



**City of Lone Tree Audit Committee
Special Meeting Agenda
Thursday, June 12, 2014 at 9:00 A.M**

Meeting Location: Lone Tree Municipal Building, 9220 Kimmer Drive, Suite 100, Lone Tree, CO 80124

Meeting Procedure: The Lone Tree Audit Committee and staff will meet for the Regular Session at 9:00 a.m. Contact Kristin Baumgartner if special arrangements are needed to attend (at least 24 hours in advance).

9:00 A.M. Regular Session Agenda

1. Roll Call
 2. Review and approval of March 5, 2014 Minutes
 3. Review of 2013 Comprehensive Annual Financial Report
 4. Discussion of Next Meeting Date (tentatively set for September 3, 2014)
 5. Other Business
 6. Adjournment
-



CITY OF LONE TREE
Audit Committee Minutes
March 5, 2014

A meeting of the City of Lone Tree's Audit Committee was held on Wednesday, March 5, 2014, at 9:00 a.m. at the City of Lone Tree Municipal Office, 9220 Kimmer Drive, Suite 100.

The following Committee members were present:

Chair Don Rogers, Lone Tree Resident
Vice Chair Chris Howson, CPA, Lone Tree Resident
Kim Monson, Council Member
Seth Hoffman, City Manager
Kristin Baumgartner, CPA, Finance Director

Committee Member Andrew Dodgen was absent.

Also present:

Heather Lunde, Accountant

Chair Rogers called the meeting to order at 9:05 a.m.

Review and Approval of September 5, 2013 Minutes

No corrections were received after the minutes were sent for review after the meeting. There were no corrections noted. Chair Rogers moved, Vice Chair Howson seconded, to approve the September 5, 2013 Minutes. The motion passed unanimously.

Update on 2013 Audit

Kristin Baumgartner provided an update on the audit timeline for 2013. Additional information on the new GASB 68 standard, which will have to be implemented for the City's 2015 audit, was also discussed. The City's pension plan providers, PERA and FPPA, are diligently working towards understanding this new standard and how it will affect their organizations and their participants. PERA has begun to offer seminars and will continue to do so throughout this transition period, which the City is attending.

2013 / 2014 Auditor Selection Process

Kristin Baumgartner presented an overview of the auditor engagement letter for 2013 and the approval from City Council to re-engage the current auditor, Wagner, Barnes & Griggs PC, for the 2013 audit. The cost for the 2013 audit increased by \$6,800, due to the transition from CliftonLarsonAllen to City staff for accounting and finance functions, and the related change in internal controls. Additionally, the City will be applying for Tier II grant funding from SCFD in 2014, which requires an audit of the operating income of the LTAC as well as a review of the qualifying paid attendance. The auditor is proposing a not to exceed estimate of \$7,500 for these additional services. The auditor has agreed to maintain their fees for the subsequent audits of 2014 and 2015, should they be selected. The option to go out to RFP this year for the 2014 audit was provided to the Committee and it was unanimously decided to postpone going out to bid until next year, 2015.

Next Meeting Date

Discussion was held concerning the next meeting date which is scheduled for June 12, 2014 at 9:00am.

Other Business

Chair Rogers asked questions regarding the 12/31/2013 draft financial statements and year-end results. Discussion was held.

Adjournment

Chair Rogers moved, Vice Chair Howson seconded, to adjourn at 09:55 a.m. The motion passed unanimously.

Respectfully Submitted,

Kristin Baumgartner, CPA
Finance Director

**CITY OF LONE TREE, COLORADO
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Fiscal Year
Ended December 31, 2013**

DRAFT

**Prepared by:
Department of
Finance**

**CITY OF LONE TREE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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_____, 2014

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 accounting principles generally accepted 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, 2013.

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.

Wagner Barnes & Griggs, P.C., a firm of licensed certified public accountants, has audited the City's financial statements for the year ended December 31, 2013. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the year ended December 31, 2013. The independent auditor's report is located at the front of the financial section of this report.

GAAP require 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 6,100 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. As the gateway to northern Douglas County, the City offers unprecedented access to one of the fastest growing communities in the nation. 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 and is evident in the City's mission statement "To surpass expectations." Additionally, the City's vision statement, "The place you want to be", encompasses the inviting and welcoming spirit of the community.

As part of the City's commitment to community outreach, citizen and business surveys have recently been conducted. The most recent survey was in 2012 and provided both residents and businesses the opportunity to rate the quality of life in the City, community amenities, service delivery and their satisfaction with local government. The citizen survey produced high satisfaction ratings for the City with overall quality of life receiving a 97% favorable outlook by residents. The business survey, which marked the first time the City has conducted this type of broad survey of businesses, also received high scores with 86% of business owners and managers saying they were very or somewhat likely to recommend operating a business in the City to someone else. Other highlights of the surveys showed the City ranking high in shopping opportunities, quality of business and service establishments, being a safe community and a great place to raise a family. The surveys also confirmed that Council's seven budgeting priorities including economic vibrancy, safe community, multimodal transportation, enriched community, attractive and sustainable environment, municipal stewardship and capital investment in the future are all areas that the City should continue to focus on.

The City is governed by 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 public safety, construction and maintenance of streets and other public infrastructure, planning and building permit and inspections, 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 RidgeGate development, 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. Revenue and expenditure activities related to the RidgeGate development are accounted for separately in the Special Revenue Fund - RidgeGate. The Lone Tree Arts Center operational activities and City sponsored events and

cultural services are accounted for in the Special Revenue Fund – Cultural and Community Services. Revenue and expenditure activities related to the 2009 Cultural Facilities Bonds and the 2008A Park and Recreation Bonds are accounted for separately in separate Debt Service Funds. The appropriation is at the total fund expenditures level. Additionally, the General Fund budget presents expenditures by function (e.g., general government).

Local Economy

The City of Lone Tree continues to develop at a steady rate in both the residential and commercial sectors. Major industries located within the City’s boundaries, or in close proximity, include retail trade, services, public administration, finance, healthcare, medical, insurance and real estate. With average household incomes exceeding \$100,000, the City provides an important economic presence to the region and State. Lone Tree is located within the boundaries of the Denver South Economic Development Partnership which includes 39 million square feet of office space and employment of more than 300,000 people. The Southeast I-25 corridor comprises 25 percent of Colorado’s GDP and is home to seven Fortune 500 companies. The City is also served by two Light Rail stations that residents describe as “enhancing the City’s quality of life”. The City is also working with the Regional Transportation District (RTD) to expedite the extension of the light rail system to the new RidgeGate Parkway Interchange which would include 2.2 miles of additional light rail and provide a station at the Sky Ridge Medical Center as well as an end-of-line station with direct connection to Denver International Airport. This amenity allows residents of Lone Tree to easily access downtown Denver, as well as allows visitors to more easily access the retail and office complexes in Lone Tree.

The City’s largest revenue source is sales taxes which primarily fund the City’s operations. During 2013, the City experienced a 5.0% increase in sales tax revenue compared to 2012. This increase continues to demonstrate Lone Tree’s strong retail presence in the region as well as the continued success of the Park Meadows Retail Resort and the RidgeGate development to bring new businesses into the City and maintain a well diversified and unique shopping and dining experience. This can further be seen in 2014 with three new restaurants coming to Lone Tree with their first Colorado locations.

Through conservative revenue budgeting, as well as expenditure monitoring during 2013, the City was able to end the year with a \$3,528,000 working reserve and a \$4,412,000 capital replacement reserve.

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, 2013, the City’s unrestricted working reserve totaled approximately 22%. The 2014 budget shows maintaining this reserve at 22%. The City also has adopted a capital reserves policy to ensure that the City maintains adequate cash fund balances to help offset cost of future capital replacement and project needs. The intent of the capital reserves policy is to assist the City to take greater advantage of the “pay as you go” philosophy versus relying entirely or mostly on debt financing.

Additionally in 2013, City Council formally adopted three new financial policies including a debt management policy, an investments policy as well as a vehicle replacement policy for the police department. These three policies were adopted by Council to continue to strengthen the financial framework of the City by following best practices. The debt management policy was adopted as a result of the City understanding the importance of long-range, financial planning in order to meet its capital asset needs. The debt management policy establishes parameters on the issuance of debt to help ensure that the City maintains a sound debt position and that its credit rating is protected. The policy provides a framework relating to current circumstances as they exist today as well as to address the City's future position relating to debt management. The investment policy was adopted to establish parameters and guidelines for the efficient management of the City's funds and for the purchase and sale of investments. Primary objectives of the investment policy, in priority order include safety of principal, liquidity and return on investments.

Major Initiatives

Several major initiatives will have a significant impact on the financial future of the City of Lone Tree. The development of RidgeGate, a 3,500 acre planned development based on 'smart growth' principles, will play an essential role to this end. Currently, RidgeGate is home to over 1,000 residences, two major retail centers, a recreation center, the Lone Tree Arts Center and the Sky Ridge Hospital medical complex. At build-out, RidgeGate will contain approximately 21 million square feet of office, retail and civic space and will be home to approximately 20,000 people. Moreover, at build-out, the development will include over 1,000 acres of open space and numerous parks and trails. In 2013, Sky Ridge Medical Center began an estimated \$117 million expansion plan which will add 90 beds, a women's center, a new medical office building, additional spine/ortho operating rooms and a parking structure. The expansion project is expected to be completed in late 2014. In addition to the Sky Ridge expansion, Lone Tree also welcomed Kaiser Permanente to the City, opening a 275,000 square-foot specialty services center in November 2013 further differentiating Lone Tree as a key location for medical service providers.

In addition to the hospital expansion, two additional large projects have occurred in the RidgeGate area. In August 2013, Cabela's opened a 110,000 square foot store located in the new RidgeGate Commons development along I-25 at RidgeGate Parkway. The store location sales have come in higher than estimated and is another example of unique retail that is drawn to the Lone Tree area. Additionally, Charles Schwab will open a new Colorado campus in the RidgeGate development in 2014. The campus will feature a retail center just west of I-25 and south of Lincoln Avenue, as well as three five-story buildings, an amenities facility and a 1,000-space parking garage. This campus will be the home to its 2,000 Denver-area employees and is anticipated to create up to 480 jobs over five years.

As another example of the City's dedication to economic development, City Council dedicated resources in 2013 for a consultant to develop a "Vision Book" for the revitalization of the Entertainment District area of the City. The goal of this project is to create the "Heart of Lone Tree" since this area is located in the center of the City, and is currently home to various entertainment options including various restaurants, a movie theater, miniature golf, bowling and

an indoor skydiving facility. Money has been appropriated in 2014 to continue momentum for improvements to this area.

Finally, the City is currently working with a consultant to prepare a municipal services impact analysis of development of the remainder of the RidgeGate area located east of I-25 and south of Lincoln Avenue. The purpose of this project is to determine the impact on demands for municipal service of a variety of land uses and customers by examining possible revenues and expenditures that would be generated by those uses.

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, 2012. 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 rewarded 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 eighth year to submit for and to receive the award. A Certificate of Achievement is valid for one year only. We believe this 2013 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 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, Wagner Barnes & Griggs, P.C., 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

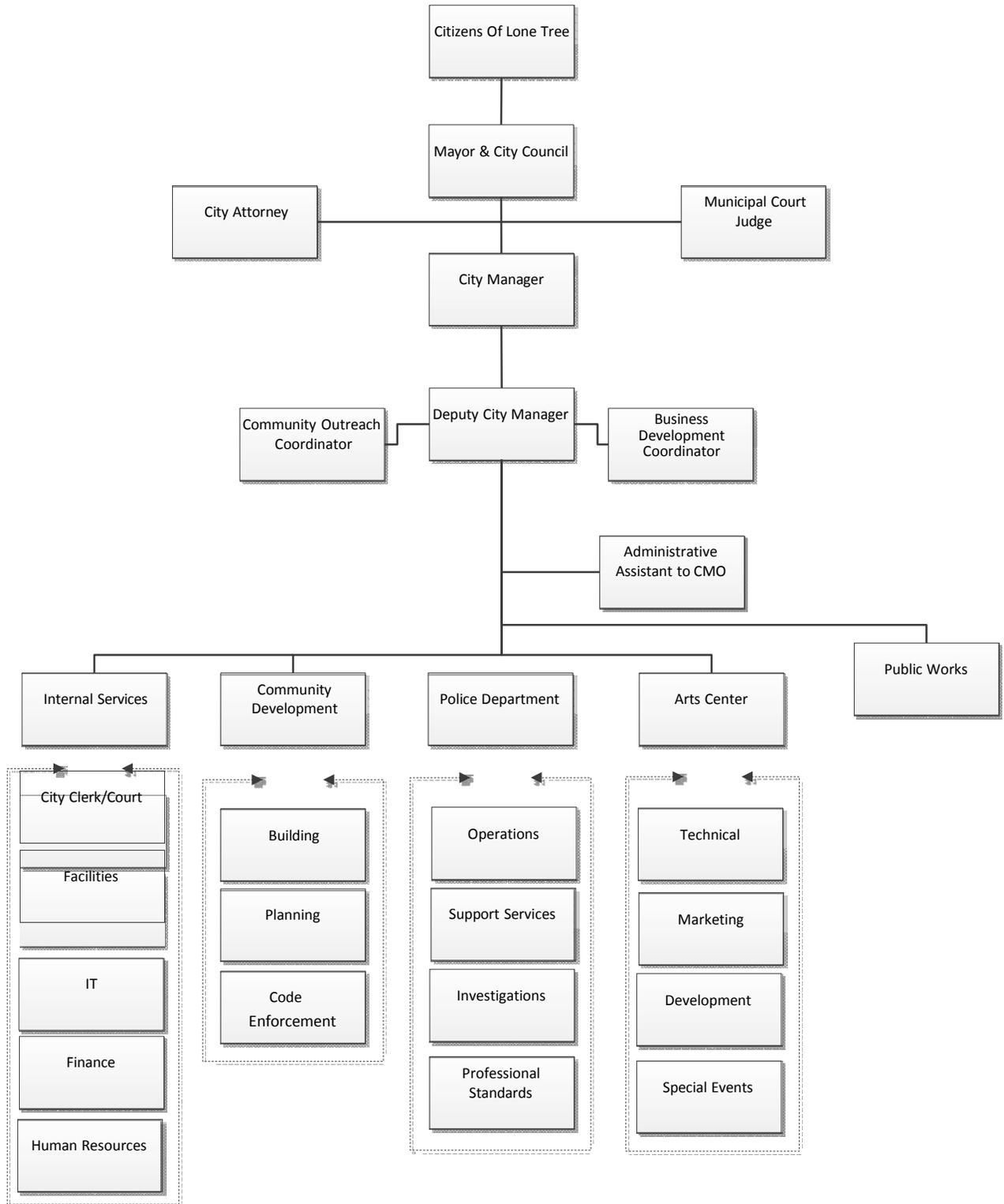
**City of Lone Tree
Colorado**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

2013 City of Lone Tree Organization Chart



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lone Tree, Colorado

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lone Tree (the City) as of and for the year ended December 31, 2013, 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lone Tree, as of December 31, 2013, 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 management's discussion and analysis and budgetary comparison information on pages 15 through 24 and 60 through 70 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 on pages 15 through 24 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.

