LOWRY REDEVELOPMENT AUTHORITY

Financial Statements
and
Independent Auditors' Report
December 31, 2017 and 2016

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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, 2017

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, 2017. 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 operations. 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. Sunset will 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 carried a fixed interest rate of 2.16% annually and was 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 Boulevard One property. This loan was provided at variable tax exempt rates and also secured by TIF revenue. On December 4, 2017, the principal balance of both the 2012A and B loans were prepaid in entirely using the excess supplemental revenues from 2017.

1. Executive Summary (continued)

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 spectrum of land uses, price points, and product types. The different uses and price points carry with them a variety of profit margins, so sales mixes and related profits vary widely from year to year.

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 fund 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 recognizes 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, 2017	December 31, 2016
Assets		
Current assets		
Unrestricted cash, investments, and receivables	$ 14,366	$ 8,504
Restricted cash, investments, and receivables	3,546	4,812
Total current assets	17,912	13,316
Non-current assets		
Restricted cash, investments, and receivables	-	2,370
Property and equipment	31,008	34,317
Total non-current assets	31,008	36,687
Total assets	$ 48,920	$ 50,003
Liabilities		
Current liabilities	$ 1,612	$ 13,833
Total liabilities	1,612	13,833
Net Position		
Net position		
Invested in capital assets, net of related debt	31,008	22,851
Restricted		
Expendable	-	7,182
Unrestricted	16,300	6,137
Total net position	47,308	36,170
Total liabilities and net position	$ 48,920	$ 50,003

The 2017 financial statements reported here reflect a 31% increase in the Authority's net position from 2016, primarily attributable to net income. Assets exceed liabilities by $47.3 million with the unrestricted portion of net position at $16.3 million. This unrestricted portion is financing the Authority's working capital. The Authority's remaining net position is invested in existing capital assets ($31 million).

3. Net Position (continued)

The Authority has a ratio of current assets to current liabilities of 11.1 to 1 as of December 31, 2017 and 0.96 to 1 as of December 31, 2016. 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 ratio of total assets to total liabilities is 30.3 to 1.0 for 2017 and 3.6 to 1.0 for 2016. The Authority believes it is 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, 2017 includes the following (in thousands):

	Percent Charged off	Total Investment	Against Operations	Transfers to Cities/ BOCA	Total Charges and Transfers	Net Investment
Boulevard One:						
Basic infrastructure	68 %	$ 22,710	$ (13,184)	$ (2,283)	$ (15,467)	$ 7,243
Parks and open space	57 %	4,403	-	(2,501)	(2,501)	1,902
Demolition and abatement	95 %	6,794	(4,763)	(1,691)	(6,454)	340
Total Boulevard One development		33,907	(17,947)	(6,475)	(24,422)	9,485
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		171,513	(51,399)	(89,107)	(140,506)	31,007
Equipment and improvements	97 %	29	(28)	-	(28)	1
Total property and infrastructure		$ 171,542	$ (51,427)	$ (89,107)	$ (140,534)	$ 31,008

(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,	
	2017	2016
Parks and open space	$ 2,721	$ 1,180
Demolition - Boulevard One	1,093	725
Infrastructure - Boulevard One	5,240	2,430
Total investment	$ 9,054	$ 4,335

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.

5. Operations

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

	For the Years Ended December 31,			
	2017		2016	
	Amount	Percent	Amount	Percent
Operating revenues				
Real estate sales	$ 14,415		$ 4,797	
Cost of real estate sales	(6,153)		(3,243)	
Net real estate income	8,262	32.4 %	1,554	9.0 %
Property tax increment	13,627	53.3	12,998	75.2
Other revenues	3,641	14.3	2,721	15.8
	25,530	100.0	17,273	100.0
Operating expenses	1,785	7.0	1,746	10.1
Operating income	23,745	93.0 %	15,527	89.9 %
Non-operating revenues (expenses)				
Interest income	90		38	
Interest expense and debt-related fees	(1,115)		(1,258)	
Donations of property to organizations	(1,991)		-	
Transfers of property to BOCA	(4,484)		-	
Return of TIF to the City of Denver	(5,107)		-	
	(12,607)		(1,220)	
Total increase in net position	11,138		14,307	
Net position, beginning of year	36,170		21,863	
Net position, end of year	$ 47,308		$ 36,170	

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.

5. Operations (continued)

Historically, the property tax increment revenue continued to increase as the built-out tax base continued to expand. This revenue was 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 and DURA have approved the use of $3.5 million for such projects at Boulevard One prior to prepayment of the 2012A loans at the end of 2017.

