



**City of Lone Tree Audit Committee
Special Meeting Agenda
Friday, June 12, 2015 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 a Special 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. Special Meeting Agenda

1. Roll Call
 2. Review and approval of March 4, 2015 Minutes
 3. Comprehensive Annual Financial Report (CAFR) Review
 4. Review of draft RFP for auditing services and qualified firms listing
 5. Discussion of Next Meeting Date (tentatively set for September 2, 2015)
 6. Other Business
 7. Adjournment
-



CITY OF LONE TREE
Audit Committee Minutes
March 4, 2015

A meeting of the City of Lone Tree's Audit Committee was held on Wednesday, March 4, 2015, 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 Daniel Reeb, CPA, Lone Tree Resident
Vice Chair Suzanne Gibson, CPA, Lone Tree Resident
Peter Frenchman, CPA, Lone Tree Resident
Kim Monson, Council Member
Seth Hoffman, City Manager
Kristin Baumgartner, CPA, Finance Director

Also present:

Heather Lunde, Accountant

Chair Reeb called the meeting to order at 9:00 a.m.

Introduction of New Members

Introductions were given by each member of the Committee to briefly share personal and professional background information.

Chair Nomination

Daniel Reeb and Suzanne Gibson volunteered to be Chair and Vice Chair, respectively of the Audit Committee. Chair Reeb moved, Vice Chair Gibson seconded, to approve the nominations. The motion passed unanimously.

Review and Approval of December 4, 2014 Minutes

No corrections were received after the minutes were sent for review after the meeting. There were no corrections noted. Mr. Hoffman moved, Vice Chair Gibson seconded, to approve the December 4, 2014 Minutes as presented. The motion passed unanimously.

2014 / 2015 Auditor Selection Process & RFP Process

Prior to the meeting, Kristin Baumgartner sent out a memo summarizing the Government Finance Officers Association (GFOA) best practices on audit procurement. The Committee discussed these best practices. A brief history was provided on the City's current auditor, Wagner Barnes and Griggs, PC. The original contract was from 2008-2012, after which the Audit Committee decided to retain them to also complete the 2013 and 2014 audit. In 2013, finance transitioned fully in-house and the prior Audit Committee felt that it would be best to keep an audit firm that was familiar with the City structure to help access additional internal controls needed with the transition. Additionally in 2013, the Lone Tree Arts Center applied for and obtained the Scientific and Cultural Facilities District (SCFD) Tier II grant funding, resulting in additional audit work. For the 2014 audit, the decision was made by the prior Audit Committee to retain the current

auditor, mainly due to the finance director being out on maternity leave for a portion of the year, but they did recommend going out for a RFP for the 2015 audit.

Ms. Baumgartner informed the Audit Committee that one of their tasks was to decide if the City should retain Wagner Barnes and Griggs, PC for the 2015 audit or to go out for a RFP. Ms. Baumgartner provided a brief background on the current auditor's specialty areas, including municipalities, special districts, and non-profit organizations. The contract price for the 2014 audit is \$32K. If the Audit Committee decided to go out for a RFP, a template would be used and it would be posted on the Rocky Mountain E-Purchasing System.

The Audit Committee unanimously agreed to go out for a RFP for 2015 audit services. Ms. Baumgartner mentioned that she would complete the template and would bring it to the June meeting for approval from the Committee. Once the template was approved, the RFP would be posted online. Additionally, Ms. Baumgartner would research which firms the Committee should reach out to via email to inform them of the RFP if they are interested. Correspondence between all Committee members via email would occur to determine a maximum of three firms to bring in to interview, with Mr. Frenchman, Mr. Reeb, and Ms. Baumgartner conducting the interviews. This sub-Committee would bring the information they gathered to the full Committee. At the September meeting a decision would be made by the Committee on who to select as the City's 2015 auditor and an engagement letter would be drafted for City Council to approve.

Overview of Audit Process for 2014 Audit

Ms. Baumgartner presented an overview of the primary roles of the Audit Committee, which included management of a comprehensive system of internal controls, objectively assessing financial reporting methods, and to address any problems that may arise from the audit. The Elected Officials Guide by GFOA was recommended for further guidance. Ms. Baumgartner also explained that the City uses a modified accrual basis of accounting throughout the year, resulting in no long-term assets or liabilities presented on the Fund Financial Statements. However, at the end of the year in accordance with GASB 34, the City's Fund Financial Statements need to be converted to the full accrual basis of accounting and are presented as Government Wide Financial Statements. These financial statements include footnotes, a Management Discussion and Analysis section, as well as statistical information.

The Committee members did not have any specific questions they would like to ask Wagner Barnes and Griggs, PC related to the 2014 audit. Ms. Baumgartner mentioned that in terms of internal controls, the auditor would be focused on contract/bidding procedures. The Committee agreed that this was a practical area of focus due to the City's plans for growth and the construction projects that are currently underway. There are no new GASB standards that effect the 2014 audit.

Next Meeting Date

Discussion was held concerning the next meeting date and I was decided to hold a special meeting on June 12, 2015 at 9:00 am.

Other Business

Mr. Hoffman provided an update on the status of the RTD light rail extension and shared with the Committee that it is a joint project funded between the City, RTD, and a handful of partners. Construction is projected to start at the end of 2015 or beginning of 2016, with the project estimated to take several years to complete. The extension will be comprised of three stations at Lincoln

Ave., City Center (East side of I-25) and the RidgeGate Parkway interchange. The light rail extension may be the catalyst that is needed for development on the East side of I-25 to begin.

Additionally, Mr. Hoffman provided an outlook of the City and some of the priorities of Council and Staff for 2015, some of which are to maintain the quality of life and to pursue changes in the legal process associated with condominium development.

Mr. Hoffman spoke about the City's plans to purchase at a discount the old library building on Lone Tree Parkway, but any further details on what the building would be used for has not yet been determined.

Adjournment

Vice Chair Gibson moved, Chair Reeb seconded, to adjourn at 10:00 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, 2014

**CITY OF LONE TREE, COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended
December 31, 2014**

**Prepared by:
Department of Finance**

**CITY OF LONE TREE
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May 4, 2015

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, 2014.

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, 2014. 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 unmodified opinion on the City's financial statements for the year ended December 31, 2014. 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 6,162 acres or 9.6 square miles and located in the southern Denver metropolitan area at the junction of C-470/E-470 and I-25. 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.

The City is continually re-evaluating its priorities. As part of this process, in late 2014, the City started working on creating a new vision statement for the City. As part of the process, City Council, senior leadership staff as well as residents serving on the City's commissions, boards, and committees were asked to gather community input to update the vision statement. The goal of this process is to make sure that the updated community vision statement, which in 2015 will form the basis of both the City organizational strategic planning and the City's Comprehensive Plan, expresses Lone Tree's vision of itself in the future in a lasting, memorable way. A vision statement that aligns with Council priorities and overall sense of community will enable staff to implement that vision. The purpose of the organizational strategic planning is to align our work well to fulfill the Councils' and the community's vision for this area. In early 2015, Council approved the following as the City's updated vision statement "Lone Tree is a premier Colorado community connected by great neighborhoods, vibrant public spaces, a beautiful natural environment, and thriving businesses."

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 general government, 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, sixth best in the United States, 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 over 40 million square feet of office space and employment of more than 300,000 people. Additionally, keeping the City's economic vibrancy a priority was seen in 2014 with the hiring of the City's first full-time Economic Development Director, whose focus will be to entail job creation, job retention, tax base enhancements, and quality of life.

The City is also served by two Light Rail stations that residents describe as "enhancing the City's quality of life". In Mid-July, the Regional Transportation District (RTD) Board of Directors voted to move forward with the Southeast Rail Extension, which was a key vote that allows the project to move forward to the final phase of the federal grant process. A key factor in RTDs approval came from a commitment of \$25 million from local funding partners, including the City, Douglas County, RidgeGate and the Denver South Transportation Management Authority. In addition to a monetary contribution, Coventry Development, the property owners of the RidgeGate development where the proposed rail extension will go, has agreed to provide land for right-of-way and light rail stations at no cost. This local match would comprise 16.5 percent of the project cost. This extension of the light rail system would include 2.3 miles of additional light rail that would add three new stations, including Sky Ridge Medical Center, Lone Tree City Center, as well as an end-of-line station with direct connection to Denver International Airport and an estimated 10 million square feet of commercial space, 4,000 residential units, and 20,000 new jobs by 2035. This amenity allows residents of Lone Tree to easily access downtown Denver, as well as allows visitors to more easily access the retail and office complexes in Lone Tree. Once the Southeast Rail Extension is complete, it will be a significant economic development catalyst for the City and the region, generating additional commercial real estate, residences, and new jobs in the southeast corridor over the next 25 years. Construction of this project is anticipated to begin in 2016.

Additionally, 2014 was the inception of the Lone Tree Link shuttle service that is free to its riders, that connects key employment centers along Park Meadows Drive with restaurants, retail, and the RTD transit system. The Link is provided by a collaborative public-private partnership, which consists of the City, Charles Schwab & Co., Inc., Kaiser Permanente, Southeast Public Improvement Metropolitan District, ParkRidge Corporate Center, and Sky Ridge Medical Center, that are working together to create a vibrant and healthy community. The Link offers service every 10 minutes Monday-Friday, so it is a reliable and convenient connection to daily destinations and appointments for the estimated 4,500 employees who work along Park Meadows Drive. The service is an example of the City's proactive approach to preparing for and

encouraging future economic growth and to mitigating related traffic impacts. The City and the partners behind the Link are investing in Lone Tree to assure it remains a premiere community for both businesses and residents.

The City's largest revenue source is sales taxes which primarily fund the City's operations. During 2014, the City experienced a 6.7% increase in sales tax revenue compared to 2013. 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 be seen by some of the new businesses that opened at the Park Meadows Retail Resort in 2014, including L.L. Bean, Perry's Steakhouse & Grille, Seasons 52 and Lyfe Kitchen that are new to the Colorado market.

Through conservative revenue budgeting, as well as expenditure monitoring during 2014, the City was able to end the year with a working reserve and a capital replacement reserve pursuant to City policies.

Relevant Financial Policies

In order to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures as well as to ensure stable tax rates, the City has established certain reserve policies. Specifically, the City requires that a minimum unrestricted fund balance of 16.7% of operating expenditures be maintained. For the year ended December 31, 2014, the City's unrestricted working reserve totaled approximately 22%. The 2015 budget shows an increase of this reserve by 3%, or 25%. The City also has adopted a capital reserves policy to ensure that the City maintains adequate cash fund balances to help offset cost of future capital replacement and project needs. The intent of the capital reserves policy is to assist the City to take greater advantage of the "pay as you go" philosophy versus relying entirely or mostly on debt financing.

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

Major Initiatives

Several major initiatives will have a significant impact on the financial future of the City of Lone Tree. The development of RidgeGate, a 3,500 acre planned development based on ‘smart growth’ principles, will play an essential role to this end. Currently, RidgeGate is home to over 1,200 residences, two major retail centers, a recreation center, the Lone Tree Arts Center, the Sky Ridge Medical Center, and the Charles Schwab corporate campus. At build-out, RidgeGate will contain approximately 20-23 million square feet of office, retail and civic space and will be home to approximately 25,000 people. Moreover, at build-out, the development will include over 1,000 acres of open space and numerous parks and trails. In 2014, Sky Ridge Medical Center continued its estimated \$117 million expansion which when finished will add 90 beds, a women’s center, a new medical office building, additional spine/ortho operating rooms and a parking structure. Completion of this project is anticipated during 2015. In addition to the Sky Ridge expansion, Lone Tree is home to Kaiser Permanente, a 275,000 square-foot specialty services center, which continues to further differentiate Lone Tree as a key location for medical service providers.

In addition to the hospital expansion, Charles Schwab opened a new Colorado campus in the RidgeGate development in 2014. The campus features a retail center just west of I-25 and south of Lincoln Avenue, as well as three five-story buildings (two completed in 2014), an amenities facility and a 1,000-space parking garage. This campus, once fully built out, will be the home to approximately 5,000 Denver-area employees.

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. This final analysis from the consultant is projected to be complete in 2015.

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, 2013. 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 ninth year to submit for and to receive the award. A Certificate of Achievement is valid for one year only. We believe this 2014 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

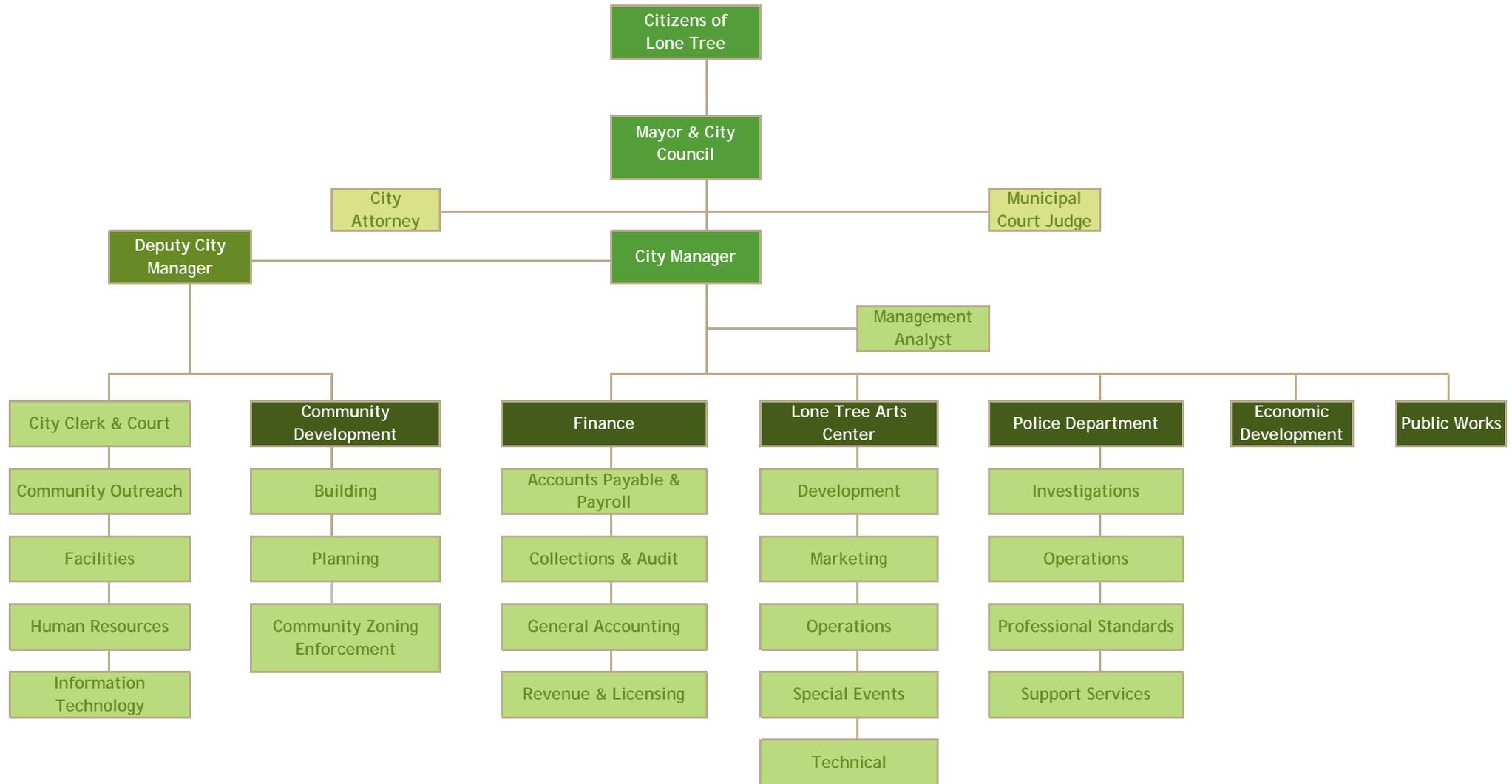
**City of Lone Tree
Colorado**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

City of Lone Tree Organization Chart 2014





Certified Public Accountants and Business Consultants

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, 2014, 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, 2014, 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 16 through 25 and 63 through 73 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 16 through 25 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 63 through 73 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 and the other supplementary information on pages 74 through 85 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 and schedules and the other supplementary information is 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.

