

Comprehensive Annual Financial Report For the Year-Ended December 31, 2017



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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Office of the State Auditor

June 27, 2018

CITY OF LONE TREE, COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2017

Prepared by:
Department of Finance

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CITY OF LONE TREE

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Lone Tree, Colorado 80124
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www.cityoflonetree.com

May 29, 2018

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, 2017.

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, 2017. 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, 2017. 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 14,000 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.

The City staff focuses on the Community Vision Statement which 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 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 will 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**

The City also identified 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 Cultural Facilities Bonds and the Park and Recreation Bonds are accounted for separately in two 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, and approximately 9.2 million square feet of retail, office, and commercial space, 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”. The Southeast Light Rail Extension will expand the previous Southeast Light Rail Line 2.3 miles from Lincoln Station to RidgeGate Parkway. It encompasses three new stations being added: a Kiss-n-Ride at Sky Ridge Avenue near Sky Ridge Medical Center; one at the future Lone Tree City Center; and a 1,300-space Park-n-Ride at RidgeGate Parkway. The end of the line station at RidgeGate Parkway will provide for a direct connection to Denver International Airport. The estimated completion date of the Southeast Light Rail Extension is 2019. Once it 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 2017, the City of Lone Tree started and completed construction on Phase One of improvements to County Line Road. Phase One of the project involved providing a new signal and additional lanes on County Line Road in front of Park Meadows Retail Resort. The construction in 2017 was done to reduce congestion and provide a safer way to enter and exit from Park Meadows Retail Resort on County Line Road. County Line Phase Two improvements will be broken out between Phase 2A and 2B. Phase 2A will be completed in 2018 with Phase 2B being completed in 2019. Overall Phase Two improvements include modifications to the existing interstate ramps west of I-25 and Park Meadows Center Drive.

2017 was the first year of the new, Link On Demand powered by Uber service. This on-demand shuttle service is the first of its kind in the country. This service runs every day of the week providing free door to door on-demand rides within the Lone Tree city limits. The service can be accessed through the Uber app. The service had 4,345 boardings in 2017. This new 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 all its partners for the Link and Link on Demand are investing in Lone Tree to assure it remains a premier community for both businesses and residents.

In 2017, MONEY magazine revealed the 2017 Best Places to Live in America, its annual ranking of the towns and cities where affordability meets quality of life. For this year's list MONEY evaluated 2,400 places on eight categories: cost of living, economy, education, housing, crime, convenience, cultural and recreational amenities, and an overall sense of pleasantness. Based on the above criteria, the City was ranked No.7 by MONEY in this year's rankings. MONEY magazine specifically stated that the City is a quick drive or light rail ride into the city, making for easy work commutes or nights out – but there is plenty to keep residents occupied within their own boundaries. It also stated that Lone Tree is home to numerous parks and running and biking trails, including the Bluffs Regional Park and Trail, which delivers great views of the Colorado Front Range mountains and 3.5 miles of trails to explore. Finally, MONEY mentioned that Lone Tree has an unemployment rate of only 2.7%, and residents earn a median income of more than \$115,000 a year.

In September 2017, voter approval was obtained to annex the OmniPark area into the City, effective December 21, 2017. This annexation brought numerous new commercial and retail businesses into the City providing additional revenue that will help fund future City projects to enhance the community. This annexation shows the City's commitment to continue to attract and grow top-tier businesses and to grow a diverse City economy.

The City's largest revenue source is sales taxes which primarily funds the City's operations. During 2017, the City experienced minimal increases in sales tax revenue compared to 2016, essentially showing sales tax revenue as remaining flat. While sales tax revenue remained flat, the City ended the year better than the amended budget. 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. 2018 is anticipated to bring the opening of a new arts and craft supply store, multiple restaurants that will have been opened for a full year, as well as a hospitality development, which will contribute to the City's 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 2017, 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, 2017, the City's unrestricted working reserve totaled approximately 25%. The 2018 budget reflects maintaining this reserve at 25%. The City also has adopted a capital reserve 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 reserve 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 and an investments policy. These two 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 4,400 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 planned development approaches build-out, the City is planning for the development of the east side. This commenced with the RTD Southeast Light Rail Extension which is expected to open for services in 2019. The long-term plan for this area is an urban, mixed-use development with a capacity for approximately 11,000 residential dwelling units and 11 million square feet of commercial including office, retail, and hotel uses. There will also be school, university, and parks and recreational facilities. The development of RidgeGate east is estimated to result in a population increase of approximately 25,000 residents. Planning for build-out of the east side will be a primary focus for the City in coming years. During 2017, the City amended the RidgeGate annexation agreement, specifically for the east side property, which included a future mill levy pledge from the metropolitan district, further insuring financial stability and consistent City services to future east side residents and businesses.

During 2017, the City refinanced 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 and Park at the Golf Course and Prairie Sky Park. As a result of these two refundings, the City anticipates approximately \$600,000 in interest savings over the next six 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, 2016. 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 twelfth year to submit for and to receive the award. A Certificate of Achievement is valid for one year only. We believe this 2017 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 2015 - 2017 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, 2016

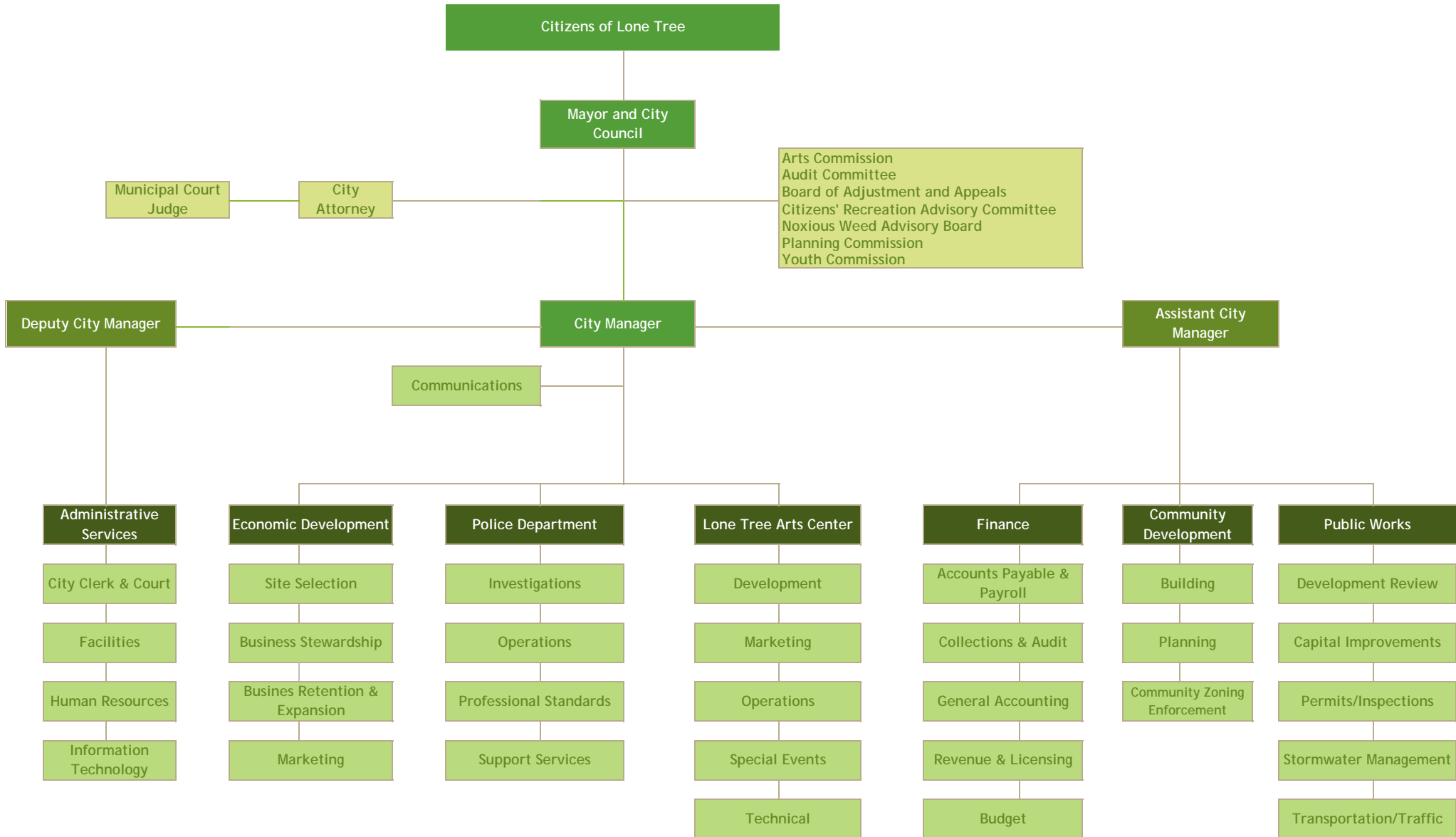
Christopher P. Morill

Executive Director/CEO

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City of Lone Tree

Departmental Structure





CPAs & BUSINESS ADVISORS

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, 2017, 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 or the Lone Tree Business Improvement District, which represent 100% 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 these discretely presented component units, 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, 2017, 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, 92 through 99, 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 100 through 107 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 and schedules 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 these discretely presented component units, is based solely on the report of the other auditors. The budgetary schedules, schedule of debt service requirements to maturity, and Local Highway Finance Report on pages 109 through 127 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.

Eide Bailly LLP

Denver, Colorado
May 29, 2018

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, 2017.

Financial Highlights

With regard to the primary government:

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$121,235,191 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 \$23,262,006.
- Total net position increased by \$1,218,394 from 2016.
- Total cash and investments decreased by \$2,838,810 as compared to the prior year.
- Sales and use tax retail revenue increased by \$271,897 as compared to the prior year.
- At the end of the current fiscal year, assigned and unassigned fund balance for the General Fund totaled \$11,458,804.

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 33-90 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 92-107 of this report.

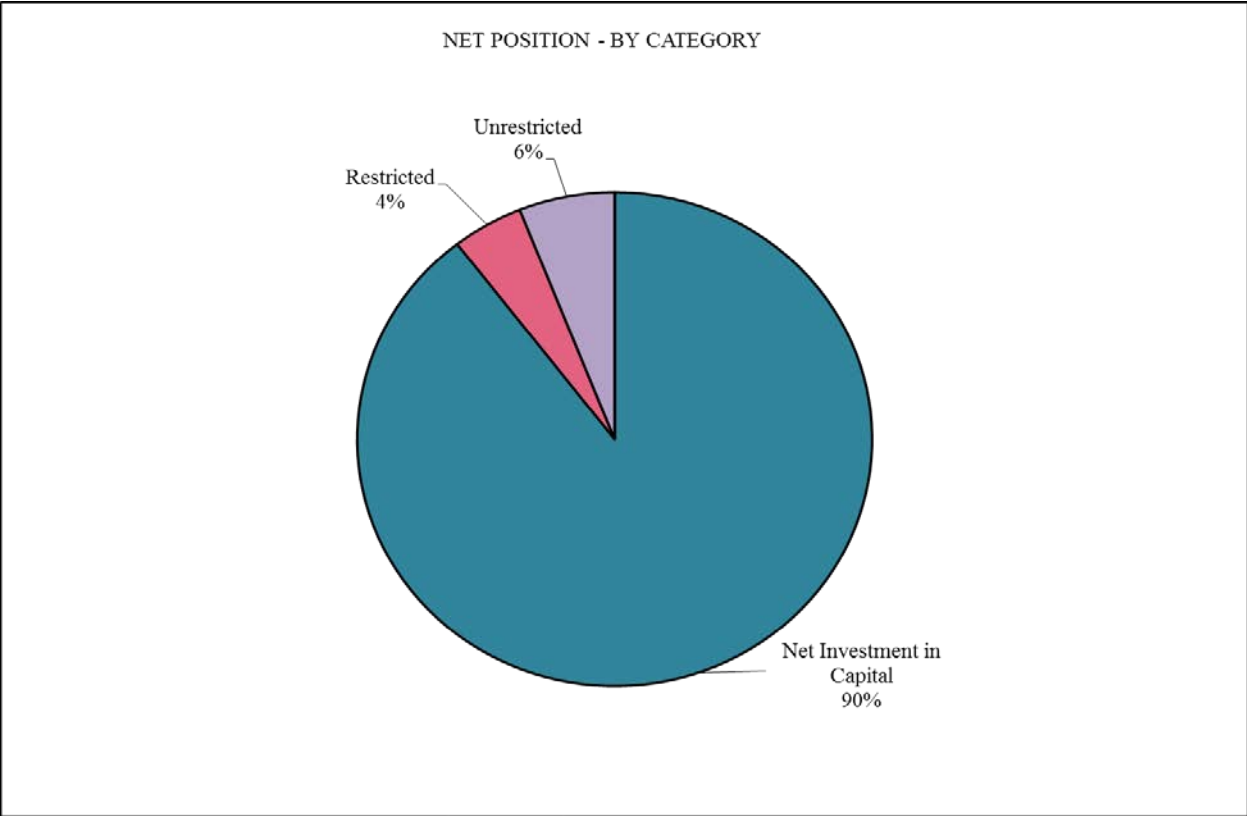
Other supplementary information. A budgetary comparison schedule for the Debt Service Fund - Arts and Cultural Facilities and the Debt Service Fund - Park and Recreation Improvements are presented immediately following the required supplemental information. Additionally, combined financial statements 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 \$121,235,191 at the close of the most recent fiscal year.

Net Position

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-----------------------|
| Current assets | \$ 28,811,180 | \$ 31,823,255 |
| Capital assets | 123,298,133 | 118,928,729 |
| Long-term assets | <u>2,444,166</u> | <u>8,345,840</u> |
| Total assets | <u>154,553,479</u> | <u>159,097,824</u> |
| Pension related amounts | 3,684,477 | 2,975,971 |
| Refunded bonds related amounts | 739,614 | - |
| Southeast light rail extension agreement | <u>2,444,167</u> | <u>4,888,333</u> |
| Total deferred outflows of resources | <u>6,868,258</u> | <u>7,864,304</u> |
| Other liabilities | 18,376,721 | 15,113,017 |
| Long-Term liabilities | <u>21,787,885</u> | <u>31,745,642</u> |
| Total liabilities | <u>40,164,606</u> | <u>46,858,659</u> |
| Pension related amounts | <u>21,940</u> | <u>86,672</u> |
| Total deferred inflows of resources | <u>21,940</u> | <u>86,672</u> |
| Net investment in capital assets | 108,531,579 | 102,243,231 |
| Restricted net position | 5,416,090 | 4,762,302 |
| Unrestricted net position | <u>7,287,522</u> | <u>13,011,264</u> |
| Total net position | <u>\$ 121,235,191</u> | <u>\$ 120,016,797</u> |



The largest portion of the City’s net position (90%) 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, and funds reserved for future debt service payments). The remaining balance of *unrestricted net position* totaling \$7,287,522 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

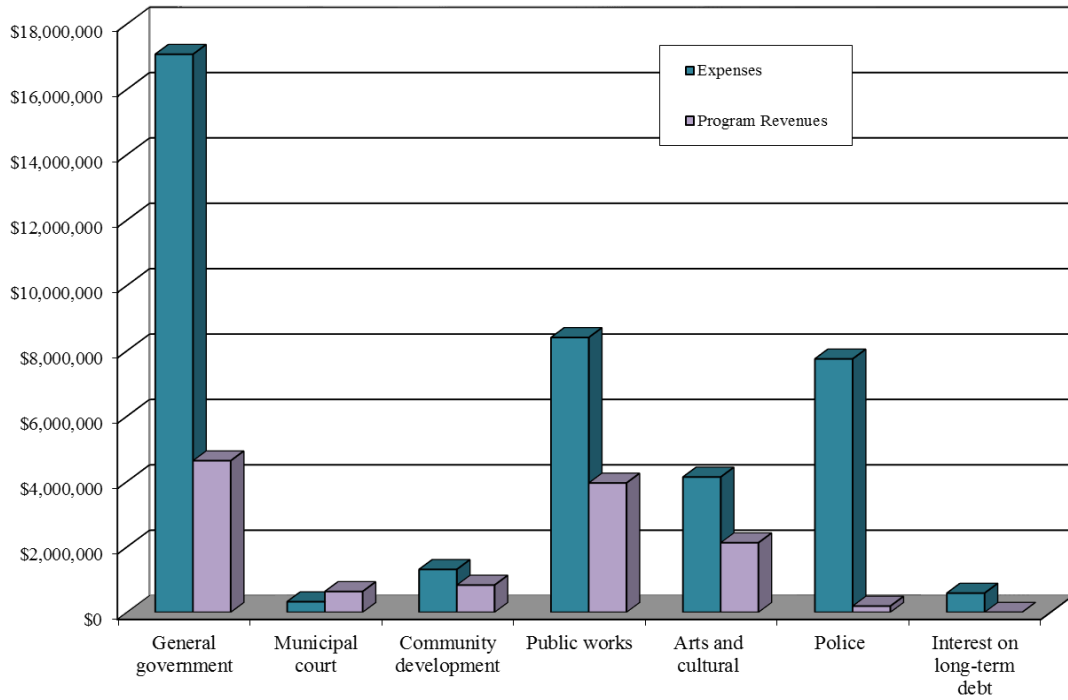
| | 2017 | 2016 |
|--|-----------------------|-----------------------|
| Revenue | | |
| Program revenues | | |
| Charges for services | \$ 3,213,115 | \$ 3,018,441 |
| Operating grants and contributions | 5,000,361 | 5,050,314 |
| Capital grants and contributions | 4,166,060 | 3,453,329 |
| General revenues | | |
| Sales and use (retail) taxes | 24,920,993 | 24,649,096 |
| Other taxes | 2,045,278 | 2,448,894 |
| Franchise fees | 1,069,729 | 1,041,604 |
| Investment earnings | 234,364 | 140,767 |
| Other | <u>161,055</u> | <u>707,051</u> |
| Total revenues | <u>40,810,955</u> | <u>40,509,496</u> |
| Expenses | | |
| General government | 17,071,135 | 16,173,154 |
| Municipal court | 323,935 | 259,849 |
| Community development | 1,313,003 | 1,260,292 |
| Public works | 8,406,828 | 8,436,353 |
| Arts and cultural | 4,138,733 | 3,239,157 |
| Police | 7,752,422 | 7,091,270 |
| Interest and related costs on long-term debt | <u>586,505</u> | <u>777,775</u> |
| Total expenses | <u>39,592,561</u> | <u>37,237,850</u> |
| Change in net position | 1,218,394 | 3,271,646 |
| Net position – Beginning | <u>120,016,797</u> | <u>116,745,151</u> |
| Net position - Ending | <u>\$ 121,235,191</u> | <u>\$ 120,016,797</u> |

