergovernmental agreement with the Town of Parker to provide dispatch services within the City's boundaries commencing January 1, 2006. The City paid \$596,740 in 2016 associated with costs under the agreement. Total dispatch services costs of \$642,600 are estimated for 2017.

Crime Analysis, Crime Scene Investigation and Evidence Storage

The City has entered into an intergovernmental agreement with the Town of Parker to provide services related to crime analysis, crime scene investigation and evidence storage beginning on January 1, 2013 through December 31, 2013 automatically renewing for five subsequent one year terms unless terminated by either party. The City paid the following amounts related to these services during 2016:

Crime analysis	\$ 7,891
Crime scene investigation	7,146
Evidence storage	<u>62,829</u>
	<u>\$ 77,866</u>

Total services are estimated at \$86,320 for 2017.

Street Improvements

The City has entered into intergovernmental agreements with Douglas County (the County) and/or Park Meadows Metropolitan District for the design and construction of certain street improvements. Total expenditures amounted to \$3,636,176 in 2016. The City's share of the 2016 improvements was \$1,256,176. For 2017, the main projects are improvements to County Line Road, the Lincoln Pedestrian Bridge, Park Meadows Drive, and the Yosemite medians. The City's share of the 2017 improvements are estimated at \$3,580,947 of the approximate total cost of \$7,255,947.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

The Rampart Range Metro District (RRMD) contributed streets beginning in 2015 to be maintained by the City in accordance with the Annexation Agreement entered into by the City and related Developer per the First Amendment to the Annexation Agreement. RRMD paid the City the second annual installment of five in the amount of \$250,000 for additional maintenance of the accepted streets. Additionally, as future streets are constructed in RRMD, it is anticipated the addition of streets will be maintained by the City in accordance with the Annexation Agreement (see Note 11).

Lone Tree Link Shuttle Service

During 2014, the City entered into multiple agreements as part of a public-private partnership related to the Lone Tree Shuttle Bus Project or the Lone Tree Link (Link). This project was initiated because Park Meadows Drive is a major travel corridor in the City, connecting the Lincoln Light Rail Station with major institutions and businesses that provide work for thousands of employees. This service gives residents, visitors, shoppers and employees the ability to access these institutions and businesses by means of a shuttle bus service and provides better transportation to jobs and amenities throughout the corridor and reduces the dependency on the single occupant automobile, facilitates the movement of traffic and minimizes traffic congestion in the shuttle area. The private businesses consisting of Sky Ridge Medical Center, Charles Schwab, Kaiser Permanente, Lone Tree Restaurant Investment, LLC, GC Net Lease Investors, LLC and BGP Parkridge, LLC, entered into license agreements to allow the Link access to their properties.

For the third year of service, Sky Ridge Medical Center, OmniPark Metropolitan District, and Charles Schwab continued to be funding partners contributing \$100,000, \$100,000 and \$125,000, respectively, for the 2016-2017 operation year, which runs from September 2016 to August 2017. Additionally, an intergovernmental agreement was entered into with the Southeast Public Improvement Metropolitan District (SPIMD), which includes funding support of \$100,000 for the 2016-2017 operation year. The City also contributed \$250,000 in 2016 for the 2016-2017 operation year and is responsible for overseeing the operations of the Link. The continuance of the service will be evaluated each year annually, along with additional funding needs.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - COMMITMENTS

RidgeGate

During 2000, City voters approved the annexation of approximately 3,500 acres identified as RidgeGate. The City has entered into an agreement with the Developer to reimburse certain revenues for public infrastructure improvements. Net revenues collected within the annexed property are to be allocated 60% to an entity designated by the developer, RRMD No. 1, with the remaining 40% to the City. The term of the revenue shareback agreement commences on a date yet to be specified by the Developer, but no later than August 2020, and extends twenty years from such date. The Developer gave notice to the City to begin the shareback agreement on January 1, 2013. Prior to the commencement of the revenue shareback, any excess revenue is required to be transferred to the General Fund to be used at the discretion of City Council. A total of \$52,601 has been accumulated toward the RidgeGate annexation reserve per the original annexation and development agreement.

First Amendment to the Annexation and Development Agreement

On December 16, 2014, the City Council approved the First Amendment to the Annexation and Development Agreement (Amendment) between the City and RidgeGate Investments, Inc. (RidgeGate), which is effective January 1, 2015. Simultaneously with the execution of this Amendment, RidgeGate, the City and Rampart Range Metropolitan District No. 1 (the District) entered into an agreement (the West Side Agreement) regarding dedication, acceptance and maintenance of public improvements on the portion of the property located on the west side of I-25, and the sharing of sales tax revenues generated from transactions occurring within the west side property. This amendment replaces the 2001 Annexation Agreement and 2001 Sales Tax Sharing Agreement (the 2001 Agreements) for the west side of the property only. The 2001 Agreements are still in place for the property east of I-25. The two significant changes in the Amendment include the acceptance of streets and sales tax sharing.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 – COMMITMENTS (CONTINUED)

Concurrent with the execution of the Amendment, the District dedicated to the City for perpetual ownership, repair, replacement, operation and maintenance, all streets, sidewalks, street and pedestrian lighting, safety protection and all appurtenant facilities as detailed in Exhibit A of the Amendment. In 2015, the amount added to the City's financials for these assets totaled \$15,357,820. In 2016, the amount added to the City's financials for these assets totaled \$97,123. The City will maintain these assets to the same standard as elsewhere in the City. Additionally, the City agreed that it would also accept all streets, sidewalks, street and pedestrian lighting, and all appurtenant facilities constructed or installed in the future on the west side property in accordance with the subdivision improvement standards and procedures adopted by the City at such time of dedication. The District remains responsible for maintenance, operations, repair and replacement of all other public improvements constructed, retained and owned by the District which may include but are not limited to certain park and recreation, drainage, and parking facilities. In order to offset costs incurred by the City in connection with the City's maintenance and operation of the improvements accepted by the City during 2015 through 2019, the District will make five annual payments of \$250,000 each on or before July 1 of each such five years, subject to annual appropriation. Additionally, Rampart Range Metropolitan District Nos. 2 and 7 also agree commencing in the tax collection year 2024, to impose an additional operational mill levy in the amount of one (1) mill that will be paid to the City and used by the City for maintenance and repair of the existing and future streets and sidewalk improvements.

Pursuant to the Amendment, during the period commencing on January 1, 2014 and ending on December 31, 2032, all sales tax, lodging tax, admissions tax or use tax collected by the City on taxable transactions occurring within the west side property, without deduction whatsoever other than the deduction of all amounts that the City is required to rebate pursuant to an existing retailer Incentive Agreement and MOU, shall be shared between the City and the District as follows:

- 45% to the District from January 1, 2014 to December 31, 2018
- 25% to the District from January 1, 2019 to December 31, 2023
- 15% to the District from January 1, 2024 to December 31, 2028
- 10% to the District from January 1, 2029 to December 31, 2032

The first payment shall be made no later than July 31, 2015 for the fiscal year 2014, together with payment for the first calendar quarter of 2015. Thereafter, the City shall make payment to the District in each calendar quarter within sixty (60) days after the end of each calendar quarter.

In 2016, the amount paid to the Developer pursuant to the First Amendment to the Annexation and Development Shareback Agreement totaled \$1,388,524.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 – COMMITMENTS (CONTINUED)

Park Meadows Mall

During 2006, City Council approved the annexation of the retail shopping property identified as Park Meadows Town Center effective January 1, 2007. The City entered into an agreement with the owner and organized a business improvement district named the Park Meadows Business Improvement District (PMBID). Pursuant to the agreement, commencing January 1, 2007 and continuing for twenty-five years from the commencement date, the City will distribute 50% of sales tax collections received from the annexed property to the PMBID. The term of the agreement will automatically be extended for an additional five year period if the sales tax collected in 2027 is more than the sales tax collections in the first full sales tax collection year (referred to as the base year) which begins after the first to occur: i) annexation by the City of all of the anchor retail stores and substantial completion of the “Lifestyle Extension” or ii) December 31, 2009.

The owner of the retail shopping property has the option to annually notify the City and the PMBID in writing of the amount due by the owners for property taxes certified by the Park Meadows Metropolitan District against the annexed portion of the property within the City for the previous year. Within 60 days of such notice the City shall pay from the sales tax revenue 50% of the stated amount (the Reimbursement). This payment is in addition to the Sales Tax Disbursement.

Construction Commitments

As of December 31, 2016, the City had unexpended construction related contract commitments of \$4,534,398.

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)

Plan Description

The City contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. All full-time, paid police officers of the City are members of the Statewide Defined Benefit Plan (excluding the Chief of Police). The cost to administer the plan is financed through the contributions and investment earnings of the plan. Colorado Statutes assign the authority to establish benefit provisions to the state legislature.

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Statewide Defined Benefit Plan, the Statewide Money Purchase Plan and the Statewide Death and Disability Plan. That report may be obtained by calling FPPA at 303-770-3772 in the Denver Metro area and 1-800-332-FPPA (3772) from

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

outside the metro area or can be obtained at www.fppaco.org.

Pension Benefits

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions

The Statewide Defined Benefit Plan (Plan) sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8.5 and 8 percent of base salary for a total contribution rate of 16.5 percent through 2015. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022. Employer and member contributions are invested in funds at the discretion of members.

Contributions to the Plan from the City were \$276,557 for the year ended December 31, 2016.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported an asset of \$12,507 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At December 31, 2015, the City's proportion was 0.710 percent, which was a decrease of 0.031 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$(81,714).

Pension expense for 2016 was charged to the following functions/programs:

	Governmental Activities
Police Department	\$ (81,714)
Total pension expense	<u>\$ (81,714)</u>

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Beginning Deferral Amounts as of prior measurement date, December 31, 2014	\$ 341,269	\$ (13,870)
Differences between actual and expected experience	101,158	2,464
Changes in assumptions	196,459	-
Net difference between actual and projected earnings on pension plan investments	570,628	-
Changes in proportion and differences between City contributions and proportionate share of contributions	(275,161)	33,574
City contributions subsequent to the measurement date	276,557	-
Total	\$ 1,210,910	\$ 22,168

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

\$276,557 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amounts Reported as Deferred Outflows and Deferred Inflows of Resources Recognized in Pension Expense
2017	\$ 197,738
2018	197,738
2019	197,738
2020	181,955
2021	34,648
Thereafter	\$ 146,704

Actuarial Assumptions

The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 – 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	3.0 percent

Mortality rates were based on the RP-2014 Mortality Tables for Blue Collar employees projected with Scale BB, 55 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	37%	6.5%
Equity Long/Short	10%	4.7%
Illiquid Alternatives	20%	8.0%
Fixed Income	16%	1.5%
Absolute Return	11%	4.1%
Managed Futures	4%	3.0%
Cash	2%	0.0%
Total	100%	

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2015, are summarized in the above table.