The required supplementary information on pages 60 through 70 has been subjected to the auditing procedures applied in the audit of the 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules on pages 71 through 82 are the responsibility of management and 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 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic 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.

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 fiscal year ended December 31, 2013.

Financial Highlights

With regard to the primary government:

- Assets exceeded liabilities and deferred inflows of resources by \$96,982,466 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 \$16,720,988.
- Total net position increased by \$5,870,388 from 2012.
- Total cash and investments increased by \$4,501,332 as compared to the prior year.
- Sales and use tax retail revenue increased by \$1,123,435 as compared to the prior year. Increased consumer spending as well as several new vendors opening in the City were the major factors contributing to this increase.
- At the end of the current fiscal year, assigned and unassigned fund balance for the General Fund totaled \$10,946,092.

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 comprise 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 25-26 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 - RidgeGate, 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 five funds are considered to be major funds. Data from the nonmajor fund, the Building Authority - Debt Service Fund is additionally presented. Data for the Park Meadows Business Improvement District (a discretely presented component unit) is 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 – RidgeGate, 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 27-30 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 31-59 of this report.

Required supplementary information. A budgetary comparison schedule has been provided in this section for the General Fund, the Special Revenue Fund - RidgeGate and the Special Revenue Fund – Cultural and Community Services to demonstrate compliance with the budgets. Also included in this section are the notes to required supplementary information. The budget schedules and notes are found after the *Notes to Financial Statements* on pages 60-70 of this report.

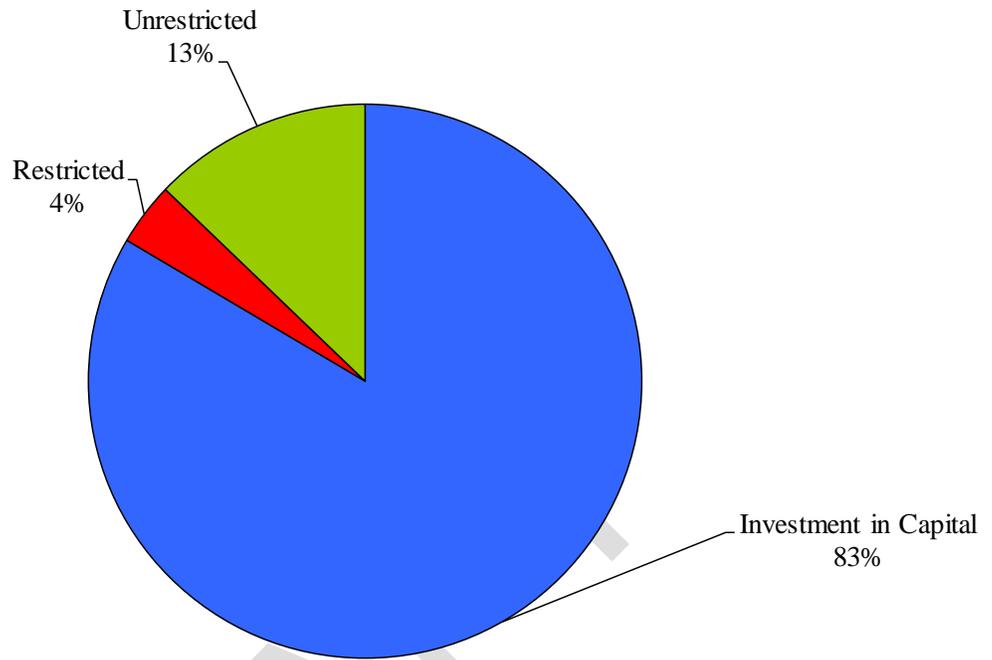
Other supplementary information. A budgetary comparison schedule for the Debt Service Fund - Arts and Cultural Facilities and the Debt Service Fund - Park and Recreation Improvements are presented immediately following the required supplemental information. Additionally, combining and individual fund financial statements and schedules of the Park Meadows 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 related to governmental activities exceeded liabilities and deferral inflows of resources by \$96,982,466 at the close of the most recent fiscal year.

	Net Position	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 23,024,801	\$ 18,917,389
Other assets	-	-
Capital assets	<u>105,003,454</u>	<u>103,548,787</u>
Total assets	<u>128,028,255</u>	<u>122,466,176</u>
Current liabilities	5,382,009	4,005,853
Noncurrent liabilities	<u>24,665,358</u>	<u>26,980,073</u>
Total liabilities	<u>30,047,367</u>	<u>30,985,926</u>
Deferred inflows of resources	<u>998,422</u>	<u>368,172</u>
Net investment in capital assets	80,973,119	77,151,840
Restricted net position	3,563,418	2,792,447
Unrestricted net position	<u>12,445,929</u>	<u>11,167,791</u>
Total net position	<u>\$ 96,982,466</u>	<u>\$ 91,112,078</u>

NET POSITION - BY CATEGORY



The largest portion of the City's net position (83%) 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 contributed from other governments for capital projects, funds received from litigation settlements, and funds reserved for future debt service payments). The remaining balance of *unrestricted net position* totaling \$12,445,929 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.

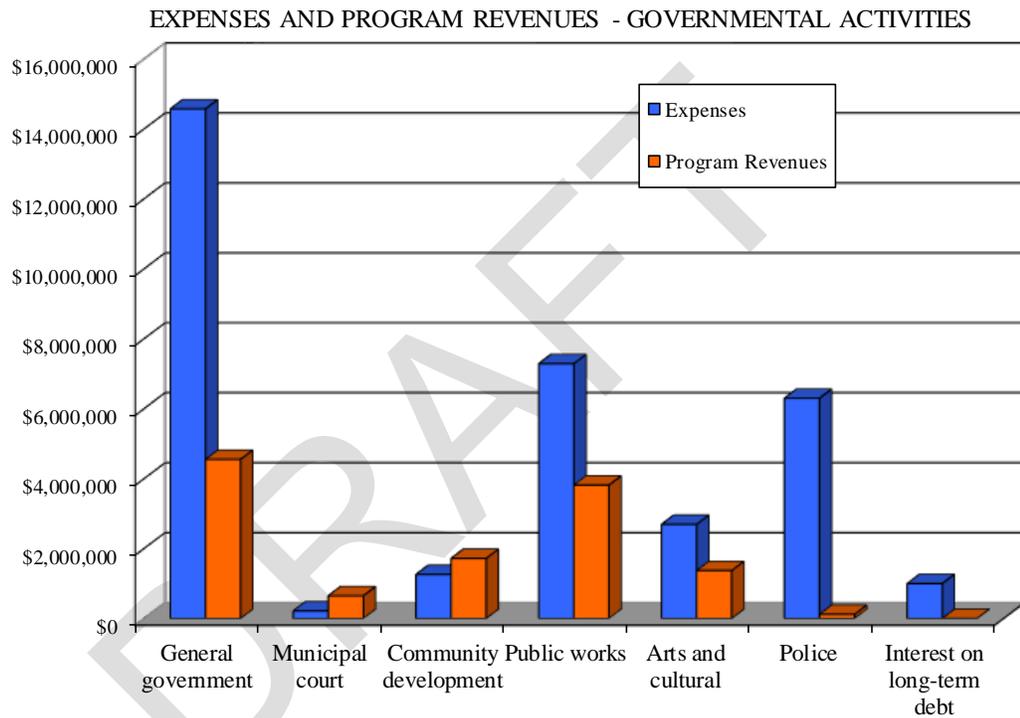
Change in Net Position

	2013	2012
Revenue		
Program revenues		
Charges for services	\$ 3,772,288	\$ 3,154,767
Operating grants and contributions	4,152,656	4,181,941
Capital grants and contributions	4,292,034	1,823,075
General revenues		
Sales and use (retail) taxes	22,275,657	21,152,222
Other taxes	3,260,743	2,052,892
Franchise fees	973,986	882,107
Investment earnings	19,945	20,903
Other	443,335	278,019
Total revenues	39,190,644	33,545,926
Expenses		
General government	14,573,133	11,268,953
Municipal court	215,894	213,778
Community development	1,258,759	1,255,461
Public works	7,286,760	7,369,645
Arts and cultural	2,691,473	2,517,149
Police	6,295,772	6,358,721
Interest and related costs on long-term debt	998,465	1,059,855
Total expenses	33,320,256	30,043,562
Change in net position	5,870,388	3,502,364
Net position - Beginning	91,112,078	87,609,714
Net position - Ending	\$ 96,982,466	\$ 91,112,078

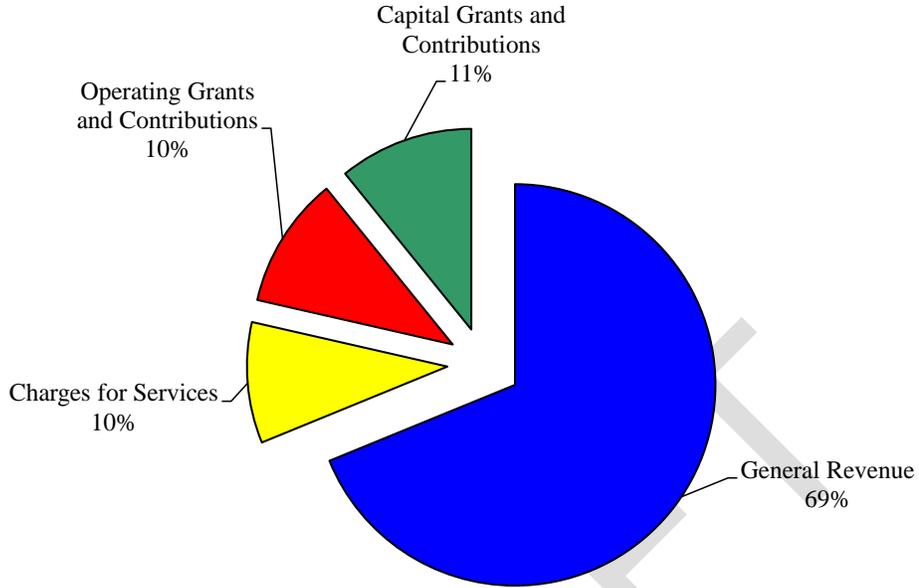
The City's net position related to governmental activities increased by \$5,870,388 during the current fiscal year. Several key highlights of the statement of activities during 2013 include the following items:

- 2013 charges for services increased by \$617,521 from the previous year. A significant portion of this increase was due to the increase in building permit fees and other building related revenues due to several large commercial projects that began construction in the City in 2013. Additionally, there was an increase in revenues generated from the Arts Center, particularly ticket sales and associated handling fees, rental fees and concessions.
- 2013 capital grants and contributions increased by \$2,468,959 mainly as a result of a large one-time County contribution that was received for road improvements in 2013.
- Sales and use (retail) taxes increased by \$1,123,435 from 2012 to 2013 as a result of strengthening consumer spending, as well as the opening of a large retail business.

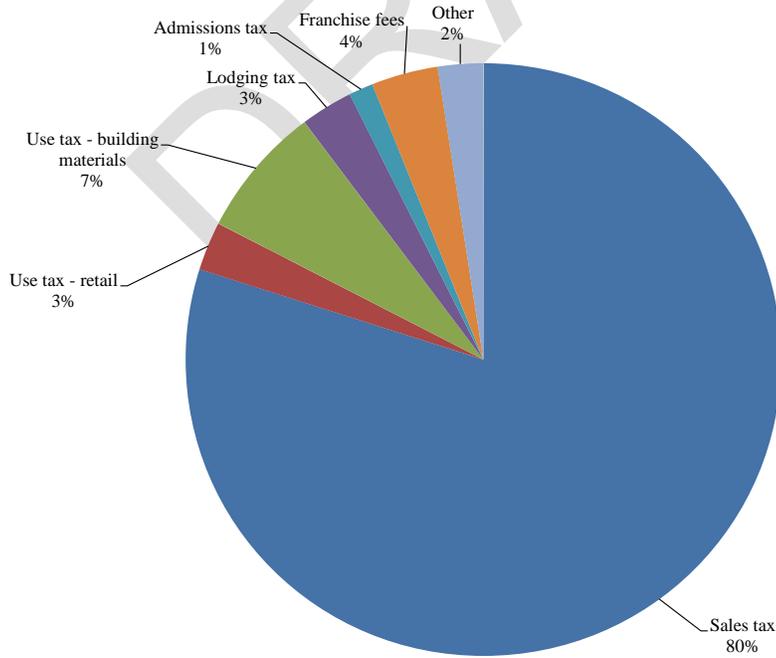
- Other taxes increased by \$1,207,851 in 2013. This increase was a result of an increase in use tax on building materials, which was an effect of increased construction projects, including several residential developments, a large commercial development, a sizeable commercial expansion, and an apartment project.
- General government expenses increased by \$3,304,180 or 29.3% from 2012 to 2013. A significant portion of this increase was related to 2013 being the first year of the Ridgegate Shareback (see Note 11), as well as other contractual obligations.



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



GENERAL 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 \$16,720,988. Of this amount, \$11,001,588 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 \$10,946,092 out of a total fund balance of \$14,447,335.

The fund balance of the City's General Fund increased by \$1,520,224 during the current fiscal year. The key factors contributing to this increase were revenues increasing due to increased consumer spending, new retailers opening in the City, several large construction projects, as well as the City receiving funds from a litigation settlement.

At the end of the current fiscal year, the Special Revenue Fund - RidgeGate reported a total fund balance of \$98,726. This balance is assigned for emergency maintenance and repairs required by an annexation agreement, as well as future park and recreation improvements pursuant to development site improvement applications.

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 \$568,947. 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 \$682,980. 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 2013 came in over budget. The difference between the final budgeted revenue of \$29,076,548 and the actual revenue of \$29,863,619 was \$787,071. The main reason for this variance had to do with the City receiving funds as part of a litigation settlement. Additionally, sales tax and building material use taxes came in higher than budgeted due to the continued improvement in the retail sales environment and several new

business openings. In addition, building permit fees came in higher than budgeted due to increased construction activity.

The City's General Fund total expenditures for 2013 did not exceed the budgeted appropriation. The difference between the budgeted expenditures (exclusive of transfers out) of \$33,208,142 and the actual expenditures of \$28,650,974 was \$4,557,168. 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 2014, as well as lower legal costs than anticipated due to a settlement that occurred in early 2013 and various salary savings as a result of attrition. Additionally, financial consulting services were budgeted for the full year, but the Finance department was brought fully in-house during the latter part of 2013 resulting in overall savings.

Capital Assets

The City invested \$6,770,239 in capital assets for its governmental-type activities for the year ended December 31, 2013. This investment in capital assets primarily consisted of Park Meadows Drive, Lincoln Avenue improvements, Parkway Drive improvements, Yosemite pedestrian lights replacements, street overlay projects, and the remodel of the administration building.

Additional information on the City's capital assets can be found in Note 6 on pages 45-46 of this report.