The City's net position related to governmental activities increased by \$1,218,394 during the current fiscal year. Several key highlights of the statement of activities during 2017 include the following items:

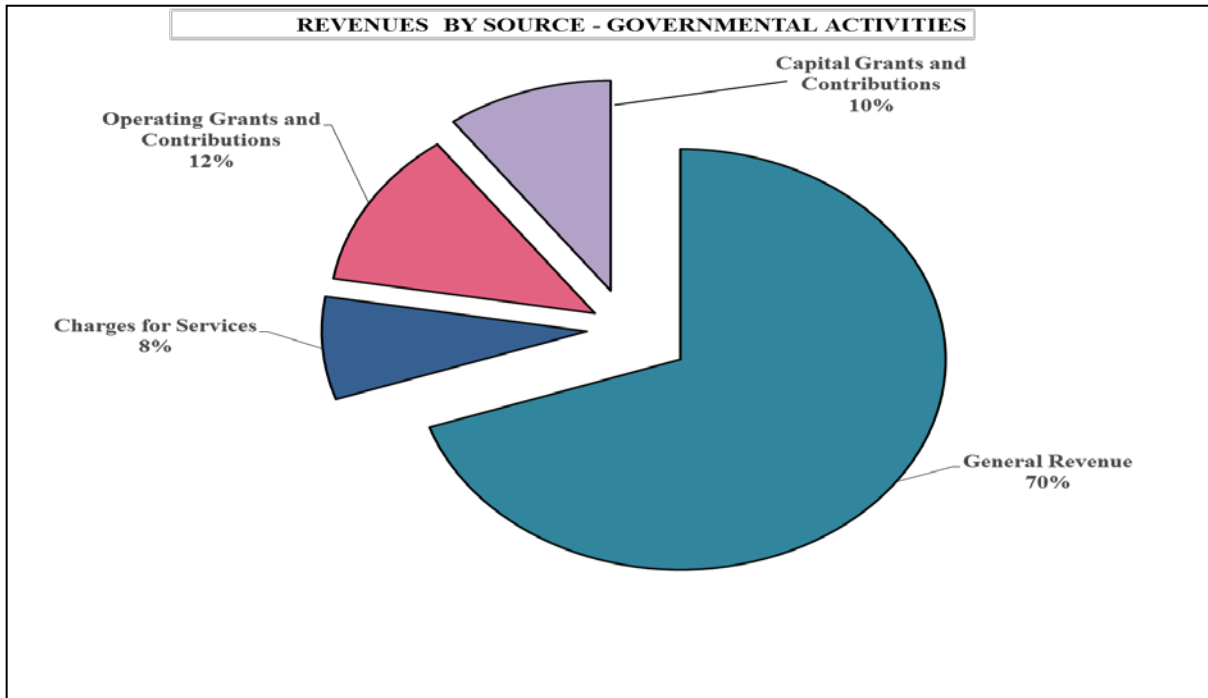
- 2017 charges for services increased by \$194,674 from the previous year. A significant portion of this increase was due to the increase in ticket sales at the Lone Tree Arts Center, which was largely due to the performances of Evita and Muscle Shoals. These were larger than normal productions that brought in higher ticket sales than what was generated from theatrical performances in previous years.
- Capital grants and contributions increased by \$712,731 from 2016 to 2017 largely due to the timing of reimbursement payments received from City partners for different capital projects, specifically the Lincoln Pedestrian Bridge, the Southeast Light Rail Extension, and County Line Road Improvements.

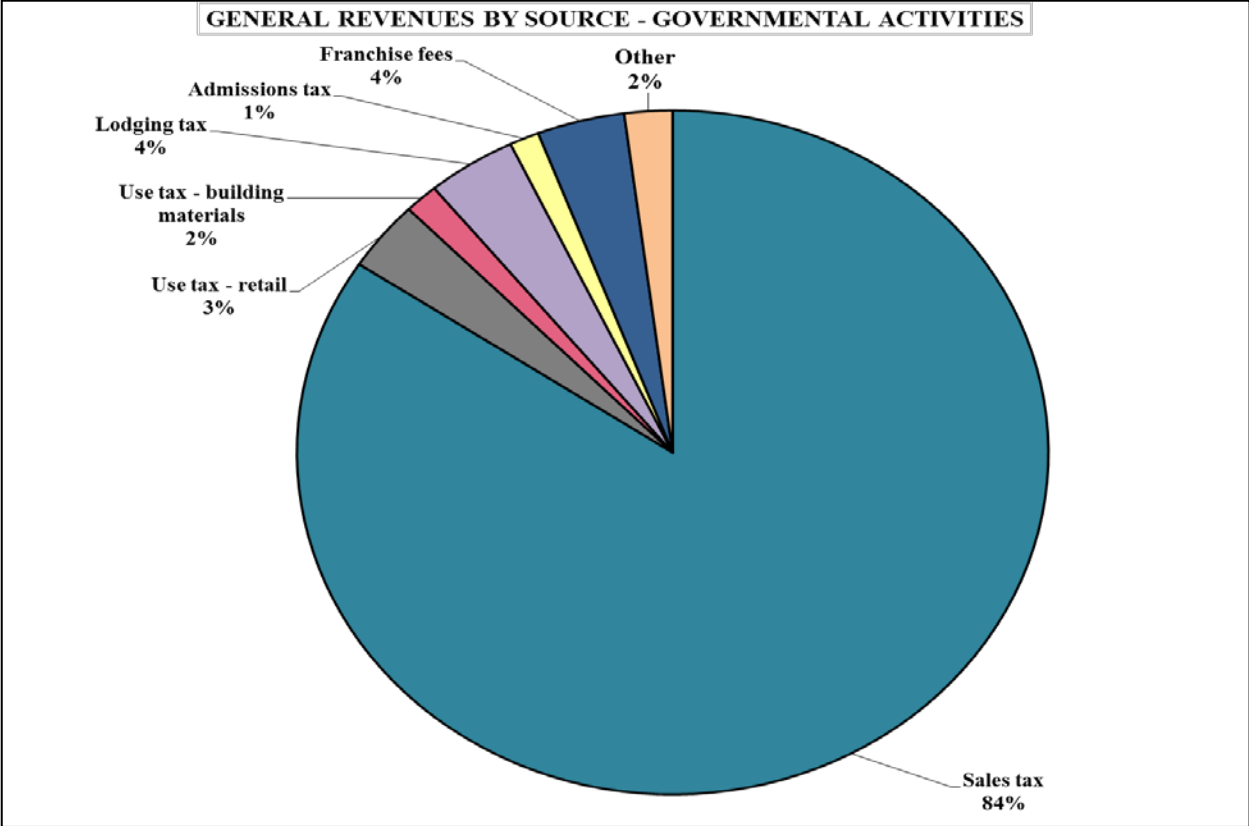
- Sales and use (retail) taxes increased by \$271,897 from 2016 to 2017 as a result of new businesses opening in 2017 and no large vendors closing in 2017 which was experienced in 2016. Additionally, one of the City's large vendors started selling alcoholic beverages in late 2017.
- Other taxes decreased by \$403,616 from 2016 to 2017 as a result of the timing of capital projects for the collection of use tax on building materials.
- Other revenue decreased in 2017 by \$545,995 from 2016. The reason for the decrease was a result of an insurance claim the City received in 2016 for roof damage sustained from a hail storm.
- General government expenses increased by \$897,981 or 5.6% from 2016 to 2017. This increase is largely due to increased costs on capital projects such as the Southeast Light Rail Extension, offset by savings in other departments.
- Municipal court expenses increased by \$64,086 or 24.7% from 2016 to 2017 primarily due to the additional Teen Court program costs and increases pertaining to State non-funded mandates associated with providing legal representation.
- Arts and cultural expenses increased by \$899,576 or 27.8% due to additional staff time, contracted personnel costs, and other operational costs to put on two larger scale performances, Evita and Muscle Shoals in 2017.
- Police department expenses increased by \$661,152 or 9.3% from 2016 to 2017 primarily due to additional salary and benefit costs associated with being fully staffed for the year, which was not the case in 2016.
- Interest and related costs on long-term debt decreased by \$191,270 or 24.6% from 2016 to 2017 due to the bond refundings and related interest savings.

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES





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 \$23,262,006. Of this amount, \$11,348,077 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 \$11,458,804 out of a total fund balance of \$20,208,231.

The fund balance of the City’s General Fund decreased by \$4,515,431 during the current fiscal year. The key factor contributing to this decrease was the significant increase in capital expenditures for numerous projects ranging from the Lincoln Pedestrian Bridge, the Southeast Light Rail Extension, and County Line Road Improvements.

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 \$1,549,690. 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 \$1,504,085. 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 2017 came in under budget. The difference between the final budgeted revenue of \$42,234,731 and the actual revenue of \$41,132,985 was \$1,101,746. The main reason for this variance had to do with reimbursable costs that were lower than budgeted due to the Lincoln Pedestrian Bridge project being extended into 2018 and the delay of construction for RidgeGate Parkway and for improvements to Park Meadows Drive. These delays resulted in partner contributions being moved to 2018. Additionally, use tax - building materials collection was lower than budgeted largely due to the timing of construction projects in the City. The decrease in use tax – building materials also factors into the calculation for the transportation shareback with Douglas County, which also came in lower than budgeted.

The City's General Fund total expenditures for 2017 did not exceed the budgeted appropriation. The difference between the budgeted expenditures (exclusive of transfers out) of \$49,219,809 and the actual expenditures of \$44,665,139 was \$4,554,670. 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 2018, such as the Lincoln Pedestrian Bridge, County Line Road improvements, RidgeGate Parkway widening, Surrey Ridge Tunnel Drainage, and The Hub capital improvements.

Capital Assets

The City invested \$10,353,671 in capital assets for its governmental-type activities for the year ended December 31, 2017. Investment in capital assets consisted of projects in 2017 including construction of the Lincoln Pedestrian Bridge, County Line Road improvements, street overlay, The Hub capital improvements, and the Lone Tree Arts Center parking lot expansion.

Additional information on the City's capital assets can be found in Note 6 on pages 50-51 of this report.

Long-Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$14,360,000. This amount represents debt secured for park and recreational improvements and the Lone Tree Arts Center. Additionally, the City had \$10,333,334 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 58-59.

At the end of the fiscal year, the Park Meadows Business Improvement District (PMBID) had total outstanding debt of \$12,440,000. 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 52-59 of this report.

Next Year's Budget

The 2018 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 infrastructure investments.

The City has appropriated a total of \$71,962,140 for spending in fiscal year 2018. The 2018 budget includes new City staff positions due to bringing a portion of the Public Works department in-house, a full time Teen Court Coordinator, and Community Safety Officers. Capital initiatives planned for 2018 include continued overlay of City streets, final year contribution toward the Southeast Light Rail Extension, next phase on County Line Road improvements, West Cook Creek Drainage improvements, RidgeGate Parkway widening and various intersection and street improvements. The City anticipates utilizing revenues projected to be received in 2018 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, 2017

| | <u>Primary Government</u> | <u>Component Unit</u> | |
|---|------------------------------------|---|---|
| | <u>Governmental Activities</u> | <u>Park Meadows Business Improvement District</u> | <u>Component Unit Lone Tree Business Improvement District</u> |
| ASSETS | | | |
| Cash and Investments | \$ 11,458,788 | \$ 2,823,013 | \$ 160,354 |
| Cash and Investments - Restricted | 12,373,428 | 1,264,451 | 6,393 |
| Receivables: | | | |
| Intergovernmental | 696,609 | 1,347,216 | 1,402 |
| Sales, Use, Admissions and Lodging Taxes | 3,661,121 | - | - |
| Other | 104,228 | - | - |
| Prepaid Items | 517,006 | 114,180 | - |
| Property Taxes Receivable | - | - | 231,475 |
| Long-Term Receivable | 2,444,166 | - | - |
| Capital Assets: | | | |
| Non-Depreciable | 31,937,987 | - | - |
| Depreciable, Net | 91,360,146 | 14,883,619 | - |
| Total Assets | <u>154,553,479</u> | <u>20,432,479</u> | <u>399,624</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Related Amounts | 3,684,477 | - | - |
| Refunded Bonds Related Amounts | 739,614 | 195,720 | - |
| Southeast Light Rail Extension Agreement | 2,444,167 | - | - |
| Total Deferred Outflows of Resources | <u>6,868,258</u> | <u>195,720</u> | <u>-</u> |
| LIABILITIES | | | |
| Accounts Payable | 4,583,129 | 158,241 | 32,095 |
| Unearned Revenue - Arts Center Ticket Sales | 291,849 | - | - |
| Retainage Payable | 390,489 | - | - |
| Surety Deposits Payable | 234,939 | - | - |
| Other Deposits Payable | 48,769 | - | - |
| Accrued Interest Payable | 48,487 | 30,535 | - |
| Noncurrent Liabilities | | | |
| Due within One Year | 12,779,059 | 731,791 | - |
| Due in More than One Year: | | | |
| Other Noncurrent Liabilities | 13,956,913 | 11,708,209 | - |
| Net Pension Liability - FPPA | 244,075 | - | - |
| Net Pension Liability - PERA | 7,586,897 | - | - |
| Total Liabilities | <u>40,164,606</u> | <u>12,628,776</u> | <u>32,095</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension Related Amounts | 21,940 | - | - |
| Property Taxes | - | - | 231,475 |
| Total Deferred Inflows of Resources | <u>21,940</u> | <u>-</u> | <u>231,475</u> |
| NET POSITION | | | |
| Net investment in Capital Assets | 108,531,579 | 2,443,619 | - |
| Restricted: | | | |
| Emergency Reserve (TABOR) | 937,482 | 174,000 | 6,393 |
| Conservation Trust | 386,032 | - | - |
| Brick Fence Replacement | 986,200 | - | - |
| RidgeGate Annexation Reserve | 52,601 | - | - |
| Debt Service | 3,053,775 | 1,090,451 | - |
| Unrestricted | 7,287,522 | 4,291,353 | 129,661 |
| Total Net Position | <u>\$ 121,235,191</u> | <u>\$ 7,999,423</u> | <u>\$ 136,054</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, 2017

| 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 | \$ 17,071,135 | \$ 176,438 | \$ 294,466 | \$ 4,166,060 | \$ (12,434,171) | \$ - | \$ - |
| Municipal Court | 323,935 | 636,085 | - | - | 312,150 | - | - |
| Community Development | 1,313,003 | 832,431 | - | - | (480,572) | - | - |
| Public Works | 8,406,828 | 499 | 3,955,494 | - | (4,450,835) | - | - |
| Arts and Cultural Services | 4,138,733 | 1,562,983 | 565,206 | - | (2,010,544) | - | - |
| Police | 7,752,422 | 4,679 | 185,195 | - | (7,562,548) | - | - |
| Interest and Related Costs on Long-Term Debt | 586,505 | - | - | - | (586,505) | - | - |
| Total Primary Government | <u>\$ 39,592,561</u> | <u>\$ 3,213,115</u> | <u>\$ 5,000,361</u> | <u>\$ 4,166,060</u> | <u>(27,213,025)</u> | <u>-</u> | <u>-</u> |
| Component Unit: | | | | | | | |
| Park Meadows Business Improvement District: | | | | | | | |
| General Government | \$ 4,231,292 | \$ - | \$ - | \$ - | | (4,231,292) | - |
| Interest on Long-Term Debt | 755,575 | - | - | - | | (755,575) | - |
| Total Component Unit | <u>\$ 4,986,867</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | <u>(4,986,867)</u> | <u>-</u> |
| Component Unit: | | | | | | | |
| Lone Tree Business Improvement District: | | | | | | | |
| General Government | \$ 180,374 | \$ - | \$ - | \$ - | | | (180,374) |
| Total Component Unit | <u>\$ 180,374</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | <u>(180,374)</u> |
| General Revenues: | | | | | | | |
| Sales Tax | | | | | 23,977,518 | 5,452,751 | - |
| Use Tax - Retail | | | | | 943,475 | - | - |
| Use Tax - Building Materials | | | | | 414,263 | 35,456 | - |
| Lodging Tax | | | | | 1,092,192 | - | - |
| Admissions Tax | | | | | 363,474 | - | - |
| Franchise Fees | | | | | 1,069,729 | - | - |
| Cigarette Tax | | | | | 175,349 | - | - |
| Sales Tax and Liquor Licenses | | | | | 51,679 | - | - |
| Property Tax | | | | | - | - | 191,031 |
| Investment Earnings | | | | | 234,364 | 44,511 | 20,926 |
| Other | | | | | 109,376 | 247,158 | 1,132 |
| Total General Revenues | | | | | <u>28,431,419</u> | <u>5,779,876</u> | <u>213,090</u> |
| Change in Net Position | | | | | 1,218,394 | 793,009 | 32,715 |
| Net Position - Beginning | | | | | 120,016,797 | 7,206,414 | 103,339 |
| Net Position - Ending | | | | | <u>\$ 121,235,191</u> | <u>\$ 7,999,423</u> | <u>\$ 136,054</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, 2017**

| | <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 | \$ 10,909,259 | \$ 549,529 | \$ - | \$ - | \$ 11,458,788 |
| Cash and Investments - Restricted | 9,730,980 | - | 1,302,774 | 1,339,674 | 12,373,428 |
| Receivables: | | | | | |
| Intergovernmental | 696,609 | - | - | - | 696,609 |
| Sales, Use, Admissions and Lodging Taxes | 3,249,594 | - | 246,916 | 164,611 | 3,661,121 |
| Other | 70,628 | 33,600 | - | - | 104,228 |
| Prepaid items | 406,279 | 110,727 | - | - | 517,006 |
| Due from Other Funds | 307,746 | - | - | - | 307,746 |
| TOTAL ASSETS | <u>\$ 25,371,095</u> | <u>\$ 693,856</u> | <u>\$ 1,549,690</u> | <u>\$ 1,504,285</u> | <u>\$ 29,118,926</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 4,500,968 | \$ 81,961 | \$ - | \$ 200 | \$ 4,583,129 |
| Unearned Revenue - Arts Center Ticket Sales | - | 291,849 | - | - | 291,849 |
| Retainage Payable | 390,489 | - | - | - | 390,489 |
| Surety Deposits Payable | 234,939 | - | - | - | 234,939 |
| Other Deposit Payable | 36,469 | 12,300 | - | - | 48,769 |
| Due to Other Funds | - | 307,746 | - | - | 307,746 |
| Total Liabilities | <u>5,162,864</u> | <u>693,856</u> | <u>-</u> | <u>200</u> | <u>5,856,920</u> |
| FUND BALANCES | | | | | |
| Non-Spendable | 406,279 | 110,727 | - | - | 517,006 |
| Restricted | 8,343,148 | - | 1,549,690 | 1,504,085 | 11,396,923 |
| Assigned | 6,913,804 | - | - | - | 6,913,804 |
| Unassigned | 4,545,000 | (110,727) | - | - | 4,434,273 |
| Total Fund Balances | <u>20,208,231</u> | <u>-</u> | <u>1,549,690</u> | <u>1,504,085</u> | <u>23,262,006</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 25,371,095</u> | <u>\$ 693,856</u> | <u>\$ 1,549,690</u> | <u>\$ 1,504,285</u> | <u>\$ 29,118,926</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, 2017