Lakewood, Colorado
May 27, 2015

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, 2014.

Financial Highlights

With regard to the primary government:

- Assets exceeded liabilities by \$100,852,768 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 \$20,285,787.
- Total net position increased by \$3,870,302 from 2013.
- Total cash and investments increased by \$2,816,331 as compared to the prior year.
- Sales and use tax retail revenue increased by \$1,461,307 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 \$14,582,880.

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 26-27 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 28-31 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 32-62 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 63-73 of this report.

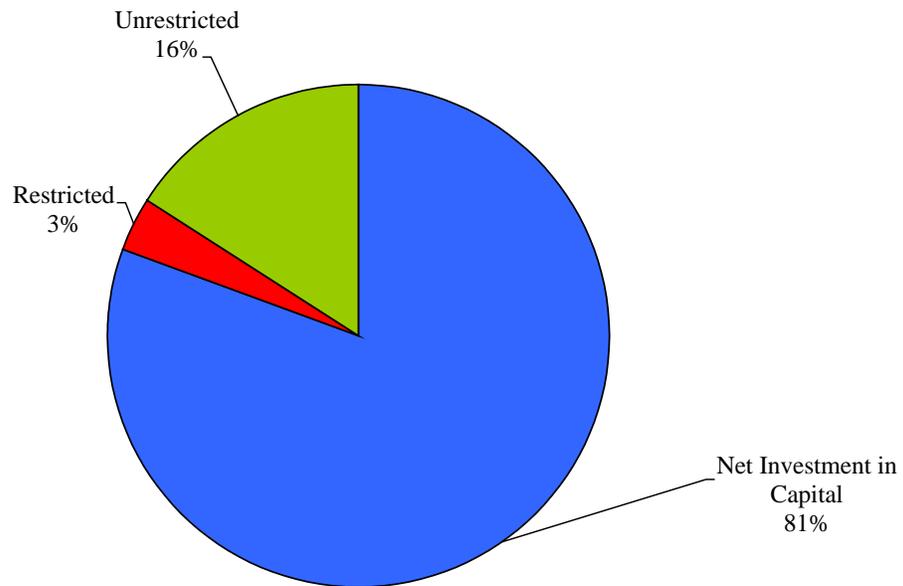
Other supplementary information. A budgetary comparison schedule for the Debt Service Fund - Arts and Cultural Facilities and the Debt Service Fund - Park and Recreation Improvements are presented immediately following the required supplemental information. Additionally, combined and individual fund 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 by \$100,852,768 at the close of the most recent fiscal year.

	Net Position	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 26,040,822	\$ 23,024,801
Capital assets	<u>102,768,252</u>	<u>105,003,454</u>
Total assets	<u>128,809,074</u>	<u>128,028,255</u>
Other liabilities	5,827,241	6,380,431
Long-Term liabilities	<u>22,129,065</u>	<u>24,665,358</u>
Total liabilities	<u>27,956,306</u>	<u>31,045,789</u>
Net investment in capital assets	81,283,223	80,973,119
Restricted net position	3,370,714	3,662,144
Unrestricted net position	<u>16,198,831</u>	<u>12,347,203</u>
Total net position	<u>\$ 100,852,768</u>	<u>\$ 96,982,466</u>

NET POSITION - BY CATEGORY



The largest portion of the City's net position (81%) 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 (3%) represents resources that are subject to restrictions on how they can be used and are not currently available for the City's ongoing obligations (e.g., emergency TABOR reserve, Conservation Trust Fund, funds received from litigation settlements, emergency maintenance and repairs required by an annexation agreement, grant funds related to adding more bike lanes in the City, and funds reserved for future debt service payments). The remaining balance of *unrestricted net position* totaling \$16,198,831 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.

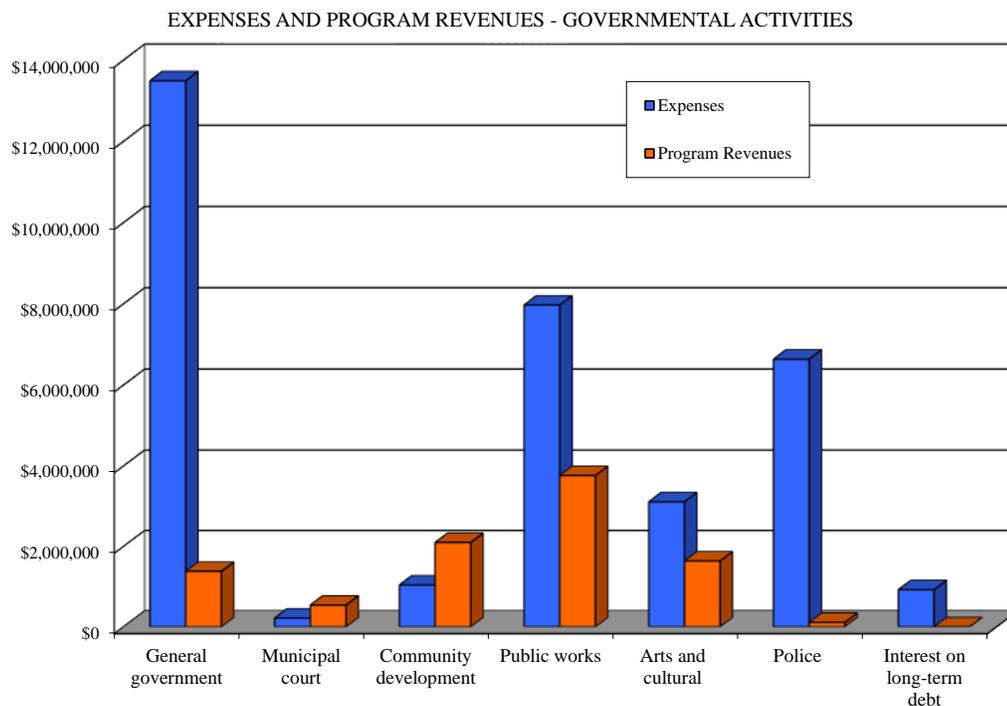
Change in Net Position

	2014	2013
Revenue		
Program revenues		
Charges for services	\$ 4,213,705	\$ 3,772,288
Operating grants and contributions	4,252,466	4,152,656
Capital grants and contributions	1,069,622	4,292,034
General revenues		
Sales and use (retail) taxes	23,736,964	22,275,657
Other taxes	2,617,954	3,260,743
Franchise fees	1,033,993	973,986
Investment earnings	14,113	19,945
Other	331,163	443,355
Total revenues	37,269,980	39,190,644
Expenses		
General government	13,494,009	14,573,133
Municipal court	217,969	215,894
Community development	1,040,044	1,258,759
Public works	7,972,040	7,286,760
Arts and cultural	3,111,362	2,691,473
Police	6,639,856	6,295,772
Interest and related costs on long-term debt	924,398	998,465
Total expenses	33,399,678	33,320,256
Change in net position	3,870,302	5,870,388
Net position - Beginning	96,982,466	91,112,078
Net position - Ending	\$ 100,852,768	\$ 96,982,466

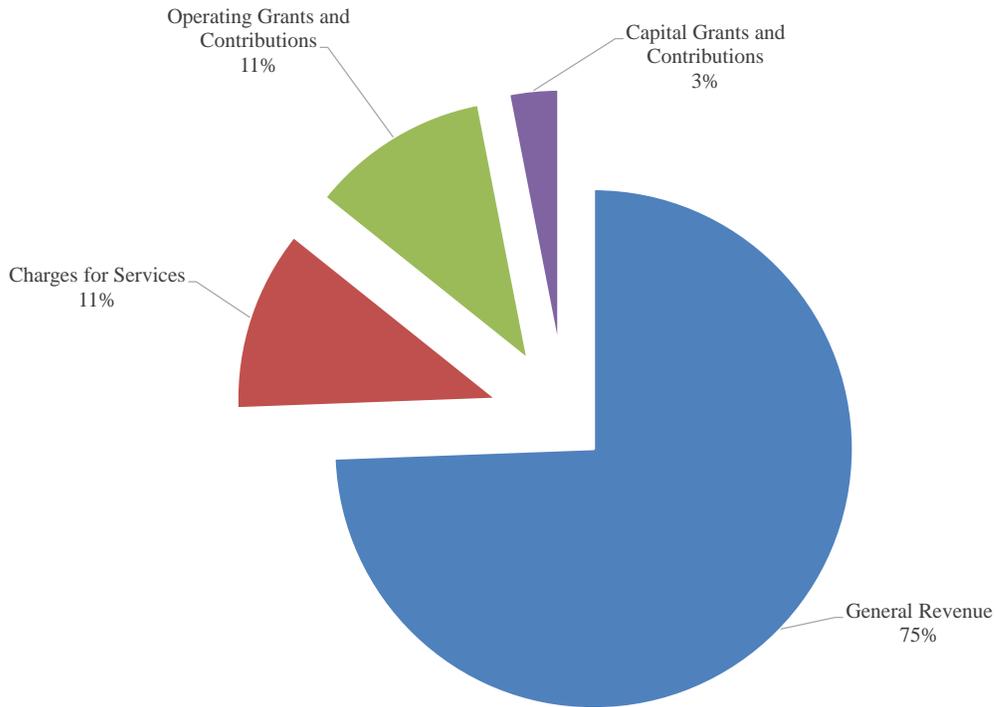
The City's net position related to governmental activities increased by \$3,870,302 during the current fiscal year. Several key highlights of the statement of activities during 2014 include the following items:

- 2014 charges for services increased by \$441,417 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 2014. Additionally, there was an increase in revenues generated from the Arts Center, particularly ticket sales and associated handling fees.
- Capital grants and contributions decreased by \$3,222,412 from 2013 to 2014 largely due to the City receiving \$1,000,000 in litigation funds related to the brick fence and \$2,200,000 from Douglas County for transportation in 2013.

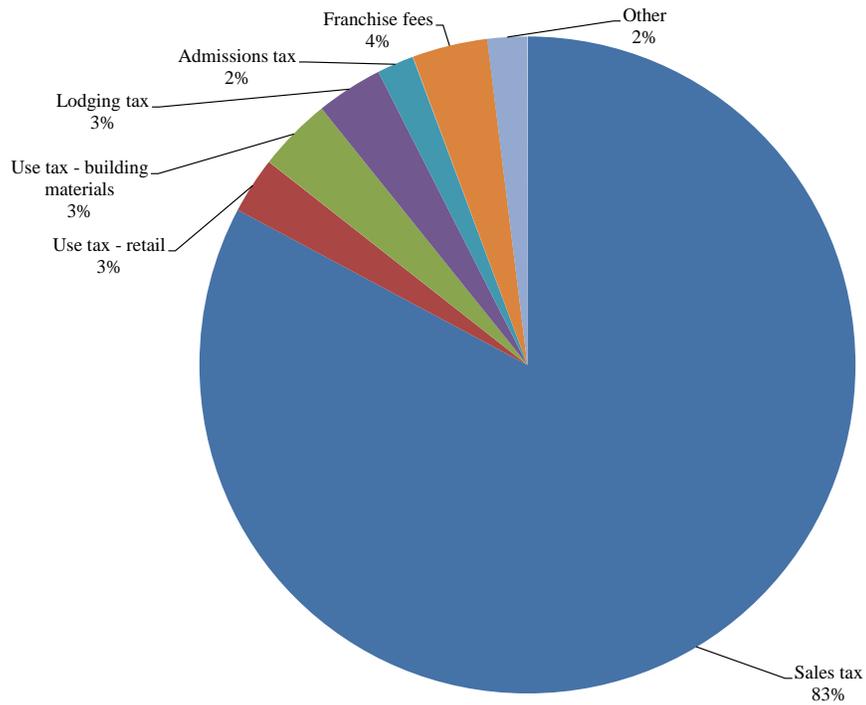
- Sales and use (retail) taxes increased by \$1,461,307 from 2013 to 2014 as a result of strengthening consumer spending, as well as multiple new retail and restaurant businesses in the City.
- Other taxes decreased by \$642,789 from 2013 to 2014 due to use tax on construction materials based on the timing of when construction permits are issued for each project.
- General government expenses decreased by \$1,079,124 or 7.4% from 2013 to 2014. A significant portion of this decrease was related to the remodel at the City Municipal Building that occurred in 2013 and other capital projects that were completed in 2013.
- 2014 Community development expenses decreased by \$218,715 from the previous year largely due to savings in salaries and benefits for vacant positions, as well as plan review (timing of invoices) and engineering costs being down that correlate to the timing of construction projects, offset by an increase in elevator inspection expenses due to the timing of an invoice from a prior period.
- Public works expenses increased by \$685,280 from 2013 to 2014 primarily due to depreciation expense related to street improvements, snow removal costs, the cost associated with the time billed to plan, coordinate, and oversee projects, drainage maintenance, and signage and striping.



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 \$20,285,787. Of this amount, \$14,536,206 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 \$14,582,880 out of a total fund balance of \$17,876,332.

The fund balance of the City's General Fund increased by \$3,428,997 during the current fiscal year. The key factor contributing to this increase was expenditures decreasing due to the reduction in cost of the capital projects completed in 2014 compared to 2013.

At the end of the current fiscal year, the Special Revenue Fund - RidgeGate reported a total fund balance of \$52,601. This balance is restricted for emergency maintenance and repairs required by an annexation agreement.

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 \$655,277. 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 \$778,577. 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 2014 came in over budget. The difference between the final budgeted revenue of \$26,819,215 and the actual revenue of \$27,153,581 was \$334,366. The main reason for this variance had to do with reimbursable costs that were higher than budgeted due to joint projects with other governments including funding for the Lone Tree Link. Additionally, lodging and admissions taxes came in higher than budgeted due to the continued improvement in tourism and a one-time voluntary disclosure received on unpaid admissions taxes from one City vendor.

continued improvement in tourism and a one-time voluntary disclosure received on unpaid admissions taxes from one City vendor.

The City's General Fund total expenditures for 2014 did not exceed the budgeted appropriation. The difference between the budgeted expenditures (exclusive of transfers out) of \$30,916,805 and the actual expenditures of \$24,128,376 was \$6,788,429. 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 2015, as well as financial consulting services coming in under budget, dispatch costs being lower than anticipated due to a grant for a full-time position that was received by the partnering municipality and various salary savings as a result of attrition.

Capital Assets

The City invested \$3,374,152 in capital assets for its governmental-type activities for the year ended December 31, 2014. This investment in capital assets primarily consisted of Lincoln Avenue improvements, Yosemite pedestrian lights, street overlay projects, and lighting and microphone upgrades at the Lone Tree Arts Center.

Additional information on the City's capital assets can be found in Note 6 on pages 46-47 of this report.

Long-Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$21,350,000. This amount represents debt secured for the City office building (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 47-51 of this report.

Next Year's Budget

The 2015 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 \$45,285,104 for spending in fiscal year 2015. The 2015 budget includes new City staff positions, including a Planner II and Emergency Manager position in the police department. Capital initiatives planned for 2015 include continued overlay of City streets, continued analysis of the Entertainment District improvements, the early pay-off of the Certificate of Participation on the City office building, the construction of the Lincoln Pedestrian Bridge, and reconstruction on Parkway Drive. The City anticipates utilizing revenues projected to be received in 2015 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 2015 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

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.