Long-Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$23,870,000. This amount represents debt secured for City Hall (by the Lone Tree Building Authority), park and recreational improvements, and the Lone Tree Arts Center.

Additional information on the City's long-term debt can be found in Note 7 on pages 46-50 of this report.

Next Year's Budgets

The 2014 budget reflects the Council's endeavor for a fiscally responsible budget built on conservative revenue projections, necessary as well as discretionary expenditure levels, and required and reasonable reserves.

The City has appropriated a total of \$42,128,648 for spending in fiscal year 2014. The 2014 budget includes new City staff positions, including an accountant, IT assistant, and restructuring in the police department for Corporal supervisory positions. Capital initiatives planned for 2014 include continued overlay of City streets, continued analysis of the Entertainment District improvements, the purchase of a public art piece, participation in the C-470 Coalition with Douglas County, and funding for the light rail extension if needed. The City anticipates utilizing revenues projected to be received in 2014 along with prior year accumulated fund balances to pay for these capital initiatives along with on-going operational costs related to City services.

During the 2014 budget process, the City used the Budgeting for Outcomes (BFO) methodology. BFO has been identified over the past several years as an effective budgeting tool and various governmental entities in the state and nationally have implemented it as part of their budgeting process. BFO presents the budget document in a way that is more relatable to citizens and clearly defines the City's spending priorities. Some of the advantages of BFO include improved transparency and accountability, focus on results and priorities rather than costs, and improved communication and enhanced collaboration between City departments.

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.

DRAFT

BASIC FINANCIAL STATEMENTS

DRAFT

CITY OF LONE TREE
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government	Component Unit
	Governmental Activities	Park Meadows Business Improvement District
ASSETS		
Cash and investments	\$ 12,462,230	\$ 4,346,081
Cash and investments - Restricted	5,932,543	1,499,105
Receivables:		
Intergovernmental	941,036	1,228,347
Sales, use, admissions and lodging taxes	3,292,148	-
Other	101,084	444
Prepaid items	295,760	7,576
Capital assets, not being depreciated:		
Land	23,790,227	-
Construction in progress	327,672	-
Capital assets, net of accumulated depreciation:		
Buildings and building improvements	35,178,434	-
Equipment	930,987	-
Vehicles	354,289	-
Infrastructure	43,278,095	12,810,433
Intangibles	1,143,750	-
Total assets	128,028,255	19,891,986
LIABILITIES		
Accounts payable	4,866,950	288,754
Retainage payable	97,924	-
Tenant security deposit payable	16,373	-
Rental security deposit payable	3,697	-
Surety deposits payable	320,447	-
Accrued interest payable	76,618	64,425
Noncurrent liabilities		
Due within one year	2,996,267	470,000
Due in more than one year	21,669,091	13,945,136
Total liabilities	30,047,367	14,768,315
DEFERRED INFLOWS OF RESOURCES		
Building permits - RidgeGate	854,176	-
Arts Center ticket sales	144,246	-
Total deferred inflows of resources	998,422	-
NET POSITION		
Net investment in capital assets	80,973,119	(361,481)
Restricted:		
Emergency reserve	795,975	158,900
Conservation Trust	115,118	-
Capital projects - Transportation - County	414,198	-
Brick Fence Replacement	986,200	-
Debt service	1,251,927	1,275,780
Unrestricted	12,445,929	4,050,472
Total net position	\$ 96,982,466	\$ 5,123,671

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, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
				Governmental	Park Meadows	
				Activities	Business	
				Improvement	District	
Primary government:						
Governmental activities:						
General government	\$ 14,573,133	\$ 249,904	\$ 7,557	\$ 4,292,034	\$ (10,023,638)	\$ -
Municipal court	215,894	648,298	-	-	432,404	-
Community development	1,258,759	1,717,190	-	-	458,431	-
Public works	7,286,760	-	3,814,628	-	(3,472,132)	-
Arts and cultural services	2,691,473	1,115,051	254,821	-	(1,321,601)	-
Police	6,295,772	41,845	75,650	-	(6,178,277)	-
Interest and related costs on long-term debt	998,465	-	-	-	(998,465)	-
Total primary government	<u>\$ 33,320,256</u>	<u>\$ 3,772,288</u>	<u>\$ 4,152,656</u>	<u>\$ 4,292,034</u>	<u>(21,103,278)</u>	<u>-</u>
Component unit:						
Park Meadows Business Improvement District:						
General government	\$ 3,814,390	\$ -	\$ -	\$ -		(3,814,390)
Interest on long-term debt	810,039	-	-	-		(810,039)
Total component unit	<u>\$ 4,624,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(4,624,429)</u>
General revenues:						
Sales tax					21,558,705	5,079,858
Use tax - Retail					716,952	-
Use tax - Building materials					1,934,767	11,031
Lodging tax					766,230	-
Admissions tax					357,294	-
Franchise fees					973,986	-
Cigarette tax					202,452	-
Sales tax and liquor licenses					46,056	-
Investment earnings					19,945	7,985
Other					397,279	199,249
Total general revenues					<u>26,973,666</u>	<u>5,298,123</u>
Change in net position					5,870,388	673,694
Net position - Beginning					91,112,078	4,449,977
Net position - Ending					<u>\$ 96,982,466</u>	<u>\$ 5,123,671</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, 2013**

	<u>General</u>	<u>Special Revenue - RidgeGate</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>Nonmajor Fund Building Authority Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and investments	\$ 9,150,981	\$ 2,979,548	\$ 331,701	\$ -	\$ -	\$ -	\$ 12,462,230
Cash and investments - Restricted	4,109,515	-	-	357,888	542,140	923,000	5,932,543
Receivables:							
Intergovernmental	934,143	6,893	-	-	-	-	941,036
Sales, use, admissions and lodging taxes	2,632,631	307,418	-	211,259	140,840	-	3,292,148
Other	58,293	5,600	37,191	-	-	-	101,084
Prepaid items	252,530	-	43,230	-	-	-	295,760
Due from other funds	588,093	-	-	-	-	-	588,093
TOTAL ASSETS	<u>\$ 17,726,186</u>	<u>\$ 3,299,459</u>	<u>\$ 412,122</u>	<u>\$ 569,147</u>	<u>\$ 682,980</u>	<u>\$ 923,000</u>	<u>\$ 23,612,894</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 3,146,553	\$ 1,657,481	\$ 62,716	\$ 200	\$ -	\$ -	\$ 4,866,950
Retainage payable	97,924	-	-	-	-	-	97,924
Tenant security deposit payable	16,373	-	-	-	-	-	16,373
Rental security deposit payable	-	-	3,697	-	-	-	3,697
Surety deposits payable	18,001	302,446	-	-	-	-	320,447
Due to other funds	-	386,630	201,463	-	-	-	588,093
Total liabilities	<u>3,278,851</u>	<u>2,346,557</u>	<u>267,876</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>5,893,484</u>
DEFERRED INFLOWS OF RESOURCES							
Building permits - RidgeGate	-	854,176	-	-	-	-	854,176
Arts Center ticket sales	-	-	144,246	-	-	-	144,246
Total deferred inflows of resources	<u>-</u>	<u>854,176</u>	<u>144,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>998,422</u>
FUND BALANCES							
Non-spendable	252,530	-	43,230	-	-	-	295,760
Restricted	3,248,713	-	-	568,947	682,980	923,000	5,423,640
Assigned	7,062,731	98,726	-	-	-	-	7,161,457
Unassigned	3,883,361	-	(43,230)	-	-	-	3,840,131
Total fund balances	<u>14,447,335</u>	<u>98,726</u>	<u>-</u>	<u>568,947</u>	<u>682,980</u>	<u>923,000</u>	<u>16,720,988</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 17,726,186</u>	<u>\$ 3,299,459</u>	<u>\$ 412,122</u>	<u>\$ 569,147</u>	<u>\$ 682,980</u>	<u>\$ 923,000</u>	<u>\$ 23,612,894</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, 2013

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

Total fund balance - Governmental funds	\$ 16,720,988
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	105,003,454
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(23,870,000)
Accrued interest on bonds payable	(76,618)
Bond premiums (net of amortization)	(160,335)
Compensated absences	<u>(635,023)</u>
Net position of governmental activities	<u>\$ 96,982,466</u>

These financial statements should be ready 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, 2013

	<u>General</u>	<u>Special Revenue - RidgeGate</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>Nonmajor Fund Building Authority Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 18,932,973	\$ 3,692,457	\$ -	\$ 1,624,728	\$ 1,083,790	\$ -	\$ 25,333,948
Franchise fees	859,503	114,483	-	-	-	-	973,986
Intergovernmental	7,233,532	84,453	-	-	-	-	7,317,985
Licenses, fees and charges	457,158	1,286,227	-	-	-	-	1,743,385
Fines and forfeitures	648,298	-	-	-	-	-	648,298
Tenant rental income	249,904	-	-	-	-	-	249,904
Arts and cultural	-	-	1,369,872	-	-	-	1,369,872
Base rentals	-	-	-	-	-	951,972	951,972
Net investment income	15,484	2,258	-	352	592	1,259	19,945
Other	1,466,767	23,550	-	-	-	-	1,490,317
Total revenues	<u>29,863,619</u>	<u>5,203,428</u>	<u>1,369,872</u>	<u>1,625,080</u>	<u>1,084,382</u>	<u>953,231</u>	<u>40,099,612</u>
EXPENDITURES							
Current							
General government	4,328,967	509,129	-	-	-	-	4,838,096
Municipal court	210,387	-	-	-	-	-	210,387
Community development	698,953	523,433	-	-	-	-	1,222,386
Public works	3,841,229	118,458	-	-	-	-	3,959,687
Arts and cultural services	-	-	2,087,722	-	-	-	2,087,722
Police	4,988,017	1,154,963	-	-	-	-	6,142,980
Debt service							
Bond principal	-	-	-	845,000	555,000	940,000	2,340,000
Bond interest	-	-	-	524,556	443,800	11,972	980,328
Paying agent fees	-	-	-	200	200	-	400
Capital outlay	14,583,421	1,637,277	-	-	-	-	16,220,698
Total expenditures	<u>28,650,974</u>	<u>3,943,260</u>	<u>2,087,722</u>	<u>1,369,756</u>	<u>999,000</u>	<u>951,972</u>	<u>38,002,684</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,212,645</u>	<u>1,260,168</u>	<u>(717,850)</u>	<u>255,324</u>	<u>85,382</u>	<u>1,259</u>	<u>2,096,928</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,025,429	-	717,850	-	-	-	1,743,279
Transfers (out)	(717,850)	(887,569)	-	(136,601)	-	(1,259)	(1,743,279)
Total other financing sources (uses)	<u>307,579</u>	<u>(887,569)</u>	<u>717,850</u>	<u>(136,601)</u>	<u>-</u>	<u>(1,259)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,520,224	372,599	-	118,723	85,382	-	2,096,928
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>12,927,111</u>	<u>(273,873)</u>	<u>-</u>	<u>450,224</u>	<u>597,598</u>	<u>923,000</u>	<u>14,624,060</u>
FUND BALANCES - END OF YEAR	<u>\$ 14,447,335</u>	<u>\$ 98,726</u>	<u>\$ -</u>	<u>\$ 568,947</u>	<u>\$ 682,980</u>	<u>\$ 923,000</u>	<u>\$ 16,720,988</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, 2013

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

Net change in fund balances - Total governmental funds	\$ 2,096,928
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	6,164,416
Depreciation expense	(4,709,749)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Bond principal	2,340,000
Bond premium, net	26,613

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	(51,897)
Accrued interest on bonds - Change in liability	4,077

Changes in net position of governmental activities	\$ <u><u>5,870,388</u></u>
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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, 2013

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.

In 1999, the City organized the Lone Tree Entertainment Business Improvement District (BID) for the purpose of providing public improvements, development and promotional activities, snow removal and refuse collection to an area identified as the Entertainment District. The Board members of the BID are members of the City Council thereby making it a component unit of the City. During 2000, the BID created a Special Improvement District (BID-SID) within its boundaries, for the purpose of constructing certain local improvements. Costs of the improvements are to be paid from bonds, which are to be paid exclusively from special assessments collected from property owners benefitting from these improvements. Neither the City nor the BID are liable for the bonds, consequently, the financial activity of the BID, which only includes the collection of special assessments, less administrative fees, and the repayment of the bonds, is accounted for separately in an agency fund. The BID did not have any activity during 2013.

The City is financially accountable for the Lone Tree Building Authority (Building Authority) registered with the State of Colorado as a nonprofit corporation on November 16, 2006 and is in good standing with the State as of December 31, 2013. The Building Authority is being presented as a blended component unit of the City because the purpose of the Building Authority is to provide an exclusive benefit to the City, as well as the Building Authority's debt outstanding is expected to be repaid entirely by revenues of the City. The Building Authority is governed by a Board of Directors consisting of three members. The initial Board was established by City Council. Any future changes to Board members will be decided by a

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

majority vote of existing members.

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 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.

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

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

Water and sewer services are provided by Southgate Water and Sanitation District and Northern Douglas County Water Sanitation District.

Fire protection services are provided by South Metro Fire Rescue Authority.

Parks and recreation services are provided by South Suburban Park 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.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - RidgeGate is used to account for revenues and expenditures related to the RidgeGate development pursuant to the annexation agreement (see Note 11). Revenues generated in the Ridgegate development area including taxes and fees are recorded in this 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, 2013

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, 2013, supplementary appropriations approved by the City modified the appropriation from \$4,138,860 to \$5,266,958 in the Special Revenue Fund - RidgeGate.

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.

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 estimated fair value at the date of donation.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Amortization

Original Issue Discount/Premium

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

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

Compensated Absences

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, City Council. The constraint may be removed or changed only through formal action of City Council. City Council will either pass an ordinance or resolution as the highest level of decision making dependent on the subject matter.
- *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 through an Annexation Agreement for the RidgeGate area an emergency maintenance and repair reserve (see Note 11). Additionally, City County has approved an Intergovernmental Agreement with Douglas County for an emergency disaster management reserve and through approval of development site improvement plans a reserve for future park and recreation projects. Finally, 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Statement of net position:		
Cash and investments	\$ 12,462,230	\$ 4,346,081
Cash and investments - Restricted	<u>5,932,543</u>	<u>1,499,105</u>
Total cash and investments	<u>\$ 18,394,773</u>	<u>\$ 5,845,186</u>

Cash and investments as of December 31, 2013 consist of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Deposits with financial institutions	\$ 15,957,635	\$ 3,569,296
Investments	<u>2,437,138</u>	<u>2,275,890</u>
Total cash and investments	<u>\$ 18,394,773</u>	<u>\$ 5,845,186</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, 2013

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

At December 31, 2013, the City's cash deposits had a bank balance of \$16,275,368 and a carrying balance of \$15,957,635. None of the City's deposits are subject to custodial risk since they are deposited in certified eligible public depositories under the PDPA.

At December 31, 2013, the PMBID's cash deposits had a bank balance of \$3,615,051 and a carrying balance of \$3,569,296.

