



**City of Lone Tree Audit Committee
Special Meeting Agenda
Wednesday, June 8, 2016 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. Meeting Agenda

1. Roll Call
 2. Review and approval of March 2, 2016 Minutes
 3. Comprehensive Annual Financial Report (CAFR) Review
 4. External auditor discussion of audit process and audit opinion
 5. Discussion of Next Meeting Date (tentatively set for September 7, 2016)
 6. Other Business
 7. Adjournment
-



CITY OF LONE TREE
Audit Committee Minutes
March 02, 2016

A meeting of the City of Lone Tree's Audit Committee was held on Wednesday, March 02, 2016, 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 Suzanne Gibson, CPA, Lone Tree Resident
Vice Chair Peter Frenchman, CPA, Lone Tree Resident
Scott Sperberg, CPA, Lone Tree Resident
Seth Hoffman, City Manager
Kristin Baumgartner, CPA, Finance Director

Kim Monson, Council Member was not present.

Also present:

Heather Lunde, Accountant

Ms. Baumgartner called the meeting to order at 9:03 a.m.

Introduction of New Members and Election Update

Brief introductions were given by each member. Mr. Sperberg was welcomed to the committee. Ms. Baumgartner provided an update of the status of the election and briefly explained that the election is uncontested, so there will not be an election. Ms. Baumgartner stated that the new Council members will be sworn in at the May 17th meeting. Jackie Millet will be resigning from her current seat as Mayor Pro Tem to be sworn in as Mayor. Once the new Council Members are active, a replacement will be appointed to complete the remaining two years in Ms. Millet's current term. Additionally, Council Member Kim Monson is not running for re-election, so a Council Member will need to be appointed to the Audit Committee after the new Council is finalized. Thank you Ms. Monson for your time and service to this committee and to City Council.

Chair and Vice Chair Nominations

Suzanne Gibson was nominated as Chair and Peter Frenchman was nominated as Vice Chair. Chair Gibson moved, Vice Chair Frenchman seconded, to approve the nomination as stated. The motion passed unanimously.

Review and Approval of December 02, 2015 Minutes

No corrections were noted after the minutes were distributed during the meeting. Chair Gibson moved, Vice Chair Frenchman seconded, to approve the December 02, 2015 Minutes as presented. The motion passed unanimously.

Update on the 2015 Audit

Ms. Baumgartner provided a brief update on the interim testing that was completed in the Fall of 2015, as well as informed the committee that the auditors will be in the office conducting the audit from April 11th-22nd. Additionally, Ms. Baumgartner shared that due to having new auditors, they were going to look closely at all components of the City, rather than focusing on a few areas.

Ms. Baumgartner discussed changes to the 2015 audit report, which will include the implementation of GASB 68 related to pension reporting and GASB 77 related to tax abatement disclosures, the light rail funding, and a new component unit (the Lone Tree Business Improvement District). A background on the Government Accounting Standards Board (GASB) was provided and detailed information on each of the new GASB pronouncements was discussed. GASB 68 on pension reporting will only change year-end financials and has no budgetary impacts. Historically, the City made the annual required contributions and no liability or asset was recorded. With the implementation of this standard in the 2015 audit, each employer in the pension plan(s) will recognize a liability or an asset representing their proportionate share of the plan's underfunded or overfunded status. The pension plan for civilian employees (PERA) will show a liability of approximately \$4.7 million and the pension plan for sworn employees (FPPA) will show an asset of approximately \$836,000. In addition to GASB 68, Ms. Baumgartner briefly discussed a new pronouncement, GASB 77, that expands the disclosures related to tax abatements and will be implemented with the 2016 audit. Additionally, an overview of the light rail funding was shared, including the project background and the partners involved in the project. Lastly, information on the Lone Tree Business Improvement District (LTBID) was provided and how this will be a new component unit with the 2015 audit. The LTBID levied 15 mills at the end of 2015 for collection in 2016, which will generate approximately \$165,000 in property tax revenue. This was the only activity that will be shown for 2015.

Internal Control Overview

Ms. Baumgartner provided background on the organization that establishes the framework for internal controls, which is the Committee of Sponsoring Organizations (COSO). COSO includes three objectives, five elements and seventeen principles. The three objectives were briefly discussed, which include operational, reporting, and compliance. Operational considers the organization's ability to operate effectively and efficiently while safeguarding their assets. Reporting is related to providing reliable information to those who need it. Compliance involves the compliance with all applicable rules and regulations. Lastly, the five elements were discussed, which include: Control environment, risk assessment, information and communication, monitoring, and effective control activities, specifically the design, implementation, and maintenance of the controls.

Next Meeting Date

Discussion was held concerning the next meeting date and it is tentatively scheduled for Wednesday, June 1, 2016 at 9:00 am and will have a longer duration to allow ample time for discussion of the results from the 2015 audit. The City's auditors will be present to share the results and answer any questions the committee members may have.

Adjournment

Vice Chair Frenchman moved, Mr. Sperberg seconded, to adjourn at 10:00 a.m. The motion passed unanimously.

Respectfully Submitted,

Kristin Baumgartner, CPA
Finance Director

DRAFT

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

**For the Fiscal Year Ended
December 31, 2015**

**Prepared by:
Department of Finance**

**CITY OF LONE TREE
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CITY OF LONE TREE

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www.cityoflonetree.com

May 19, 2016

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, 2015.

This report consists of management's representation concerning the finances of the City. Responsibility for the accuracy of the data as well as the fairness and completeness of the presentation, including all disclosures, rests with the City's management. To provide a reasonable basis for making those representations, the City's management has established a comprehensive framework of internal control designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatements.

Eide Bailly LLP, a firm of licensed certified public accountants, has audited the City's financial statements for the year ended December 31, 2015. 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, 2015. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to be read in conjunction with the MD&A. The City's MD&A immediately follows the independent auditor's report.

Profile of the City

The City is currently comprised of approximately 6,162 acres or 9.6 square miles and located in the southern Denver metropolitan area at the junction of C-470/E-470 and I-25. At a population of 12,800, the City is also home to a large and growing business community in the Denver South region. 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 remains focused on its priorities. In 2015, the City started to develop a Community Vision and Mission Statement, along with a set of goals or "Big Ideas" to serve as the model for the direction the City is moving towards. This model will guide the development of the City's Long-Range Strategic Plan, which is planned to be completed in 2016. Throughout this process in 2015, it was determined that the City would transition from using the Budgeting For Outcomes (BFO) methodology to utilizing the Community Vision and Mission Statement, along with the Long-Range Strategic Plan as the guiding methodology for how the City's resources will be allocated. As the City moves through 2016, City staff and City Council will be dedicated to formulating the details of the City's Long-Range Strategic Plan.

The *Community Vision Statement* which was adopted by City Council in 2015 after a public input process with citizens is as follows: Lone Tree is a premier Colorado community connected by great neighborhoods, vibrant public spaces, a beautiful natural environment, and thriving businesses. The *Mission Statement* expresses that "we will achieve Lone Tree's community vision by doing things the best way, not just the expected way." Six Big Ideas have been developed and will be expanded upon as the Long-Range Strategic Plan is further constructed in 2016. The six Big Ideas are listed below.

The City will be a national model for:

- 1) Our deep, active commitment to safety
- 2) Our visionary transportation network
- 3) Creating a great community with exceptional places
- 4) Creating signature cultural and recreational opportunities
- 5) Attracting and growing top-tier businesses and a diverse economy
- 6) Our innovative, customer-focused and efficient city government

The City 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 Lone Tree Arts Center operations, as well as other City sponsored events and cultural services, and funds held for the future repayment of debt related to arts and cultural facilities and park and recreation improvements are accounted for in the General Fund. The Lone Tree Arts Center operational activities and City-sponsored events and cultural services are accounted for in the Special Revenue Fund – Cultural and Community Services. Revenue and expenditure activities related to the 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, public administration, financial services, healthcare, insurance and real estate. With average household incomes exceeding \$145,000, the City provides an important economic presence to the region and State. Lone Tree is located within the boundaries of the Denver South Economic Development Partnership which includes over 40 million square feet of office space and employment of more than 300,000 people.

The City is also served by two Light Rail stations that residents describe as “enhancing the City’s quality of life”. As of the end of 2015, the Southeast Light Rail Extension was in the final phase of the federal grant process. This final phase is dependent on the approval of a grant application by Regional Transportation District (RTD) to the Federal Transit Administration, which is expected in early 2016. If approved, construction is estimated to begin the second half of 2016. 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 Southeast Public Improvement Metropolitan District. 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. 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 Light 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.

Additionally, 2015 was the first full year of operation 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., 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 10,000 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 funds the City's operations. During 2015, the City experienced a 4.19% increase in sales tax revenue compared to 2014. 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 the new businesses that opened at the Park Meadows Retail Resort in 2015, including Lolli & Pops, Oil and Vinegar, Grimaldi's Pizzeria and Chipotle along with other new restaurants that opened throughout the City, including Snooze, Mad Greens, and Southern Hospitality.

Through conservative revenue budgeting, as well as expenditure monitoring during 2015, 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, 2015, the City's unrestricted working reserve totaled approximately 25%. The 2016 budget reflects maintaining this reserve at 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.

In 2015, Sky Ridge Medical Center completed its approximate \$117 million expansion which added 90 beds, a women’s center, a pediatric emergency room, a new medical office building, additional spine/ortho operating rooms and a parking structure. 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, in 2015 Charles Schwab completed the construction of its fourth office building on its campus just west of I-25 and south of Lincoln Avenue. The campus also includes 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.

As the west-side of the RidgeGate development approaches build-out, the City is beginning to have more focus on planning for the east-side development which is being kicked off with the Southeast Light Rail Extension. The long-term development for this area is an urban-style mixed-use area with capacity for approximately 7,000 to 8,000 housing units, 11 million square feet of office space, 2.3 million square feet of retail, hotels, school and university space, and parks and recreational amenities. This development is estimated to result in a potential population increase of 17,000 residents and an increase in jobs located in the City of approximately 43,000. This development and planning for the future as it builds-out, as well as analysis of overall financial impacts will be a primary focus for the City for years to come.

In 2015, the City led a successful effort to create the new Lone Tree Business Improvement District (LTBID). Property owners of the Entertainment District came together to establish a public-private partnership that includes most of the businesses located on the north side of Park Meadows Drive. The LTBID has the authority to maintain and construct improvements and promote and market its facilities, with the goal of enhancing the economic development opportunities of the region. In order to raise revenue, the BID held an election to authorize an ad valorem property tax of its members, which its new board approved in December 2015. Also during 2015, the City invested to make the Kimmer and Park Meadows Drive intersection a through intersection and added a traffic signal for better access to the area. In 2016, the results of this collaboration should start to be seen, and the LTBID will complement other City investments designed to improve the vitality of the Entertainment District.

In 2015, City Council directed staff to move forward with the steps necessary to complete property acquisitions, final design, and construction of a pedestrian bridge over Lincoln Avenue. Construction on the bridge is anticipated to begin in 2016. A pedestrian bridge in this area is projected to reduce vehicle congestion on Lincoln Avenue by alleviating signal progression disruption and will provide a safer connection between popular destinations on both the north and south side of Lincoln Avenue. As the City continues to grow, it’s increasingly more

important to provide an alternative transportation route for pedestrians who may live or work on one side, but want to take advantage of amenities that require them to cross Lincoln Ave.

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, 2014. 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 tenth year to submit for and to receive the award. A Certificate of Achievement is valid for one year only. We believe this 2015 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.

For the first time, the City of Lone Tree was the recipient of the Distinguished Budget Presentation Award for excellence in municipal budget reporting by the GFOA. The award was given to the City for the 2015 budget, which was the first year the City applied for the award. This award represents a significant achievement by the City and staff to meet the highest principles of governmental budgeting.

The preparation of this CAFR could not have been accomplished without the efficient and dedicated service of the highly qualified personnel of the finance division. Other departments of the City also played an instrumental role in the preparation of this report. We wish to express our appreciation to everyone who assisted and contributed in preparing the report. Additionally, we would like to acknowledge the thorough and professional manner in which our independent auditors, Eide Bailly LLP, conducted their audit, as well as the citizen involvement and time commitment of the City's Audit Committee. Finally, credit must be given to the City Council for their consistent support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Seth Hoffman
City Manager

Kristin Baumgartner, CPA
Finance Director



Government Finance Officers Association

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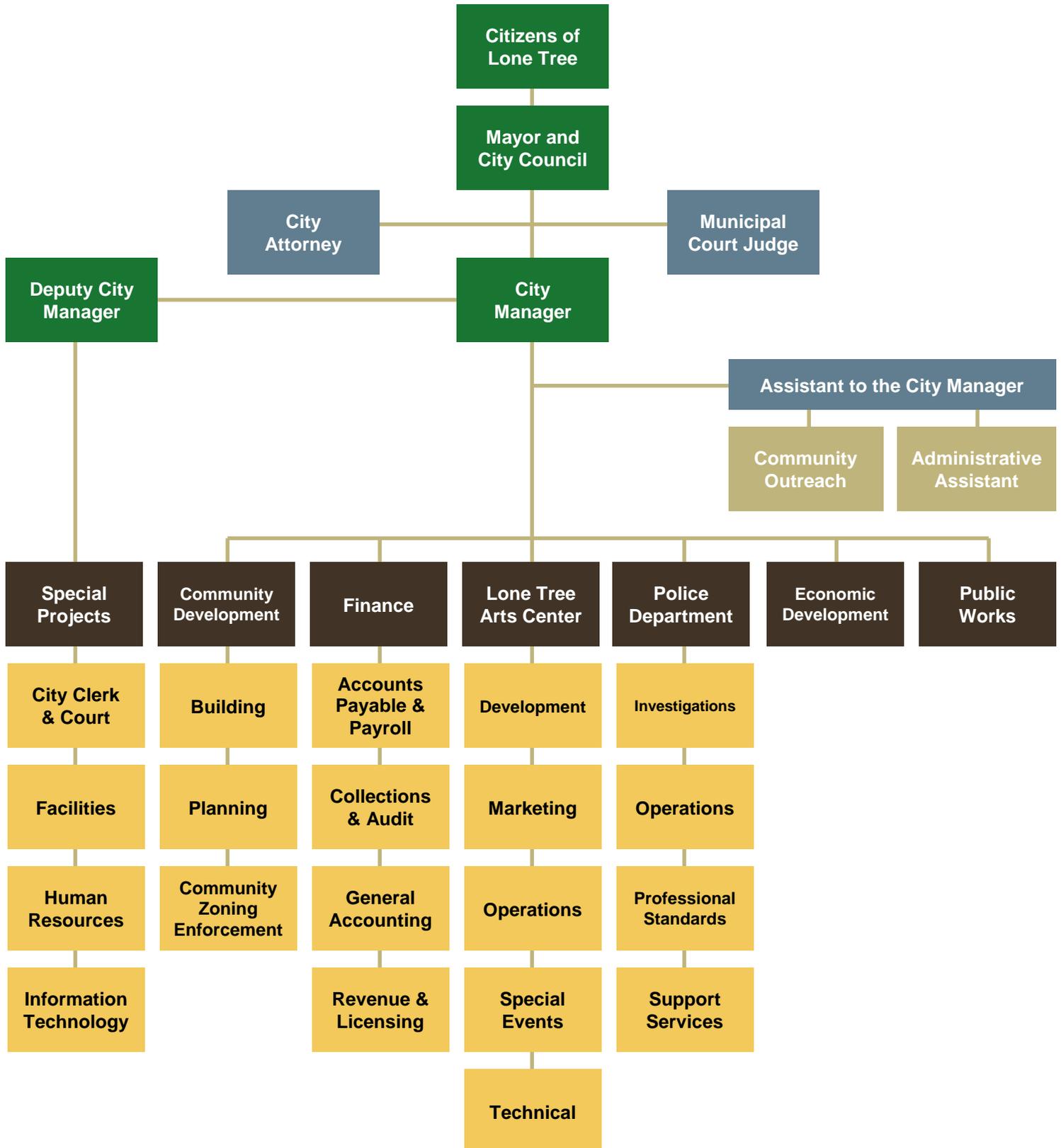
**City of Lone Tree
Colorado**

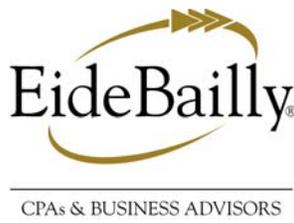
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

City of Lone Tree Organizational Chart 2015





Independent Auditor's Report

To the Honorable Mayor and Members of City Council
City of Lone Tree, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lone Tree, Colorado, as of and for the year ended December 31, 2015, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lone Tree, Colorado, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 2 and 20 to the financial statements, the City of Lone Tree has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparisons and pension information on pages 16 through 25, 81 through 90, and 91 through 95, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lone Tree, Colorado's financial statements. The introductory section, combining fund financial statements and budgetary schedules, schedule of debt service requirements to maturity, Local Highway Finance Report, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, budgetary schedules, schedule of debt service requirements to maturity, and Local Highway Finance Report on pages 97 through 113 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Greenwood Village, Colorado
May 19, 2016

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, 2015.

