

LONE TREE BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

**LONE TREE BUSINESS IMPROVEMENT DISTRICT
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December 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lone Tree Business Improvement District
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Lone Tree Business Improvement District (a component unit of the City of Lone Tree, Colorado), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Lone Tree Business Improvement District as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 12 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



CliftonLarsonAllen LLP

Broomfield, Colorado
March 8, 2019

LONE TREE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 211,919
Receivables:	
Intergovernmental	2,342
Property Tax	<u>234,046</u>
Total Assets	<u>448,307</u>
LIABILITIES	
Accounts Payable	<u>27,987</u>
Total liabilities	<u>27,987</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	<u>234,046</u>
Total Deferred Inflows of Resources	<u>234,046</u>
NET POSITION	
Restricted:	
Emergencies (TABOR)	7,519
Unrestricted	<u>178,755</u>
Total Net Position	<u><u>\$ 186,274</u></u>

LONE TREE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 200,402	\$ -	\$ -	\$ -
Total Primary Government	\$ 200,402	\$ -	\$ -	\$ (200,402)
General Revenues:				
Property Taxes				225,931
Specific Ownership Taxes				24,479
Interest Income				212
Total General Revenues				250,622
Change in Net Position				50,220
Net position - Beginning				136,054
Net position - Ending				\$ 186,274

See accompanying Notes to Financial Statements.

**LONE TREE BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
December 31, 2018**

	General
ASSETS	
Cash and Investments	\$ 211,919
Receivables:	
Intergovernmental	2,342
Property Tax	234,046
TOTAL ASSETS	448,307
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	27,987
Total liabilities	27,987
 DEFERRED INFLOWS OF RESOURCES	
Property Taxes	234,046
Total Deferred Inflows of Resources	234,046
 FUND BALANCES	
Restricted for:	
Emergencies (TABOR)	7,519
Unassigned	178,755
Total Fund Balance	186,274
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 \$ 448,307

**LONE TREE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
Year Ended December 31, 2018**

	General
REVENUE	
General Property Tax	\$ 225,931
Specific Ownership Taxes	24,479
Interest Income	212
Total Revenues	250,622
EXPENDITURES	
Insurance	3,491
Legal	17,558
Accounting	3,235
Audit	3,500
Management	17,462
Landscape Services	50,536
Snow Plow Services	76,433
Parking Lot Maintenance	14,399
Holiday Decorations	8,375
Infrastructure Improvements	2,000
Treasurer's Fees	3,389
Bank Fees	24
Total Expenditures	200,402
EXCESS OF REVENUES OVER EXPENDITURES	50,220
NET CHANGE IN FUND BALANCE	50,220
FUND BALANCE - BEGINNING OF YEAR	136,054
FUND BALANCE - END OF YEAR	\$ 186,274

See accompanying Notes to Financial Statements.

LONE TREE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - DEFINITION OF REPORTING ENTITY

The formation of the Lone Tree Business Improvement District (District) was initiated by commercial business owners and approved by the City of Lone Tree (City) on September 1, 2015. The District 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 District. The District is governed by a Board of Directors who are appointed by, and may be removed by, City Council. The District must submit an annual operating plan and budget for City Council approval by September 30 of each year per State statute.

The District 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.

Since the District's governing body is appointed by City Council and the City has the ability to impose its will, the District 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 District is included and presented as a discretely presented component unit of the City.

The District has no employees and contracts for all of its management and professional services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District 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 include all of the activities of the District.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources 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 fund.

LONE TREE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The budget must be submitted to the City by September 30 of each year for City approval. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors 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.

During the year ended December 31, 2018, there were no supplementary budget amendment appropriations for the District.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments to maximize investment 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.

Property Taxes

Property taxes are levied by the District'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.

LONE TREE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 District.

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 Inflows of Resources

In addition to liabilities, the statement of net position and the balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. The item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the resources are required to be used. It is recorded as a deferred inflow of resources on the governmental fund and government-wide financial statements.

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

LONE TREE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors 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.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ <u>211,919</u>
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Cash and investments as of December 31, 2018, consist of the following:

Deposits with financial institutions	\$ 211,919
Total cash and investments	\$ <u>211,919</u>

Deposits include bank accounts and certificates of deposit. The District’s deposits are entirely covered by federal depository insurance (FDIC).

NOTE 4 - NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

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, 2018, as follows:

Restricted net position:	
Emergencies (see Note 7)	\$ <u>7,519</u>

The District’s unrestricted net position as of December 31, 2018, totaled \$178,755.

LONE TREE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. As of January 1, 2017, the District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 6 - CONTINGENCIES

In the opinion of the District's management and counsel, there is no pending litigation or other legal claims which would materially affect the financial statements of the District.

NOTE 7 - 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.

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 District'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.

**LONE TREE BUSINESS IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2018**

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUE			
General Property Tax	\$ 231,475	\$ 225,931	\$ -
Specific Ownership Taxes	21,900	24,479	2,579
Interest Income	-	212	212
Total Revenues	<u>253,375</u>	<u>250,622</u>	<u>(2,753)</u>
EXPENDITURES			
Insurance	3,000	3,491	(491)
Legal	14,000	17,558	(3,558)
Accounting	-	3,235	(3,235)
Audit	3,500	3,500	-
Management	10,000	17,462	(7,462)
Landscape Services	51,349	50,536	813
Snow Plow Services	90,000	76,433	13,567
Parking Lot Maintenance	35,000	14,399	20,601
Holiday Decorations	-	8,375	(8,375)
Infrastructure Improvements	145,000	2,000	143,000
Treasurer's Fees	3,472	3,389	83
Contingency	5,000	-	5,000
Bank Fees	-	24	(24)
Total Expenditures	<u>360,321</u>	<u>200,402</u>	<u>159,919</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(106,946)</u>	<u>50,220</u>	<u>157,166</u>
NET CHANGE IN FUND BALANCE	(106,946)	50,220	157,166
FUND BALANCE - BEGINNING OF YEAR	<u>124,641</u>	<u>136,054</u>	<u>11,413</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,695</u>	<u>\$ 186,274</u>	<u>\$ 168,579</u>

See accompanying Note to Required Supplementary Information.

**LONE TREE BUSINESS IMPROVEMENT DISTRICT
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2018**

NOTE 1 - BUDGETARY INFORMATION

The District adopts an annual budget consistent with CRS Title 29, Article 1, Part 1. The budget is adopted on a basis consistent with generally accepted accounting principles for governmental funds and all appropriations lapse at fiscal year-end. Consistent with Section 29-1-105, C.R.S., the district manager annually submits a proposed budget to the Board of Directors no later than October 15. Prior to the budget adoption, the Board must advertise and hold a public hearing on the proposed budget. Per Colorado State Statute on or before December 15 of each year the Board must approve resolutions for budget adoption, appropriation, and tax mill levies.