LOWRY REDEVELOPMENT AUTHORITY

Financial Statements
and
Independent Auditors' Report
December 31, 2016 and 2015

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LOWRY REDEVELOPMENT AUTHORITY

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LOWRY REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis
For the Year Ended December 31, 2016

This section of the Lowry Redevelopment Authority's (the "Authority") annual report presents management's discussion and analysis of the financial performance of the Authority during the calendar year ended December 31, 2016. The discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the basic financial statements and footnotes.

The discussion and analysis is designed to focus on current activities, resulting changes in financial condition, and currently known facts. The financial statements, footnotes, and this discussion are the responsibility of management.

1. Executive Summary

The Authority's mission, as defined in its intergovernmental agreement between the cities of Denver and Aurora, Colorado, is to redevelop and convert to civil use the real estate of the former Lowry Air Force Base. The Authority is a quasi-governmental entity that operates as an enterprise in a manner similar to any private real estate developer, financing its infrastructure and land improvements with a combination of bank loans, debt issuances, and reinvested net income. After 16 years, the Authority was slated to be entering its "sunset" phase, having accomplished most of its land development by completing sales in four of its five neighborhoods, and beginning its transfer of residual infrastructure and open space to the cities of Denver and Aurora. However, on May 31, 2012, the Authority acquired an additional 70 acres known then as the Buckley Annex (now rebranded as Boulevard One) from the Air Force. The entities entered into a Revenue Sharing Agreement that provides for an equal split of any net profits as defined in the agreement upon completion of development of the entire parcel after a specified period of time. Sunset will now occur when development is completed and all remaining infrastructure is transferred to the cities of Denver and Aurora.

The July 15, 1996 Cooperation Agreement, as amended and restated on December 1, 2002, between Denver Urban Renewal Authority ("DURA") and the City and County of Denver ("City") designated the Lowry Tax Increment Area and established the repayment of revenue bonds from property taxes collected from this area. The Series 2008A bonds were issued in October 2008 to refinance the Authority's Series 2002 tax increment bonds, which were originally issued to support the Authority's parks and open space program, demolition and abatement, and a small amount of remaining infrastructure. Subsequently, on May 1, 2012, the Authority refinanced its Series 2008A variable rate refunding revenue bonds with a direct, fixed-interest bank loan through BBVA in the amount of $43.6 million. This loan refunded the remaining Series 2008A bonds and was projected to save the Authority approximately $3 million in interest expense. The new loan carries a fixed interest rate of 2.16% annually and is secured by the Authority's property tax increment ("TIF") revenue. In connection with the Series 2012A loan, the Authority also acquired a Series 2012B Advancing Improvement Loan in the amount of $6.5 million to be used for demolition on the newly acquired Boulevard One property. This loan is provided at variable tax-exempt rates and also secured by TIF revenue.

The Authority's major revenue sources for operations have been net proceeds from the sale of real estate. As Lowry is a mixed-use development, the Authority's sales span a wide spectrum of land uses, price points, and product types. The different uses and price points carry with them a wide variety of profit margins, so sales mixes and related profits vary widely from year to year.

1. Executive Summary (continued)

To a lesser degree, operations are also supported by "equity sharing" agreements with residential builders (proportional sharing of profits with builders should their finished home prices exceed certain threshold prices).

Other revenues consist primarily of Denver property TIF used specifically for servicing the Authority's fixed-interest refunding 2012A and B loans (the proceeds of which are financing open space and public school development) and maintaining the underlying loan covenants.

Discussions of revenues, expenses, and construction activity appear in later parts of this section.

2. Using the Annual Financial Report

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. As with private corporations, these statements focus on the financial position of the Authority as a whole, the changes in financial position, and cash flows. The information provided in these statements speaks to the financial health of the Authority with additional relevant context provided in this Discussion and Analysis section.

The statements of net position include all assets and liabilities. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the product or service is provided, and expenses and liabilities are recognized when incurred regardless of when cash is exchanged.

The statements of revenues, expenses, and changes in net position present revenues earned and expenses incurred during the calendar year. Activities are reported as either operating or non-operating, in accordance with Basic Financial Statements – and *Management's Discussion and Analysis – for State and Local Governments*, as amended. Under these guidelines, interest income and interest and other debt-service-related expenses are classified as non-operating revenues and expenses, respectively. Use of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statements of cash flows present the Authority's ability to meet financial obligations as they mature. It portrays information related to inflows and outflows summarized by operating, capital and related financing, non-capital financing, and investing activities.

3. Net Position

Condensed Statements of Net Position (in Thousands)

	December 31, 2016	December 31, 2015
Assets		
Current assets		
Unrestricted cash, investments, and receivables	$ 8,504	$ 6,386
Restricted cash, investments, and receivables	4,812	4,712
Total current assets	13,316	11,098
Non-current assets		
Restricted cash, investments, and receivables	2,370	2,109
Property and equipment	34,317	33,229
Total non-current assets	36,687	35,338
Total assets	$ 50,003	$ 46,436
Liabilities		
Current liabilities	$ 13,833	$ 9,314
Non-current liabilities		
Fixed interest note	-	15,259
Total liabilities	$ 13,833	$ 24,573
Net Position		
Net position		
Invested in capital assets, net of related debt	$ 22,851	$ 10,362
Restricted		
Expendable	7,182	6,821
Unrestricted	6,137	4,680
Total net position	$ 36,170	$ 21,863

The 2016 financial statements reported here reflect a 65% increase in the Authority's net position (equity) from 2015, primarily attributable to principal payments on notes payable from TIF excess surplus revenue. Assets exceed liabilities by $36.2 million with the unrestricted portion of equity at $6.1 million. This unrestricted portion is partially financing the Authority's working capital. Most of the Authority's remaining equity is invested in existing capital assets ($22.9 million) or restricted cash funds designated for additional construction or future debt service ($7.2 million).

3. Net Position (continued)

The Authority has a ratio of current assets to current liabilities of 0.96 to 1 as of December 31, 2016 and 1.2 to 1 as of December 31, 2015. Current asset and current liability balances include the current portion of restricted cash designated for the next year's amortization and the related liability. The scheduled current portion of the fixed interest bank note is supported twofold by total restricted cash reserves designated for debt service. The ratio of total assets to total liabilities is 3.6 to 1 for 2016 and 1.9 to 1 for 2015. The Authority believes it is still well-positioned for covering all obligations.

The Authority's capital assets consist of office equipment and furniture and a vehicle. All land and related improvements are held for development and sale or dedication to the city of Denver. Buildings have been written off as they were demolished or sold.