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

| | |
|--|----------------|
| Total Fund Balance - Governmental Funds | \$ 23,262,006 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | 123,298,133 |
| 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 | 2,444,166 |
| 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 | 3,684,477 |
| Deferred Outflows - Refunded Bonds | 739,614 |
| Deferred Outflows - Southeast Light Rail Extension | 2,444,167 |
| Deferred Inflows - Pension Plan | (21,940) |
| Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Bonds Payable | (14,360,000) |
| Accrued Interest on Bonds Payable | (48,487) |
| Bond Premiums (Net of Amortization) | (1,146,168) |
| Southeast Light Rail Extension | (10,333,334) |
| Net Pension Liability - FPPA | (244,075) |
| Net Pension Liability - PERA | (7,586,897) |
| Compensated Absences | (896,470) |
| Net Position of Governmental Activities | \$ 121,235,191 |

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, 2017

| | <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 | \$ 23,590,951 | \$ - | \$ 1,919,970 | \$ 1,280,000 | \$ 26,790,921 |
| Franchise fees | 1,069,729 | - | - | - | 1,069,729 |
| Intergovernmental | 14,291,208 | - | - | - | 14,291,208 |
| Licenses, fees and charges | 869,837 | - | - | - | 869,837 |
| Fines and forfeitures | 636,085 | - | - | - | 636,085 |
| Net investment income | 213,074 | - | 10,245 | 11,045 | 234,364 |
| Tenant rental income | 176,438 | - | - | - | 176,438 |
| Arts and cultural | - | 2,128,189 | - | - | 2,128,189 |
| Other | 285,663 | - | - | - | 285,663 |
| Total revenues | <u>41,132,985</u> | <u>2,128,189</u> | <u>1,930,215</u> | <u>1,291,045</u> | <u>46,482,434</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 5,493,850 | - | - | - | 5,493,850 |
| Municipal court | 270,686 | - | - | - | 270,686 |
| Community development | 1,115,634 | - | - | - | 1,115,634 |
| Police | 7,176,874 | - | - | - | 7,176,874 |
| Public works | 4,112,818 | - | - | - | 4,112,818 |
| Arts and cultural services | - | 3,111,466 | - | - | 3,111,466 |
| Debt service | | | | | |
| Bond interest | - | - | 267,788 | 179,873 | 447,661 |
| Bond principal | - | - | 1,140,000 | 750,000 | 1,890,000 |
| Paying agent fees | - | - | 400 | 400 | 800 |
| Cost of issuance | - | - | 89,106 | 69,829 | 158,935 |
| Capital outlay | 26,495,277 | - | - | - | 26,495,277 |
| Total expenditures | <u>44,665,139</u> | <u>3,111,466</u> | <u>1,497,294</u> | <u>1,000,102</u> | <u>50,274,001</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(3,532,154)</u> | <u>(983,277)</u> | <u>432,921</u> | <u>290,943</u> | <u>(3,791,567)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of refunding bonds | - | - | 6,200,000 | 4,805,000 | 11,005,000 |
| Bond premium | - | - | 678,165 | 599,340 | 1,277,505 |
| Payment to refunded bonds escrow agent | - | - | (6,919,799) | (5,461,973) | (12,381,772) |
| Transfers in | - | 983,277 | - | - | 983,277 |
| Transfers (out) | (983,277) | - | - | - | (983,277) |
| Total other financing sources (uses) | <u>(983,277)</u> | <u>983,277</u> | <u>(41,634)</u> | <u>(57,634)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (4,515,431) | - | 391,287 | 233,309 | (3,890,835) |
| FUND BALANCES - BEGINNING OF YEAR | <u>24,723,662</u> | <u>-</u> | <u>1,158,403</u> | <u>1,270,775</u> | <u>27,152,840</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 20,208,231</u> | <u>\$ -</u> | <u>\$ 1,549,690</u> | <u>\$ 1,504,085</u> | <u>\$ 23,262,006</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, 2017

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

| | |
|--|----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (3,890,835) |
|--|----------------|

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 | 10,353,671 |
| Depreciation Expense | (5,984,267) |

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 bond refundings, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of

| | |
|-------------------------------|--------------|
| Bond Principal | 1,890,000 |
| Bond Proceeds - Refunding | (11,005,000) |
| Escrow for Refunded Bonds | 12,381,772 |
| Refunded Bond Premiums | (1,277,505) |
| Bond Premiums - Amortization | 131,337 |
| Refunded Bonds - Amortization | (123,269) |

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 | (131,120) |
| Pension Expense | (1,139,213) |
| Accrued Interest on Bonds - Change in Liability | 12,823 |

| | |
|--|----------------------------|
| Changes in Net Position of Governmental Activities | <u><u>\$ 1,218,394</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, 2017

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, 2017

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.

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, 2017

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, 2017

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, 2017

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, 2017, supplementary appropriations approved by the City Council modified the appropriation from \$48,855,531 to \$50,184,826 in the General Fund and \$3,248,943 to \$3,264,943 in the Special Revenue – Cultural and Community Services Fund.

During the year ended December 31, 2017, supplementary appropriations approved by the PMBID modified the appropriation from \$1,242,845 to \$14,077,845 in the Debt Service Fund.

During the year ended December 31, 2017, there were no supplementary budget amendment appropriations for the LTBID.

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, 2017

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 - 10 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, 2017

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.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three 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, 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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). The final is shown as refunded bonds related amounts that includes the gain or loss from the original bonds as a result of the refunding that will be deferred over the life of the refunded bonds (see Note 7).

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 and so will *not* be recognized as an inflow of resources (revenue) until that time. 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, 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 Lone Tree Business Improvement District has one item shown in this category as deferred property tax revenue. 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.
- *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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 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 | \$ 11,458,788 | \$ 2,823,013 | \$ 160,354 |
| Cash and investments – Restricted | <u>12,373,428</u> | <u>1,264,451</u> | <u>6,393</u> |
| Total cash and investments | <u>\$ 23,832,216</u> | <u>\$ 4,087,464</u> | <u>\$ 166,747</u> |

Cash and investments as of December 31, 2017 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 | \$ 7,100,379 | \$ 2,535,913 | \$ 166,747 |
| Certificates of deposit | - | 1,551,551 | - |
| Investments | <u>16,731,837</u> | <u>-</u> | <u>-</u> |
| Total cash and investments | <u>\$ 23,832,216</u> | <u>\$ 4,087,464</u> | <u>\$ 166,747</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 least 102% of the aggregate uninsured deposits.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

As of December 31, 2017 the City's cash deposits had a bank balance of \$7,336,667 and a carrying balance of \$7,100,379. 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, 2017, the PMBID's cash deposits, including certificates of deposit, had a bank balance of \$4,321,635 and a carrying balance of \$4,087,464. None of PMBID's deposits are subject to custodial risk since they are deposited in certified eligible public depositories under the PDPA.

As of December 31, 2017, the LTBID's cash deposits had a bank balance of \$169,259 and a carrying balance of \$166,747. The LTBID's deposits are entirely covered by federal depository insurance (FDIC).

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, 2017

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) and money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee).

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 had no investments as of December 31, 2017. City investments as of December 31, 2017 are as follows:

- City - Local Government Investment Pool of \$16,731,837 are valued using the fair value of the pool's share price multiplied by the number of shares held. (Level 2)

The City does not have recurring fair value measurements as of December 31, 2017, 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, 2017

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. Colostrust is rated AAAM by Standard & Poor's.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 | \$ 406,279 | \$ 110,727 | \$ - | \$ - | \$ 517,006 |
| | <u>406,279</u> | <u>110,727</u> | <u>-</u> | <u>-</u> | <u>517,006</u> |
| Restricted for: | | | | | |
| Emergency Reserve (TABOR) | 937,482 | - | - | - | 937,482 |
| Conservation Trust | 386,032 | - | - | - | 386,032 |
| Brick Fence Replacement Reserve | 986,200 | - | - | - | 986,200 |
| RidgeGate Annexation Reserve | 52,601 | - | - | - | 52,601 |
| County Line Road Improvements Reserve | 535,833 | - | - | - | 535,833 |
| Southeast Light Rail Extension | 5,445,000 | - | - | - | 5,445,000 |
| Debt Service | - | - | 1,549,690 | 1,504,085 | 3,053,775 |
| | <u>8,343,148</u> | <u>-</u> | <u>1,549,690</u> | <u>1,504,085</u> | <u>11,396,923</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 | 5,399,932 | - | - | - | 5,399,932 |
| Park Fee in Lieu of Land Dedication | 53,230 | - | - | - | 53,230 |
| Lone Tree Link | 471,801 | - | - | - | 471,801 |
| Subsequent Year's Expenditures (capital projects) | 858,456 | - | - | - | 858,456 |
| | <u>6,913,804</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,913,804</u> |
| Unassigned | <u>4,545,000</u> | <u>(110,727)</u> | <u>-</u> | <u>-</u> | <u>4,434,273</u> |
| Total Fund Balance | <u>\$ 20,208,231</u> | <u>\$ -</u> | <u>\$ 1,549,690</u> | <u>\$ 1,504,085</u> | <u>\$ 23,262,006</u> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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.

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 County Line Road improvements reserve represents funds received by the City from funding partners on this project. These funds are to be used exclusively for future phases of the County Line Road improvements project.

The Southeast Light Rail Extension restricted balance represents funds received by the City from funding 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 Park and Recreation Improvement Bonds and Arts and Cultural Facilities Bonds.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4- FUND BALANCE (CONTINUED)

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.

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, 2018. This classification of expenditures is present when prior-year fund balance is used for expenditures, such as capital projects. For 2018, 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - TRANSFERS

The following schedule summarizes the City's transfers for the year ended December 31, 2017:

| Transfers Out | Transfers In Special Revenue Fund - Cultural & Community Services |
|----------------------|--|
| General Fund | <u>983,277</u> |
| | <u>\$ 983,277</u> |

The transfer of \$983,277 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 follows:

| | Balance at December 31, 2016 | Increases | Decreases | Balance at December 31, 2017 |
|--|---|---------------------|---------------------|---|
| Primary Government | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 24,332,064 | \$ 180,986 | \$ - | \$ 24,513,050 |
| Construction in Progress | 2,690,492 | 5,393,999 | (659,554) | 7,424,937 |
| Total Capital Assets, Not Being Depreciated | <u>27,022,556</u> | <u>5,574,985</u> | <u>(659,554)</u> | <u>31,937,987</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Building Improvements | 40,595,727 | 976,054 | - | 41,571,781 |
| Equipment | 3,252,072 | 367,943 | - | 3,620,015 |
| Vehicles | 1,404,701 | 297,376 | (186,513) | 1,515,564 |
| Infrastructure | 119,095,891 | 3,796,867 | - | 122,892,758 |
| Intangibles | 1,500,000 | - | - | 1,500,000 |
| Total Capital Assets, Being Depreciated | <u>165,848,391</u> | <u>5,438,240</u> | <u>(186,513)</u> | <u>171,100,118</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Building Improvements | (7,035,011) | (1,050,236) | - | (8,085,247) |
| Equipment | (2,061,625) | (457,976) | - | (2,519,601) |
| Vehicles | (1,057,446) | (157,759) | 186,513 | (1,028,692) |
| Infrastructure | (63,319,386) | (4,280,796) | - | (67,600,182) |
| Intangibles | (468,750) | (37,500) | - | (506,250) |
| Total Accumulated Depreciation | <u>(73,942,218)</u> | <u>(5,984,267)</u> | <u>186,513</u> | <u>(79,739,972)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>91,906,173</u> | <u>(546,027)</u> | <u>-</u> | <u>91,360,146</u> |
| Capital Assets, Net | <u>\$ 118,928,729</u> | <u>\$ 5,028,958</u> | <u>\$ (659,554)</u> | <u>\$ 123,298,133</u> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 6 - CAPITAL ASSETS (CONTINUED)

| | <u>Balance at December 31, 2016</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at December 31, 2017</u> |
|--|---|-------------------|------------------|---|
| Park Meadows BID Component Unit: | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Infrastructure | \$ 18,895,802 | \$ 1,215,838 | \$ - | \$ 20,111,640 |
| Total Capital Assets, Being Depreciated | <u>18,895,802</u> | <u>1,215,838</u> | <u>-</u> | <u>20,111,640</u> |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | <u>(4,344,374)</u> | <u>(883,647)</u> | <u>-</u> | <u>(5,228,021)</u> |
| Total Accumulated Depreciation | <u>(4,344,374)</u> | <u>(883,647)</u> | <u>-</u> | <u>(5,228,021)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>14,551,428</u> | <u>332,191</u> | <u>-</u> | <u>14,883,619</u> |
| Capital Assets, Net | <u>\$ 14,551,428</u> | <u>\$ 332,191</u> | <u>\$ -</u> | <u>\$ 14,883,619</u> |

Depreciation expense for 2017 was charged to the following functions/programs:

| | <u>Governmental Activities</u> | <u>Park Meadows BID Component Unit</u> |
|----------------------------|------------------------------------|--|
| General government | \$ 507,343 | \$ 883,647 |
| Municipal court | 8,750 | - |
| Community development | 38,907 | - |
| Public works | 4,320,862 | - |
| Police department | 456,469 | - |
| Arts and cultural | <u>651,936</u> | <u>-</u> |
| Total depreciation expense | <u>\$ 5,984,267</u> | <u>\$ 883,647</u> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017:

| | <u>Balance at December 31, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at December 31, 2017</u> | <u>Due Within One Year</u> |
|--|---|----------------------|----------------------|---|------------------------------------|
| Governmental | | | | | |
| Activities | | | | | |
| Sales and Use Tax Revenue Bonds - Series 2008A | \$ 6,610,000 | - | \$ 5,805,000 | \$ 805,000 | \$ 805,000 |
| Unamortized premium on Series 2008A Bonds | 13,817 | - | 13,817 | - | - |
| Sales and Use Tax Revenue Refunding Bonds - Series 2017A | - | 4,805,000 | - | 4,805,000 | - |
| Unamortized premium on Series 2017A Bonds | - | 599,340 | 61,992 | 537,348 | 119,343 |
| Sales and Use Tax Revenue Bonds- Series 2009 | 10,065,000 | - | 7,515,000 | 2,550,000 | 1,225,000 |
| Unamortized premium on Series 2009 Bonds | 75,072 | - | 75,072 | - | - |
| Sales and Use Tax Revenue Refunding Bonds - Series 2017B | - | 6,200,000 | - | 6,200,000 | - |
| Unamortized premium on Series 2017B Bonds | - | 678,165 | 69,345 | 608,820 | 133,499 |
| Southeast Light Rail Extension | 18,666,667 | - | 8,333,333 | 10,333,334 | 10,333,334 |
| Compensated Absences | 765,350 | 227,592 | 96,472 | 896,470 | 162,883 |
| | <u>\$ 36,195,906</u> | <u>\$ 12,510,097</u> | <u>\$ 21,970,031</u> | <u>\$ 26,735,972</u> | <u>\$ 12,779,059</u> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

| | <u>Balance at December 31, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at December 31, 2017</u> | <u>Due Within One Year</u> |
|-------------------------|---|----------------------|------------------------|---|------------------------------------|
| Park Meadows BID | | | | | |
| Component Unit | | | | | |
| Shared Sales Tax | | | | | |
| Revenue Bonds - | | | | | |
| Series 2007 | \$ 13,175,000 | \$ - | \$ (13,175,000) | \$ - | - |
| Unamortized | | | | | |
| discount on | | | | | |
| Series 2007 | | | | | |
| Bonds | (195,720) | - | 195,720 | - | - |
| Shared Sales Tax | | | | | |
| Revenue Refunding | | | | | |
| Loan Series 2017A | - | 10,000,000 | - | 10,000,000 | - |
| Shared Sales Tax | | | | | |
| Revenue Refunding | | | | | |
| Loan Series 2017B | - | 2,440,000 | - | 2,440,000 | 731,791 |
| | <u>\$ 12,979,280</u> | <u>\$ 12,440,000</u> | <u>\$ (12,979,280)</u> | <u>\$ 12,440,000</u> | <u>\$ 731,791</u> |

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. In 2017, the City refunded these bonds acquiring a lower interest rate, while maintaining the bond terms, which resulted in a savings over the life of the bonds. At December 31, 2017, the City had authorized but unissued bond indebtedness in the following amounts allocated for the following purposes:

| | <u>Amount Authorized 2008</u> | <u>Amount Used Series 2008A</u> | <u>Amount Used Series 2009</u> | <u>Remaining Authorization</u> |
|----------------------------------|---------------------------------------|---|--|------------------------------------|
| 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> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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. As of December 31, 2017, the City does not plan on using the remaining authorized debt amounts shown above. Additionally, pursuant to recommendation from Bond Counsel the remaining authorized amounts will no longer be effective after the end of the year, as they would have become stale due to the length of time that has passed since the issuance of indebtedness.