Discount Rate

The discount rate used to measure the total pension asset was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of the Department's proportionate share of the net pension liability / (asset) to changes in the discount rate

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability / (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
City's proportionate share of the net pension liability/(asset)	\$ 1,752,134	\$ (12,507)	\$ (1,476,218)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the FPPA's comprehensive annual report which can be obtained at <http://www.fppaco.org/annual-reports.html>.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

Defined Contribution Pension Plans

Statewide Money Purchase Plan

Plan Description

Department Chiefs have the option to participate in the Statewide Money Purchase plan as an alternative to the FPPA Statewide Defined Benefit Plan. Therefore, the City contributes to the Fire & Police Statewide Money Purchase Plan, a multiple-employer defined contribution pension plan for the Chief of Police. The plan is administered by the Fire and Police Pension Association of Colorado (FPPA). The Statewide Money Purchase Plan provides retirement benefits for members and beneficiaries. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

The Fire & Police Members' Statewide Money Purchase Plan became effective on January 1, 1995. Participants can choose from various mutual funds selected by the Self-Directed Plans Committee pursuant to the fund structure approved by the Board of Directors as well as mutual funds or other investments offered through a Self-Directed Brokerage Account. The Plan assets are included in the Fire & Police Members' Self-Directed Investment Fund.

Funding Policy

Contributions to the Statewide Money Purchase Plan are calculated as a percentage of the member's base salary, which is specified by state statute. Current participants contribute 8 percent of salary, which is matched by the employer. Members are always fully vested in their own contributions, and the earnings on those contributions. Vesting in the employer's contributions and earnings on those contributions occurs according to the vesting schedule set by state statute at 20 percent per year after the first year of service to be 100 percent vested after 5 years of service. Unvested Department contributions and earnings thereon are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. Any administrative expenses not covered by forfeitures are charged directly to member accounts.

Employer and member contributions are invested in funds at the discretion of members. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended December 31, 2016, the City recognized pension expense of \$5,053 related to this plan.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

Voluntary Investment Program

Plan Description

Employees of the City that are also members of the Statewide Defined Benefit Plan may voluntarily contribute to the IRC Deferred Compensation Plan, created under Internal Revenue Code Section 457 defined contribution plan administered by FPPA. This Deferred Compensation Plan collects amounts deferred by participants of affiliated employers. The assets are held in trust for the exclusive benefit of participants. The plan allows the members to defer a portion of their salary until future years.

Other Post-Employment Benefits

Statewide Death and Disability Plan

Plan Description

The Statewide Death and Disability Plan (Plan) is a cost-sharing multiple-employer defined benefit death and disability plan covering full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the Plan may include part-time police and fire employees; however the City does not currently have any part-time police employees. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan assets are included in the Fire & Police Members' Benefit Investment Fund.

Plan benefits provide 24-hour coverage, both on and off duty and are available for members not eligible for normal retirement under a defined benefit plan, or members who have not met 25 years of accumulated service and age 55 under a money purchase plan.

In the case of an on-duty death, benefits may be payable to the surviving spouse and/or dependent children of active members who were eligible to retire, but were still working. On-duty death and disability benefits are free from state and federal taxes in the event that a member's disability is determined to be the result of an on-duty injury or an occupational disease.

This plan is reported by FPPA as an Other Post-Employment Benefit (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by FPPA.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

Funding Policy

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. In 1997 the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to this Plan as of January 1, 1997. The contribution increased to 2.6 percent of base salary as of January 1, 2007. This percentage can vary depending on actuarial experience. The percentage contribution may either be paid entirely by the employer or member, or it may be split between the employer and the member. The City contributes the full 2.6% of covered salary for each eligible member. Member contributions to the Statewide Death and Disability Plan are not required.

For the years ended December 31, 2014, 2015, and 2016, City contributions totaled \$95,378, \$91,205, and \$89,706, respectively.

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (PERA)

The City participates in the Local Government Division Trust Fund (Trust), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The Trust provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All civilian employees of the City are members of the Trust.

The City also contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer healthcare trust administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

Plan Description

Eligible employees of the City are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (PERA) (CONTINUED)

Pension Benefits

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees of the City are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$431,794 to the Trust and \$34,734 to the Health Care Trust Fund, for a total City contribution of \$466,528 for the year ended December 31, 2016.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$5,931,028 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The City's proportion of the net pension liability was based on the City's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the City's proportion was 0.54 percent, which was an increase of 0.02 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$339,901.

Pension expense for 2016 was charged to the following functions/programs:

	Governmental
	<u>Activities</u>
General Government	\$ 133,432
Municipal Court	19,664
Community Development	39,327
Police Department	44,946
Arts and Cultural	<u>102,532</u>
Total pension expense	<u>\$ 339,901</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

At December 31, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Beginning deferral amounts as of prior measurement date, December 31, 2014	\$ 751,253	\$ (941)
Differences between actual and expected experience	44,500	736
Changes in assumptions	-	(108,635)
Net difference between actual and projected earnings on pension plan investments	887,683	-
Changes in proportion and differences between City contributions and proportionate share of contributions	(384,903)	-
City contributions subsequent to the measurement date	466,528	-
Total	\$ 1,765,061	\$ (108,840)

\$466,528 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amounts Reported as Deferred Outflows and Deferred Inflows of Resources Recognized in Pension Expense
2017	\$ 343,634
2018	307,896
2019	301,795
2020	236,368
2021	-
Thereafter	-

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06	
(ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separate benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

- Removal of the negative value adjustment for liability associated with refunds of future termination members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown in the actuarial assumptions table above. In addition, the following methods and

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 9,092,870	\$ 5,931,028	\$ 3,308,591

Pension Plan Fiduciary Net Position

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at:
www.copera.org/investments/pera-financial-reports.

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description

Employees of the City that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Other Post-Employment Benefits

Health Care Trust Fund

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

Plan Description

The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at:

www.copera.org/investments/pera-financial-reports.

Funding Policy

The City is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2014, 2015, and 2016, the City contributions to the HCTF were \$29,146, \$31,204 and \$34,734, respectively, equal to their required contributions for each year.

NOTE 14 - DEFERRED COMPENSATION PLAN - ASSETS IN TRUST

Plan Description

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by International City/County Management Association. Participation in the plan is optional for all civilian employees. The plan allows the employees to defer a portion of their salary until future years.

NOTE 15 - MAJOR TAXPAYERS

For the year ending December 31, 2016, approximately 18% of the City's sales tax revenue was received from three retailers and of those three retailers, one retailer constituted approximately 8% of the total sales tax revenue.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 16 - CONTINGENCIES

The City has been named in various pending or threatened litigation, claims or assessments. The ultimate outcome/resolution of these matters is not known at this time. The City is monitoring the progress of these matters and has referred various matters to the City Attorney's office for consultation and representation. Claims are insured to \$5,000,000 and representation provided by Colorado Intergovernmental Risk Sharing Agency.

NOTE 17 - RELATED PARTY

The developer and current owner of portions of the property which constitutes the Park Meadows Business Improvement District (the District) is Park Meadows Mall, LLC. The members of the Board of Directors of the District are employees of the management company for the Park Meadows Mall. The management company owns an interest in Park Meadows, LLC. Accordingly, the members of the Board of Directors may have conflicts of interest in dealing with the District. Lease agreements have been entered into between the District and Park Meadows Mall, LLC. The District pays monthly lease amounts to Park Meadows Mall, LLC related to the Lone Tree police substation as well as rent of the indoor common area and the ground lease for the Vista's common area. Pursuant to these leases, the District made lease payments of \$597,576 in 2016. Annual lease amounts can increase by 4% each year. The lease terms expire in 2025, 2032, and 2055. All future lease payments are subject to the District's annual appropriation of funds.

NOTE 18 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts or 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 to provide property, liability and workers' compensation 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 insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

Settled claims have not exceeded insurance coverage in the last four years.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 19 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. The City voters approved an election question in 1996 and 1999 to remove limits on the amount of revenue the City is allowed to collect, spend and retain.

On May 6, 2008, City voters approved a sales and use tax increase of .1875% for arts and cultural facilities and approved related sales and use taxes be increased by \$2,650,000 in the first full fiscal year (2010) and by whatever additional amounts are raised annually thereafter. Additionally, City voters approved a sales and use tax increase of .125% for park and recreation improvements and approved related sales and use taxes be increased by \$1,750,000 in the first full fiscal year (2010) and by whatever additional amounts are raised annually thereafter.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The City's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

NOTE 20 – SUBSEQUENT EVENTS

The City plans to refund its Sales and Use Tax Revenue Bonds, Series 2008A and 2009 in 2017. The 2008A bonds were issued to fund various park and recreation improvements and the 2009 bonds were issued to construct the Lone Tree Arts Center. The purpose of the refunding is to reduce the interest rate payable on the 2008A and 2009 bonds. No additional debt is being issued as part of the refunding and the original term of the bonds remains the same, being paid off in 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
TAXES			
Sales Tax	\$21,973,000	\$20,806,879	\$ (1,166,121)
Use Tax - Retail	670,000	721,060	51,060
Use Tax - Building Materials	1,373,000	705,310	(667,690)
Lodging Tax	1,108,000	1,048,252	(59,748)
Admissions Tax	405,000	411,421	6,421
	<u>25,529,000</u>	<u>23,692,922</u>	<u>(1,836,078)</u>
FRANCHISE FEES			
Electric and Gas	845,000	803,025	(41,975)
Cable Television	216,000	238,579	22,579
	<u>1,061,000</u>	<u>1,041,604</u>	<u>(19,396)</u>
INTERGOVERNMENTAL			
Highway Users Tax Fund (HUTF)	339,000	359,130	20,130
Conservation Trust Fund	62,000	76,736	14,736
Cigarette Tax	199,000	197,519	(1,481)
County Road and Bridge Shareback	1,410,841	1,413,676	2,835
Douglas County Shareback - Transportation	2,648,000	2,229,578	(418,422)
Motor Vehicle Registration Fees	45,000	44,930	(70)
Regional Improvements Contribution - RRMD	183,990	181,312	(2,678)
Reimbursable Costs	13,819,166	10,686,772	(3,132,394)
Grants	119,000	111,480	(7,520)
	<u>18,825,997</u>	<u>15,301,133</u>	<u>(3,524,864)</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016
(Continued)

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
LICENSES, FEES AND CHARGES			
Sales, Use Tax and Business License Fees	2,000	8,800	6,800
Liquor License Fees	20,000	15,483	(4,517)
Building Permit Fees	1,198,000	869,952	(328,048)
Planning Fees	34,000	29,290	(4,710)
Engineering Fees	117,000	154,267	37,267
Other	46,000	57,184	11,184
	<u>1,417,000</u>	<u>1,134,976</u>	<u>(282,024)</u>
FINES AND FORFEITURES			
Court Fees	90,000	82,095	(7,905)
Vehicle Violation and Other Fines	596,000	560,763	(35,237)
Victims Assistance Surcharge Fees	56,000	37,830	(18,170)
	<u>742,000</u>	<u>680,688</u>	<u>(61,312)</u>
OTHER			
Net Investment Income	15,385	130,630	115,245
Tenant Rental Income	250,000	179,424	(70,576)
Police Department Fees	102,000	98,291	(3,709)
Other	62,000	740,890	678,890
	<u>429,385</u>	<u>1,149,235</u>	<u>719,850</u>
Total Revenues	<u>48,004,382</u>	<u>43,000,558</u>	<u>(5,003,824)</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016
(Continued)