Financial Highlights

With regard to the primary government:

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$116,745,151 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 \$24,174,529.
- Total net position increased by \$18,761,654 from 2014.
- Total cash and investments increased by \$4,072,653 as compared to the prior year.
- Sales and use tax retail revenue increased by \$1,146,668 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 \$16,762,445.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains required supplementary information and schedules in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the City that are principally to be supported by sales taxes (*governmental activities*). The governmental activities of the City include general government, municipal court, community development, public works, arts and cultural, police, and interest and related costs on long-term debt.

The government-wide financial statements can be found on pages 31-32 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 and the Lone Tree Business Improvement District (discretely presented component units) are provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Fund – 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 33-36 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 37-83 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 additional schedules related to the City’s pension plans as well as the notes to required supplementary information. The budget schedules and notes are found after the *Notes to Financial Statements* on pages 85-99 of this report.

Other supplementary information. A budgetary comparison schedule for the Debt Service Fund - Arts and Cultural Facilities and the Debt Service Fund - Park and Recreation Improvements are presented immediately following the required supplemental information. Additionally, combined financial statements and schedules of the Park Meadows Business Improvement District and the Lone Tree Business Improvement District are included in this section. Furthermore, other supplementary information also includes schedules of debt service requirements to maturity and a local highway finance report.

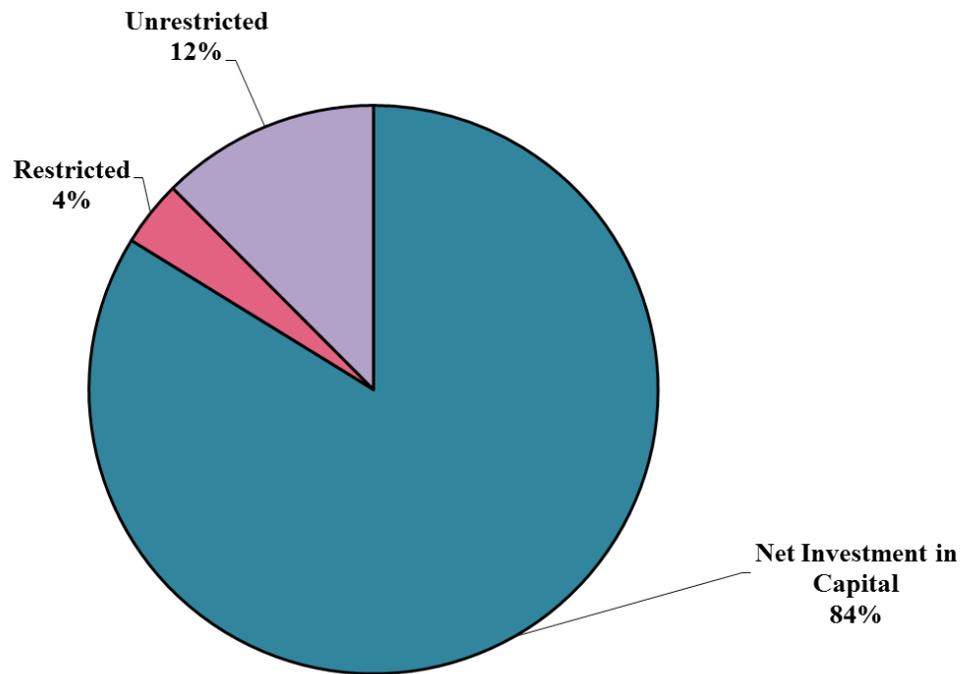
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The City’s assets and deferred outflows of resources related to governmental activities exceeded liabilities and deferred inflows of resources by \$116,745,151 at the close of the most recent fiscal year.

Net Position

	<u>2015</u>	<u>2014</u>
Current assets	\$ 30,248,856	\$ 26,040,822
Capital assets	116,370,509	102,768,252
Long-term assets	<u>16,773,972</u>	<u>-</u>
Total assets	<u>163,393,337</u>	<u>128,809,074</u>
Pension related amounts	1,092,521	-
Southeast light rail extension agreement	<u>7,332,500</u>	<u>-</u>
Total deferred outflows of resources	<u>8,425,021</u>	<u>-</u>
Other liabilities	14,333,287	5,827,241
Long-Term liabilities	<u>40,725,109</u>	<u>22,129,065</u>
Total liabilities	<u>55,058,396</u>	<u>27,956,306</u>
Pension related amounts	<u>14,811</u>	<u>-</u>
Total deferred inflows of resources	<u>14,811</u>	<u>-</u>
Net investment in capital assets	97,829,372	81,283,223
Restricted net position	5,202,543	3,370,714
Unrestricted net position	<u>13,713,236</u>	<u>16,198,831</u>
Total net position	<u>\$ 116,745,151</u>	<u>\$ 100,852,768</u>

NET POSITION - BY CATEGORY



The largest portion of the City's net position (84%) reflects its net investment in capital assets. The City utilizes these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

An additional portion of the City's net position (4%) represents resources that are subject to restrictions on how they can be used and are not currently available for the City's ongoing obligations (e.g., emergency TABOR reserve, Conservation Trust Fund, funds received from litigation settlements, emergency maintenance and repairs required by an annexation agreement, funds reserved for future debt service payments, and the net pension asset). The remaining balance of *unrestricted net position* totaling \$13,713,236 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

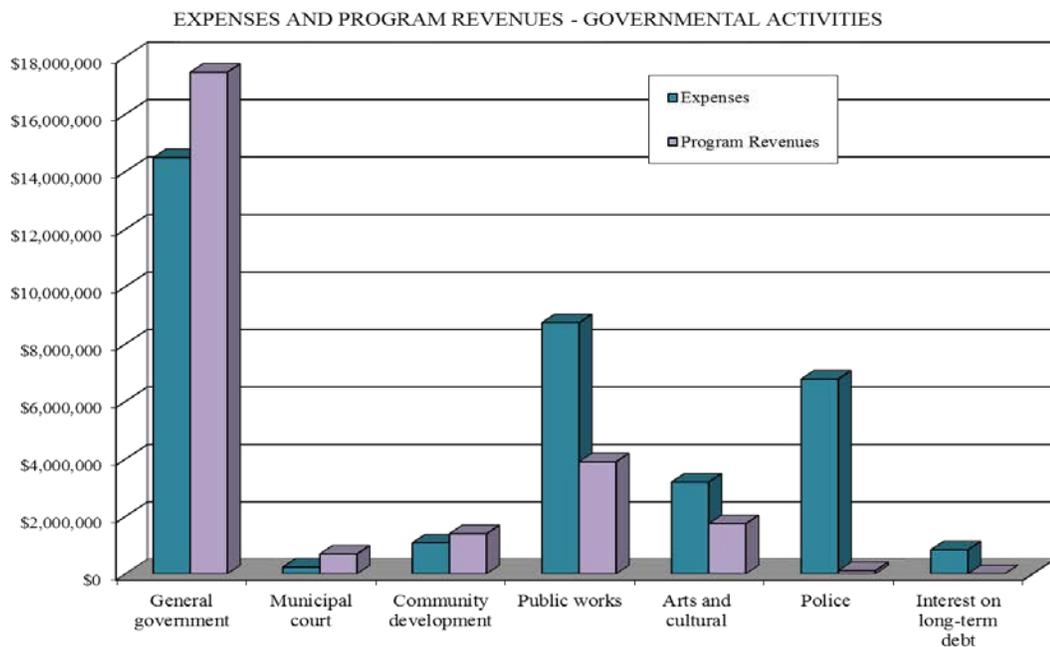
	2015	2014*
Revenue		
Program revenues		
Charges for services	\$ 3,616,769	\$ 4,213,705
Operating grants and contributions	4,728,754	4,252,466
Capital grants and contributions	16,971,208	1,069,622
General revenues		
Sales and use (retail) taxes	24,883,632	23,736,964
Other taxes	2,719,057	2,617,954
Franchise fees	1,040,429	1,033,993
Investment earnings	22,376	14,113
Other	136,995	331,163
Total revenues	54,119,220	37,269,980
Expenses		
General government	14,483,424	13,494,009
Municipal court	234,799	217,969
Community development	1,080,566	1,040,044
Public works	8,743,403	7,972,040
Arts and cultural	3,198,170	3,111,362
Police	6,779,310	6,639,856
Interest and related costs on long-term debt	837,895	924,398
Total expenses	35,357,566	33,399,678
Change in net position	18,761,654	3,870,302
Net position – Beginning	100,852,768	96,982,466
Restatement (see Note 20)	(2,869,271)	-
Net position - Ending	<u>\$ 116,745,151</u>	<u>\$ 100,852,768</u>

*2014 net position was not restated for the implementation of GASB 68

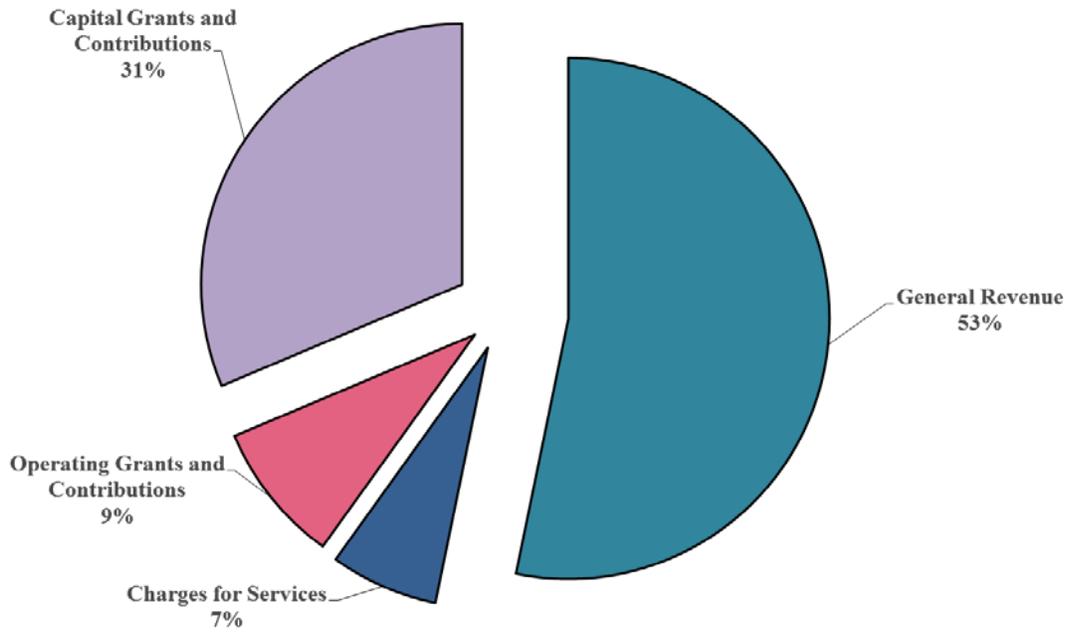
The City's net position related to governmental activities increased by \$18,761,654 during the current fiscal year. Several key highlights of the statement of activities during 2015 include the following items:

- 2015 charges for services decreased by \$596,936 from the previous year. A significant portion of this decrease was due to the decrease in building permit fees and other building related revenues due to not as many large commercial projects beginning construction in the City in 2015 compared to 2014.
- Capital grants and contributions increased by \$15,901,586 from 2014 to 2015 largely due to the City receiving \$15,357,820 in contributed capital from the acceptance of streets per the amended RidgeGate Annexation and Development Agreement effective January 1, 2015.

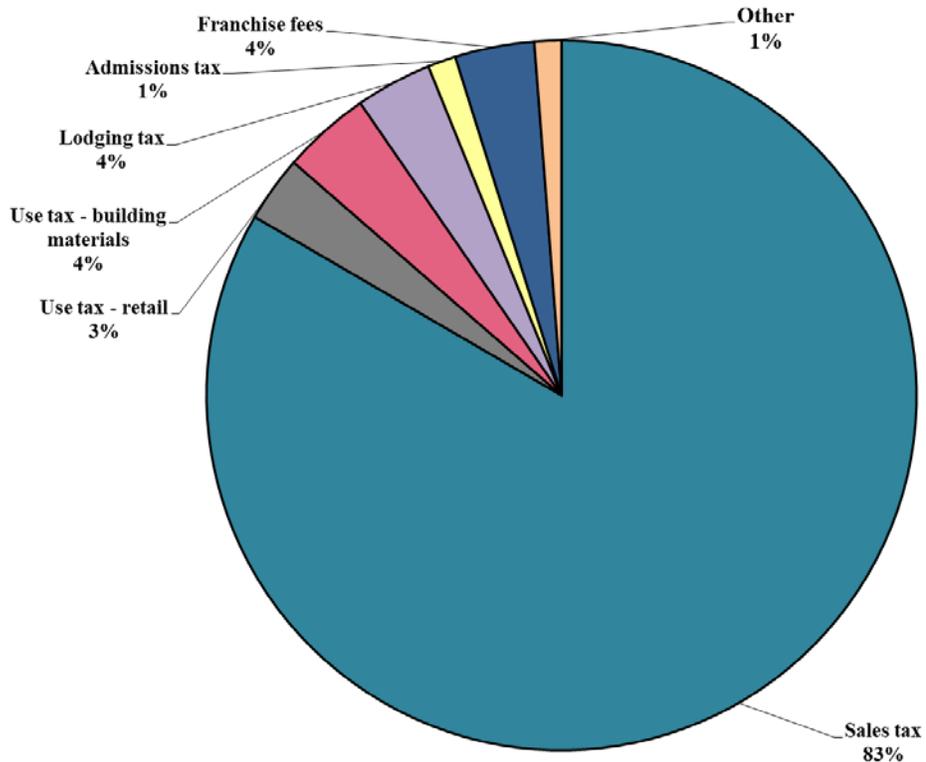
- Sales and use (retail) taxes increased by \$1,146,668 from 2014 to 2015 as a result of strengthening consumer spending, as well as multiple new retail and restaurant businesses in the City.
- General government expenses increased by \$989,415 or 7.3% from 2014 to 2015. A significant portion of this increase was related to the contribution to Douglas County for the Lincoln/I-25 ramp improvements, a full-year of operations for the Lone Tree Link, and emergency repair to the storm sewer at Park Meadows Drive and Acres Green.
- Public works expenses increased by \$771,363 or 9.7% from 2014 to 2015 primarily due to depreciation expense related to the accepted streets in RidgeGate per the amended annexation agreement and increased snow removal costs.
- Interest and related costs on long-term debt decreased due to the Certificate of Participation on the City office building being paid off in January 2015 and the resulting interest savings.



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 \$24,174,529. Of this amount, \$16,705,772 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 \$16,762,445 out of a total fund balance of \$22,070,850.

The fund balance of the City's General Fund increased by \$4,194,518 during the current fiscal year. The key factors contributing to this increase was revenues increasing due to a partner's contribution payment in the funding of the southeast light rail extension and an increase in tax revenue, particularly sales tax and use tax-retail.

At the end of the current fiscal year, the Special Revenue Fund - RidgeGate reported a total fund balance of \$-0-. This fund will no longer be used as a result of the amended RidgeGate Annexation and Development 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 \$1,059,919. This balance is an accumulation of pledged revenues coming in higher than anticipated.

At the end of the current fiscal year, the Debt Service Fund - Park and Recreation Improvements reported a restricted fund balance of \$1,043,760. 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 2015 came in under budget. The difference between the final budgeted revenue of \$35,246,798 and the actual revenue of \$34,850,178 was \$396,620. The main reason for this variance had to do with reimbursable costs that were lower than budgeted due to the delay of the construction of the Lincoln Pedestrian Bridge, resulting in partner contributions being moved to the following year once construction begins. Additionally,

use tax-building materials came in lower than budgeted due to the timing of construction projects in the City.

The City's General Fund total expenditures for 2015 did not exceed the budgeted appropriation. The difference between the budgeted expenditures (exclusive of transfers out) of \$38,996,121 and the actual expenditures of \$30,929,566 was \$8,066,555. 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 2016, such as the Lincoln Pedestrian Bridge, as well as general equipment in the Police Department coming in under budget in addition to various salary savings as a result of attrition.