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, 2017, the PMBID has \$118,690,000 in authorized, but unissued indebtedness for capital purposes.

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. In 2017, the City refunded the portion of the 2008A bonds that were subject to redemption prior to maturity to reduce the interest rate being paid. The total debt service savings for the 2008A bonds as a result of the refunding is approximately \$441,500, while the present value savings from cash flow is approximately \$415,000. See below for further details on the refunded bonds, Series 2017A.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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. In 2017, the City refunded the portion of the 2009 bonds that were subject to redemption prior to maturity to reduce the interest rate being paid. The total debt service savings for the 2009 bonds because of the refunding is approximately \$278,500, while the present value savings from cash flow is approximately \$259,000. See below for further details on the refunded bonds. See below for further details on the refunded bonds, Series 2017B.

Series 2017A, \$4,805,000 Sales and Use Tax Revenue Refunding Bonds, dated May 24, 2017 (2017A Bonds). On May 24, 2017, the City issued \$4,805,000 in Sales and Use Tax Revenue Refunding Bonds at interest rates ranging from 2.00% to 5.00% to refund a portion of the outstanding Sales and Use Tax Revenue Bonds, Series 2008A, whose purpose was to finance the construction of several park and recreation improvements including, the Cook Creek pool and tennis court facility and playground at the Lone Tree Golf Club, as well as a portion of Prairie Sky Park. The purpose of the 2017 refunding was to reduce the interest rate paid on the 2008A Bonds. The terms of the bonds will remain the same with a payoff date of December 1, 2023.

Series 2017B, \$6,200,000 Sales and Use Tax Revenue Refunding Bonds, dated May 24, 2017 (2017B Bonds). On May 24, 2017, the City issued \$6,200,000 in Sales and Use Tax Revenue Refunding Bonds at interest rates ranging from 3.00% to 4.00% to refund a portion of the outstanding Sales and Use Tax Revenue Bonds, Series 2009 whose original purpose was to finance the construction of the Lone Tree Arts Center. The purpose of the 2017 refunding was to reduce the interest rate paid on the 2009 Bonds. The terms of the bonds will remain the same with a payoff date of December 1, 2023.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

The detail of the Park Meadows Business Improvement District's long-term obligation are 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 Bonds were redeemed in full using proceeds from the Series 2017A and 2017B Refunding Loans.

Series 2017A, \$10,000,000 Shared Sales Tax Revenue Refunding Loan, dated December 1, 2017 (2017A Loan). On December 1, 2017 PMBID issued \$10,000,000 in its Shared Sales Tax Revenue Refunding Loan. The proceeds of the 2017A Loan were used to redeem a portion of the 2007 Bonds, fund a reserve account, and pay for the costs of issuing the 2017A Loan. The 2017A Loan principal is due monthly in various amounts beginning March 1, 2021 through December 1, 2031, with interest at 3.02%, payable monthly beginning January 1, 2018.

The 2017A Loan may be prepaid on or after December 1, 2022 at the option of PMBID, with no prepayment penalty or fee. The principal and interest on the 2017A Loan is payable solely from and secured by an irrevocable pledge of the pledged revenues, which primarily consist of the revenues derived from PMBID's shared sales tax with the City imposed at a rate equal to 1.8125%.

Series 2017B, \$2,440,000 Shared Sales Tax Revenue Refunding Loan, dated December 1, 2017 (2017B Loan). On December 1, 2017 PMBID issued \$2,440,000 in its Shared Sales Tax Revenue Refunding Loan. The proceeds of the 2017B Loan were used to redeem a portion of the 2007 Bonds, fund a reserve account, and pay for the costs of issuing the 2017B Loan. The 2017B Loan principal is due monthly in various amounts beginning January 1, 2018 through March 1, 2021, with interest at 2.64%, payable monthly beginning January 1, 2018.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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 2017 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

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 2017, the City received the 2017 required payment of \$2,445,000 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 2017, 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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 2017, the City received the 2017 payment totaling \$1,000,000, 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, 2017, the City had net investment in capital assets of \$108,531,579 calculated as follows:

| Primary Government | <u>Governmental Activities</u> |
|---|---|
| Net investment in capital assets: | |
| Capital assets, net | \$ 123,298,133 |
| Deferred outflow on refunded bonds | 739,614 |
| Current portion of long-term obligations | (2,030,000) |
| Noncurrent portion of long-term obligations | (12,330,000) |
| Premium (net of accumulated amortization) | <u>(1,146,168)</u> |
| Net investment in capital assets | <u>\$ 108,531,579</u> |

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 \$5,416,090 as of December 31, 2017 as follows:

| Primary Government | <u>Governmental Activities</u> |
|--|---|
| Restricted net position: | |
| Emergency reserve (see Note 19) | \$ 937,482 |
| Conservation Trust | 386,032 |
| Brick Fence Replacement | 986,200 |
| RidgeGate Annexation Reserve (see Note 11) | 52,601 |
| Debt service (see Note 4) | <u>3,053,775</u> |
| | <u>\$ 5,416,090</u> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – NET POSITION (CONTINUED)

The unrestricted component of net position as of December 31, 2017 totaled \$7,287,522.

The detail of the Park Meadows Business Improvement District’s (PMBID) net position is as follows:

PMBID’s net position consists 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 outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, PMBID had net investment in capital assets calculated as follows:

| | <u>Governmental Activities</u> |
|---|---|
| Net investment in capital assets: | |
| Capital assets, net | \$ 14,883,619 |
| Current portion of long-term obligations | (731,791) |
| Noncurrent portion of long-term obligations | <u>(11,708,209)</u> |
| Net investment in capital assets | <u><u>\$ 2,443,619</u></u> |

The restricted component of net position includes 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 District had restricted net position of \$1,264,451 as of December 31, 2017 as follows:

| | <u>Governmental Activities</u> |
|---------------------------|---|
| Restricted net position: | |
| Emergency reserve | \$ 174,000 |
| Debt service (see Note 4) | <u>1,090,451</u> |
| | <u><u>\$ 1,264,451</u></u> |

PMBID’s unrestricted net position as of December 31, 2017 totaled \$4,291,353.

The Lone Tree Business Improvement District (LTBID) has net position consisting of two components – restricted and unrestricted.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – NET POSITION (CONTINUED)

Restricted net position includes assets that are restricted for use either externally imposed by auditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2017, as follows:

| | Governmental Activities |
|--------------------------|------------------------------------|
| Restricted net position: | |
| Emergency reserve | <u>\$ 6,393</u> |

LTBID’s unrestricted net position as of December 31, 2017, totaled \$129,661.

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, 2017 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, 2017, Retailer A has been paid \$525,000 with a remaining amount committed of \$225,000.

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, 2017, Retailer B has been paid \$4,737,898 with a remaining amount committed of \$2,462,102.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 – TAX ABATEMENTS (CONTINUED)

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, 2017, 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, 2017, \$732 has been remitted to Service Provider C.

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 (RRMD No.1) 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 RRMD No.1 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 RRMD No.1 from January 1, 2014 to December 31, 2018
- 25% to RRMD No.1 from January 1, 2019 to December 31, 2023
- 15% to RRMD No.1 from January 1, 2024 to December 31, 2028
- 10% to RRMD No.1 from January 1, 2029 to December 31, 2032

The City shall make payment to RRMD No.1 in each calendar quarter within sixty (60) days after the end of each calendar quarter. In 2017, the amount paid to RRMD No.1 pursuant to the First Amendment to the Annexation and Development Shareback Agreement totaled \$1,315,775.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 – TAX ABATEMENTS (CONTINUED)

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.

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 2017, the amount paid to PMBID totaled \$5,501,526.

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS

The City continues to leverage partnerships for cost effective ways to provide City services as well as continue to invest in capital infrastructure throughout the City. Substantial intergovernmental agreements are highlighted below.

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 \$592,365 in 2017 associated with costs under the agreement. Total dispatch services costs of \$668,300 are estimated for 2018.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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 2017:

| | |
|---------------------------|------------------|
| Crime analysis | \$ 5,942 |
| Crime scene investigation | 13,236 |
| Evidence storage | <u>49,166</u> |
| | <u>\$ 68,344</u> |

Total services are estimated at \$87,170 for 2018.

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 \$6,273,575 in 2017. The City's share of the 2017 improvements was \$3,011,670. For 2018, the main projects are improvements to County Line Road, traffic signals on Chester and County Line Road, adaptive traffic signals, Park Meadows Drive, Park Meadows Mall entry, and the Yosemite medians. The City's share of the 2018 improvements are estimated at \$1,050,000 of the approximate total cost of \$3,340,000.

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 third 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). Additionally, in 2018 the City will begin the RidgeGate Parkway widening project. The City will oversee the construction of this project with funding provided by RRMD. Additional partners on this project include the County, the Southeast Public Improvement Metropolitan District and a grant from the Denver Regional Council of Governments.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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, 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. In addition to the circular service provided on Park Meadows Drive, in 2017 the service was expanded with one shuttle being an on-demand service through a partnership with Uber. The on-demand service allows people to use the shuttle between any destinations within the City limits.

For the fourth 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 2017-2018 operation year, which runs from September 2017 to August 2018. Additionally, an intergovernmental agreement was entered into with the Southeast Public Improvement Metropolitan District (SPIMD), which includes funding support of \$100,000 for the 2017-2018 operation year. The City also contributed \$250,000 in 2017 for the 2017-2018 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, 2017

NOTE 11 - COMMITMENTS

RidgeGate

During 2000, City voters approved the annexation of approximately 3,500 acres identified as RidgeGate. Subsequent to the original 2001 Annexation Agreement, two amendments have been approved, one for the West Side property and one for the East Side property, replacing the original agreement in totality as described below.

First Amendment to the Annexation and Development Agreement (West Side Property)

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 (RRMD No.1) 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 were still in place for the property east of I-25 until the 2017 amendment as described below. The two significant changes in the Amendment include the acceptance of streets and sales tax sharing.

Concurrent with the execution of the Amendment, RRMD No.1 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. 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. RRMD No.1 remains responsible for maintenance, operations, repair and replacement of all other public improvements constructed, retained and owned by RRMD No.1 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, RRMD No.1 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 – COMMITMENTS (CONTINUED)

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 RRMD No.1 as follows:

- 45% to RRMD No.1 from January 1, 2014 to December 31, 2018
- 25% to RRMD No.1 from January 1, 2019 to December 31, 2023
- 15% to RRMD No.1 from January 1, 2024 to December 31, 2028
- 10% to RRMD No.1 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 2017, the amount paid to RRMD No.1 pursuant to the First Amendment to the Annexation and Development Shareback Agreement totaled \$1,315,775.

Amended and Restated Annexation and Development Agreement (East Side Property)

On November 21, 2017, the City Council approved the Amended and Restated Annexation and Development Agreement with Respect to the East Side Property (East Side Agreement) between the City and RidgeGate Investments, Inc. (RidgeGate). The East Side Agreement was approved with certain conditions precedent that have all been met as of March 31, 2018. The East Side Agreement outlines various terms including land dedication, vesting rights, attainable housing requirements, and the possible inclusion into the South Suburban Parks and Recreation District occurring within the east side property and is effective until December 31, 2055. This East Side Agreement amends and restates the 2001 Annexation Agreement, with respect to the east side property only. Additionally, the East Side Agreement terminates the 2001 Sales Tax Sharing Agreement and other than the revenue pledged in the Pledge Agreement described below, there shall be no other revenue sharing between the City and RidgeGate for the east side property. Due to the East Side Agreement, the 2001 Annexation Agreement is no longer in place for any part of RidgeGate.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 – COMMITMENTS (CONTINUED)

On November 7, 2017, the City Council approved the Mill Levy Pledge Agreement (Pledge Agreement) between the City and Rampart Range Metropolitan District No. 4 (RRMD No. 4). The Pledge Agreement was approved with certain conditions precedent that have all been met as of April 19, 2018. Pursuant to the Pledge Agreement, the City will receive an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of RRMD No. 4 in the amount of eight mills, less the amount of the then-applicable City property tax levy, if any (Contractual Debt Levy). The Contractual Debt Levy shall never be less than two mills. The Contractual Debt Levy term commences in tax certification year 2023 (for collection and remittance in 2024) through and including tax certification year 2054 (for collection and remittance in 2055). For the portion of the Contractual Debt Levy term commencing in tax certification year 2055 (for collection and remittance in 2056) and continuing thereafter until this Pledge Agreement is terminated, an ad valorem mill levy imposed upon all taxable property of RRMD No. 4 each year in the amount of two mills.

If the ratio of valuation for assessment of residential real property is changed after the effective date of this Pledge Agreement, pursuant to Article X, Section 3 of the Colorado Constitution (the “Gallagher Amendment”), the mills levied by RRMD No. 4 pursuant to the Contractual Debt Levy shall be increased or decreased to reflect such change so that, to the extent possible, the actual tax revenues generated by the Contractual Debt Levy, as adjusted, are neither diminished nor enhanced as a result of such changes in ratio of valuation for assessment of residential property; provided that in no event shall the Contractual Debt Levy exceed fifty mills (without adjustment) or be less than two mills (without adjustment). Increases or decreases to the Contractual Debt Levy shall be determined by RRMD No. 4 in good faith and shall be binding and final. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation of residential property shall be deemed to be a change in the method of calculation of assessed valuation.

In exchange for the City’s agreement to provide public services in accordance with the Pledge Agreement, RRMD No. 4 shall levy the Contractual Mill Levy. For avoidance of doubt, the Contractual Debt Levy shall never be less than two mills, subject to adjustment. RRMD No. 4 covenants to lawfully budget and certify annually the Contractual Debt Levy and to appropriate the revenue therefrom and to pay the Contractual Debt Levy obligation to the City no less frequently than quarterly upon receipt of the Contractual Debt Levy revenue, beginning with the calendar quarter ending March 31, 2024.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017, the City had unexpended construction related contract commitments of \$666,321.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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. 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 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.

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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

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 9.5 and 8 percent of base salary for a total contribution rate of 17.5 percent through 2017. 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.

Contributions to the Plan from the City were \$314,225 for the year ended December 31, 2017.

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

At December 31, 2017, the City reported a liability of \$244,075 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability 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, 2016, the City's proportion was 0.675 percent, which was a decrease of 0.034 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$71,137.

Pension expense for 2017 was charged to the following functions/programs:

| | Governmental Activities |
|-----------------------|------------------------------------|
| Police Department | \$ 71,137 |
| Total pension expense | <u>\$ 71,137</u> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

At December 31, 2017, 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, 2015 | \$ 1,233,078 | \$ - |
| Differences between actual and expected experience | 119,127 | - |
| Changes in assumptions | (29,736) | - |
| Net difference between actual and projected earnings on pension plan investments | 22,231 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | (240,402) | - |
| City contributions subsequent to the measurement date | 314,225 | - |
| Total | \$ 1,418,523 | \$ - |

\$314,225 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, 2018. 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 |
|--------------------------------|--|
| 2018 | \$ 260,135 |
| 2019 | 260,135 |
| 2020 | 245,108 |
| 2021 | 104,868 |
| 2022 | 52,859 |
| Thereafter | 181,193 |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Actuarial Assumptions

The actuarial valuations for the Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuations used the following actuarial assumption and other inputs:

| | |
|----------------------------|---|
| 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 | 2.5 percent |

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

| Asset Class | Target Allocation | Long Term Expected Rate of Return |
|-----------------------|--------------------------|--|
| Global Equity | 36% | 9.25% |
| Equity Long/Short | 10% | 7.35% |
| Illiquid Alternatives | 23% | 10.75% |
| Fixed Income | 15% | 4.10% |
| Absolute Return | 10% | 6.55% |
| Managed Futures | 4% | 5.50% |
| Cash | 2% | 0.0% |
| Total | 100% | |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2016, 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 liability.

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 liability 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) | \$ 2,076,687 | \$ 244,075 | \$ (1,277,999) |

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, 2017

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

Defined Contribution Pension Plans

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, 2017

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 and to 2.7 percent of base salary on January 1, 2017. 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 2.7 percent 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, 2015, 2016, and 2017, City contributions totaled \$91,205, \$89,706, and \$104,264, 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, 2017

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, 2017

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 \$487,686 to the Trust and \$39,230 to the Health Care Trust Fund, for a total City contribution of \$526,916 for the year ended December 31, 2017.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017, the City reported a liability of \$7,586,897 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The City's proportion of the net pension liability was based on the City's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the City's proportion was 0.56 percent, which was an increase of 0.02 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$1,068,076.

Pension expense for 2017 was charged to the following functions/programs:

| | Governmental |
|-----------------------|--------------------------|
| | <u>Activities</u> |
| General Government | \$ 389,534 |
| Municipal Court | 41,885 |
| Community Development | 134,033 |
| Police Department | 159,164 |
| Arts and Cultural | <u>343,460</u> |
| Total pension expense | <u>\$ 1,068,076</u> |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

At December 31, 2017 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, 2015 | \$ 1,765,061 | \$ (108,840) |
| Differences between actual and expected experience | 90,513 | 205 |
| Changes in assumptions | 538,151 | 86,695 |
| Net difference between actual and projected earnings on pension plan investments | (230,611) | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | (424,076) | - |
| City contributions subsequent to the measurement date | 526,916 | - |
| Total | \$ 2,265,954 | \$ (21,940) |

\$526,916 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, 2018.