	Budget Amounts		
	Original and Final	Actual Amounts	Variance with Final Budget
EXPENDITURES			
GENERAL GOVERNMENT			
City Council Expenditures	49,500	36,650	12,850
City Council Stipend	62,029	62,540	(511)
Administrative Services - Salaries and Benefits	855,365	781,280	74,085
City Clerk	81,200	9,117	72,083
Human Resources	84,200	115,803	(31,603)
Information Technology	471,320	408,137	63,183
Municipal Office Building	519,970	396,672	123,298
Civic Center - Maintenance and Utilities	86,810	75,469	11,341
Arts Center - Maintenance and Utilities	355,189	344,335	10,854
Park Restroom Maintenance	11,500	8,600	2,900
Fountain Maintenance	24,520	19,020	5,500
Yosemite Library - Maintenance and Utilities	30,000	16,728	13,272
Insurance	425,600	401,462	24,138
Finance - Salaries and Benefits	445,101	441,776	3,325
Finance	45,000	21,608	23,392
Audit	35,000	42,250	(7,250)
City Manager's Office - Salaries and Benefits	759,854	824,054	(64,200)
Dues and Memberships	102,554	87,255	15,299
Legal - General	510,000	509,308	692
Legal - Special	100,000	12,224	87,776
Consulting	85,000	7,240	77,760
Community Support	28,600	14,115	14,485
Youth Initiatives	19,800	19,800	-
Housing Partnership	35,000	35,000	-
Community Education Programs	1,000	395	605
Living and Aging Well	2,600	2,600	-
Communications and Newsletter	141,900	114,354	27,546
Economic Development	270,000	115,655	154,345
Miscellaneous	35,038	8,829	26,209
	<u>5,673,650</u>	<u>4,932,276</u>	<u>741,374</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016
(Continued)

	Budget Amounts		
	Original and Final	Actual Amounts	Variance with Final Budget
MUNICIPAL COURT			
Municipal Judge	30,000	25,096	4,904
Legal	36,000	36,600	(600)
Administration	174,174	160,305	13,869
Office and Software	3,000	2,380	620
Victims Assistance Surcharge	10,000	2,114	7,886
	<u>253,174</u>	<u>226,495</u>	<u>26,679</u>
COMMUNITY DEVELOPMENT			
Salaries and Benefits	735,539	762,230	(26,691)
Contract Services	67,700	-	67,700
Field Supplies	1,550	1,516	34
Planning Commission	2,500	1,614	886
Document Scanning	5,000	691	4,309
Plan Review and Other Inspections	110,000	70,245	39,755
Elevator Inspection	74,250	67,550	6,700
Engineering	125,000	264,832	(139,832)
Sustainability Program	1,000	-	1,000
ROW Mowing	7,600	6,670	930
Miscellaneous	10,780	6,332	4,448
	<u>1,140,919</u>	<u>1,181,680</u>	<u>(40,761)</u>
PUBLIC WORKS			
Public Works Department	710,000	716,528	(6,528)
Street Lighting	396,000	404,149	(8,149)
Street Maintenance	755,000	630,485	124,515
Drainage Maintenance	60,000	272	59,728
Street and Sidewalk Sweeping	52,000	45,000	7,000
Traffic Signal Energy Cost and Maintenance	95,000	156,426	(61,426)
Signal Timing	32,000	31,576	424
Snow Removal	1,200,000	1,026,663	173,337
Landscaping Maintenance	50,000	13,722	36,278
Trash and Recycling Program	520,000	528,242	(8,242)
Household Hazardous Program	6,500	4,410	2,090
Engineering	340,000	331,687	8,313

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016
(Continued)

	Budget Amounts		
	Original and Final	Actual Amounts	Variance with Final Budget
PUBLIC WORKS (continued)			
Fence Maintenance	80,000	-	80,000
Geographic Information System (GIS)	150,000	146,490	3,510
Materials and Equipment	14,000	3,830	10,170
EPA Phase 2 Drainage	100,000	82,798	17,202
State Mandated Noxious Weeds Control	20,000	8,845	11,155
Signage and Striping	120,000	104,240	15,760
Accident Repairs	20,000	4,912	15,088
Public Works Facility Operations and Equipment	50,000	24,451	25,549
Software and Support	19,000	19,120	(120)
Street Amenities	5,000	-	5,000
Mutt Mitts Contract	10,500	10,536	(36)
Holiday Lighting and Decorations	25,000	29,855	(4,855)
Miscellaneous	3,000	1,214	1,786
Public Works Vehicle Maintenance and Gas	2,500	-	2,500
Lincoln Pedestrian Bridge Maintenance	2,000	-	2,000
	<u>4,837,500</u>	<u>4,325,451</u>	<u>512,049</u>
POLICE			
Salaries and Benefits	5,690,000	5,437,537	252,463
Office and Administration	111,900	94,797	17,103
Uniforms and Equipment	62,700	65,983	(3,283)
Vehicles and Equipment	546,425	417,156	129,269
General Equipment	143,950	126,254	17,696
Intergovernmental Agreements	690,004	683,063	6,941
Training	114,600	83,887	30,713
Community Outreach and Miscellaneous	24,930	10,160	14,770
	<u>7,384,509</u>	<u>6,918,837</u>	<u>465,672</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016
(Continued)

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
CAPITAL OUTLAY			
Software Packages	64,280	21,938	42,342
Cartegraph / ArcServer Upgrade	20,000	20,265	(265)
Website Redesign	13,130	8,924	4,206
Overlay/Reconstruction Projects	1,800,000	1,612,913	187,087
Traffic Signalization	275,000	-	275,000
Monumentation and Signage	25,000	1,875	23,125
City Office Building	85,000	448,360	(363,360)
Civic Center Capital Improvements	50,000	-	50,000
LTAC Facility Capital Improvements	100,000	34,377	65,623
Yosemite Library Remodel	423,000	57,776	365,224
Concrete Panel Replacement	250,000	3,389	246,611
Entertainment District Improvements	100,000	277,817	(177,817)
Park Meadows Dr. Regional Pond Upgrade	10,000	-	10,000
Parkway Drive Medians	20,000	-	20,000
Storm Sewer Improvements	140,000	133,529	6,471
Light Rail Extension	6,333,334	6,333,333	1
Lone Tree Link	550,000	532,393	17,607
Lincoln Pedestrian Bridge	7,000,000	2,380,296	4,619,704
Parkway Drive Reconstruction	450,000	538,469	(88,469)
Yosemite Turn Lane (Maximus to PMD)	595,000	717,411	(122,411)
County Line / PMCD Intersection Improvements	450,000	-	450,000
LTAC Plaza	120,000	-	120,000
Public Art Projects	21,000	20,167	833
Vehicles	30,000	-	30,000
Police Department Substation	-	19,428	(19,428)
Arts Center Improvements	350,000	328,476	21,524
Schweiger Ranch Preservation	50,000	50,000	-
Yosemite Library Building Purchase	800,000	800,000	-
Yosemite Library Capital Improvements	474,000	5,589	468,411

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016
(Continued)

	Budget Amounts		
	Original and Final	Actual Amounts	Variance with Final Budget
Town Ridge Drive Pedestrian Lights	45,000	-	45,000
Reuter Hess	25,000	9,400	15,600
Boom Truck and Signal Maintenance Equipment	120,000	-	120,000
West Cook Creek Tributary Improvements Study	50,000	52,237	(2,237)
Lincoln Avenue/Heritage Hills Circle Intersection	350,000	198,047	151,953
Mall Entry Traffic Improvements	50,000	-	50,000
Timberline Storm Sewer	150,000	5,646	144,354
Retail Retention Agreement	75,000	75,000	-
Service Provider Shareback Agreement	5,000	-	5,000
Annexation Shareback Agreement	70,000	-	70,000
Retail Shareback	596,642	535,500	61,142
Developer Revenue Shareback	1,292,400	1,388,524	(96,124)
Reimbursement of Sales Taxes-PMBID	5,717,000	5,317,988	399,012
Reimbursement of Property Taxes-PMMD	295,000	228,699	66,301
Park and Recreation	500,000	4,569	495,431
	<u>29,939,786</u>	<u>22,162,335</u>	<u>7,777,451</u>
 Total Expenditures	 <u>49,229,538</u>	 <u>39,747,074</u>	 <u>9,482,464</u>
 EXCESS REVENUES OVER (UNDER) EXPENDITURES	 <u>(1,225,155)</u>	 <u>3,253,484</u>	 <u>4,478,639</u>
 OTHER FINANCING SOURCES (USES)			
Transfers In	350,000	331,355	(18,645)
Transfers (Out)	(1,099,534)	(932,026)	167,508
Total Other Financing Sources (Uses)	<u>(749,534)</u>	<u>(600,671)</u>	<u>148,863</u>
 NET CHANGE IN FUND BALANCES	 (1,974,689)	2,652,812	4,627,502
 FUND BALANCES - BEGINNING OF YEAR	 <u>19,921,930</u>	 <u>22,070,850</u>	 <u>2,148,920</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 17,947,241</u>	 <u>\$ 24,723,662</u>	 <u>\$ 6,776,422</u>

CITY OF LONE TREE
SPECIAL REVENUE FUND - CULTURAL AND COMMUNITY SERVICES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Ticket Sales and Handling Fees	\$ 1,132,900	\$ 628,136	\$ (504,764)
Rental Fees and Labor Fees	211,000	237,551	26,551
Concessions and Catering	107,000	107,765	765
Entry Fees	9,000	6,309	(2,691)
Individual, Corporate and Foundation Contributions	255,000	266,287	11,287
Government Grants	272,839	250,073	(22,766)
Miscellaneous	19,000	23,195	4,195
Total Revenues	<u>2,006,739</u>	<u>1,519,316</u>	<u>(487,423)</u>
EXPENDITURES			
Administration	160,671	159,163	1,508
Programming	1,830,336	1,394,639	435,697
Marketing	496,985	418,351	78,634
Miscellaneous	10,500	5,209	5,291
Development	226,630	186,254	40,376
Annual Events	270,901	238,352	32,549
Arts and Cultural Events	63,250	43,373	19,877
Recreational Activities and Support	7,000	6,001	999
Contingency	40,000	-	40,000
Total Expenditures	<u>3,106,273</u>	<u>2,451,342</u>	<u>654,931</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,099,534)</u>	<u>(932,026)</u>	<u>167,508</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	1,099,534	932,026	(167,508)
Total Other Financing Sources (Uses)	<u>1,099,534</u>	<u>932,026</u>	<u>(167,508)</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LONE TREE
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
STATE FIRE AND POLICE PENSION PLAN (FPPA)
Last Three Fiscal Years (1)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension asset	0.745%	0.741%	0.710%
City's proportionate share of the net pension liability (asset)	\$ (666,462)	\$ (836,472)	\$ (12,508)
City's covered payroll	\$ 3,183,366	\$ 3,458,225	\$ 3,689,690
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.9%	24.2%	0.3%
Plan fiduciary net position as a percentage of the total pension asset	105.8%	106.8%	101.6%

(1) The City implemented GASB 68 beginning in 2015. Information prior to 2014 is not available.

*The amounts presented for each year were determined as of December 31, the measurement date used by the City.