Capital Assets

The City invested \$19,383,832 in capital assets for its governmental-type activities for the year ended December 31, 2015, which of this amount \$15,357,820 was contributed streets in the RidgeGate area due to the amended RidgeGate Annexation and Development Agreement. Additionally, investment in capital assets consisted of projects in 2016 including street overlay, Entertainment District Improvements, Parkway Drive Reconstruction, Lincoln Pedestrian Bridge design, and an emergency lighting inverter at the Lone Tree Arts Center.

Additional information on the City's capital assets can be found in Note 6 on pages 53-54 of this report.

Long-Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$18,430,000. This amount represents debt secured for park and recreational improvements and the Lone Tree Arts Center. Additionally, the City had \$25,000,000 as a long-term liability for the agreement with the Regional Transportation District (RTD) on the Southeast Light Rail extension. Additional information on this agreement with RTD and the agreements with the contributing partners can be found on page 59.

At the end of the fiscal year, the Park Meadows Business Improvement District (PMBID) had total outstanding debt of \$13,690,000. This amount represents debt secured for capital expenditures related to street, park and recreation, utility lines, transportation, and television relay improvements.

Additional information on the City's long-term debt can be found in Note 7 on pages 55-60 of this report.

Next Year's Budget

The 2016 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 \$56,349,345 for spending in fiscal year 2016. The 2016 budget includes new City staff positions, including a Deputy City Clerk, IT Systems Specialist, Teen Court Coordinator, and a Corporate and Foundation Manager at the Lone Tree Arts Center. Capital initiatives planned for 2016 include continued overlay of City streets, the construction of the Lincoln Pedestrian Bridge, the first year's contribution toward the Southeast Light Rail extension and various intersection improvements. The City anticipates utilizing revenues projected to be received in 2016 along with prior year accumulated fund balances to pay for these capital initiatives along with on-going operational costs related to City services.

Requests for Information

This financial report is designed to provide a general overview of the City of Lone Tree's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Lone Tree, 9220 Kimmer Drive, Suite 100, Lone Tree, Colorado 80124.

BASIC FINANCIAL STATEMENTS

CITY OF LONE TREE
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Park Meadows Business Improvement District	Lone Tree Business Improvement District
ASSETS			
Cash and Investments	\$ 17,061,031	\$ 4,852,757	\$ -
Cash and Investments - Restricted	8,222,726	1,502,744	-
Receivables:			
Intergovernmental	845,903	1,299,691	-
Sales, Use, Admissions and Lodging Taxes	3,620,036	-	-
Other	62,298	-	-
Prepaid items	436,862	56,141	-
Property Taxes Receivable	-	-	165,419
Long-Term Receivable	15,937,500	-	-
Capital Assets:			
Non-Depreciable	25,060,507	-	-
Depreciable, Net	91,310,002	13,212,942	-
Net Pension Asset - FPPA	836,472	-	-
Total Assets	<u>163,393,337</u>	<u>20,924,275</u>	<u>165,419</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Amounts	1,092,521	-	-
Southeast Light Rail Extension Agreement	7,332,500	-	-
Total Deferred Outflows of Resources	<u>8,425,021</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts Payable	5,280,546	247,579	-
Unearned Revenue - Arts Center Ticket Sales	169,523	-	-
Retainage Payable	119,673	-	-
Tenant Security Deposit Payable	16,081	-	-
Rental Security Deposit Payable	8,000	-	-
Surety Deposits Payable	480,504	-	-
Accrued Interest Payable	67,119	60,426	-
Noncurrent Liabilities			
Due within One Year	8,191,841	515,000	-
Due in More than One Year:			
Other Noncurrent Liabilities	36,039,893	12,966,232	-
Net Pension Liability - PERA	4,685,216	-	-
Total Liabilities	<u>55,058,396</u>	<u>13,789,237</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Amounts	14,811	-	-
Property Taxes	-	-	165,419
Total Deferred Inflows of Resources	<u>14,811</u>	<u>-</u>	<u>165,419</u>
NET POSITION			
Net investment in Capital Assets	97,829,372	(328,716)	-
Restricted:			
Emergency Reserve (TABOR)	989,906	165,000	-
Conservation Trust	233,685	-	-
Brick Fence Replacement	986,200	-	-
RidgeGate Annexation Reserve	52,601	-	-
Debt Service	2,103,679	1,277,318	-
Net Pension Asset - FPPA	836,472	-	-
Unrestricted	13,713,236	6,021,436	-
Total Net Position	<u>\$ 116,745,151</u>	<u>\$ 7,135,038</u>	<u>\$ -</u>

**CITY OF LONE TREE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government	Component Unit	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Park Meadows Business Improvement District	Lone Tree Business Improvement District
Primary Government:							
Governmental Activities:							
General Government	14,483,424	\$ 239,633	\$ 251,649	\$ 16,971,208	\$ 2,979,066	\$ -	\$ -
Municipal Court	234,799	691,943	-	-	457,144	-	-
Community Development	1,080,566	1,396,976	-	-	316,410	-	-
Public Works	8,743,403	-	3,906,779	-	(4,836,624)	-	-
Arts and Cultural Services	3,198,170	1,284,726	462,455	-	(1,450,989)	-	-
Police	6,779,310	3,491	107,871	-	(6,667,948)	-	-
Interest and Related Costs on Long-Term Debt	837,894	-	-	-	(837,894)	-	-
Total Primary Government	<u>\$ 35,357,566</u>	<u>\$ 3,616,769</u>	<u>\$ 4,728,754</u>	<u>\$ 16,971,208</u>	<u>(10,040,835)</u>	<u>-</u>	<u>-</u>
Component Unit:							
Park Meadows Business Improvement District:							
General Government	\$ 4,244,665	\$ -	\$ -	\$ -	-	(4,244,665)	-
Interest on Long-Term Debt	764,102	-	-	-	-	(764,102)	-
Total Component Unit	<u>\$ 5,008,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(5,008,767)</u>	<u>-</u>
Component Unit:							
Lone Tree Business Improvement District:							
General Government	\$ -	\$ -	\$ -	\$ -	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-	-
Total Component Unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Revenues:							
Sales Tax	-	-	-	-	24,018,016	5,462,139	-
Use Tax - Retail	-	-	-	-	865,616	-	-
Use Tax - Building Materials	-	-	-	-	1,155,608	11,900	-
Lodging Tax	-	-	-	-	1,000,349	-	-
Admissions Tax	-	-	-	-	368,432	-	-
Franchise Fees	-	-	-	-	1,040,429	-	-
Cigarette Tax	-	-	-	-	194,668	-	-
Sales Tax and Liquor Licenses	-	-	-	-	52,358	-	-
Investment Earnings	-	-	-	-	22,376	12,860	-
Other	-	-	-	-	84,637	305,231	-
Total General Revenues	-	-	-	-	<u>28,802,489</u>	<u>5,792,130</u>	<u>-</u>
Change in Net Position	-	-	-	-	18,761,654	783,363	-
Net Position - Beginning, as Restated	-	-	-	-	97,983,497	6,351,675	-
Net Position - Ending	-	-	-	-	<u>\$ 116,745,151</u>	<u>\$ 7,135,038</u>	<u>\$ -</u>

**CITY OF LONE TREE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	<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	\$ 16,864,826	\$ -	\$ 196,205	\$ -	\$ -	\$ -	\$ 17,061,031
Cash and Investments - Restricted	6,530,475	-	-	813,142	879,109	-	8,222,726
Receivables:							
Intergovernmental	845,903	-	-	-	-	-	845,903
Sales, Use, Admissions and Lodging Taxes	3,208,408	-	-	246,977	164,651	-	3,620,036
Other	45,795	-	16,503	-	-	-	62,298
Prepaid items	380,189	-	56,673	-	-	-	436,862
Due from Other Funds	7,342	-	-	-	-	-	7,342
TOTAL ASSETS	<u>\$ 27,882,938</u>	<u>\$ -</u>	<u>\$ 269,381</u>	<u>\$ 1,060,119</u>	<u>\$ 1,043,760</u>	<u>\$ -</u>	<u>\$ 30,256,198</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 5,195,830	\$ -	\$ 84,516	\$ 200	\$ -	\$ -	\$ 5,280,546
Unearned Revenue - Arts Center Ticket Sales	-	-	169,523	-	-	-	169,523
Retainage Payable	119,673	-	-	-	-	-	119,673
Tenant Security Deposit Payable	16,081	-	-	-	-	-	16,081
Rental Security Deposit Payable	-	-	8,000	-	-	-	8,000
Surety Deposits Payable	480,504	-	-	-	-	-	480,504
Due to Other Funds	-	-	7,342	-	-	-	7,342
Total Liabilities	<u>5,812,088</u>	<u>-</u>	<u>269,381</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>6,081,669</u>
FUND BALANCES							
Non-Spendable	380,189	-	56,673	-	-	-	436,862
Restricted	4,928,216	-	-	1,059,919	1,043,760	-	7,031,895
Assigned	12,489,445	-	-	-	-	-	12,489,445
Unassigned	4,273,000	-	(56,673)	-	-	-	4,216,327
Total Fund Balances	<u>22,070,850</u>	<u>-</u>	<u>-</u>	<u>1,059,919</u>	<u>1,043,760</u>	<u>-</u>	<u>24,174,529</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,882,938</u>	<u>\$ -</u>	<u>\$ 269,381</u>	<u>\$ 1,060,119</u>	<u>\$ 1,043,760</u>	<u>\$ -</u>	<u>\$ 30,256,198</u>

CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2015

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

Total Fund Balance - Governmental Funds	\$ 24,174,529
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	116,370,509
Other long-term assets are not current financial resources available to pay current period expenditures and, therefore, are not reported in the funds.	
RTD Light Rail Extension	15,937,500
Net Pension Asset - FPPA	836,472
Deferred outflows and inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, are not reported in the funds.	
Deferred Outflows - Pension Plan	1,092,521
Deferred Outflows - Southeast Light Rail Extension	7,332,500
Deferred Inflows - Pension Plan	(14,811)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds Payable	(18,430,000)
Accrued Interest on Bonds Payable	(67,119)
Bond Premiums (Net of Amortization)	(111,137)
Southeast Light Rail Extension	(25,000,000)
Net Pension Liability - PERA	(4,685,216)
Compensated Absences	(690,597)
Net Position of Governmental Activities	\$ 116,745,151

CITY OF LONE TREE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	<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	\$ 24,147,079	\$ -	\$ -	\$ 1,956,536	\$ 1,304,406	\$ -	\$ 27,408,021
Franchise fees	1,040,429	-	-	-	-	-	1,040,429
Intergovernmental	7,073,987	-	-	-	-	-	7,073,987
Licenses, fees and charges	1,430,134	-	-	-	-	-	1,430,134
Fines and forfeitures	691,943	-	-	-	-	-	691,943
Tenant rental income	239,634	-	-	-	-	-	239,634
Arts and cultural	-	-	1,747,181	-	-	-	1,747,181
Base rentals	-	-	-	-	-	1,290,006	1,290,006
Net investment income	21,019	-	-	667	690	-	22,376
Other	205,953	-	-	-	-	-	205,953
Total revenues	<u>34,850,178</u>	<u>-</u>	<u>1,747,181</u>	<u>1,957,203</u>	<u>1,305,096</u>	<u>1,290,006</u>	<u>41,149,664</u>
EXPENDITURES							
Current							
General government	4,706,785	-	-	-	-	-	4,706,785
Municipal court	192,197	-	-	-	-	-	192,197
Community development	1,020,830	-	-	-	-	-	1,020,830
Public works	4,473,031	-	-	-	-	-	4,473,031
Arts and cultural services	-	-	2,544,481	-	-	-	2,544,481
Police	6,697,266	-	-	-	-	-	6,697,266
Debt service							
Bond principal	-	-	-	985,000	645,000	1,290,000	2,920,000
Bond interest	-	-	-	471,756	394,713	6	866,475
Paying agent fees	-	-	-	200	200	-	400
Capital outlay	13,839,457	-	-	-	-	-	13,839,457
Total expenditures	<u>30,929,566</u>	<u>-</u>	<u>2,544,481</u>	<u>1,456,956</u>	<u>1,039,913</u>	<u>1,290,006</u>	<u>37,260,922</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,920,612</u>	<u>-</u>	<u>(797,300)</u>	<u>500,247</u>	<u>265,183</u>	<u>-</u>	<u>3,888,742</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,071,206	-	797,300	-	-	-	1,868,506
Transfers (out)	(797,300)	(52,601)	-	(95,605)	-	(923,000)	(1,868,506)
Total other financing sources (uses)	<u>273,906</u>	<u>(52,601)</u>	<u>797,300</u>	<u>(95,605)</u>	<u>-</u>	<u>(923,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,194,518	(52,601)	-	404,642	265,183	(923,000)	3,888,742
FUND BALANCES - BEGINNING 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>
FUND BALANCES - END OF YEAR	<u>\$ 22,070,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,919</u>	<u>\$ 1,043,760</u>	<u>\$ -</u>	<u>\$ 24,174,529</u>

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, 2015

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

Net Change in Fund Balances - Total Governmental Funds	\$ 3,888,742
<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 Asset Additions	19,383,832
Depreciation Expense	(5,781,575)
<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.</p>	
Bond Principal	2,920,000
Bond Premium, Amortization	23,892
<p>Revenues in the government funds that do not provide current financial resources available to pay current period expenditures are therefore, not reported in the statement of activities.</p>	
Southeast Light Rail Extension Partner Contributions	(1,730,000)
<p>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.</p>	
Compensated Absences - Change in Liability	(46,561)
Pension Expense	98,237
Accrued Interest on Bonds - Change in Liability	5,087
Changes in Net Position of Governmental Activities	\$ 18,761,654

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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. 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. The Building Authority's debt was paid in full on January 2, 2015 and subsequently the Building Authority was dissolved as a non-profit corporation with the State of Colorado on November 3, 2015.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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.

The formation of the Lone Tree Business Improvement District (LTBID) was initiated by commercial business owners and approved by the City on September 1, 2015. The LTBID was created to assist with the financing, construction, operation, marketing and maintenance of public improvements and public services intended to maintain and improve the economic performance of business entities located within the LTBID. The LTBID is governed by a Board of Directors who are appointed by, and may be removed by, City Council. The LTBID must submit an annual operating plan and budget for City Council approval by September 30th of each year per State statute. Since the LTBID's governing body is appointed by City Council and the City has the ability to impose its will, the LTBID is considered to be a component unit of the City but does not meet the definition of an integral part of the primary government. Therefore, the LTBID is included and presented as a discretely presented component unit of the City.

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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the City are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report all of the activities of the primary government and its component units except for the fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by sales taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of net position reports all financial and capital resources of the primary government and its component units. The difference between the assets and deferred outflows and liabilities and deferred inflows of the City is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property, equipment and infrastructure are shown as increases in assets, and redemption of bonds are recorded as a reduction in liabilities.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

current period. For this purpose, the government considers revenues to be available if they are collected within a reasonable period (typically within 60 days) following the end of the current fiscal period. The major sources of revenue susceptible to accrual are sales, use, lodging and admissions taxes. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The City reports the following major governmental funds:

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

The Special Revenue Fund - RidgeGate is used to account for revenues and expenditures related to the RidgeGate development pursuant to the original annexation agreement. Effective January 1, 2015 this Special Revenue Fund was discontinued due to the amendment to the annexation agreement and all activity was transferred to the General Fund (see Note 11).

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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2015, supplementary appropriations approved by the City modified the appropriation from \$35,169,234 to \$40,025,558 in the General Fund and from \$4,619,204 to \$52,601 in the Special Revenue Fund – RidgeGate.

During the year ended December 31, 2015, supplementary appropriations approved by the PMBID modified the appropriation from \$5,200,862 to \$5,800,000 in the General Fund.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation.

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

Buildings and building improvements	3 - 50 years
Equipment	3 - 15 years
Vehicles	5 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.

Unearned Revenue

Unearned revenue in the government-wide and the fund financial statements consists of unearned

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ticket sales for the Lone Tree Arts Center.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first is shown as pension-related amounts that includes items related to the City's portion of the Colorado Fire and Police Pension Association (FPPA) and Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the difference between expected and actual experience, any changes of assumptions or other inputs, the net difference between projected and actual investment earnings on pension plan investments, and the related contributions subsequent to the measurement date, but before the end of the fiscal year and changes in proportion since the prior measurement date (see Notes 12 and 13). The second is shown as the Southeast Light Rail Extension Agreement, which includes the City's portion of this project. The agreement is between the City and the Regional Transportation District (RTD) which assumes a local match from the City totaling a \$25 million cash contribution. During 2015, the City entered into multiple agreements with partners related to the funding of this project (see Note 7).