Operating income from real estate sales commenced during 2014, and continued through 2017 as the Authority sold finished single and multifamily lots at Boulevard One. Operating expenses stayed fairly consistent from 2016 to 2017.

Interest expense decreased due to a reduction of outstanding debt, 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, 2017, management estimates no additional liability.

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, 2017 and 2016, the Authority paid priority fees to DURA in the amounts of $974,642 and $937,156, respectively.

As part of its operations, the Authority makes formal transfers of residual and publicly funded property and infrastructure to the City of Denver. The total value of the property deeded as of December 31, 2017 is estimated to cost $82.63 million. These transfers are expected to continue while development of Boulevard One takes place.

Upon the satisfaction of the 2012A and B notes in December of 2017, the remaining $5.1 million cash surplus of tax increment was transferred to the City and County of Denver, and ultimately to the appropriate taxing entities.

5. Operations (continued)

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,	
	2017	2016
Function (including salaries and benefits)		
General, administrative, and finance	$ 1,619	$ 1,528
Internal property maintenance	55	59
Marketing and public relations	66	100
Utilities	45	59
Total operating expenses	$ 1,785	$ 1,746
Classification		
Salaries and benefits	$ 929	$ 909
Purchased services	353	330
Supplies and materials	55	59
Utilities	45	59
Depreciation and amortization	2	2
Advertising and public relations	66	100
Insurance	142	111
Other	193	176
Total operating expenses	$ 1,785	$ 1,746

General and administrative increased slightly from 2016 and 2017 due to small increases in salaries and benefits, insurance coverage and legal purchased services. Marketing and public relations expenses declined as all lots are sold or under contract by the end of 2017. Utilities declined upon the conveyance of property and parks to the homeowner’s association.

5. Operations (continued)

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

	2017			2016		
	Actual		Budget*	Actual		Budget*
Operating revenues						
Real estate sales	$ 14,415		$ 17,086	$ 4,797		$ 9,261
Cost of real estate sales	(6,153)	#	(9,247)	(3,243)	#	(8,990)
Net real estate income	8,262		7,839	1,554		271
Property tax increments	13,627		12,998	12,998	^	11,846
Other revenues	3,641		3,124	2,721		1,769
Total other revenues	17,268		16,122	15,719		13,615
Total operating revenues	25,530		23,961	17,273		13,886
Operating expenses by function						
General, administrative, and finance	1,619		2,456	1,528		2,460
Internal property maintenance	55		204	59	#	81
Marketing and public relations	66		183	100		157
Utilities	45		88	59		106
Total operating expenses by function	1,785		2,931	1,746		2,804
Operating income	$ 23,745		$ 21,030	$ 15,527		$ 11,082

* 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 capitalized lot preparation and infrastructure expenditures, actual represents costs of lot preparation, and infrastructure prorated by acreage of saleable land.

Comments on Major 2017 Variances from Budget

Real estate sales and cost of sales: Sales were under budget as three lots scheduled to close by the end of 2017 did not close. These lots will be sold during 2018, creating a timing delay only.

5. Operations (continued)

Comments on Major 2017 Variances from Budget (continued)

Real estate costs of sales: For cash-based budgeting purposes, costs of sales shown as charges against sales are the capitalized costs of lot preparation and infrastructure for the year. Infrastructure development costs are typically spent in a different cash cycle than 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 and acreage for the purpose of meeting generally accepted accounting principles in accrual-based actual 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, which is a reflection of the increasing Denver market prices.

Operating expenses: Marketing expenses were lower than budgeted, and certain outdoor identity and mobility projects that were budgeted to occur during 2017 did not take place until 2018. Utilities were decreased due to reduction of charges on demolished property and handover of costs to the HOA. Lastly, general and administrative expenses declined due to workforce reductions and reduced legal, insurance, and contingency expenses.

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, 2017	December 31, 2016
Cash flows from operating activities		
Cash received from real estate sales	$ 13,843	$ 4,788
Cash paid to suppliers and for compensation	(2,556)	(2,148)
Cash paid for development costs	(7,895)	(1,933)
Cash provided by property tax increment	13,627	12,998
Cash provided by other operating activities	3,641	2,721
Net cash provided by operating activities	20,660	16,426
Investing activities	90	38
Capital and related financing activities	(15,013)	(13,304)
Non-capital financing activities	(6,221)	(1,258)
Net (decrease) increase in cash and cash equivalents	(484)	1,902
Cash and cash equivalents, beginning of year	13,887	11,985
Cash and cash equivalents, end of year	$ 13,403	$ 13,887

The property tax increment increased slightly as the final development of Legacy Lowry and the beginning of Boulevard One appearing on the tax rolls.

