

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)
Douglas County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2018

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Park Meadows Business Improvement District
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Park Meadows Business Improvement District (the District), a component unit of the City of Lone Tree, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District'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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Fiscal Focus Partners, LLC

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Other Matters

Required Supplementary Information

Management has omitted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Lakewood, Colorado
March 20, 2019

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,063,652
Cash and investments - Restricted	1,275,989
Receivables:	
Intergovernmental	1,323,157
Prepaid expenses	70,694
Capital assets, net	14,590,884
Total assets	20,324,376
DEFERRED OUTFLOWS OF RESOURCES	
Cost of refunding	170,826
Total deferred outflows of resources	170,826
LIABILITIES	
Accounts payable	291,549
Accrued interest payable	28,925
Noncurrent liabilities:	
Due within one year	751,343
Due in more than one year	10,956,868
Total liabilities	12,028,685
NET POSITION	
Net investment in capital assets	2,882,673
Restricted for:	
Emergency reserves	178,800
Debt service	1,097,189
Unrestricted	4,307,855
Total net position	\$ 8,466,517

The accompanying Notes to the Financial Statements are an integral part of these statements.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	Program Revenue			<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government				
General government	\$ 4,860,074	\$ -	\$ -	\$ (4,860,074)
Interest on long-term debt and related costs	380,888	-	-	(380,888)
Total governmental activities	\$ 5,240,962	\$ -	\$ -	(5,240,962)
General revenues:				
				5,367,876
				52,366
				20,281
				267,533
				5,708,056
				467,094
				7,999,423
				\$ 8,466,517

The accompanying Notes to the Financial Statements are an integral part of these statements.

PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 3,063,652	\$ -	\$ 3,063,652
Cash and investments - restricted	178,800	1,097,189	1,275,989
Receivables:			
Intergovernmental	1,323,157	-	1,323,157
Prepaid expenses	70,694	-	70,694
Total assets	\$ 4,636,303	\$ 1,097,189	\$ 5,733,492
 LIABILITIES			
Accounts payable	291,549	-	291,549
Total liabilities	291,549	-	291,549
 FUND BALANCES			
Nonspendable:			
Prepaid amounts	70,694	-	70,694
Restricted for:			
Emergencies	178,800	-	178,800
Debt service	-	1,097,189	1,097,189
Unassigned	4,095,260	-	4,095,260
Total fund balances	4,344,754	1,097,189	5,441,943
Total liabilities, deferred inflows of resources and fund balances	\$ 4,636,303	\$ 1,097,189	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not report in the funds	14,590,884
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:	
Loans payable	(11,708,211)
Accrued interest on loans payable	(28,925)
Cost of debt refinancing	170,826
Net position of governmental activities	\$ 8,466,517

The accompanying Notes to the Financial Statements are an integral part of these statements.

PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental revenue	\$ 5,669,236	\$ -	\$ 5,669,236
Net investment income	13,542	6,739	20,281
Other	18,539	-	18,539
Total revenues	<u>5,701,317</u>	<u>6,739</u>	<u>5,708,056</u>
Expenditures			
Current			
Operations and maintenance	1,869,796	-	1,869,796
Lease	626,125	-	626,125
Property repairs and replacements	315,459	-	315,459
Marketing	484,083	-	484,083
Property tax reimbursement	248,994	-	248,994
Staffing and accounting	128,200	-	128,200
District management fee	31,012	-	31,012
Auditing, legal and professional fees	19,127	-	19,127
Off site storage	30,600	-	30,600
Other general and administrative	22,276	-	22,276
Capital projects	791,667	-	791,667
Debt service			
Loan interest	-	357,604	357,604
Loan principal	-	731,789	731,789
Total expenditures	<u>4,567,339</u>	<u>1,089,393</u>	<u>5,656,732</u>
Excess of revenues over (under) expenditures	<u>1,133,978</u>	<u>(1,082,654)</u>	<u>51,324</u>
Other financing sources (uses)			
Transfers (to) from other funds	(1,089,392)	1,089,392	-
Total other financing sources and (uses)	<u>(1,089,392)</u>	<u>1,089,392</u>	<u>-</u>
Net change in fund balances	44,586	6,738	51,324
Fund balances - beginning	<u>4,300,168</u>	<u>1,090,451</u>	<u>5,390,619</u>
Fund balances - ending	<u>\$ 4,344,754</u>	<u>\$ 1,097,189</u>	<u>\$ 5,441,943</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - governmental funds:	\$ 51,324
<p>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.</p>	
Capital outlay	791,667
Depreciation	(1,084,402)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>The issuance of long-term debt (e.g., bond, leases) 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.</p>	
Loan principal	731,789
<p>Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Amortization of cost of refunding	(24,894)
Accrued interest on debt - Change in liability	1,610
	467,094
Change in net position of governmental activities	\$ 467,094