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, 2013**

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, and securities of the World Bank
- . 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

As of December 31, 2013, the City had the following investments:

Investment	Maturity	<u>Primary</u> <u>Government</u>	<u>Component</u> <u>Unit</u>
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 2,437,138	\$ -
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	-	2,275,890
		<u>\$ 2,437,138</u>	<u>\$ 2,275,890</u>

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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

CSAFE

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

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 Fund - Ridgegate	Special Revenue Fund - Cultural & Community Services	Debt Service Fund - Arts & Cultural Facilities	Debt Service Fund - Park & Recreation Improvements	Nonmajor Fund Building Authority Debt Service	Total
Fund Balances							
Nonspendable							
Prepaid Items	\$ 252,530	\$ -	\$ 43,230	\$ -	\$ -	\$ -	\$ 295,760
	<u>252,530</u>	<u>-</u>	<u>43,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295,760</u>
Restricted for:							
Emergency Reserve (TABOR)	795,975	-	-	-	-	-	795,975
Conservation Trust	115,118	-	-	-	-	-	115,118
Park and Recreation Improvements							
Series 2008A Bonds	934,020	-	-	-	-	-	934,020
COPS Expense Account	3,202	-	-	-	-	-	3,202
Capital Projects - Transportation - County	414,198	-	-	-	-	-	414,198
Brick Fence Replacement Reserve	986,200	-	-	-	-	-	986,200
Debt Service	-	-	-	568,947	682,980	923,000	2,174,927
	<u>3,248,713</u>	<u>-</u>	<u>-</u>	<u>568,947</u>	<u>682,980</u>	<u>923,000</u>	<u>5,423,640</u>
Committed to:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to:							
Emergency Maintenance and Repair	-	52,601	-	-	-	-	52,601
Emergency Disaster Management - County	89,730	-	-	-	-	-	89,730
Park Fee in Lieu of Land	-	46,125	-	-	-	-	46,125
Capital Replacement	4,412,000	-	-	-	-	-	4,412,000
Subsequent Year's Expenditures	2,561,001	-	-	-	-	-	2,561,001
	<u>7,062,731</u>	<u>98,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,161,457</u>
Unassigned	<u>3,883,361</u>	<u>-</u>	<u>(43,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,840,131</u>
Total Fund Balance	<u>\$ 14,447,335</u>	<u>98,726</u>	<u>\$ -</u>	<u>\$ 568,947</u>	<u>\$ 682,980</u>	<u>\$ 923,000</u>	<u>\$ 16,720,988</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 20).

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

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

Funds available in the Certificates of Participation (COPS) expense account at the end of the year are restricted for payment of letter of credit fees.

Capital projects - transportation represents unspent proceeds received from Douglas County that are to be used exclusively for transportation related capital improvements pursuant to multiple intergovernmental agreements.

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 debt service restricted balance represents funds to be used for future payment of bond principal, interest and costs related to the 2008A Park and Recreation Improvement Bonds and 2009 Arts and Cultural Facilities Bonds. Additionally, a debt service reserve held by the trustee pursuant to the 2007 Certificates of Participation is included in this balance.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4- FUND BALANCE (CONTINUED)

Assigned

The emergency maintenance and repair 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 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.

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.

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

Subsequent year's expenditures represents the amount appropriated for use in the budget for the year ending December 31, 2014.

Unassigned

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

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2013 is as follows:

Fund	<u>Receivables</u>	<u>Payables</u>
General	\$ 588,093	\$ -
Special Revenue Fund - RidgeGate	-	386,630
Special Revenue Fund – Cultural / Community Services	-	201,463
	<u>\$ 588,093</u>	<u>\$ 588,093</u>

The outstanding balances between funds is a result of expenditures being in excess of revenues in the Special Revenue Fund - RidgeGate in 2011 pursuant to the Annexation Agreement (see Note 11). As of December 31, 2013, this amount was still outstanding. Additionally, the balance due in the Special Revenue Fund – Cultural and Community Services is a result of timing of receipt of revenues. This payable will be cleared in early 2014 with deferred and other

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

revenues.

The following schedule summarizes the City’s transfers for the year ended December 31, 2013:

Transfers Out	Transfers in General Fund	Transfers in Special Revenue Fund - Cultural & Community Services
Building Authority - Debt Service	\$ 1,259	\$ -
Special Revenue Fund - RidgeGate	887,569	-
Debt Service Fund – Arts / Cultural Facilities	136,601	-
General Fund	-	717,850
	<u>\$ 1,025,429</u>	<u>\$ 717,850</u>

The transfer of \$1,259 from the Building Authority - Debt Service Fund to the General Fund represents interest earned on the Reserve account related to the 2007 Certificates of Participation that are to be used to pay letter of credit fees.

The transfer of \$887,569 from the Special Revenue Fund - RidgeGate to the General Fund represents the amount due to the General Fund at year end pursuant to the Annexation Agreement (see Note 11).

The transfer of \$136,601 from the Debt Service Fund – Arts and Cultural Facilities represents excess revenue not required for bond payments that was transferred to the General Fund and used to pay for costs related to capital purchases for the Lone Tree Arts Center.

The transfer of \$717,850 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, 2013

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 follows:

	<u>Balance at December 31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at December 31, 2013</u>
Primary Government				
Capital Assets, Not Being Depreciated:				
Land	\$ 23,677,915	\$ 112,312	\$ -	\$ 23,790,227
Construction in Progress	504,165	324,788	(501,281)	327,672
Total Capital Assets, Not Being Depreciated	<u>24,182,080</u>	<u>437,100</u>	<u>(501,281)</u>	<u>24,117,899</u>
Capital Assets, Being Depreciated:				
Building and Building Improvements	37,985,312	1,271,977	-	39,257,289
Equipment	1,807,343	654,489	-	2,461,832
Vehicles	1,454,735	119,938	-	1,574,673
Infrastructure	90,557,631	4,182,193	-	94,739,824
Intangibles	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	<u>133,305,021</u>	<u>6,228,597</u>	<u>-</u>	<u>139,533,618</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(3,138,134)	(940,721)	-	(4,078,855)
Equipment	(1,296,283)	(234,562)	-	(1,530,845)
Vehicles	(1,065,638)	(154,746)	-	(1,220,384)
Infrastructure	(48,119,509)	(3,342,220)	-	(51,461,729)
Intangibles	(318,750)	(37,500)	-	(356,250)
Total Accumulated Depreciation	<u>(53,938,314)</u>	<u>(4,709,749)</u>	<u>-</u>	<u>(58,648,063)</u>
Total Capital Assets, Being Depreciated, Net	79,366,707	1,518,848	-	80,885,555
Capital Assets, Net	<u>\$ 103,548,787</u>	<u>\$ 1,955,948</u>	<u>\$ (501,281)</u>	<u>\$ 105,003,454</u>

During 2013, the City spent a total of \$104,542 in capital outlay initiatives that are not being depreciated on the City's record (e.g., capital assets owned by other entities).

	<u>Balance at December 31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2013</u>
Component Unit:				
Capital assets, being depreciated:				
Infrastructure	\$14,456,692	\$ 876,659	\$ -	\$ 15,333,351
Total capital assets, being depreciated	<u>14,456,692</u>	<u>876,659</u>	<u>-</u>	<u>15,333,351</u>
Less accumulated depreciation for:				
Infrastructure	(2,041,030)	(481,888)	-	(2,522,918)
Total accumulated depreciation	<u>(2,041,030)</u>	<u>(481,888)</u>	<u>-</u>	<u>(2,522,918)</u>
Total capital assets, being depreciated, net	12,415,662	394,771	-	12,810,433
Capital assets, net	<u>\$ 12,415,662</u>	<u>\$ 394,771</u>	<u>\$ -</u>	<u>\$ 12,810,433</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense for 2013 was charged to the following functions/programs:

	<u>Governmental Activities</u>	<u>Component Unit</u>
General government	\$ 394,582	\$ 481,888
Municipal court	5,599	-
Community development	27,611	-
Public works	3,362,004	-
Police department	338,387	-
Arts and cultural	581,566	-
Total depreciation expense	<u>\$ 4,709,749</u>	<u>\$ 481,888</u>

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, 2013:

	<u>Balance at December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2013</u>	<u>Due Within One Year</u>
Governmental Activities					
Certificates of Participation - Series 2007	\$ 3,235,000	\$ -	\$ 940,000	\$ 2,295,000	\$ 1,005,000
Sales and Use Tax Revenue Bonds - Series 2008A	9,105,000	-	555,000	8,550,000	600,000
Unamortized premium on Series 2008A Bonds	29,574	-	4,305	25,269	-
Sales and Use Tax Revenue Bonds- Series 2009	13,870,000	-	845,000	13,025,000	915,000
Unamortized premium on Series 2009 Bonds	157,373	-	22,308	135,066	-
Compensated absences	583,126	153,691	101,794	635,023	476,267
	<u>\$ 26,980,073</u>	<u>\$ 153,691</u>	<u>\$ 2,468,407</u>	<u>\$ 24,665,358</u>	<u>\$ 2,996,267</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Component Unit	Balance at December 31, 2012	Additions	Reductions	Balance at December 31, 2013	Due Within One Year
Shared Sales Tax Revenue Bonds - Series 2007	\$ 15,095,000	\$ -	\$ 445,000	\$ 14,650,000	\$ 470,000
Unamortized discount on Series 2007 Bonds	(247,912)	-	13,048	(234,864)	-
	<u>\$ 14,847,088</u>	<u>\$ -</u>	<u>\$ 431,952</u>	<u>\$ 14,415,136</u>	<u>\$ 470,000</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. At December 31, 2013, the City had authorized but unissued bond indebtedness in the following amounts allocated for the following purposes:

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

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

Additionally, the PMBID held an election on November 7, 2006 where eligible voters of the PMBID authorized the issuance of \$135,000,000 of indebtedness payable from ad valorem property taxes or other legally available revenues of the PMBID for capital expenditures related to street, park and recreation, utility lines, transportation, and television relay improvements. As of December 31, 2013, the PMBID has \$118,690,000 in authorized, but unissued indebtedness for capital purposes.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Series 2007, \$9,230,000 Taxable Adjustable Rate Certificates of Participation, dated January 9, 2007 (the 2007 Certificates). On January 9, 2007, the Building Authority issued \$9,230,000 in Taxable Adjustable Rate Certificates of Participation representing assignments of the right to receive certain revenues pursuant to a lease purchase agreement entered between the Building Authority and the City on January 1, 2007. The proceeds of the 2007 Certificates were used by the Authority to purchase an office building, the land upon which it is located and certain equipment for lease to the City for use as City offices, to finance the costs of remodeling and other improvements, to pay capitalized interest, to fund a debt service reserve fund, and to pay the costs of issuing the 2007 Certificates.

The 2007 Certificates are secured by an irrevocable letter of credit issued by Wells Fargo Bank, National Association with an expiration date of January 12, 2015. The Certificates mature on December 1, 2017 and initially will bear interest at a monthly rate with monthly interest payments due the first business day beginning on February 1, 2007. As of December 31, 2013, the interest rate was 0.27%. The 2007 Certificates are subject to annual mandatory redemption beginning December 1, 2008. While in the monthly mode, the Certificates are subject to redemption prior to maturity, at the option of the City, on any rate change date, without redemption premium.

The City is responsible for scheduled lease payments due under the 2007 Certificates along with certain annual recurring costs including letter of credit fees and remarketing fees. Lease payments, along with associated recurring costs, are subject to annual appropriation by City Council.

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

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, or after full payment of the 2009 Bonds, whichever occurs first.

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

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 and capital leases that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2013, the City had net investment in capital assets of \$80,973,119 calculated as follows:

Primary Government	<u>Governmental Activities</u>
Net investment in capital assets:	
Capital assets, net	\$ 105,003,454
Current portion of long-term obligations	(2,520,000)
Noncurrent portion of long-term obligations	(21,350,000)
Premium (net of accumulated amortization)	<u>(160,335)</u>
Net investment in capital assets	<u>\$ 80,973,119</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 \$3,563,418 as of December 31, 2013 as follows:

Primary Government	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve (see Note 20)	\$ 795,975
Conservation Trust	115,118
Capital Projects - Transportation - County	414,198
Brick Fence Replacement	986,200
Debt service (see Note 7)	<u>1,251,927</u>
	<u>\$ 3,563,418</u>

The unrestricted component of net position as of December 31, 2013 totaled \$12,445,929.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 - CONTRACTUAL OBLIGATIONS

The City has entered into sales shareback agreements with several entities. The terms of the agreements and remaining amounts committed are detailed as follows:

	<u>Maximum Reimbursement</u>	<u>Agreement Termination Date</u>	<u>Amount Paid as of December 31, 2013</u>	<u>Remaining Amount Committed</u>
Retailer A	\$ 750,000	September 30, 2021	\$ 225,000	\$ 525,000
Service Provider A	200,000	N/A	-	200,000
Retailer B	7,200,000	May 17, 2027	2,553,512	4,646,488
Service Provider B	N/A	February 7, 2022	-	Unknown
Service Provider C	N/A	May 21, 2018	732	Unknown
	<u>\$ 8,150,000</u>		<u>\$ 2,779,244</u>	<u>\$ 5,371,488</u>

Retailer A is to be paid, 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.

Service Provider A shall be paid up to \$200,000 (in one lump sum) of rebated sales and use taxes associated with the sales and use taxes paid in relation to the expansion and renovation of the service provider's facility. The payment is subject to annual appropriation and is due at the time the service provider obtains a certificate of occupancy on the facilities expansion.

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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 - CONTRACTUAL OBLIGATIONS (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 person property or taxable services purchased for use on the property for 10 years effective from February 7, 2012 to February 7, 2022. Service Provider B does hold charitable organization status therefore estimated reimbursements pursuant to this agreement are anticipated to be limited.

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.

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS

Dispatch Services

The City has entered into an intergovernmental agreement with the Town of Parker to provide dispatch services within the City's boundaries commencing January 1, 2006. The City paid \$453,065 in 2013 associated with costs under the agreement. Total dispatch services costs of \$740,000 are estimated for 2014.

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, 2011 through December 31, 2011 automatically renewing for five subsequent one year terms unless terminated by either party. The City paid the following amounts related to these services during 2013:

Crime analysis	\$ 5,199
Crime scene investigation	20,574
Evidence storage	<u>59,519</u>
	<u>\$ 85,292</u>

Total services are estimated at \$74,800 for 2014.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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 \$1,820,000 in 2013, for work completed on Park Meadows Drive and County Line Road. For 2014, the main project is improvement to County Line Road. The City's share of the 2014 improvement is estimated at \$30,000 of the approximate total cost of \$60,000.

The Rampart Range Metro District (RRMD) is in the process of constructing additional streets to be maintained by the City in accordance with the Annexation Agreement entered into by the City and related Developer (see Note 11).