BASIC FINANCIAL STATEMENTS

CITY OF LONE TREE
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government	Component Unit
	Governmental Activities	Park Meadows Business Improvement District
ASSETS		
Cash and investments	\$ 14,879,062	\$ 4,669,007
Cash and investments - Restricted	6,332,042	1,503,329
Receivables:		
Intergovernmental	723,025	1,328,358
Sales, use, admissions and lodging taxes	3,536,011	-
Other	122,905	523
Prepaid items	447,777	5,199
Capital assets, not being depreciated:		
Land	23,858,798	-
Capital assets, net of accumulated depreciation:		
Buildings and building improvements	34,261,168	-
Equipment	1,059,400	-
Vehicles	385,754	-
Infrastructure	42,096,882	13,071,868
Intangibles	1,106,250	-
Total assets	128,809,074	20,578,284
LIABILITIES		
Accounts payable	5,104,348	205,958
Unearned revenue - Arts Center ticket sales	175,213	-
Retainage payable	23,986	-
Tenant security deposit payable	14,028	-
Rental security deposit payable	6,500	-
Surety deposits payable	430,960	-
Accrued interest payable	72,206	62,467
Noncurrent liabilities		
Due within one year	3,183,027	490,000
Due in more than one year	18,946,038	13,468,184
Total liabilities	27,956,306	14,226,609
NET POSITION		
Net investment in capital assets	81,283,223	(948,783)
Restricted:		
Emergency reserve	786,476	165,000
Conservation Trust	172,649	-
Brick Fence Replacement	986,200	-
Emergency Maintenance and Repair	52,601	-
Walk and Wheel grant	11,140	-
Debt service	1,361,648	1,275,862
Unrestricted	16,198,831	5,859,596
Total net position	\$ 100,852,768	\$ 6,351,675

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, 2014**

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 Business Improvement District	
				Activities		
Primary government:						
Governmental activities:						
General government	\$ 13,494,009	\$ 222,567	\$ 88,331	\$ 1,069,622	\$ (12,113,489)	\$ -
Municipal court	217,969	540,304	-	-	322,335	-
Community development	1,040,044	2,098,603	-	-	1,058,559	-
Public works	7,972,040	-	3,766,879	-	(4,205,161)	-
Arts and cultural services	3,111,362	1,329,312	310,637	-	(1,471,413)	-
Police	6,639,856	22,919	86,619	-	(6,530,318)	-
Interest and related costs on long-term debt	924,398	-	-	-	(924,398)	-
Total primary government	<u>\$ 33,399,678</u>	<u>\$ 4,213,705</u>	<u>\$ 4,252,466</u>	<u>\$ 1,069,622</u>	<u>(23,863,885)</u>	<u>-</u>
Component unit:						
Park Meadows Business Improvement District:						
General government	\$ 3,475,653	\$ -	\$ -	\$ -		(3,475,653)
Interest on long-term debt	787,684	-	-	-		(787,684)
Total component unit	<u>\$ 4,263,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(4,263,337)</u>
General revenues:						
Sales tax					22,967,969	5,205,351
Use tax - Retail					768,995	-
Use tax - Building materials					1,009,009	37,248
Lodging tax					908,192	-
Admissions tax					503,914	-
Franchise fees					1,033,993	-
Cigarette tax					196,839	-
Sales tax and liquor licenses					36,821	-
Investment earnings					14,113	15,294
Other					294,342	233,448
Total general revenues					<u>27,734,187</u>	<u>5,491,341</u>
Change in net position					3,870,302	1,228,004
Net position - Beginning					96,982,466	5,123,671
Net position - Ending					<u>\$ 100,852,768</u>	<u>\$ 6,351,675</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, 2014**

	<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	\$ 12,366,085	\$ 2,210,581	\$ 302,396	\$ -	\$ -	\$ -	\$ 14,879,062
Cash and investments - Restricted	4,348,452	-	-	431,399	629,191	923,000	6,332,042
Receivables:							
Intergovernmental	715,676	7,349	-	-	-	-	723,025
Sales, use, admissions and lodging taxes	2,801,957	360,590	-	224,078	149,386	-	3,536,011
Other	77,547	8,800	36,558	-	-	-	122,905
Prepaid items	401,104	-	46,674	-	-	-	447,778
Due from other funds	512,820	-	-	-	-	-	512,820
TOTAL ASSETS	<u>\$ 21,223,641</u>	<u>\$ 2,587,320</u>	<u>\$ 385,628</u>	<u>\$ 655,477</u>	<u>\$ 778,577</u>	<u>\$ 923,000</u>	<u>\$ 26,553,643</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 3,285,312	\$ 1,741,112	\$ 77,725	\$ 200	\$ -	\$ -	\$ 5,104,349
Unearned revenue - Arts Center ticket sales	-	-	175,213	-	-	-	175,213
Retainage payable	23,986	-	-	-	-	-	23,986
Tenant security deposit payable	14,028	-	-	-	-	-	14,028
Rental security deposit payable	-	-	6,500	-	-	-	6,500
Surety deposits payable	23,983	406,977	-	-	-	-	430,960
Due to other funds	-	386,630	126,190	-	-	-	512,820
Total liabilities	<u>3,347,309</u>	<u>2,534,719</u>	<u>385,628</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>6,267,856</u>
FUND BALANCES							
Non-spendable	401,104	-	46,674	-	-	-	447,778
Restricted	2,892,348	52,601	-	655,277	778,577	923,000	5,301,803
Assigned	10,860,234	-	-	-	-	-	10,860,234
Unassigned	3,722,646	-	(46,674)	-	-	-	3,675,972
Total fund balances	<u>17,876,332</u>	<u>52,601</u>	<u>-</u>	<u>655,277</u>	<u>778,577</u>	<u>923,000</u>	<u>20,285,787</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,223,641</u>	<u>\$ 2,587,320</u>	<u>\$ 385,628</u>	<u>\$ 655,477</u>	<u>\$ 778,577</u>	<u>\$ 923,000</u>	<u>\$ 26,553,643</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, 2014

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

Total fund balance - Governmental funds	\$ 20,285,787
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	102,768,252
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(21,350,000)
Accrued interest on bonds payable	(72,206)
Bond premiums (net of amortization)	(135,029)
Compensated absences	<u>(644,036)</u>
Net position of governmental activities	<u><u>\$ 100,852,768</u></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, 2014

	<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	\$ 19,817,224	\$ 3,551,777	\$ -	\$ 1,673,441	\$ 1,115,637	\$ -	\$ 26,158,079
Franchise fees	897,769	136,224	-	-	-	-	1,033,993
Intergovernmental	4,894,354	171,933	-	-	-	-	5,066,287
Licenses, fees and charges	412,736	1,711,476	-	-	-	-	2,124,212
Fines and forfeitures	540,304	-	-	-	-	-	540,304
Tenant rental income	222,567	-	-	-	-	-	222,567
Arts and cultural	-	-	1,639,949	-	-	-	1,639,949
Base rentals	-	-	-	-	-	1,009,664	1,009,664
Net investment income	9,879	2,478	-	319	373	1,064	14,113
Other	358,748	43,162	-	-	-	-	401,910
Total revenues	<u>27,153,581</u>	<u>5,617,050</u>	<u>1,639,949</u>	<u>1,673,760</u>	<u>1,116,010</u>	<u>1,010,728</u>	<u>38,211,078</u>
EXPENDITURES							
Current							
General government	4,388,867	612,965	-	-	-	-	5,001,832
Municipal court	213,810	-	-	-	-	-	213,810
Community development	621,520	404,000	-	-	-	-	1,025,520
Public works	4,235,978	181,212	-	-	-	-	4,417,190
Arts and cultural services	-	-	2,496,989	-	-	-	2,496,989
Police	5,224,048	1,259,338	-	-	-	-	6,483,386
Debt service							
Bond principal	-	-	-	915,000	600,000	1,005,000	2,520,000
Bond interest	-	-	-	499,206	420,213	4,664	924,083
Paying agent fees	-	-	-	200	200	-	400
Capital outlay	9,444,153	2,118,916	-	-	-	-	11,563,069
Total expenditures	<u>24,128,376</u>	<u>4,576,431</u>	<u>2,496,989</u>	<u>1,414,406</u>	<u>1,020,413</u>	<u>1,009,664</u>	<u>34,646,279</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,025,206</u>	<u>1,040,619</u>	<u>(857,041)</u>	<u>259,354</u>	<u>95,597</u>	<u>1,064</u>	<u>3,564,799</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,260,832	-	857,041	-	-	-	2,117,873
Transfers (out)	(857,041)	(1,086,744)	-	(173,024)	-	(1,064)	(2,117,873)
Total other financing sources (uses)	<u>403,791</u>	<u>(1,086,744)</u>	<u>857,041</u>	<u>(173,024)</u>	<u>-</u>	<u>(1,064)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,428,997	(46,125)	-	86,330	95,597	-	3,564,799
FUND BALANCES - BEGINNING 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>
FUND BALANCES - END OF YEAR	<u>\$ 17,876,332</u>	<u>\$ 52,601</u>	<u>\$ -</u>	<u>\$ 655,277</u>	<u>\$ 778,577</u>	<u>\$ 923,000</u>	<u>\$ 20,285,787</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, 2014

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

Net change in fund balances - Total governmental funds	\$ 3,564,799
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,801,699
Prior year CIP that has been expensed	(669)
Depreciation expense	(5,036,232)

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	2,520,000
Bond premium, net	25,306

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	(9,013)
Accrued interest on bonds - Change in liability	4,412

Changes in net position of governmental activities	<u><u>\$ 3,870,302</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, 2014

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

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

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

The City 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, 2014. 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 majority vote of existing members.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

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, 2014

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, 2014

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 (see Note 20).

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, 2014

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, 2014, supplementary appropriations approved by the City modified the appropriation from \$5,001,725 to \$5,873,145 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, 2014

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.

Accounts Receivable

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 an Intergovernmental Agreement with Douglas County for an emergency disaster management reserve, entered into multiple agreements with private-public entities to operate a free shuttle service between certain employers and the light rail station, as well as setting requirements as part of the site improvement application process for park fees in lieu of land dedication. Additionally, City Council has adopted a Council Adopted Policy to assign fund balance. CAP #12-02, the Capital Reserve Policy, establishes reserves for future capital replacement and project needs.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

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, 2014 are classified in the accompanying financial statements as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Statement of net position:		
Cash and investments	\$ 14,879,062	\$ 4,669,007
Cash and investments - Restricted	<u>6,332,042</u>	<u>1,503,329</u>
Total cash and investments	<u>\$ 21,211,104</u>	<u>\$ 6,172,336</u>

Cash and investments as of December 31, 2014 consist of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Deposits with financial institutions	\$ 17,699,838	\$ 3,894,641
Investments	<u>3,511,266</u>	<u>2,277,695</u>
Total cash and investments	<u>\$ 21,211,104</u>	<u>\$ 6,172,336</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, 2014**

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, 2014, the City's cash deposits had a bank balance of \$18,120,606 and a carrying balance of \$17,699,838. 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, 2014, the PMBID's cash deposits had a bank balance of \$3,926,417 and a carrying balance of \$3,894,641.

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, 2014**

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, 2014, 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	\$ 3,511,266	\$ -
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	-	2,277,695
		<u>\$ 3,511,266</u>	<u>\$ 2,277,695</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, 2014

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 - Arts Center	Debt Service Fund - Arts & Cultural Facilities	Debt Service Fund - Park & Recreation Improvements	Nonmajor Fund Building Authority Debt Service	Total
Fund Balances							
Nonspendable:							
Prepaid items	\$ 401,104	\$ -	\$ 46,674	\$ -	\$ -	\$ -	\$ 447,778
	<u>401,104</u>	<u>-</u>	<u>46,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,778</u>
Restricted for:							
Emergency reserve (TABOR)	786,476	-	-	-	-	-	786,476
Conservation Trust	172,649	-	-	-	-	-	172,649
Park and recreation improvements							
Series 2008A bonds	934,909	-	-	-	-	-	934,909
COPS expense account	974	-	-	-	-	-	974
Brick Fence Replacement Reserve	986,200	-	-	-	-	-	986,200
Emergency maintenance and repair	-	52,601	-	-	-	-	52,601
Walk & Wheel grant	11,140	-	-	-	-	-	11,140
Debt service	-	-	-	655,277	778,577	923,000	2,356,854
	<u>2,892,348</u>	<u>52,601</u>	<u>-</u>	<u>655,277</u>	<u>778,577</u>	<u>923,000</u>	<u>5,301,803</u>
Committed to:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to:							
Emergency disaster management - County	99,273	-	-	-	-	-	99,273
Capital replacement	7,256,000	-	-	-	-	-	7,256,000
Park fee in lieu of land dedication	74,194	-	-	-	-	-	74,194
Lone Tree Link	425,812	-	-	-	-	-	425,812
Subsequent year's expenditures	3,004,955	-	-	-	-	-	3,004,955
	<u>10,860,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,860,234</u>
Unassigned	<u>3,722,646</u>	<u>-</u>	<u>(46,674)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,675,972</u>
Total Fund Balance	<u>\$ 17,876,332</u>	<u>\$ 52,601</u>	<u>\$ -</u>	<u>\$ 655,277</u>	<u>\$ 778,577</u>	<u>\$ 923,000</u>	<u>\$ 20,285,787</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4- FUND BALANCE (CONTINUED)

Nonspendable

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

Restricted

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

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

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

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.

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 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.

Kaiser Permanente Colorado awarded the City a Walk and Wheel Grant to help design safer, healthier and more accessible transportation options. These funds must be used to create a safe environment that fosters access to a variety of healthy ways to commute. City awarded funds are being used for a City-wide study on bike lanes.

The debt service restricted balance represents funds to be used for future payment of bond

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE 4- FUND BALANCE (CONTINUED)

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.

Assigned

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

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

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

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

Subsequent year’s expenditures represents the amount appropriated for use in the budget for the year ending December 31, 2015.

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, 2014 are as follows:

Fund	<u>Receivables</u>	<u>Payables</u>
General	\$ 512,820	\$ -
Special Revenue Fund - RidgeGate	-	386,630
Special Revenue Fund – Cultural / Community Services	-	126,190
	<u>\$ 512,820</u>	<u>\$ 512,820</u>

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

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

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, 2014, 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 2015 with unearned and other revenues.

The following schedule summarizes the City’s transfers for the year ended December 31, 2014:

Transfers Out	Transfers in General Fund	Transfers in Special Revenue Fund - Cultural & Community Services
	<u> </u>	<u> </u>
Building Authority - Debt Service	\$ 1,064	\$ -
Special Revenue Fund - RidgeGate	1,086,744	-
Debt Service Fund – Arts / Cultural Facilities	173,024	-
General Fund	-	857,041
	<u>\$ 1,260,832</u>	<u>\$ 857,041</u>

The transfer of \$1,064 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 \$1,086,744 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 \$173,024 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 \$857,041 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, 2014

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 follows:

	Balance at December 31, 2013	Increases	Decreases	Balance at December 31, 2014
Primary Government				
Capital assets, not being depreciated:				
Land	\$ 23,790,227	\$ 68,571	\$ -	\$ 23,858,798
Construction in progress	327,672	245,450	(573,122)	-
Total capital assets, not being depreciated	<u>24,117,899</u>	<u>314,021</u>	<u>(573,122)</u>	<u>23,858,798</u>
Capital assets, being depreciated:				
Buildings and building improvements	39,257,289	56,156	-	39,313,445
Equipment	2,461,832	450,043	-	2,911,875
Vehicles	1,574,673	200,080	-	1,774,753
Infrastructure	94,739,824	2,353,852	-	97,093,676
Intangibles	1,500,000	-	-	1,500,000
Total capital assets, being depreciated	<u>139,533,618</u>	<u>3,060,131</u>	<u>-</u>	<u>142,593,749</u>
Less accumulated depreciation for:				
Buildings and building improvements	(4,078,855)	(973,422)	-	(5,052,277)
Equipment	(1,530,845)	(321,630)	-	(1,852,475)
Vehicles	(1,220,384)	(168,615)	-	(1,388,999)
Infrastructure	(51,461,729)	(3,535,065)	-	(54,996,794)
Intangibles	(356,250)	(37,500)	-	(393,750)
Total accumulated depreciation	<u>(58,648,063)</u>	<u>(5,036,232)</u>	<u>-</u>	<u>(63,684,295)</u>
Total capital assets, being depreciated, net	80,885,555	(1,976,101)	-	78,909,454
Capital assets, net	<u>\$ 105,003,454</u>	<u>\$ (1,662,080)</u>	<u>\$ (573,122)</u>	<u>\$ 102,768,252</u>

During 2014, the City spent a total of \$66,250 in capital outlay initiatives that are not being depreciated on the City's record (e.g., capital assets owned by other entities).