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 |
|--------------------------------|--|
| 2018 | \$ 1,031,245 |
| 2019 | 421,879 |
| 2020 | 255,310 |
| 2021 | 8,664 |
| 2022 | - |
| Thereafter | - |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Actuarial Assumptions

The December 31, 2015 actuarial valuation used the following actuarial cost method, 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 |
| Discount rate | 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) |

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

| | |
|--|--|
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 – 10.45 percent |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 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) |

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 project scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 project scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.5 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of November 18, 2016 adoption of the current 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:

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|-----------------------------------|--------------------------|---|
| U.S. Equity – Large Cap | 21.20% | 4.30% |
| U.S. Equity – Small Cap | 7.42% | 4.80% |
| Non U.S. Equity – Developed | 18.55% | 5.20% |
| Non U.S. Equity – Emerging | 5.83% | 5.40% |
| Core Fixed Income | 19.32% | 1.20% |
| High Yield | 1.38% | 4.30% |
| Non U.S. Fixed Income - Developed | 1.84% | 0.60% |
| Emerging Market Debt | 0.46% | 3.90% |
| Core Real Estate | 8.50% | 4.90% |
| Opportunity Fund | 6.00% | 3.80% |
| Private Equity | 8.50% | 6.60% |
| Cash | 1.00% | 0.20% |
| 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 7.25%.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 3.50%.
- 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (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 Annual Increase Reserve (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 of 7.25 percent 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, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 LGDTF's collective net pension liability calculated using the discount rate of 7.25 percent as of the measurement date, as well as if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1.00% Decrease (6.25%) | Current Discount Rate (7.25%) | 1.00% Increase (8.25%) |
|---|-----------------------------------|--|-----------------------------------|
| City's proportionate share of the net pension liability | \$ 11,186,530 | \$ 7,586,897 | \$ 4,606,004 |

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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Other Post-Employment Benefits

Health Care Trust Fund

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, 2015, 2016 and 2017, the City contributions to the HCTF were \$31,204, \$34,734 and \$39,230, 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, 2017, approximately 19% of the City's sales tax revenue was received from three retailers and of those three retailers, one retailer constituted approximately 9% of the total sales tax revenue.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 \$616,288 in 2017. Annual lease amounts will 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, 2017

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

RidgeGate Agreements

As mentioned as part of the Amended and Restated Annexation and Development Agreement above (Note 11), several conditions precedent were required before the East Side Agreement and the Pledge Agreement would be binding including a Service Plan amendment, approval by the City and recordation of an amendment to the PDD with respect to the East Side property and RRMD No. 4 to deliver to the City an opinion of nationally recognized bond counsel. These obligations were all met in 2018 making the Amended and Restated Annexation and Development Agreement and Pledge Agreement binding.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 20 – SUBSEQUENT EVENTS (CONTINUED)

Lone Tree Arts Center Fund

On October 3, 2017, City Council approved a resolution authorizing the formation of the Lone Tree Arts Center Fund (the Fund), naming the incorporator and approving the filing of Articles of Incorporation and the Bylaws for a new organization intended to be tax exempt under IRS code section 501(c)3. This decision was a result of determining that this additional fundraising tool would benefit and support the Lone Tree Arts Center. No activity occurred in the Fund during 2017. The City received notification from the IRS on April 13, 2018 that our tax exempt status has been granted and plans to hold the formation meeting, naming of the Board of Directors and begin operations in mid-2018. This Fund will be a component unit of the City once activity begins.

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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, 2017**

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|--|-------------------------------------|---------------------------|---|
| REVENUES | | | | |
| TAXES | | | | |
| Sales Tax | \$ 20,412,350 | \$20,412,350 | \$20,939,543 | \$ 527,193 |
| Use Tax - Retail | 685,000 | 685,000 | 834,875 | 149,875 |
| Use Tax - Building Materials | 917,000 | 917,000 | 360,868 | (556,132) |
| Lodging Tax | 1,170,000 | 1,170,000 | 1,092,192 | (77,808) |
| Admissions Tax | 405,000 | 405,000 | 363,474 | (41,526) |
| | <u>23,589,350</u> | <u>23,589,350</u> | <u>23,590,951</u> | <u>1,601</u> |
| FRANCHISE FEES | | | | |
| Electric and Gas | 795,000 | 795,000 | 821,426 | 26,426 |
| Cable Television | 232,000 | 232,000 | 248,303 | 16,303 |
| | <u>1,027,000</u> | <u>1,027,000</u> | <u>1,069,729</u> | <u>42,729</u> |
| INTERGOVERNMENTAL | | | | |
| Highway Users Tax Fund (HUTF) | 372,000 | 372,000 | 358,780 | (13,220) |
| Conservation Trust Fund | 64,000 | 64,000 | 69,468 | 5,468 |
| Cigarette Tax | 192,000 | 192,000 | 175,349 | (16,651) |
| County Road and Bridge Shareback | 1,410,149 | 1,410,149 | 1,439,996 | 29,847 |
| Douglas County Shareback - Transportation | 2,519,200 | 2,519,200 | 2,110,400 | (408,800) |
| Motor Vehicle Registration Fees | 46,500 | 46,500 | 46,318 | (183) |
| Regional Improvements Contribution - RRMD | 184,365 | 184,365 | 178,965 | (5,400) |
| Reimbursable Costs | 8,939,167 | 10,439,167 | 9,883,572 | (555,595) |
| Grants | 20,000 | 20,000 | 28,360 | 8,360 |
| | <u>13,747,381</u> | <u>15,247,381</u> | <u>14,291,208</u> | <u>(956,173)</u> |

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2017
(Continued)**

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|--|-------------------------------------|---------------------------|---|
| LICENSES, FEES AND CHARGES | | | | |
| Sales, Use Tax and Business License Fees | 32,000 | 32,000 | 35,825 | 3,825 |
| Liquor License Fees | 20,000 | 20,000 | 15,854 | (4,146) |
| Building Permit Fees | 866,000 | 866,000 | 574,956 | (291,044) |
| Planning Fees | 35,000 | 35,000 | 28,194 | (6,806) |
| Engineering Fees | 158,000 | 158,000 | 140,283 | (17,717) |
| Other | 77,000 | 77,000 | 74,725 | (2,275) |
| | <u>1,188,000</u> | <u>1,188,000</u> | <u>869,837</u> | <u>(318,163)</u> |
| FINES AND FORFEITURES | | | | |
| Court Fees | 86,000 | 86,000 | 79,652 | (6,348) |
| Vehicle Violation and Other Fines | 590,000 | 590,000 | 524,543 | (65,457) |
| Victims Assistance Surcharge Fees | 44,000 | 44,000 | 31,890 | (12,110) |
| | <u>720,000</u> | <u>720,000</u> | <u>636,085</u> | <u>(83,915)</u> |
| OTHER | | | | |
| Net Investment Income | 60,000 | 60,000 | 213,074 | 153,074 |
| Police Department Fees | 112,000 | 112,000 | 157,080 | 45,080 |
| Tenant Rental Income | 220,000 | 220,000 | 176,438 | (43,563) |
| Other | 71,000 | 71,000 | 128,583 | 57,583 |
| | <u>463,000</u> | <u>463,000</u> | <u>675,175</u> | <u>212,174</u> |
| Total Revenues | <u>40,734,731</u> | <u>42,234,731</u> | <u>41,132,985</u> | <u>(1,101,746)</u> |

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2017
(Continued)

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|--|-------------------------------------|---------------------------|---|
| EXPENDITURES | | | | |
| GENERAL GOVERNMENT | | | | |
| City Council Expenditures | 38,250 | 38,250 | 25,625 | 12,625 |
| City Council Stipend | 64,692 | 64,692 | 64,744 | (52) |
| Administrative Services - Salaries and Benefits | 905,682 | 905,582 | 879,671 | 25,911 |
| City Clerk | 51,040 | 51,140 | 19,677 | 31,463 |
| Human Resources | 109,700 | 109,700 | 106,855 | 2,845 |
| Information Technology | 433,730 | 433,730 | 423,364 | 10,366 |
| Municipal Office Building | 588,250 | 588,250 | 434,657 | 153,593 |
| Civic Center - Maintenance and Utilities | 96,300 | 96,300 | 93,950 | 2,350 |
| Arts Center - Maintenance and Utilities | 379,500 | 379,500 | 336,754 | 42,746 |
| Park Restroom Maintenance | 9,500 | 9,500 | 8,171 | 1,329 |
| Fountain Maintenance | 23,600 | 23,600 | 17,019 | 6,581 |
| Yosemite Library - Maintenance and Utilities | 90,000 | 90,000 | 56,262 | 33,738 |
| Holiday Lighting and Decorations | 25,000 | 25,000 | 31,300 | (6,300) |
| Insurance | 400,000 | 400,000 | 369,413 | 30,587 |
| Finance - Salaries and Benefits | 567,725 | 567,725 | 478,687 | 89,038 |
| Finance | 62,690 | 62,690 | 60,215 | 2,475 |
| Audit | 36,000 | 36,000 | 36,915 | (915) |
| City Manager's Office - Salaries and Benefits | 966,305 | 966,305 | 965,776 | 529 |
| Dues and Memberships | 105,489 | 105,489 | 103,942 | 1,547 |
| Legal - General | 510,000 | 510,000 | 510,199 | (199) |
| Legal - Special | 100,000 | 100,000 | 64,495 | 35,505 |
| Consulting | 200,000 | 200,000 | 94,873 | 105,127 |
| Community Support | 22,500 | 22,500 | 12,392 | 10,108 |
| Youth Initiatives | 19,800 | 19,800 | 19,800 | - |
| Housing Partnership | 35,000 | 35,000 | 35,000 | - |
| Living and Aging Well | 1,800 | 1,800 | 1,227 | 573 |
| Communications and Newsletter | 116,300 | 116,300 | 111,079 | 5,221 |
| Economic Development | 210,500 | 210,500 | 126,548 | 83,952 |
| Miscellaneous | 20,000 | 20,000 | 5,242 | 14,758 |
| | <u>6,189,353</u> | <u>6,189,353</u> | <u>5,493,850</u> | <u>695,503</u> |

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2017
(Continued)

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|--|-------------------------------------|---------------------------|---|
| MUNICIPAL COURT | | | | |
| Municipal Judge | 30,000 | 30,000 | 26,228 | 3,772 |
| Legal | 36,000 | 36,000 | 36,000 | - |
| Administration | 213,330 | 213,330 | 202,842 | 10,488 |
| Office and Software | 1,500 | 1,500 | 3,156 | (1,656) |
| Victims Assistance Surcharge | 3,000 | 3,000 | 2,461 | 539 |
| | <u>283,830</u> | <u>283,830</u> | <u>270,686</u> | <u>13,144</u> |
| COMMUNITY DEVELOPMENT | | | | |
| Salaries and Benefits | 829,188 | 829,188 | 783,434 | 45,754 |
| Contract Services | 5,500 | 5,500 | 4,925 | 575 |
| Field Supplies | 1,750 | 1,750 | 1,936 | (186) |
| Planning Commission | 2,500 | 2,500 | 1,318 | 1,182 |
| Plan Review and Other Inspections | 75,000 | 75,000 | 57,008 | 17,993 |
| Elevator Inspection | 77,575 | 77,575 | 79,675 | (2,100) |
| City Forestry Program | 1,000 | 1,000 | 663 | 337 |
| Engineering | 125,000 | 125,000 | 175,912 | (50,912) |
| Miscellaneous | 9,530 | 9,530 | 10,765 | (1,235) |
| | <u>1,127,043</u> | <u>1,127,043</u> | <u>1,115,634</u> | <u>11,409</u> |
| PUBLIC WORKS | | | | |
| Salaries and Benefits | - | - | 7,966 | (7,966) |
| Public Works Department | 735,000 | 735,000 | 668,973 | 66,027 |
| Street Lighting | 450,000 | 450,000 | 332,337 | 117,663 |
| Street Maintenance | 680,000 | 680,000 | 669,300 | 10,700 |
| Drainage Maintenance | 60,000 | 60,000 | - | 60,000 |
| Street and Sidewalk Sweeping | 55,000 | 55,000 | 45,000 | 10,000 |
| Traffic Signal Energy Cost and Maintenance | 150,000 | 150,000 | 98,333 | 51,667 |
| Signal Timing | 39,000 | 10,000 | 4,716 | 5,284 |
| Snow Removal | 1,200,000 | 1,200,000 | 955,329 | 244,671 |
| Landscaping Maintenance | 35,850 | 35,850 | 20,812 | 15,038 |
| Trash and Recycling Program | 540,000 | 540,000 | 544,270 | (4,270) |
| Household Hazardous Program | 6,500 | 6,500 | 8,507 | (2,007) |
| Engineering | 310,000 | 310,000 | 346,057 | (36,057) |

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2017
(Continued)

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|--|-------------------------------------|---------------------------|---|
| PUBLIC WORKS (continued) | | | | |
| Fence Maintenance | 30,000 | 30,000 | - | 30,000 |
| Geographic Information System (GIS) | 150,000 | 150,000 | 149,199 | 801 |
| Materials and Equipment | 10,000 | 10,000 | 5,283 | 4,717 |
| EPA Phase 2 Drainage | 55,000 | 55,000 | 53,927 | 1,073 |
| State Mandated Noxious Weeds Control | 10,000 | 10,000 | 8,013 | 1,987 |
| Signage and Striping | 120,000 | 120,000 | 111,523 | 8,477 |
| Accident Repairs | 7,500 | 7,500 | - | 7,500 |
| Public Works Facility Operations and Equipment | 30,000 | 30,000 | 51,496 | (21,496) |
| Software and Support | 19,000 | 19,000 | 16,500 | 2,500 |
| Mutt Mitts Contract | 11,000 | 11,000 | 10,338 | 662 |
| Miscellaneous | 3,000 | 3,000 | 1,350 | 1,650 |
| Public Works Vehicle Maintenance and Gas | 3,000 | 3,000 | 3,589 | (589) |
| Lincoln Pedestrian Bridge Maintenance | 10,000 | 10,000 | - | 10,000 |
| | <u>4,719,850</u> | <u>4,690,850</u> | <u>4,112,818</u> | <u>578,032</u> |
| POLICE | | | | |
| Salaries and Benefits | 6,005,900 | 6,005,900 | 5,820,432 | 185,468 |
| Office and Administration | 117,200 | 117,200 | 96,505 | 20,695 |
| Uniforms and Equipment | 60,550 | 60,550 | 43,771 | 16,779 |
| Vehicles and Equipment | 476,205 | 476,205 | 450,464 | 25,741 |
| General Equipment | 29,690 | 29,690 | 17,470 | 12,220 |
| Intergovernmental Agreements | 742,466 | 742,466 | 674,138 | 68,328 |
| Training | 100,350 | 100,350 | 57,471 | 42,879 |
| Community Outreach and Miscellaneous | 24,315 | 24,315 | 16,622 | 7,693 |
| | <u>7,556,676</u> | <u>7,556,676</u> | <u>7,176,874</u> | <u>379,802</u> |

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2017
(Continued)

| | <u>Budget</u> <u>Amounts</u> <u>Original</u> | <u>Budget</u> <u>Amounts</u> <u>Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance</u> <u>with</u> <u>Final Budget</u> |
|---|--|---|---------------------------------|---|
| CAPITAL OUTLAY | | | | |
| Software Packages | 46,400 | 46,400 | 25,899 | 20,501 |
| Overlay/Reconstruction Projects | 1,800,000 | 1,800,000 | 1,522,594 | 277,406 |
| City Office Building | 245,000 | 245,000 | 196,923 | 48,077 |
| Civic Center Capital Improvements | 35,000 | 35,000 | 18,194 | 16,806 |
| LTAC Facility Capital Improvements | 382,000 | 285,000 | 265,645 | 19,355 |
| Concrete Panel Replacement | 500,000 | - | - | - |
| Entertainment District Improvements | - | - | 21,291 | (21,291) |
| Park Meadows Dr. Regional Pond Upgrade | 10,000 | 10,000 | - | 10,000 |
| County Line Improvements | 270,000 | 1,770,000 | 1,564,167 | 205,833 |
| Storm Sewer Improvements | 350,000 | 350,000 | 294,782 | 55,218 |
| Light Rail Extension | 8,333,334 | 8,333,334 | 8,333,333 | 1 |
| Lone Tree Link | 585,000 | 585,000 | 609,788 | (24,788) |
| Lincoln Pedestrian Bridge | 4,935,000 | 4,965,947 | 4,702,503 | 263,444 |
| Yosemite Turn Lane (Maximus to PMD) | 15,000 | 98,590 | 73,503 | 25,088 |
| LTAC Plaza | 120,000 | 291,000 | 306,139 | (15,139) |
| Public Art Projects | 11,400 | 11,400 | 11,720 | (320) |
| Vehicles | - | - | 28,321 | (28,321) |
| Arts Center Improvements | 10,000 | 10,000 | 3,039 | 6,961 |
| Schweiger Ranch Preservation | - | - | 10,000 | (10,000) |
| Yosemite Library Remodel | 609,000 | 609,000 | 543,270 | 65,730 |
| Yosemite Library Capital Improvements | 464,000 | 464,000 | - | 464,000 |
| Rueter Hess | 54,375 | 54,375 | 54,375 | - |
| Boom Truck and Signal Maintenance Equipment | 120,000 | 120,000 | 111,387 | 8,613 |
| RidgeGate Parkway Widening | 200,000 | 200,000 | - | 200,000 |
| Surrey Ridge Tunnel Drainage | 150,000 | 150,000 | 16,546 | 133,454 |
| City-Wide Pavement Assessment | 25,000 | 25,000 | 13,230 | 11,770 |