Capital and financing activities comprise demolition and infrastructure on Boulevard One, in addition to transactions pertaining to changes in principal. Principal payments on the 2012A and B loans were $7.8 million and $4.8 million, respectively, during 2017. $3.9 million of the 2012A principal payments was funded by a return of excess surplus TIF revenue, 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 $1.1 million during 2017.

7. Factors Impacting Future Periods

The Authority is in the process of continued infrastructure installation, lot development, and active residential and commercial lot sales of its last developable property, Boulevard One. As of December 31, 2017, a total of 199 attached and detached single family residential lots had been sold to developers with 113 of these lots completed and sold to homeowners. Additionally, one multifamily residential lot was sold for the development of 350 apartments. 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 previous and continued lot sales, in addition to the $1 million line of credit, should provide 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, 2017 and 2016, 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, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

*Required Supplementary Informatio*n

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 34 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 37 and 38 are presented for purposes of additional analysis and are not a required part of the basic 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 35 and 36 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.

Board of Directors
Lowry Redevelopment Authority

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018 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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Denver, Colorado
June 5, 2018

LOWRY REDEVELOPMENT AUTHORITY

Statements of Net Position

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 13,403,355	$ 6,705,898
Restricted cash and equivalents	-	4,811,995
Accounts receivable	3,546,290	36,579
Prepaid expenses	158,511	137,110
Real estate deposits	804,350	1,624,600
Total current assets	17,912,506	13,316,182
Non-current assets		
Restricted cash and equivalents	-	2,369,688
Property held for development and infrastructure	8,151,835	8,799,180
Capital assets		
Parks, open space, and demolition	22,855,478	25,516,322
Equipment and other, net	577	2,004
Total non-current assets	31,007,890	36,687,194
Total assets	$ 48,920,396	$ 50,003,376
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 869,930	$ 642,302
Accrued interest	-	23,018
Other accrued liabilities	74,485	76,874
Revenue received in advance	667,550	1,624,600
Notes payable - current maturities	-	11,466,875
Total current liabilities	1,611,965	13,833,669
Commitments and contingencies		
Net position		
Invested in capital assets, net of related debt	31,007,890	22,850,631
Restricted - expendable construction and debt service	-	7,181,683
Unrestricted	16,300,541	6,137,393
Total net position	47,308,431	36,169,707
Total liabilities and net position	$ 48,920,396	$ 50,003,376

See notes to financial statements.

LOWRY REDEVELOPMENT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

	For the Years Ended December 31,	
	2017	2016
Operating revenues		
Real estate sales	$ 14,414,936	$ 4,797,474
Cost of real estate sales	(6,152,950)	(3,242,912)
Net real estate income	8,261,986	1,554,562
Property tax increments	13,626,797	12,998,398
Equity-sharing revenue	3,597,423	2,674,990
Other revenue	43,456	43,606
Total operating revenues	25,529,662	17,271,556
Operating expenses		
Internal property maintenance		
Supplies and materials	55,523	59,538
Utilities		
Purchased services	44,986	57,379
General and administrative		
Salaries and benefits	929,177	909,196
Purchased services	353,247	330,032
Depreciation and amortization	1,427	2,055
Advertising and public relations	66,142	100,300
Insurance	141,799	110,552
Other	192,597	175,666
Total general and administrative	1,684,389	1,627,801
Total operating expenses	1,784,898	1,744,718
Operating income	23,744,764	15,526,838
Non-operating income (expenses)		
Interest income	89,964	37,684
Transfers to other governments	(5,106,858)	-
Transfer of property to BOCA	(4,483,616)	-
Donations of property to organizations	(1,991,308)	-
Interest expenses	(139,541)	(320,474)
Bank and debt-related fees	(974,681)	(937,176)
Total non-operating expenses	(12,606,040)	(1,219,966)
Change in net position	11,138,724	14,306,872
Total net position, beginning of year	36,169,707	21,862,835
Total net position, end of year	$ 47,308,431	$ 36,169,707

See notes to financial statements.