	Balance at December 31, 2013	Increases	Decreases	Balance at December 31, 2014
Component Unit:				
Capital assets, being depreciated:				
Infrastructure	\$ 15,333,351	\$ 772,547	\$ -	\$ 16,105,899
Total capital assets, being depreciated	<u>15,333,351</u>	<u>772,547</u>	<u>-</u>	<u>16,105,899</u>
Less accumulated depreciation for:				
Infrastructure	(2,522,918)	(511,112)	-	(3,034,031)
Total accumulated depreciation	<u>(2,522,918)</u>	<u>(511,112)</u>	<u>-</u>	<u>(3,034,031)</u>
Total capital assets, being depreciated, net	12,810,433	261,435	-	13,071,868
Capital assets, net	<u>\$ 12,810,433</u>	<u>\$ 261,435</u>	<u>\$ -</u>	<u>\$ 13,071,868</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense for 2014 was charged to the following functions/programs:

	<u>Governmental Activities</u>	<u>Component Unit</u>
General government	\$ 436,993	\$ 511,112
Municipal court	7,236	-
Community development	26,446	-
Public works	3,554,851	-
Police department	413,354	-
Arts and cultural	<u>597,352</u>	<u>-</u>
Total depreciation expense	<u>\$ 5,036,232</u>	<u>\$ 511,112</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, 2014:

	<u>Balance at December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2014</u>	<u>Due Within One Year</u>
Governmental Activities					
Certificates of Participation - Series 2007	\$ 2,295,000	\$ -	\$ 1,005,000	\$ 1,290,000	\$ 1,070,000
Sales and Use Tax Revenue Bonds - Series 2008A	8,550,000	-	600,000	7,950,000	645,000
Unamortized premium on Series 2008A Bonds	25,269	-	4,076	21,193	-
Sales and Use Tax Revenue Bonds- Series 2009	13,025,000	-	915,000	12,110,000	985,000
Unamortized premium on Series 2009 Bonds	135,066	-	21,230	113,836	-
Compensated absences	<u>635,023</u>	<u>145,453</u>	<u>136,440</u>	<u>644,036</u>	<u>483,027</u>
	<u>\$ 24,665,358</u>	<u>\$ 145,453</u>	<u>\$ 2,681,746</u>	<u>\$ 22,129,065</u>	<u>\$ 3,183,027</u>

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Component Unit	Balance at December 31, 2013	Additions	Reductions	Balance at December 31, 2014	Due Within One Year
Shared Sales Tax Revenue Bonds - Series 2007	\$ 14,650,000	-	\$ 470,000	\$ 14,180,000	\$ 490,000
Unamortized discount on Series 2007 Bonds	(234,864)	-	13,048	(221,816)	-
	<u>\$ 14,415,136</u>	<u>-</u>	<u>\$ 483,048</u>	<u>\$ 13,958,184</u>	<u>\$ 490,000</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, 2014, 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, 2014, the PMBID has \$118,690,000 in authorized, but unissued indebtedness for capital purposes.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014, the interest rate was 0.18%. 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 2007 Certificates were paid off in full with an early redemption on January 2, 2015.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Bonds, whichever occurs first.

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

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

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, 2014

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity are as follows:

Year Ended December 31,	Governmental Activities		
	Certificates of Participation and Sales and Use Tax Revenue Bonds		
	Principal	Interest	Total
	Principal	Interest	Total
2015	\$ 2,700,000	\$ 868,791	\$ 3,568,791
2016	1,975,000	805,827	2,780,827
2017	1,890,000	735,719	2,625,719
2018	2,030,000	658,656	2,688,656
2019	2,195,000	569,406	2,764,406
2020-2023	<u>10,560,000</u>	<u>1,225,771</u>	<u>11,785,771</u>
	<u>\$ 21,350,000</u>	<u>\$ 4,864,170</u>	<u>26,214,170</u>

	Component Unit		
	Principal	Interest	Total
2015	\$ 490,000	\$ 749,595	\$ 1,239,595
2016	515,000	725,095	1,240,095
2017	540,000	699,345	1,239,345
2018	570,000	672,345	1,242,345
2019	600,000	642,135	1,242,135
2020-2024	3,505,000	2,699,225	6,204,225
2025-2029	4,540,000	1,666,307	6,206,307
2030-2031	<u>3,420,000</u>	<u>309,230</u>	<u>3,729,230</u>
	<u>\$ 14,180,000</u>	<u>\$ 8,163,277</u>	<u>\$ 22,343,277</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014, the City had net investment in capital assets of \$81,283,223 calculated as follows:

Primary Government	<u>Governmental Activities</u>
Net investment in capital assets:	
Capital assets, net	\$ 102,768,252
Current portion of long-term obligations	(2,700,000)
Noncurrent portion of long-term obligations	(18,650,000)
Premium (net of accumulated amortization)	<u>(135,029)</u>
Net investment in capital assets	<u>\$ 81,283,223</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 \$3,370,714 as of December 31, 2014 as follows:

Primary Government	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve (see Note 19)	\$ 786,476
Conservation Trust	172,649
Brick Fence Replacement	986,200
Emergency Maintenance & Repair (see Note 11)	52,601
Walk and Wheel Grant	11,140
Debt service (see Note 7)	<u>1,361,648</u>
	<u>\$ 3,370,714</u>

The unrestricted component of net position as of December 31, 2014 totaled \$16,198,831.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014</u>	<u>Remaining Amount Committed</u>
Retailer A	\$ 750,000	September 30, 2021	\$ 300,000	\$ 450,000
Service Provider A	200,000	N/A	200,000	-
Retailer B	7,200,000	May 17, 2027	3,136,436	4,063,564
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>\$ 3,637,168</u>	<u>\$ 4,413,564</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, 2014

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 \$449,082 in 2014 associated with costs under the agreement. Total dispatch services costs of \$554,000 are estimated for 2015.

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 2014:

Crime analysis	\$ 5,184
Crime scene investigation	9,440
Evidence storage	<u>45,199</u>
	<u>\$ 59,823</u>

Total services are estimated at \$94,100 for 2015.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 \$0 in 2014. For 2015, the main projects are improvements to Parkway Drive, Yosemite Street, and County Line Road. The City's share of the 2015 improvements are estimated at \$1,480,000 of the approximate total cost of \$2,500,000.

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).

Lone Tree Link Shuttle Service

During 2014, the City entered into multiple agreements as part of a public-private partnership related to the Lone Tree Shuttle Bus Project or the Lone Tree Link (Link). This project was initiated because Park Meadows Drive is a major travel corridor in the City, connecting the Lincoln Light Rail Station with major institutions and businesses that provide work for thousands of employees. This service gives residents, visitors, shoppers and employees the ability to access these institutions and businesses by means of a shuttle bus service and provides better transportation to jobs and amenities throughout the corridor and reduces the dependency on the single occupant automobile, facilitates the movement of traffic and minimizes traffic congestion in the shuttle area. The private businesses consisting of Kaiser Permanente, Sky Ridge Medical Center, Charles Schwab, Lone Tree Restaurant Investment, LLC, GC Net Lease Investors, LLC and BGP Parkridge, LLC, entered into license agreements to allow the Link access to their properties. Additionally, Kaiser Permanente, Sky Ridge Medical Center and Charles Schwab are funding partners contributing \$100,000, \$100,000 and \$125,000, respectively, for the 2014-2015 operation year which runs from September 2014 to August 2015. Additionally, two intergovernmental agreements were entered into with the Southeast Public Improvement Metropolitan District (SPIMD) and the OmniPark Metropolitan District which include funding support of \$100,000 each for the 2014-2015 operation year. The City also contributed \$250,000 for the first year and is responsible for overseeing the operations of the Link. The continuance of the service will be evaluated each year annually, along with additional funding needs.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 11 – COMMITMENTS (CONTINUED)

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, restricted 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, 2014, 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 2014, the amount paid to the Developer pursuant to the Shareback Agreement totaled \$1,335,984.

On December 16, 2014, City Council approved the First Amendment to the RidgeGate West Side Annexation and Development Agreement effective January 1, 2015 (see Note 20).

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.

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE 12 - 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 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 2012, 2013 and 2014. Information regarding pension plan contributions from the City is as follows:

	2014	2013	2012
Statewide Defined Benefit Plan	\$ 293,433	\$ 271,334	\$ 256,661
Statewide Death and Disability	\$ 95,378	\$ 88,194	\$ 83,425

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 13 - 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.

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

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

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 1-800-759-PERA (7372).

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:

	2014	2013	2012
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	\$ 362,287	\$ 331,251	\$ 296,587
Health Plan	\$ 29,163	\$ 26,665	\$ 23,858

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 14 - 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 15 - MAJOR TAXPAYERS

For the year ending December 31, 2014, approximately 17% 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.

NOTE 16 - CONTINGENCIES

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

NOTE 17 - RELATED PARTY

The Developer 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 2014 totaled \$511,788.

NOTE 18 - 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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 18 - RISK MANAGEMENT (CONTINUED)

is not legally required to do so.

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

NOTE 19 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

NOTE 20 – SUBSEQUENT EVENTS

First Amendment to the Annexation and Development Agreement

On December 16, 2014, the City Council approved the First Amendment to the Annexation and Development Agreement (Amendment) between the City and RidgeGate Investments, Inc. (RidgeGate) which is effective January 1, 2015. Simultaneously with the execution of this Amendment, RidgeGate, the City and Rampart Range Metropolitan District No. 1 (the District) entered into an agreement (the West Side Agreement) regarding dedication, acceptance and

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 20 – SUBSEQUENT EVENTS (CONTINUED)

maintenance of public improvements on the portion of the property located on the west side of I-25, and the sharing of sales tax revenues generated from transactions occurring within the west side property. This amendment replaces the 2001 Annexation Agreement and 2001 Sales Tax Sharing Agreement (the 2001 Agreements) for the west side of the property only. The 2001 Agreements are still in place for the property east of I-25. The two significant changes in the Amendment include the acceptance of streets and sales tax sharing.

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

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

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

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 20 – SUBSEQUENT EVENTS (CONTINUED)

Southeast Light Rail Extension Project

During 2015, the City will be entering into multiple agreements related to the funding of the southeast light rail extension project which will add three additional stops, approximately 2.3 miles of additional trackage, and associated infrastructure. The master agreement will be between the City and the Regional Transportation District (RTD), which assumes a local match from the City totaling a \$25 million cash contribution. The City will also be entering into cost sharing agreements with Douglas County, the Denver South Transportation Management Authority (TMA), and the Rampart Range Metropolitan District (RRMD). Contributions from each entity are planned as follows:

- City - \$7,335,000
- Douglas County - \$7,335,000
- RRMD - \$7,335,000
- TMA - \$2,995,000

The City's local match to RTD is not contingent upon payment from the other entities, however the City plans to execute agreements with the other entities in 2015, prior to finalizing the master agreement with RTD later in the year. On February 24, 2015, the City and Douglas County entered into an intergovernmental agreement where the County agrees to pay the City \$7,335,000. This amount will be paid in three installments, \$1,730,000 by December 1, 2015, \$3,160,000 by March 1, 2016 and \$2,445,000 by December 1, 2017. The other agreements will be entered into before the end of 2015 and construction is planned to begin in early 2016.

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2014**

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
TAXES			
Sales tax	\$ 18,178,000	\$ 18,156,709	\$ (21,291)
Use tax - Retail	286,250	277,362	(8,888)
Use tax - Building materials	166,000	159,480	(6,520)
Lodging tax	622,000	719,759	97,759
Admissions tax	330,000	503,914	173,914
	<u>19,582,250</u>	<u>19,817,224</u>	<u>234,974</u>
FRANCHISE FEES			
Electric and gas	678,300	701,488	23,188
Cable television	187,200	196,281	9,081
	<u>865,500</u>	<u>897,769</u>	<u>32,269</u>
INTERGOVERNMENTAL			
Highway Users Tax (HUTF)	227,585	231,210	3,625
Conservation Trust Fund	63,000	57,280	(5,720)
Cigarette tax	203,000	196,839	(6,161)
County Road and Bridge shareback	1,074,200	1,083,245	9,045
Douglas County shareback - Transportation	2,280,000	2,129,017	(150,983)
Motor vehicle registration fees	39,000	43,150	4,150
Regional improvements contribution - RRMD	104,400	101,656	(2,744)
Reimbursable costs	710,400	938,772	228,372
Grants	18,000	113,185	95,185
	<u>4,719,585</u>	<u>4,894,354</u>	<u>174,769</u>

(Continued)

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

Year Ended December 31, 2014

(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	23,500	22,320	(1,180)
Liquor license fees	12,000	13,589	1,589
Building permit fees	349,000	291,015	(57,985)
Planning fees	19,080	18,731	(349)
Engineering fees	40,000	27,881	(12,119)
Other	36,000	39,200	3,200
	<u>479,580</u>	<u>412,736</u>	<u>(66,844)</u>
FINES AND FORFEITURES			
Court fees	73,400	71,630	(1,770)
Vehicle violation and other fines	535,000	422,071	(112,929)
Victims assistance surcharge fees	43,900	46,603	2,703
	<u>652,300</u>	<u>540,304</u>	<u>(111,996)</u>
OTHER			
Net investment income	20,000	9,879	(10,121)
Tenant rental income	232,000	222,567	(9,433)
Police Department fees	25,000	39,673	14,673
Other	243,000	319,076	76,076
	<u>520,000</u>	<u>591,195</u>	<u>71,195</u>
Total revenues	<u>26,819,215</u>	<u>27,153,581</u>	<u>334,366</u>

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2014
(Continued)**

	<u>Budget Amounts</u> Original and Final	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
EXPENDITURES			
GENERAL GOVERNMENT			
City Council stipend and expenditures	107,600	85,443	22,157
City Clerk - Elections	20,000	18,645	1,355
City Clerk - Publications	10,000	8,015	1,985
City Clerk - Salaries and benefits	90,762	90,232	530
City Clerk - Records retention	13,500	2,282	11,218
City Clerk - Charter revision	20,000	-	20,000
City administration - Salaries and benefits	1,050,643	949,038	101,605
Dues and membership	100,095	111,636	(11,541)
Accounting and financial services	471,352	355,752	115,600
Human resources	271,724	265,203	6,521
Information technology	394,720	387,409	7,311
Legal	673,200	626,242	46,958
Audit	27,600	27,935	(335)
Consulting	45,000	14,841	30,159
Insurance	311,100	313,212	(2,112)
City office	341,380	322,525	18,855
Civic Center - Maintenance and utilities	139,983	110,300	29,683
Arts Center - Maintenance and utilities	282,776	349,756	(66,980)
Park restroom maintenance	8,315	8,807	(492)
Community support	54,000	46,716	7,284
Community garden	3,000	-	3,000
Youth initiatives	19,800	19,800	-
Community education programs	1,000	1,025	(25)
Housing partnership	35,000	35,000	-
Communications and newsletter	68,000	70,018	(2,018)
Economic development	278,000	135,551	142,449
Miscellaneous	50,066	33,484	16,582
	<u>4,888,616</u>	<u>4,388,867</u>	<u>499,749</u>

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2014
(Continued)**

	<u>Budget Amounts</u> Original and Final	Actual Amounts	Variance with Final Budget
MUNICIPAL COURT			
Municipal judge	26,500	25,361	1,139
Legal	36,000	36,000	-
Administration	137,575	135,764	1,811
Office and software	2,000	3,241	(1,241)
Victims assistance surcharge	20,000	13,444	6,556
	<u>222,075</u>	<u>213,810</u>	<u>8,265</u>
COMMUNITY DEVELOPMENT			
Salaries and benefits	621,068	497,790	123,278
Contract services	1,500	2,347	(847)
Field supplies	3,875	4,304	(429)
Planning Commission	2,500	2,184	316
Document scanning	6,500	6,725	(225)
Plan review and other inspections	25,000	19,240	5,760
Elevator inspection	41,760	58,835	(17,075)
Engineering	50,000	22,873	27,127
Sustainability program	3,000	-	3,000
Miscellaneous	11,980	7,222	4,758
	<u>767,183</u>	<u>621,520</u>	<u>145,663</u>
PUBLIC WORKS			
Public Works Department	520,000	616,066	(96,066)
Street lighting	360,000	385,916	(25,916)
Street maintenance	650,000	577,512	72,488
Drainage maintenance	90,000	77,162	12,838
Street and sidewalk sweeping	50,000	25,915	24,085
Traffic signal energy cost and maintenance	130,000	123,781	6,219
Signal timing	9,500	-	9,500
Snow removal	885,000	1,126,488	(241,488)
Landscaping maintenance	100,000	76,473	23,527
Trash and recycling program	580,000	507,076	72,924
Household hazardous program	7,500	4,506	2,994
Engineering	310,000	264,910	45,090