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2017
(Continued)

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|--|-------------------------------------|---------------------------|---|
| Master Transportation Plan | 25,000 | 25,000 | - | 25,000 |
| Yosemite Medians | 20,000 | 20,000 | 6,905 | 13,095 |
| LiveScan System | 52,253 | 52,253 | 52,253 | - |
| Park Meadows Drive Improvements | 500,000 | 500,000 | - | 500,000 |
| Capital Project Contingency | - | 153,758 | - | 153,758 |
| Retail Retention Agreement | 75,000 | 75,000 | 75,000 | - |
| Service Provider Shareback Agreement | 5,000 | 5,000 | - | 5,000 |
| Annexation Shareback Agreement | 25,000 | 25,000 | - | 25,000 |
| Retail Shareback | 480,000 | 480,000 | 451,850 | 28,150 |
| Developer Revenue Shareback | 1,745,000 | 1,745,000 | 1,315,775 | 429,225 |
| Reimbursement of Sales Taxes-PMBID | 5,152,000 | 5,152,000 | 5,501,526 | (349,526) |
| Reimbursement of Property Taxes-PMMD | 230,000 | 230,000 | 228,619 | 1,381 |
| Park and Recreation | 450,000 | 450,000 | 136,701 | 313,299 |
| | <u>28,029,762</u> | <u>29,372,057</u> | <u>26,495,277</u> | <u>2,876,780</u> |
| Total Expenditures | <u>47,906,514</u> | <u>49,219,809</u> | <u>44,665,139</u> | <u>4,554,670</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>(7,171,783)</u> | <u>(6,985,078)</u> | <u>(3,532,154)</u> | <u>3,452,924</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (Out) | (949,017) | (965,017) | (983,277) | (18,260) |
| Total Other Financing Sources (Uses) | <u>(949,017)</u> | <u>(965,017)</u> | <u>(983,277)</u> | <u>(18,260)</u> |
| NET CHANGE IN FUND BALANCES | <u>(8,120,800)</u> | <u>(7,950,095)</u> | <u>(4,515,431)</u> | <u>3,434,664</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>24,017,619</u> | <u>24,775,906</u> | <u>24,723,662</u> | <u>(52,244)</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 15,896,819</u> | <u>\$ 16,825,811</u> | <u>\$ 20,208,231</u> | <u>\$ 3,382,420</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, 2017

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|--|-------------------------------------|---------------------------|---------------------------------------|
| REVENUES | | | | |
| Ticket Sales and Handling Fees | \$ 1,375,326 | \$ 1,375,326 | \$ 1,170,849 | \$ (204,477) |
| Rental Fees and Labor Fees | 212,000 | 212,000 | 218,368 | 6,368 |
| Concessions and Catering | 102,000 | 102,000 | 135,474 | 33,474 |
| Entry Fees | 6,300 | 6,300 | 6,450 | 150 |
| Individual, Corporate and Foundation Contributions | 323,800 | 323,800 | 305,454 | (18,346) |
| Government Grants | 257,500 | 257,500 | 258,657 | 1,157 |
| Miscellaneous | 23,000 | 23,000 | 32,937 | 9,937 |
| Total Revenues | <u>2,299,926</u> | <u>2,299,926</u> | <u>2,128,189</u> | <u>(171,737)</u> |
| EXPENDITURES | | | | |
| Administration | 166,494 | 166,494 | 163,664 | 2,830 |
| Programming | 2,041,281 | 2,041,281 | 1,953,094 | 88,187 |
| Marketing | 455,980 | 455,980 | 468,478 | (12,498) |
| Miscellaneous | 14,800 | 14,800 | 10,925 | 3,875 |
| Development | 204,403 | 204,403 | 206,868 | (2,465) |
| Annual Events | 268,235 | 284,235 | 262,303 | 21,932 |
| Arts and Cultural Events | 51,750 | 51,750 | 38,050 | 13,700 |
| Recreational Activities and Support | 6,000 | 6,000 | 8,084 | (2,084) |
| Contingency | 40,000 | 40,000 | - | 40,000 |
| Total Expenditures | <u>3,248,943</u> | <u>3,264,943</u> | <u>3,111,466</u> | <u>153,477</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(949,017)</u> | <u>(965,017)</u> | <u>(983,277)</u> | <u>(18,260)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers In | 949,017 | 965,017 | 983,277 | 18,260 |
| Total Other Financing Sources | <u>949,017</u> | <u>965,017</u> | <u>983,277</u> | <u>18,260</u> |
| NET CHANGE IN FUND BALANCES | - | - | - | - |
| FUND BALANCES - | | | | |
| BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <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 Four Fiscal Years (1)

| | 2014 | 2015 | 2016 | 2017 |
|--|--------------|--------------|--------------|--------------|
| City's proportion of the net pension asset | 0.745% | 0.741% | 0.710% | 0.675% |
| City's proportionate share of the net pension liability/(asset) | \$ (666,462) | \$ (836,472) | \$ (12,508) | \$ 244,075 |
| City's covered payroll | \$ 3,183,366 | \$ 3,458,225 | \$ 3,689,690 | \$ 3,624,431 |
| City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll | 20.9% | 24.2% | 0.3% | 6.7% |
| Plan fiduciary net position as a percentage of the total pension liability/(asset) | 105.8% | 106.8% | 101.6% | 98.2% |

(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 Four Fiscal Years (1)

| | 2014 | 2015 | 2016 | 2017 |
|--|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.510% | 0.523% | 0.538% | 0.562% |
| City's proportionate share of the net pension liability/(asset) | \$ 4,194,719 | \$ 4,685,216 | \$ 5,931,027 | \$ 7,586,897 |
| City's covered payroll | \$ 2,893,072 | \$ 3,017,148 | \$ 3,348,942 | \$ 3,554,612 |
| City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll | 145.0% | 155.3% | 177.1% | 213.4% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.7% | 80.7% | 76.9% | 73.6% |

(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 CONTRIBUTIONS
STATE FIRE AND POLICE PENSION PLAN (FPPA)
Last Four Fiscal Years (1)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 266,647 | \$ 275,158 | \$ 276,557 | \$ 314,225 |
| Contributions in relation to the contractually required contribution | (266,647) | (275,158) | (276,557) | (314,225) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 3,458,225 | \$ 3,689,690 | \$ 3,624,431 | \$ 3,976,381 |
| Contributions as a percentage of covered payroll | 7.71% | 7.46% | 7.63% | 7.90% |

(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 Four Fiscal Years (1)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 392,338 | \$ 418,841 | \$ 466,528 | \$ 526,916 |
| Contributions in relation to the contractually required contribution | (392,338) | (418,841) | (466,528) | (526,916) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 3,017,148 | \$ 3,348,942 | \$ 3,554,612 | \$ 4,005,795 |
| Contributions as a percentage of covered payroll | 13.00% | 12.51% | 13.12% | 13.15% |

(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, 2017

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.

Changes of Assumptions

Since the prior valuation, the Board adopted new assumptions based on the 2015 Experience Study. The changes from the prior assumption set are as follows:

Economic Assumptions

- Reduce the inflation assumption from 3.00% to 2.50%.
- Increase the real rate of return assumption from 4.50% to 5.00%, resulting in no overall change to the nominal return assumption of 7.50%.
- Add an explicit assumption for administrative expenses in the contribution determination.
- Increase the productivity component of the salary scale assumption from 1.00% to 1.50%. Combining with the inflation rate of 2.50% creates ultimate salary scale assumption of 4.00%, which is unchanged from the prior assumption.
- Slightly modify the service-based promotional/longevity component of the salary scale.

Mortality Assumptions

- Update the post-retirement mortality tables for non-disabled retirees to a table based on the RP-2014 generational mortality tables with blue collar adjustment. In addition, update the projected rate of improvement in longevity from Scale AA to the more recently published Scale BB.
- Update the occupationally disabled post-retirement mortality assumption to be the same table as used for the healthy annuitants, except with a three year set-forward.
- Update the pre-retirement off-duty mortality tables to 55% of the RP-2014 mortality tables for active employees. Make no adjustment to the on-duty mortality rate of 0.00020.

Other Demographic Assumptions

- Slightly increase the pattern of retirement.
- Combine the termination assumption for police and fire.

CITY OF LONE TREE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE 2 – PENSION PLAN PROVISIONS (CONTINUED)

- Increase the rates of both occupational and total disability to reflect higher incidence of disability observed during the study period than expected.

Actuarial Methods and Policies

- Recommend no change to the use of the 5-year smoothing technique to determine the actuarial value of assets, used for determining the annual employer contribution rates.
- Recommend continued use of the Entry Age Actuarial Cost Method.

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: The Entry Age Normal actuarial cost method allocation basis has been changed from a level dollar amount to a level percentage of pay.

Additionally, the following changes were made to the actuarial assumptions in the Health Care Trust Funds:

- The investment rate of return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The assumed rates of withdrawal, disability, retirement, and mortality have been adjusted to more closely reflect experience.
- The assumed rates of PERACare participation have been revised to reflect more closely actual experience.
- Initial per capita health care costs for 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 have been updated to reflect the change in costs for the 2017 plan year.
- The assumed rates of PERACare coverage option elections for those PERACare enrollees under the PERA benefit structure who, in the future, will be age 65 or older and are

CITY OF LONE TREE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

assumed not to be eligible for premium-free Medicare Part A benefits have been revised to reflect more closely actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage has been revised to reflect more closely actual experience.
- 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.
- The rate of PERACare coverage election for spouses of eligible inactive members and future retirees of all divisions, except the DPS Division, was revised to reflect more closely actual experience.
- The assumed age differences between future retirees and their participating spouses have been revised to reflect more closely actual experience.

Changes of Assumptions

The following assumption changes were made in the Division Trust Funds:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State and Local Government Divisions was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020 for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

CITY OF LONE TREE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The SEIR for the Local Government Division was lowered from 7.50 percent to 7.25 percent, reflecting the change in the long-term expected rate of return.

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, 2017

| | <u>Budget Amounts</u> | | |
|---|-----------------------------------|---------------------------|---------------------------------------|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
| REVENUES | | | |
| Sales Tax | \$ 1,774,500 | \$ 1,822,785 | \$ 48,285 |
| Use Tax - Retail | 53,000 | 65,160 | 12,160 |
| Use Tax - Building Materials | 56,000 | 32,025 | (23,975) |
| Net Investment Income | 6,800 | 10,245 | 3,445 |
| Total Revenues | <u>1,890,300</u> | <u>1,930,215</u> | <u>39,915</u> |
| EXPENDITURES | | | |
| Bond Interest | 366,685 | 267,788 | 98,898 |
| Bond Principal | 1,140,000 | 1,140,000 | - |
| Paying Agent Fees | 200 | 400 | (200) |
| Cost of Issuance | 81,075 | 89,106 | (8,031) |
| Contingency | 42,198 | - | 42,198 |
| Total Expenditures | <u>1,630,158</u> | <u>1,497,294</u> | <u>132,865</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | | | |
| | 260,142 | 432,921 | 172,779 |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond Issuance | 7,054,624 | 6,200,000 | (854,624) |
| Bond Premium 2017B | - | 678,165 | 678,165 |
| Refunded Bonds | (6,969,842) | (6,919,799) | 50,043 |
| Total Other Financing Sources (Uses) | <u>84,782</u> | <u>(41,634)</u> | <u>(126,416)</u> |
| NET CHANGE IN FUND BALANCES | | | |
| | 344,924 | 391,287 | 46,363 |
| FUND BALANCES - BEGINNING OF YEAR | | | |
| | <u>1,092,140</u> | <u>1,158,403</u> | <u>66,263</u> |
| FUND BALANCES - END OF YEAR | | | |
| | <u>\$ 1,437,064</u> | <u>\$ 1,549,690</u> | <u>\$ 112,626</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, 2017

| | <u>Budget Amounts</u> <u>Original and Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|--|---------------------------|---------------------------------------|
| REVENUES | | | |
| Sales Tax | \$ 1,183,150 | \$ 1,215,190 | \$ 32,040 |
| Use Tax - Retail | 35,000 | 43,440 | 8,440 |
| Use Tax - Building Materials | 37,000 | 21,370 | (15,630) |
| Net Investment Income | 6,000 | 11,045 | 5,045 |
| Total Revenues | <u>1,261,150</u> | <u>1,291,045</u> | <u>29,895</u> |
| EXPENDITURES | | | |
| Bond Interest | 242,290 | 179,873 | 62,417 |
| Bond Principal | 785,000 | 750,000 | 35,000 |
| Paying Agent Fees | 200 | 400 | (200) |
| Cost of Issuance | 100,050 | 69,829 | 30,221 |
| Contingency | 61,024 | - | 61,024 |
| Total Expenditures | <u>1,188,564</u> | <u>1,000,102</u> | <u>188,462</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 72,586 | 290,943 | 218,357 |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond Issuance | 5,583,118 | 4,805,000 | (778,118) |
| Bond Premium 2017A | - | 599,340 | 599,340 |
| Refunded Bonds | (5,482,436) | (5,461,973) | 20,463 |
| Total other financing sources (uses) | <u>100,682</u> | <u>(57,634)</u> | <u>(158,316)</u> |
| NET CHANGE IN FUND BALANCES | 173,268 | 233,309 | 60,041 |
| FUND BALANCES - BEGINNING OF YEAR | <u>1,238,623</u> | <u>1,270,775</u> | <u>32,152</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 1,411,891</u> | <u>\$ 1,504,085</u> | <u>\$ 92,194</u> |

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**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES
COMPONENT UNITS**

**CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
COMBINING BALANCE SHEET
December 31, 2017**

| | General | Debt Service | Total Component Unit |
|--|---------------------|-------------------------|-------------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 2,823,013 | \$ - | \$ 2,823,013 |
| Cash and investments - Restricted | 174,000 | 1,090,451 | 1,264,451 |
| Receivables: | | | |
| Intergovernmental | 1,347,216 | - | 1,347,216 |
| Prepaid items | 114,180 | - | 114,180 |
| TOTAL ASSETS | \$ 4,458,409 | \$ 1,090,451 | \$ 5,548,860 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 158,241 | \$ - | \$ 158,241 |
| Total liabilities | 158,241 | - | 158,241 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid amounts | 114,180 | - | 114,180 |
| Restricted for: | | | |
| Emergencies (TABOR) | 174,000 | - | 174,000 |
| Debt service | - | 1,090,451 | 1,090,451 |
| Unassigned | 4,011,988 | - | 4,011,988 |
| Total fund balances | 4,300,168 | 1,090,451 | 5,390,619 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,458,409 | \$ 1,090,451 | \$ 5,548,860 |

CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - PARK MEADOWS BUSINESS
IMPROVEMENT DISTRICT COMPONENT UNIT
TO THE STATEMENT OF NET POSITION
December 31, 2017

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

| | |
|---|----------------------------|
| Total fund balances - Park Meadows Business Improvement District component unit | \$ 5,390,619 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | 14,883,619 |
| Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Bonds payable | (12,440,000) |
| Accrued interest on bonds payable | (30,535) |
| Bond discount (net of amortization) | <u>195,720</u> |
| Net position of Park Meadows Business Improvement District component unit activities | <u><u>\$ 7,999,423</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, 2017

| | <u>General</u> | <u>Debt Service</u> | <u>Total Component Unit</u> |
|---|---------------------|-------------------------|-------------------------------------|
| REVENUES | | | |
| Intergovernmental revenue | \$ 5,716,826 | \$ - | \$ 5,716,826 |
| Net investment income | 26,930 | 17,581 | 44,511 |
| Other | 18,539 | - | 18,539 |
| Total revenues | <u>5,762,295</u> | <u>17,581</u> | <u>5,779,876</u> |
| EXPENDITURES | | | |
| Current | | | |
| Operations and maintenance | 1,563,830 | - | 1,563,830 |
| Lease | 616,288 | - | 616,288 |
| Property repairs and replacements | 281,856 | - | 281,856 |
| Marketing | 416,504 | - | 416,504 |
| Property tax reimbursement | 228,619 | - | 228,619 |
| Staff and accounting | 122,000 | - | 122,000 |
| District management fee | 43,010 | - | 43,010 |
| Auditing, legal and professional fees | 30,171 | - | 30,171 |
| Off site storage | 30,840 | - | 30,840 |
| Other general and administrative | 14,527 | - | 14,527 |
| Capital projects | 1,215,838 | - | 1,215,838 |
| Debt service | | | |
| Bond interest | - | 699,345 | 699,345 |
| Bond principal | - | 540,000 | 540,000 |
| Issuance costs | - | 80,474 | 80,474 |
| Paying agent fees | - | 3,500 | 3,500 |
| Total expenditures | <u>4,563,483</u> | <u>1,323,319</u> | <u>5,886,802</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>1,198,812</u> | <u>(1,305,738)</u> | <u>(106,926)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers (out) | (1,241,823) | 1,241,823 | - |
| Proceeds from Series 2017A and Series 2017B Loans | - | 12,440,000 | 12,440,000 |
| Prepayment of Series 2007 bonds | - | (12,635,000) | (12,635,000) |
| Total other financing sources (uses) | <u>(1,241,823)</u> | <u>1,046,823</u> | <u>(195,000)</u> |
| NET CHANGE IN FUND BALANCES | (43,011) | (258,915) | (301,926) |
| FUND BALANCES - BEGINNING OF YEAR | <u>4,343,179</u> | <u>1,349,366</u> | <u>5,692,545</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 4,300,168</u> | <u>\$ 1,090,451</u> | <u>\$ 5,390,619</u> |

**CITY OF LONE TREE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE PARK MEADOWS
BUSINESS IMPROVEMENT DISTRICT COMPONENT UNIT
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

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

Net change in fund balances - Park Meadows Business Improvement District component unit \$ (301,926)

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 | 1,215,838 |
| Depreciation expense | (883,647) |