CITY OF LONE TREE
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
PUBLIC RETIREMENT ASSOCIATION OF COLORADO (PERA)
Last Three Fiscal Years (1)

	2014	2015	2016
City's proportion of the net pension liability	0.510%	0.523%	0.538%
City's proportionate share of the net pension liability (asset)	\$ 4,194,719	\$ 4,685,216	\$ 5,931,027
City's covered payroll	\$ 2,893,072	\$ 3,017,148	\$ 3,348,942
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	145.0%	155.3%	177.1%
Plan fiduciary net position as a percentage of the total pension liability	77.7%	80.7%	76.9%

(1) The City implemented GASB 68 beginning in 2015. Information prior to 2014 is not available.

*The amounts presented for each year were determined as of December 31, the measurement date used by the City.

**CITY OF LONE TREE
SCHEDULE OF CONTRIBUTIONS
STATE FIRE AND POLICE PENSION PLAN (FPPA)
Last Three Fiscal Years (1)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contributions	\$ 266,647	\$ 275,158	\$ 276,557
Contributions in relation to the contractually required contribution	(266,647)	(275,158)	(276,557)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,458,225	\$ 3,689,690	\$ 3,624,431
Contributions as a percentage of covered payroll	7.71%	7.46%	7.63%

(1) The City implemented GASB 68 beginning in 2015. Information prior to 2014 is not available.

**CITY OF LONE TREE
SCHEDULE OF CONTRIBUTIONS
PUBLIC RETIREMENT ASSOCIATION OF COLORADO (PERA)
Last Three Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contributions	\$ 392,338	\$ 418,841	\$ 466,528
Contributions in relation to the contractually required contribution	(392,338)	(418,841)	(466,528)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,017,148	\$ 3,348,942	\$ 3,554,612
Contributions as a percentage of covered payroll	13.00%	12.51%	13.12%

(1) The City implemented GASB 68 beginning in 2015. Information prior to 2014 is not available.

CITY OF LONE TREE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1 - BUDGETS

Pursuant to State law, budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The City's General Fund and Special Revenue Fund – Cultural and Community Services prepare annual budgets that are legally adopted.

NOTE 2 – PENSION PLAN PROVISIONS

FPPA

Changes in Plan Provisions

The plan provisions have not changed since the prior valuation. Due to the passage of the Colorado Civil Union Act in 2013, members in a civil union are now eligible for spousal benefits provided under the Statewide Death & Disability Plan. The member contribution rate will increase in 2015 as a result of the election.

Changes of Assumptions

There were no changes in actuarial assumptions since the January 1, 2014 valuation.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the FPPA's comprehensive annual report which can be obtained at <http://www.fppaco.org/annual-reports.html>.

PERA

Changes in Plan Provisions

The following methodology change was made in the Health Care Trust Funds: Rates of morbidity to model the growth in assumed claims as a PERACare enrollee ages have been added to the process used to project per capita health care costs of those PERACare enrollees under the PERA benefit structure who are age 65 and older and are not eligible for premium-free Medicare Part A benefits.

Additionally, the following changes were made to the actuarial assumptions in the Health Care Trust Funds: 1) The percentage of PERACare enrollees who will become age 65 and older and are assumed to not qualify for premium-free Medicare Part A coverage have been revised to more closely reflect actual experience, 2) Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are age 65 and older and not eligible for premium-free Medicare Part A benefits have been updated to reflect the change in costs for the

CITY OF LONE TREE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 2 – PENSION PLAN PROVISIONS (CONTINUED)

2016 plan year, and 3) The assumed rates of inflation for health care costs for Medicare Part A premiums have been revised to reflect the current expectation of future increases.

Changes of Assumptions

Programming changes were made to the following: 1) Valuation of the full survivor benefit without any reduction for possible remarriage, 2) Reflection of the employer match on separation benefits for all eligible years, 3) Reflection of one year of service eligibility for survivor annuity benefit, 4) Refinement of the 18-month AI timing, and 5) Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

Additionally, the following methodology changes were made: 1) Recognition of merit salary increases in the first projection year, 2) Elimination of the assumption that 35 percent of future disabled members elect to receive a refund, 3) Removal of the negative value adjustment for liabilities associated with refunds of future terminating members, and 4) Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

Pension Plan Fiduciary Net Position

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at:
www.copera.org/investments/pera-financial-reports.

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BUDGETARY SCHEDULES

DEBT SERVICE FUNDS

CITY OF LONE TREE
DEBT SERVICE FUND - ARTS AND CULTURAL FACILITIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Sales Tax	\$ 1,854,000	\$ 1,814,233	\$ (39,767)
Use Tax - Retail	43,000	58,461	15,461
Use Tax - Building Materials	37,000	51,815	14,815
Net Investment Income	1,000	5,274	4,274
Total Revenues	<u>1,935,000</u>	<u>1,929,783</u>	<u>(5,217)</u>
EXPENDITURES			
Bond Interest	439,744	439,744	-
Bond Principal	1,060,000	1,060,000	-
Paying Agent Fees	200	200	-
Contingency	2,056	-	2,056
Total Expenditures	<u>1,502,000</u>	<u>1,499,944</u>	<u>2,056</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	433,000	429,839	(3,161)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(350,000)	(331,355)	18,645
Total Other Financing Sources (Uses)	<u>(350,000)</u>	<u>(331,355)</u>	<u>18,645</u>
NET CHANGE IN FUND BALANCES	83,000	98,484	15,484
FUND BALANCES - BEGINNING OF YEAR	<u>983,371</u>	<u>1,059,919</u>	<u>76,548</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,066,371</u>	<u>\$ 1,158,403</u>	<u>\$ 92,032</u>

CITY OF LONE TREE
DEBT SERVICE FUND - PARK AND RECREATION IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Sales Tax	\$ 1,236,000	\$ 1,209,489	\$ (26,511)
Use Tax - Retail	29,000	38,974	9,974
Use Tax - Building Materials	25,000	34,577	9,577
Net Investment Income	920	4,863	3,943
Total Revenues	<u>1,290,920</u>	<u>1,287,903</u>	<u>(3,017)</u>
EXPENDITURES			
Bond Interest	365,687	365,688	(1)
Bond Principal	695,000	695,000	-
Paying Agent Fees	200	200	-
Contingency	1,113	-	1,113
Total Expenditures	<u>1,062,000</u>	<u>1,060,888</u>	<u>1,112</u>
NET CHANGE IN FUND BALANCES	228,920	227,015	(1,905)
FUND BALANCES - BEGINNING OF YEAR	<u>1,014,414</u>	<u>1,043,760</u>	<u>29,346</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,243,334</u></u>	<u><u>\$ 1,270,775</u></u>	<u><u>\$ 27,441</u></u>

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**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES
COMPONENT UNIT**

CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
COMBINING BALANCE SHEET
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Component Unit</u>
ASSETS			
Cash and investments	\$ 3,094,773	\$ -	\$ 3,094,773
Cash and investments - Restricted	168,000	1,349,366	1,517,366
Receivables:			
Intergovernmental	1,272,099	-	1,272,099
Prepaid items	71,285	-	71,285
TOTAL ASSETS	<u><u>\$ 4,606,157</u></u>	<u><u>\$ 1,349,366</u></u>	<u><u>\$ 5,955,523</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 262,978	\$ -	\$ 262,978
Total liabilities	<u>262,978</u>	<u>-</u>	<u>262,978</u>
FUND BALANCES			
Nonspendable:			
Prepaid amounts	71,285	-	71,285
Restricted for:			
Emergencies (TABOR)	168,000	-	168,000
Series 2007 Bonds	-	1,349,366	1,349,366
Unassigned	4,103,894	-	4,103,894
Total fund balances	<u>4,343,179</u>	<u>1,349,366</u>	<u>5,692,545</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,606,157</u></u>	<u><u>\$ 1,349,366</u></u>	<u><u>\$ 5,955,523</u></u>

CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - PARK MEADOWS BID COMPONENT UNIT TO
THE STATEMENT OF NET POSITION
December 31, 2016

Amounts reported for component unit activities in the statement of net position are different because:

Total fund balances - Park Meadows BID Component unit	\$ 5,692,545
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	14,551,428
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(13,175,000)
Accrued interest on bonds payable	(58,279)
Bond discount (net of amortization)	<u>195,720</u>
Net position of Park Meadows BID component unit activities	<u><u>\$ 7,206,414</u></u>

CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Component Unit</u>
REVENUES			
Intergovernmental revenue	\$ 5,546,687	\$ -	\$ 5,546,687
Net investment income	18,252	11,792	30,044
Other	24,328	-	24,328
Total revenues	<u>5,589,267</u>	<u>11,792</u>	<u>5,601,059</u>
EXPENDITURES			
Current			
Operations and maintenance	1,965,999	-	1,965,999
Lease	597,576	-	597,576
Property repairs and replacements	500,358	-	500,358
Marketing	402,287	-	402,287
Property tax reimbursement	305,433	-	305,433
Staff and accounting	116,900	-	116,900
District management fee	43,010	-	43,010
Auditing, legal and professional fees	37,762	-	37,762
Off site storage	30,000	-	30,000
Other general and administrative	17,382	-	17,382
Capital projects	2,111,966	-	2,111,966
Debt service			
Bond interest	-	725,095	725,095
Bond principal	-	515,000	515,000
Paying agent fees	-	3,500	3,500
Total expenditures	<u>6,128,673</u>	<u>1,243,595</u>	<u>7,372,268</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(539,406)</u>	<u>(1,231,803)</u>	<u>(1,771,209)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(1,243,425)</u>	1,243,425	-
Total other financing sources (uses)	<u>(1,243,425)</u>	<u>1,243,425</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,782,831)	11,622	(1,771,209)
FUND BALANCES - BEGINNING OF YEAR	6,126,010	1,337,744	7,463,754
FUND BALANCES - END OF YEAR	<u>\$ 4,343,179</u>	<u>\$ 1,349,366</u>	<u>\$ 5,692,545</u>

CITY OF LONE TREE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE PARK MEADOWS BID COMPONENT UNIT
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Amounts reported for component unit activities in the statement of activities are different because:

Net change in fund balances - Park Meadows BID Component unit	\$ (1,771,209)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,111,966
Depreciation expense	(773,480)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond principal	515,000
Accrued interest on bonds - Change in liability	2,147
Amortization of bond discount	(13,048)