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2014
(Continued)**

	<u>Budget Amounts</u> Original and Final	Actual Amounts	Variance with Final Budget
PUBLIC WORKS (continued)			
Fence maintenance	20,000	-	20,000
Geographic Information System (GIS)	140,000	146,327	(6,327)
Website mapper	5,000	5,000	-
Materials and equipment	14,000	10,010	3,990
EPA Phase 2 drainage	110,000	55,954	54,046
State mandated noxious weeds control	20,000	22,207	(2,207)
Signage and striping	120,000	119,295	705
Accident repairs	20,000	4,732	15,268
Public works facility operations and equipment	40,000	41,689	(1,689)
Software and support	16,000	9,311	6,689
Street amenities	5,000	-	5,000
Mutt mitts contract	12,000	10,338	1,662
Habitat control	2,500	-	2,500
Holiday lighting and decorations	35,000	23,589	11,411
Miscellaneous	3,000	1,721	1,279
	<u>4,254,500</u>	<u>4,235,978</u>	<u>18,522</u>
POLICE			
Salaries and benefits	4,256,111	4,129,413	126,698
Office and administration	175,642	141,240	34,402
Uniforms and equipment	54,710	42,089	12,621
Vehicles and equipment	465,195	415,811	49,384
General equipment	107,714	14,393	93,321
Dispatch	581,936	360,130	221,806
Training	101,583	50,496	51,087
Community outreach and miscellaneous	109,680	70,476	39,204
	<u>5,852,571</u>	<u>5,224,048</u>	<u>628,523</u>

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2014
(Continued)**

	<u>Budget Amounts</u> Original and Final	Actual Amounts	Variance with Final Budget
CAPITAL OUTLAY			
Software packages	75,110	76,496	(1,386)
Overlay/reconstruction projects	1,100,000	1,213,325	(113,325)
Traffic signalization	121,000	58,892	62,108
Pedestrian lights	-	205,645	(205,645)
Monumentation and signage	80,000	65,287	14,713
City office building	17,600	13,744	3,856
City office building - Capital leases	1,136,962	1,009,664	127,298
City office building - LOC and remarketing fees	31,000	29,633	1,367
Lincoln Avenue panel replacement	295,000	472,942	(177,942)
Entertainment District improvements	590,000	2,059	587,941
Park Meadows Dr. Median Improvements	-	3,230	(3,230)
Park Meadows Dr. regional pond upgrade	30,000	-	30,000
Landscaping and signage at Park Meadows Center Dr. and County Line	60,000	31,250	28,750
Transportation study	50,000	-	50,000
Landscape improvements	55,000	45,704	9,296
County Line improvements	60,000	-	60,000
Yosemite landscaped medians	85,000	115	84,885
C-470 Coalition - Douglas County	500,000	-	500,000
Storm sewer improvements	-	39,805	(39,805)
Brick fence	750,000	-	750,000
Park Meadows Dr. medians W Acres Green	150,000	9,136	140,864
Parkway Dr. crossing Willow Creek	50,000	36,761	13,239
Light rail extension	3,000,000	-	3,000,000
Lone Tree link	500,000	249,414	250,586
Walk and wheel study	-	88,859	(88,859)
Public art projects	225,000	12,461	212,539
Arts Center improvements	173,500	173,024	476
Schweiger Ranch preservation	75,000	75,000	-
Retail retention	75,000	75,000	-

(Continued)

**CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2014
(Continued)**

	<u>Budget Amounts</u> Original and Final	Actual Amounts	Variance with Final Budget
Service provider shareback	10,000	-	10,000
Annexation shareback	27,188	-	27,188
Reimbursement of sales taxes to BID	5,160,000	5,242,599	(82,599)
Reimbursement of property taxes to PMMD	196,000	209,962	(13,962)
Park and recreation	253,500	4,146	249,354
	<u>14,931,860</u>	<u>9,444,153</u>	<u>5,487,707</u>
 Total expenditures	 <u>30,916,805</u>	 <u>24,128,376</u>	 <u>6,788,429</u>
 EXCESS REVENUES OVER (UNDER) EXPENDITURES	 <u>(4,097,590)</u>	 <u>3,025,206</u>	 <u>7,122,796</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(120,139)	403,791	523,930
Total other financing sources (uses)	<u>(120,139)</u>	<u>403,791</u>	<u>523,930</u>
 NET CHANGE IN FUND BALANCES	 (4,217,729)	 3,428,997	 7,646,726
 FUND BALANCES - BEGINNING OF YEAR	 <u>13,852,033</u>	 <u>14,447,335</u>	 <u>595,302</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 9,634,304</u>	 <u>\$ 17,876,332</u>	 <u>\$ 8,242,028</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, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 1,818,000	\$ 2,139,000	\$ 2,091,237	\$ (47,763)
Use tax - Retail	687,000	450,000	449,228	(772)
Use tax - Building materials	965,000	904,000	822,879	(81,121)
Lodging tax	158,100	190,000	188,433	(1,567)
Franchise fees	114,950	138,000	136,224	(1,776)
Highway Users Tax (HUTF)	84,175	97,000	96,933	(67)
Building permit fees	963,000	1,700,000	1,633,562	(66,438)
Planning fees	20,000	12,500	11,015	(1,485)
Engineering fees	110,000	75,000	66,899	(8,101)
Schweiger Ranch grants and contributions	75,000	75,000	75,000	-
Other	6,500	46,520	45,640	(880)
Total revenues	<u>5,001,725</u>	<u>5,827,020</u>	<u>5,617,050</u>	<u>(209,970)</u>
EXPENDITURES				
City administration	203,554	200,000	187,729	12,271
Legal	20,000	35,000	34,024	976
Administration and overhead costs	220,000	195,000	193,611	1,389
Insurance	76,900	85,000	83,817	1,183
Audit	5,000	5,000	5,000	-
Engineering	300,000	220,000	216,953	3,047
Community development	208,024	190,000	187,047	2,953
Consulting	35,000	35,000	33,784	1,216
Police	1,556,317	1,300,000	1,259,338	40,662
Street lighting	5,000	5,500	4,911	589
Snow removal	125,000	177,250	176,301	949
Schweiger Ranch preservation	75,000	75,000	75,000	-
Retail shareback	480,675	582,924	582,924	-
Service provider shareback	200,000	200,000	200,000	-
Developer revenue shareback	865,870	1,335,984	1,335,984	-
Contingency	5,000	144,743	8	144,735
Total expenditures	<u>4,381,340</u>	<u>4,786,401</u>	<u>4,576,431</u>	<u>209,970</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, 2014
(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>620,385</u>	<u>1,040,619</u>	<u>1,040,619</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(620,385)</u>	<u>(1,086,744)</u>	<u>(1,086,744)</u>	<u>-</u>
Total other financing sources (uses)	<u>(620,385)</u>	<u>(1,086,744)</u>	<u>(1,086,744)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(46,125)	(46,125)	-
FUND BALANCES - BEGINNING OF YEAR	<u>52,601</u>	<u>98,726</u>	<u>98,726</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 52,601</u>	<u>\$ 52,601</u>	<u>\$ 52,601</u>	<u>\$ -</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, 2014

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Ticket sales and handling fees	\$ 1,102,250	\$ 1,004,587	\$ (97,663)
Rental fees	195,500	195,886	386
Concessions and catering	67,500	81,653	14,153
Tuition and entry fees	15,000	10,941	(4,059)
Individual, corporate and foundation contributions	205,000	150,223	(54,777)
Government grants	124,250	156,019	31,769
Miscellaneous	54,070	40,640	(13,430)
Total revenues	<u>1,763,570</u>	<u>1,639,949</u>	<u>(123,621)</u>
EXPENDITURES			
Administration	122,830	157,867	(35,037)
Programming	1,608,456	1,613,731	(5,275)
Marketing	394,733	377,719	17,014
Education	49,550	5,772	43,778
Miscellaneous	22,500	18,476	4,024
Development	123,825	25,526	98,299
Annual events	215,500	237,871	(22,371)
Arts and cultural events	121,200	55,095	66,105
Recreational activities and support	19,000	4,932	14,068
Total expenditures	<u>2,677,594</u>	<u>2,496,989</u>	<u>180,605</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(914,025)</u>	<u>(857,041)</u>	<u>56,984</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>914,025</u>	<u>857,041</u>	<u>(56,984)</u>
Total other financing sources (uses)	<u>914,025</u>	<u>857,041</u>	<u>(56,984)</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, 2014

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.

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

CITY OF LONE TREE
DEBT SERVICE FUND - ARTS AND CULTURAL FACILITIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2014

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Sales tax	\$ 1,640,000	\$ 1,632,014	\$ (7,986)
Use tax - Retail	22,800	25,443	2,643
Use tax - Building materials	18,900	15,984	(2,916)
Net investment income	600	319	(281)
Total revenues	<u>1,682,300</u>	<u>1,673,760</u>	<u>(8,540)</u>
EXPENDITURES			
Bond interest	499,206	499,206	-
Bond principal	915,000	915,000	-
Paying agent fees	200	200	-
Contingency	5,594	-	5,594
Total expenditures	<u>1,420,000</u>	<u>1,414,406</u>	<u>5,594</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	262,300	259,354	(2,946)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(173,500)	(173,024)	476
Total other financing sources (uses)	<u>(173,500)</u>	<u>(173,024)</u>	<u>476</u>
NET CHANGE IN FUND BALANCES	88,800	86,330	(2,470)
FUND BALANCES - BEGINNING OF YEAR	<u>548,162</u>	<u>568,947</u>	<u>20,785</u>
FUND BALANCES - END OF YEAR	<u>\$ 636,962</u>	<u>\$ 655,277</u>	<u>\$ 18,315</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, 2014

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Sales tax	\$ 1,094,000	\$ 1,088,009	\$ (5,991)
Use tax - Retail	15,300	16,962	1,662
Use tax - Building materials	12,500	10,666	(1,834)
Net investment income	800	373	(427)
Total revenues	<u>1,122,600</u>	<u>1,116,010</u>	<u>(6,590)</u>
EXPENDITURES			
Bond interest	420,213	420,213	-
Bond principal	600,000	600,000	-
Paying agent fees	200	200	-
Contingency	4,587	-	4,587
Total expenditures	<u>1,025,000</u>	<u>1,020,413</u>	<u>4,587</u>
NET CHANGE IN FUND BALANCES	97,600	95,597	(2,003)
FUND BALANCES - BEGINNING OF YEAR	<u>680,648</u>	<u>682,980</u>	<u>2,332</u>
FUND BALANCES - END OF YEAR	<u>\$ 778,248</u>	<u>\$ 778,577</u>	<u>\$ 329</u>

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

**CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
December 31, 2014**

	General	Debt Service	Total Component Unit
ASSETS			
Cash and investments	\$ 4,669,007	\$ -	\$ 4,669,007
Cash and investments - Restricted	165,000	1,338,329	1,503,329
Receivables:			
Intergovernmental	1,328,358	-	1,328,358
Other	523	-	523
Prepaid items	5,199	-	5,199
TOTAL ASSETS	\$ 6,168,087	\$ 1,338,329	\$ 7,506,416
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 205,958	\$ -	\$ 205,958
Total liabilities	205,958	-	205,958
 FUND BALANCES			
Restricted for:			
Emergencies (TABOR)	165,000	-	165,000
Series 2007 Bonds	-	1,338,329	1,338,329
Unassigned	5,797,129	-	5,797,129
Total fund balances	5,962,129	1,338,329	7,300,458
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,168,087	\$ 1,338,329	\$ 7,506,416

**CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - COMPONENT UNIT
TO THE STATEMENT OF NET POSITION
December 31, 2014**

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

Total fund balances - Component unit	\$ 7,300,458
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	13,071,868
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(14,180,000)
Accrued interest on bonds payable	(62,467)
Bond discount (net of amortization)	221,816
Net position of component unit activities	\$ 6,351,675

CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Total Component Unit</u>
REVENUES			
Intergovernmental revenue	\$ 5,452,561	\$ -	\$ 5,452,561
Net investment income	12,518	2,776	15,294
Other	23,486	-	23,486
Total revenues	<u>5,488,565</u>	<u>2,776</u>	<u>5,491,341</u>
EXPENDITURES			
Current			
Accounting and financial planning	25,400	-	25,400
Engineering	5,999	-	5,999
Insurance	5,803	-	5,803
Legal	6,246	-	6,246
Management	42,000	-	42,000
Operations and maintenance	1,543,431	-	1,543,431
Operations and maintenance - project work	899,135	-	899,135
Park Meadows District payment	209,962	-	209,962
Lease	511,788	-	511,788
Marketing	164,674	-	164,674
Capital replacement	172,781	-	172,781
Public areas, dues and supplies	6,425	-	6,425
Off site storage	30,000	-	30,000
On site staffing	82,800	-	82,800
Contingency	30,643	-	30,643
Debt service			
Bond interest	-	773,095	773,095
Bond principal	-	470,000	470,000
Paying agent fees	-	3,500	3,500
Total expenditures	<u>3,737,087</u>	<u>1,246,595</u>	<u>4,983,682</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,751,478</u>	<u>(1,243,819)</u>	<u>507,659</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(1,241,943)	1,241,943	-
Total other financing sources (uses)	<u>(1,241,943)</u>	<u>1,241,943</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	509,535	(1,876)	507,659
FUND BALANCES - BEGINNING OF YEAR	5,452,594	1,340,205	6,792,799
FUND BALANCES - END OF YEAR	<u>\$ 5,962,129</u>	<u>\$ 1,338,329</u>	<u>\$ 7,300,458</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	\$ 507,658
<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	772,547
Depreciation expense	(511,112)
<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	470,000
Accrued interest on bonds - Change in liability	1,959
Amortization of bond discount	(13,048)
	(13,048)
Changes in net position of component unit activities	\$ 1,228,004

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, 2014

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Original Budget</u>
REVENUES			
Intergovernmental revenue	\$ 5,354,757	\$ 5,452,561	\$ 97,804
Net investment income	1,800	12,518	10,718
Other	-	23,486	23,486
Total revenues	<u>5,356,557</u>	<u>5,488,565</u>	<u>132,008</u>
EXPENDITURES			
Accounting and financial planning	28,000	25,400	2,600
Engineering	4,000	5,999	(1,999)
Insurance	6,000	5,803	197
Legal	14,000	6,246	7,754
Management	42,000	42,000	-
Operations and maintenance	1,425,000	1,543,431	(118,431)
Operations and maintenance - project work	810,000	899,135	(89,135)
Park Meadows District payment	196,000	209,962	(13,962)
Lease	510,000	511,788	(1,788)
Marketing	135,000	164,674	(29,674)
Capital replacement	400,000	172,781	227,219
Public areas, dues and supplies	6,000	6,425	(425)
Off site storage	30,000	30,000	-
On site staffing	84,000	82,800	1,200
Emergency reserve	150,000	-	150,000
Contingency	60,000	30,643	29,357
Total expenditures	<u>3,900,000</u>	<u>3,737,087</u>	<u>162,913</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,456,557</u>	<u>1,751,478</u>	<u>294,921</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(1,244,000)</u>	<u>(1,241,943)</u>	<u>2,057</u>
Total other financing sources (uses)	<u>(1,244,000)</u>	<u>(1,241,943)</u>	<u>2,057</u>
NET CHANGE IN FUND BALANCES	212,557	509,535	296,978
FUND BALANCES - BEGINNING OF YEAR	<u>5,073,991</u>	<u>5,452,594</u>	<u>378,603</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,286,548</u>	<u>\$ 5,962,129</u>	<u>\$ 675,581</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, 2014**

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Net investment income	\$ 3,000	\$ 2,776	\$ (224)
Total revenues	<u>3,000</u>	<u>2,776</u>	<u>(224)</u>
EXPENDITURES			
Bond interest	773,095	773,095	-
Bond principal	470,000	470,000	-
Paying agent fees	3,500	3,500	-
Total expenditures	<u>1,246,595</u>	<u>1,246,595</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,243,595)</u>	<u>(1,243,819)</u>	<u>(224)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	1,244,000	1,241,943	(2,057)
Total other financing sources (uses)	<u>1,244,000</u>	<u>1,241,943</u>	<u>(2,057)</u>
NET CHANGE IN FUND BALANCES	405	(1,876)	(2,281)
FUND BALANCES - BEGINNING OF YEAR	<u>1,342,422</u>	<u>1,340,205</u>	<u>(2,217)</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,342,827</u>	<u>\$ 1,338,329</u>	<u>\$ (4,498)</u>