LOWRY REDEVELOPMENT AUTHORITY

Statements of Cash Flows

	For the Years Ended December 31, 2017	2016
Cash flows from operating activities		
Cash received from real estate sales	$ 13,843,317	$ 4,787,749
Cash paid to suppliers and for compensation	(2,556,369)	(2,147,965)
Cash paid for development costs	(7,894,729)	(1,932,162)
Cash provided by property tax increment	13,626,797	12,998,398
Cash provided by other operating activities	3,640,879	2,720,436
Net cash provided by operating activities	20,659,895	16,426,456
Cash flows from investing activities		
Interest received	89,964	37,684
Net cash provided by investing activities	89,964	37,684
Cash flows from capital and related financing activities		
Investment in property held for development and infrastructure and capital assets	(3,546,130)	(1,904,172)
Proceeds from advancing loan	-	754,753
Principal payments on notes payable	(11,466,875)	(12,154,736)
Net cash used in capital and related financing activities	(15,013,005)	(13,304,155)
Cash flows from non-capital financing activities		
Payment of interest and debt-related fees	(1,114,222)	(1,257,650)
Return of TIF to City of Denver	(5,106,858)	-
Net cash used in non-capital financing activities	(6,221,080)	(1,257,650)
Net (decrease) increase in cash and cash equivalents	(484,226)	1,902,335
Cash and cash equivalents, beginning of year	13,887,581	11,985,246
Cash and cash equivalents, end of year	$ 13,403,355	$ 13,887,581
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	$ 13,403,355	$ 6,705,898
Restricted cash and equivalents - current	-	4,811,995
Restricted cash and equivalents - non-current	-	2,369,688
	$ 13,403,355	$ 13,887,581

(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,	
	2017	2016
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 23,744,764	$ 15,526,838
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,427	2,055
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(3,509,711)	409
Decrease (increase) in prepaid expenses and other assets	798,849	(575,794)
Decrease in property held for development and infrastructure	379,395	812,536
Increase in accounts payable	227,628	181,534
(Decrease) increase in other liabilities	(982,457)	478,878
	(3,084,869)	899,618
Net cash provided by operating activities	$ 20,659,895	$ 16,426,456

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") 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, 2017 and 2016, cash equivalents consisted of money market mutual funds.

Receivables

Accounts receivable represent amounts due from DURA for amounts held on deposit for 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, 2017 and 2016.

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, 2017 and 2016 was $1,537,952.

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. During 2017, the restricted cash was released upon full payment of the associated debt. Restricted amounts are as follows:

	December 31, 2017	December 31, 2016
Bond/loan debt service and reserve funds	$ -	$ 7,141,360
Project construction	-	40,313
Current bond/loan debt service	-	10
	$ -	$ 7,181,683

Capital Assets

Capital assets 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.

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.

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

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 GASB Statement No. 33: *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 34: *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended, such as investment income.

Recently Issued Accounting Pronouncements

During the year ended December 31, 2016, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurement. Upon adoption, management reviewed the assets and liabilities of the Authority, established the unit of account for the assets and liabilities subject to fair value recognition and disclosure, and determined the fair value hierarchy that each unit of account should be classified under. As a result of the adoption, there were no changes in the measurement of assets or liabilities previously held by the Authority.

Subsequent Events

The Authority has evaluated all subsequent events through the auditors' report date. 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, 2017 and 2016, the carrying value of the Authority's unrestricted deposits was $13,403,355 and $6,705,898, respectively. The bank balance as of December 31, 2017 and 2016, classified by custodial credit risk category, includes $250,000 covered by federal depository insurance and $14,396,554 and $6,956,315 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, 2017 or 2016.

The Authority's investments consisted of:

Investment Type	S&P Rating	Investment Maturities (in Years)	December 31, 2017	December 31, 2016
Money market funds - restricted	A-2	N/A	$ -	$ 7,181,683
Money market funds - unrestricted	Unrated	N/A	12,346,810	3,711,315
Total investments			$ 12,346,810	$ 10,892,998

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, 2017:

Investment	Fair Value	Percent of Fair Value	Investment Maturity
Money market funds - unrestricted	$ 12,346,810	100%	N/A

Note 2 - Deposits and Investments (continued)

Credit Concentration Risk (continued)

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		

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

	December 31, 2017	December 31, 2016
Deposits		
Cash	$ 1,056,545	$ 2,994,583
Money market funds	12,346,810	10,892,998
	$ 13,403,355	$ 13,887,581

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 13,403,355	$ 6,705,898
Restricted assets		
Cash and cash equivalents - current	-	4,811,995
Cash and cash equivalents - non-current	-	2,369,688
	$ 13,403,355	$ 13,887,581