NOTE 11 - COMMITMENTS

RidgeGate

During 2000, City voters approved the annexation of approximately 3,500 acres identified as RidgeGate. The City has entered into an agreement with the Developer to reimburse certain revenues for public infrastructure improvements. Net revenues collected within the annexed property are to be allocated 60% to an entity designated by the developer, RRMD No. 1, with the remaining 40% to the City. The term of the revenue shareback agreement commences on a date yet to be specified by the Developer, but no later than August 2020, and extends twenty years from such date. The Developer gave notice to the City to begin the shareback agreement on January 1, 2013. Prior to the commencement of the revenue shareback, any excess revenue is required to be transferred to the General Fund to be used at the discretion of City Council. Deductions from gross revenues include all direct costs paid by the City, an allocation of administrative and overhead costs associated with the services for which the direct costs were paid, plus 15% of direct and administrative costs less fees collected allocable to the services or activities for which the direct costs were paid, reserved for emergency maintenance and repairs. The City will continue to accrue required reserves on an annual basis until such time the emergency maintenance and repair reserve funds total and are maintained at \$500,000. The agreement requires the Developer to provide funds to the City to cover any deficit of costs plus the 15% emergency reserve. The financial activity related to this agreement is accounted for in the Special Revenue Fund - RidgeGate. As of December 31, 2013, an outstanding shortfall totaling \$386,630 relating to 2011 is due from the Developer. This amount is reflected in the fund financial statements as an amount due from the Special Revenue Fund - RidgeGate to the General Fund. A total of \$52,601 has been accumulated toward the emergency maintenance and repair reserve. In 2013, the amount paid to the Developer pursuant to the Shareback Agreement totaled \$1,283,765.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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.

Construction Commitments

As of December 31, 2013, the City had unexpended construction related contract commitments of \$349,387.

NOTE 12 - SPECIAL ASSESSMENTS

Special assessments were collected from property owners within the BID-SID in order to repay the 2005 Series Bonds. Neither the City nor the BID was liable for the repayment of the bonds. Consequently, activity related to the special assessment bonds was accounted for in an agency fund.

On November 2, 1999, a majority of the qualified electors of the BID authorized the issuance of indebtedness for public infrastructure improvements in an amount not to exceed \$2,060,000. At December 31, 2012, the BID had authorized but unissued indebtedness totaling \$200,000. All bonds were paid off in full as of December 31, 2012.

NOTE 13 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)

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. 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. This is a noncontributory plan. All full-time, paid police officers of the City are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability 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

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

**NOTE 13 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)**

supplementary information for both the Statewide Defined Benefit 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.

The contribution requirements of plan members and the City are established by statute. The contribution rate to the Statewide Defined Benefit Plan for both plan members and the City is 8.0% of covered salary. The contribution rate to the Statewide Death and Disability Plan for the City is 2.6% of covered salary. Member contributions to the Statewide Death and Disability Plan are not required. The City contributed 100% of the required amounts for the FPPA Defined Benefit Plan and other post retirement employee benefit plans in 2011, 2012 and 2013. Information regarding pension plan contributions from the City is as follows:

	2013	2012	2011
Statewide Defined Benefit Plan	\$ 271,334	\$ 256,661	\$ 244,058
Statewide Death and Disability	\$ 88,194	\$ 83,425	\$ 79,329

FPPA has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the plan is optional for all members. The plan allows the members to defer a portion of their salary until future years.

NOTE 14 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

The City contributes to 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 member 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.

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and Health Fund. That report may be obtained online at www.copera.org or by writing to PERA at 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 14 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(CONTINUED)

Plan members and the City are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the City's contribution (1.02% of covered salary) is allocated for the Health Fund. Member contributions to the Health Fund are not required.

The contribution rate for members and the City's contributions to the Trust and Health Fund, which equaled the City's required contributions for each year was as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contribution Rate of Covered Salary			
Members	8.00%	8.00%	8.00%
Trust	12.68%	12.68%	12.68%
Health Plan	1.02%	1.02%	1.02%
Contributions			
Trust	\$ 331,251	\$ 296,587	\$ 257,822
Health Plan	\$ 26,665	\$ 23,858	\$ 20,740

Additionally, Trust members of the City may voluntarily contribute to the Voluntary Investment Program (VIP), an Internal Revenue Code Section 401(K) defined contribution plan administered by PERA. Plan participation is voluntary and contributions are separate from others made to PERA. State statutes have assigned the State Legislature the authority to establish VIP plan provisions.

The VIP is funded by voluntary member contributions of up to a maximum limit set by the IRS.

NOTE 15 - DEFERRED COMPENSATION PLAN - ASSETS IN TRUST

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 16 - MAJOR TAXPAYERS

For the year ending December 31, 2013, approximately 16% of the City's sales tax revenue was received from three retailers and of those three retailers, one retailer constituted approximately 7% of the total sales tax revenue.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 17 - 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's Attorney office for consultation and representation. Claims are insured to \$5,000,000 and representation provided by Colorado Intergovernmental Risk Sharing Agency.

NOTE 18 - RELATED PARTY

The Developer of the property which constitutes the Park Meadows Business Improvement District (PMBID) is Park Meadows Mall, LLC. The members of the Board of Directors of the PMBID are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest in dealing with the District. Additionally, two lease agreements have been entered into between the PMBID and the Park Meadows Mall, LLC where the PMBID pays a monthly lease amount to Park Meadows Mall, LLC related to the Lone Tree police substation as well as rent for the common area lease and the ground lease for the Vista's area of the mall. Pursuant to these agreements, the annual lease amounts can increase by 4% each year. Total amounts paid by the PMBID to the Park Meadows Mall, LLC for lease payments in 2013 totaled \$491,688.

NOTE 19 - RISK MANAGEMENT

The City 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.

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 three years.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 20 - 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.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013**

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
TAXES			
Sales tax	\$ 17,676,000	\$ 17,533,355	\$ (142,645)
Use tax - Retail	350,000	282,421	(67,579)
Use tax - Building materials	157,000	143,259	(13,741)
Lodging tax	590,000	616,644	26,644
Admissions tax	333,000	357,294	24,294
	<u>19,106,000</u>	<u>18,932,973</u>	<u>(173,027)</u>
FRANCHISE FEES			
Electric and gas	635,000	674,777	39,777
Cable television	168,000	184,726	16,726
	<u>803,000</u>	<u>859,503</u>	<u>56,503</u>
INTERGOVERNMENTAL			
Highway Users Tax (HUTF)	260,898	229,850	(31,048)
Conservation Trust Fund	54,000	62,006	8,006
Cigarette tax	203,000	202,452	(548)
County Road and Bridge shareback	992,774	978,642	(14,132)
Douglas County shareback - Transportation	2,216,000	2,274,156	58,156
Motor vehicle registration fees	39,000	39,404	404
Regional improvements contribution - RRMD	91,876	91,518	(358)
Reimbursable costs	3,297,000	3,332,376	35,376
Grants	10,000	23,128	13,128
	<u>7,164,548</u>	<u>7,233,532</u>	<u>68,984</u>

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**

Year Ended December 31, 2013

(Continued)

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
LICENSES, FEES AND CHARGES			
Sales, use tax and business license fees	20,000	22,645	2,645
Liquor license fees	11,000	22,100	11,100
Building permit fees	338,000	291,228	(46,772)
Planning fees	20,000	17,580	(2,420)
Engineering fees	40,000	64,305	24,305
Other	25,000	39,300	14,300
	<u>454,000</u>	<u>457,158</u>	<u>3,158</u>
FINES AND FORFEITURES			
Court fees	92,000	70,038	(21,962)
Vehicle violation and other fines	694,000	534,619	(159,381)
Victims assistance surcharge fees	57,000	43,641	(13,359)
	<u>843,000</u>	<u>648,298</u>	<u>(194,702)</u>
OTHER			
Net investment income	25,000	15,484	(9,516)
Arts and cultural event fees	12,000	-	(12,000)
Tenant rental income	245,000	249,904	4,904
Police Department fees	24,000	22,958	(1,042)
Other	400,000	1,443,809	1,043,809
	<u>706,000</u>	<u>1,732,155</u>	<u>1,026,155</u>
Total revenues	<u>29,076,548</u>	<u>29,863,619</u>	<u>787,071</u>

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013
(Continued)**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
EXPENDITURES			
GENERAL GOVERNMENT			
City Council stipend and expenditures	103,800	84,239	19,561
City Clerk - Elections	20,000	-	20,000
City Clerk - Publications	20,000	8,157	11,843
City Clerk - Salaries and benefits	128,699	87,321	41,378
City administration	903,803	896,705	7,098
Dues and membership	84,150	84,038	112
Accounting and financial services	666,857	542,276	124,581
Human resources	243,642	217,182	26,460
Payroll service	3,000	3,380	(380)
Information technology	10,000	2,199	7,801
Website maintenance	11,660	11,927	(267)
Legal	1,031,411	755,936	275,475
Audit	14,235	13,658	577
Consulting	45,000	23,238	21,762
Insurance	328,700	343,212	(14,512)
Lone Tree City office	553,555	603,502	(49,947)
Civic Center - Maintenance and utilities	137,000	115,258	21,742
Arts Center - Maintenance and utilities	-	205,537	(205,537)
Park restroom maintenance	8,000	5,433	2,567
Annual events	174,000	(7)	174,007
Community support	75,300	49,875	25,425
Youth initiatives	19,800	19,800	-
Community education programs	2,000	694	1,306
Housing partnership	35,000	35,000	-
Communications and newsletter	60,000	61,810	(1,810)
Arts and cultural events	148,972	-	148,972
Economic development	239,000	144,952	94,048
Miscellaneous	47,416	13,645	33,771
	<u>5,115,000</u>	<u>4,328,967</u>	<u>786,033</u>

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013
(Continued)**

	<u>Budget Amounts</u> Original and Final	Actual Amounts	Variance with Final Budget
MUNICIPAL COURT			
Municipal judge	33,500	23,986	9,514
Legal	36,000	36,000	-
Administration	137,644	133,677	3,967
Office and software	6,000	3,932	2,068
Victims assistance surcharge	20,000	12,792	7,208
	<u>233,144</u>	<u>210,387</u>	<u>22,757</u>
COMMUNITY DEVELOPMENT			
Salaries and benefits	581,956	572,445	9,511
Contract services	1,500	-	1,500
Field supplies	4,730	3,228	1,502
Planning Commission	3,440	1,799	1,641
Plan review and other inspections	12,000	32,359	(20,359)
Document scanning	6,500	6,735	(235)
Elevator inspection	38,500	17,982	20,518
Engineering	60,000	56,480	3,520
Sustainability program	3,000	362	2,638
Miscellaneous	10,580	7,563	3,017
	<u>722,206</u>	<u>698,953</u>	<u>23,253</u>
PUBLIC WORKS			
Public Works Department	480,000	485,760	(5,760)
Street lighting	285,000	380,078	(95,078)
Street maintenance	650,000	565,269	84,731
Drainage maintenance	50,000	5,414	44,586
Street and sidewalk sweeping	56,000	35,702	20,298
Traffic signal energy cost and maintenance	150,000	123,382	26,618
Signal timing	6,000	-	6,000
Snow removal	800,000	968,042	(168,042)
Landscaping maintenance	141,000	137,807	3,193
Trash and recycling program	514,097	533,938	(19,841)
Engineering	300,000	237,440	62,560
Fence maintenance	20,000	7	19,993

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013
(Continued)**

	<u>Budget Amounts</u> Original and Final	Actual Amounts	Variance with Final Budget
PUBLIC WORKS (continued)			
Geographic Information System (GIS)	140,000	142,785	(2,785)
Website mapper	5,000	5,000	-
Materials and equipment	14,000	355	13,645
EPA Phase 2 drainage	110,000	54,260	55,740
State mandated noxious weeds control	20,000	9,733	10,267
Signage and striping	80,000	52,383	27,617
Accident repairs	20,000	35,917	(15,917)
Public works facility operations and equipment	35,000	26,216	8,784
Software and support	16,000	11,954	4,046
Street amenities	5,000	1,587	3,413
Mutt mitts contract	12,000	10,727	1,273
Habitat control	2,500	-	2,500
Holiday lighting and decorations	38,000	17,473	20,527
Miscellaneous	3,000	-	3,000
	<u>3,952,597</u>	<u>3,841,229</u>	<u>111,368</u>
POLICE			
Salaries and benefits	4,095,881	3,848,765	247,116
Office and administration	256,174	175,052	81,122
Uniforms and equipment	59,332	38,115	21,217
Vehicles and equipment	390,077	379,700	10,377
General equipment	21,358	12,740	8,618
Dispatch	376,692	366,154	10,538
Training	91,997	76,177	15,820
Miscellaneous	101,242	91,314	9,928
	<u>5,392,753</u>	<u>4,988,017</u>	<u>404,736</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013
(Continued)

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
CAPITAL OUTLAY			
Financial package software and hardware	100,000	59,824	40,176
Overlay/reconstruction projects	1,470,000	1,555,338	(85,338)
Traffic signalization	184,000	65,210	118,790
Traffic improvements - Joint projects with County and PMMD	14,000	4,140	9,860
Pedestrian lights	360,000	234,468	125,532
Monumentation and signage	10,000	7,302	2,698
Enclave entrance rehabilitation	45,000	-	45,000
City office building	1,482,000	1,535,258	(53,258)
City office building - Capital leases	1,776,013	951,972	824,041
City office building - LOC and remarketing fees	59,000	48,428	10,572
Lincoln Avenue panel replacement	295,000	344,808	(49,808)
Kimmer/Park Meadows Dr. intersection and Entertainment District improvements	500,000	103,674	396,326
Park Meadows Dr. traffic improvements	110,000	81,112	28,888
Park Meadows Dr. Median Improvements	300,000	3,459	296,541
Park Meadows Dr. regional pond upgrade	58,300	-	58,300
Landscaping and signage at Park Meadows Center Dr. and County Line	150,000	4,542	145,458
Transportation study	50,000	-	50,000
Landscape improvements	70,000	10,779	59,221
County Line improvements	560,000	40,000	520,000
C-470 Coalition - Douglas County	200,000	100,000	100,000
Storm sewer improvements	150,000	95,685	54,315
I-25 lane balance share	500,000	-	500,000
Brick fence	-	13,800	(13,800)
Park Meadows Dr. recon W Acres Green	1,300,000	1,698,888	(398,888)
Arts Center improvements	63,000	55,701	7,299
Schweiger Ranch preservation	75,000	-	75,000
Retail retention	75,000	75,000	-
Service provider shareback	10,000	-	10,000
Annexation shareback	-	732	(732)

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013
(Continued)**

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
County public improvements shareback	2,200,000	2,200,000	-
Reimbursement of sales taxes to BID	5,406,329	5,090,889	315,440
Reimbursement of property taxes to PMMD	185,000	184,379	621
Park and recreation	34,800	18,033	16,767
	<u>17,792,442</u>	<u>14,583,421</u>	<u>3,209,021</u>
Total expenditures	<u>33,208,142</u>	<u>28,650,974</u>	<u>4,557,168</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(4,131,594)</u>	<u>1,212,645</u>	<u>5,344,239</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(246,686)</u>	<u>307,579</u>	<u>554,265</u>
Total other financing sources (uses)	<u>(246,686)</u>	<u>307,579</u>	<u>554,265</u>
NET CHANGE IN FUND BALANCES	(4,378,280)	1,520,224	5,898,504
FUND BALANCES - BEGINNING OF YEAR	<u>11,987,475</u>	<u>12,927,111</u>	<u>939,636</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,609,195</u>	<u>\$ 14,447,335</u>	<u>\$ 6,838,140</u>