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OTHER SUPPLEMENTARY INFORMATION

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2014

	\$9,230,000 Taxable Adjustable Rate Certificates of Participation Series 2007, Dated January 9, 2007 Monthly Rate Mode Assumed at 0.18% 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
2015	\$ 1,070,000	\$ 2,322	\$ 645,000	\$ 394,713
2016	220,000	396	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
	\$ 1,290,000	\$ 2,718	\$ 7,950,000	\$ 2,184,675

**\$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**

		Total		
Principal	Interest	Principal	Interest	Total
\$ 985,000	\$ 471,756	\$ 2,700,000	\$ 868,791	\$ 3,568,791
1,060,000	439,744	1,975,000	805,827	2,780,827
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>\$ 12,110,000</u>	<u>\$ 2,676,777</u>	<u>\$ 21,350,000</u>	<u>\$ 4,864,170</u>	<u>\$ 26,214,170</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 2014

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)	2,022,206
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	685,320
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	514,609
2. General fund appropriations	3,236,699	b. Snow and ice removal	1,208,947
3. Other local imposts (from page 2)	3,496,238	c. Other	
4. Miscellaneous local receipts (from page 2)	422,071	d. Total (a. through c.)	1,723,556
5. Transfers from toll facilities		4. General administration & miscellaneous	177,695
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	2,917,524
a. Bonds - Original Issues		6. Total (1 through 5)	7,526,301
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)	7,155,008	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	371,293	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	7,526,301	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)	7,526,301

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	7,526,301	7,526,301	-	-

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2014

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	422,071
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	3,496,238	g. Other Misc. Receipts	
6. Total (1. through 5.)	3,496,238	h. Other	
c. Total (a. + b.)	3,496,238	i. Total (a. through h.)	422,071
	(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	328,143	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	43,150	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.)	43,150	g. Total (a. through f.)	
4. Total (1. + 2. + 3.f)	371,293	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	145,387	145,387
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements	0	1,698,632	1,698,632
(3). System Preservation		178,187	178,187
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,876,819	1,876,819
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	2,022,206	2,022,206
			(Carry forward to page 1)

Notes and Comments:

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STATISTICAL SECTION

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

Page

Financial Trends

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

Net Position by Component (Table 1)	86
Changes in Net Position (Table 2)	87
Fund Balances, Governmental Funds (Table 3)	88
Changes in Fund Balances, Governmental Funds (Table 4).....	89

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)	90
Sales Tax Revenue Payers by Industry (Table 6)	91
Sales Tax Revenue Collections (Table 7).....	92

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).....	93
Property Tax Rates - Direct and Overlapping Governments (Table 9)	94
Ratios of Outstanding Debt by Type (Table 10).....	95
Revenue Bond Coverage (Table 11 a and b)	96-97
Legal Debt Margin Information (Table 12)	98
General Obligation Debt - Direct and Overlapping Governments (Table 13).....	99

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).....	100
Principal Employers (Table 15)	101

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)....	102
Operating Indicators by Function/Program (Table 17).....	103
Capital Asset Statistics by Function/Program (Table 18).....	104

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									
	2005	2006	2007	2008	2009	2010	2011 (2)	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 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	\$ 81,283,223
Restricted	424,984	599,212	13,390,637	5,455,642	1,504,800	1,677,162	1,420,091	2,792,447	3,662,144	3,370,714
Unrestricted	7,035,403	4,603,864	7,234,311	6,321,043	6,932,104	4,326,462	8,024,147	11,167,791	12,347,203	16,198,831
Total governmental activities net position	<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>	<u>100,852,768</u>
Total primary government net position (1)	<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>	<u>\$ 100,852,768</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 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	\$ 13,494,009
Municipal court	210,855	321,935	325,296	323,486	321,754	307,016	209,232	213,778	215,894	217,969
Community development	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	1,040,044
Public works	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	7,972,040
Arts and cultural services	-	-	-	-	236,880	333,933	1,818,095	2,517,149	2,691,473	3,111,362
Police	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	6,639,856
Interest and related costs on long-term debt	-	-	23,107	531,783	1,080,706	1,314,525	1,193,860	1,059,855	998,465	924,398
Total governmental activities expenses	<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>	<u>33,399,678</u>
Total primary government expenses (1)	<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>	<u>\$ 33,399,678</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 25,643	\$ 6,309	\$ 408,938	\$ 366,305	\$ 354,032	\$ 357,534	\$ 309,986	\$ 318,668	\$ 249,904	\$ 222,567
Municipal court	186,839	533,594	670,412	981,873	804,553	892,255	729,769	808,569	648,298	540,304
Community development	1,105,941	757,166	944,914	811,150	450,607	709,717	623,245	1,184,333	1,717,190	2,098,603
Arts and cultural services	-	-	-	-	5,275	5,763	666,954	816,591	1,115,051	1,329,312
Police	21,345	18,073	23,421	29,994	23,373	13,211	43,389	26,606	41,845	22,919
Operating grants and contributions	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	4,252,466
Capital grants and contributions	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	1,069,622
Total governmental activities program revenues	<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>	<u>9,535,793</u>
Total primary government revenues (1)	<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>	<u>\$ 9,535,793</u>
Net (expense) revenue										
Governmental activities	<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>	<u>\$ (23,863,885)</u>
Total primary government net (expense) revenue (1)	<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>	<u>\$ (23,863,885)</u>
General revenues										
Sales taxes and Use tax - Retail	\$ 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	\$ 23,736,964
Use taxes - Building materials	501,299	319,116	383,087	325,484	421,184	263,530	213,438	955,775	1,934,767	1,009,009
Lodging taxes	264,480	371,056	394,992	442,391	359,703	467,976	526,104	557,841	766,230	908,192
Admission taxes	296,927	408,512	372,078	395,613	399,787	353,922	346,446	333,987	357,294	503,914
Franchise fees	484,378	672,134	655,909	892,587	812,310	873,573	905,892	882,107	973,986	1,033,993
Cigarette taxes	145,652	154,242	171,103	204,192	207,691	205,449	202,963	205,289	202,452	196,839
Investment earnings	207,810	263,116	657,065	500,873	106,905	176,843	35,261	20,903	19,945	14,113
Miscellaneous	101,180	191,866	469,168	320,130	360,857	550,066	236,180	278,019	443,335	331,163
Total governmental activities general revenues	<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>	<u>27,734,187</u>
Total primary government general revenues (1)	<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>	<u>\$ 27,734,187</u>
Change in net position										
Governmental activities	<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>	<u>\$ 3,870,302</u>
Total primary government change in net position (1)	<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>	<u>\$ 3,870,302</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									
	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014
General Fund										
Reserved	\$ 1,188,791	\$ 1,444,906	\$ 1,078,054	\$ 8,388,431	\$ 18,833,437	\$ 9,818,184	\$ -	\$ -	\$ -	\$ -
Unreserved	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	401,104
Restricted	-	-	-	-	-	-	2,875,620	2,678,432	3,248,713	2,892,348
Assigned	-	-	-	-	-	-	7,700,307	6,376,961	7,062,731	10,860,234
Unassigned	-	-	-	-	-	-	4,304	3,622,017	3,883,361	3,722,646
Total General Fund	<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>	<u>\$ 17,876,332</u>
All other governmental funds										
Reserved	\$ 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	46,674
Restricted	-	-	-	-	-	-	1,678,692	1,970,822	2,273,653	2,409,455
Assigned	-	-	-	-	-	-	-	98,726	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	(639,810)	(413,581)	(43,230)	(46,674)
Total all other governmental funds	<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>	<u>\$ 2,409,455</u>
Total governmental funds										
Reserved	\$ 1,729,741	\$ 2,011,356	\$ 14,785,566	\$ 14,158,674	\$ 20,722,838	\$ 11,917,298	\$ -	\$ -	\$ -	\$ -
Unreserved	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	447,778
Restricted	-	-	-	-	-	-	4,554,312	4,649,254	5,522,366	5,301,803
Assigned	-	-	-	-	-	-	7,700,307	6,475,687	7,062,731	10,860,234
Unassigned	-	-	-	-	-	-	(635,506)	3,208,436	3,840,131	3,675,972
Total governmental funds	<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>	<u>\$ 20,285,787</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	\$ 26,158,079
Franchise fees	484,378	672,134	655,909	892,587	812,310	873,573	905,892	882,107	973,986	1,033,993
Intergovernmental	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	5,066,287
Licenses, fees and charges	1,121,202	782,357	962,031	847,900	492,022	750,829	654,029	1,210,895	1,743,385	2,124,212
Fines and forfeitures	186,839	533,594	670,412	981,873	804,553	892,255	729,769	808,570	648,298	540,304
Tenant rental income	-	-	405,068	351,972	354,032	357,534	309,986	318,668	249,904	222,567
Arts and cultural event fees	5,643	51,309	38,870	91,189	59,945	71,263	888,893	1,001,410	1,369,872	1,639,949
Base rentals	-	-	-	1,100,400	910,345	1,876,308	1,863,881	894,392	951,972	1,009,664
Net investment income	175,593	228,983	792,479	500,873	106,905	176,844	35,261	19,595	19,945	14,113
Other	105,764	214,248	551,568	419,438	383,745	579,263	719,707	684,062	1,490,317	401,910
Total revenues	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	38,211,078
Expenditures										
General government	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	5,001,832
Municipal court	210,855	333,935	325,296	323,486	305,767	300,165	201,557	213,150	210,387	213,810
Community development	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	1,025,520
Public works	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	4,417,190
Arts and cultural services	-	-	-	-	1,043,051	9,476,670	11,138,702	1,818,327	2,087,722	2,496,989
Police	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	6,483,386
Debt service										
Bond principal	-	-	-	820,000	1,945,000	2,935,000	3,025,000	2,175,000	2,340,000	2,520,000
Bond interest	-	-	476,786	357,122	895,978	1,194,539	1,089,712	1,027,973	980,328	924,083
Paying agent fees	-	-	-	-	200	400	400	400	400	400
Capital outlay and other	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	11,563,069
Total expenditures	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	34,646,279
Excess of revenues over (under) expenditures	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	3,564,799
Other financing sources (uses)										
Loan for Interchange	-	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	51,315	-	2,706,312	108,679	1,057,429	2,057	1,105,188	1,230,413	1,743,279	2,117,873
Transfers out	(51,315)	-	(2,706,312)	(108,679)	(1,057,429)	(2,057)	(1,105,188)	(1,230,413)	(1,743,279)	(2,117,873)
Total other financing sources (uses)	-	51,315	9,230,000	11,048,776	17,117,151	-	-	-	-	-
Net change in fund balances	\$ 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	\$ 3,564,799
Debt service as a % of noncapital expenditures	0.0%	0.0%	3.4%	7.9%	10.9%	16.0%	15.0%	11.4%	10.4%	10.8%

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
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%
2014	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 2014**

<u>Industry</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Retail	\$ 22,644,948	95.40%
Services	500,643	2.10%
Government	1,463	0.01%
Finance, insurance and real estate	3,641	0.02%
Transportation and utilities	586,269	2.47%
Total	<u><u>\$ 23,736,964</u></u>	<u><u>100.00%</u></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>
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
2014	23,736,964

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>
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
2013	2014	147,664,450	283,865,750	19,112,447	45,720,117	496,362,764	2,931,188,630

(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>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>	<u>2014</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	4.020	4.020	4.044	4.044	4.016	4.034	4.034	4.070	4.029	4.032
Douglas County School District No. Re 1	46.500	46.500	46.500	46.500	46.983	46.890	48.790	48.730	48.277	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	6.712	6.387	6.387	6.387	6.387	6.387	6.387
Rampart Range Metropolitan District No. 2	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000
Rampart Range Metropolitan District No. 7	0.000	0.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000
Regional Transportation District	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
South Metro Fire Rescue	9.250	9.346	9.377	9.377	9.362	9.541	9.661	9.520	9.444	9.319
South Suburban Park and Recreation District	7.134	7.117	7.008	6.868	6.830	6.777	6.869	6.960	6.915	8.808
Southeast Public Improvement Metro District	1.000	1.111	1.608	1.621	1.650	2.000	2.150	2.080	2.000	2.000
Southgate Sanitation District	0.653	0.653	0.060	0.604	0.544	0.558	0.558	0.558	0.531	0.551
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	0.597	0.542	0.507	0.507	0.508	0.523	0.570	0.600	0.608	0.632
Urban Drainage & Flood South Platte	0.065	0.066	0.061	0.061	0.061	0.053	0.060	0.060	0.064	0.068
	<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>	<u>231.848</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 Eight 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)			
2007	9,230,000	-	9,230,000	1.54%	884
2008	8,410,000	11,048,609	19,458,609	3.10%	1,853
2009	7,695,000	26,922,873	34,617,873	5.54%	3,287
2010	5,930,000	25,723,203	31,653,203	4.85%	2,906
2011	4,110,000	24,489,595	28,599,595	4.69%	2,577
2012	3,235,000	23,161,947	26,396,947	4.18%	2,319
2013	2,295,000	21,735,335	24,030,335	3.35%	1,911
2014	1,290,000	20,195,029	21,485,029	2.86%	1,681

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

TABLE 11a

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

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

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

TABLE 11b

**CITY OF LONE TREE
REVENUE BOND COVERAGE
ARTS AND CULTURAL FACILITIES BONDS
Last Six 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	
2009	\$ 1,365,655	\$ -	\$ 1,365,655	\$ 785,000	\$ 185,558	\$ 970,558	141%
2010	\$ 1,423,108	\$ 200	\$ 1,422,908	\$ 710,000	\$ 583,731	\$ 1,293,731	110%
2011	\$ 1,480,951	\$ 200	\$ 1,480,751	\$ 730,000	\$ 562,431	\$ 1,292,431	115%
2012	\$ 1,591,285	\$ 200	\$ 1,591,085	\$ 785,000	\$ 544,181	\$ 1,329,181	120%
2013	\$ 1,625,080	\$ 200	\$ 1,624,880	\$ 845,000	\$ 524,556	\$ 1,369,556	119%
2014	\$ 1,673,760	\$ 200	\$ 1,673,560	\$ 915,000	\$ 499,206	\$ 1,414,206	118%

- (1) The Series 2009 Arts and Cultural Facilities Improvement Sales and Use Tax Revenue Bonds were issued on August 11, 2009.
- (2) Sales and use tax revenues derived from the sales and use tax rate increase of 0.1875% effective July 1, 2008.
This amount also includes investment earnings from those monies as well as investment earnings from the bond proceeds.
- (3) Interest per debt service schedule paid to bondholders during calendar year; does not include accrued interest.