Note 3 - Capital Assets

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

	December 31, 2016	Additions	Disposals/ Transfers	December 31, 2017
Parks, open space, and demolition	$ 25,516,322	$ 3,814,080	$ (6,474,924)	$ 22,855,478
Equipment and other				
Office equipment	9,190	-	-	9,190
Vehicles	5,775	-	-	5,775
Furniture and fixtures	4,522	-	-	4,522
	19,487	-	-	19,487
Less accumulated depreciation				
Office equipment	(8,919)	(271)	-	(9,190)
Vehicles	(4,042)	(1,156)	-	(5,198)
Furniture and fixtures	(4,522)	-	-	(4,522)
	(17,483)	(1,427)	-	(18,910)
Total equipment and other	2,004	(1,427)	-	577
Total	$ 25,518,326	$ 3,812,653	$ (6,474,924)	$ 22,856,055

	December 31, 2015	Additions	Disposals/ Transfers	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

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.

Note 3 - Capital Assets (continued)

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 included 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 was transferred in 2017 with a basis of $1,238,688 and is included in the donations of property to organizations on the statements of revenue, expenses, and changes in net position.

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 Authority's obligation to provide 200 affordable housing units to the Lowry Community. The property was transferred in 2017 with a basis of $752,620, which is included in the donations of property to organizations on the statements of revenue, expenses, and changes in net position.

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, 2016	Acquisitions	Dispositions	December 31, 2017
Development costs	$ 7,261,228	$ 5,239,875	$ (5,887,220)	$ 6,613,883
Capitalized bond interest	1,537,952	-	-	1,537,952
Total	$ 8,799,180	$ 5,239,875	$ (5,887,220)	$ 8,151,835

	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

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 demolition and lot development and active residential and commercial lot sales negotiations. The Authority completed zoning during 2016.

Note 4 - Property Held for Development and Infrastructure (continued)

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 $33,537 and $37,419 to the Plan for 2017 and 2016, 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 $10,083 and $10,258 to the 401(a) Plan for 2017 and 2016, respectively.

Note 6 - Long-Term Liabilities

Long-term obligation transactions consist of the following:

	December 31, 2016	Additions	Payments	December 31, 2017	Current Portion
Series 2012A Refunding Loan	$ 7,833,272	$ -	$ (7,833,272)	$ -	$ -
Series 2012B Advancing Improvement Loan	2,437,504	769,190	(3,206,694)	-	-
Infrastructure/development loan	1,196,099	-	(1,196,099)	-	-
Total	$ 11,466,875	$ 769,190	$ (12,236,065)	$ -	$ -

	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

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 carried a fixed interest rate of 2.16% annually, was secured by the Authority's TIF revenue, and was scheduled to mature December 1, 2020. Principal was due on December 1 of each year. Interest was payable on June 1 and December 1 of each year. The Authority prepaid the full balance of the loan during 2017.

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 was provided at variable tax-exempt rates, was secured by TIF revenue, and was to mature December 1, 2020. Pursuant to a subsequent amendment signed March 16, 2015, principal payments of $801,672 were due on December 1 of each year beginning December 1, 2015, which was 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 were due monthly. The Authority prepaid the remaining balance during 2017.

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.

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.

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 were to be paid monthly until the debt maturity date of December 1, 2020 and increase by 4% each year. During the years ended December 31, 2017 and 2016, the Authority paid $974,642 and $937,156 in administrative priority fees, respectively. During 2017, the Bonds were fully paid and no further DURA priority fees will be due.

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, 2017 and 2016.

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 Lowry is 14. As of December 31, 2017, the Authority had contributed 200 finished lots at an approximate cost of $2.5 million to CCLT together with additional monetary support for a total subsidy of over $5.9 million.