CITY OF LONE TREE
SPECIAL REVENUE FUND - RIDGEGATE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 1,065,000	\$ 1,797,000	\$ 1,396,339	\$ (400,661)
Use tax - Retail	475,000	350,000	384,846	34,846
Use tax - Building materials	1,477,500	1,850,000	1,761,686	(88,314)
Lodging tax	108,000	155,000	149,586	(5,414)
Franchise fees	92,900	109,500	114,483	4,983
Highway Users Tax (HUTF)	44,460	71,582	84,453	12,871
Building permit fees	675,000	1,086,000	1,140,934	54,934
Planning fees	20,000	18,000	18,359	359
Engineering fees	95,000	150,000	126,934	(23,066)
Schweiger Ranch grants and contributions	75,000	-	-	-
Other	11,000	6,350	25,808	19,458
Total revenues	<u>4,138,860</u>	<u>5,593,432</u>	<u>5,203,428</u>	<u>(390,004)</u>
EXPENDITURES				
City administration	170,969	173,349	167,699	5,650
Legal	75,000	45,000	39,298	5,702
Accounting and financial services	50,000	50,000	50,709	(709)
Administration and overhead costs	120,000	200,000	157,284	42,716
Insurance	86,300	90,700	89,340	1,360
Audit	5,000	4,799	4,799	-
Engineering	250,000	350,000	323,291	26,709
Community development	182,245	212,259	200,142	12,117
Consulting	25,000	5,000	-	5,000
Police	1,260,458	1,275,504	1,154,963	120,541
Street lighting	50,000	5,000	5,137	(137)
Snow removal	110,000	113,322	113,321	1
Schweiger Ranch preservation	75,000	-	-	-
Roundabouts	120,000	-	-	-
Retail shareback	262,813	464,472	353,512	110,960
Service provider shareback	200,000	-	-	-
Developer revenue shareback	415,053	1,115,304	1,283,765	(168,461)
Reimbursement related to annexation agreement	386,630	386,630	-	386,630
Contingency	5,000	-	-	-
Total expenditures	<u>3,849,468</u>	<u>4,491,339</u>	<u>3,943,260</u>	<u>548,079</u>

(Continued)

CITY OF LONE TREE
SPECIAL REVENUE FUND - RIDGEGATE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2013
(Continued)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>289,392</u>	<u>1,102,093</u>	<u>1,260,168</u>	<u>158,075</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(289,392)</u>	<u>(775,619)</u>	<u>(887,569)</u>	<u>(111,950)</u>
Total other financing sources (uses)	<u>(289,392)</u>	<u>(775,619)</u>	<u>(887,569)</u>	<u>(111,950)</u>
NET CHANGE IN FUND BALANCES	-	326,474	372,599	46,125
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>52,601</u>	<u>52,601</u>	<u>(273,873)</u>	<u>(326,474)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 52,601</u>	<u>\$ 379,075</u>	<u>\$ 98,726</u>	<u>\$ (280,349)</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, 2013

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Ticket sales	\$ 1,019,450	\$ 684,923	\$ (334,527)
Handling fees	55,600	93,296	37,696
Rental fees	90,000	108,951	18,951
Concessions and catering	74,500	86,826	12,326
Miscellaneous	60,000	82,637	22,637
Education	38,400	20,546	(17,854)
Individual, corporate and foundation contributions	163,250	137,925	(25,325)
Government grants	144,250	110,625	(33,625)
Special events	100,000	-	(100,000)
Annual events	-	26,820	26,820
Arts and cultural events	-	17,323	17,323
Total revenues	<u>1,745,450</u>	<u>1,369,872</u>	<u>(375,578)</u>
EXPENDITURES			
Administration	121,183	119,419	1,764
Programming	1,471,499	1,170,687	300,812
Marketing	365,855	359,214	6,641
Education	61,997	42,666	19,331
Miscellaneous	197,500	15,889	181,611
Development	169,250	43,193	126,057
Annual events	-	195,831	(195,831)
Arts and cultural events	-	135,511	(135,511)
Recreational activities and support	-	5,312	(5,312)
Contingency	50,000	-	50,000
Total expenditures	<u>2,437,284</u>	<u>2,087,722</u>	<u>349,562</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(691,834)</u>	<u>(717,850)</u>	<u>(26,016)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>691,834</u>	<u>717,850</u>	<u>26,016</u>
Total other financing sources (uses)	<u>691,834</u>	<u>717,850</u>	<u>26,016</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES -			
BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LONE TREE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

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, Special Revenue Fund - RidgeGate, and Special Revenue Fund – Cultural and Community Services prepare annual budgets that are legally adopted.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES
DEBT SERVICE FUNDS**

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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, 2013

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Sales tax	\$ 1,567,000	\$ 1,577,027	\$ 10,027
Use tax - Retail	24,600	29,804	5,204
Use tax - Building materials	17,500	17,897	397
Net investment income	1,100	352	(748)
Total revenues	<u>1,610,200</u>	<u>1,625,080</u>	<u>14,880</u>
EXPENDITURES			
Bond interest	524,556	524,556	-
Bond principal	845,000	845,000	-
Paying agent fees	500	200	300
Contingency	4,944	-	4,944
Total expenditures	<u>1,375,000</u>	<u>1,369,756</u>	<u>5,244</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	235,200	255,324	20,124
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(155,756)	(136,601)	19,155
Total other financing sources (uses)	<u>(155,756)</u>	<u>(136,601)</u>	<u>19,155</u>
NET CHANGE IN FUND BALANCES	79,444	118,723	39,279
FUND BALANCES - BEGINNING OF YEAR	<u>398,439</u>	<u>450,224</u>	<u>51,785</u>
FUND BALANCES - END OF YEAR	<u>\$ 477,883</u>	<u>\$ 568,947</u>	<u>\$ 91,064</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, 2013

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Sales tax	\$ 1,045,000	\$ 1,051,984	\$ 6,984
Use tax - Retail	16,400	19,881	3,481
Use tax - Building materials	11,300	11,925	625
Net investment income	1,000	592	(408)
Total revenues	<u>1,073,700</u>	<u>1,084,382</u>	<u>10,682</u>
EXPENDITURES			
Bond interest	443,800	443,800	-
Bond principal	555,000	555,000	-
Paying agent fees	500	200	300
Contingency	700	-	700
Total expenditures	<u>1,000,000</u>	<u>999,000</u>	<u>1,000</u>
NET CHANGE IN FUND BALANCES	73,700	85,382	11,682
FUND BALANCES - BEGINNING OF YEAR	<u>560,971</u>	<u>597,598</u>	<u>36,627</u>
FUND BALANCES - END OF YEAR	<u>\$ 634,671</u>	<u>\$ 682,980</u>	<u>\$ 48,309</u>

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES
COMPONENT UNIT**

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**CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
December 31, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Total Component Unit</u>
ASSETS			
Cash and investments	\$ 4,346,081	\$ -	\$ 4,346,081
Cash and investments - Restricted	158,900	1,340,205	1,499,105
Receivables:			
Intergovernmental	1,228,347	-	1,228,347
Other	444	-	444
Prepaid items	7,576	-	7,576
TOTAL ASSETS	<u><u>\$ 5,741,348</u></u>	<u><u>\$ 1,340,205</u></u>	<u><u>\$ 7,081,553</u></u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 288,754</u>	<u>\$ -</u>	<u>\$ 288,754</u>
Total liabilities	<u>288,754</u>	<u>-</u>	<u>288,754</u>
 FUND BALANCES			
Restricted for:			
Emergencies (TABOR)	158,900	-	158,900
Series 2007 Bonds	-	1,340,205	1,340,205
Unassigned	5,293,694	-	5,293,694
Total fund balances	<u>5,452,594</u>	<u>1,340,205</u>	<u>6,792,799</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 <u><u>\$ 5,741,348</u></u>	 <u><u>\$ 1,340,205</u></u>	 <u><u>\$ 7,081,553</u></u>

**CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - COMPONENT UNIT
TO THE STATEMENT OF NET POSITION
December 31, 2013**

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

Total fund balances - Component unit	\$ 6,792,799
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	12,810,433
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(14,650,000)
Accrued interest on bonds payable	(64,425)
Bond discount (net of amortization)	234,864
Net position of component unit activities	\$ 5,123,671

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CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Total Component Unit</u>
REVENUES			
Intergovernmental revenue	\$ 5,275,268	\$ -	\$ 5,275,268
Net investment income	5,830	2,156	7,986
Other	14,868	-	14,868
Total revenues	<u>5,295,966</u>	<u>2,156</u>	<u>5,298,122</u>
EXPENDITURES			
Current			
Accounting and financial planning	28,400	-	28,400
Engineering	5,626	-	5,626
Insurance	5,231	-	5,231
Legal	7,752	-	7,752
Management	42,000	-	42,000
Operations and maintenance	1,673,645	-	1,673,645
Operations and maintenance - project work	1,040,294	-	1,040,294
Park Meadows District payment	184,379	-	184,379
Lease	491,688	-	491,688
Marketing	204,498	-	204,498
Improvements	25,150	-	25,150
Capital replacement	325,662	-	325,662
Public areas, dues and supplies	6,010	-	6,010
Off site storage	27,500	-	27,500
On site staffing	80,000	-	80,000
Contingency	61,325	-	61,325
Debt service			
Bond interest	-	795,345	795,345
Bond principal	-	445,000	445,000
Paying agent fees	-	3,500	3,500
Total expenditures	<u>4,209,160</u>	<u>1,243,845</u>	<u>5,453,005</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,086,806</u>	<u>(1,241,689)</u>	<u>(154,883)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(1,238,627)</u>	<u>1,238,627</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,238,627)</u>	<u>1,238,627</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(151,821)	(3,062)	(154,883)
FUND BALANCES - BEGINNING OF YEAR	<u>5,604,415</u>	<u>1,343,267</u>	<u>6,947,682</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,452,594</u>	<u>\$ 1,340,205</u>	<u>\$ 6,792,799</u>

CITY OF LONE TREE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE COMPONENT UNIT
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

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

Net change in fund balances - Component unit	\$ (154,883)
<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	876,659
Depreciation expense	(481,888)
<p>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 when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Bond principal	445,000
Accrued interest on bonds - Change in liability	1,854
Amortization of bond discount	(13,048)
	(13,048)
Changes in net position of component unit activities	\$ 673,694

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, 2013

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental revenue	\$ 5,202,162	\$ 5,275,268	\$ 73,106
Net investment income	4,661	5,830	1,169
Other	-	14,868	14,868
Total revenues	<u>5,206,823</u>	<u>5,295,966</u>	<u>89,143</u>
EXPENDITURES			
Accounting and financial planning	27,000	28,400	(1,400)
Engineering	6,000	5,626	374
Insurance	4,000	5,231	(1,231)
Legal	12,000	7,752	4,248
Management	42,000	42,000	-
Operations and maintenance	1,341,000	1,673,645	(332,645)
Operations and maintenance - project work	1,485,000	1,040,294	444,706
Park Meadows District payment	184,452	184,379	73
Lease	494,000	491,688	2,312
Marketing	170,000	204,498	(34,498)
Improvements	-	25,150	(25,150)
Capital replacement	489,000	325,662	163,338
Public areas, dues and supplies	5,000	6,010	(1,010)
Off site storage	30,000	27,500	2,500
On site staffing	80,000	80,000	-
Contingency	275,000	61,325	213,675
Total expenditures	<u>4,644,452</u>	<u>4,209,160</u>	<u>435,292</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>562,371</u>	<u>1,086,806</u>	<u>524,435</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(1,240,000)</u>	<u>(1,238,627)</u>	<u>1,373</u>
Total other financing sources (uses)	<u>(1,240,000)</u>	<u>(1,238,627)</u>	<u>1,373</u>
NET CHANGE IN FUND BALANCES	(677,629)	(151,821)	525,808
FUND BALANCES - BEGINNING OF YEAR	<u>5,143,321</u>	<u>5,604,415</u>	<u>461,094</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,465,692</u>	<u>\$ 5,452,594</u>	<u>\$ 986,902</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, 2013**

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Net investment income	\$ 2,000	\$ 2,156	\$ 156
Total revenues	<u>2,000</u>	<u>2,156</u>	<u>156</u>
EXPENDITURES			
Bond interest	795,345	795,345	-
Bond principal	445,000	445,000	-
Paying agent fees	3,500	3,500	-
Total expenditures	<u>1,243,845</u>	<u>1,243,845</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,241,845)</u>	<u>(1,241,689)</u>	<u>156</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	1,240,000	1,238,627	(1,373)
Total other financing sources (uses)	<u>1,240,000</u>	<u>1,238,627</u>	<u>(1,373)</u>
NET CHANGE IN FUND BALANCES	(1,845)	(3,062)	(1,217)
FUND BALANCES - BEGINNING OF YEAR	<u>1,343,204</u>	<u>1,343,267</u>	<u>63</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,341,359</u>	<u>\$ 1,340,205</u>	<u>\$ (1,154)</u>

OTHER SUPPLEMENTARY INFORMATION

DRAFT

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2013

	\$9,230,000 Taxable Adjustable Rate Certificates of Participation Series 2007, Dated January 9, 2007 Monthly Rate Mode Assumed at 0.27% Principal Due December 1		\$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	
	Principal	Interest	Principal	Interest
2014	\$ 1,005,000	\$ 6,197	\$ 600,000	\$ 420,213
2015	1,070,000	3,483	645,000	394,713
2016	220,000	594	695,000	365,687
2017	-	-	750,000	332,675
2018	-	-	805,000	295,175
2019	-	-	870,000	254,925
2020	-	-	940,000	209,250
2021	-	-	1,005,000	162,250
2022	-	-	1,080,000	112,000
2023	-	-	1,160,000	58,000
	<u>\$ 2,295,000</u>	<u>\$ 10,274</u>	<u>\$ 8,550,000</u>	<u>\$ 2,604,888</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**

Principal		Total		
Principal	Interest	Principal	Interest	Total
\$ 915,000	\$ 499,206	\$ 2,520,000	\$ 925,616	\$ 3,445,616
985,000	471,756	2,700,000	869,952	3,569,952
1,060,000	439,744	1,975,000	806,025	2,781,025
1,140,000	403,044	1,890,000	735,719	2,625,719
1,225,000	363,481	2,030,000	658,656	2,688,656
1,325,000	314,481	2,195,000	569,406	2,764,406
1,425,000	261,481	2,365,000	470,731	2,835,731
1,535,000	204,481	2,540,000	366,731	2,906,731
1,645,000	143,081	2,725,000	255,081	2,980,081
1,770,000	75,228	2,930,000	133,228	3,063,228
<u>\$ 13,025,000</u>	<u>\$ 3,175,983</u>	<u>\$ 23,870,000</u>	<u>\$ 5,791,145</u>	<u>\$ 29,661,145</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 2013