TABLE 12

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

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

(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, 2014**

	<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	\$ -	\$ 21,485,029	100.00%	<u>\$ 21,485,029</u>
Overlapping:				
Douglas County School District No. Re 1	390,608,248	-	4.80%	18,749,196
Park Meadows Metropolitan District	-	-	100.00%	-
South Suburban Park and Recreation District	15,715,000	-	13.79%	2,167,099
Southeast Public Improvement Metropolitan District	3,330,000	-	18.74%	624,042
Heritage Hills Metropolitan District	475,000	-	100.00%	<u>475,000</u>
 Total overlapping debt				<u>22,015,336</u>
 Total direct and overlapping debt				<u>\$ 43,500,365</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 [1]</u>	<u>Douglas County Unemployment Rate</u>
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	661,334,193	60,723	6.70%
2011	11,097	793,047,105	71,465	6.10%
2012	11,385	836,979,660	73,516	5.90%
2013	12,572	950,116,328	75,574	5.60%
2014	12,779	993,771,714	77,766	4.50%

[1] Bureau of Economic Analysis, Washington D.C. ; 2014 Per Capita Income estimated using the 2.9% change for personal income from '13 to '14

Source: Douglas County Department of Finance

TABLE 15

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

<u>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Douglas County School District	5,470	1	5,565	1
CH2M Hill	2,000	2	1,200	5
EchoStar Communications	1,930	3	1,765	2
HealthONE: Sky Ridge Medical	1,300	4	1,038	7
Western Union	1,130	5	-	-
Douglas County Government	1,110	6	-	-
Centura: Parker Adventist Hospital	900	7	-	-
Information Handling Services	890	9	800	10
The Trizetto Group	840	8	-	-
VISA Debit Processing Services	700	10	-	-
First Data Corporation	-	-	1,700	3
AVAYA	-	-	1,600	4
Visa USA	-	-	1,125	6
TeleTech Holdings	-	-	950	8
Nextel	-	-	900	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)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	4	7	10	14	14.5	16.25	14.50	15.50	17.50	17.75
Municipal court	-	1	2	2	2	2	2	2	2	2.00
Community development	1	1	1	1	7.25	5.75	5.75	6.00	7.00	6.00
Arts & Cultural	-	-	-	-	-	1.50	12.75	13.20	13.75	18.00
Police	26	40	43	45	50	47	52	53	54	56.50
Total	31	49	56	62	73.75	72.50	87.00	89.70	94.25	100.25

(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 Finance Department

TABLE 17

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

Function/Program (1)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Municipal court										
Number of court cases	891	1,167	1,427	2,260	2,159	1,918	2,114	2,107	1,922	1,577
Community development										
Building permits issued	735	664	723	634	536	701	700	1,562	809	804
Building inspections conducted	10,764	7,223	5,031	4,257	2,750	4,513	4,196	8,392	7,662	7,115
Public works										
Streets overlaid (miles)	1.59	2.10	4.06	12.52	11.61	10.48	9.71	8.55	15.81	6.26
Public safety (2)										
Accidents	926	968	1,095	1,033	970	878	1,008	995	1,169	1,787
Citations issued	2,899	4,466	4,860	7,879	5,619	6,107	4,812	4,380	4,234	4,136

(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 Ten Fiscal Years**

Function/Program (1)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public works										
Streets (miles)	109.94	109.94	130.40	130.40	139.11	146.32	147.01	147.01	148.51	157.88
Traffic signals	27	29	33	35	40	42	42	43	45	47
Public safety (2)										
Stations	1	1	2	2	2	2	2	2	2	2
Patrol units	9	11	15	16	22	24	24	25	22	22
Capital outlay										
Storm drainage (miles)	38.25	38.25	38.25	38.25	38.25	38.25	38.25	38.70	39.93	41.18

(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



Certified Public Accountants and Business Consultants

May 27, 2015

Honorable Mayor, City Council, Audit Committee, and Management
City of Lone Tree, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Lone Tree, Colorado (the City) for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimate of the depreciation expense on depreciable capital assets is based on the estimated useful remaining life of the assets. We evaluated the key factors and assumptions used to develop the estimate of remaining useful lives of assets for purposes of computing depreciation expense, in determining that the estimate of depreciation expense and accumulated depreciation is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- 1) The disclosure of long-term obligations in Note 7 to the financial statements, as it informs readers of commitments of future resources for debt service.
- 2) The disclosures of significant contractual obligations, commitments and intergovernmental agreements in Notes 9 through 11 and Note 20, as they inform readers of various obligations of the City that may require the use of financial resources in the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Wagner Barnes & Griggs, PC

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 27, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis (MDA), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on RSI other than MDA, and combining and individual fund financial statements and schedules, and other supplementary information, which accompany the financial statements but are not RSI. With respect to this RSI and other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council, audit committee, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wagner Barnes & Griggs, PC



Certified Public Accountants and Business Consultants

To the Audit Committee and Senior Management
City of Lone Tree, Colorado

We have audited the financial statements of the City of Lone Tree, Colorado (the City), as of and for the year ended December 31, 2014, and have issued our report thereon dated May 27, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

During our audit we became aware of matters which present opportunities for strengthening internal controls or procedures. The City may already be in the process of addressing these matters. This letter does not affect our report dated May 27, 2015 on the financial statements of City of Lone Tree, Colorado.

Information Technology (IT)

Interviews with IT management personnel indicate that the City does not have a formal risk assessment and data recovery plan. Due to increased reliance on technology at all levels and for all activities, we recommend that the City take the necessary steps to identify risks of data loss for each department, and develop related data recovery plans.

Key Person Succession

The City has grown and added key personnel in various areas of City administration (i.e., finance, information technology, etc.). As a result, the City has not had the opportunity to develop staff that may be able to step into those key positions in case of absence by the department manager. To maintain effective functioning in each department, we recommend that department heads develop formal plans for succession or, at a minimum, adequate backup in the event of prolonged absence or departure from City employment. We discussed this with the City Manager, who is aware of the need for such planning and has given thought to the matter.

City Clerk Office – Fines and Penalties

The staff within the clerk's office has the ability to change fine amounts and court costs in the City's software system. This flexibility is necessary due to frequent changes in amounts resulting from court activity. To reduce the likelihood of staff inappropriately changing the amounts owing, we recommend that department management use a "change report" to periodically review changes that have been made to previously established fines, fees, and penalties.

Security of Cash Receipts of Permit Fee Payments

Payments of building permits and other fees are, from time to time, received in the form of cash. The cash is stored in a secure area in the clerk's office, in the finance department's mailbox. Mailboxes for other departments are located in the same area. The secure area may be accessed by City employees with appropriate badges and identification, thus providing access to the cash by personnel other than finance department personnel. We recommend that the City consider locking cash and checks to prevent personnel that enter the secure area, other than authorized personnel, from having access to these funds.

Wagner Barnes & Griggs, PC

Fraud Hotline

Many organizations have implemented hotlines for employees and stakeholders to report possible fraud or abuse with respect to the organization's assets. The City of Lone Tree, through its City Council and Audit Committee, has demonstrated its dedication to safeguarding City assets. We recommend the installation of a hotline, to be accessed by senior management, for stakeholders to report instances of concern or potential misuse of City resources.

This letter is intended solely for the information and use of the City's management and Audit Committee and is not intended to be and should not be used by anyone other than these specified parties.

Wagner Barnes & Griggs, PC
May 27, 2015



CITY OF LONE TREE

Request for Proposal **Auditing Services**

This RFP has been published through the Rocky Mountain E-Purchasing System, which may be accessed at the following website: <http://www.rockymountainbidsystem.com/>. Any modifications to this RFP or addenda pertaining to this RFP will be published to the Bid Net System, and all proposers are responsible to periodically check the Bid Net System for relevant updates prior to the submittal of a proposal.

Issue Date: Monday, June 22, 2015
RFP Proposal Deadline: July 31, 2015
RFP-FIN-01

PRIMARY RFP PURPOSE

The City of Lone Tree, Colorado is seeking proposals for auditing services as specified herein from a qualified, certified public accounting firm with considerable experience in local government auditing to perform annual audits of the City's financial records.

ABOUT THE CITY OF LONE TREE

The City of Lone Tree, incorporated in 1995, is home to over 12,000 residents and covers nearly 10 square miles. Located south of Denver, the city has established itself as a regional hub for economic growth, cultural and recreational amenities, and diverse retail options. The thriving city you see today can be attributed to strategic, long-range planning led by engaged elected officials, dedicated resident volunteers, highly skilled city staff, a business-friendly climate, and convenient access into and out of the city.

City Council and staff are dedicated to exceptional quality of life for all its citizens. This includes a commitment to ensuring property values remain competitive by nurturing the City's investments, being financially prudent, and focusing on long-term planning. The current median home sales price is \$591,000, well above the state and national average.

Businesses have discovered that Lone Tree's easy access to multiple transportation options, a highly skilled and educated workforce, and an approachable, easy-to-work-with city government all make the City a desirable place for them as well. Just as the City's first residents and elected officials saw the potential for a vibrant City 20 years ago, new businesses are seeing the benefits to investing in the community also. Lone Tree has a daytime population of over 25,000 people. The City's largest employers include Charles Schwab Co. Inc., Sky Ridge Medical Center, Level 3, Kaiser Permanente and Park Meadows Retail Resort.

Cultural and recreational amenities are a focus of the community and in 2014 there were 11 City-sponsored events with more than 20,000 attendees. The recreation center, Lone Tree Golf Club and Lone Tree Library had over 425,000 visitors combined! The Lone Tree Arts Center offered 130 performances and exceeded \$1 million in ticket sales last year alone. Guided by City leadership, committed citizens, and sound, strategic planning, Lone Tree will continue to be a great place in which to live, work, and play well into the future.

Overview of City Services

- Municipal Court and Elections
- Community Development
- Economic Development
- Finance
- Police Services
- Building Services
- Lone Tree Arts Center
- Public Works (contracted)
- Legal Services (contracted)
- Fire Protection (provided by third-party metro district)
- Recreation (provided by third-party metro district)

Scope of Services

The City requests proposals for the annual financial statement audit for up to five (5) fiscal years ending December 31, 2015 through 2019. The initial term of the audit engagement and related contract will be for one (1) year, beginning with the 2015 fiscal year which ends on December 31, 2015; the contract may be renewed annually for not more than four (4) additional one-year periods. The possibility of continued services for all four years will be dependent upon satisfactory performance and cost.

As part of performing the audit, it is expected that the audit manager, partner or other qualified staff will be available as necessary during the year at no additional charge for advice and discussion on accounting, standards interpretation, and internal control matters concerning the City.

The audit of the City's financial records shall cover all funds, including its component units and other funds. The City's funds include, but are not limited to the following:

1. General Fund (includes City's capital projects)
2. Special Revenue Fund
 - a. Cultural and Community Services
3. Debt Service Funds
 - a. Arts and Cultural Facilities
 - b. Park and Recreation Improvements
4. Component Units
 - a. Lone Tree Building Authority (Blended)
 - b. Park Meadows Business Improvement District (Discretely Presented)

Additionally, the Lone Tree Arts Center is a Tier II organization with the Scientific and Cultural Facilities District (SCFD). To qualify for that status each year, the City's Cultural and Community Services Special Revenue Fund has to be audited separately and have an opinion issued for that specific Fund. In addition, an audit of the Tier II Qualification Matrix: Form A – Annual Operating Income report and an agreed upon procedures report related to Form B: Annual Paid/Unpaid Attendance must be completed. More information on the specific requirements of SCFD can be found on their website at:

http://scfd.org/graphics/uploads/Files/Tier_II/2015%20Directions%20.pdf

For the years ending December 31, 2015 and forward, the City will prepare, and require auditing services for a Comprehensive Annual Financial Report (CAFR). Audited financial statements are available on the City's website at <http://www.cityoflonetree.com/Archive.aspx?AMID=49>.

City Finance staff will prepare the full CAFR report and provide a draft to the auditors at the time of final fieldwork. All reports required to perform the SCFD portion of the audit will also be prepared in advance by City staff and provided to the audit staff at the time of fieldwork.

Nature of Services

The audit shall be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants and applicable state and federal regulations. The City does not currently require having a single audit performed, however, if in the future that would change, the audit must conform to federal single audit requirements and be in accordance with generally accepted government auditing standards and procedures issued by the Comptroller General of the United States. In addition to the audit, the selected firm will be required to assist the City in the preparation of the CAFR in accordance with generally accepted accounting principles, all applicable legal requirements, and state statutes. In connection with the audit of financial statements, a Single Audit will be performed, if applicable, and a report of findings issued as required by the Office of management and Budget Circular A-133. If a Single Audit is required, the selected firm will be required to complete the submission form that accompanies the Single Audit (Form SF-SAC – Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations) as required by OMB A-133.

It is contemplated that the selected firm will express an unmodified opinion on the financial statements. If during the performance of the audit, it appears probable that an unmodified opinion cannot be issued, the selected auditing firm must promptly notify the City Finance Director and City Manager in writing stating all matters that preclude the issuance of an unmodified opinion.

The auditor shall be responsible for ensuring that the City's financial statements conform to the requirements for the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

The auditor shall be responsible to directly contact the City Manager and the City Director of Finance should concerns raised during the City audit warrant such contact.

Available Assistance

Wagner, Barnes and Griggs, PC examined the financial statements of the City for the years ended December 31, 2008 through 2014, and rendered unmodified opinions for all years. Questions regarding prior year audit work should be addressed to Wagner, Barnes and Griggs, PC.

Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The City's Finance Director will coordinate the audit process and will be available to explain the City's various systems. Systems documentation will be the responsibility of the audit firm. The City has no internal audit staff. The City will provide all reasonable assistance to the selected firm and will respond promptly to request for information, provide all necessary books and records, and provide the physical facilities needed for the audit engagement. All City records must be audited on site.

The Finance Department of the City will provide financial statements, working trial balances, an accounts payable list, bank reconciliations, investment reconciliations, bonds payable worksheets, capital projects worksheets, fixed asset records, government-wide statement entries, and reconciliations of other asset and liability accounts. Any additional schedules that the audit firm would like City staff to provide should be identified in the firm's proposal.

City Finance staff will draft the CAFR and have it available to the auditor at the time of year-end fieldwork as well as be responsible for printing and binding the CAFR.

Reporting Requirements

In connection with the audit engagement, the auditors shall provide the following separate reports. The respective reports will be addressed to the Honorable Mayor and City Council for the City.

1. A report of examination of the financial statements stating the scope of the examination and that the audit was performed in accordance with generally accepted auditing standards. It must include an opinion as to whether the statements conform to generally accepted accounting principles. A signed copy of the opinion plus a signed electronic copy will be required by the City.
2. A letter to management containing comments on compliance, recommendations for improvements, and any other comments deemed pertinent by the auditors and recommendations affecting the financial statements, internal control, accounting, accounting systems, legality of actions, other instances of noncompliance with laws and regulations, and any other material matters. An agreed upon number of copies of the report to governance will be provided to the City, in addition to an electronic copy.
3. The firm is requested to make a formal presentation on the audit to the City's Audit Committee which is anticipated to occur at the beginning of June each year. In addition, the partner in charge of the audit (or other audit staff as approved by the Finance Director) must be present for the formal presentation of the audit to City Council which is normally during a regularly scheduled City Council meeting, the third Tuesday in June.
4. If a Single Audit is required, a report on internal control and compliance in accordance with the standards for financial and compliance audits contained in the Standards of Audits of Government Organizations, Programs, Activities, and Functions issued by the U.S. General Accounting Office and the Single Audit Act of 1984 (as amended in 1996) provisions of OMB circular A-133 (as revised) (or any other appropriate standards, rules, or regulations). Findings of ineligible expenditures must be represented in enough detail for City management to be able to clearly understand them. A signed copy of the opinion plus a signed electronic copy will be required by the City.

Audit Timeline and Schedule

The audit timeline below is preliminary and may require dates to be moved as appropriate:

Interim Fieldwork – Financial Audit	February 2016
Year-End Fieldwork – SCFD reports	Mid-March 2016
Year-End Fieldwork – Financial Audit	Mid-April 2016
SCFD final opinions	Third week of May 2016
Final draft of CAFR with draft opinion and report to Governance delivered to City	Last week of May 2016
Attendance at audit committee meeting	First week of June 2016
Presentation of CAFR to City Council	Third Tuesday in June 2016
Final opinions – Financial Audit	Third week of June 2016
Exit conference	July 2016

Work Papers

The Selected firm must retain work papers for a period of at least three years or longer if the firm is notified in writing by the City of the need to extend the retention period, at the firm's expense. The firm will be required to make work papers available to the City, upon request. Work papers must also be available for examination by authorized representatives of the Federal, State or other grantor agencies if requested by City staff.

Additionally, at such time the auditing services requested within this RFP have ended, the selected firm shall make available, at no cost to either the successor audit firm or the City of Lone Tree, all work papers from the previous year's audit engagement.

Firm's Qualifications

The selected firm will be a firm with considerable experience in local government auditing, particularly in auditing entities of comparable size or larger. The firm will have sufficient depth of staff to provide technical experience in related advisory areas, including taxation, information technology, and internal control.

Additionally, the City will have to implement GASB 68 for the 2015 audit because the City participates in both the Public Employees Retirement Association (PERA) and the Fire & Police Pension Association (FPPA). Assistance with this implementation will be required by the selected firm.

Audit Personnel

The selected firm will assign personnel to the engagement with considerable expertise in local government auditing. The firm will have low turnover, so that staffing is consistent from year to year. Staff will receive sufficient training to keep apprised of current governmental accounting issues. Additionally, if the firm is selected to participate in the interview portion of the RFP process, the partner and manager that will be assigned to the City need to be available for the interview.