4. Property Held for Development and Infrastructure

Investment in land development and improvements owned by the Authority as of December 31, 2016 includes the following (in thousands):

	Percent Sold/ Charged off	Total Investment	Charges Against Operations	Transfers to Denver	Total Charges and Transfers	Net Investment December 31, 2015
Boulevard One:						
Basic infrastructure	69 %	$ 17,470	$ (12,060)	$ -	$ (12,060)	$ 5,410
Parks and open space	0 %	1,682	-	-	-	1,682
Demolition and abatement	0 %	5,701	-	-	-	5,701
Total Boulevard One development		24,853	(12,060)	-	(12,060)	12,793
Legacy Lowry:						
Basic infrastructure	94 %	57,651	(32,773) (B)	(21,489)	(54,262) (B)	3,389
Parks and open space	77 %	55,322	(679) (A)	(41,663)	(42,342) (A)	12,980
Demolition and abatement	79 %	24,633	-	(19,480)	(19,480)	5,153
Total Legacy Lowry development		137,606	(33,452)	(82,632)	(116,084)	21,522
Total investment in land development		162,459	(45,512)	(82,632)	(128,144)	34,315
Equipment and improvements	93 %	29	(27)	-	(27)	2
Total property and infrastructure		$ 162,488	$ (45,539)	$ (82,632)	$ (128,171)	$ 34,317

(A) Parks costs charged off are those of the West Neighborhood Park and Roslyn Park, funded by sales revenues. Other parks and demolition costs were funded by tax increments.

(B) Charge offs of basic infrastructure to sales have been based on net acres purchased by developers and transfers to Public Benefit Conveyance recipients. At the earlier of deeding to the cities or termination of Lowry operations, the value of remaining infrastructure areas will be accounted for as distributions to the cities as this will represent the publicly funded value of main rights of way through the entire property.

4. Property Held for Development and Infrastructure (continued)

Annual construction investment in development property was as follows (in thousands):

	For the Years Ended December 31,	
	2016	2015
Parks and open space	$ 1,180	$ 502
Demolition - Boulevard One	725	345
Infrastructure - Boulevard One	2,430	6,560
Total investment	$ 4,335	$ 7,407

Basic infrastructure (excluding portions funded by grants) and in-tract costs are being amortized against land sales in proportion to acreage sold. Parks, public rights of way, open space, and demolition investments do not generate operating revenue and are being partially funded by tax-increment revenues with repayment from property taxes; therefore, these elements are not being amortized against sales. Further detail regarding capital asset activity is included in the notes to these financial statements.

Management's Discussion and Analysis
For the Year Ended December 31, 2016

5. Operations

Condensed Statements of Revenues, Expenses, and Changes in Net Position (in Thousands)

	For the Years Ended December 31,			
	2016		2015	
	Amount	Percent	Amount	Percent
Operating revenues				
Real estate sales	$ 4,797		$ 13,724	
Cost of real estate sales	(3,243)		(7,003)	
Net real estate income	1,554	9.0 %	6,721	35.5 %
Property tax increment	12,998	75.3	11,846	62.5
Other revenues	2,721	15.8	387	2.0
Total operating revenues	17,273	100.1	18,954	100.0
Operating expenses	(1,746)	(10.1)	(2,232)	(11.4)
Operating income	15,527	90.0 %	16,722	88.6 %
Non-operating revenues (expenses)				
Interest income	38		15	
Interest expense and debt-related fees	(1,258)		(1,419)	
Payment of excess tax increment to Denver Public Schools	-		(3,028)	
Transfers/maintenance of property deeded to the City	-		(61)	
Net non-operating expenses	(1,220)		(4,493)	
Total increase in net position	14,307		12,229	
Net position, beginning of year	21,863		9,634	
Net position, end of year	$ 36,170		$ 21,863	

5. Operations (continued)

Lowry is a mixed-use development with widely varying finished product price points and costs, as mandated by the intergovernmental agreement forming the entity. Sales dollar volume and related costs will thus vary from year to year, depending on the sales product and price-point mix in addition to market conditions. Sales and profit growth year over year is not an objective as the real estate available for sale is finite and the spectrum of product and price points is wide. The objective is to have a balanced, viable sales program each year that provides enough cash flow to fund the continuing operations, meet current debt obligations, and reinvest in continued development until the entire program is completed.

Property tax increment revenue continues to increase as the built-out tax base continues to expand. This revenue is primarily restricted for debt service and payments under related covenants. However, pursuant to the Custodial Agreement for the 2012A loan, one-half of any increment collected in excess of debt service and covenanted payments could be considered for additional project construction, subject to the approval of DURA and the city of Denver. The City may elect to use such funds for other projects at Lowry or to prepay the 2012 loans.

Operating income from real estate sales commenced during 2015 and continued through 2016 as the Authority continued finished lot sales at Boulevard One. Operating expenses decreased during 2016 due to workforce reductions and decrease in marketing expense.

Interest expense decreased due to a reduction of debt outstanding, and interest income between the two years increased commensurate with the average cash balances.

Debt covenants and tax law have restricted the allowable interest earnings on invested proceeds to not exceed the effective interest rates payable on the notes. Management monitors this exposure at least annually to ensure enough is maintained in the rebate account to make any complying refunds when due. As of July 2, 2012, arbitrage rebate was analyzed and management determined that no arbitrage liability had accrued concurrent with the refunding of the 2008A series bonds. As of December 31, 2016, management estimates no additional liability.

In connection with the Authority's tax increment financing, the Authority agreed to reimburse the Denver Public School District ("DPS") for an elementary school it constructed through its own district bond issue at a cost of $10,628,000 in $1 million annual installments. During 2015, the Authority fulfilled its final $628,000 installment; thus, as of December 31, 2015, there was no remaining balance due to DPS. Additionally, during 2015, the City requested $2.4 million of excess surplus revenue to be utilized for DPS schools in the Lowry area. No payments were made to DPS during 2016.

The Authority annually pays priority fees to DURA based upon amounts determined during the previous TIF bond series issued during 1998, 2000, and 2002. During the years ended December 31, 2016 and 2015, the Authority paid priority fees to DURA in the amounts of $937,156 and $901,110, respectively.

5. Operations (continued)

As part of its operations, the Authority continued the formal transfers of residual and publicly funded property and infrastructure to the City in 2015 and 2016. The total value of the property deeded as of December 31, 2016 is estimated to cost $82.63 million. These transfers are expected to continue while development of Boulevard One takes place.

The following table further presents a breakdown of operating expenses by department, reconciled to their natural expenditure classifications:

Operating Expenses by Function Compared with
Operating Expenses by Natural Classification (in Thousands)

	For the Years Ended December 31, 2016	For the Years Ended December 31, 2015
Function (including salaries and benefits)		
General, administrative, and finance	$ 1,528	$ 1,969
Internal property maintenance	59	52
Marketing and public relations	100	156
Utilities	59	55
Total operating expenses	$ 1,746	$ 2,232
Classification		
Salaries and benefits	$ 909	$ 1,005
Purchased services	330	368
Supplies and materials	59	52
Utilities	59	55
Depreciation and amortization	2	3
Advertising and public relations	100	156
Insurance	111	101
Other	176	492
Total operating expenses	$ 1,746	$ 2,232

General and administrative expenses decreased overall due to decreased staffing and marketing needs. Salaries and benefits were reduced commensurate to the reduction in workforce, and marketing and public relations expenses declined due to the formation of a homeowner's community association that addresses public relation concerns.