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 | 540,000 |
| Accrued interest on bonds - Change in liability | 27,744 |
| Proceeds from Series 2017 notes | (12,440,000) |
| Prepayment of Series 2007 bonds | <u>12,635,000</u> |

| | |
|---|----------------------------|
| Changes in net position of Park Meadows Business Improvement District component unit activities | <u><u>\$ 793,009</u></u> |
|---|----------------------------|

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, 2017

| | <u>Budget Amounts</u> | | |
|---|-----------------------------------|---------------------------|---------------------------------------|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
| REVENUES | | | |
| Intergovernmental revenue | \$5,538,700 | \$ 5,716,826 | \$ 178,126 |
| Net investment income | 10,000 | 26,930 | 16,930 |
| Other | 18,600 | 18,539 | (61) |
| Total revenues | <u>5,567,300</u> | <u>5,762,295</u> | <u>194,995</u> |
| EXPENDITURES | | | |
| Operations and maintenance | 1,686,000 | 1,563,830 | 122,170 |
| Lease | 629,600 | 616,288 | 13,312 |
| Property repairs and replacements | 390,000 | 281,856 | 108,144 |
| Marketing | 367,000 | 416,504 | (49,504) |
| Property tax reimbursement | 228,700 | 228,619 | 81 |
| Staff and accounting | 125,000 | 122,000 | 3,000 |
| District management fee | 42,000 | 43,010 | (1,010) |
| Auditing, legal and professional fees | 35,000 | 30,171 | 4,829 |
| Off site storage | 30,000 | 30,840 | (840) |
| Other general and administrative | 38,000 | 14,527 | 23,473 |
| Capital projects | 1,250,000 | 1,215,838 | 34,162 |
| Contingency | 150,000 | - | 150,000 |
| Total expenditures | <u>4,971,300</u> | <u>4,563,483</u> | <u>407,817</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>596,000</u> | <u>1,198,812</u> | <u>602,812</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(1,244,000)</u> | <u>(1,241,823)</u> | <u>2,177</u> |
| Total other financing sources (uses) | <u>(1,244,000)</u> | <u>(1,241,823)</u> | <u>2,177</u> |
| NET CHANGE IN FUND BALANCES | (648,000) | (43,011) | 604,989 |
| FUND BALANCES - BEGINNING OF YEAR | <u>4,972,975</u> | <u>4,343,179</u> | <u>(629,796)</u> |
| FUND BALANCES - END OF YEAR | <u>\$4,324,975</u> | <u>\$ 4,300,168</u> | <u>\$ (24,807)</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, 2017

| | <u>Budget Amounts Original</u> | <u>Budget Amounts Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|--|-------------------------------------|---------------------------|---------------------------------------|
| REVENUES | | | | |
| Net investment income | \$ 3,000 | \$ 10,000 | \$ 17,581 | \$ 7,581 |
| Total revenues | <u>3,000</u> | <u>10,000</u> | <u>17,581</u> | <u>7,581</u> |
| EXPENDITURES | | | | |
| Bond interest | 699,345 | 699,345 | 699,345 | - |
| Bond principal | 540,000 | 540,000 | 540,000 | - |
| Issuance costs | - | 100,000 | 80,474 | 19,526 |
| Paying agent fees | 3,500 | 3,500 | 3,500 | - |
| Contingency | - | 100,000 | - | 100,000 |
| Total expenditures | <u>1,242,845</u> | <u>1,442,845</u> | <u>1,323,319</u> | <u>119,526</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,239,845)</u> | <u>(1,432,845)</u> | <u>(1,305,738)</u> | <u>127,107</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (out) | 1,244,000 | 1,244,000 | 1,241,823 | (2,177) |
| Proceeds from Series 2017A and Series 2017B Loan | - | 12,635,000 | 12,440,000 | (195,000) |
| Prepayment of Series 2007 bonds | - | (12,635,000) | (12,635,000) | - |
| Total other financing sources (uses) | <u>1,244,000</u> | <u>1,244,000</u> | <u>1,046,823</u> | <u>(197,177)</u> |
| NET CHANGE IN FUND BALANCES | 4,155 | (188,845) | (258,915) | (70,070) |
| FUND BALANCES - BEGINNING OF YEAR | <u>1,349,366</u> | <u>1,349,366</u> | <u>1,349,366</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$1,353,521</u> | <u>\$ 1,160,521</u> | <u>\$ 1,090,451</u> | <u>\$ (70,070)</u> |

**CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
December 31, 2017**

| | General |
|---|-----------------------|
| ASSETS | |
| Cash and investments | \$ 160,354 |
| Cash and investments - Restricted | 6,393 |
| Receivables: | |
| Intergovernmental | 1,402 |
| Property tax | 231,475 |
| TOTAL ASSETS | \$ 399,624 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| LIABILITIES | |
| Accounts payable | \$ 32,095 |
| Total liabilities | 32,095 |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - property taxes | 231,475 |
| FUND BALANCES | |
| Emergencies (TABOR) | 6,393 |
| Unassigned | 129,661 |
| Total fund balances | 136,054 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 399,624 |

**CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - LONE TREE BUSINESS
IMPROVEMENT DISTRICT COMPONENT UNIT
TO THE STATEMENT OF NET POSITION
December 31, 2017**

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

| | | |
|---|----|-----------------------|
| Total fund balances - Lone Tree Business Improvement District component unit | \$ | 136,054 |
| 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 | | 231,475 |
| 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>(231,475)</u> |
| Net position of Lone Tree Business Improvement District component unit activities | \$ | <u><u>136,054</u></u> |

**CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
Year Ended December 31, 2017**

| | General |
|---|-------------------|
| REVENUES | |
| General Property Tax | \$ 191,031 |
| Specific Ownership Taxes | 20,926 |
| Interest Income | 1,132 |
| Total revenues | 213,089 |
| EXPENDITURES | |
| Insurance | 2,722 |
| Legal | 15,876 |
| Management | 9,850 |
| Landscaping Services | 53,012 |
| Snow Plow Services | 50,878 |
| Parking Lot Maintenance | 37,743 |
| Plaza and Lighting Upgrades | 7,409 |
| Treasurer's Fees | 2,883 |
| Bank Fees | 2 |
| Total expenditures | 180,374 |
| EXCESS OF REVENUES OVER EXPENDITURES | 32,715 |
| NET CHANGE IN FUND BALANCES | 32,715 |
| FUND BALANCES - BEGINNING OF YEAR | 103,339 |
| FUND BALANCES - END OF YEAR | \$ 136,054 |

CITY OF LONE TREE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE LONE TREE
BUSINESS IMPROVEMENT DISTRICT TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

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

| | |
|--|------------------|
| Net change in fund balances - Lone Tree Business Improvement District component unit | <u>\$ 32,715</u> |
| Changes in net position of Lone Tree Business Improvement District component unit activities | <u>\$ 32,715</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, 2017

| | <u>Budget Amounts</u> | | |
|---|-----------------------------------|---------------------------|---------------------------------------|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
| REVENUES | | | |
| General Property Tax | \$ 191,031 | \$ 191,031 | \$ - |
| Specific Ownership Taxes | 14,900 | 20,926 | 6,026 |
| Interest Income | - | 1,132 | 1,132 |
| Total revenues | <u>205,931</u> | <u>213,089</u> | <u>7,158</u> |
| EXPENDITURES | | | |
| Audit | 500 | - | 500 |
| Insurance | 4,000 | 2,722 | 1,278 |
| Legal | 18,000 | 15,876 | 2,124 |
| Management | 9,000 | 9,850 | (850) |
| Landscaping Services | 31,176 | 53,012 | (21,836) |
| Snow Plow Services | 93,000 | 50,878 | 42,123 |
| Parking Lot Maintenance | 60,000 | 37,743 | 22,257 |
| Website/Marketing | 7,500 | - | 7,500 |
| Plaza and Lighting Upgrades | 20,000 | 7,409 | 12,591 |
| Treasurer's Fees | 4,080 | 2,883 | 1,198 |
| Contingency | 28,000 | - | 28,000 |
| Bank Fees | 24 | 2 | 22 |
| Total expenditures | <u>275,280</u> | <u>180,374</u> | <u>94,906</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(69,349)</u> | <u>32,715</u> | <u>102,064</u> |
| NET CHANGE IN FUND BALANCES | (69,349) | 32,715 | 102,064 |
| FUND BALANCES - BEGINNING OF YEAR | <u>87,879</u> | <u>103,339</u> | <u>15,460</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 18,530</u> | <u>\$ 136,054</u> | <u>\$ 117,524</u> |

OTHER SUPPLEMENTARY INFORMATION

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

**\$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**

| | <u>Principal</u> | <u>Interest</u> |
|------|-------------------|------------------|
| 2018 | \$ 805,000 | \$ 40,250 |
| 2019 | - | - |
| 2020 | - | - |
| 2021 | - | - |
| 2022 | - | - |
| 2023 | - | - |
| | <u>\$ 805,000</u> | <u>\$ 40,250</u> |

**\$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**

| | <u>Principal</u> | <u>Interest</u> |
|------|---------------------|-------------------|
| 2018 | \$ 1,225,000 | \$ 102,000 |
| 2019 | 1,325,000 | 53,000 |
| 2020 | - | - |
| 2021 | - | - |
| 2022 | - | - |
| 2023 | - | - |
| | <u>\$ 2,550,000</u> | <u>\$ 155,000</u> |

**\$4,805,000 Sales and Use
Tax Revenue Refunding Bonds Series 2017A,
Dated May 24, 2017
Interest Rate at 2.00% to 5.00%**

**Interest Payable
June 1 and December 1
Principal Due December 1**

| | <u>Principal</u> | <u>Interest</u> |
|------|---------------------|-------------------|
| 2018 | \$ - | \$ 196,600 |
| 2019 | 855,000 | 196,600 |
| 2020 | 900,000 | 179,500 |
| 2021 | 940,000 | 152,500 |
| 2022 | 1,020,000 | 105,500 |
| 2023 | 1,090,000 | 54,500 |
| | <u>\$ 4,805,000</u> | <u>\$ 885,200</u> |

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

**\$6,200,000 Sales and Use
Tax Revenue Refunding Bonds Series 2017B,
Dated May 24, 2017
Interest Rate at 3.00% to 4.00%
Interest Payable
June 1 and December 1
Principal Due December 1**

| | Principal Due December 1 | | Total | | |
|------|---------------------------------|---------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | Principal | Interest | Total |
| 2018 | \$ - | \$ 243,000 | \$ 2,030,000 | \$ 581,850 | \$ 2,611,850 |
| 2019 | - | 243,000 | 2,180,000 | 492,600 | 2,672,600 |
| 2020 | 1,385,000 | 243,000 | 2,285,000 | 422,500 | 2,707,500 |
| 2021 | 1,495,000 | 187,600 | 2,435,000 | 340,100 | 2,775,100 |
| 2022 | 1,600,000 | 127,800 | 2,620,000 | 233,300 | 2,853,300 |
| 2023 | 1,720,000 | 63,800 | 2,810,000 | 118,300 | 2,928,300 |
| | <u>\$ 6,200,000</u> | <u>\$ 1,108,200</u> | <u>\$ 14,360,000</u> | <u>\$ 2,188,650</u> | <u>\$ 16,548,650</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 2017 |
| This Information from the Records of The City of Lone Tree: | Prepared By: Phone: | Ryan Haugrud 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

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

| ITEM | AMOUNT | ITEM | AMOUNT |
|---|-----------|---|-----------|
| A. Receipts from local sources: | | A. Local highway disbursements: | |
| 1. Local highway-user taxes | | 1. Capital outlay (from page 2) | 3,448,803 |
| a. Motor Fuel (from Item I.A.5.) | | 2. Maintenance: | 714,300 |
| b. Motor Vehicle (from Item I.B.5.) | | 3. Road and street services: | |
| c. Total (a.+b.) | | a. Traffic control operations | 546,773 |
| 2. General fund appropriations | 2,278,607 | b. Snow and ice removal | 955,329 |
| 3. Other local imposts (from page 2) | 5,900,396 | c. Other | |
| 4. Miscellaneous local receipts (from page 2) | 524,543 | d. Total (a. through c.) | 1,502,103 |
| 5. Transfers from toll facilities | | 4. General administration & miscellaneous | 190,332 |
| 6. Proceeds of sale of bonds and notes: | | 5. Highway law enforcement and safety | 3,253,107 |
| a. Bonds - Original Issues | | 6. Total (1 through 5) | 9,108,644 |
| b. Bonds - Refunding Issues | | B. Debt service on local obligations: | |
| c. Notes | | 1. Bonds: | |
| d. Total (a. + b. + c.) | 0 | a. Interest | |
| 7. Total (1 through 6) | 8,703,546 | b. Redemption | |
| B. Private Contributions | | c. Total (a. + b.) | 0 |
| C. Receipts from State government (from page 2) | 405,098 | 2. Notes: | |
| D. Receipts from Federal Government (from page 2) | 0 | a. Interest | |
| E. Total receipts (A.7 + B + C + D) | 9,108,644 | 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) | |
| | | | 9,108,644 |

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 |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
| | | 9,108,644 | 9,108,644 | | 0 |

Notes and Comments:

| | | | |
|---|---------------------------|--|--|
| LOCAL HIGHWAY FINANCE REPORT | | STATE: Colorado | |
| | | YEAR ENDING (mm/yy): 12/17 | |
| 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 | 524,543 |
| 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 | 5,900,396 | g. Other Misc. Receipts | |
| 6. Total (1. through 5.) | 5,900,396 | h. Other | |
| c. Total (a. + b.) | 5,900,396 | i. Total (a. through h.) | 524,543 |
| | (Carry forward to page 1) | | (Carry forward to page 1) |
| III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL | | | |
| ITEM | AMOUNT | ITEM | AMOUNT |
| C. Receipts from State Government | | D. Receipts from Federal Government | |
| 1. Highway-user taxes | 358,780 | 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 | 46,318 | 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.) | 46,318 | g. Total (a. through f.) | 0 |
| 4. Total (1. + 2. + 3.f) | 405,098 | 3. Total (1. + 2.g) | |
| | | | (Carry forward to page 1) |
| | | 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 | | 155,726 | 155,726 |
| c. Construction: | | | |
| (1). New Facilities | | | 0 |
| (2). Capacity Improvements | | 3,181,554 | 3,181,554 |
| (3). System Preservation | | 111,523 | 111,523 |
| (4). System Enhancement & Operation | | | 0 |
| (5). Total Construction (1) + (2) + (3) + (4) | | 3,293,077 | 3,293,077 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | | 3,448,803 | 3,448,803 |
| | | | (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) | 129 |
| Changes in Net Position (Table 2) | 130 |
| Fund Balances, Governmental Funds (Table 3) | 131 |
| Changes in Fund Balances, Governmental Funds (Table 4)..... | 132 |

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) | 133 |
| Sales Tax Revenue Payers by Industry (Table 6) | 134 |
| Sales Tax Revenue Collections (Table 7)..... | 135 |

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)..... | 136 |
| Property Tax Rates - Direct and Overlapping Governments (Table 9) | 137 |
| Ratios of Outstanding Debt by Type (Table 10)..... | 138 |
| Revenue Bond Coverage (Table 11 a and b) | 139-140 |
| Legal Debt Margin Information (Table 12) | 141 |
| General Obligation Debt - Direct and Overlapping Governments (Table 13)..... | 142 |

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)..... | 143 |
| Principal Employers (Table 15) | 144 |

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.

| | |
|---|-----|
| Full-time Equivalent City Government Employees by Function/Program (Table 16).... | 145 |
| Operating Indicators by Function/Program (Table 17)..... | 146 |
| Capital Asset Statistics by Function/Program (Table 18)..... | 147 |