Changes in net position of Park Meadows BID component unit activities	<u><u>\$ 71,376</u></u>
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CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental revenue	\$ 5,704,643	\$ 5,704,643	\$ 5,546,687	\$ (157,956)
Net investment income	10,000	10,000	18,252	8,252
Other	18,538	18,538	24,328	5,790
Total revenues	<u>5,733,181</u>	<u>5,733,181</u>	<u>5,589,267</u>	<u>(143,914)</u>
EXPENDITURES				
Operations and maintenance	1,581,000	1,581,000	1,965,999	(384,999)
Lease	594,000	594,000	597,576	(3,576)
Property repairs and replacements	428,000	445,000	500,358	(55,358)
Marketing	261,000	355,000	402,287	(47,287)
Property tax reimbursement	287,143	287,143	305,433	(18,290)
Staff and accounting	133,000	133,000	116,900	16,100
District management fee	42,000	42,000	43,010	(1,010)
Auditing, legal and professional fees	31,000	35,500	37,762	(2,262)
Off site storage	30,000	30,000	30,000	-
Other general and administrative	15,500	17,000	17,382	(382)
Capital projects	575,000	3,148,000	2,111,966	1,036,034
Contingency	35,000	-	-	-
Emergency reserve	150,000	150,000	-	150,000
Total expenditures	<u>4,162,643</u>	<u>6,817,643</u>	<u>6,128,673</u>	<u>688,970</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,570,538</u>	<u>(1,084,462)</u>	<u>(539,406)</u>	<u>545,056</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(1,244,000)</u>	<u>(1,244,000)</u>	<u>(1,243,425)</u>	<u>575</u>
Total other financing sources (uses)	<u>(1,244,000)</u>	<u>(1,244,000)</u>	<u>(1,243,425)</u>	<u>575</u>
NET CHANGE IN FUND BALANCES	326,538	(2,328,462)	(1,782,831)	545,631
FUND BALANCES - BEGINNING OF YEAR	<u>6,141,121</u>	<u>6,141,121</u>	<u>6,126,010</u>	<u>(15,111)</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,467,659</u>	<u>\$ 3,812,659</u>	<u>\$ 4,343,179</u>	<u>\$ 530,520</u>

CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Net investment income	\$ 3,000	\$ 11,792	\$ 8,792
Total revenues	<u>3,000</u>	<u>11,792</u>	<u>8,792</u>
EXPENDITURES			
Bond interest	725,095	725,095	-
Bond principal	515,000	515,000	-
Paying agent fees	3,500	3,500	-
Total expenditures	<u>1,243,595</u>	<u>1,243,595</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,240,595)</u>	<u>(1,231,803)</u>	<u>8,792</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	1,244,000	1,243,425	(575)
Total other financing sources (uses)	<u>1,244,000</u>	<u>1,243,425</u>	<u>(575)</u>
NET CHANGE IN FUND BALANCES	3,405	11,622	8,217
FUND BALANCES - BEGINNING OF YEAR	<u>1,342,234</u>	<u>1,337,744</u>	<u>(4,490)</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,345,639</u></u>	<u><u>\$ 1,349,366</u></u>	<u><u>\$ 3,727</u></u>

**CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
COMBINING BALANCE SHEET
December 31, 2016**

	<u>General</u>
ASSETS	
Cash and investments	\$ 118,168
Cash and investments - Restricted	5,282
Receivables:	
Intergovernmental	1,141
Property tax	191,031
TOTAL ASSETS	<u><u>\$ 315,622</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 21,252
Total liabilities	<u>21,252</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	191,031
 FUND BALANCES	
Emergencies (TABOR)	5,282
Unassigned	98,057
Total fund balances	<u>103,339</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 315,622</u></u>

CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - LONE TREE BID COMPONENT UNIT
TO THE STATEMENT OF NET POSITION
December 31, 2016

Amounts reported for component unit activities in the statement of net position are different because:

Total fund balances - Lone Tree BID Component unit	\$ 103,339
Other long-term assets are not current financial resources available to pay current period expenditures and, therefore, are not reported in the funds.	
Property Tax Receivable	191,031
Deferred inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, are not reported	
Property Tax Revenues	<u>(191,031)</u>
Net position of Lone Tree BID component unit activities	<u><u>\$ 103,339</u></u>

CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
Year Ended December 31, 2016

	<u>General</u>
REVENUES	
General Property Tax	\$ 160,815
Specific Ownership Taxes	15,219
Interest Income	42
Total revenues	<u>176,076</u>
EXPENDITURES	
Legal	15,253
Management	8,850
Landscaping Services	23,382
Snow Plow Services	17,780
Plaza and Lighting Upgrades	5,112
Treasurer's Fees	2,328
Bank Fees	32
Total expenditures	<u>72,737</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>103,339</u>
NET CHANGE IN FUND BALANCES	103,339
FUND BALANCES - BEGINNING OF YEAR	-
FUND BALANCES - END OF YEAR	<u><u>\$ 103,339</u></u>

CITY OF LONE TREE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE COMPONENT UNIT
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Amounts reported for component unit activities in the statement of activities are different because:

Net change in fund balances - Lone Tree BID Component unit	<u>\$ 103,339</u>
Changes in net position of Lone Tree BID component unit activities	<u><u>\$ 103,339</u></u>

CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
General Property Tax	\$ 165,394	\$ 160,815	\$ (4,579)
Specific Ownership Taxes	-	15,219	15,219
Interest Income	-	42	42
Total revenues	<u>165,394</u>	<u>176,076</u>	<u>10,682</u>
EXPENDITURES			
Accounting	6,000	-	6,000
Audit	3,500	-	3,500
Insurance	4,000	-	4,000
Legal	20,000	15,253	4,747
Management	20,000	8,850	11,150
Landscaping Services	23,354	23,382	(28)
Snow Plow Services	10,000	17,780	(7,780)
Parking Lot Maintenance	50,000	-	50,000
Website/Marketing	7,500	-	7,500
Plaza and Lighting Upgrades	7,500	5,112	2,388
Treasurer's Fees	5,000	2,328	2,672
Contingency	2,000	-	2,000
Bank Fees	-	32	(32)
Total expenditures	<u>158,854</u>	<u>72,737</u>	<u>86,117</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>6,540</u>	<u>103,339</u>	<u>96,799</u>
NET CHANGE IN FUND BALANCES	6,540	103,339	96,799
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,540</u>	<u>\$ 103,339</u>	<u>\$ 96,799</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

\$11,000,000 Sales and Use Tax Revenue Bonds Series 2008A, Dated November 19, 2008 Interest Rate at 3.50% to 5.25% Interest Payable June 1 and December 1 Principal Due December 1			\$16,880,000 Sales and Use Tax Revenue Bonds Series 2009, Dated August 11, 2009 Interest Rate at 2.50% to 4.25% Interest Payable June 1 and December 1 Principal Due December 1		
	Principal	Interest		Principal	Interest
2017	\$ 750,000	\$ 332,675	\$ 1,140,000	\$ 403,044	
2018	805,000	295,175	1,225,000	363,481	
2019	870,000	254,925	1,325,000	314,481	
2020	940,000	209,250	1,425,000	261,481	
2021	1,005,000	162,250	1,535,000	204,481	
2022	1,080,000	112,000	1,645,000	143,081	
2023	1,160,000	58,000	1,770,000	75,228	
	<u>\$ 6,610,000</u>	<u>\$ 1,424,275</u>	<u>\$ 10,065,000</u>	<u>\$ 1,765,277</u>	

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

	Total		
	Principal	Interest	Total
2017	\$ 1,890,000	\$ 735,719	\$ 2,625,719
2018	2,030,000	658,656	2,688,656
2019	2,195,000	569,406	2,764,406
2020	2,365,000	470,731	2,835,731
2021	2,540,000	366,731	2,906,731
2022	2,725,000	255,081	2,980,081
2023	2,930,000	133,228	3,063,228
	<u>\$ 16,675,000</u>	<u>\$ 3,189,552</u>	<u>\$ 19,864,552</u>

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County:
		City of Lone Tree
		YEAR ENDING : December 2016
This Information from the Records of The City of Lone Tree:	Prepared By:	Heather Lunde
	Phone:	303-708-1818

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	4,116,066
3. Other local imposts (from page 2)	4,107,742
4. Miscellaneous local receipts (from page 2)	560,763
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	8,784,571
B. Private Contributions	
C. Receipts from State government (from page 2)	404,060
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	9,188,630

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	3,598,156
2. Maintenance:	675,756
3. Road and street services:	
a. Traffic control operations	592,150
b. Snow and ice removal	1,026,663
c. Other	
d. Total (a. through c.)	1,618,813
4. General administration & miscellaneous	182,428
5. Highway law enforcement and safety	3,113,477
6. Total (1 through 5)	9,188,630
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	9,188,630

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		9,188,630	9,188,630		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): 12/16	

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	560,763
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	4,107,742	g. Other Misc. Receipts	
6. Total (1. through 5.)	4,107,742	h. Other	
c. Total (a. + b.)	4,107,742	i. Total (a. through h.)	560,763
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	359,130	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	44,930	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	44,930	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	404,060	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		149,259	149,259
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		3,344,658	3,344,658
(3). System Preservation		104,240	104,240
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	3,448,897	3,448,897
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	3,598,156	3,598,156
			(Carry forward to page 1)

Notes and Comments:

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Page

Financial Trends

These schedules contain trend information that may assist the reader in understanding how the City's financial performance and well-being have changed over time.

Net Position by Component (Table 1)	119
Changes in Net Position (Table 2)	120
Fund Balances, Governmental Funds (Table 3)	121
Changes in Fund Balances, Governmental Funds (Table 4).....	122

Revenue Capacity

These schedules contain information that may assist the reader in assessing the viability of the City's most significant "own-source" revenue source, sales taxes. The City does not assess a property tax levy; therefore, schedules containing information on principal property tax payers or property tax levies and collections are not included.

Direct and Overlapping Sales Tax Rates (Table 5)	123
Sales Tax Revenue Payers by Industry (Table 6)	124
Sales Tax Revenue Collections (Table 7)	125

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Assessed Value and Estimated Actual Value of Taxable Property (Table 8).....	126
Property Tax Rates - Direct and Overlapping Governments (Table 9)	127
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General Obligation Debt - Direct and Overlapping Governments (Table 13).....	132

Demographic and Economic Information

These schedules offer demographic and economic indicators that may help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Statistics (Table 14).....	133
Principal Employers (Table 15)	134

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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Operating Indicators by Function/Program (Table 17).....	136
Capital Asset Statistics by Function/Program (Table 18).....	137

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in fiscal year 2003; therefore, schedules presenting government-wide information include information beginning in that year.

TABLE 1

CITY OF LONE TREE
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011 (2)	2012	2013	2014	2015 (3)	2016
Governmental activities										
Net investment in capital assets	\$ 68,384,053	\$ 87,744,552	\$ 70,966,849	\$ 77,603,966	\$ 78,165,476	\$ 77,151,840	\$ 80,973,119	\$ 81,283,223	\$ 97,829,372	\$ 102,243,231
Restricted	13,390,637	5,455,642	1,504,800	1,677,162	1,420,091	2,792,447	3,662,144	3,370,714	5,202,543	4,762,302
Unrestricted	7,234,311	6,321,043	6,932,104	4,326,462	8,024,147	11,167,791	12,347,203	16,198,831	13,713,236	13,011,264
Total governmental activities net position	<u>89,009,001</u>	<u>99,521,237</u>	<u>79,403,753</u>	<u>83,607,590</u>	<u>87,609,714</u>	<u>91,112,078</u>	<u>96,982,466</u>	<u>100,852,768</u>	<u>116,745,151</u>	<u>120,016,797</u>
Total primary government net position (1)	<u>\$ 89,009,001</u>	<u>\$ 99,521,237</u>	<u>\$ 79,403,753</u>	<u>\$ 83,607,590</u>	<u>\$ 87,609,714</u>	<u>\$ 91,112,078</u>	<u>\$ 96,982,466</u>	<u>\$ 100,852,768</u>	<u>\$ 116,745,151</u>	<u>\$ 120,016,797</u>

(1) The City does not have any business-type activities; therefore, the total primary government net position is the same as the total governmental activities net position.