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify, as well as the Lone Tree Business Improvement District (component unit) having one item that qualifies for reporting in this category. The first is shown as pension-related amounts that includes items related to the City's portion of the Colorado Fire and Police Pension Association (FPPA) and Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the City's proportionate share of collective deferred inflows of resources, the change in employer allocation percentage from 2013 to 2014, the difference between the actual contributions and proportionate share of total contributions, as well as the amortization related to this difference (see Notes 12 and 13). Lastly, the Lone Tree Business Improvement District has one item shown as Property Taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available (see Note 1).

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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. An ordinance requires the matter to be added to the City’s municipal code, whereas a resolution does not require this action, but depending on the subject matter, both are equally binding.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. City Council has approved an Intergovernmental Agreement with Douglas County for an emergency disaster management reserve, entered into multiple agreements with private-public entities to operate a free shuttle service between certain employers and the light rail station, as well as setting requirements as part of the site improvement application process for park fees in lieu of land dedication. Additionally, City Council has adopted a Council Adopted Policy to assign fund balance. CAP #12-02, the Capital Reserve Policy, establishes reserves for future capital replacement and project needs.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above. Additionally, the unassigned fund balance is generally a negative amount, except for in the general fund, which reports a positive unassigned fund balance amount. The negative amount is appropriate in other governmental funds (excluding the general fund) if the expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes.

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

New Accounting Pronouncement

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*” and GASB Statement No. 71, “*Pension Transition for Contributions made Subsequent to the Measurement Date*,” an amendment of GASB Statement No. 68. Those new pronouncements require the City to record its “proportionate share” of the Pension Plans net pension liability and/or net pension asset and related deferred inflows and outflows of resources in the government-wide financial statements.

As a result of implementing GASB Statements No. 68 and 71, the City was required to restate the government-wide beginning net position.

Pensions

The City participates in two defined benefit pension plans, one of the plans is for civilian employees (City administration and Lone Tree Arts Center staff) and the other is for sworn employees (police officers). The civilian employees participate in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (PERA). The sworn employees participate in the Statewide Defined Benefit Plan (SDBP), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF and SDBP have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF LONE TREE,
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension expense for 2015 was charged to the following functions/programs:

	Component Unit
General Government	\$ 50,145
Municipal Court	4,776
Community Development	17,312
Police Department	(214,047)
Arts and Cultural	<u>43,578</u>
Total pension expense	<u>\$ (98,237)</u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

	Primary Government	Park Meadows BID Component Unit
Statement of net position:		
Cash and investments	\$ 17,061,031	\$ 4,852,757
Cash and investments - Restricted	<u>8,222,726</u>	<u>1,502,744</u>
Total cash and investments	<u>\$ 25,283,757</u>	<u>\$ 6,355,501</u>

Cash and investments as of December 31, 2015 consist of the following:

	Primary Government	Park Meadows BID Component Unit
Deposits with financial institutions	\$ 8,009,433	\$ 4,073,367
Investments	<u>17,274,324</u>	<u>2,282,134</u>
Total cash and investments	<u>\$ 25,283,757</u>	<u>\$ 6,355,501</u>

**CITY OF LONE TREE,
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

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, 2015 the City's cash deposits had a bank balance of \$7,688,604 and a carrying balance of \$8,009,433. 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, 2015, the PMBID's cash deposits had a bank balance of \$4,264,688 and a carrying balance of \$4,073,367.

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

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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, 2015, the City had the following investments:

Investment	Maturity	Primary Government	Park Meadows BID Component Unit
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 17,274,324	\$ -
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	-	2,282,134
		<u>\$ 17,274,324</u>	<u>\$ 2,282,134</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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals.

The custodian's internal records segregate investments owned by the Trust. 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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	\$ 380,189	\$ -	\$ 56,673	\$ -	\$ -	\$ -	\$ 436,862
	<u>380,189</u>	<u>-</u>	<u>56,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,862</u>
Restricted for:							
Emergency Reserve (TABOR)	989,906	-	-	-	-	-	989,906
Conservation Trust	233,685	-	-	-	-	-	233,685
Park and Recreation Improvements							
Series 2008A Bonds	935,824	-	-	-	-	-	935,824
Brick Fence Replacement Reserve	986,200	-	-	-	-	-	986,200
RidgeGate Annexation Reserve	52,601	-	-	-	-	-	52,601
Southeast Light Rail Extension	1,730,000	-	-	-	-	-	1,730,000
Debt Service	-	-	-	1,059,919	1,043,760	-	2,103,679
	<u>4,928,216</u>	<u>-</u>	<u>-</u>	<u>1,059,919</u>	<u>1,043,760</u>	<u>-</u>	<u>7,031,895</u>
Committed to:							
	-	-	-	-	-	-	-
Assigned to:							
Emergency Disaster Management - County	108,077	-	-	-	-	-	108,077
Capital Replacement	11,127,158	-	-	-	-	-	11,127,158
Park Fee in Lieu of Land Dedication	93,394	-	-	-	-	-	93,394
Lone Tree Link	484,775	-	-	-	-	-	484,775
Subsequent Year's Expenditures (capital projects)	676,041	-	-	-	-	-	676,041
	<u>12,489,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,489,445</u>
Unassigned	4,273,000	-	(56,673)	-	-	-	4,216,327
Total Fund Balance	<u>\$ 22,070,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,919</u>	<u>\$ 1,043,760</u>	<u>\$ -</u>	<u>\$ 24,174,529</u>

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 4- FUND BALANCE (CONTINUED)

Park and Recreation Improvements bond issuance. These funds are to be used exclusively for park and recreational improvements.

The brick fence replacement reserve represents funds received by the City as part of a litigation settlement. These funds are to be used exclusively for capital repairs related to the brick fences throughout the City as a requirement of the settlement.

The RidgeGate annexation reserve has been provided for as required by the Annexation Agreement with the developer of RidgeGate (see Note 11) for emergency maintenance and repairs of capital improvements.

The Southeast light rail extension restricted balance represents funds received by the City from one of the City's partners in this project. These funds are to be used exclusively for the Southeast light rail payment to RTD as outlined in the agreement.

The debt service restricted balance represents funds to be used for future payment of bond principal, interest and costs related to the 2008A Park and Recreation Improvement Bonds and 2009 Arts and Cultural Facilities Bonds.

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, 2016. This classification of expenditures is present when prior-year fund balance is used for expenditures, such as capital projects. For 2016, these expenditures are primarily for capital projects, such as street improvements.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 4- FUND BALANCE (CONTINUED)

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, 2015 are as follows:

Fund	<u>Receivables</u>	<u>Payables</u>
General	\$ 7,342	\$ -
Special Revenue Fund – Cultural / Community Services	-	7,342
	<u>\$ 7,342</u>	<u>\$ 7,342</u>

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 2016 with unearned and other revenues.

The following schedule summarizes the City’s transfers for the year ended December 31, 2015:

Transfers Out	<u>Transfers in General Fund</u>	<u>Transfers in Special Revenue Fund - Cultural & Community Services</u>
Building Authority - Debt Service	\$ 923,000	\$ -
Special Revenue Fund - RidgeGate	52,601	-
Debt Service Fund – Arts / Cultural Facilities	95,605	-
General Fund	-	797,300
	<u>\$ 1,071,206</u>	<u>\$ 797,300</u>

The transfer of \$923,000 from the Building Authority Debt Service Fund represents the reserve amount transferred to the General Fund to pay off the balance in full of the 2007 Certificates of Participation with an early redemption on January 2, 2015.

The transfer of \$52,601 from the Special Revenue Fund – RidgeGate represents the RidgeGate annexation reserve balance, which comprises the full fund balance that was transferred to the General Fund to eliminate the Special Revenue Fund - RidgeGate per the First Amendment to the Annexation Agreement (see Note 11)

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

The transfer of \$95,605 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 \$797,300 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.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 follows:

	<u>Balance at December 31, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2015</u>
Primary Government				
Capital Assets, Not being Depreciated:				
Land	\$ 23,858,798	\$ 127,990	\$ -	\$ 23,986,788
Construction in Progress	-	1,073,719	-	1,073,719
Total Capital Assets, not Being Depreciated	<u>23,858,798</u>	<u>1,201,709</u>	<u>-</u>	<u>25,060,507</u>
Capital Assets, being Depreciated:				
Buildings and Building Improvements	39,313,445	96,572	-	39,410,017
Equipment	2,911,875	237,728	(513,938)	2,635,665
Vehicles	1,774,753	160,089	(544,915)	1,389,927
Infrastructure	97,093,676	17,687,733	-	114,781,409
Intangibles	1,500,000	-	-	1,500,000
Total Capital Assets, being Depreciated	<u>142,593,749</u>	<u>18,182,123</u>	<u>(1,058,853)</u>	<u>159,717,019</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,052,277)	(985,552)	-	(6,037,829)
Equipment	(1,852,475)	(353,353)	513,938	(1,691,890)
Vehicles	(1,388,999)	(158,372)	544,915	(1,002,456)
Infrastructure	(54,996,794)	(4,246,798)	-	(59,243,592)
Intangibles	(393,750)	(37,500)	-	(431,250)
Total Accumulated Depreciation	<u>(63,684,295)</u>	<u>(5,781,575)</u>	<u>1,058,853</u>	<u>(68,407,016)</u>
Total Capital Assets, being Depreciated, Net	<u>78,909,454</u>	<u>12,400,548</u>	<u>-</u>	<u>91,310,002</u>
Capital Assets, Net	<u>\$ 102,768,252</u>	<u>\$13,602,257</u>	<u>\$ -</u>	<u>\$ 116,370,509</u>

During 2015, the City spent a total of \$458,802 in capital outlay initiatives that are not being depreciated on the City's record (e.g., capital assets owned by other entities).

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Balance at December 31, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2015</u>
Park Meadows BID Component Unit:				
Capital assets, being depreciated:				
Infrastructure	\$ 16,105,899	\$ 677,937	\$ -	\$ 16,783,836
Total capital assets, being depreciated	<u>16,105,899</u>	<u>677,937</u>	<u>-</u>	<u>16,783,836</u>
Less accumulated depreciation for:				
Infrastructure	(3,034,031)	(536,863)	-	(3,570,894)
Total accumulated depreciation	<u>(3,034,031)</u>	<u>(536,863)</u>	<u>-</u>	<u>(3,570,894)</u>
Total capital assets, being depreciated, net	<u>13,071,868</u>	<u>141,074</u>	<u>-</u>	<u>13,212,942</u>
Capital assets, net	<u>\$ 13,071,868</u>	<u>\$ 141,074</u>	<u>\$ -</u>	<u>\$ 13,212,942</u>

Depreciation expense for 2015 was charged to the following functions/programs:

	<u>Governmental Activities</u>	<u>Park Meadows BID Component Unit</u>
General government	\$ 455,936	\$ 536,863
Municipal court	7,455	-
Community development	37,550	-
Public works	4,266,583	-
Police department	413,403	-
Arts and cultural	600,648	-
Total depreciation expense	<u>\$ 5,781,575</u>	<u>\$ 536,863</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015:

	<u>Balance at December 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2015</u>	<u>Due Within One Year</u>
Governmental Activities					
Certificates of Participation - Series 2007	\$ 1,290,000	-	\$ 1,290,000	-	-
Sales and Use Tax Revenue Bonds - Series 2008A	7,950,000	-	645,000	7,305,000	695,000
Unamortized premium on Series 2008A Bonds	21,193	-	3,829	17,364	-
Sales and Use Tax Revenue Bonds - Series 2009	12,110,000	-	985,000	11,125,000	1,060,000
Unamortized premium on Series 2009 Bonds	113,836	-	20,063	93,773	-
Southeast Light Rail Extension	-	25,000,000	-	25,000,000	6,333,333
Compensated Absences	644,036	100,079	53,518	690,597	103,508
	<u>\$ 22,129,065</u>	<u>\$ 25,100,079</u>	<u>\$ 2,997,410</u>	<u>\$ 44,231,734</u>	<u>\$ 8,191,841</u>

	<u>Balance at December 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2015</u>	<u>Due Within One Year</u>
Park Meadows BID Component Unit					
Shared Sales Tax Revenue Bonds - Series 2007	\$ 14,180,000	-	\$ 490,000	\$ 13,690,000	\$ 515,000
Unamortized discount on Series 2007 Bonds	(221,816)	-	13,048	(208,768)	-
	<u>\$ 13,958,184</u>	<u>\$ -</u>	<u>\$ 503,048</u>	<u>\$ 13,481,232</u>	<u>\$ 515,000</u>

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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, 2015, the City had authorized but unissued bond indebtedness in the following amounts allocated for the following purposes:

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

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, 2015, the PMBID has \$118,690,000 in authorized, but unissued indebtedness for capital purposes.

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

Series 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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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 January 2, 2015, 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.

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

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

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.

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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.

Annual debt service requirements to maturity are as follows:

Year Ended December 31,	Governmental Activities		
	Sales and Use Tax Revenue Bonds		
	Principal	Interest	Total
2016	\$ 1,755,000	\$ 805,431	\$ 2,560,431
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	2,365,000	470,731	2,835,731
2021-2023	8,195,000	755,040	8,950,040
	\$ 18,430,000	\$ 3,994,983	22,424,983

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Component Unit</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	630,000	610,335	1,240,335
2021-2025	3,690,000	2,513,460	6,203,460
2026-2030	4,785,000	1,424,707	6,209,707
2031	<u>2,360,000</u>	<u>126,260</u>	<u>2,486,260</u>
	<u>\$ 13,690,000</u>	<u>\$ 7,413,682</u>	<u>\$ 21,103,682</u>

Southeast Light Rail Extension Project

During 2015, the City entered into multiple agreements related to the funding of the southeast light rail extension project, which will add three additional stops, approximately 2.3 miles of additional trackage, and associated infrastructure. The master agreement, which was entered into on October 7, 2015 between the City and the Regional Transportation District (RTD) assumes a local match from the City totaling a \$25 million cash contribution. Construction is planned to begin in mid-2016.

The City's local match to RTD is not contingent upon payment from the other entities, however the City executed agreements with the other entities in 2015, prior to the finalization of the master agreement with RTD. The City agrees to pay RTD in three total annual payments of \$6,333,333 in 2016, \$8,333,333 in 2017, and \$10,333,334 in 2018. Each annual payment will be made in two equal installments, the first of which will be made on May 2 and the second of which will be made on November 1, of each year an annual payment is due, provided that RTD has awarded a contract for the construction of the Project before May 1, 2016 and the project has received award of the Federal Transit Administration grant. If either of these stipulations have not occurred, no payment will be due until 60 days after both the contract award and the grant has been received.

In addition to the agreement with RTD, the City entered into cost sharing agreements with Douglas County, the Southeast Public Improvement Metropolitan District (SPIMD), and the Rampart Range Metropolitan District (RRMD). Contributions from each entity are as follows:

- City - \$7,332,500
- Douglas County - \$7,335,000
- RRMD - \$7,332,500
- SPIMD - \$3,000,000

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Details of each of the funding partner agreements are below:

On February 24, 2015, the City and Douglas County entered into an intergovernmental agreement where the County agrees to pay the City \$7,335,000. This amount will be paid in three installments, \$1,730,000 by December 1, 2015, \$3,160,000 by March 1, 2016 and \$2,445,000 by December 1, 2017. As of December 31, 2015, the City had received the first payment of \$1,730,000 from the County which was recorded as a reduction to the long-term receivable on the government-wide statements. The second payment due March 1, 2016 will be invoiced once confirmation of the federal grant is confirmed which is anticipated to be at the end of April 2016.

On July 21, 2015, the City and RRMD entered into an intergovernmental agreement where RRMD agrees to pay the City \$7,332,500. This amount will be paid in six installments, two per year, each \$1,222,083 by January 1 and May 31 of 2016-2018. The first payment from RRMD that was due January 1, 2016 will be invoiced once confirmation of the federal grant is confirmed which is anticipated to be at the end of April 2016.

On June 16, 2015, the City and SPIMD entered into an intergovernmental agreement where SPIMD agrees to pay the City \$3,000,000. This amount will be paid in three installments, \$1,000,000 by December 1, 2015, \$1,000,000 by March 1, 2016 and \$1,000,000 by December 1, 2017. As of December 31, 2015, no payment has been received. The City discussed with the District and decided to wait to invoice until confirmation of the federal grant is confirmed which is anticipated to be at the end of April 2016.