Insurance expense increased slightly during 2016 due to increased coverage, insurable assets, and homeowner association establishment. Other operating expenses declined from 2015 due to the decrease of contingent expenses.

5. Operations (continued)

Below is a presentation of net operating income components as compared to the Authority's annual budgets (in thousands):

	2016			2015		
	Actual		Budget*	Actual		Budget*
Operating revenues						
Real estate sales	$ 4,797		$ 9,261	$ 13,724		$ 10,603
Cost of real estate sales	(3,243)	#	(870)	(7,003)	#	(3,835)
Net real estate income	1,554		8,391	6,721		6,768
Property tax increments	12,998		11,846	11,846	^	11,905
Other revenues	2,721		1,769	387		67
Total other revenues	15,719		13,615	12,233		11,972
Total operating revenues	17,273		22,006	18,954		18,740
Operating expenses by function						
General, administrative, and finance	1,528		2,460	1,969		2,327
Internal property maintenance	59		81	52	#	83
Marketing and public relations	100		157	156		221
Utilities	59		106	55		106
Total operating expenses by function	1,746		2,804	2,232		2,737
Operating income	$ 15,527		$ 19,202	$ 16,722		$ 16,003

* Budgets assume accrual basis equals cash basis without provision for depreciation; actual amounts are on an accrual basis.

^ Property tax increments budgeted to equal prior-year collections. Cash-based budget shows only TIF expended upon TIF-eligible projects.

\# Budget assumes cost of real estate sales is cash outflow associated with repayment of collateralized loan, actual assumes pro-rated costs of lot preparation, and infrastructure.

Comments on Major 2015 Variances from Budget

Real estate sales and cost of sales: The scarcity of the construction workforce in the Denver metro area may create significant delays between contract execution and commencement of home building. This resulted in real estate sales and related construction delays with builders requesting contract extensions.

5. Operations (continued)

Comments on Major 2015 Variances from Budget (continued)

Real estate costs of sales: For cash-based budgeting purposes, the only costs shown as charges against sales are the direct costs connected with each closing, including title-related costs and release prices associated with the lot development loan. Infrastructure development costs are typically spent in a different cash cycle, usually prior to the sales; however, those capital expenditures are reported for budgetary purposes as incurred when the cash is expended. These accumulated capitalized costs are allocated against sales on a pro-rated basis by lot for the purpose of meeting generally accepted accounting principles in accrual-based reporting.

Property tax increments: The property tax increment reflects collections as expected, consistent with the prior year, as the final development of Legacy Lowry and the phase one buildout of Boulevard One begins to appear on the tax rolls.

Other revenues: Actual revenues exceeded budgeted due to higher than expected equity sharing revenue.

Operating expenses: Marketing expenses were lower than budgeted as strong demand in the local market for single family homes reduced the need for a robust advertising campaign during 2016 and the formation of a homeowner's community association to address community public relations. Utilities were decreased due to pro-rationed charges on demolished property. Lastly, general and administrative expenses declined due to workforce reductions and reduced contingency expenses, in addition to other cost containment measures.

6. Cash Flows

The statements of cash flows show cash receipts and cash payments during the year. This information helps analyze the stability of the Authority's cash sources as well as its ability to meet obligations as they come due.

Condensed Statements of Cash Flows (in Thousands)

	December 31, 2016	December 31, 2015
Cash flows from operating activities		
Cash received from real estate sales	$ 4,788	$ 13,723
Cash paid to suppliers and employees	(2,148)	(2,511)
Cash paid for development costs	(1,933)	(6,981)
Cash provided by property tax increment	12,998	11,846
Cash provided by other operating activities	2,721	366
Net cash provided by operating activities	16,426	16,443
Investing activities	38	15
Capital and related financing activities	(13,304)	(9,554)
Non-capital financing activities	(1,258)	(4,447)
Net increase in cash and cash equivalents	1,902	2,457
Cash and cash equivalents, beginning of year	11,985	9,528
Cash and cash equivalents, end of year	$ 13,887	$ 11,985

The property tax increment increased slightly as the final development of Legacy Lowry and the beginning of Boulevard One appearing on the tax rolls. This increment provides a stabilized debt service coverage level for servicing the outstanding 2012A loan.

Project funds continued to be expended on remaining capital project maintenance at Legacy Lowry and on Boulevard One demolition.

Capital and financing activities comprise demolition on Boulevard One, in addition to transactions pertaining to changes in principal. Principal payments on the 2012A and B loans were $9.7 million and $1.6 million, respectively, during 2016. $2.9 million of the 2012A principal payments was funded by a return of excess surplus TIF revenue on deposit at DURA, which was then applied as a prepayment on the 2012A loan. Principal payments on the lot development and infrastructure collateralized loan in the form of release totaled $0.85 million during 2016.

Non-capital financing activities reflect payment of interest- and debt-related items in addition to $3.028 million paid during 2015, with no payments made in 2016, to Denver Public Schools pursuant to the Series 2008A bond covenants and the 2012A Custodial Agreement.

7. Factors Impacting Future Periods

The Authority is in the process of continued demolition, infrastructure installation, lot development, and active residential and commercial lot sales of its last developable property, Boulevard One. As of December 31, 2016, a total of 179 lots had been sold to residential developers with 53 of these lots completed and sold to homeowners. The master plan for this 70-acre parcel provides for up to 800 residential units and includes up to 200,000 square feet of commercial buildings (office and retail). The potential tax increment value is significant, with a prospective market value over $200.0 million and $1.7 million in annual tax increment at build out, which will occur over the next five years.