The accompanying Notes to the Financial Statements are an integral part of these statements.

PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND
ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 5,459,000	\$ 5,669,236	\$ 210,236
Net investment income	10,000	13,542	3,542
Other	18,600	18,539	(61)
Total revenues	<u>5,487,600</u>	<u>5,701,317</u>	<u>213,717</u>
EXPENDITURES			
Operations and maintenance	2,000,000	1,869,796	130,204
Lease	642,200	626,125	16,075
Property repairs and replacements	317,000	315,459	1,541
Marketing	423,000	484,083	(61,083)
Property tax reimbursement	249,000	248,994	6
Staffing and accounting	132,000	128,200	3,800
District management fee	36,000	31,012	4,988
Auditing, legal and professional fees	39,000	19,127	19,873
Offsite storage	30,000	30,600	(600)
Other general and administrative	34,000	22,276	11,724
Capital projects	775,500	791,667	(16,167)
Contingency	150,000	-	150,000
Total expenditures	<u>4,827,700</u>	<u>4,567,339</u>	<u>260,361</u>
Excess of revenues over (under) expenditures	<u>659,900</u>	<u>1,133,978</u>	<u>474,078</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	(1,100,000)	(1,089,392)	10,608
Total other financing sources (uses)	<u>(1,100,000)</u>	<u>(1,089,392)</u>	<u>10,608</u>
Net change in fund balances	<u>(440,100)</u>	<u>44,586</u>	<u>484,686</u>
Fund balances - beginning	<u>4,064,779</u>	<u>4,300,168</u>	<u>235,389</u>
Fund balances - ending	<u>\$ 3,624,679</u>	<u>\$ 4,344,754</u>	<u>\$ 720,075</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1 – Summary of significant accounting policies

A. Reporting entity

Park Meadows Business Improvement District (the District) was organized by the City of Lone Tree (the City) in October 2006 for the purpose of providing public improvements within the boundaries of the operations area of the District as defined by Ordinance approved by the City Council. The District receives a portion of the sales taxes generated by the Park Meadows Mall for the purpose of funding such improvements. The District is currently comprised of three board members, and can have up to five board members, appointed by City Council. The District is required to submit an annual operating plan and budget for City Council approval. Since the District's governing body is appointed by City Council along with its fiscal dependence of receiving funds from the City, the District is considered to be a component unit of the City.

The District has no employees and all operations and administrative functions are contracted.

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.

As of December 31, 2018, no component unit has been identified as reportable to the District.

B. Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of net position reports all financial resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities of the District is reported as net position.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

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 customer 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.

C. 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 District considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual is sales tax revenue. 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 government reports the following major governmental funds:

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 reported in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

D. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Pooled cash and investments

The District follows the practice of pooling cash and investments of all funds 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.

Investments are carried at fair value.

F. Capital assets

Capital assets, which include infrastructure assets (e.g. parking structure, parking lots, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the District's net position.

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

Infrastructure	10 - 50 years
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**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

G. Budgets

In accordance with the State Budget Law, the District's Board of Director's holds public hearings in the fall of 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 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.

H. 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:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

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 above criteria.

PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2018

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

I. Deferred Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until that time. The Districts has one item that qualifies for reporting in this category. The item, Cost of Refunding (resulting from the refinancing of debt – see Note 4), is being amortized using the interest method over the life of the 2017 Notes. Cost of Refunding is deferred and recognized as an outflow of resources in the period that the amount is incurred, as a component of interest expense.