This Information From The Records Of The City of Lone Tree:

Prepared By: Heather Lunde
Phone: 720-509-1287

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)	4,116,662
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	642,302
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	508,597
2. General fund appropriations	2,941,884	b. Snow and ice removal	1,081,364
3. Other local imposts (from page 2)	6,321,479	c. Other	
4. Miscellaneous local receipts (from page 2)	534,619	d. Total (a. through c.)	1,589,961
5. Transfers from toll facilities		4. General administration & miscellaneous	116,976
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	3,685,788
a. Bonds - Original Issues		6. Total (1 through 5)	10,151,689
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)	9,797,982	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	353,707	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	10,151,689	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)	10,151,689

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
	0	10,151,689	10,151,689	(0)	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2013

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

Prepared By: Heather Lunde

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	534,619
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	6,321,479	g. Other Misc. Receipts	
6. Total (1. through 5.)	6,321,479	h. Other	
c. Total (a. + b.)	6,321,479	i. Total (a. through h.)	534,619
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	314,303	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	39,404	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal - Proj #IM 0252-391	
f. Total (a. through e.)	39,404	g. Total (a. through f.)	
4. Total (1. + 2. + 3.f)	353,707	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs	0	175,464	175,464
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements	0	3,823,605	3,823,605
(3). System Preservation		117,592	117,592
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	3,941,197	3,941,197
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	4,116,662	4,116,662
			(Carry forward to page 1)

Notes and Comments:

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)	83
Changes in Net Position (Table 2)	84
Fund Balances, Governmental Funds (Table 3)	85
Changes in Fund Balances, Governmental Funds (Table 4).....	86

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)	87
Sales Tax Revenue Payers by Industry (Table 6)	88
Sales Tax Revenue Collections (Table 7).....	89

Debt Capacity

These tables present information to help the reader assess the affordability of the City’s current levels 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).....	90
Property Tax Rates - Direct and Overlapping Governments (Table 9)	91
Ratios of Outstanding Debt by Type (Table 10).....	92
Revenue Bond Coverage (Table 11 a and b)	93-94
Legal Debt Margin Information (Table 12)	95
General Obligation Debt - Direct and Overlapping Governments (Table 13).....	96

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).....	97
Principal Employers (Table 15)	98

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).....	99
Operating Indicators by Function/Program (Table 17).....	100
Capital Asset Statistics by Function/Program (Table 18).....	101

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									
	2004	2005	2006	2007	2008	2009	2010	2011 (2)	2012	2013
Governmental activities										
Net investment in capital assets	\$ 57,686,579	\$ 56,866,549	\$ 64,234,257	\$ 68,384,053	\$ 87,744,552	\$ 70,966,849	\$ 77,603,966	\$ 78,165,476	\$ 77,151,840	\$ 80,973,119
Restricted	402,148	424,984	599,212	13,390,637	5,455,642	1,504,800	1,677,162	1,420,091	2,792,447	3,563,418
Unrestricted	6,319,961	7,035,403	4,603,864	7,234,311	6,321,043	6,932,104	4,326,462	8,024,147	11,167,791	12,445,929
Total governmental activities net position	<u>64,408,688</u>	<u>64,326,936</u>	<u>69,437,333</u>	<u>89,009,001</u>	<u>99,521,237</u>	<u>79,403,753</u>	<u>83,607,590</u>	<u>87,609,714</u>	<u>91,112,078</u>	<u>96,982,466</u>
Total primary government net position (1)	<u>\$ 64,408,688</u>	<u>\$ 64,326,936</u>	<u>\$ 69,437,333</u>	<u>\$ 89,009,001</u>	<u>\$ 99,521,237</u>	<u>\$ 79,403,753</u>	<u>\$ 83,607,590</u>	<u>\$ 87,609,714</u>	<u>\$ 91,112,078</u>	<u>\$ 96,982,466</u>

(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.

TABLE 2

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 4,525,911	\$ 4,325,020	\$ 4,798,243	\$ 9,577,970	\$ 10,190,353	\$ 32,709,368	\$ 11,420,412	\$ 10,125,512	\$ 11,268,953	\$ 14,573,133
Municipal court	99,628	210,855	321,935	325,296	323,486	321,754	307,016	209,232	213,778	215,894
Community development	936,999	1,191,597	1,057,460	1,055,420	1,222,472	992,206	1,025,442	1,149,089	1,255,461	1,258,759
Public works	4,385,268	4,763,331	4,835,575	5,462,549	5,338,211	6,252,939	6,198,372	6,550,978	7,369,645	7,286,760
Arts and cultural services	-	-	-	-	-	236,880	333,933	1,818,095	2,517,149	2,691,473
Police	2,795,223	2,908,469	3,709,861	4,776,865	5,434,635	5,712,367	5,612,579	6,068,066	6,358,721	6,295,772
Interest and related costs on long-term debt	-	-	-	23,107	531,783	1,080,706	1,314,525	1,193,860	1,059,855	998,465
Total governmental activities expenses	<u>12,743,029</u>	<u>13,399,272</u>	<u>14,723,074</u>	<u>21,221,207</u>	<u>23,040,940</u>	<u>47,306,220</u>	<u>26,212,279</u>	<u>27,114,832</u>	<u>30,043,562</u>	<u>33,320,256</u>
Total primary government expenses (1)	<u>\$ 12,743,029</u>	<u>\$ 13,399,272</u>	<u>\$ 14,723,074</u>	<u>\$ 21,221,207</u>	<u>\$ 23,040,940</u>	<u>\$ 47,306,220</u>	<u>\$ 26,212,279</u>	<u>\$ 27,114,832</u>	<u>\$ 30,043,562</u>	<u>\$ 33,320,256</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,158	\$ 25,643	\$ 6,309	\$ 408,938	\$ 366,305	\$ 354,032	\$ 357,534	\$ 309,986	\$ 318,668	\$ 249,904
Municipal court	65,584	186,839	533,594	670,412	981,873	804,553	892,255	729,769	808,569	648,298
Community development	870,362	1,105,941	757,166	944,914	811,150	450,607	709,717	623,245	1,184,333	1,717,190
Arts and cultural services	-	-	-	-	-	5,275	5,763	666,954	816,591	1,115,051
Police	-	21,345	18,073	23,421	29,994	23,373	13,211	43,389	26,606	41,845
Operating grants and contributions	756,853	862,382	1,061,738	1,165,374	1,288,521	1,429,822	1,534,227	3,498,072	4,181,941	4,152,656
Capital grants and contributions	2,070,600	679,701	5,867,348	18,577,667	8,847,739	3,346,242	5,022,941	3,070,403	1,823,075	4,292,034
Total governmental activities program revenues	<u>3,769,557</u>	<u>2,881,851</u>	<u>8,244,228</u>	<u>21,790,726</u>	<u>12,325,582</u>	<u>6,413,904</u>	<u>8,535,648</u>	<u>8,941,818</u>	<u>9,159,783</u>	<u>12,216,978</u>
Total primary government revenues (1)	<u>\$ 3,769,557</u>	<u>\$ 2,881,851</u>	<u>\$ 8,244,228</u>	<u>\$ 21,790,726</u>	<u>\$ 12,325,582</u>	<u>\$ 6,413,904</u>	<u>\$ 8,535,648</u>	<u>\$ 8,941,818</u>	<u>\$ 9,159,783</u>	<u>\$ 12,216,978</u>
Net (expense) revenue										
Governmental activities	<u>\$ (8,973,472)</u>	<u>\$ (10,517,421)</u>	<u>\$ (6,478,846)</u>	<u>\$ 569,519</u>	<u>\$ (10,715,358)</u>	<u>\$ (40,892,316)</u>	<u>\$ (17,676,631)</u>	<u>\$ (18,173,014)</u>	<u>\$ (20,883,779)</u>	<u>\$ (21,103,278)</u>
Total primary government net (expense) revenue (1)	<u>\$ (8,973,472)</u>	<u>\$ (10,517,421)</u>	<u>\$ (6,478,846)</u>	<u>\$ 569,519</u>	<u>\$ (10,715,358)</u>	<u>\$ (40,892,316)</u>	<u>\$ (17,676,631)</u>	<u>\$ (18,173,014)</u>	<u>\$ (20,883,779)</u>	<u>\$ (21,103,278)</u>
General revenues										
Sales taxes	\$ 8,214,004	\$ 8,433,943	\$ 9,209,201	\$ 15,898,747	\$ 18,146,324	\$ 18,106,395	\$ 18,989,109	\$ 20,000,973	\$ 21,152,222	\$ 22,275,657
Use taxes - Building materials	573,738	501,299	319,116	383,087	325,484	421,184	263,530	213,438	955,775	1,934,767
Lodging taxes	255,808	264,480	371,056	394,992	442,391	359,703	467,976	526,104	557,841	766,230
Admission taxes	241,737	296,927	408,512	372,078	395,613	399,787	353,922	346,446	333,987	357,294
Franchise fees	473,297	484,378	672,134	655,909	892,587	812,310	873,573	905,892	882,107	973,986
Cigarette taxes	177,611	145,652	154,242	171,103	204,192	207,691	205,449	202,963	205,289	202,452
Investment earnings	140,197	207,810	263,116	657,065	500,873	106,905	176,843	35,261	20,903	19,945
Miscellaneous	51,553	101,180	191,866	469,168	320,130	360,857	550,066	236,180	278,019	443,335
Total governmental activities general revenues	<u>10,127,945</u>	<u>10,435,669</u>	<u>11,589,243</u>	<u>19,002,149</u>	<u>21,227,594</u>	<u>20,774,832</u>	<u>21,880,468</u>	<u>22,467,257</u>	<u>24,386,143</u>	<u>26,973,666</u>
Total primary government general revenues (1)	<u>\$ 10,127,945</u>	<u>\$ 10,435,669</u>	<u>\$ 11,589,243</u>	<u>\$ 19,002,149</u>	<u>\$ 21,227,594</u>	<u>\$ 20,774,832</u>	<u>\$ 21,880,468</u>	<u>\$ 22,467,257</u>	<u>\$ 24,386,143</u>	<u>\$ 26,973,666</u>
Change in net position										
Governmental activities	<u>\$ 1,154,473</u>	<u>\$ (81,752)</u>	<u>\$ 5,110,397</u>	<u>\$ 19,571,668</u>	<u>\$ 10,512,236</u>	<u>\$ (20,117,484)</u>	<u>\$ 4,203,837</u>	<u>\$ 4,294,243</u>	<u>\$ 3,502,364</u>	<u>\$ 5,870,388</u>
Total primary government change in net position (1)	<u>\$ 1,154,473</u>	<u>\$ (81,752)</u>	<u>\$ 5,110,397</u>	<u>\$ 19,571,668</u>	<u>\$ 10,512,236</u>	<u>\$ (20,117,484)</u>	<u>\$ 4,203,837</u>	<u>\$ 4,294,243</u>	<u>\$ 3,502,364</u>	<u>\$ 5,870,388</u>

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

TABLE 3

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013
General Fund										
Reserved	\$ 1,130,893	\$ 1,188,791	\$ 1,444,906	\$ 1,078,054	\$ 8,388,431	\$ 18,833,437	\$ 9,818,184	\$ -	\$ -	\$ -
Unreserved	4,990,710	5,756,765	3,349,728	7,251,437	6,808,682	6,920,966	7,094,480	-	-	-
Non-spendable	-	-	-	-	-	-	-	547,748	249,701	252,530
Restricted	-	-	-	-	-	-	-	2,875,620	2,678,432	3,248,713
Assigned	-	-	-	-	-	-	-	7,700,307	6,376,961	7,062,731
Unassigned	-	-	-	-	-	-	-	4,304	3,622,017	3,883,361
Total General Fund	<u>\$ 6,121,603</u>	<u>\$ 6,945,556</u>	<u>\$ 4,794,634</u>	<u>\$ 8,329,491</u>	<u>\$ 15,197,113</u>	<u>\$ 25,754,403</u>	<u>\$ 16,912,664</u>	<u>\$ 11,127,979</u>	<u>\$ 12,927,111</u>	<u>\$ 14,447,335</u>
All other governmental funds										
Reserved	\$ 540,950	\$ 540,950	\$ 566,450	\$ 13,707,512	\$ 5,770,243	\$ 1,889,401	\$ 2,099,114	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	(183,511)	(183,511)	(256,671)	-	-	-
Non-spendable	-	-	-	-	-	-	-	2,872	40,982	43,230
Restricted	-	-	-	-	-	-	-	1,678,692	1,970,822	2,174,927
Assigned	-	-	-	-	-	-	-	-	98,726	98,726
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	(639,810)	(413,581)	(43,230)
Total all other governmental funds	<u>\$ 540,950</u>	<u>\$ 540,950</u>	<u>\$ 566,450</u>	<u>\$ 13,707,512</u>	<u>\$ 5,586,732</u>	<u>\$ 1,705,890</u>	<u>\$ 1,842,443</u>	<u>\$ 1,041,754</u>	<u>\$ 1,696,949</u>	<u>\$ 2,273,653</u>
Total governmental funds										
Reserved	\$ 1,671,843	\$ 1,729,741	\$ 2,011,356	\$ 14,785,566	\$ 14,158,674	\$ 20,722,838	\$ 11,917,298	\$ -	\$ -	\$ -
Unreserved	4,990,710	5,756,765	3,349,728	7,251,437	6,625,171	6,737,455	6,837,809	-	-	-
Non-spendable	-	-	-	-	-	-	-	550,620	290,683	295,760
Restricted	-	-	-	-	-	-	-	4,554,312	4,649,254	5,423,640
Assigned	-	-	-	-	-	-	-	7,700,307	6,475,687	7,161,457
Unassigned	-	-	-	-	-	-	-	(635,506)	3,208,436	3,840,131
Total governmental funds	<u>\$ 6,662,553</u>	<u>\$ 7,486,506</u>	<u>\$ 5,361,084</u>	<u>\$ 22,037,003</u>	<u>\$ 20,783,845</u>	<u>\$ 27,460,293</u>	<u>\$ 18,755,107</u>	<u>\$ 12,169,733</u>	<u>\$ 14,624,060</u>	<u>\$ 16,720,988</u>