Combinations of the aforementioned refunding, lot sales, the line of credit, additional tax increment financing, and development loans are providing sufficient working capital for the Authority to successfully complete its development program while meeting all financial obligations.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lowry Redevelopment Authority
Denver, Colorado

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities of Lowry Redevelopment Authority (the "Authority") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Lowry Redevelopment Authority as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Lowry Redevelopment Authority

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 12 and the comparison of operating income components against budget on page 33 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Boulevard One financial schedules on pages 36 and 37 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedules of changes in restricted custodial cash accounts Series 2012A fixed rate notes on pages 34 and 35 have not been subjected to the auditing procedures applied in the audits of the basic financial statements; accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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May 9, 2017
Denver, Colorado

LOWRY REDEVELOPMENT AUTHORITY

Statements of Net Position

	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 6,705,898	$ 5,164,494
Restricted cash and equivalents	4,811,995	4,711,671
Accounts receivable	36,579	36,988
Prepaid expenses	137,110	110,452
Real estate deposits	1,624,600	1,074,100
Total current assets	13,316,182	11,097,705
Non-current assets		
Restricted cash and equivalents	2,369,688	2,109,081
Property held for development and infrastructure	8,799,180	10,455,627
Capital assets		
Parks, open space, and demolition	25,516,322	22,768,239
Equipment and other, net	2,004	5,423
Total non-current assets	36,687,194	35,338,370
Total assets	$ 50,003,376	$ 46,436,075
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 642,302	$ 460,768
Accrued interest	23,018	43,647
Other accrued liabilities	76,874	127,867
Revenue received in advance	1,624,600	1,074,100
Notes payable - current maturities	11,466,875	7,607,398
Total current liabilities	13,833,669	9,313,780
Notes payable	-	15,259,460
Total liabilities	13,833,669	24,573,240
Commitments and contingencies		
Net position		
Invested in capital assets, net of related debt	22,850,631	10,362,431
Restricted - expendable construction and debt service	7,181,683	6,820,752
Unrestricted	6,137,393	4,679,652
Total net position	36,169,707	21,862,835
Total liabilities and net position	$ 50,003,376	$ 46,436,075

See notes to financial statements.

LOWRY REDEVELOPMENT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

	For the Years Ended December 31, 2016	2015
Operating revenues		
Real estate sales	$ 4,797,474	$ 13,723,353
Cost of real estate sales	(3,242,912)	(7,002,612)
Net real estate income	1,554,562	6,720,741
Property tax increments	12,998,398	11,846,152
Equity-sharing revenue	2,674,990	340,996
Other revenue	43,606	45,880
Total operating revenues	17,271,556	18,953,769
Operating expenses		
Internal property maintenance		
Supplies and materials	59,538	52,025
Utilities		
Purchased services	57,379	55,411
General and administrative		
Salaries and benefits	909,196	1,005,339
Purchased services	330,032	367,922
Depreciation and amortization	2,055	2,838
Advertising and public relations	100,300	155,564
Insurance	110,552	100,521
Other	175,666	492,243
Total general and administrative	1,627,801	2,124,427
Total operating expenses	1,744,718	2,231,863
Operating income	15,526,838	16,721,906
Non-operating income (expenses)		
Interest income	37,684	14,660
Transfers to other governments	-	(60,540)
Interest expenses	(320,474)	(517,539)
Bank and debt-related fees	(937,176)	(901,125)
Payment of excess tax increment to Denver Public Schools	-	(3,028,433)
Total non-operating expenses	(1,219,966)	(4,492,977)
Change in net assets	14,306,872	12,228,929
Total net position, beginning of year	21,862,835	9,633,906
Total net position, end of year	$ 36,169,707	$ 21,862,835

See notes to financial statements.

LOWRY REDEVELOPMENT AUTHORITY

Statements of Cash Flows

	For the Years Ended December 31,	
	2016	2015
Cash flows from operating activities		
Cash received from real estate sales	$ 4,787,749	$ 13,723,353
Cash paid to suppliers and employees	(2,147,965)	(2,510,775)
Cash paid for development costs	(1,932,162)	(6,981,446)
Cash provided by property tax increment	12,998,398	11,846,152
Cash provided by other operating activities	2,720,436	365,527
Net cash provided by operating activities	16,426,456	16,442,811
Cash flows from investing activities		
Interest received	37,684	14,660
Net cash provided by investing activities	37,684	14,660
Cash flows from capital and related financing activities		
Investment in property held for development and infrastructure and capital assets	(1,904,172)	(815,531)
Proceeds from advancing loan	754,753	2,375,349
Principal payments on notes payable	(12,154,736)	(11,113,436)
Net cash used in capital and related financing activities	(13,304,155)	(9,553,618)
Cash flows from non-capital financing activities		
Payment of interest and debt-related fees	(1,257,650)	(1,418,664)
Payment of excess tax increment to Denver Public Schools	-	(3,028,433)
Net cash used in non-capital financing activities	(1,257,650)	(4,447,097)
Net increase in cash and cash equivalents	1,902,335	2,456,756
Cash and cash equivalents, beginning of year	11,985,246	9,528,490
Cash and cash equivalents, end of year	$ 13,887,581	$ 11,985,246
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	$ 6,705,898	$ 5,164,494
Restricted cash and equivalents - current	4,811,995	4,711,671
Restricted cash and equivalents - non-current	2,369,688	2,109,081
	$ 13,887,581	$ 11,985,246

(Continued on the following page)

See notes to financial statements.

LOWRY REDEVELOPMENT AUTHORITY

Statements of Cash Flows

(Continued from the previous page)

	For the Years Ended December 31,	
	2016	2015
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 15,526,838	$ 16,721,906
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	2,055	2,838
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	409	(532)
Increase in prepaid expenses and other assets	(575,794)	(775,970)
Decrease in property held for development and infrastructure	812,536	410,172
Increase (decrease) in accounts payable	181,534	(682,619)
Increase in other liabilities	478,878	767,016
	899,618	(279,095)
Net cash provided by operating activities	$ 16,426,456	$ 16,442,811

See notes to financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Lowry Economic Redevelopment Authority dba Lowry Redevelopment Authority (the "Authority") is a quasi-governmental entity established by the City and County of Denver (the "City") and the city of Aurora, Colorado. The Authority was established and began operations in August 1994. The purpose of the Authority is to provide ownership, management, maintenance, and economic redevelopment services for the former Lowry Air Force Base site. The Authority earns revenues predominantly from real estate sales of residential and commercial properties and property tax increment financing ("TIF") revenue on what was the Lowry Air Force Base. The July 15, 1996 Cooperation Agreement, as amended and restated on December 1, 2002 between Denver Urban Renewal Authority ("DURA") and the City, designated the Lowry Tax Increment Area and established the repayment of revenue bonds from property taxes collected from this area.

The governing body of the Authority is a nine-member Board of Directors. The City appoints seven members, and the city of Aurora appoints two members.

Basis of Accounting

The Authority follows the Governmental Accounting Standards Board's ("GASB") Statement 63 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 appointed 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 Authority'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.

The Authority is not financially accountable for any other organization, nor is the Authority included in the financial statements of any other primary governmental entity.

The financial statements of the Authority have been prepared on the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated, non-exchange transactions are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. The Authority first applies restricted net positions when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

The Authority is a business-type activity that reports as an enterprise fund, which records activity in a manner similar to private business. Enterprise funds are intended to be self-supporting; that is, costs are to be financed primarily through user charges on a continuing basis. The Authority operates one major enterprise fund.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The financial statement presentation provides a comprehensive look at the total governmental entity and includes a narrative of management's discussion and analysis of the government's financial activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. As of December 31, 2016 and 2015, cash equivalents consisted of money market mutual funds.