Note 2 – 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	\$ 3,063,652
Cash and investments - Restricted	1,275,989
Total cash and investments	<u>\$ 4,339,641</u>

Cash and investments as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ 1,767,862
Certificates of deposit	2,571,779
Total cash and investments	<u>\$ 4,339,641</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 equal to 102% of the aggregate uninsured deposits.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

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

At December 31, 2018, the District's cash deposits, including certificates of deposit, had a bank balance of \$4,368,066 and a carrying balance of \$4,339,641.

Investments

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments.

The District generally limits its investment to those which are believed to have minimal interest rate risk and no foreign currency risk. Additionally, the district 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 Board of Directors.

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

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

Certain investments are measured at fair value 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.

At December 31, 2018, the District had no investments.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Note 3 – Capital assets

Changes in capital assets for the year ended December 31, 2018 are summarized as follows:

	Balance at December 31, 2017	Additions	Deletions	Balance at December 31, 2018
Capital assets, being depreciated				
Infrastructure	\$ 20,111,640	\$ 791,667	\$ -	\$ 20,903,307
Total capital assets, being depreciated	<u>20,111,640</u>	<u>791,667</u>	<u>-</u>	<u>20,903,307</u>
Less accumulated depreciation for:				
Infrastructure	(5,228,021)	(1,084,402)	-	(6,312,423)
Total accumulated depreciation	<u>(5,228,021)</u>	<u>(1,084,402)</u>	<u>-</u>	<u>(6,312,423)</u>
Total capital assets, being depreciated, net	<u>\$ 14,883,619</u>	<u>\$ (292,735)</u>	<u>\$ -</u>	<u>\$ 14,590,884</u>

Depreciation expense for 2018 in the amount of \$1,084,402 was charged to the general government function.

Note 4 – Long-term debt

A. Changes in long-term debt

Changes in long-term debt for the year ended December 31, 2018 are summarized as follows:

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
Governmental Activities:					
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	-	731,789	1,708,211	751,343
	<u>\$ 12,440,000</u>	<u>\$ -</u>	<u>\$ 731,789</u>	<u>\$ 11,708,211</u>	<u>\$ 751,343</u>

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

B. Series 2017A, \$10,000,000 Shared Sales Tax Revenue Refunding Loan, dated December 1, 2017 (2017A Loan).

On December 1, 2017, the District 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 the District, 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 the District'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, the District 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.

The 2017B Loan may not be prepaid prior to maturity. The principal and interest on the 2017B Loan is payable solely from and secured by an irrevocable pledge of the pledged revenues, which primarily consist of the revenues derived from the District's shared sales tax with the City imposed at a rate equal to 1.8125%.

The District is subject to various covenants as agreed to in the Loan Agreement for the 2017A and 2017B Loans.

The City is required to pledge 50% of the taxes collected in the District area pursuant to the annexation agreement; however, the City is not ultimately responsible for the payment of the bonds.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

C. Debt maturities

Debt maturities for the next five years and to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2019	\$ 751,343	\$ 338,051	\$ 1,089,394
2020	771,422	317,972	1,089,394
2021	792,824	296,570	1,089,394
2022	816,983	272,411	1,089,394
2023	841,999	247,395	1,089,394
2024-2028	4,612,903	834,066	5,446,969
2029-2031	3,120,737	147,428	3,268,165
Total	<u>\$ 11,708,211</u>	<u>\$ 2,453,893</u>	<u>\$ 14,162,104</u>

D. Debt authorization

The District held an election on November 7, 2006 where eligible voters of the District authorized the issuance of \$135,000,000 of indebtedness payable from ad valorem property taxes or other legally available revenues of the District for capital expenditures related to street, park and recreation, utility lines, transportation, and television relay improvements. As of December 31, 2018, the District has \$118,690,000 in authorized, but unissued indebtedness for capital purposes.