Approach to Audit

A planning meeting will be held between the selected firm and the respective Finance Department staff prior to the start of fieldwork each year. This meeting will include a discussion of key audit issues, audit staffing, City staffing, scheduling and dates for audit work, audit work papers, sampling items to be pulled, and any other areas of concern by either party. Communication of the status of audit through periodic meetings or other means during and after the completion of fieldwork is required. A meeting between the City's audit committee and Audit Partner and/or Manager to review the final draft of the CAFR will be held each year prior to its final production and presentation to City Council. An exit conference will be conducted at the completion of the audit each year to discuss and plan around any problems that occurred during the audit.

The firm will clearly express what it needs from the City and provide the City with sufficient lead-time to provide requested materials and data. The successful firm will provide all services indicated in this RFP on or before the time indicated in the time schedule, or at a time mutually

agreed upon by the City and selected firm. The assigned audit team will be experienced and large enough so that the audit can be completed in a minimum of on-site time, not exceeding two weeks.

Audit Committee

The audit committee for the City of Lone Tree is made up of the following individuals:

- City Manager
- City Finance Director
- One Council Member
- Three Citizens

The purpose of the Audit Committee is to do the following:

- Assisting in focusing and documenting the City's process for managing the financial statement audit
- Facilitating communication between the auditor and Council
- Making recommendations to Council regarding the audit
- Instructing the auditor regarding "tests" desired as part of the annual audit
- Reviewing drafts of the annual financial statements
- Reviewing the City's financial reports
- Assisting City management with the auditor RFP process and auditor selection

PROPOSAL EVALUATION CRITERIA

In general, the proposals will be evaluated based on, but not limited to, the general evaluation criteria stated below and the completeness, clarity and content of the proposal.

I. Qualifications

- a. The firm must be properly licensed in the State of Colorado as a certified public accounting firm in good standing
- b. All supervising or in-charge personnel connected with the audit must be certified public accountants licensed in the State of Colorado
- c. The firm must meet all current, applicable independent standards
- d. The firm must demonstrate commitment to stay current with government accounting issues, to providing quality audit and advisory services, and to provide annual training to City Finance Department staff
- e. The proposal must outline services provided by the firm and estimate of what portion of its business is derived from performing municipal audits
- f. The proposal must state size, composition and location of the firm's office from which the staff working on the audit engagement are based
- g. The proposal must list governmental entities in Colorado that have been audited by the firm during the last five years. Firms with less than five years local government experience may not be considered

- h. The proposal must include a statement of the firm's experience in and professional involvement with the GFOA Certificate of Achievement for Excellence in Financial Reporting Program
- i. The proposal must include a statement on what if any preparation the firm has done related to assisting clients with implementing GASB 68
- j. The proposal must provide the date of the last peer review and copy of peer review letter
- k. The proposal must provide the status of any disciplinary actions undertaken against the firm
- l. The proposal must provide a statement as to whether the firm is currently involved in any formal court proceedings regarding any auditing/consulting services provided by the firm with applicable explanation
- m. The proposal must provide references from at least three audits with similar requirements that have been completed during the past three years, identifying contact names, phone numbers and services provided
- n. The proposal must provide evidence that the firm has adequate insurance coverage as required for this type of professional services contract
- o. The proposal must provide evidence that the firm is financially stable

II. Audit Personnel

- a. Brief resumes of the key individuals that will be assigned to the engagement. Include any areas of specialization likely to be of particular interest or concern of the City, including municipal experience, governmental accounting, education certificates, continuing professional education, and current municipal audit assignments
- b. A description of the firm's professional development program and its continuing education requirements as they relate to governmental clients
- c. An estimate of staffing needs, including estimated hours by position and rate for the first year of the audit and the next four years
- d. Comment on the continuity and qualifications of the staffing for future year audits

III. Approach to Audit

- a. Provide an outline of the services that the firm would propose to offer and philosophy of the firm's audit approach, including approach to the report to governance and internal control evaluation
- b. Explain how the firm will use City personnel to assist during the audit, including the responsibilities of City management and schedules and other reports you expect City staff to prepare and provide for the audit. Also state the amount of notice to be given to City staff for requested information
- c. Provide an estimated time schedule for setting up and completing the audit, including estimate of time spent on-site. The work plan should include time estimates for each significant segment of the work and the number and level of staff assigned. Where possible, individual staff members should be named and their titles provided
- d. Provide a copy of the management representation letter the City will be asked to sign if the firm is selected for auditing services as described in the proposal

IV. General Fee Statement/Schedule

- a. Provide total, not to exceed amounts, for each year of the 2015 through 2019 audits for the City's financial records, excluding printing and binding of the City CAFR

- b. Provide total, not to exceed amounts, for each year of the 2015 through 2019 audits for the SCFD required reports
- c. Provide total, not to exceed amounts, for each year of the 2015 through 2019 audits, for any other costs
- d. Provide schedule of hourly rates for each level of personnel
- e. The City does not currently require a Single Audit, however, one might be required in future years, please provide an estimate for the cost of a Single Audit report, if needed

Additional Data

Present any additional information which distinguishes the firm from others, not including general information publications, brochures and handouts that are redundant with other information provided.

TIMELINE AND RESPONSE INSTRUCTIONS

Issue RFP:	Monday, June 22, 2015
RFP Question Deadline:	Friday, July 3, 2015
RFP Question Response:	Monday, July 13, 2015
RFP Submittal Deadline:	Friday, July 31, 2015
Proposal Review by City Staff and Audit Committee:	August 3 rd - 14 th , 2015
In person interviews (for selected short-list applicants):	August 17 th – 28 th , 2015
Finalist Selected:	Friday, September 4, 2015

Proposals should be submitted to: City of Lone Tree
 Attn: Kristin Baumgartner, Finance Director
 9220 Kimmer Drive, Suite 100
 Lone Tree, CO 80124

Proposals must be submitted in a sealed package or envelope listing the following information on the outside:

- RFP Title: RFP for Audit Services
- RFP Number: RFP-FIN-01
- The proposer’s name and address

To be considered for selection, proposals must be received by **Friday, July 31, 2015 at 5:00 pm local time (MDT)**. A complete submission shall consist of two (2) copies of the proposal in written

form and one (1) electronic copy submitted on a flash drive or CD. No telephone, email, or facsimile proposals will be accepted or considered.

Questions: If you have any questions, you may contact Kristin Baumgartner at kristin.baumgartner@cityoflonetree.com. All questions and answers will be compiled and posted on the Rocky Mountain E-Purchasing System located at <http://www.rockymountainbidsystem.com> by Monday, July 13.

Proposal Evaluation

The following identifies the selection criteria that will be used to evaluate the proposals.

- Format and content of proposal – all requested information must be present as listed in the Proposal Evaluation Criteria section
- Firm's qualifications
- Audit staff's technical qualifications
- Adequacy of proposed audit approach
- Ability to provide advisory and consulting services
- Financial stability of the firm
- References from current and past clients of the firm

TERMS AND CONDITIONS

- A. The City reserves the right to reject any and all proposals, and to waive minor irregularities in any proposal
- B. The City reserves the right to request clarification of information submitted and to request additional information from any proposer
- C. The City shall not be responsible for any costs incurred by the firm in preparing, submitting or presenting its response to the RFP

Exhibit A

[SAMPLE] CITY OF LONE TREE SERVICE CONTRACT

THIS AGREEMENT ("Agreement") by and between _____ (the "Contractor"), and the City of Lone Tree (the "Client"), a Colorado home rule municipality (each individually the "Party" and collectively the "Parties"). The effective date of this Agreement is the date the last party to the Agreement executes this Agreement (the "Effective Date") and the Agreement includes the attached Scope of Work dated _____. To the extent this Agreement conflicts with the terms and conditions contained in the Proposal, the terms and conditions in this Agreement shall control.

RECITALS:

WHEREAS, the Contractor has held itself out to the City as having the requisite expertise and experience to provide the required services and products for this project; and

WHEREAS, the Client desires to receive services and products related to auditing services from the Contractor.

NOW, THEREFORE, in consideration of the mutual undertakings set forth in this Agreement, the Client and the Contractor agree as follows:

- 1. RECITALS.** The above and foregoing recitals are incorporated herein by reference.
- 2. SCOPE OF SERVICES.** The Contractor shall provide the Services described in the attached Scope of Services, using the degree of skill and knowledge customarily employed by other businesses performing similar services in the area. In the event of any conflict between terms set forth in the body of this Agreement and terms set forth in attached Scope of Services, the terms in the body of this Agreement shall govern. The Contractor shall perform the Services in a proper and workmanlike manner, using reasonable diligence and caution, and in strict accordance with this Agreement.
- 3. COMPENSATION.** In consideration for the completion of the services specified herein by Consultant, the City shall pay Consultant an amount not to exceed _____ Dollars (\$_____). Payment shall be made in accordance with the schedule of charges outlined in the Scope of Services which is attached hereto and incorporated herein by this reference. Invoices will be itemized and include hourly breakdown for all personnel and other charges. The maximum fee specified herein shall include all fees and expenses incurred by Consultant in performing all services hereunder.
- 4. INDEPENDENT CONTRACTOR.** This Agreement is one for independent Contractor services. The Contractor is an independent Contractor and shall not be considered an employee of the Client for purposes of any federal or state law. The Client shall not be obligated to secure and shall not provide any employment benefits of any kind or type to or for the Contractor, including but not limited to worker's compensation, disability insurance, errors and omissions insurance, vacation or sick leave, retirement contributions, or other benefits. The Contractor shall be responsible for any federal and state income tax withholding on moneys earned pursuant to this Agreement.

certificate shall identify the project and shall provide that the coverages afforded under the policies shall not be cancelled, terminated or materially changed until at least 30 days prior written notice has been given to the Client. The Client reserves the right to request and receive a certified copy of any policy and any endorsement thereto.

Failure on the part of the Contractor to procure or maintain policies providing the required coverages, conditions, and minimum limits shall constitute a material breach of the contract upon which the Client may immediately terminate the contract.

6. **NO WAIVER OF GOVERNMENTAL IMMUNITY.** Nothing in this Agreement shall be construed to waive, limit, or otherwise modify any governmental immunity that may be available by law to the Client, its officials, officers, Contractors, employees, agents, volunteers, consultants or any other person acting on behalf of the Client and, in particular, governmental immunity afforded or available pursuant to the Colorado Governmental Immunity Act, Title 24, Article 10, Part 1 of the Colorado Revised Statutes.
7. **NO THIRD PARTY BENEFICIARIES.** It is expressly understood and agreed that enforcement of the terms and conditions of this Agreement, and all rights of action relating to such enforcement, shall be strictly reserved to the Parties and nothing contained in this Agreement shall give or allow any such claim or right of action by any other third party on such Agreement.
8. **INDEMNIFICATION.** The Contractor shall defend, indemnify and hold harmless the Client and each of its officials, officers, contractors, employees, agents, volunteers and consultants, from and against any and all claims, demands, losses, liabilities, actions, lawsuits, damages, and expenses, including reasonable legal expenses and attorneys' fees, arising directly or indirectly, in whole or in part, out of the negligence, willful misconduct, or any criminal or tortious act or omission of the Contractor in connection with this Agreement and/or the Contractor's performance of the Services or work hereunder, whether within or beyond the scope of its duties or authority hereunder. The provisions of this Section shall survive termination of this Agreement.
9. **RESOLUTION OF DISPUTES.** The parties shall make every attempt to resolve their differences in an amicable manner. In the event of litigation arising out of or in connection with this Agreement between the parties hereto, the prevailing party shall be entitled to recover reasonable attorney's fees and expenses incurred in the prosecution or defense thereof.
10. **APPLICABLE LAW.** This Agreement shall be governed by the laws of the State of Colorado. Venue for any action arising under this Agreement shall be in the appropriate court for Douglas County, Colorado.
11. **BINDING.** This Agreement shall inure to and bind all parties, their successors, assigns, agents or representatives.
12. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement between the parties. All prior negotiations between the parties are merged in this Agreement, and there are no understandings or agreements other than those incorporated or referred to herein.

This Agreement may not be modified except by an instrument in writing signed by the parties.

- 13. ILLEGAL ALIENS.** Contractor hereby states that it does not knowingly employ or contract with illegal aliens and that Contractor has participated in or has attempted to participate in the E-Verify Program or the Colorado Department of Labor and Employment Program (as defined in §8-17.5-101, C.R.S.) in order to verify that it does not employ any illegal aliens. Contractor affirmatively makes the following declarations:
- A. Contractor shall not knowingly employ or contract with an illegal alien who will perform work under the public contract for services contemplated herein and will participate in the E-Verify Program or Colorado Department of Labor and Employment Program in order to confirm the employment eligibility of all employees who are newly hired for employment to perform work under the public contract for services contemplated herein.
 - B. Contractor shall not knowingly enter into a contract with a Sub-Contractor that fails to certify to Contractor that the Sub-Contractor shall not knowingly employ or contract with an illegal alien to perform the services contemplated herein.
 - C. Contractor has confirmed the employment eligibility of all employees who are newly hired for employment to perform work under the public contract for services through participation in either the E-Verify Program or the Colorado Department of Labor and Employment Program.
 - D. Contractor is prohibited from using either the E-Verify Program or the Colorado Department of Labor and Employment Program procedures to undertake pre-employment screening of job applicants while this Agreement is being performed.
 - E. If Contractor obtains actual knowledge that a Sub-Contractor performing the services under this Agreement knowingly employs or contracts with an illegal alien, Contractor shall be required to:
 - i. Notify the Sub-Contractor and the Client within three (3) days that Contractor has actual knowledge that the Sub-Contractor is employing or contracting with an illegal alien.
 - ii. Terminate the contract with the Sub-Contractor if within three (3) days of receiving the notice required above the Sub-Contractor does not stop employing or contracting with the illegal alien; except that Contractor shall not terminate the contract with the Sub-Contractor if during such three (3) days the Sub-Contractor provides information to establish that the Sub-Contractor has not knowingly employed or contracted with an illegal alien.

- F. Contractor shall comply with any reasonable request by the Colorado Department of Labor and Employment made in the course of an investigation that such Department is undertaking pursuant to the authority established in §8-17.5-102, C.R.S.
- G. If Contractor violates a provision of the Agreement pursuant to §8-17.5-102, C.R.S., the Client may terminate the Agreement. If the Agreement is so terminated, Contractor shall be liable for actual and consequential damages to the Client.

- 14. **EFFECTIVE DATE.** This Agreement becomes binding and effective as of the date of approval by the Parties.
- 15. **SEVERABILITY.** If any provision, or any portion thereof, contained in this Agreement is held unconstitutional, invalid, or unenforceable, the remainder of this Agreement shall be deemed severable, shall not be affected, and shall remain in full force and effect.
- 16. **AMENDMENTS.** The terms and conditions of this Agreement may be modified only by the mutual written consent of the Contractor and the Client.
- 17. **NO WAIVER.** A waiver by any Party to this Agreement of the breach of any term or provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either Party.
- 18. **ASSIGNMENT.** The Contractor shall not have the right or power to assign this Agreement or parts thereof, or its respective duties, without the express written consent of the Client. Any attempted assignment, delegation or subcontracting of this Agreement in whole or in part with respect to which the Client has not consented, in writing, shall be null and void and of no effect whatsoever.
- 19. **PARAGRAPH CAPTIONS.** The captions of the paragraphs are set forth only for the convenience and reference of the Parties and are not intended in any way to define, limit or describe the scope or intent of this Agreement.

IN WITNESS WHEREOF, the Contractor and the Client have caused this Agreement to be signed and executed as of the day and year first above written.

 City of Lone Tree (*Signature*) *Date*

 Contractor (*Signature*) *Date*

 (Printed name and title)

 (Printed name and title)

Qualified CPA Firm List

The below list of firms are small to mid-size firms that I know have governmental accounting experience. Please review and we can add any others that the committee would like us to send the RFP to directly.

- Wagner, Barnes & Griggs
- Rubin Brown
- EKS&H
- BKD
- Eide Bailey
- Clifton Larson Allen
- Anton Collins Mitchell
- Poysti & Adams LLC (received request to add them to our qualified firm list)