Property Held for Development and Infrastructure

The property owned by the Authority is presented in the financial statements as property held for development and infrastructure and includes development costs incurred.

Additionally, the Authority capitalizes development interest costs as a component of property held for development and capital assets, based on the weighted average rates paid for long-term borrowing. Prior cumulative capitalized interest as of December 31, 2016 and 2015 was $1,537,952. Total interest expense incurred for December 31, 2016 and 2015 was $320,474 and $517,539, respectively.

Receivables

Accounts receivable represent amounts due from DURA for amounts held on deposit for debt paydown and supplemental projects. The Authority provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. Based on the Authority's review of accounts receivable, all amounts are considered fully collectible, and no allowance for doubtful accounts has been established as of December 31, 2016 and 2015.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Restricted Assets

Restricted cash and cash equivalents include amounts restricted for project construction, bond/loan debt service, and escrowed funds from land sales. Restricted amounts are as follows:

	December 31, 2016	December 31, 2015
Project construction	$ 40,313	$ 96,298
Current bond/loan debt service	10	65,320
Bond/loan debt service and reserve funds	7,141,360	6,659,134
	$ 7,181,683	$ 6,820,752

Net Position

Balances of restricted net position are not available for general operating purposes as they are legally restricted by outside parties for specific purposes. Restricted net position includes project construction, debt service, and other activities.

Property and Equipment

Property and equipment are defined by the Authority as assets with a life greater than one year and an initial, individual cost of more than $1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 39½ years. Maintenance and repairs are expensed as incurred.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omission; injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded commercial coverage during the past three years.

Revenue and Cost Recognition

The Authority recognizes revenues from real estate sales at the time the transaction is closed. Earnest money received from sales of properties in advance of closing are recorded as real estate deposits and revenue received in advance.

Cost of sales includes the cost of the land, interest capitalized during the development phase, all direct costs to develop the land, closing costs, and an allocation of costs to the lots and parcels sold. Infrastructure costs are allocated to saleable lots and parcels based on acreage and character of expenditure.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Budgeting Requirements

The Authority's Board of Directors meets in the fall of each year to approve the budget for the ensuing year. The Board of Directors can modify the budget by line items at any time. The budget does not transfer at year-end.

Classification of Revenues

The Authority has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues include activities that have the characteristics of exchange transactions, such as real estate sales and property tax increment income.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, as defined by *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, as amended, such as investment income.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Subsequent Events

The Authority has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. Aside from the payoff of the Citywide loan discussed in Note 6, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 2 - Deposits and Investments

The Authority's deposits and investments are exposed to risks that have the potential to result in losses. These risks include credit risk, including custodial credit risk and concentrations of credit risk, and interest rate risk. Deposit and investment risk disclosures require the following disclosures regarding these risks.

Note 2 - Deposits and Investments (continued)

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. Deposits are carried at cost. Accrued interest is recorded as a receivable. Deposits include operating accounts and escrow accounts. As of December 31, 2016 and 2015, the carrying value of the Authority's unrestricted deposits was $6,705,898 and $5,164,494, respectively. The bank balance as of December 31, 2016 and 2015, classified by custodial credit risk category, includes $250,000 covered by federal depository insurance and had an outstanding balance of $6,956,315 and $5,327,721 in uninsured balances, respectively. The latter category represents deposits for which collateral has been pledged but is held by the pledging bank or its trust department or agent in other than the Authority's name.

The Colorado Public Deposit Protection Act ("CPDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized by the public depositories. The eligible collateral is determined by the CPDPA. The CPDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Authority's cash and investments meet these collateral requirements.

Investments - Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the Authority. This risk is assessed by national ratings agencies, which assign a credit quality rating for investments.

The bylaws of the Authority state that investments must be made in accordance with the laws of the state of Colorado. The Authority follows the Colorado statutes with respect to its investment policy. The Colorado statutes specify that units of local government may invest in the following instruments:

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

Investments comprise local government pools of government-backed securities and repurchase agreements. Local government pools must be organized under Colorado Revised Statutes and are therefore subject to oversight by the Colorado Securities Commission with quarterly reporting and annual audits required.

Note 2 - Deposits and Investments (continued)

Investments - Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment.

The Authority minimizes the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and debt retirement, thereby avoiding the need to sell securities prior to maturity. Minimizing the risk is accomplished by investing operating funds in highly liquid instruments. No securities were held by the Authority as of December 31, 2016 or 2015.

The Authority's investments consisted of:

Investment Type	S&P Rating	Investment Maturities (in Years)	December 31, 2016	December 31, 2015
Money market funds - restricted	A-2	N/A	$ 7,181,683	$ 6,820,752
Money market funds - unrestricted	Unrated	N/A	3,711,315	1,257,994
Total investments			$ 10,892,998	$ 8,078,746

Pursuant to the Authority's investment strategy, all investments in repurchase agreements are collateralized by U.S. Treasury or Agency securities at 102% of par value or greater. Money market mutual fund investments are restricted to funds investing solely in U.S. Treasury and/or Agency securities.

Credit Concentration Risk

The Authority's investment strategy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over-investing in specific instruments, individual institutions, or maturities and evaluating the need for current liquidity. The Authority's investment balances were as follows as of December 31, 2016:

Investment	Fair Value	Percent of Fair Value	Investment Maturity
Money market funds - restricted	$ 7,181,683	66%	N/A
Money market funds - unrestricted	3,711,315	34%	N/A
Total investments	$ 10,892,998		

Note 2 - Deposits and Investments (continued)

Credit Concentration Risk (continued)

The Authority's investment balances were as follows as of December 31, 2015:

Investment	Fair Value	Percent of Fair Value	Investment Maturity
Money market funds - restricted	$ 6,820,752	84%	N/A
Money market funds - unrestricted	1,257,994	16%	N/A
Total investments	$ 8,078,746		

The carrying values of deposits and investments shown above are included on the statements of net position as follows:

	December 31, 2016	December 31, 2015
Deposits		
Cash	$ 2,994,583	$ 3,906,500
Money market funds	10,892,998	8,078,746
	$ 13,887,581	$ 11,985,246

The following are included on the statements of net position captions as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 6,705,898	$ 5,164,494
Restricted assets		
Cash and cash equivalents - current	4,811,995	4,711,671
Cash and cash equivalents - non-current	2,369,688	2,109,081
	$ 13,887,581	$ 11,985,246

Note 3 - Capital Assets

A summary of capital asset acquisitions, dispositions, and accumulated depreciation is as follows:

	December 31, 2015	Acquisitions	Dispositions	December 31, 2016
Parks, open space, and demolition	$ 22,768,239	$ 2,748,083	$ -	$ 25,516,322
Equipment and other				
Office equipment	10,554	-	(1,364)	9,190
Vehicles	5,775	-	-	5,775
Furniture and fixtures	4,522	-	-	4,522
	20,851	-	(1,364)	19,487
Less accumulated depreciation				
Office equipment	(8,019)	(900)	-	(8,919)
Vehicles	(2,887)	(1,155)	-	(4,042)
Furniture and fixtures	(4,522)	-	-	(4,522)
	(15,428)	(2,055)	-	(17,483)
Total equipment and other	5,423	(2,055)	(1,364)	2,004
Total	$ 22,773,662	$ 2,746,028	$ (1,364)	$ 25,518,326

	December 31, 2014	Acquisitions	Dispositions	December 31, 2015
Parks, open space, and demolition	$ 22,825,297	$ -	$ (57,058)	$ 22,768,239
Equipment and other				
Office equipment	9,040	1,514	-	10,554
Vehicles	5,775	-	-	5,775
Furniture and fixtures	4,522	-	-	4,522
	19,337	1,514	-	20,851
Less accumulated depreciation				
Office equipment	(6,336)	(1,683)	-	(8,019)
Vehicles	(1,732)	(1,155)	-	(2,887)
Furniture and fixtures	(4,522)	-	-	(4,522)
	(12,590)	(2,838)	-	(15,428)
Total equipment and other	6,747	(1,324)	-	5,423
Total	$ 22,832,044	$ (1,324)	$ (57,058)	$ 22,773,662

Note 3 - Capital Assets (continued)

The Authority periodically transfers infrastructure assets to the City as a part of its intergovernmental agreement. All related infrastructure assets, including streets, roads, parks, and water and sewer lines, are to be transferred. During the years ended December 31, 2016 and 2015, the Authority made transfers of $0 and $60,540 in capital assets and property held for development and infrastructure, respectively. In 2015, these transfers consisted of $57,058 of parks and demolition transfers and $3,482 of infrastructure transfers.

Note 4 - Property Held for Development and Infrastructure

A summary of acquisitions and dispositions for the Authority's property held for development and infrastructure is as follows:

	December 31, 2015	Acquisitions	Dispositions	December 31, 2016
Development costs	$ 8,917,675	$ 1,586,465	$ (3,242,912)	$ 7,261,228
Capitalized bond interest	1,537,952	-	-	1,537,952
Total	$ 10,455,627	$ 1,586,465	$ (3,242,912)	$ 8,799,180

	December 31, 2014	Acquisitions	Dispositions	December 31, 2015
Development costs	$ 8,512,316	$ 7,407,971	$ (7,002,612)	$ 8,917,675
Capitalized bond interest	1,541,434	-	(3,482)	1,537,952
Total	$ 10,053,750	$ 7,407,971	$ (7,006,094)	$ 10,455,627

On May 31, 2012, the Authority acquired, by Economic Development Conveyance from the Air Force, a property now known as Boulevard One (originally Department of Defense property, west of Quebec). A master plan for this 70-acre parcel includes 200,000 square feet of commercial buildings (office and retail) and approximately 800 residential units. The potential tax increment value is significant with a prospective market value of over $200.0 million and $1.7 million in annual tax increment. The Authority is in the process of zoning, demolition, and lot development and active residential and commercial lot sales negotiations.

This parcel was acquired pursuant to a Revenue Sharing Agreement between the Air Force and the Authority and required no initial investment. There will be a final accounting to split the net revenue pursuant to a formula that includes allowable, non-reimbursable items of income and expense between the Authority and the Air Force in equal proportion after repayment of all loans.

Note 5 - Deferred Compensation Plan

Section 457 Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits an employee to defer a portion of his or her salary until future years. The Authority is required under the Plan agreement to make its 5% contribution based upon eligible salaries. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseen emergency. The Authority contributed $37,419 and $53,987 to the Plan for 2016 and 2015, respectively.

The Plan assets are held in trust by an independent trustee. Accordingly, no amounts are reflected in these financial statements for Plan assets and Plan obligations.

401(a) Savings Plan

During 2016, the Authority began offering its employees a 401(a) savings plan (the "401(a) plan"). This 401(a) plan, available to all Authority employees, does not permit employees to defer a portion of his or her salary. The Authority is required under the 401(a) plan agreement to make a 1% contribution based upon eligible salaries. The Authority contributed $10,258 to the 401(a) plan for 2016.

Note 6 - Long-Term Liabilities

Long-term obligation transactions consist of the following:

	December 31, 2015	Additions	Payments	December 31, 2016	Current Portion
Series 2012A Refunding Loan	$ 17,534,815	$ -	$ (9,701,543)	$ 7,833,272	$ 7,833,272
Series 2012B Advancing Improvement Loan	3,286,097	754,753	(1,603,346)	2,437,504	2,437,504
Infrastructure/development loan	2,045,946	-	(849,847)	1,196,099	1,196,099
Total	$ 22,866,858	$ 754,753	$ (12,154,736)	$ 11,466,875	$ 11,466,875

	December 31, 2014	Additions	Payments	December 31, 2015	Current Portion
Series 2012A Refunding Loan	$ 24,182,495	$ -	$ (6,647,680)	$ 17,534,815	$ 6,805,726
Series 2012B Advancing Improvement Loan	3,520,310	613,467	(847,680)	3,286,097	801,672
Infrastructure/development loan	3,902,140	1,761,882	(3,618,076)	2,045,946	-
Total	$ 31,604,945	$ 2,375,349	$ (11,113,436)	$ 22,866,858	$ 7,607,398

Note 6 - Long-Term Liabilities (continued)

Refunding and Advancing Improvement Loans - Series 2012A and Series 2012B

On May 1, 2012, the Authority refunded the Series 2008A Bonds in their entirety and replaced them with the Series 2012A Refunding Loan. This loan carries a fixed interest rate of 2.16% annually, is secured by the Authority's TIF revenue, and matures December 1, 2020. Principal is due on December 1 of each year. Interest is payable on June 1 and December 1 of each year. The Authority plans to pay off the remaining balance during 2017 and has therefore classified the entire balance as a current liability.

In connection with the Series 2012A Loan, the Authority also acquired a Series 2012B Advancing Improvement Loan in the amount of $6.5 million to be used for demolition on the Boulevard One property. This loan is provided at variable tax-exempt rates, is secured by TIF revenue, and matures December 1, 2020. Pursuant to a subsequent amendment signed March 16, 2015, principal payments of $801,672 are due on December 1 of each year beginning December 1, 2015, which is the amount equal to one-sixth of the outstanding balance as of May 1, 2015 plus the unfunded portion of the $6.5 million loan. Interest payments are due monthly. The Authority plans to pay off the remaining balance during 2017 and has therefore classified the entire balance as a current liability. The Authority is charged a 0.50% fee on the unfunded portion of the Advancing Improvement Loan. This fee is calculated and paid quarterly. This non-use fee is in effect until total advances equal the maximum loan amount or May 1, 2015, whichever occurs earlier. During the years ended December 31, 2016 and 2015, non-use fees amounted to $5,814 and $8,755, respectively.