Note 5 – Annexation and development agreement

During 2006, the City's Council approved the annexation of the retail shopping property identified as Park Meadows Town Center effective January 1, 2007, which resulted in the organization of the District. The terms of the agreement obligated the City to distribute 50% of sales tax collections (the Sales Tax Disbursement) received from the annexed property to the District for twenty-five years from the commencement date of January 1, 2007. The terms 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 District in writing of the amount due by the owners for property taxes certified by 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

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

the sales tax revenue 50% of the stated amount (the Reimbursement). This payment is in addition to the Sales Tax Disbursement.

Note 6 – Net position

The District'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, 2018, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net investment in capital assets	
Capital assets, net	\$ 14,590,884
Current portion of outstanding long-term obligation	(751,343)
Noncurrent portion of outstanding long-term debt	(10,956,868)
Total net investment in capital assets	\$ 2,882,673

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 \$1,275,989 as of December 31, 2018 as follows:

	Governmental Activities
Restricted net position:	
Emergency reserve	\$ 178,800
Debt service	1,097,189
Total restricted net position	\$ 1,275,989

The District's unrestricted net position as of December 31, 2018 totaled \$4,307,855.

Note 7 – Related party

The developer and current owner of portions of the mall is Park Meadows, 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

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

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 \$626,125 in 2018. Annual lease amounts can increase by 2% 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 8 – Interfund transfers

The transfer from the General Fund to the Debt Service Fund in the amount of \$1,089,392 was for the purpose of funding the debt obligation of the District.

Note 9 - 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 personnel, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2018. 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, public officials' liability and worker's compensation 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 10 - Tax, spending and debt limitation

Article X, Section 20 of the Colorado Constitution, referred to 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.

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

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.

At an election held on November 7, 2006, the electors of the District voted to allow the District to collect, retain, and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, public improvement fees, special assessments, revenues received from the City, service charges, inspection charges, administrative charges, grant or any other fee, rate toll, penalty, or charge authorized by law or contract to be imposed, collected or received by the District during 2007 and each fiscal year thereafter, without regard to the revenue and spending limitations of TABOR.

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.

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SUPPLEMENTAL INFORMATION

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment income	\$ 10,000	\$ 6,739	\$ (3,261)
Total revenues	<u>10,000</u>	<u>6,739</u>	<u>(3,261)</u>
EXPENDITURES			
Loan interest	373,050	357,604	15,446
Loan principal	730,000	731,789	(1,789)
Paying agent fees	3,500	-	3,500
Total expenditures	<u>1,106,550</u>	<u>1,089,393</u>	<u>17,157</u>
Excess of expenditures over (under) revenues	<u>(1,096,550)</u>	<u>(1,082,654)</u>	<u>13,896</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	1,100,000	1,089,392	(10,608)
Total other financing sources (uses)	<u>1,100,000</u>	<u>1,089,392</u>	<u>(10,608)</u>
Net change in fund balances	<u>3,450</u>	<u>6,738</u>	<u>3,288</u>
Fund balances - beginning	<u>1,110,271</u>	<u>1,090,451</u>	<u>(19,820)</u>
Fund balances - ending	<u>\$ 1,113,721</u>	<u>\$ 1,097,189</u>	<u>\$ (16,532)</u>

**PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
(A Component Unit of the City of Lone Tree, Colorado)**

DEBT SERVICE REQUIREMENTS TO MATURITY

DECEMBER 31, 2018

\$12,440,000

Shared Sales Tax Revenue Loans

Series 2017A and 2017B

Dated December 1, 2017

Principal and Interest Payable Monthly

Year Ending December 31,	Principal	Interest	Total
2019	\$ 751,343	\$ 338,051	\$ 1,089,394
2020	771,422	317,972	1,089,394
2021	792,824	296,570	1,089,394
2022	816,983	272,411	1,089,394
2023	841,999	247,395	1,089,394
2024	867,782	221,612	1,089,394
2025	894,356	195,038	1,089,394
2026	921,742	167,651	1,089,393
2027	949,967	139,427	1,089,394
2028	979,056	110,338	1,089,394
2029	1,009,039	80,355	1,089,394
2030	1,039,934	49,460	1,089,394
2031	1,071,764	17,613	1,089,377
	<u>\$ 11,708,211</u>	<u>\$ 2,453,893</u>	<u>\$ 14,162,104</u>