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, 2015, the City had net investment in capital assets of \$97,829,372 calculated as follows:

Primary Government	<u>Governmental Activities</u>
Net investment in capital assets:	
Capital assets, net	\$ 116,370,509
Current portion of long-term obligations	(1,755,000)
Noncurrent portion of long-term obligations	(16,675,000)
Premium (net of accumulated amortization)	(111,137)
Net investment in capital assets	<u>\$ 97,829,372</u>

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 - NET POSITION (CONTINUED)

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 Emergency Reserve is restricted due to impositions by law through constitutional provisions. The RidgeGate annexation reserve is restricted due to the annexation agreement with another entity. The City had restricted net position of \$5,202,543 as of December 31, 2015 as follows:

Primary Government	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve (see Note 19)	\$ 989,906
Conservation Trust	233,685
Brick Fence Replacement	986,200
RidgeGate Annexation Reserve (see Note 11)	52,601
Debt service (see Note 4)	2,103,679
Net Pension Asset (see Note 12)	<u>836,472</u>
	<u>\$ 5,202,543</u>

The unrestricted component of net position as of December 31, 2015 totaled \$13,713,236.

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:

	Maximum Reimbursement	Agreement Termination Date	Amount Paid as of December 31, 2015	Remaining Amount Committed
Retailer A	\$ 750,000	September 30, 2021	\$ 375,000	\$ 375,000
Retailer B	7,200,000	May 17, 2027	3,750,548	3,449,452
Service Provider B	N/A	February 7, 2022	-	Unknown
Service Provider C	N/A	May 21, 2018	<u>732</u>	<u>Unknown</u>
	<u>\$ 8,150,000</u>		<u>\$ 4,126,280</u>	<u>\$ 3,824,452</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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 - CONTRACTUAL OBLIGATIONS (CONTINUED)

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.

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 \$559,089 in 2015 associated with costs under the agreement. Total dispatch services costs of \$581,000 are estimated for 2016.

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

CITY OF LONE TREE
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NOTE 10 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

January 1, 2013 through December 31, 2013 automatically renewing for five subsequent one year terms unless terminated by either party. The City paid the following amounts related to these services during 2015:

Crime analysis	\$ 6,398
Crime scene investigation	8,631
Evidence storage	<u>65,229</u>
	<u>\$ 80,258</u>

Total services are estimated at \$95,400 for 2016.

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 \$280,000 in 2015. The City's share of the 2015 improvements was \$130,000. For 2016, the main projects are improvements to Yosemite Street and Parkway Drive. The City's share of the 2016 improvements are estimated at \$545,000 of the approximate total cost of \$1,045,000.

The Rampart Range Metro District (RRMD) contributed streets during 2015 to be maintained by the City in accordance with the Annexation Agreement entered into by the City and related Developer per the First Amendment to the Annexation Agreement. RRMD paid the City the first annual installment of five in the amount of \$250,000 for additional maintenance of the accepted streets. Additionally, as future streets are constructed in RRMD, it is anticipated the addition of streets will be maintained by the City in accordance with the Annexation Agreement (see Note 11).

Lone Tree Link Shuttle Service

During 2014, the City entered into multiple agreements as part of a public-private partnership related to the Lone Tree Shuttle Bus Project or the Lone Tree Link (Link). This project was initiated because Park Meadows Drive is a major travel corridor in the City, connecting the Lincoln Light Rail Station with major institutions and businesses that provide work for thousands of employees. This service gives residents, visitors, shoppers and employees the ability to access these institutions and businesses by means of a shuttle bus service and provides better transportation to jobs and amenities throughout the corridor and reduces the dependency on the single occupant automobile, facilitates the movement of traffic and minimizes traffic congestion in the shuttle area. The private businesses consisting of Sky Ridge Medical Center, Charles Schwab, Kaiser Permanente, 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

For the second year of service, Sky Ridge Medical Center, OmniPark Metropolitan, and Charles Schwab continued to be funding partners contributing \$100,000, \$100,000 and \$125,000, respectively, for the 2015-2016 operation year, which runs from September 2015 to August 2016. Additionally, an intergovernmental agreement was entered into with the Southeast Public Improvement Metropolitan District (SPIMD), which includes funding support of \$100,000 for the 2015-2016 operation year. Kaiser Permanente, who was a funding partner the first year, decided not to renew its contribution in 2015. The City also contributed \$250,000 in 2015 for the 2015-2016 operation year and is responsible for overseeing the operations of the Link. The continuance of the service will be evaluated each year annually, along with additional funding needs.

NOTE 11 - COMMITMENTS

RidgeGate

During 2000, City voters approved the annexation of approximately 3,500 acres identified as RidgeGate. The City has entered into an agreement with the Developer to reimburse certain revenues for public infrastructure improvements. Net revenues collected within the annexed property are to be allocated 60% to an entity designated by the developer, RRMD No. 1, with the remaining 40% to the City. The term of the revenue shareback agreement commences on a date yet to be specified by the Developer, but no later than August 2020, and extends twenty years from such date. The Developer gave notice to the City to begin the shareback agreement on January 1, 2013. Prior to the commencement of the revenue shareback, any excess revenue is required to be transferred to the General Fund to be used at the discretion of City Council. A total of \$52,601 has been accumulated toward the RidgeGate annexation reserve per the original annexation and development agreement.

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 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

CITY OF LONE TREE
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NOTE 11 – COMMITMENTS (CONTINUED)

ownership, repair, replacement, operation and maintenance, all streets, sidewalks, street and pedestrian lighting, safety protection and all appurtenant facilities as detailed in Exhibit A of the Amendment. In 2015, the amount added to the City's financials for these assets totaled \$15,357,820. The City will maintain these assets to the same standard as elsewhere in the City. Additionally, the City agreed that it would also accept all streets, sidewalks, street and pedestrian lighting, and all appurtenant facilities constructed or installed in the future on the west side property in accordance with the subdivision improvement standards and procedures adopted by the City at such time of dedication. 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.

In 2015, the amount paid to the Developer pursuant to the First Amendment to the Annexation and Development Shareback Agreement totaled \$1,541,490.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 11 – COMMITMENTS (CONTINUED)

the owner and organized a business improvement district named the Park Meadows Business Improvement District (PMBID). Pursuant to the agreement, commencing January 1, 2007 and continuing for twenty-five years from the commencement date, the City will distribute 50% of sales tax collections received from the annexed property to the PMBID. The term of the agreement will automatically be extended for an additional five year period if the sales tax collected in 2027 is more than the sales tax collections in the first full sales tax collection year (referred to as the base year) which begins after the first to occur: i) annexation by the City of all of the anchor retail stores and substantial completion of the “Lifestyle Extension” or ii) December 31, 2009.

Construction Commitments

As of December 31, 2015, the City had unexpended construction related contract commitments of \$849,358.

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

Plan Description

The City contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. All full-time, paid police officers of the City are members of the Statewide Defined Benefit Plan (excluding the Chief of Police). The cost to administer the plan is financed through the contributions and investment earnings of the plan. Colorado Statutes assign the authority to establish benefit provisions to the state legislature.

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Statewide Defined Benefit Plan, the Statewide Money Purchase Plan and the Statewide Death and Disability Plan. That report may be obtained by calling FPPA at 303-770-3772 in the Denver Metro area and 1-800-332-FPPA (3772) from outside the metro area or can be obtained at www.fppaco.org.

Pension Benefits

On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the Plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - STATE FIRE AND POLICE PENSION PLAN (FPPA Defined Benefit Plan)
(CONTINUED)

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Statewide Defined Benefit Plan was set at 0 percent.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions

The Statewide Defined Benefit Plan (Plan) sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership. Members of this Plan and their employers are contributing at the rate of 8 percent of base salary for a total contribution rate of 16 percent through 2014. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022. Employer and member contributions are invested in funds at the discretion of members.

Contributions to the Plan from the City were \$275,158 for the year ended December 31, 2015.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

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

At December 31, 2015, the City reported an asset of \$836,472 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At December 31, 2014, the City's proportion was 0.741 percent, which was a decrease of 0.004 percent from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$(230,762). At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (17,231)
Changes in assumptions	-	-
Net difference between actual and projected earnings on pension plan investments	65,951	-
Changes in proportion and differences between City contributions and proportionate share of contributions	160	3,361
City contributions subsequent to the measurement date	275,158	-
Total	\$ 341,269	\$ (13,870)

\$275,158 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

Year ended December 31,	Amounts Reported as Collective Deferred Outflows and Collective Deferred Inflows of Resources Recognized in Collective Pension Expense
2016	\$ 14,683
2017	14,683
2018	14,683
2019	14,683
2020	(1,805)
Thereafter	(8,205)

Actuarial Assumptions

The total pension asset in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 – 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	3.0 percent

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumption from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	40%	8.9%
Equity Long/Short	10%	7.5%
Illiquid Alternatives	18%	10.5%
Fixed Income	15%	4.6%
Absolute Return	12%	6.5%
Managed Futures	4%	5.5%
Cash	1%	2.5%
Total	100%	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2014, are summarized in the above table.

Discount rate

The discount rate used to measure the total pension asset was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of the Department’s proportionate share of the net pension liability / (asset) to changes in the discount rate

The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability / (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

**CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

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

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
City's proportionate share of the net pension liability/(asset)	\$ 788,635	\$ (836,472)	\$ (2,192,024)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the FPPA's comprehensive annual report which can be obtained at www.fppaco.org/toc_frames.html.

Defined Contribution Pension Plans

Statewide Money Purchase Plan

Plan Description

Department Chiefs have the option to participate in the Statewide Money Purchase plan as an alternative to the FPPA Statewide Defined Benefit Plan. Therefore, the City contributes to the Fire and Police Statewide Money Purchase Plan, a multiple-employer defined contribution pension plan for the Chief of Police. The plan is administered by the Fire and Police Pension Association of Colorado (FPPA). The Statewide Money Purchase Plan provides retirement benefits for members and beneficiaries. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

The Fire & Police Members' Statewide Money Purchase Plan became effective on January 1, 1995. Participants can choose from various mutual funds selected by the Self-Directed Plans Committee pursuant to the fund structure approved by the Board of Directors as well as mutual funds or other investments offered through a Self-Directed Brokerage Account. The Plan assets are included in the Fire & Police Members' Self-Directed Investment Fund.

Funding Policy

Contributions to the Statewide Money Purchase Plan are calculated as a percentage of the member's base salary, which is specified by state statute. Current participants contribute 8 percent of salary, which is matched by the employer. Members are always fully vested in their own contributions, and the earnings on those contributions. Vesting in the employer's contributions and earnings on those contributions occurs according to the vesting schedule set by state statute at 20 percent per year after the first year of service to be 100 percent vested after 5 years of service. Unvested Department contributions and earnings thereon are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

administrative expenses. Any administrative expenses not covered by forfeitures are charged directly to member accounts.

Employer and member contributions are invested in funds at the discretion of members. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended December 31, 2015, the City recognized pension expense of \$9,561 related to this plan.

Voluntary Investment Program

Plan Description

Employees of the City that are also members of the Statewide Defined Benefit Plan may voluntarily contribute to the IRC Deferred Compensation Plan, created under Internal Revenue Code Section 457 defined contribution plan administered by FPPA. This Deferred Compensation Plan collects amounts deferred by participants of affiliated employers. The assets are held in trust for the exclusive benefit of participants. The plan allows the members to defer a portion of their salary until future years.

Other Post-Employment Benefits

Statewide Death and Disability Plan

Plan Description

The Statewide Death and Disability Plan (Plan) is a cost-sharing multiple-employer defined benefit death and disability plan covering full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the Plan may include part-time police and fire employees; however the City does not currently have any part-time police employees. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan assets are included in the Fire & Police Members' Benefit Investment Fund.

Plan benefits provide 24-hour coverage, both on and off duty and are available for members not eligible for normal retirement under a defined benefit plan, or members who have not met 25 years of accumulated service and age 55 under a money purchase plan.

In the case of an on-duty death, benefits may be payable to the surviving spouse and/or dependent children of active members who were eligible to retire, but were still working. On-duty death and disability benefits are free from state and federal taxes in the event that a member's disability is determined to be the result of an on-duty injury or an occupational disease.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

This plan is reported by FPPA as an Other Post-Employment Benefit (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by FPPA.

Funding Policy

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. In 1997 the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997, began contributing 2.4 percent of base salary to this Plan as of January 1, 1997. The contribution increased to 2.6 percent of base salary as of January 1, 2007. This percentage can vary depending on actuarial experience. The percentage contribution may either be paid entirely by the employer or member, or it may be split between the employer and the member. The City contributes the full 2.6% of covered salary for each eligible member. Member contributions to the Statewide Death and Disability Plan are not required.

For the years ended December 31, 2013, 2014, and 2015, City contributions totaled \$88,194, \$95,378, and \$91,205, respectively.

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

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 members or their beneficiaries. All civilian employees of the City are members of the Trust.

The City also contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer healthcare trust administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

Plan Description

Eligible employees of the City are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Pension Benefits

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees of the City are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$387,637 to the Trust and \$31,204 to the Health Care Trust Fund, for a total City contribution of \$418,841 for the year ended December 31, 2015.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

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

At December 31, 2015, the City reported a liability of \$4,685,216 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The City's proportion of the net pension liability was based on the City's contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the City's proportion was 0.52 percent, which was an increase of 0.01 percent from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$132,525. At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (941)
Changes in assumptions	-	-
Net difference between actual and projected earnings on pension plan investments	254,080	-
Changes in proportion and differences between City contributions and proportionate share of contributions	78,332	-
City contributions subsequent to the measurement date	418,841	-
Total	\$ 751,253	\$ (941)

\$418,841 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amounts Reported as Collective Deferred Outflows and Collective Deferred Inflows of Resources Recognized in Collective Pension Expense	
2016	\$	62,770
2017	\$	63,320
2018	\$	63,520
2019	\$	63,520
2020	\$	-
Thereafter	\$	-

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

There was no change in the discount rate from the prior measurement date.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 7,651,473	\$ 4,685,216	\$ 2,212,228

Pension Plan Fiduciary Net Position

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at:

www.copera.org/investments/pera-financial-reports

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description

Employees of the City that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description

The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at:

www.copera.org/investments/pera-financial-reports.

Funding Policy

The City is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2013, 2014, and 2015, the City contributions to the HCTF were \$27,671, \$29,146 and \$31,204, respectively, equal to their required contributions for each year.

NOTE 14 - DEFERRED COMPENSATION PLAN - ASSETS IN TRUST

Plan Description

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by International City/County Management Association. Participation in the plan is optional for all civilian employees. The plan allows the employees to defer a portion of their salary until future years.

NOTE 15 - MAJOR TAXPAYERS

For the year ending December 31, 2015, approximately 17% of the City's sales tax revenue was received from three retailers and of those three retailers, one retailer constituted approximately 8% of the total sales tax revenue.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 2015 totaled \$541,829.

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 is not legally required to do so.

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

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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.