(2) Net position restated in 2011 due to implementation of GASB No. 65.

(3) Net position restated in 2015 due to implementation of GASB No. 68.

TABLE 2

CITY OF LONE TREE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 9,577,970	\$ 10,190,353	\$ 32,709,368	\$ 11,420,412	\$ 10,125,512	\$ 11,268,953	\$ 14,573,133	\$ 13,494,009	\$ 14,483,424	\$ 16,173,154
Municipal court	325,296	323,486	321,754	307,016	209,232	213,778	215,894	217,969	234,799	259,849
Community development	1,055,420	1,222,472	992,206	1,025,442	1,149,089	1,255,461	1,258,759	1,040,044	1,080,566	1,260,292
Public works	5,462,549	5,338,211	6,252,939	6,198,372	6,550,978	7,369,645	7,286,760	7,972,040	8,743,403	8,436,353
Arts and cultural services	-	-	236,880	333,933	1,818,095	2,517,149	2,691,473	3,111,362	3,198,170	3,239,157
Police	4,776,865	5,434,635	5,712,367	5,612,579	6,068,066	6,358,721	6,295,772	6,639,856	6,779,310	7,091,270
Interest and related costs on long-term debt	23,107	531,783	1,080,706	1,314,525	1,193,860	1,059,855	998,465	924,398	837,894	777,775
Total governmental activities expenses	<u>21,221,207</u>	<u>23,040,940</u>	<u>47,306,220</u>	<u>26,212,279</u>	<u>27,114,832</u>	<u>30,043,562</u>	<u>33,320,256</u>	<u>33,399,678</u>	<u>35,357,566</u>	<u>37,237,850</u>
Total primary government expenses (1)	<u>\$ 21,221,207</u>	<u>\$ 23,040,940</u>	<u>\$ 47,306,220</u>	<u>\$ 26,212,279</u>	<u>\$ 27,114,832</u>	<u>\$ 30,043,562</u>	<u>\$ 33,320,256</u>	<u>\$ 33,399,678</u>	<u>\$ 35,357,566</u>	<u>\$ 37,237,850</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 408,938	\$ 366,305	\$ 354,032	\$ 357,534	\$ 309,986	\$ 318,668	\$ 249,904	\$ 222,567	\$ 239,633	\$ 179,424
Municipal court	670,412	981,873	804,553	892,255	729,769	808,569	648,298	540,304	691,943	680,688
Community development	944,914	811,150	450,607	709,717	623,245	1,184,333	1,717,190	2,098,603	1,396,976	1,156,256
Public works	-	-	-	-	-	-	-	-	-	736
Arts and cultural services	-	-	5,275	5,763	666,954	816,591	1,115,051	1,329,312	1,284,726	996,884
Police	23,421	29,994	23,373	13,211	43,389	26,606	41,845	22,919	3,491	4,453
Operating grants and contributions	1,165,374	1,288,521	1,429,822	1,534,227	3,498,072	4,181,941	4,152,656	4,252,466	4,728,754	5,050,314
Capital grants and contributions	18,577,667	8,847,739	3,346,242	5,022,941	3,070,403	1,823,075	4,292,034	1,069,622	16,971,208	3,453,329
Total governmental activities program revenues	<u>21,790,726</u>	<u>12,325,582</u>	<u>6,413,904</u>	<u>8,535,648</u>	<u>8,941,818</u>	<u>9,159,783</u>	<u>12,216,978</u>	<u>9,535,793</u>	<u>25,316,731</u>	<u>11,522,084</u>
Total primary government revenues (1)	<u>\$ 21,790,726</u>	<u>\$ 12,325,582</u>	<u>\$ 6,413,904</u>	<u>\$ 8,535,648</u>	<u>\$ 8,941,818</u>	<u>\$ 9,159,783</u>	<u>\$ 12,216,978</u>	<u>\$ 9,535,793</u>	<u>\$ 25,316,731</u>	<u>\$ 11,522,084</u>
Net (expense) revenue										
Governmental activities	<u>\$ 569,519</u>	<u>\$ (10,715,358)</u>	<u>\$ (40,892,316)</u>	<u>\$ (17,676,631)</u>	<u>\$ (18,173,014)</u>	<u>\$ (20,883,779)</u>	<u>\$ (21,103,278)</u>	<u>\$ (23,863,885)</u>	<u>\$ (10,040,835)</u>	<u>\$ (25,715,766)</u>
Total primary government net (expense) revenue (1)	<u>\$ 569,519</u>	<u>\$ (10,715,358)</u>	<u>\$ (40,892,316)</u>	<u>\$ (17,676,631)</u>	<u>\$ (18,173,014)</u>	<u>\$ (20,883,779)</u>	<u>\$ (21,103,278)</u>	<u>\$ (23,863,885)</u>	<u>\$ (10,040,835)</u>	<u>\$ (25,715,766)</u>
General revenues										
Sales taxes and Use tax - Retail	\$ 15,898,747	\$ 18,146,324	\$ 18,106,395	\$ 18,989,109	\$ 20,000,973	\$ 21,152,222	\$ 22,275,657	\$ 23,736,964	\$ 24,883,632	\$ 24,649,096
Use taxes - Building materials	383,087	325,484	421,184	263,530	213,438	955,775	1,934,767	1,009,009	1,155,608	791,702
Lodging taxes	394,992	442,391	359,703	467,976	526,104	557,841	766,230	908,192	1,000,349	1,048,252
Admission taxes	372,078	395,613	399,787	353,922	346,446	333,987	357,294	503,914	368,432	411,421
Franchise fees	655,909	892,587	812,310	873,573	905,892	882,107	973,986	1,033,993	1,040,429	1,041,604
Cigarette taxes	171,103	204,192	207,691	205,449	202,963	205,289	202,452	196,839	194,668	197,519
Investment earnings	657,065	500,873	106,905	176,843	35,261	20,903	19,945	14,113	22,376	140,767
Miscellaneous	469,168	320,130	360,857	550,066	236,180	278,019	443,335	331,163	136,995	707,051
Total governmental activities general revenues	<u>19,002,149</u>	<u>21,227,594</u>	<u>20,774,832</u>	<u>21,880,468</u>	<u>22,467,257</u>	<u>24,386,143</u>	<u>26,973,666</u>	<u>27,734,187</u>	<u>28,802,489</u>	<u>28,987,412</u>
Total primary government general revenues (1)	<u>\$ 19,002,149</u>	<u>\$ 21,227,594</u>	<u>\$ 20,774,832</u>	<u>\$ 21,880,468</u>	<u>\$ 22,467,257</u>	<u>\$ 24,386,143</u>	<u>\$ 26,973,666</u>	<u>\$ 27,734,187</u>	<u>\$ 28,802,489</u>	<u>\$ 28,987,412</u>
Change in net position										
Governmental activities	<u>\$ 19,571,668</u>	<u>\$ 10,512,236</u>	<u>\$ (20,117,484)</u>	<u>\$ 4,203,837</u>	<u>\$ 4,294,243</u>	<u>\$ 3,502,364</u>	<u>\$ 5,870,388</u>	<u>\$ 3,870,302</u>	<u>\$ 18,761,654</u>	<u>\$ 3,271,646</u>
Total primary government change in net position (1)	<u>\$ 19,571,668</u>	<u>\$ 10,512,236</u>	<u>\$ (20,117,484)</u>	<u>\$ 4,203,837</u>	<u>\$ 4,294,243</u>	<u>\$ 3,502,364</u>	<u>\$ 5,870,388</u>	<u>\$ 3,870,302</u>	<u>\$ 18,761,654</u>	<u>\$ 3,271,646</u>

(1) The City does not have any business-type activities; therefore, the totals for primary government are the same as the totals for government activities

TABLE 3

CITY OF LONE TREE
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015 (2)	2016
General Fund										
Reserved	\$ 1,078,054	\$ 8,388,431	\$ 18,833,437	\$ 9,818,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,251,437	6,808,682	6,920,966	7,094,480	-	-	-	-	-	-
Non-spendable	-	-	-	-	547,748	249,701	252,530	401,104	380,189	514,737
Restricted	-	-	-	-	2,875,620	2,678,432	3,248,713	2,892,348	4,928,216	7,844,007
Assigned	-	-	-	-	7,700,307	6,376,961	7,062,731	10,860,234	12,489,445	11,966,918
Unassigned	-	-	-	-	4,304	3,622,017	3,883,361	3,722,646	4,273,000	4,398,000
Total General Fund	<u>\$ 8,329,491</u>	<u>\$ 15,197,113</u>	<u>\$ 25,754,403</u>	<u>\$ 16,912,664</u>	<u>\$ 11,127,979</u>	<u>\$ 12,927,111</u>	<u>\$ 14,447,335</u>	<u>\$ 17,876,332</u>	<u>\$ 22,070,850</u>	<u>\$ 24,723,662</u>
All other governmental funds										
Reserved	\$ 13,707,512	\$ 5,770,243	\$ 1,889,401	\$ 2,099,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	(183,511)	(183,511)	(256,671)	-	-	-	-	-	-
Non-spendable	-	-	-	-	2,872	40,982	43,230	46,674	56,673	53,659
Restricted	-	-	-	-	1,678,692	1,970,822	2,273,653	2,409,455	2,103,679	2,429,178
Assigned	-	-	-	-	-	98,726	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	(639,810)	(413,581)	(43,230)	(46,674)	(56,673)	(53,659)
Total all other governmental funds	<u>\$ 13,707,512</u>	<u>\$ 5,586,732</u>	<u>\$ 1,705,890</u>	<u>\$ 1,842,443</u>	<u>\$ 1,041,754</u>	<u>\$ 1,696,949</u>	<u>\$ 2,273,653</u>	<u>\$ 2,409,455</u>	<u>\$ 2,103,679</u>	<u>\$ 2,429,178</u>
Total governmental funds										
Reserved	\$ 14,785,566	\$ 14,158,674	\$ 20,722,838	\$ 11,917,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,251,437	6,625,171	6,737,455	6,837,809	-	-	-	-	-	-
Non-spendable	-	-	-	-	550,620	290,683	295,760	447,778	436,862	568,396
Restricted	-	-	-	-	4,554,312	4,649,254	5,522,366	5,301,803	7,031,895	10,273,185
Assigned	-	-	-	-	7,700,307	6,475,687	7,062,731	10,860,234	12,489,445	11,966,918
Unassigned	-	-	-	-	(635,506)	3,208,436	3,840,131	3,675,972	4,216,327	4,344,341
Total governmental funds	<u>\$ 22,037,003</u>	<u>\$ 20,783,845</u>	<u>\$ 27,460,293</u>	<u>\$ 18,755,107</u>	<u>\$ 12,169,733</u>	<u>\$ 14,624,060</u>	<u>\$ 16,720,988</u>	<u>\$ 20,285,787</u>	<u>\$ 24,174,529</u>	<u>\$ 27,152,840</u>

(1) The City implemented GASB Statement No. 54 in fiscal year 2011.

(2) The City implemented GASB Statement No. 68 in fiscal year 2015.