Citywide Bank Boulevard One Infrastructure Loan

On December 19, 2013, the Authority received an infrastructure loan to pay for costs of planning, zoning, and developing infrastructure for the Boulevard One property. The loan carries an annual fixed interest rate of 3.25%, payable monthly. The loan is secured by property known as Phase One Collateral, which releases with the sale of certain lots and parcels and matures December 19, 2017. Subsequent to year-end, the loan was paid in full.

Debt Service Maturity Schedule

Future annual debt service maturities of all loans as of December 31, 2016 are as follows:

Year Ending December 31,	Notes Payable Principal	Interest	Total
2017	$ 11,466,875	$ 168,453	$ 11,635,328

Note 7 - Commitments and Contingencies

Environmental Remediation

The Lowry Air Force Base property, like most other former military bases, was used at various times for activity that had adverse environmental impacts. Substantial environmental investigations and remediation have been conducted. Environmental issues do arise during the normal course of business. In the event this occurs, there are processes established to manage these issues.

According to the Federal Comprehensive Environmental Response, Compensation, and Liability Act and federal base closure laws, the Air Force remains responsible for environmental contamination caused by its activities in perpetuity.

Additionally, environmental insurance and other financial instruments are in place under the various privatization agreements between Lowry Assumption, LLC (an unrelated third party) and the Authority, first established in 2002, to address corrective measures associated with trichloroethylene plumes for specific areas.

Denver Public Schools Reimbursement

There is an agreement with Denver Public Schools ("DPS") requiring the Authority to pay an annual reimbursement to DPS, which is based on excess property tax collections above required bond debt service and related covenanted payments. The agreement ended in 2015. During the year ended December 31, 2015, $628,433 was paid to DPS. From December 31, 2005 through December 31, 2015, total payments to DPS have amounted to $10,628,433. During 2015, the City allocated $2,400,000 of excess surplus to DPS for Lowry Elementary School.

State Statutes

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which limits certain activities of state and local governmental agencies, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Authority is classified as an enterprise under the amendment and is exempt from its provisions. The Authority has made certain interpretations of the amendment's language in order to determine its status.

Contribution Commitments

During November 2011, the Authority entered into a contribution agreement to give three $40,000 annual grants to the Colorado Community Land Trust. These funds are used to support the purposes and activities of the Colorado Community Land Trust. During the year ended December 31, 2015, the Authority contributed $40,000 in accordance with this agreement, which was the final contribution.

Note 7 - Commitments and Contingencies (continued)

DURA Priority Fees

As part of the Series 2008A Variable Rate Refunding Revenue Bonds, the Authority pays an annual administrative priority fee to DURA. These fees are paid monthly until the debt maturity date of December 1, 2020 and increase by 4% each year. During the years ended December 31, 2016 and 2015, the Authority paid $937,156 and $901,110 in administrative priority fees, respectively.

DHA/VOA

During 2016, the Authority signed an agreement with DHA/VOA providing for 1.5 acres of land to be transferred for development of no more than 80 for-rent residential units. The plan includes 20 units dedicated to homeless assistance for families and up to a maximum of 60 additional units for families at or below 60% of AMI. The 1.5 acres of land to be transferred has a $0 cost basis on the Authority's statements of net position and will be transferred to DHA/VOA at no cost. The transfer is expected to occur during 2017.

Note 8 - The Lowry Foundation

The Lowry Foundation (the "Foundation") was established in 1997 as a separate corporation existing for the benefit of the Authority in fulfilling its purposes, including but not limited to raising revenue for the purpose of constructing public improvements, including parks and recreational and athletic facilities, within or for the benefit of the Lowry community. The Authority had no financial transactions with the Foundation for the years ended December 31, 2016 and 2015.

The Foundation is a separate legal entity with its own Board of Directors. The Foundation is not a component unit of the Authority; thus, it is not reflected in the accompanying financial statements.

Note 9 - Colorado Community Land Trust

The Authority established the Colorado Community Land Trust ("CCLT") in order to market and sell affordable housing units at Lowry. These units are mainly located within the Lowry development; however, other units may be acquired by CCLT in other areas. The agreement provides that the Authority may develop the units, assist with marketing of the units, and contribute undeveloped land to CCLT. During 2015, the Authority executed a Second Lowry Redevelopment Authority Amended and Restated Affordable Housing Plan agreement dated May 6, 2015, which clarified the total number of units required for the Lowry affordable housing program to be 200 units, and the outstanding number of units left to be built at Legacy Lowry is 14. As of December 31, 2016 and 2015, the Authority had contributed 186 finished lots at an approximate cost of $1.7 million to CCLT, in addition to other monetary support for a total subsidy of over $5.1 million.

During 2016, the Authority signed a resolution with CCLT intending to transfer one acre of property to CCLT for the development of 14 affordable for-sale residential units fulfilling the the Authority's obligation to provide 200 affordable housing units to the Lowry Community. The transfer is expected to occur during 2017.

SUPPLEMENTARY INFORMATION

LOWRY REDEVELOPMENT AUTHORITY

Comparison of Operating Income Components Against Budget
(Amounts in Thousands)

	For the Years Ended December 31,			
	2016		2015	
	Actual	Original Budget*	Actual	Original Budget*
Operating revenues				
Real estate sales	$ 4,797	$ 9,261	$ 13,724	$ 10,603
Cost of real estate sales	(3,243)	(870)	(7,003)	(3,835)
Net real estate income	1,554	8,391	6,721	6,768
Property tax increments	12,998	11,846	11,846	11,905
Other revenue	2,721	1,769	387	67
Total operating revenues	17,273	22,006	18,954	18,740
Operating expenses by function				
General, administrative, and finance	1,528	2,460	1,969	2,327
Internal property maintenance	59	81	52	83
Marketing and public relations	100	157	156	221
Utilities	57	106	55	106
Interest expense	-	-	-	-
Total operating expenses by function	1,744	2,804	2,232	2,737
Operating income	$ 15,529	$ 19,202	$ 16,722	$ 16,003

* Budgets are prepared on the cash basis without provision for depreciation, and actuals are prepared on the accrual basis.