CITY OF LONE TREE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 20 – RESTATEMENT

The City’s implementation of GASB Statement No. 68 and GASB Statement No. 71 required a restatement of the government-wide beginning net position as follows:

	<u>Primary Government</u>
Net position as previously reported January 1, 2015	<u>\$100,852,768</u>
Restatement – Implementation of GASB Statement No. 68:	
Net pension asset (measurement date as of 12/31/13)	933,109
Defined benefit pension plan – net liability	
Net pension liability (measurement date as of 12/31/13)	<u>(3,802,380)</u>
Total restatement	<u>2,869,271</u>
 Net position as restated, January 1, 2015	 <u>\$ 97,983,497</u>

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, 2015**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
TAXES				
Sales Tax	\$18,577,000	\$20,472,000	\$20,976,584	\$ 504,584
Use Tax - Retail	275,400	695,400	771,323	75,923
Use Tax - Building Materials	195,000	1,139,000	1,030,391	(108,609)
Lodging Tax	734,000	929,000	1,000,349	71,349
Admissions Tax	374,000	374,000	368,432	(5,568)
	<u>20,155,400</u>	<u>23,609,400</u>	<u>24,147,079</u>	<u>537,679</u>
FRANCHISE FEES				
Electric and Gas	725,000	853,000	827,690	(25,310)
Cable Television	202,000	206,200	212,739	6,539
	<u>927,000</u>	<u>1,059,200</u>	<u>1,040,429</u>	<u>(18,771)</u>
INTERGOVERNMENTAL				
Highway Users Tax (HUTF)	206,106	322,394	350,700	28,306
Conservation Trust Fund	63,000	63,000	60,608	(2,392)
Cigarette Tax	193,000	193,000	194,668	1,668
County Road and Bridge Shareback	1,169,460	1,169,460	1,178,411	8,951
Douglas County Shareback - Transportation	2,435,000	2,435,000	2,333,900	(101,100)
Motor Vehicle Registration Fees	45,000	45,000	43,768	(1,232)
Regional Improvements Contribution - RRMD	126,258	126,258	126,209	(49)
Reimbursable Costs	3,863,600	3,963,600	2,776,299	(1,187,301)
Grants	18,000	18,000	9,424	(8,576)
	<u>8,119,424</u>	<u>8,335,712</u>	<u>7,073,987</u>	<u>(1,261,725)</u>

(Continued)

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

Year Ended December 31, 2015

(Continued)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
LICENSES, FEES AND CHARGES				
Sales, Use Tax and Business License Fees	23,500	23,500	31,562	8,062
Liquor License Fees	13,000	13,000	20,796	7,796
Building Permit Fees	322,000	1,039,000	1,185,225	146,225
Planning Fees	25,000	38,000	35,380	(2,620)
Engineering Fees	35,000	135,000	104,071	(30,929)
Other	38,000	38,000	53,100	15,100
	<u>456,500</u>	<u>1,286,500</u>	<u>1,430,134</u>	<u>143,634</u>
FINES AND FORFEITURES				
Court Fees	73,400	73,400	82,726	9,326
Vehicle Violation and Other Fines	507,000	507,000	567,732	60,732
Victims Assistance Surcharge Fees	45,900	45,900	41,485	(4,415)
	<u>626,300</u>	<u>626,300</u>	<u>691,943</u>	<u>65,643</u>
OTHER				
Net Investment Income	13,970	15,686	21,019	5,333
Tenant Rental Income	1,141,000	218,000	239,634	21,634
Police Department Fees	25,000	25,000	57,713	32,713
Other	218,000	71,000	148,240	77,240
	<u>1,397,970</u>	<u>329,686</u>	<u>466,606</u>	<u>136,920</u>
Total Revenues	<u>31,682,594</u>	<u>35,246,798</u>	<u>34,850,178</u>	<u>(396,620)</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2015
(Continued)

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
City Council Expenditures	48,000	48,000	22,392	25,608
City Council Stipend	61,300	61,300	60,205	1,095
Administrative Services - Salaries and Benefits	568,081	640,409	629,738	10,671
City Clerk	40,000	40,000	21,174	18,826
Human Resources	81,270	81,270	66,788	14,482
Information Technology	403,950	403,950	413,073	(9,123)
Municipal Office Building	409,050	417,350	475,590	(58,240)
Civic Center - Maintenance and Utilities	74,700	79,400	75,589	3,811
Arts Center - Maintenance and Utilities	301,910	301,910	365,591	(63,681)
Park Restroom Maintenance	8,500	8,500	6,061	2,439
Fountain Maintenance	23,500	23,500	15,685	7,815
Insurance	320,250	405,300	410,406	(5,106)
Finance - Salaries and Benefits	372,510	422,635	421,713	922
Audit	25,000	30,000	42,369	(12,369)
City Manager's Office - Salaries and Benefits	631,317	723,266	724,065	(799)
Dues and Memberships	99,811	99,811	99,061	750
Legal - General	480,000	490,000	509,093	(19,093)
Legal - Special	100,000	100,000	-	100,000
Consulting	80,000	80,000	28,437	51,563
Community Support	53,000	53,000	36,995	16,005
Community Garden	3,000	3,000	3,000	-
Youth Initiatives	19,800	19,800	19,800	-
Housing Partnership	35,000	35,000	35,000	-
Community Education Programs	1,000	1,000	636	364
Citizen Survey	27,800	27,800	-	27,800
Communications and Newsletter	68,000	68,000	66,332	1,668
Economic Development	276,000	276,000	141,505	134,495
Miscellaneous	52,251	33,252	16,487	16,765
	<u>4,665,000</u>	<u>4,973,453</u>	<u>4,706,785</u>	<u>266,668</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2015
(Continued)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
MUNICIPAL COURT				
Municipal Judge	30,000	30,000	26,403	3,597
Legal	36,000	36,000	36,000	-
Administration	140,966	140,966	123,028	17,938
Office and Software	3,000	3,000	3,677	(677)
Victims Assistance Surcharge	20,000	20,000	3,089	16,911
	<u>229,966</u>	<u>229,966</u>	<u>192,197</u>	<u>37,769</u>
COMMUNITY DEVELOPMENT				
Salaries and Benefits	545,440	715,049	688,226	26,823
Contract Services	1,500	1,500	2,635	(1,135)
Field Supplies	3,625	3,625	3,379	246
Planning Commission	2,500	2,500	2,206	294
Document Scanning	6,500	6,500	9,775	(3,275)
Plan Review and Other Inspections	25,000	70,000	52,499	17,501
Elevator Inspection	43,560	61,920	50,210	11,710
Engineering	30,000	30,000	192,896	(162,896)
Sustainability Program	3,000	3,000	3,000	-
ROW Mowing	7,100	7,100	5,100	2,000
Miscellaneous	12,048	12,048	10,904	1,144
	<u>680,273</u>	<u>913,242</u>	<u>1,020,830</u>	<u>(107,588)</u>
PUBLIC WORKS				
Public Works Department	520,000	585,000	610,477	(25,477)
Street Lighting	390,000	396,000	357,100	38,900
Street Maintenance	650,000	650,000	570,666	79,334
Drainage Maintenance	60,000	60,000	43,730	16,270
Street and Sidewalk Sweeping	50,000	50,000	46,659	3,341
Traffic Signal Energy Cost and Maintenance	135,000	135,000	158,442	(23,442)
Signal Timing	19,000	19,000	5,411	13,589
Snow Removal	832,000	902,000	1,294,549	(392,549)
Landscaping Maintenance	50,000	50,000	25,878	24,122
Trash and Recycling program	512,000	512,000	534,692	(22,692)
Household Hazardous Program	6,500	6,500	6,050	450
Engineering	275,000	460,000	325,227	134,773

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2015
(Continued)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC WORKS (continued)				
Fence Maintenance	80,000	80,000	87,205	(7,205)
Geographic Information System (GIS)	140,000	140,000	163,485	(23,485)
Materials and Equipment	14,000	14,000	1,852	12,148
EPA Phase 2 Drainage	110,000	110,000	52,558	57,442
State Mandated Noxious Weeds Control	20,000	20,000	21,479	(1,479)
Signage and Striping	120,000	120,000	84,374	35,626
Accident Repairs	20,000	20,000	-	20,000
Public Works Facility Operations and Equipment	45,000	45,000	46,595	(1,595)
Software and Support	17,000	17,000	7,880	9,120
Street Amenities	5,000	5,000	-	5,000
Mutt Mitts Contract	10,500	10,500	10,338	162
Holiday Lighting and Decorations	20,000	20,000	18,135	1,865
Miscellaneous	3,000	3,000	249	2,751
	<u>4,104,000</u>	<u>4,430,000</u>	<u>4,473,031</u>	<u>(43,031)</u>
POLICE				
Salaries and Benefits	4,341,307	5,651,088	5,346,228	304,860
Office and Administration	144,627	189,600	98,246	91,354
Uniforms and Equipment	48,972	64,200	50,110	14,090
Vehicles and Equipment	410,824	538,575	462,331	76,244
General Equipment	103,702	135,950	10,182	125,768
Dispatch	422,590	554,000	559,089	(5,089)
Training	97,553	127,888	67,207	60,681
Community Outreach and Miscellaneous	99,484	130,420	103,873	26,547
	<u>5,669,059</u>	<u>7,391,721</u>	<u>6,697,266</u>	<u>694,455</u>

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2015
(Continued)

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
CAPITAL OUTLAY				
Software Packages	15,000	15,000	3,865	11,135
Cartegraph / ArcServer Upgrade	50,000	50,000	32,547	17,453
Website Redesign	100,000	100,000	23,279	76,721
Overlay/Reconstruction Projects	1,200,000	1,600,000	1,484,679	115,321
Traffic Signalization	145,000	145,000	-	145,000
Monumentation and Signage	250,000	250,000	10,804	239,196
City Office Building	25,500	25,500	31,893	(6,393)
City Office Building - Capital Leases	1,290,000	1,290,000	1,290,006	(6)
Civic Center Capital Improvements	25,000	25,000	11,953	13,047
LTAC Facility Capital Improvements	106,000	106,000	107,441	(1,441)
Yosemite Library Remodel	-	-	31,033	(31,033)
Concrete Panel Replacement	250,000	250,000	-	250,000
Entertainment District Improvements	730,000	730,000	544,970	185,030
Transportation Study	50,000	50,000	50,000	-
Yosemite Landscaped Medians	10,000	10,000	-	10,000
C-470 Coalition - Douglas County	100,000	100,000	-	100,000
Storm Sewer Improvements	135,000	135,000	183,998	(48,998)
Parkway Dr. crossing Willow Creek	50,000	50,000	7,962	42,038
Lone Tree Link	500,000	500,000	547,451	(47,451)
Walk and Wheel Study	-	-	11,140	(11,140)
Lincoln Pedestrian Bridge	4,000,000	4,000,000	193,912	3,806,088
Parkway Drive Reconstruction	1,200,000	1,200,000	211,685	988,315
Yosemite Turn Lane (Maximus to PMD)	850,000	850,000	63,362	786,638
Lincoln / I-25 Ramp Improvements	430,000	430,000	430,000	-
County Line / PMCD Intersection Improvements	450,000	450,000	-	450,000
LTAC Road Construction	133,000	133,000	184,234	(51,234)
LTAC Pad Enhancements	25,000	25,000	4,260	20,740
Town Ridge Drive Construction	300,000	300,000	157,249	142,751
Public Art Projects	210,500	210,500	1,600	208,900
Vehicles	-	-	30,745	(30,745)
Police Department Substation	60,000	60,000	20,283	39,717

(Continued)

CITY OF LONE TREE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2015
(Continued)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Arts Center Improvements	52,500	52,500	48,519	3,981
Schweiger Ranch Preservation	75,000	75,000	75,000	-
Retail Retention Agreement	75,000	75,000	75,000	-
Service Provider Shareback Agreement	10,000	10,000	-	10,000
Annexation Shareback Agreement	30,000	30,000	-	30,000
Retail Shareback	-	567,162	614,112	(46,950)
Developer Revenue Shareback	-	1,299,077	1,541,490	(242,413)
Reimbursement of Sales Taxes-PMBID	5,479,000	5,479,000	5,474,040	4,960
Reimbursement of Property Taxes-PMMD	215,000	215,000	287,143	(72,143)
Park and Recreation	165,000	165,000	53,802	111,198
	<u>18,791,500</u>	<u>21,057,739</u>	<u>13,839,457</u>	<u>7,218,282</u>
 Total Expenditures	 <u>34,139,798</u>	 <u>38,996,121</u>	 <u>30,929,566</u>	 <u>8,066,555</u>
 EXCESS REVENUES OVER (UNDER) EXPENDITURES	 <u>(2,457,204)</u>	 <u>(3,749,322)</u>	 <u>3,920,612</u>	 <u>7,669,934</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	632,823	1,050,500	1,071,206	20,706
Transfers (Out)	(1,029,436)	(1,029,436)	(797,300)	232,136
Total Other Financing Sources (Uses)	<u>(396,613)</u>	<u>21,064</u>	<u>273,906</u>	<u>252,842</u>
 NET CHANGE IN FUND BALANCES	 <u>(2,853,816)</u>	 <u>(3,728,258)</u>	 <u>4,194,518</u>	 <u>7,922,776</u>
 FUND BALANCES - BEGINNING OF YEAR	 <u>17,462,720</u>	 <u>17,333,475</u>	 <u>17,876,332</u>	 <u>542,857</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 14,608,904</u>	 <u>\$ 13,605,217</u>	 <u>\$ 22,070,850</u>	 <u>\$ 8,465,633</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales Tax	\$ 1,895,000	\$ -	\$ -	\$ -
Use Tax - Retail	420,000	-	-	-
Use Tax - Building Materials	944,000	-	-	-
Lodging Tax	195,000	-	-	-
Franchise Fees	132,200	-	-	-
Highway Users Tax (HUTF)	116,288	-	-	-
Building Permit Fees	717,000	-	-	-
Planning Fees	13,000	-	-	-
Engineering Fees	100,000	-	-	-
Schweiger Ranch Grants and Contributions	75,000	-	-	-
Net Investment Income	1,716	-	-	-
Other	10,000	-	-	-
Total Revenues	<u>4,619,204</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
City Administration	207,401	-	-	-
Legal	10,000	-	-	-
Administration and Overhead Costs	200,000	-	-	-
Insurance	85,050	-	-	-
Audit	5,000	-	-	-
Engineering	250,000	-	-	-
Community Development	232,970	-	-	-
Consulting	-	-	-	-
Police	1,722,662	-	-	-
Street Lighting	6,000	-	-	-
Snow Removal	70,000	-	-	-
Schweiger Ranch Preservation	75,000	-	-	-
Retail Shareback	567,162	-	-	-
Service Provider Shareback	-	-	-	-
Developer Revenue Shareback	681,636	-	-	-
Contingency	1,000	-	-	-
Total Expenditures	<u>4,113,881</u>	<u>-</u>	<u>-</u>	<u>-</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, 2015
(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>505,323</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(505,323)</u>	<u>(52,601)</u>	<u>(52,601)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(505,323)</u>	<u>(52,601)</u>	<u>(52,601)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(52,601)</u>	<u>(52,601)</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>52,601</u>	<u>52,601</u>	<u>52,601</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 52,601</u>	<u>\$ -</u>	<u>\$ -</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, 2015

	<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	\$ 1,150,180	\$ 927,745	\$ (222,435)
Rental Fees and Labor Fees	174,900	242,654	67,754
Concessions and Catering	76,500	86,753	10,253
Entry fees	9,000	8,488	(512)
Individual, Corporate and Foundation Contributions	210,000	198,934	(11,066)
Government Grants	197,150	253,110	55,960
Miscellaneous	17,000	29,497	12,497
Total Revenues	<u>1,834,730</u>	<u>1,747,181</u>	<u>(87,549)</u>
EXPENDITURES			
Administration	160,217	151,423	8,794
Programming	1,682,014	1,485,457	196,557
Marketing	432,308	437,675	(5,367)
Miscellaneous	21,000	9,348	11,652
Development	153,995	120,958	33,037
Annual Events	281,732	288,144	(6,412)
Arts and Cultural Events	77,900	46,074	31,826
Recreational Activities and Support	15,000	5,402	9,598
Contingency	40,000	-	40,000
Total Expenditures	<u>2,864,166</u>	<u>2,544,481</u>	<u>319,685</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,029,436)</u>	<u>(797,300)</u>	<u>232,136</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>1,029,436</u>	<u>797,300</u>	<u>(232,136)</u>
Total Other Financing Sources (Uses)	<u>1,029,436</u>	<u>797,300</u>	<u>(232,136)</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
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
STATE FIRE AND POLICE PENSION PLAN (FPPA)
Last Two Fiscal Years (1)

	2014	2015
City's proportion of the net pension asset	0.745%	0.741%
City's proportionate share of the net pension liability (asset)	\$ (666,462)	\$ (836,472)
City's covered-employee payroll	3,376,936	3,654,421
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.7%	22.9%
Plan fiduciary net position as a percentage of the total pension asset	105.8%	106.8%

(1) The City implemented GASB 68 beginning in 2015. Information prior to 2014 is not available.

*The amounts presented for each year were determined as of December 31, the measurement date used by the City

CITY OF LONE TREE
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
PUBLIC RETIREMENT ASSOCIATION OF COLORADO (PERA)
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability	0.510%	0.523%
City's proportionate share of the net pension liability (asset)	\$ 4,194,719	\$ 4,685,216
City's covered-employee payroll	2,893,072	3,017,148
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	145.0%	155.3%
Plan fiduciary net position as a percentage of the total pension liability	77.7%	80.7%

(1) The City implemented GASB 68 beginning in 2015. Information prior to 2014 is not available.

*The amounts presented for each year were determined as of December 31, the measurement date used by the City

**CITY OF LONE TREE
SCHEDULE OF CONTRIBUTIONS
STATE FIRE AND POLICE PENSION PLAN (FPPA)
Last Two Fiscal Years (1)**

	<u>2014</u>	<u>2015</u>
Contractually required contributions	266,647	275,158
Contributions in relation to the contractually required contribution	(266,647)	(275,158)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
City's covered-employee payroll	3,654,421	3,891,878
Contributions as a percentage of covered-employee payroll	7.30%	7.07%

**CITY OF LONE TREE
SCHEDULE OF CONTRIBUTIONS
PUBLIC RETIREMENT ASSOCIATION OF COLORADO (PERA)
Last Two Fiscal Years**

	2014	2015
Contractually required contributions	392,338	418,841
Contributions in relation to the contractually required contribution	(392,338)	(418,841)
Contribution deficiency (excess)	-	-
City's covered-employee payroll	3,017,148	3,348,942
Contributions as a percentage of covered-employee payroll	13.00%	12.51%

(1) The City implemented GASB 68 beginning in 2015. Information prior to 2014 is not available.