TABLE 4

CITY OF LONE TREE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 17,048,904	\$ 19,309,813	\$ 19,287,069	\$ 20,074,537	\$ 21,086,961	\$ 22,999,825	\$ 25,333,948	\$ 26,158,079	\$ 27,408,021	\$ 26,900,471
Franchise fees	655,909	892,587	812,310	873,573	905,892	882,107	973,986	1,033,993	1,040,429	1,041,604
Intergovernmental	19,803,047	8,742,808	4,302,142	5,353,901	5,687,692	5,072,435	7,317,985	5,066,287	7,073,987	15,301,133
Licenses, fees and charges	962,031	847,900	492,022	750,829	654,029	1,210,895	1,743,385	2,124,212	1,430,134	1,134,976
Fines and forfeitures	670,412	981,873	804,553	892,255	729,769	808,570	648,298	540,304	691,943	680,688
Tenant rental income	405,068	351,972	354,032	357,534	309,986	318,668	249,904	222,567	239,634	179,424
Arts and cultural event fees	38,870	91,189	59,945	71,263	888,893	1,001,410	1,369,872	1,639,949	1,747,181	1,519,316
Base rentals	-	1,100,400	910,345	1,876,308	1,863,881	894,392	951,972	1,009,664	1,290,006	-
Net investment income	792,479	500,873	106,905	176,844	35,261	19,595	19,945	14,113	22,376	140,767
Other	551,568	419,438	383,745	579,263	719,707	684,062	1,490,317	401,910	205,953	839,181
Total revenues	<u>40,928,288</u>	<u>33,238,853</u>	<u>27,513,068</u>	<u>31,006,307</u>	<u>32,882,071</u>	<u>33,891,959</u>	<u>40,099,612</u>	<u>38,211,078</u>	<u>41,149,664</u>	<u>47,737,560</u>
Expenditures										
General government	4,074,338	3,980,604	4,101,494	3,708,958	4,333,473	5,021,784	4,838,096	5,001,832	4,706,785	4,932,276
Municipal court	325,296	323,486	305,767	300,165	201,557	213,150	210,387	213,810	192,197	226,495
Community development	1,055,420	1,233,844	932,784	985,132	1,100,737	1,170,779	1,222,386	1,025,520	1,020,830	1,181,680
Public works	3,209,280	3,020,428	3,445,965	3,162,908	3,406,479	3,655,273	3,959,687	4,417,190	4,473,031	4,325,451
Arts and cultural services	-	-	1,043,051	9,476,670	11,138,702	1,818,327	2,087,722	2,496,989	2,544,481	2,451,342
Police	4,759,655	5,222,525	5,509,854	5,392,037	5,850,140	6,212,692	6,142,980	6,483,386	6,697,266	6,918,837
Debt service										
Bond principal	-	820,000	1,945,000	2,935,000	3,025,000	2,175,000	2,340,000	2,520,000	2,920,000	1,755,000
Bond interest	476,786	357,122	895,978	1,194,539	1,089,712	1,027,973	980,328	924,083	866,475	805,432
Paying agent fees	-	-	200	400	400	400	400	400	400	400
Capital outlay and other	19,581,594	30,582,778	19,773,678	12,555,684	9,321,245	10,142,254	16,220,698	11,563,069	13,839,457	22,162,335
Total expenditures	<u>33,482,369</u>	<u>45,540,787</u>	<u>37,953,771</u>	<u>39,711,493</u>	<u>39,467,445</u>	<u>31,437,632</u>	<u>38,002,684</u>	<u>34,646,279</u>	<u>37,260,922</u>	<u>44,759,248</u>
Excess of revenues over (under) expenditures	7,445,919	(12,301,934)	(10,440,703)	(8,705,186)	(6,585,374)	2,454,327	2,096,928	3,564,799	3,888,742	2,978,312
Other financing sources (uses)										
Loan for Interchange	-	-	-	-	-	-	-	-	-	-
Certificates of participation issue	9,230,000	-	-	-	-	-	-	-	-	-
Revenue bonds issued	-	11,000,000	16,880,000	-	-	-	-	-	-	-
Bond premium	-	48,776	237,151	-	-	-	-	-	-	-
Transfers in	2,706,312	108,679	1,057,429	2,057	1,105,188	1,230,413	1,743,279	2,117,873	1,868,506	1,263,381
Transfers out	(2,706,312)	(108,679)	(1,057,429)	(2,057)	(1,105,188)	(1,230,413)	(1,743,279)	(2,117,873)	(1,868,506)	(1,263,381)
Total other financing sources (uses)	<u>9,230,000</u>	<u>11,048,776</u>	<u>17,117,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 16,675,919</u>	<u>\$ (1,253,158)</u>	<u>\$ 6,676,448</u>	<u>\$ (8,705,186)</u>	<u>\$ (6,585,374)</u>	<u>\$ 2,454,327</u>	<u>\$ 2,096,928</u>	<u>\$ 3,564,799</u>	<u>\$ 3,888,742</u>	<u>\$ 2,978,312</u>
Debt service as a % of noncapital expenditures	2.6%	5.7%	6.2%	16.0%	15.0%	11.4%	10.4%	10.8%	21.2%	7.0%

TABLE 5

**CITY OF LONE TREE
DIRECT AND OVERLAPPING SALES TAX RATES
Last Ten Fiscal Years**

Fiscal Year	City Direct Rate (1)	Douglas County	State of Colorado	Regional Transportation District	Scientific and Cultural Facilities District	Football Stadium District (2)	Total Sales Tax Rate
2007	1.50%	1.00%	2.90%	1.00%	0.10%	0.10%	6.60%
2008	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2009	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2010	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2011	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2012	1.8125%	1.00%	2.90%	1.00%	0.10%	0.00%	6.8125%
2013	1.8125%	1.00%	2.90%	1.00%	0.10%	0.00%	6.8125%
2014	1.8125%	1.00%	2.90%	1.00%	0.10%	0.00%	6.8125%
2015	1.8125%	1.00%	2.90%	1.00%	0.10%	0.00%	6.8125%
2016	1.8125%	1.00%	2.90%	1.00%	0.10%	0.00%	6.8125%

(1) An increase in the City's sales tax rate may be changed only with the approval of City voters. Pursuant to election results from May 2008, a sales tax increase of 0.3125% was effective as of July 1, 2008.

(2) Certain portions of the City were not subject to the Football Stadium District sales tax. This tax expired on December 31, 2011.

Source: City Budget Office and Douglas County Department of Finance.

TABLE 6

**CITY OF LONE TREE
SALES TAX REVENUE PAYERS BY INDUSTRY (1)
Fiscal Year 2016**

<u>Industry</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Retail	\$ 23,253,164	94.34%
Services	643,167	2.60%
Government	1,085	0.01%
Finance, insurance and real estate	74,910	0.30%
Transportation and utilities	676,770	2.75%
Total	<u>\$ 24,649,096</u>	<u>100.00%</u>

(1) Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's sales tax revenue.

Source: City Sales Tax Department

TABLE 7

**CITY OF LONE TREE
SALES TAX REVENUE COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year		Sales Tax Revenue Collections
2007	\$	15,898,747
2008		18,146,324
2009		18,106,395
2010		18,989,109
2011		20,000,973
2012		21,152,222
2013		22,275,657
2014		23,736,964
2015		24,883,632
2016		24,649,096

TABLE 8

CITY OF LONE TREE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

<u>Levy Year (1)</u>	<u>Collection Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Assessed Value Other</u>	<u>Personal</u>	<u>Total</u>	<u>Actual Value (2)</u>
2006	2007	\$ 121,572,750	\$ 166,526,090	\$ 10,711,930	\$ 25,269,736	\$ 324,080,506	\$ 2,163,573,451
2007	2008	135,771,610	233,638,850	14,986,880	33,795,255	418,192,595	2,608,718,587
2008	2009	138,674,500	248,351,230	11,680,930	35,837,000	434,543,660	2,679,945,519
2009	2010	146,195,720	268,470,540	12,728,970	40,052,380	467,447,610	2,833,648,530
2010	2011	148,163,090	269,544,750	12,082,520	37,376,240	467,166,600	2,961,391,802
2011	2012	135,753,590	257,910,790	10,728,780	40,326,810	444,719,970	2,770,833,890
2012	2013	138,412,900	255,941,730	14,018,510	40,277,100	448,650,240	2,669,739,949
2013	2014	147,664,450	283,865,750	19,112,447	45,720,117	496,362,764	2,931,188,630
2014	2015	155,833,800	309,658,840	20,493,300	54,399,760	540,385,700	3,131,131,975
2015	2016	188,966,170	379,839,260	18,558,910	64,355,840	651,720,180	3,783,743,011

(1) The City of Lone Tree does not currently levy a property tax. Voter authorization would be required in order to levy a property tax in the future.

(2) Actual value is not intended to represent market value.

Source: Douglas County Assessor's Office

TABLE 9

CITY OF LONE TREE
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(Per \$1,000 of Assessed Value)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City of Lone Tree	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Overlapping Mill Levies (1):										
Douglas County	19.774	19.774	19.774	19.774	19.774	19.774	19.774	19.774	19.774	19.274
Douglas County Library District	4.044	4.044	4.016	4.034	4.034	4.070	4.029	4.032	4.035	4.016
Douglas County School District No. Re 1	46.500	46.500	47.103	46.681	46.890	44.708	45.063	46.051	46.945	45.564
Douglas County Soil Conservation District	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Heritage Hills Metropolitan District	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	39.544	39.000
Park Meadows Metropolitan District	6.387	6.712	6.387	6.387	6.387	6.387	6.387	6.387	6.387	6.387
Rampart Range Metropolitan District No. 2	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000
Rampart Range Metropolitan District No. 7	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000
Regional Transportation District	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
South Metro Fire Rescue	9.377	9.377	9.362	9.541	9.661	9.520	9.444	9.319	9.344	9.250
South Suburban Park and Recreation District	7.008	6.868	6.830	6.777	6.869	6.960	6.915	8.808	8.651	8.643
Southeast Public Improvement Metro District	1.608	1.621	1.650	2.000	2.150	2.080	2.000	2.000	2.000	2.000
Southgate Sanitation District	0.060	0.604	0.544	0.558	0.558	0.558	0.531	0.551	0.510	0.510
Southgate Water District	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Urban Drainage & Flood Control District	0.507	0.507	0.508	0.523	0.570	0.600	0.608	0.632	0.553	0.559
Urban Drainage & Flood South Platte	0.061	0.061	0.061	0.053	0.060	0.060	0.064	0.068	0.058	0.061
	<u>227.326</u>	<u>228.068</u>	<u>228.235</u>	<u>228.328</u>	<u>228.953</u>	<u>226.717</u>	<u>226.815</u>	<u>229.622</u>	<u>229.801</u>	<u>227.264</u>

(1) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

Source: Douglas County Assessor's Office

TABLE 10

CITY OF LONE TREE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation (1)	Sales and Use Tax Revenue Bonds (2) (3)			
2007	\$ 9,230,000	\$ -	\$ 9,230,000	1.54%	\$ 884
2008	8,410,000	11,048,609	19,458,609	3.10%	1,853
2009	7,695,000	26,922,873	34,617,873	5.54%	3,287
2010	5,930,000	25,723,203	31,653,203	4.79%	2,906
2011	4,110,000	24,489,595	28,599,595	3.61%	2,577
2012	3,235,000	23,161,947	26,396,947	3.15%	2,319
2013	2,295,000	21,735,335	24,030,335	2.53%	1,911
2014	1,290,000	20,195,029	21,485,029	2.16%	1,681
2015	-	18,541,137	18,541,137	1.81%	1,449
2016	-	16,763,889	16,763,889	1.53%	1,248

(1) In 2007, the Building Authority (included as a blended component unit of the City) issued Certificates of Participation.