SUPPLEMENTARY INFORMATION

LOWRY REDEVELOPMENT AUTHORITY

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

	For the Years Ended December 31,			
	2017		2016	
	Actual	Original Budget*	Actual	Amended Budget*
Operating revenues				
Real estate sales	$ 14,415	$ 17,086	$ 4,797	$ 9,261
Cost of real estate sales	(6,153)	(9,247)	(3,243)	(8,990)
Net real estate income	8,262	7,839	1,554	271
Property tax increments	13,627	12,998	12,998	11,846
Other revenue	3,641	3,124	2,721	1,769
Total operating revenues	25,530	23,961	17,273	13,886
Operating expenses by function				
General, administrative, and finance	1,619	2,456	1,528	2,460
Internal property maintenance	55	204	59	81
Marketing and public relations	66	183	100	157
Utilities	45	88	59	106
Total operating expenses by function	1,785	2,931	1,746	2,804
Operating income	$ 23,745	$ 21,030	$ 15,527	$ 11,082

* 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, 2017

	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, 2016	$ 40,313	$ 14	$ 10	$ 15	$ 7,033,014	$ 671	$ 446	$ 106,463	$ 113	$ 624
Advances from BBVA 2012B Loan	-	1,079,157	-	-	-	-	-	-	-	-
Draws for project construction and cost of issuance	(33,271)	(1,079,157)	-	-	-	-	-	-	-	-
Interest received	25	2	79	-	21,131	48	-	36	-	230
Tax increment revenue	-	-	-	-	13,626,797	-	-	-	-	-
Fund transfers	(7,067)	(16)	7,579,321	(15)	(15,533,745)	7,077,729	(446)	(89,437)	(113)	973,788
To receivable - due from DURA	-	-	-	-	-	(3,539,224)	-	-	-	-
Payments of loan interest expense	-	-	(78,577)	-	(69,710)	-	-	(12,062)	-	-
Initiation of custodial accounts	-	-	-	-	-	-	-	-	-	-
Payment of note principal	-	-	(7,500,833)	-	-	-	-	-	-	-
Payment for DPS reimbursement	-	-	-	-	-	(3,539,224)	-	-	-	-
Custodial fees	-	-	-	-	-	-	-	(5,000)	-	-
Trustee fees	-	-	-	-	-	-	-	-	-	-
DURA priority fees	-	-	-	-	-	-	-	-	-	(974,642)
ETO requirement	-	-	-	-	-	-	-	-	-	-
Prepayment opinion	-	-	-	-	-	-	-	-	-	-
Supplemental surplus to DURA	-	-	-	-	(5,077,487)	-	-	-	-	-
Balance - December 31, 2017	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Balance invested in pledging institution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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)	-	-
Payment of note principal	-	-	-	-	-	-	-	-	-	-
Payment for DPS reimbursement	-	-	(5,513,347)	-	-	(5,791,453)	-	-	-	-
Custodial fees	-	-	-	-	-	-	-	(5,000)	-	-
Trustee fees	-	-	-	-	-	-	-	-	-	-
DURA priority fees	-	-	-	-	-	-	-	-	-	(937,155)
ETO requirement	-	-	-	-	-	-	-	-	-	-
Prepayment opinion	-	-	-	-	-	-	-	-	-	-
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	$ 438	$ 106,463	$ 113	$ 624

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, 2017

Assets

Current assets	
Cash and cash equivalents	$ 9,140,174
Due to/from Legacy Lowry	190,347
Prepaid expenses	158,511
Real estate deposits	804,350
Total current assets	10,293,382
Non-current assets	
Infrastructure	8,639,127
Real property	846,251
Vehicles and equipment, net of accumulated depreciation	577
Total non-current assets	9,485,955
Total assets	$ 19,779,337

Liabilities and Net Position

Current liabilities	
Accounts payable	$ 885,280
Accrued expenses	56,433
Real estate revenue received in advance	667,550
Tenant security deposits	2,500
Total current liabilities	1,611,763
Non-current liabilities	
Intercompany TIF demo capitalized expense	6,500,000
Total liabilities	8,111,763
Net position	11,667,574
Total liabilities and net position	$ 19,779,337

LOWRY REDEVELOPMENT AUTHORITY

Boulevard One Financial Schedules

Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2017

Other revenues	
Rent income	$ 23,700
Real estate sales	13,910,116
Equity sharing revenue	3,597,423
Contract and utility income	22,580
Cost of real estate sales	(6,152,960)
Total other revenues	11,400,859
Operating expenses	
Purchased services	471,998
General and administrative	
Salaries and benefits	290,334
Other	787,654
Total general and administrative	1,077,988
Total operating expenses	1,549,986
Operating income	9,850,873
Non-operating revenues (expenses)	
Interest income	41,596
Donations of property to organizations	(1,991,308)
Transfers of property to BOCA	(4,483,616)
Total non-operating revenues (expenses)	(6,433,328)
Total increase in net position	$ 3,417,545

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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 Lowry Redevelopment Authority (the "Authority") (a non-profit organization), which are comprised of the statements of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2018.

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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Denver, Colorado
June 5, 2018