CITY OF LONE TREE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

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.

NOTE 2 – PENSION PLAN PROVISIONS

FPPA

Changes in Plan Provisions

The plan provisions have not changed since the prior valuation. The member contribution rate will increase by 0.5 percent annually beginning in 2015 through 2022 as a result of the member election.

Benefit Adjustments

Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0 percent to 3 percent. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Changes of Assumptions

Beginning in the January 1, 2014 actuarial valuation, the married assumption for active members was increased from 80 percent to 85 percent to reflect the passage of the Colorado Civil Union Act.

PERA

Changes in Plan Provisions

The following changes were made to the actuarial assumptions in the Health Care Trust Funds: Initial health care costs for PERACare enrollees who are age 65 and older and do not have Medicare Part A have been updated to reflect the change in costs for the 2015 plan year.

Changes of Assumptions

In 2012, a lawsuit was initiated to determine the amount owed to PERA by Memorial Health System (Memorial) and the City of Colorado Springs for Memorial's departure from PERA. On October 3, 2014, PERA received a disaffiliation payment of \$190,000,000 from the City of Colorado Springs to settle the lawsuit. This employer disaffiliation payment was allocated to the Local Government Division Trust Fund and the HCTF in the amount of \$186,006,000 and \$3,994,000 respectively.

BUDGETARY SCHEDULES

DEBT SERVICE FUNDS

CITY OF LONE TREE
DEBT SERVICE FUND - ARTS AND CULTURAL FACILITIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2015

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Sales Tax	\$ 1,658,000	\$ 1,824,859	\$ 166,859
Use Tax - Retail	25,500	56,576	31,076
Use Tax - Building Materials	20,400	75,101	54,701
Net Investment Income	600	667	67
Total Revenues	<u>1,704,500</u>	<u>1,957,203</u>	<u>252,703</u>
EXPENDITURES			
Bond Interest	471,756	471,756	-
Bond Principal	985,000	985,000	-
Paying Agent Fees	200	200	-
Contingency	3,044	-	3,044
Total Expenditures	<u>1,460,000</u>	<u>1,456,956</u>	<u>3,044</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	244,500	500,247	255,747
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(127,500)	(95,605)	31,895
Total Other Financing Sources (Uses)	<u>(127,500)</u>	<u>(95,605)</u>	<u>31,895</u>
NET CHANGE IN FUND BALANCES	117,000	404,642	287,642
FUND BALANCES - BEGINNING OF YEAR	<u>649,141</u>	<u>655,277</u>	<u>6,136</u>
FUND BALANCES - END OF YEAR	<u>\$ 766,141</u>	<u>\$ 1,059,919</u>	<u>\$ 293,778</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, 2015

	Budget Amounts		
	Original and Final	Actual Amounts	Variance with Final Budget
REVENUES			
Sales Tax	\$ 1,105,000	\$ 1,216,573	\$ 111,573
Use Tax - Retail	17,300	37,717	20,417
Use Tax - Building Materials	14,300	50,116	35,816
Net Investment Income	800	690	(110)
Total Revenues	<u>1,137,400</u>	<u>1,305,096</u>	<u>167,696</u>
EXPENDITURES			
Bond Interest	394,713	394,713	-
Bond Principal	645,000	645,000	-
Paying Agent Fees	200	200	-
Contingency	5,087	-	5,087
Total Expenditures	<u>1,045,000</u>	<u>1,039,913</u>	<u>5,087</u>
NET CHANGE IN FUND BALANCES	92,400	265,183	172,783
FUND BALANCES - BEGINNING OF YEAR	<u>776,367</u>	<u>778,577</u>	<u>2,210</u>
FUND BALANCES - END OF YEAR	<u>\$ 868,767</u>	<u>\$ 1,043,760</u>	<u>\$ 174,993</u>

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES
COMPONENT UNITS**

**CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
COMBINING BALANCE SHEET
December 31, 2015**

	General	Debt Service	Total Component Unit
ASSETS			
Cash and investments	\$ 4,852,757	\$ -	\$ 4,852,757
Cash and investments - Restricted	165,000	1,337,744	1,502,744
Receivables:			
Intergovernmental	1,299,691	-	1,299,691
Prepaid items	56,141	-	56,141
TOTAL ASSETS	\$ 6,373,589	\$ 1,337,744	\$ 7,711,333
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 247,579	\$ -	\$ 247,579
Total liabilities	247,579	-	247,579
 FUND BALANCES			
Restricted for:			
Emergencies (TABOR)	165,000	-	165,000
Series 2007 Bonds	-	1,337,744	1,337,744
Unassigned	5,961,010	-	5,961,010
Total fund balances	6,126,010	1,337,744	7,463,754
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,373,589	\$ 1,337,744	\$ 7,711,333

CITY OF LONE TREE
RECONCILIATION OF THE BALANCE SHEET - PARK MEADOWS BID COMPONENT UNIT
TO THE STATEMENT OF NET POSITION
December 31, 2015

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

Total fund balances - Component unit	\$ 7,463,754
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	13,212,942
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(13,690,000)
Accrued interest on bonds payable	(60,426)
Bond discount (net of amortization)	208,768
Net position of component unit activities	\$ 7,135,038

CITY OF LONE TREE
PARK MEADOWS BUSINESS IMPROVEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total Component Unit</u>
REVENUES			
Intergovernmental revenue	\$ 5,761,182	\$ -	\$ 5,761,182
Net investment income	9,987	2,873	12,860
Other	18,088	-	18,088
Total revenues	<u>5,789,257</u>	<u>2,873</u>	<u>5,792,130</u>
EXPENDITURES			
Current			
Public areas, dues and supplies	11,704	-	11,704
Off site storage	30,000	-	30,000
On site staffing	92,675	-	92,675
Operations and maintenance	1,967,980	-	1,967,980
Legal	17,364	-	17,364
Accounting and financial planning	25,996	-	25,996
Insurance	350	-	350
Management	42,574	-	42,574
Park Meadows District payment	287,143	-	287,143
Lease	541,829	-	541,829
Capital replacement	937,542	-	937,542
Operations and maintenance - project work	176,619	-	176,619
Marketing	227,148	-	227,148
Contingency	26,815	-	26,815
Debt service			
Bond interest	-	749,595	749,595
Bond principal	-	490,000	490,000
Paying agent fees	-	3,500	3,500
Total expenditures	<u>4,385,739</u>	<u>1,243,095</u>	<u>5,628,834</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,403,518</u>	<u>(1,240,222)</u>	<u>163,296</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(1,239,637)	1,239,637	-
Total other financing sources (uses)	<u>(1,239,637)</u>	<u>1,239,637</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	163,881	(585)	163,296
FUND BALANCES - BEGINNING OF YEAR	<u>5,962,129</u>	<u>1,338,329</u>	<u>7,300,458</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,126,010</u>	<u>\$ 1,337,744</u>	<u>\$ 7,463,754</u>

CITY OF LONE TREE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE PARK MEADOWS BID COMPONENT UNIT
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

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

Net change in fund balances - Component unit	\$ 163,296
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	677,937
Depreciation expense	(536,863)

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.

Bond principal	490,000
Accrued interest on bonds - Change in liability	2,041
Amortization of bond discount	(13,048)
	(13,048)

Changes in net position of component unit activities	\$ 783,363
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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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 5,370,000	\$ 5,761,043	\$ 5,761,182	\$ 139
Net investment income	9,000	10,000	9,987	(13)
Other	14,400	18,100	18,088	(12)
Total revenues	<u>5,393,400</u>	<u>5,789,143</u>	<u>5,789,257</u>	<u>114</u>
EXPENDITURES				
Public areas, dues and supplies	5,000	12,000	11,704	296
Off site storage	30,000	30,000	30,000	-
On site staffing	90,000	93,000	92,675	325
Operations and maintenance	1,479,400	1,970,000	1,967,980	2,020
Legal	12,000	17,500	17,364	136
Accounting	12,000	12,000	12,000	-
Auditing	6,000	6,000	4,000	2,000
Budgeting Financial Planning	10,000	10,000	9,996	4
Engineering	10,000	-	-	-
Insurance	5,500	350	350	-
Management	42,000	42,000	42,574	(574)
Park Meadows District payment	209,962	287,143	287,143	-
Lease	535,000	541,900	541,829	71
Capital replacement	430,000	940,000	937,542	2,458
Operations and maintenance - project work	700,000	180,000	176,619	3,381
Marketing	200,000	230,000	227,148	2,852
Contingency	30,000	38,107	26,815	11,292
Emergency reserve	150,000	150,000	-	150,000
Total expenditures	<u>3,956,862</u>	<u>4,560,000</u>	<u>4,385,739</u>	<u>174,261</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,436,538</u>	<u>1,229,143</u>	<u>1,403,518</u>	<u>174,375</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(1,244,000)</u>	<u>(1,240,000)</u>	<u>(1,239,637)</u>	<u>363</u>
Total other financing sources (uses)	<u>(1,244,000)</u>	<u>(1,240,000)</u>	<u>(1,239,637)</u>	<u>363</u>
NET CHANGE IN FUND BALANCES	192,538	(10,857)	163,881	174,738
FUND BALANCES - BEGINNING OF YEAR	<u>5,219,893</u>	<u>5,962,129</u>	<u>5,962,129</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,412,431</u>	<u>\$ 5,951,272</u>	<u>\$ 6,126,010</u>	<u>\$ 174,738</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, 2015**

	<u>Budget Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Net investment income	\$ 3,000	\$ 2,873	\$ (127)
Total revenues	<u>3,000</u>	<u>2,873</u>	<u>(127)</u>
EXPENDITURES			
Bond interest	749,595	749,595	-
Bond principal	490,000	490,000	-
Paying agent fees	3,500	3,500	-
Total expenditures	<u>1,243,095</u>	<u>1,243,095</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,240,095)</u>	<u>(1,240,222)</u>	<u>(127)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	1,244,000	1,239,637	(4,363)
Total other financing sources (uses)	<u>1,244,000</u>	<u>1,239,637</u>	<u>(4,363)</u>
NET CHANGE IN FUND BALANCES	3,905	(585)	(4,490)
FUND BALANCES - BEGINNING OF YEAR	<u>1,340,610</u>	<u>1,338,329</u>	<u>(2,281)</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,344,515</u>	<u>\$ 1,337,744</u>	<u>\$ (6,771)</u>

**CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
COMBINING BALANCE SHEET
December 31, 2015**

	General
ASSETS	
Cash and investments	\$ -
Cash and investments - Restricted	-
Receivables:	
Intergovernmental	-
Property tax	165,419
Prepaid items	-
TOTAL ASSETS	\$ 165,419
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ -
Total liabilities	-
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	165,419
 FUND BALANCES	
Unassigned	-
Total fund balances	-
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 165,419

**CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
Year Ended December 31, 2015**

	General
REVENUES	
General Property Tax	\$ -
Fees	-
Tolls	-
Charges	-
Total revenues	-
EXPENDITURES	
Wages & Salaries	-
Legal & Accounting	-
Marketing	-
Administrative Fees	-
Operating Supplies	-
Professional Services	-
Total expenditures	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-
OTHER FINANCING SOURCES (USES)	
Transfers (out)	-
Total other financing sources (uses)	-
NET CHANGE IN FUND BALANCES	-
FUND BALANCES - BEGINNING OF YEAR	-
FUND BALANCES - END OF YEAR	\$ -

**CITY OF LONE TREE
LONE TREE BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2015**

	<u>Budget Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
General Property Tax	\$ -	\$ -	\$ -
Fees	-	-	-
Tolls	-	-	-
Charges	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Wages & Salaries	-	-	-
Legal & Accounting	-	-	-
Marketing	-	-	-
Administrative Fees	-	-	-
Operating Supplies	-	-	-
Professional Services	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2015

	\$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		\$16,880,000 Sales and Use Tax Revenue Bonds Series 2009, Dated August 11, 2009 Interest Rate at 2.50% to 4.25% Interest Payable June 1 and December 1 Principal Due December 1	
	Principal	Interest	Principal	Interest
2016	\$ 695,000	\$ 365,687	\$ 1,060,000	\$ 439,744
2017	750,000	332,675	1,140,000	403,044
2018	805,000	295,175	1,225,000	363,481
2019	870,000	254,925	1,325,000	314,481
2020	940,000	209,250	1,425,000	261,481
2021	1,005,000	162,250	1,535,000	204,481
2022	1,080,000	112,000	1,645,000	143,081
2023	1,160,000	58,000	1,770,000	75,228
	\$ 7,305,000	\$ 1,789,962	\$ 11,125,000	\$ 2,205,021

CITY OF LONE TREE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2015

	Principal	Total Interest	Total
2016	\$ 1,755,000	\$ 805,431	\$ 2,560,431
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	2,365,000	470,731	2,835,731
2021	2,540,000	366,731	2,906,731
2022	2,725,000	255,081	2,980,081
2023	2,930,000	133,228	3,063,228
	<u>\$ 18,430,000</u>	<u>\$ 3,994,983</u>	<u>\$ 22,424,983</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 2015
This Information from the Records of The City of Lone Tree:	Prepared By: Phone:	Heather Lunde 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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	3,737,362
3. Other local imposts (from page 2)	4,092,311
4. Miscellaneous local receipts (from page 2)	567,732
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	8,397,405
B. Private Contributions	
C. Receipts from State government (from page 2)	394,468
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	8,791,873

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	3,122,671
2. Maintenance:	661,055
3. Road and street services:	
a. Traffic control operations	520,952
b. Snow and ice removal	1,294,549
c. Other	
d. Total (a. through c.)	1,815,502
4. General administration & miscellaneous	178,875
5. Highway law enforcement and safety	3,013,770
6. Total (1 through 5)	8,791,873
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
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)	8,791,873

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
		8,791,873	8,791,873		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2015	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	567,732
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	4,092,311	g. Other Misc. Receipts	
6. Total (1. through 5.)	4,092,311	h. Other	
c. Total (a. + b.)	4,092,311	i. Total (a. through h.)	567,732
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	350,700	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	43,768	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	43,768	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	394,468	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		146,352	146,352
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		2,891,945	2,891,945
(3). System Preservation		84,374	84,374
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		2,976,319	2,976,319
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		3,122,671	3,122,671
			(Carry forward to page 1)
Notes and Comments:			

STATISTICAL SECTION

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

Page

Financial Trends

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

Net Position by Component (Table 1)	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									
	2006	2007	2008	2009	2010	2011 (2)	2012	2013	2014	2015 (3)
Governmental activities										
Net investment in capital assets	\$ 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	\$ 97,829,372
Restricted	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	5,202,543
Unrestricted	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	13,713,236
Total governmental activities net position	<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>	<u>116,745,151</u>
Total primary government net position (1)	<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>	<u>\$ 116,745,151</u>

(1) The City does not have any business-type activities, therefore, the total primary government net position is the same as the total governmental activities net position.

(2) Net position restated in 2011 due to implementation of GASB No. 65.

(3) Net position restated in 2015 due to implementation of GASB No. 68.