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

TABLE 4

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 9,285,287	\$ 9,496,649	\$ 10,307,885	\$ 17,048,904	\$ 19,309,813	\$ 19,287,069	\$ 20,074,537	\$ 21,086,961	\$ 22,999,825	\$ 25,333,948
Franchise fees	473,297	484,378	672,134	655,909	892,587	812,310	873,573	905,892	882,107	973,986
Intergovernmental	1,725,942	1,374,658	5,114,520	19,803,047	8,742,808	4,302,142	5,353,901	5,687,692	5,072,435	7,317,985
Licenses, fees and charges	884,863	1,121,202	782,357	962,031	847,900	492,022	750,829	654,029	1,210,895	1,743,385
Fines and forfeitures	65,584	186,839	533,594	670,412	981,873	804,553	892,255	729,769	808,570	648,298
Tenant rental income	-	-	-	405,068	351,972	354,032	357,534	309,986	318,668	249,904
Arts and cultural event fees	6,158	5,643	51,309	38,870	91,189	59,945	71,263	888,893	1,001,410	1,369,872
Base rentals	-	-	-	-	1,100,400	910,345	1,876,308	1,863,881	894,392	951,972
Net investment income	108,209	175,593	228,983	792,479	500,873	106,905	176,844	35,261	19,595	19,945
Other	314,994	105,764	214,248	551,568	419,438	383,745	579,263	719,707	684,062	1,490,317
Total revenues	12,864,334	12,950,726	17,905,030	40,928,288	33,238,853	27,513,068	31,006,307	32,882,071	33,891,959	40,099,612
Expenditures										
General government	2,239,295	2,214,443	2,534,278	4,074,338	3,980,604	4,101,494	3,708,958	4,333,473	5,021,784	4,838,096
Municipal court	99,628	210,855	333,935	325,296	323,486	305,767	300,165	201,557	213,150	210,387
Community development	936,999	1,191,597	1,057,460	1,055,420	1,233,844	932,784	985,132	1,100,737	1,170,779	1,222,386
Public works	2,242,199	2,533,435	2,980,581	3,209,280	3,020,428	3,445,965	3,162,908	3,406,479	3,655,273	3,959,687
Arts and cultural services	-	-	-	-	-	1,043,051	9,476,670	11,138,702	1,818,327	2,087,722
Police	2,961,738	2,769,575	3,745,970	4,759,655	5,222,525	5,509,854	5,392,037	5,850,140	6,212,692	6,142,980
Debt service										
Bond principal	-	-	-	-	820,000	1,945,000	2,935,000	3,025,000	2,175,000	2,340,000
Bond interest	-	-	-	476,786	357,122	895,978	1,194,539	1,089,712	1,027,973	980,328
Paying agent fees	-	-	-	-	-	200	400	400	400	400
Capital outlay and other	7,392,952	3,206,868	9,429,543	19,581,594	30,582,778	19,773,678	12,555,684	9,321,245	10,142,254	16,220,698
Total expenditures	15,872,811	12,126,773	20,081,767	33,482,369	45,540,787	37,953,771	39,711,493	39,467,445	31,437,632	38,002,684
Excess of revenues over (under) expenditures	(3,008,477)	823,953	(2,176,737)	7,445,919	(12,301,934)	(10,440,703)	(8,705,186)	(6,585,374)	2,454,327	2,096,928
Other financing sources (uses)										
Loan for Interchange	12,874	-	51,315	-	-	-	-	-	-	-
Certificates of participation issue	-	-	-	9,230,000	-	-	-	-	-	-
Revenue bonds issued	-	-	-	-	11,000,000	16,880,000	-	-	-	-
Bond premium	-	-	-	-	48,776	237,151	-	-	-	-
Transfers in	17,917	51,315	-	2,706,312	108,679	1,057,429	2,057	1,105,188	1,230,413	1,743,279
Transfers out	(17,917)	(51,315)	-	(2,706,312)	(108,679)	(1,057,429)	(2,057)	(1,105,188)	(1,230,413)	(1,743,279)
Total other financing sources (uses)	12,874	-	51,315	9,230,000	11,048,776	17,117,151	-	-	-	-
Net change in fund balances	\$ (2,995,603)	\$ 823,953	\$ (2,125,422)	\$ 16,675,919	\$ (1,253,158)	\$ 6,676,448	\$ (8,705,186)	\$ (6,585,374)	\$ 2,454,327	\$ 2,096,928
Debt service as a % of noncapital expenditures	0.0%	0.0%	0.0%	3.4%	7.9%	10.9%	16.0%	15.0%	11.4%	10.4%

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
2004	1.50%	1.00%	2.90%	0.60%	0.10%	0.10%	6.20%
2005	1.50%	1.00%	2.90%	1.00%	0.10%	0.10%	6.60%
2006	1.50%	1.00%	2.90%	1.00%	0.10%	0.10%	6.60%
2007	1.50%	1.00%	2.90%	1.00%	0.10%	0.10%	6.60%
2008	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2009	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2010	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2011	1.8125%	1.00%	2.90%	1.00%	0.10%	0.10%	6.9125%
2012	1.8125%	1.00%	2.90%	1.00%	0.10%	0.00%	6.8125%
2013	1.8125%	1.00%	2.90%	1.00%	0.10%	0.00%	6.8125%

(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 are 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 2013**

<u>Industry</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Retail	\$ 21,326,338	95.74%
Services	438,630	1.97%
Government	1,517	0.01%
Finance, insurance and real estate	3,483	0.02%
Transportation and utilities	505,689	2.27%
Total	<u>\$ 22,275,657</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**

<u>Fiscal Year</u>	<u>Sales Tax Revenue Collections</u>
2004	\$ 8,214,004
2005	8,433,943
2006	9,209,201
2007	15,898,747
2008	18,146,324
2009	18,106,395
2010	18,989,109
2011	20,000,973
2012	21,152,222
2013	\$ 22,275,657

TABLE 8

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

<u>Levy Year (1)</u>	<u>Collection Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Assessed Value Other</u>	<u>Personal</u>	<u>Total</u>	<u>Actual Value (2)</u>
2003	2004	96,055,420	118,301,410	12,817,620	13,360,380	240,534,830	1,679,132,250
2004	2005	99,021,570	140,032,380	10,867,200	22,526,590	272,447,740	1,784,544,955
2005	2006	113,184,500	157,536,370	13,352,410	25,428,510	309,501,790	2,033,689,105
2006	2007	121,572,750	166,526,090	10,711,930	25,269,736	324,080,506	2,163,573,451
2007	2008	135,771,610	233,638,850	14,986,880	33,795,255	418,192,595	2,608,718,587
2008	2009	138,674,500	248,351,230	11,680,930	35,837,000	434,543,660	2,679,945,519
2009	2010	146,195,720	268,470,540	12,728,970	40,052,380	467,447,610	2,833,648,530
2010	2011	148,163,090	269,544,750	12,082,520	37,376,240	467,166,600	2,961,391,802
2011	2012	135,753,590	257,910,790	10,728,780	40,326,810	444,719,970	2,770,833,890
2012	2013	138,412,900	255,941,730	14,018,510	40,277,100	448,650,240	2,669,739,949

(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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Lone Tree	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Overlapping Mill Levies (1):										
Douglas County	19.774	19.774	19.774	19.774	19.774	19.774	19.774	19.774	19.774	19.774
Douglas County Library District	4.052	4.020	4.020	4.044	4.044	4.016	4.034	4.034	4.070	4.029
Douglas County School District No. Re 1	46.500	46.500	46.500	46.500	46.500	46.983	46.890	48.790	48.730	48.277
Douglas County Soil Conservation District	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Heritage Hills Metropolitan District	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000
Park Meadows Metropolitan District	6.387	6.387	6.387	6.387	6.712	6.387	6.387	6.387	6.387	6.387
Rampart Range Metropolitan District No. 2	45.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000
Rampart Range Metropolitan District No. 7	0.000	0.000	0.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000
Regional Transportation District	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
South Metro Fire Rescue	8.950	9.250	9.346	9.377	9.377	9.362	9.541	9.661	9.520	9.444
South Suburban Park and Recreation District	7.197	7.134	7.117	7.008	6.868	6.830	6.777	6.869	6.960	6.915
Southeast Public Improvement Metro District	0.000	1.000	1.111	1.608	1.621	1.650	2.000	2.150	2.080	2.000
Southgate Sanitation District	0.653	0.653	0.653	0.060	0.604	0.544	0.558	0.558	0.558	0.531
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	0.538	0.597	0.542	0.507	0.507	0.508	0.523	0.570	0.600	0.608
Urban Drainage & Flood South Platte	0.066	0.065	0.066	0.061	0.061	0.061	0.053	0.060	0.060	0.064
	<u>179.117</u>	<u>181.380</u>	<u>181.516</u>	<u>227.326</u>	<u>228.068</u>	<u>228.115</u>	<u>228.537</u>	<u>230.853</u>	<u>230.739</u>	<u>230.029</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 Five Fiscal Years (1)**

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Sales and Use Tax Revenue Bonds (2) (3)			
2009	\$ 7,695,000	\$ 26,650,000	\$ 34,345,000	5.49%	\$ 3,261
2010	5,930,000	25,480,000	31,410,000	4.81%	2,884
2011	4,110,000	24,275,000	28,385,000	4.66%	2,558
2012	3,235,000	22,975,000	26,210,000	4.15%	2,302
2013	2,295,000	21,575,000	23,870,000	3.33%	1,899

- (1) In 2007, the Building Authority (included as a blended component unit of the City) issued Certificates of Participation.
- (2) In 2008, the City issued Sales and Use Tax Revenue Bonds for park and recreation improvements.
- (3) In 2009, the City issued Sales and Use Tax Revenue Bonds for arts and cultural improvements.

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TABLE 11a

**CITY OF LONE TREE
REVENUE BOND COVERAGE
PARK AND RECREATION IMPROVEMENT BONDS
Last Four 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	
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%

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

(2) Sales and use tax revenues derived from the sales and use tax rate increase of 0.125% effective July 1, 2008. This amount also includes investment earnings from those monies as well as investment earnings from the bond proceeds.

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

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

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (3)	Total	
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%

- (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.

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000
Total net debt applicable to limit	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000
Legal debt margin (2)	\$ 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	89.94%	89.94%	89.94%	89.94%

- (1) The Series 2008A Park and Recreation Improvement Sales and Use Tax Revenue Bonds were issued on November 19, 2008. The City had no outstanding bonds prior to this time. The Series 2009 Arts and Cultural Facilities Improvement Sales and Use Tax Revenue Bonds were issued on August 11, 2009.
- (2) On May 6, 2008, a majority of the qualified electors of the City authorized the issuance of indebtedness in an amount not to exceed \$18,500,000 and \$12,500,000, for sales and use tax revenue bonds for funding capital improvements for cultural facilities and park and recreation, respectively. The voters also authorized a temporary sales and use tax rate increase of .1875% for arts and cultural facilities and .125% for park and recreation improvements effective July 1, 2008 through December 31, 2023 or after the full payment of such debt. The City issued \$11,000,000 of its authorized debt during 2008 and \$16,880,000 of its authorized debt during 2009. The City has no other debt authorization.

TABLE 13

**CITY OF LONE TREE
GENERAL OBLIGATION DEBT - DIRECT AND OVERLAPPING GOVERNMENTS
As of December 31, 2013**

	<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	\$ -	\$ 23,870,000	100.00%	<u>\$ 23,870,000</u>
Overlapping:				
Douglas County School District No. Re 1	432,426,936	-	4.80%	20,756,493
Park Meadows Metropolitan District	-	-	100.00%	-
South Suburban Park and Recreation District	18,465,000	-	13.79%	2,546,324
Southeast Public Improvement Metropolitan District	3,515,000	-	18.74%	658,711
Heritage Hills Metropolitan District	835,000	-	100.00%	<u>835,000</u>
 Total overlapping debt				 <u>24,796,527</u>
 Total direct and overlapping debt				 <u>\$ 54,465,910</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
- 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 Metropolitan Fire Rescue District
- Urban Drainage and Flood Control District
- Urban Drainage and Flood South Platte

Sources: Douglas County Assessor's Offices 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</u>	<u>Douglas County Unemployment Rate</u>
2004	8,300	\$ 333,303,100	\$ 40,157	4.30%
2005	9,650	461,636,700	47,838	3.60%
2006	10,000	525,620,000	52,562	4.90%
2007	10,439	597,956,359	57,281	3.20%
2008	10,500	627,637,500	59,775	5.10%
2009	10,533	625,217,814	59,358	6.60%
2010	10,891	652,937,232	59,952	6.70%
2011	11,097	609,624,792	54,936	6.10%
2012	11,385	631,696,725	55,485	5.90%
2013	12,572	717,094,308	57,039	5.60%

Source: State of Colorado, Division of Local Government, Demographic Section; Denver Regional Council of Governments, US Census Bureau

TABLE 15

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

<u>Employer</u>	<u>2013</u>		<u>2004</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Douglas County School District	5,863	1	5,102	1
CH2M Hill	1,980	2	1,200	5
Echostar Communications	1,960	3	1,765	2
Healthone: Sky Ridge Medical	1,170	4	-	-
Western Union	1,140	5	-	-
Douglas County Government	1,061	6	987	6
Centura: Parker Adventist Hospital	980	7	-	-
The Trizetto Group	900	8	-	-
Information Handling Services	810	9	680	10
AVAYA	650	10	1,500	4
First Data Corporation	-	-	1,700	3
Teletec Holdings	-	-	970	7
Time Warner	-	-	940	8
Expanets	-	-	920	9

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

Source: Douglas County Department of Finance

TABLE 16

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

Function/Program (1)	Full-Time Equivalent Employees (2)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	-	4	7	10	14	14.5	16.25	14.50	15.50	17.50
Municipal court	-	-	1	2	2	2	2	2	2	2
Community development	-	1	1	1	1	7.25	5.75	5.75	6.00	7.00
Arts & Cultural	-	-	-	-	-	-	1.50	12.75	13.20	13.75
Police	22	26	40	43	45	50	47	52	53	54
Total	22	31	49	56	62	73.75	72.50	87.00	89.70	94.25

(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 Budget Office

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TABLE 17

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

Function/Program (1)	2004	2005	2006	2007	2012	2013
Municipal court						
Number of court cases	115	891	1,167	1,427	2,107	1,922
Community development						
Building permits issued	406	735	664	723	1,562	809
Building inspections conducted	7,252	10,764	7,223	5,031	8,392	7,662
Public works						
Streets overlaid (miles)	3.02	1.59	2.10	4.06	8.55	15.81
Public safety (2)						
Accidents	N/A (2)	926	968	1,095	995	1,169
Citations issued	N/A (2)	2,899	4,466	4,860	4,380	4,234

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

(2) The City's Police Department commenced operations on January 1, 2005. Prior to that time, the City contracted out its public safety services with Douglas County.

Source: Various City departments

TABLE 18

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

Function/Program (1)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public works										
Streets (miles)	99.19	109.94	109.94	130.40	130.40	141.85	153.30	164.75	176.20	199.64
Traffic signals	25	27	29	33	35	40	42	42	43	45
Public safety (2)										
Stations	N/A (2)	1	1	2	2	2	2	2	2	2
Patrol units	N/A (2)	9	11	15	16	22	24	24	25	22
Capital outlay										
Storm drainage (miles)	38.25	38.25	38.25	38.25	38.25	38.25	38.25	38.25	38.70	39.93

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

(2) The City's Police Department commenced operations on January 1, 2005. Prior to that time, the City contracted out its public safety services with Douglas County.

Source: Various City departments