LOWRY REDEVELOPMENT AUTHORITY

Schedule of Changes in Restricted Custodial Cash Accounts Series 2012A Fixed Rate Notes (Unaudited)
December 31, 2016

	Project Construction		Bond Debt Service	Revenue and Reserve Funds						
	Project Fund C	2012 Project Fund	Loan Payment Fund	Rebate Fund	Revenue Fund	Surplus Excess Revenue	Surplus Supplemental Project	Surplus Retainage	DPS Account	DURA Priority Fees
Balance - December 31, 2015	$ 96,298	$ 14	$ 65,320	$ 15	$ 6,533,654	$ 621	$ 438	$ 123,716	$ 112	$ 564
Advances from BBVA 2012B Loan	-	754,753	-	-	-	-	-	-	-	-
Draws for project construction and cost of issuance	(55,999)	(754,753)	-	-	-	-	-	-	-	-
Interest received	14	-	9	-	3,413	50	8	33	1	60
Tax increment revenue	-	-	-	-	12,998,398	-	-	-	-	-
Fund transfers	-	-	5,769,988	-	(12,492,312)	5,791,453	-	(6,284)	-	937,155
To receivable - due from DURA	-	-	-	-	-	-	-	-	-	-
Payments of loan interest expense	-	-	(321,960)	-	(10,139)	-	-	(6,002)	-	-
Initiation of custodial accounts	-	-	-	-	-	-	-	-	-	-
Payment of note principal	-	-	(5,513,347)	-	-	(5,791,453)	-	-	-	-
Payment for DPS reimbursement	-	-	-	-	-	-	-	-	-	-
Custodial fees	-	-	-	-	-	-	-	(5,000)	-	-
Trustee fees	-	-	-	-	-	-	-	-	-	-
DURA priority fees	-	-	-	-	-	-	-	-	-	(937,155)
ETO requirement	-	-	-	-	-	-	-	-	-	-
Prepayment opinion	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Supplemental surplus to DURA	-	-	-	-	-	-	-	-	-	-
Balance - December 31, 2016	$ 40,313	$ 14	$ 10	$ 15	$ 7,033,014	$ 671	$ 446	$ 106,463	$ 113	$ 624
Balance invested in pledging institution	$ 40,313	$ 14	$ 10	$ 15	$ 7,033,014	$ 671	$ 446	$ 106,463	$ 113	$ 624

LOWRY REDEVELOPMENT AUTHORITY

Schedule of Changes in Restricted Custodial Cash Accounts Series 2012A Fixed Rate Notes (Unaudited)
December 31, 2015

	Project Construction		Bond Debt Service	Revenue and Reserve Funds						
	Project Fund C	2012 Project Fund	Loan Payment Fund	Rebate Fund	Revenue Fund	Surplus Excess Revenue	Surplus Supplemental Project	Surplus Retainage	DPS Account	DURA Priority Fees
Balance - December 31, 2014	$ 218,841	$ 14	$ 126,650	$ -	$ 6,520,882	$ 532	$ 369	$ 197,017	$ 15	$ 517
Advances from BBVA 2012B Loan	-	598,736	-	-	-	-	-	-	-	-
Draws for project construction and cost of issuance	(122,589)	(598,736)	-	-	-	-	-	-	-	-
Interest received	46	-	887	15	2,082	89	69	40	97	47
Tax increment revenue	-	-	-	-	11,846,152	-	-	-	-	-
Fund transfers	-	-	3,653,055	-	(11,830,130)	3,347,680	3,347,680	(47,828)	628,433	901,110
To receivable - due from DURA	-	-	-	-	-	-	(2,400,000)	-	-	-
Payments of loan interest expense	-	-	(515,272)	-	-	-	-	(20,513)	-	-
Payment of note principal	-	-	-	-	-	-	-	-	-	-
Payment for DPS reimbursement	-	-	(3,200,000)	-	-	(3,347,680)	(947,680)	-	(628,433)	-
Custodial fees	-	-	-	-	-	-	-	(5,000)	-	-
Trustee fees	-	-	-	-	-	-	-	-	-	-
DURA priority fees	-	-	-	-	-	-	-	-	-	(901,110)
ETO requirement	-	-	-	-	-	-	-	-	-	-
Prepayment opinion	-	-	-	-	(5,332)	-	-	-	-	-
Supplemental surplus to DURA	-	-	-	-	-	-	-	-	-	-
Balance - December 31, 2015	$ 96,298	$ 14	$ 65,320	$ 15	$ 6,533,654	$ 621	$ 438	$ 123,716	$ 112	$ 564
Balance invested in pledging institution	$ 96,298	$ 14	$ 65,320	$ 15	$ 6,533,654	$ 621	$ 438	$ 123,716	$ 112	$ 564

LOWRY REDEVELOPMENT AUTHORITY

Boulevard One Financial Schedules

On May 31, 2012, the Authority acquired, by Economic Development Conveyance from the Air Force, a 70-acre parcel known as Boulevard One. This property was acquired pursuant to a revenue sharing agreement between the Air Force and the Authority and requires that all allowable, non-reimbursable items of income and expense be separately accounted for. Following are the schedules of net position and revenues, expenses, and changes in net position specific to the Boulevard One property.

Schedule of Net Position - Boulevard One
December 31, 2016

Assets

Current assets	
Cash and cash equivalents	$ 2,966,105
Accounts receivable	124
Prepaid expenses	137,110
Real estate deposits	1,624,600
Total current assets	4,727,939
Non-current assets	
Infrastructure	12,793,567
Vehicles and equipment, net of accumulated depreciation	1,732
Total non-current assets	12,795,299
Total assets	$ 17,523,238

Liabilities and Net Position

Current liabilities	
Accounts payable	$ 642,102
Accrued interest	2,815
Accrued expenses	74,373
Real estate revenue received in advance	1,624,600
Tenant security deposits	2,500
Total current liabilities	2,346,390
Non-current liabilities	
Infrastructure NP Citywide	1,196,009
Due to Legacy Lowry	3,293,306
Note payable BBVA	2,437,504
Total liabilities	9,273,209
Net position	8,250,029
Total liabilities and net position	$ 17,523,238

LOWRY REDEVELOPMENT AUTHORITY

Boulevard One Financial Schedules

Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016

Other revenues	
Rent income	$ 15,167
Real estate sales	4,746,544
Equity sharing revenue	2,674,990
Contract and utility income	45,100
Miscellaneous income	5,672
Cost of real estate sales	(3,382,472)
Total other revenues	4,105,001
Operating expenses	
Purchased services	383,923
General and administrative	
Salaries and benefits	807,997
Other	215,977
Total general and administrative	1,023,974
Total operating expenses	1,407,897
Increase in net position	$ 2,697,104

The Authority is in the process of construction for this project. A master plan for this includes 200,000 square feet of commercial buildings (office and retail) and approximately 800 residential units.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Lowry Redevelopment Authority
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lowry Redevelopment Authority (the "Authority") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 9, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Lowry Redevelopment Authority

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standard*s.

PURPOSE OF THIS REPORT

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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May 9, 2017
Denver, Colorado