TABLE 2

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 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	\$ 14,483,424
Municipal court	321,935	325,296	323,486	321,754	307,016	209,232	213,778	215,894	217,969	234,799
Community development	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	1,080,566
Public works	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	8,743,403
Arts and cultural services	-	-	-	236,880	333,933	1,818,095	2,517,149	2,691,473	3,111,362	3,198,170
Police	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	6,779,310
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	837,894
Total governmental activities expenses	<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>	<u>35,357,566</u>
Total primary government expenses (1)	<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>	<u>\$ 35,357,566</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,309	\$ 408,938	\$ 366,305	\$ 354,032	\$ 357,534	\$ 309,986	\$ 318,668	\$ 249,904	\$ 222,567	\$ 239,633
Municipal court	533,594	670,412	981,873	804,553	892,255	729,769	808,569	648,298	540,304	691,943
Community development	757,166	944,914	811,150	450,607	709,717	623,245	1,184,333	1,717,190	2,098,603	1,396,976
Arts and cultural services	-	-	-	5,275	5,763	666,954	816,591	1,115,051	1,329,312	1,284,726
Police	18,073	23,421	29,994	23,373	13,211	43,389	26,606	41,845	22,919	3,491
Operating grants and contributions	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	4,728,754
Capital grants and contributions	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	16,971,208
Total governmental activities program revenues	<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>	<u>25,316,731</u>
Total primary government revenues (1)	<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>	<u>\$ 25,316,731</u>
Net (expense) revenue										
Governmental activities	<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>	<u>\$ (10,040,835)</u>
Total primary government net (expense) revenue (1)	<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>	<u>\$ (10,040,835)</u>
General revenues										
Sales taxes and Use tax - Retail	\$ 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	\$ 24,883,632
Use taxes - Building materials	319,116	383,087	325,484	421,184	263,530	213,438	955,775	1,934,767	1,009,009	1,155,608
Lodging taxes	371,056	394,992	442,391	359,703	467,976	526,104	557,841	766,230	908,192	1,000,349
Admission taxes	408,512	372,078	395,613	399,787	353,922	346,446	333,987	357,294	503,914	368,432
Franchise fees	672,134	655,909	892,587	812,310	873,573	905,892	882,107	973,986	1,033,993	1,040,429
Cigarette taxes	154,242	171,103	204,192	207,691	205,449	202,963	205,289	202,452	196,839	194,668
Investment earnings	263,116	657,065	500,873	106,905	176,843	35,261	20,903	19,945	14,113	22,376
Miscellaneous	191,866	469,168	320,130	360,857	550,066	236,180	278,019	443,335	331,163	136,995
Total governmental activities general revenues	<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>	<u>28,802,489</u>
Total primary government general revenues (1)	<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>	<u>\$ 28,802,489</u>
Change in net position										
Governmental activities	<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>	<u>\$ 18,761,654</u>
Total primary government change in net position (1)	<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>	<u>\$ 18,761,654</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									
	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015 (2)
General Fund										
Reserved	\$ 1,444,906	\$ 1,078,054	\$ 8,388,431	\$ 18,833,437	\$ 9,818,184	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	380,189
Restricted	-	-	-	-	-	2,875,620	2,678,432	3,248,713	2,892,348	4,928,216
Assigned	-	-	-	-	-	7,700,307	6,376,961	7,062,731	10,860,234	12,489,445
Unassigned	-	-	-	-	-	4,304	3,622,017	3,883,361	3,722,646	4,273,000
Total General Fund	<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>	<u>\$ 22,070,850</u>
All other governmental funds										
Reserved	\$ 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	56,673
Restricted	-	-	-	-	-	1,678,692	1,970,822	2,273,653	2,409,455	2,103,679
Assigned	-	-	-	-	-	-	98,726	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	(639,810)	(413,581)	(43,230)	(46,674)	(56,673)
Total all other governmental funds	<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>	<u>\$ 2,103,679</u>
Total governmental funds										
Reserved	\$ 2,011,356	\$ 14,785,566	\$ 14,158,674	\$ 20,722,838	\$ 11,917,298	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	436,862
Restricted	-	-	-	-	-	4,554,312	4,649,254	5,522,366	5,301,803	7,031,895
Assigned	-	-	-	-	-	7,700,307	6,475,687	7,062,731	10,860,234	12,489,445
Unassigned	-	-	-	-	-	(635,506)	3,208,436	3,840,131	3,675,972	4,216,327
Total governmental funds	<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>	<u>\$ 24,174,529</u>

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

(2) The City implemented GASB Statement No. 68 in fiscal year 2015.

TABLE 4

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 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	\$ 27,408,021
Franchise fees	672,134	655,909	892,587	812,310	873,573	905,892	882,107	973,986	1,033,993	1,040,429
Intergovernmental	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	7,073,987
Licenses, fees and charges	782,357	962,031	847,900	492,022	750,829	654,029	1,210,895	1,743,385	2,124,212	1,430,134
Fines and forfeitures	533,594	670,412	981,873	804,553	892,255	729,769	808,570	648,298	540,304	691,943
Tenant rental income	-	405,068	351,972	354,032	357,534	309,986	318,668	249,904	222,567	239,634
Arts and cultural event fees	51,309	38,870	91,189	59,945	71,263	888,893	1,001,410	1,369,872	1,639,949	1,747,181
Base rentals	-	-	1,100,400	910,345	1,876,308	1,863,881	894,392	951,972	1,009,664	1,290,006
Net investment income	228,983	792,479	500,873	106,905	176,844	35,261	19,595	19,945	14,113	22,376
Other	214,248	551,568	419,438	383,745	579,263	719,707	684,062	1,490,317	401,910	205,953
Total revenues	<u>17,905,030</u>	<u>40,928,288</u>	<u>33,238,853</u>	<u>27,513,068</u>	<u>31,006,307</u>	<u>32,882,071</u>	<u>33,891,959</u>	<u>40,099,612</u>	<u>38,211,078</u>	<u>41,149,664</u>
Expenditures										
General government	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	4,706,785
Municipal court	333,935	325,296	323,486	305,767	300,165	201,557	213,150	210,387	213,810	192,197
Community development	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	1,020,830
Public works	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	4,473,031
Arts and cultural services	-	-	-	1,043,051	9,476,670	11,138,702	1,818,327	2,087,722	2,496,989	2,544,481
Police	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	6,697,266
Debt service										
Bond principal	-	-	820,000	1,945,000	2,935,000	3,025,000	2,175,000	2,340,000	2,520,000	2,920,000
Bond interest	-	476,786	357,122	895,978	1,194,539	1,089,712	1,027,973	980,328	924,083	866,475
Paying agent fees	-	-	-	200	400	400	400	400	400	400
Capital outlay and other	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	13,839,457
Total expenditures	<u>20,081,767</u>	<u>33,482,369</u>	<u>45,540,787</u>	<u>37,953,771</u>	<u>39,711,493</u>	<u>39,467,445</u>	<u>31,437,632</u>	<u>38,002,684</u>	<u>34,646,279</u>	<u>37,260,922</u>
Excess of revenues over (under) expenditures	(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	3,888,742
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	-	2,706,312	108,679	1,057,429	2,057	1,105,188	1,230,413	1,743,279	2,117,873	1,868,506
Transfers out	-	(2,706,312)	(108,679)	(1,057,429)	(2,057)	(1,105,188)	(1,230,413)	(1,743,279)	(2,117,873)	(1,868,506)
Total other financing sources (uses)	<u>51,315</u>	<u>9,230,000</u>	<u>11,048,776</u>	<u>17,117,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,125,422)</u>	<u>\$ 16,675,919</u>	<u>\$ (1,253,158)</u>	<u>\$ 6,676,448</u>	<u>\$ (8,705,186)</u>	<u>\$ (6,585,374)</u>	<u>\$ 2,454,327</u>	<u>\$ 2,096,928</u>	<u>\$ 3,564,799</u>	<u>\$ 3,888,742</u>
Debt service as a % of noncapital expenditures	0.0%	3.4%	7.9%	10.9%	16.0%	15.0%	11.4%	10.4%	10.8%	11.0%

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
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%
2015	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 2015**

<u>Industry</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Retail	\$ 23,733,421	95.38%
Services	544,161	2.18%
Government	1,110	0.01%
Finance, insurance and real estate	30,915	0.12%
Transportation and utilities	574,025	2.31%
Total	<u>\$ 24,883,632</u>	<u>100.00%</u>

(1) Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's sales tax revenue.

Source: City Sales Tax Department

TABLE 7

**CITY OF LONE TREE
SALES TAX REVENUE COLLECTIONS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Sales Tax Revenue Collections</u>
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
2015	24,883,632

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>
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
2014	2015	155,833,800	309,658,840	20,493,300	54,399,760	540,385,700	3,131,131,975

(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>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>	<u>2015</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	4.044	4.044	4.016	4.034	4.034	4.070	4.029	4.032	4.035
Douglas County School District No. Re 1	46.500	46.500	46.500	47.103	46.681	46.890	44.708	45.063	46.051	46.945
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	39.544
Park Meadows Metropolitan District	6.387	6.387	6.712	6.387	6.387	6.387	6.387	6.387	6.387	6.387
Rampart Range Metropolitan District No. 2	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000	46.000
Rampart Range Metropolitan District No. 7	0.000	46.000	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	9.346	9.377	9.377	9.362	9.541	9.661	9.520	9.444	9.319	9.344
South Suburban Park and Recreation District	7.117	7.008	6.868	6.830	6.777	6.869	6.960	6.915	8.808	8.651
Southeast Public Improvement Metro District	1.111	1.608	1.621	1.650	2.000	2.150	2.080	2.000	2.000	2.000
Southgate Sanitation District	0.653	0.060	0.604	0.544	0.558	0.558	0.558	0.531	0.551	0.510
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	0.542	0.507	0.507	0.508	0.523	0.570	0.600	0.608	0.632	0.553
Urban Drainage & Flood South Platte	0.066	0.061	0.061	0.061	0.053	0.060	0.060	0.064	0.068	0.058
	<u>181.516</u>	<u>227.326</u>	<u>228.068</u>	<u>228.235</u>	<u>228.328</u>	<u>228.953</u>	<u>226.717</u>	<u>226.815</u>	<u>229.622</u>	<u>229.801</u>

(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 Nine 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	4.79%	2,906
2011	4,110,000	24,489,595	28,599,595	3.61%	2,577
2012	3,235,000	23,161,947	26,396,947	3.15%	2,319
2013	2,295,000	21,735,335	24,030,335	2.53%	1,911
2014	1,290,000	20,195,029	21,485,029	2.16%	1,681
2015	-	18,541,137	18,541,137	1.81%	1,449

(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 Eight 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%
2015	\$ 1,305,096	\$ 200	\$ 1,304,896	\$ 645,000	\$ 394,713	\$ 1,039,713	126%

- (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 Seven 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%
2015	\$ 1,957,203	\$ 200	\$ 1,957,003	\$ 985,000	\$ 471,756	\$ 1,456,756	134%

(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 Eight Fiscal Years (1)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000
Total net debt applicable to limit	\$ 11,000,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000	\$ 27,880,000
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	\$ 3,120,000
Total net debt applicable to the limit as a percentage of debt	35.48%	89.94%	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, 2015

	<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	\$ -	\$ 18,541,137	100.00%	<u>\$ 18,541,137</u>
Overlapping:				
Douglas County School District No. Re 1	342,249,713	-	4.80%	16,427,986
South Suburban Park and Recreation District	15,715,000	-	13.79%	2,167,099
Southeast Public Improvement Metropolitan District	3,135,000	-	18.74%	587,499
Heritage Hills Metropolitan District	85,000	-	100.00%	<u>85,000</u>
Total overlapping debt				<u>19,267,584</u>
Total direct and overlapping debt				<u><u>\$ 37,808,721</u></u>

The following entities also overlap the City, but have no General Obligation Debt outstanding:

Cherry Creek Basin Water Authority
Douglas County
Douglas County Public Library District
Douglas County Soil Conservation District
Park Meadows Metropolitan District
Rampart Range Metropolitan District No. 1
Rampart Range Metropolitan District No. 2
Rampart Range Metropolitan District No. 7
Regional Transportation District
Southgate Sanitation District
Southgate Water District
South 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>
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%
2015	12,800	1,024,268,800	80,021	2.60%

[1] Bureau of Economic Analysis, Washington D.C. ; 2015 Per Capita Income estimated using the 2.9% change for personal income from '14 to '15

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>2015</u>		<u>2006</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Douglas County School District	5,563	1	5,934	1
Charles Schawb	2,400	2	-	
Echostar Communications	2,010	3	1,765	2
CH2M Hill	1,660	4	1,200	5
Healthone: Sky Ridge Medical	1,220	5	-	
Western Union	1,210	6	-	
Douglas County Government	1,146	7	1,085	7
Centura: Parker Adventist Hospital	1,110	9	-	
Information Handling Services	980	8	800	10
Specialized Loan Servicing	940	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)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	7	10	14	14.5	16.25	14.50	15.50	17.50	17.75	17.75
Municipal court	1	2	2	2	2	2	2	2	2.00	2.00
Community development	1	1	1	7.25	5.75	5.75	6.00	7.00	6.75	6.75
Arts & Cultural	-	-	-	-	1.50	12.75	13.20	13.75	18.00	18.25
Police	40	43	45	50	47	52	53	54	56.50	57.00
Total	49	56	62	73.75	72.50	87.00	89.70	94.25	101.00	101.75

(1) The City contracts out its legal and public works departments. The figures above do not include services provided by these contracted parties.

(2) A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Source: City Finance Department

TABLE 17

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

Function/Program (1)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Municipal court										
Number of court cases	1,167	1,427	2,260	2,159	1,918	2,114	2,107	1,922	1,577	3,094
Community development										
Building permits issued	664	723	634	536	701	700	1,562	809	804	872
Building inspections conducted	7,223	5,031	4,257	2,750	4,513	4,196	8,392	7,662	7,115	5,475
Public works										
Streets overlaid (miles)	2.10	4.06	12.52	11.61	10.48	9.71	8.55	15.81	6.26	6.23
Public safety (2)										
Accidents	968	1,095	1,033	970	878	1,008	995	1,169	1,787	1,443
Citations issued	4,466	4,860	7,879	5,619	6,107	4,812	4,380	4,234	4,136	5,079

(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)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public works										
Streets (miles)	109.94	130.40	130.40	139.11	146.32	147.01	147.01	148.51	157.88	160.76
Traffic signals	29	33	35	40	42	42	43	45	47	48
Public safety (2)										
Stations	1	2	2	2	2	2	2	2	2	2
Patrol units	11	15	16	22	24	24	25	22	22	20
Capital outlay										
Storm drainage (miles)	38.25	38.25	38.25	38.25	38.25	38.25	38.70	39.93	41.18	41.80

(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



May 19, 2016

To the Honorable Mayor and Members of City Council
City of Lone Tree
Lone Tree, Colorado

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lone Tree (“the City”) for the year ended December 31, 2015. In addition, we audited the Tier II Qualification Matrix: Form A – Annual Operating Income and the basic financial statements of the City of Lone Tree’s Cultural and Community Services Division (a special revenue fund of the City). 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 October 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

As indicated in our letter to you dated October 14, 2015, we also performed the procedures prescribed by the Scientific and Cultural Facilities District (SCFD) for Tier II Organizations, consisting of certain agreed-upon procedures designed to comply with SCFD requirements. We applied these agreed-upon procedures in accordance with the rules and regulations of the SCFD, to be issued by SCFD and agreed upon by you, for the year ended December 31, 2015. Our engagement to apply these agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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. As described in Notes 2 and 20, the City implemented accounting policies related to accounting for pensions to adopt the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. Accordingly, this implementation of new accounting standards has been applied to the financial statement’s beginning January 1, 2015 net position. 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 estimates affecting the City’s financial statements were:

Management’s estimate of the valuation of RidgeGate street dedications is based on an engineering study. We evaluated the key factors and assumptions used to develop the valuation of the RidgeGate street dedication in determining that the estimate is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the Net Pension Liability (NPL), Net Pension Asset (NPA) and Other Post-Employment Benefits (OPEB) account balances are based on actuarial assumptions. We evaluated the key factors and assumptions used within the actuarial evaluations to develop the estimates for the NPL, NPA and OPEB account balances in determining that these estimates are 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:

The disclosure of Cash and Investments in Note 3, Capital Assets in Note 6, Long-Term Obligations in Note 7, Pension Plans (including OPEB) in Notes 12, 13 &14, Related Party in Note 17 and Restatement in Note 20 to the financial statements.

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. No such misstatements were identified during the audit.

In addition, the following summarizes uncorrected misstatements of the financial statements, for which management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

<i>Cultural and Community Services – Special Revenue</i>		
<i>(To properly record the sales of prior year gift cards not yet redeemed)</i>		
Overstatement of fund balance	\$10,857	
Understatement of liabilities		\$10,857
<i>Park Meadows Business Improvement District – Discretely Presented Component Unit</i>		
<i>(To properly accrue expenses for invoice that relates to work completed in 2015)</i>		
Understatement of expenses	\$65,235	
Understatement of liabilities		\$65,235

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 19, 2016.

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 governmental unit’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 and budgetary comparison information, 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 combining fund financial statements and schedules, schedule of debt service requirements to maturity, and Local Highway Finance Report, which accompany the financial statements but are not RSI. With respect to this 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 introductory section or statistical section, 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.

The City's basic financial statements include the financial statements of the new Lone Tree Business Improvement District (LTBID), a recently created business improvement district and the Park Meadows Business Improvement District (PMBID), both discretely presented component units of the City. For the purposes of our audit, we consider the PMBID to be a significant component of the government-wide financial statements; however we do not consider the LTBID to be a significant component of the government-wide financial statements. Consistent with the audit of the basic financial statements as a whole, our audit included obtaining an understanding of the LTBID and PMBID and their environments, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements of the City of Lone Tree and completion of further audit procedures.

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

Sincerely,

A handwritten signature in cursive script that reads "Eide Sully LLP".

Greenwood Village, CO