(2) In 2008, the City issued Sales and Use Tax Revenue Bonds for park and recreation improvements.

(3) In 2009, the City issued Sales and Use Tax Revenue Bonds for arts and cultural improvements.

TABLE 11a

**CITY OF LONE TREE
REVENUE BOND COVERAGE
PARK AND RECREATION IMPROVEMENT BONDS
Last Nine Fiscal Years (1)**

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (3)	Total	
2008	\$ 517,378	\$ -	\$ 517,378	\$ -	\$ 17,169	\$ 17,169	3013%
2009	\$ 910,830	\$ 200	\$ 910,630	\$ 445,000	\$ 515,075	\$ 960,075	95%
2010	\$ 949,885	\$ 200	\$ 949,685	\$ 460,000	\$ 499,500	\$ 959,500	99%
2011	\$ 988,362	\$ 200	\$ 988,162	\$ 475,000	\$ 483,400	\$ 958,400	103%
2012	\$ 1,062,427	\$ 200	\$ 1,062,227	\$ 515,000	\$ 464,400	\$ 979,400	108%
2013	\$ 1,084,382	\$ 200	\$ 1,084,182	\$ 555,000	\$ 443,800	\$ 998,800	109%
2014	\$ 1,116,010	\$ 200	\$ 1,115,810	\$ 600,000	\$ 420,213	\$ 1,020,213	109%
2015	\$ 1,305,096	\$ 200	\$ 1,304,896	\$ 645,000	\$ 394,713	\$ 1,039,713	126%
2016	\$ 1,287,903	\$ 200	\$ 1,287,703	\$ 695,000	\$ 365,688	\$ 1,060,688	121%

- (1) The Series 2008A Park and Recreation Improvement Sales and Use Tax Revenue Bonds were issued on November 19, 2008. The City had no outstanding bonds prior to this time.
- (2) Sales and use tax revenues derived from the sales and use tax rate increase of 0.125% effective July 1, 2008. This amount also includes investment earnings from those monies as well as investment earnings from the bond proceeds.
- (3) Interest per debt service schedule paid to bondholders during calendar year; does not include accrued interest.

TABLE 11b

**CITY OF LONE TREE
REVENUE BOND COVERAGE
ARTS AND CULTURAL FACILITIES BONDS
Last Eight Fiscal Years (1)**

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (3)	Total	
2009	\$ 1,365,655	\$ -	\$ 1,365,655	\$ 785,000	\$ 185,558	\$ 970,558	141%
2010	\$ 1,423,108	\$ 200	\$ 1,422,908	\$ 710,000	\$ 583,731	\$ 1,293,731	110%
2011	\$ 1,480,951	\$ 200	\$ 1,480,751	\$ 730,000	\$ 562,431	\$ 1,292,431	115%
2012	\$ 1,591,285	\$ 200	\$ 1,591,085	\$ 785,000	\$ 544,181	\$ 1,329,181	120%
2013	\$ 1,625,080	\$ 200	\$ 1,624,880	\$ 845,000	\$ 524,556	\$ 1,369,556	119%
2014	\$ 1,673,760	\$ 200	\$ 1,673,560	\$ 915,000	\$ 499,206	\$ 1,414,206	118%
2015	\$ 1,957,203	\$ 200	\$ 1,957,003	\$ 985,000	\$ 471,756	\$ 1,456,756	134%
2016	\$ 1,929,783	\$ 200	\$ 1,929,583	\$ 1,060,000	\$ 439,744	\$ 1,499,744	129%

(1) The Series 2009 Arts and Cultural Facilities Improvement Sales and Use Tax Revenue Bonds were issued on August 11, 2009.

(2) Sales and use tax revenues derived from the sales and use tax rate increase of 0.1875% effective July 1, 2008.

This amount also includes investment earnings from those monies as well as investment earnings from the bond proceeds.

(3) Interest per debt service schedule paid to bondholders during calendar year; does not include accrued interest.

TABLE 12

**CITY OF LONE TREE
LEGAL DEBT MARGIN INFORMATION
Last Nine Fiscal Years (1)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000
Total net debt applicable to limit	\$ 11,000,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000
Legal debt margin (2)	\$ 20,000,000	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000
Total net debt applicable to the limit as a percentage of debt	35.48%	89.94%	89.94%	89.94%	89.94%	89.94%	89.94%	89.94%	89.94%

(1) The Series 2008A Park and Recreation Improvement Sales and Use Tax Revenue Bonds were issued on November 19, 2008. The City had no outstanding bonds prior to this time. The Series 2009 Arts and Cultural Facilities Improvement Sales and Use Tax Revenue Bonds were issued on August 11, 2009.

(2) On May 6, 2008, a majority of the qualified electors of the City authorized the issuance of indebtedness in an amount not to exceed \$18,500,000 and \$12,500,000, for sales and use tax revenue bonds for funding capital improvements for cultural facilities and park and recreation, respectively. The voters also authorized a temporary sales and use tax rate increase of .1875% for arts and cultural facilities and .125% for park and recreation improvements effective July 1, 2008 through December 31, 2023 or after the full payment of such debt. The City issued \$11,000,000 of its authorized debt during 2008 and \$16,880,000 of its authorized debt during 2009. The City has no other debt authorization.

TABLE 13

CITY OF LONE TREE
GENERAL OBLIGATION DEBT - DIRECT AND OVERLAPPING GOVERNMENTS
As of December 31, 2016

	<u>Outstanding General Obligation Debt</u>	<u>Other Long- Term Debt Instruments</u>	<u>Percent Applicable to City</u>	<u>City's Share of Debt</u>
Direct:				
City of Lone Tree	\$ -	\$ 16,763,889	100.00%	<u>\$ 16,763,889</u>
Overlapping:				
Douglas County School District No. Re 1	305,059,571	-	4.80%	14,642,859
South Suburban Park and Recreation District	9,835,000	-	13.79%	1,356,247
Southeast Public Improvement Metropolitan District	2,985,000	-	18.74%	<u>559,389</u>
Total overlapping debt				<u>16,558,495</u>
Total direct and overlapping debt				<u><u>\$ 33,322,384</u></u>

The following entities also overlap the City, but have no General Obligation Debt outstanding:

Cherry Creek Basin Water Authority
Douglas County
Douglas County Public Library District
Douglas County Soil Conservation District
Park Meadows Metropolitan District
Rampart Range Metropolitan District No. 1
Rampart Range Metropolitan District No. 2
Rampart Range Metropolitan District No. 7
Regional Transportation District
Southgate Sanitation District
Southgate Water District
South Metro Fire Rescue District
Urban Drainage and Flood Control District
Urban Drainage and Flood South Platte

Sources: Douglas County Assessor's Office and information obtained from individual entities.

TABLE 14

**CITY OF LONE TREE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years**

Calendar Year	Estimated Population	Personal Income	Per Capita Personal Income [1]	Douglas County Unemployment Rate
2007	10,439	\$ 597,956,359	\$ 57,281	3.20%
2008	10,500	627,637,500	59,775	5.10%
2009	10,533	625,217,814	59,358	6.60%
2010	10,891	661,334,193	60,723	6.70%
2011	11,097	793,047,105	71,465	6.10%
2012	11,385	836,979,660	73,516	5.90%
2013	12,572	950,116,328	75,574	5.60%
2014	12,779	993,771,714	77,766	4.50%
2015	12,800	1,024,268,800	80,021	2.60%
2016	13,431	1,097,326,131	81,701	2.80%

[1] Bureau of Economic Analysis, Washington D.C. ; 2016 Per Capita Income estimated using the 2.1% change for personal income from '15 to '16

Source: Douglas County Department of Finance

TABLE 15

**CITY OF LONE TREE
PRINCIPAL EMPLOYERS (1)
Current Year and Ten Years Ago**

<u>Employer</u>	2016		2007	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Douglas County School District	6,165	1	6,557	1
Charles Schwab	3,200	2	-	
Echostar Communications	2,320	3	1,900	2
CH2M Hill	1,610	4	1,720	3
Western Union	1,600	5	1,080	6
Centura: Parker Adventist Hospital	1,560	6	-	
Healthone: Sky Ridge Medical	1,400	7	930	8
Douglas County Government	1,186	8	1,042	7
The Trizetto Group	1,000	9		
Information Handling Services	950	10	-	
Specialized Loan Servicing	-	-	-	
AVAYA	-	-	1,500	4
Time Warner Telecom	-	-	1,100	5
Liberty Media	-	-	800	10
Nextel	-	-	930	9

(1) Selected major employers within Douglas County. Total employment within the City is not available.

Source: Douglas County Department of Finance

TABLE 16

CITY OF LONE TREE
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program (1)	Full-Time Equivalent Employees (2)									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	10	14	14.5	16.25	14.50	15.50	17.50	17.75	18.00	21.00
Municipal court	2	2	2	2	2	2	2	2.00	2.00	2.50
Community development	1	1	7.25	5.75	5.75	6.00	7.00	6.75	7.00	7.00
Arts & Cultural	-	-	-	1.50	12.75	13.20	13.75	18.00	19.50	20.50
Police	43	45	50	47	52	53	54	56.50	56.50	56.50
Total	<u>56</u>	<u>62</u>	<u>73.75</u>	<u>72.50</u>	<u>87.00</u>	<u>89.70</u>	<u>94.25</u>	<u>101.00</u>	<u>103.00</u>	<u>107.50</u>

(1) The City contracts out its legal and public works departments. The figures above do not include services provided by these contracted parties.

(2) A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Source: City Finance Department

TABLE 17

CITY OF LONE TREE
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program (1)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Municipal court										
Number of court cases	1,427	2,260	2,159	1,918	2,114	2,107	1,922	1,577	3,094	2,307
Community development										
Building permits issued	723	634	536	701	700	1,562	809	804	872	770
Building inspections conducted	5,031	4,257	2,750	4,513	4,196	8,392	7,662	7,115	5,475	5,329
Public works										
Streets overlayed (miles)	4.06	12.52	11.61	10.48	9.71	8.55	15.81	6.26	6.23	8.25
Public safety										
Accidents	1,095	1,033	970	878	1,008	995	1,169	1,787	1,443	1,255
Citations issued	4,860	7,879	5,619	6,107	4,812	4,380	4,234	4,136	5,079	5,115

(1) No operating indicators are available for the general government or capital outlay.

Source: Various City departments

TABLE 18

CITY OF LONE TREE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program (1)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public works										
Streets (miles)	130.40	130.40	139.11	146.32	147.01	147.01	148.51	157.88	160.76	160.76
Traffic signals	33	35	40	42	42	43	45	47	48	48
Public safety										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	15	16	22	24	24	25	22	22	20	23
Capital outlay										
Storm drainage (miles)	38.25	38.25	38.25	38.25	38.25	38.70	39.93	41.18	41.80	43.12

(1) No capital indicators are available for the general government, municipal court or community development.

Source: Various City departments