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 | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 (2) | 2012 | 2013 | 2014 | 2015 (3) | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 108,531,579 |
| Restricted | 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 | 5,416,090 |
| Unrestricted | 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 | 7,287,522 |
| Total governmental activities net position | <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> | <u>121,235,191</u> |
| Total primary government net position (1) | <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> | <u>\$ 121,235,191</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 | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 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 | \$ 17,071,135 |
| Municipal court | 323,486 | 321,754 | 307,016 | 209,232 | 213,778 | 215,894 | 217,969 | 234,799 | 259,849 | 323,935 |
| Community development | 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 | 1,313,003 |
| Public works | 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 | 8,406,828 |
| 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 | 4,138,733 |
| Police | 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 | 7,752,422 |
| Interest and related costs on long-term debt | 531,783 | 1,080,706 | 1,314,525 | 1,193,860 | 1,059,855 | 998,465 | 924,398 | 837,894 | 777,775 | 586,505 |
| Total governmental activities expenses | <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> | <u>39,592,561</u> |
| Total primary government expenses (1) | <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> | <u>\$ 39,592,561</u> |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 366,305 | \$ 354,032 | \$ 357,534 | \$ 309,986 | \$ 318,668 | \$ 249,904 | \$ 222,567 | \$ 239,633 | \$ 179,424 | \$ 176,438 |
| Municipal court | 981,873 | 804,553 | 892,255 | 729,769 | 808,569 | 648,298 | 540,304 | 691,943 | 680,688 | 636,085 |
| Community development | 811,150 | 450,607 | 709,717 | 623,245 | 1,184,333 | 1,717,190 | 2,098,603 | 1,396,976 | 1,156,256 | 832,431 |
| Public works | - | - | - | - | - | - | - | - | 736 | 499 |
| Arts and cultural services | - | 5,275 | 5,763 | 666,954 | 816,591 | 1,115,051 | 1,329,312 | 1,284,726 | 996,884 | 1,562,983 |
| Police | 29,994 | 23,373 | 13,211 | 43,389 | 26,606 | 41,845 | 22,919 | 3,491 | 4,453 | 4,679 |
| Operating grants and contributions | 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 | 5,000,361 |
| Capital grants and contributions | 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 | 4,166,060 |
| Total governmental activities program revenues | <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> | <u>12,379,536</u> |
| Total primary government revenues (1) | <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> | <u>\$ 12,379,536</u> |
| Net (expense) revenue | | | | | | | | | | |
| Governmental activities | <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> | <u>\$(27,213,025)</u> |
| Total primary government net (expense) revenue (1) | <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> | <u>\$(27,213,025)</u> |
| General revenues | | | | | | | | | | |
| Sales taxes and Use tax - Retail | \$ 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 | \$ 24,920,993 |
| Use taxes - Building materials | 325,484 | 421,184 | 263,530 | 213,438 | 955,775 | 1,934,767 | 1,009,009 | 1,155,608 | 791,702 | 414,263 |
| Lodging taxes | 442,391 | 359,703 | 467,976 | 526,104 | 557,841 | 766,230 | 908,192 | 1,000,349 | 1,048,252 | 1,092,192 |
| Admission taxes | 395,613 | 399,787 | 353,922 | 346,446 | 333,987 | 357,294 | 503,914 | 368,432 | 411,421 | 363,474 |
| Franchise fees | 892,587 | 812,310 | 873,573 | 905,892 | 882,107 | 973,986 | 1,033,993 | 1,040,429 | 1,041,604 | 1,069,729 |
| Cigarette taxes | 204,192 | 207,691 | 205,449 | 202,963 | 205,289 | 202,452 | 196,839 | 194,668 | 197,519 | 175,349 |
| Investment earnings | 500,873 | 106,905 | 176,843 | 35,261 | 20,903 | 19,945 | 14,113 | 22,376 | 140,767 | 234,364 |
| Miscellaneous | 320,130 | 360,857 | 550,066 | 236,180 | 278,019 | 443,335 | 331,163 | 136,995 | 707,051 | 161,055 |
| Total governmental activities general revenues | <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> | <u>28,431,419</u> |
| Total primary government general revenues (1) | <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> | <u>\$ 28,431,419</u> |
| Change in net position | | | | | | | | | | |
| Governmental activities | <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> | <u>\$ 1,218,394</u> |
| Total primary government change in net position (1) | <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> | <u>\$ 1,218,394</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 | | | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 (1) | 2012 | 2013 | 2014 | 2015 (2) | 2016 | 2017 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 8,388,431 | \$ 18,833,437 | \$ 9,818,184 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 6,808,682 | 6,920,966 | 7,094,480 | - | - | - | - | - | - | - |
| Non-spendable | - | - | - | 547,748 | 249,701 | 252,530 | 401,104 | 380,189 | 514,737 | 406,279 |
| Restricted | - | - | - | 2,875,620 | 2,678,432 | 3,248,713 | 2,892,348 | 4,928,216 | 7,844,007 | 8,343,148 |
| Assigned | - | - | - | 7,700,307 | 6,376,961 | 7,062,731 | 10,860,234 | 12,489,445 | 11,966,918 | 6,913,804 |
| Unassigned | - | - | - | 4,304 | 3,622,017 | 3,883,361 | 3,722,646 | 4,273,000 | 4,398,000 | 4,545,000 |
| Total General Fund | <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> | <u>\$ 20,208,231</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 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 | 110,727 |
| Restricted | - | - | - | 1,678,692 | 1,970,822 | 2,273,653 | 2,409,455 | 2,103,679 | 2,429,178 | 3,053,775 |
| Assigned | - | - | - | - | 98,726 | - | - | - | - | - |
| Unassigned, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | (639,810) | (413,581) | (43,230) | (46,674) | (56,673) | (53,659) | (110,727) |
| Total all other governmental funds | <u>\$ 5,770,243</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> | <u>\$ 3,053,775</u> |
| Total governmental funds | | | | | | | | | | |
| Reserved | \$ 14,158,674 | \$ 20,722,838 | \$ 11,917,298 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 6,625,171 | 6,737,455 | 6,837,809 | - | - | - | - | - | - | - |
| Non-spendable | - | - | - | 550,620 | 290,683 | 295,760 | 447,778 | 436,862 | 568,396 | 517,006 |
| Restricted | - | - | - | 4,554,312 | 4,649,254 | 5,522,366 | 5,301,803 | 7,031,895 | 10,273,185 | 11,396,923 |
| Assigned | - | - | - | 7,700,307 | 6,475,687 | 7,062,731 | 10,860,234 | 12,489,445 | 11,966,918 | 6,913,804 |
| Unassigned | - | - | - | (635,506) | 3,208,436 | 3,840,131 | 3,675,972 | 4,216,327 | 4,344,341 | 4,434,273 |
| Total governmental funds | <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> | <u>\$ 23,262,006</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 | | | | | | | | | |
|--|-----------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 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 | \$ 26,790,921 |
| Franchise fees | 892,587 | 812,310 | 873,573 | 905,892 | 882,107 | 973,986 | 1,033,993 | 1,040,429 | 1,041,604 | 1,069,729 |
| Intergovernmental | 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 | 14,291,208 |
| Licenses, fees and charges | 847,900 | 492,022 | 750,829 | 654,029 | 1,210,895 | 1,743,385 | 2,124,212 | 1,430,134 | 1,134,976 | 869,837 |
| Fines and forfeitures | 981,873 | 804,553 | 892,255 | 729,769 | 808,570 | 648,298 | 540,304 | 691,943 | 680,688 | 636,085 |
| Tenant rental income | 351,972 | 354,032 | 357,534 | 309,986 | 318,668 | 249,904 | 222,567 | 239,634 | 179,424 | 176,438 |
| Arts and cultural event fees | 91,189 | 59,945 | 71,263 | 888,893 | 1,001,410 | 1,369,872 | 1,639,949 | 1,747,181 | 1,519,316 | 2,128,189 |
| 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 | 500,873 | 106,905 | 176,844 | 35,261 | 19,595 | 19,945 | 14,113 | 22,376 | 140,767 | 234,364 |
| Other | 419,438 | 383,745 | 579,263 | 719,707 | 684,062 | 1,490,317 | 401,910 | 205,953 | 839,181 | 285,663 |
| Total revenues | 33,238,853 | 27,513,068 | 31,006,307 | 32,882,071 | 33,891,959 | 40,099,612 | 38,211,078 | 41,149,664 | 47,737,560 | 46,482,434 |
| Expenditures | | | | | | | | | | |
| General government | 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 | 5,493,850 |
| Municipal court | 323,486 | 305,767 | 300,165 | 201,557 | 213,150 | 210,387 | 213,810 | 192,197 | 226,495 | 270,686 |
| Community development | 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 | 1,115,634 |
| Public works | 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 | 4,112,818 |
| 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 | 3,111,466 |
| Police | 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 | 7,176,874 |
| 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 | 1,890,000 |
| Bond interest | 357,122 | 895,978 | 1,194,539 | 1,089,712 | 1,027,973 | 980,328 | 924,083 | 866,475 | 805,432 | 447,661 |
| Paying agent fees | - | 200 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 800 |
| Cost of issuance | - | - | - | - | - | - | - | - | - | 158,935 |
| Capital outlay and other | 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 | 26,495,277 |
| Total expenditures | 45,540,787 | 37,953,771 | 39,711,493 | 39,467,445 | 31,437,632 | 38,002,684 | 34,646,279 | 37,260,922 | 44,759,248 | 50,274,001 |
| Excess of revenues over (under) expenditures | (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 | (3,791,567) |
| Other financing sources (uses) | | | | | | | | | | |
| Bond payment to refunded bonds escrow agent | - | - | - | - | - | - | - | - | - | (12,381,772) |
| Revenue bonds issued | 11,000,000 | 16,880,000 | - | - | - | - | - | - | - | 11,005,000 |
| Bond premium | 48,776 | 237,151 | - | - | - | - | - | - | - | 1,277,505 |
| Transfers in | 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 | 983,277 |
| Transfers out | (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) | (983,277) |
| Total other financing sources (uses) | 11,048,776 | 17,117,151 | - | - | - | - | - | - | - | (99,267) |
| Net change in fund balances | \$ (1,253,158) | \$ 6,676,448 | \$ (8,705,186) | \$ (6,585,374) | \$ 2,454,327 | \$ 2,096,928 | \$ 3,564,799 | \$ 3,888,742 | \$ 2,978,312 | \$ (3,890,835) |
| Debt service as a % of noncapital expenditures | 5.7% | 6.2% | 16.0% | 15.0% | 11.4% | 10.4% | 10.8% | 21.2% | 7.0% | 5.9% |

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 |
|--------------------|-----------------------------|-----------------------|--------------------------|---|--|--------------------------------------|-----------------------------|
| 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% |
| 2017 | 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 2017**

| <u>Industry</u> | <u>Tax Liability</u> | <u>Percentage of Total</u> |
|------------------------------------|---------------------------------|---------------------------------------|
| Retail | \$ 23,550,071 | 94.50% |
| Services | 609,024 | 2.43% |
| Government | 1,035 | 0.01% |
| Finance, insurance and real estate | 56,499 | 0.23% |
| Transportation and utilities | 704,364 | 2.83% |
| Total | <u>\$ 24,920,993</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 |
|--------------------|--|
| 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 |
| 2017 | 24,920,993 |

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</u> | | | <u>Total</u> | <u>Actual Value (2)</u> |
|----------------------|------------------------|--------------------|-------------------|-----------------------|-----------------|----------------|------------------|-------------------------|
| | | | | <u>Other</u> | <u>Personal</u> | | | |
| 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 | |
| 2016 | 2017 | 195,142,240 | 376,546,220 | 16,546,590 | 63,227,760 | 651,462,810 | 3,840,344,430 | |

(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>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> | <u>2017</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 | 19.274 | 19.774 |
| Douglas County Library District | 4.044 | 4.016 | 4.034 | 4.034 | 4.070 | 4.029 | 4.032 | 4.035 | 4.016 | 4.021 |
| Douglas County School District No. Re 1 | 46.500 | 47.103 | 46.681 | 46.890 | 44.708 | 45.063 | 46.051 | 46.945 | 45.564 | 30.942 |
| 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 | 39.544 | 39.000 | 40.000 |
| Park Meadows Metropolitan District | 6.712 | 6.387 | 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 | 48.000 |
| Rampart Range Metropolitan District No. 7 | 46.000 | 46.000 | 46.000 | 46.000 | 46.000 | 46.000 | 46.000 | 46.000 | 46.000 | 48.000 |
| 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 | 9.362 | 9.541 | 9.661 | 9.520 | 9.444 | 9.319 | 9.344 | 9.250 | 9.250 |
| South Suburban Park and Recreation District | 6.868 | 6.830 | 6.777 | 6.869 | 6.960 | 6.915 | 8.808 | 8.651 | 8.643 | 8.496 |
| Southeast Public Improvement Metro District | 1.621 | 1.650 | 2.000 | 2.150 | 2.080 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| Southgate Sanitation District | 0.604 | 0.544 | 0.558 | 0.558 | 0.558 | 0.531 | 0.551 | 0.510 | 0.510 | 0.465 |
| 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 | 0.508 | 0.523 | 0.570 | 0.600 | 0.608 | 0.632 | 0.553 | 0.559 | 0.500 |
| Urban Drainage & Flood South Platte | 0.061 | 0.061 | 0.053 | 0.060 | 0.060 | 0.064 | 0.068 | 0.058 | 0.061 | 0.057 |
| | <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> | <u>217.892</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) | | | |
| 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 |
| 2017 | - | 15,506,168 | 15,506,168 | 1.40% | 1,119 |

(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. In 2017, a portion of these bonds were refunded as 2017A.

(3) In 2009, the City issued Sales and Use Tax Revenue Bonds for arts and cultural improvements. In 2017, a portion of these bonds were refunded as 2017B.

TABLE 11a

**CITY OF LONE TREE
REVENUE BOND COVERAGE
PARK AND RECREATION IMPROVEMENT BONDS
Last Ten Fiscal Years**

| Fiscal Year | Gross Revenue (1) | Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|----------------|----------------------|---------------------------------|--|---------------------------|--------------|--------------|----------|
| | | | | Principal | Interest (2) | 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% |
| 2017 | \$ 1,291,045 | \$ 400 | \$ 1,290,645 | \$ 750,000 | \$ 179,873 | \$ 929,873 | 139% |

(1) 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.

(2) Interest per debt service schedule paid to bondholders during calendar year; does not include accrued interest. A portion of these bonds were refunded in 2017 to reduce the interest rate.

TABLE 11b

**CITY OF LONE TREE
REVENUE BOND COVERAGE
ARTS AND CULTURAL FACILITIES 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 | |
| 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% |
| 2017 | \$ 1,930,215 | \$ 400 | \$ 1,929,815 | \$ 1,140,000 | \$ 267,788 | \$ 1,407,788 | 137% |

- (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. A portion of these bonds were refunded in 2017 to reduce the interest rate.

TABLE 12

**CITY OF LONE TREE
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

| | <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> | <u>2017</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 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 | \$ 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 | \$ 27,880,000 |
| Legal debt margin (1) | \$ 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 | \$ 3,120,000 |
| Total net debt applicable to the limit as a percentage of debt limit | 35.48% | 89.94% | 89.94% | 89.94% | 89.94% | 89.94% | 89.94% | 89.94% | 89.94% | 89.94% |

(1) 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, 2017**

| | <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 | \$ - | \$ 15,506,168 | 100.00% | <u>\$ 15,506,168</u> |
| Overlapping: | | | | |
| Douglas County School District No. Re 1 | 272,435,000 | - | 4.80% | 13,076,880 |
| South Suburban Park and Recreation District | 6,715,000 | - | 13.79% | 925,999 |
| Southeast Public Improvement Metropolitan District | 2,835,000 | - | 18.74% | <u>531,279</u> |
| Total overlapping debt | | | | <u>14,534,158</u> |
| Total direct and overlapping debt | | | | <u><u>\$ 30,040,326</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**

| <u>Calendar Year</u> | <u>Estimated Population</u> | <u>Personal Income</u> | <u>Per Capita Personal Income [1]</u> | <u>Douglas County Unemployment Rate</u> |
|----------------------|---------------------------------|----------------------------|---|---|
| 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% |
| 2017 | 13,860 | 1,109,728,620 | 80,067 | 2.60% |

[1] Bureau of Economic Analysis, Washington D.C. ; 2017 Per Capita Income estimated using the -.02% 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> | <u>2017</u> | | <u>2008</u> | |
|--------------------------------|------------------|-------------|------------------|-------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Employees</u> | <u>Rank</u> |
| Douglas County School District | 6,242 | 1 | 6,740 | 1 |
| Charles Schwab | 3,700 | 2 | - | |
| Echostar Communications | 2,620 | 3 | 1,900 | 2 |
| Centura Health | 1,560 | 4 | - | |
| CH2M Hill | 1,400 | 5 | 1,720 | 3 |
| Western Union | 1,300 | 6 | 1,080 | 8 |
| Healthone: Sky Ridge Medical | 1,290 | 7 | 960 | 9 |
| Douglas County Government | 1,197 | 8 | 1,113 | 6 |
| Specialized Loan Servicing LLC | 950 | 9 | - | |
| Visa Debit Processing Services | 930 | 10 | - | |
| Aurora Loan Services | - | | 1,500 | 4 |
| AVAYA | - | | 1,500 | 5 |
| Time Warner Telecom | - | | 1,100 | 7 |
| Sprint Nextel Corporation | - | | 930 | 10 |

(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**

Full-Time Equivalent Employees (2)

| Function/Program (1) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| General government | 14.0 | 14.5 | 16.25 | 14.50 | 15.50 | 17.50 | 17.75 | 18.00 | 21.00 | 22.25 |
| Municipal court | 2 | 2 | 2 | 2 | 2 | 2 | 2.00 | 2.00 | 2.50 | 2.50 |
| Community development | 1.00 | 7.25 | 5.75 | 5.75 | 6.00 | 7.00 | 6.75 | 7.00 | 7.00 | 8.00 |
| Arts & Cultural | - | - | 1.50 | 12.75 | 13.20 | 13.75 | 18.00 | 19.50 | 20.50 | 20.50 |
| Police | 45 | 50 | 47 | 52 | 53 | 54 | 56.50 | 56.50 | 56.50 | 58.50 |
| Public Works | - | - | - | - | - | - | - | - | - | 1.00 |
| Total | 62.00 | 73.75 | 72.50 | 87.00 | 89.70 | 94.25 | 101.00 | 103.00 | 107.50 | 112.75 |

(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) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Municipal court | | | | | | | | | | |
| Number of court cases | 2,260 | 2,159 | 1,918 | 2,114 | 2,107 | 1,922 | 1,577 | 3,094 | 2,307 | 1,913 |
| Community development | | | | | | | | | | |
| Building permits issued | 634 | 536 | 701 | 700 | 1,562 | 809 | 804 | 872 | 770 | 750 |
| Building inspections conducted | 4,257 | 2,750 | 4,513 | 4,196 | 8,392 | 7,662 | 7,115 | 5,475 | 5,329 | 5,720 |
| Public works | | | | | | | | | | |
| Streets overlaid (miles) | 12.52 | 11.61 | 10.48 | 9.71 | 8.55 | 15.81 | 6.26 | 6.23 | 8.25 | 7.90 |
| Public safety | | | | | | | | | | |
| Accidents | 1,033 | 970 | 878 | 1,008 | 995 | 1,169 | 1,787 | 1,443 | 1,255 | 1,160 |
| Citations issued | 7,879 | 5,619 | 6,107 | 4,812 | 4,380 | 4,234 | 4,136 | 5,079 | 5,115 | 4,135 |

(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) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public works | | | | | | | | | | |
| Streets (miles) | 130.40 | 139.11 | 146.32 | 147.01 | 147.01 | 148.51 | 157.88 | 160.76 | 160.76 | 160.76 |
| Traffic signals | 35 | 40 | 42 | 42 | 43 | 45 | 47 | 48 | 48 | 49 |
| Public safety | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Patrol units | 16 | 22 | 24 | 24 | 25 | 22 | 22 | 20 | 23 | 21 |
| Capital outlay | | | | | | | | | | |
| Storm drainage (miles) | 38.25 | 38.25 | 38.25 | 38.25 | 38.70 | 39.93 | 41.18 | 41.80 | 43.12 | 43.12 |

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

Source: Various City departments