
Lowry Redevelopment Authority

**Financial Report
with Supplemental Information
December 31, 2021**

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-14
Basic Financial Statements	
Fund Financial Statements:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Notes to Financial Statements	18-25
Other Supplemental Information	26
Comparison of Operating Income Components against Budget	27
Other Supplemental Information	28-29
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31

Independent Auditor's Report

To the Board of Directors
Lowry Redevelopment Authority

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Lowry Redevelopment Authority (the "Authority") as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2021 and 2020 and the changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, the Authority has commenced the intentional phasing out of the Authority as an entity. The accompanying financial statements have been prepared assuming the Authority is operating as a going concern. The Authority has begun to wind down operations and will dissolve when all assets are transferred and liabilities are satisfied. Management's plan in regards to this matter is described in Note 1. The financial statements do not include any adjustments that might result from the outcome of these plans. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Lowry Redevelopment Authority

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information, as identified in the table of contents, has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we do not express any opinion or provide any assurance on it.

To the 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 14, 2022 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 solely 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 the effectiveness of the Authority's 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.

Plante & Moran, PLLC

June 14, 2022

Year Ended December 31, 2021

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 years ended December 31, 2021 and 2020. 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.

This 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 civilian 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. 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 date. Intentional phasing out of the Authority as an entity, or "Sunset", will now occur when development is completed, and all remaining infrastructure and assets are 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 ("CCD") designated the Lowry Tax Increment Area and established the repayment of revenue bonds from property taxes collected from this area. Bonds were issued to support the Authority's parks and open space program, demolition and abatement, and a small amount of remaining infrastructure. On May 1, 2012, the Authority refinanced its final Series 2008A variable rate refunding revenue bonds with a direct, fixed-interest bank loan in the amount of \$43.6 million. This refinance saved the Authority approximately \$3 million in interest expense and enabled payoff of the 2012 A and B loans in entirety on December 4, 2017. After that date, all property tax revenues generated from the Lowry project flow directly to the original taxing entities, enriching the community with an additional tax increment estimated over \$20 million annually.

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.

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).

Prior to 2018, other revenues consisted primarily of Denver property TIF used specifically for servicing the Authority's fixed-interest refunding 2012A and B loans (the proceeds of which financed demolition, environmental remediation, 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		
	2021	2020	2019
Assets			
Current assets			
Unrestricted cash, investments and receivables	\$ 12,231	\$ 12,498	\$ 13,572
Restricted cash, investments and receivables	515	500	5,461
Total current assets	<u>12,746</u>	<u>12,998</u>	<u>19,033</u>
Non-current assets			
Restricted cash, investments and receivables	-	-	-
Property & equipment	17,297	23,002	28,021
Total non-current assets	<u>17,297</u>	<u>23,002</u>	<u>28,021</u>
Total assets	<u>\$ 30,043</u>	<u>\$ 36,000</u>	<u>\$ 47,054</u>
Liabilities			
Current liabilities	\$ 308	\$ 269	\$ 389
Total liabilities	<u>\$ 308</u>	<u>\$ 269</u>	<u>\$ 389</u>
Net Position			
Invested in capital assets, net of related debt	\$ 15,214	\$ 21,689	\$ 25,239
Restricted:			
Future Projects	500	500	4,968
Unrestricted	14,021	13,542	16,458
Total net position	<u>29,735</u>	<u>35,731</u>	<u>46,665</u>
Total liabilities and net position	<u>\$ 30,043</u>	<u>\$ 36,000</u>	<u>\$ 47,054</u>

The financial statements reported here reflect a 17% decrease in the Authority's net position from 2020 and a 23% decrease in the Authority's net position from 2019. Assets exceed liabilities by \$29.7 and \$35.7 million for 2021 and 2020 respectively, with the unrestricted portion of equity at \$14.0 and \$13.5 million. This unrestricted portion is financing the Authority's working capital. The Authority's remaining equity is invested in existing property and capital assets.

Lowry Redevelopment Authority

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2021

3. Net Position (continued)

The Authority has a ratio of current assets to current liabilities of 41.3:1 as of December 2021, 48.3:1 as of December 31, 2020 and 48.9:1 as of December 31, 2019. As of December 31, 2021, 2020 and 2019, restricted cash is designated for current development projects. The ratio of total assets to total liabilities is 97.5 to 1 for 2021, 133.8 to 1 for 2020 and 121 to 1 for 2019. The Authority believes it is well-positioned for covering all obligations.

The Authority's capital assets consist of office equipment and furniture. All land and related improvements are held for development and sale or dedication to CCD. 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, 2021 includes the following (in thousands):

	Percent Charged off	Total Investment	Charges Against Operations	Transfers to Cities/ BOCA	Total Charges and Transfers	Net Investment
<u>Boulevard One:</u>						
Basic Infrastructure	100%	\$ 29,462	\$(22,686) (B)	\$ (6,776)	\$(29,462) (B)	\$ -
Parks and Open Space	97%	7,777	(1,993)	(5,566)	(7,559)	218
Demolition and Abatement	100%	7,233	(5,255)	(1,978)	(7,233)	-
Total Boulevard One Development		<u>44,472</u>	<u>(29,934)</u>	<u>(14,320)</u>	<u>(44,254)</u>	<u>218</u>
<u>Legacy Lowry:</u>						
Basic Infrastructure	100%	57,651	(32,773) (B)	(24,878)	(57,651) (B)	-
Parks and Open Space	77%	55,322	(679) (A)	(41,663)	(42,342) (A)	12,980
Demolition and Abatement	83%	24,633		(20,533)	(20,533)	4,100
Total Legacy Lowry Development		<u>137,606</u>	<u>(33,452)</u>	<u>(87,074)</u>	<u>(120,526)</u>	<u>17,080</u>
Total Investment in Land Development		182,078	(63,386)	(101,394)	(164,780)	17,298
Equipment and Improvermer	100%	29	(29)		(29)	-
Total Property and Infrastructure		<u>\$ 182,107</u>	<u>\$(63,415)</u>	<u>\$ (101,394)</u>	<u>\$ (164,809)</u>	<u>\$ 17,298</u>

(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.

Year Ended December 31, 2021**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,		
	2021	2020	2019
Parks and open space	\$	1,030	\$ 841
Demolition Boulevard One			2
Infrastructure Boulevard One	\$ 1,018	2,439	851
Total investment	\$ 1,018	\$ 3,469	\$ 1,694

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 to the extent they are funded by tax-increment revenues with repayment from property taxes 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,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Operating Revenues			
Real estate sales	\$ 1,256	\$ 2,441	\$ 3,150
Cost of real estate sales	(570)	(2,882)	(4,791)
Net real estate income	686	(441)	(1,641)
Other revenues	1,259	1,021	871
	<u>1,945</u>	<u>580</u>	<u>(770)</u>
Operating Expenses	<u>1,189</u>	<u>1,409</u>	<u>1,605</u>
Operating Income	<u>756</u>	<u>(829)</u>	<u>(2,375)</u>
Nonoperating Revenues (Expenses)			
Interest income	31	62	266
Interest expense & debt related fees	(1)	(1)	(1)
Public benefit contributions	(500)	(4,561)	(640)
Transfers of property deeded to BOCA	(2,437)	-	(400)
Transfers of property to the City of Denver	(3,844)	(5,606)	-
	<u>(6,751)</u>	<u>(10,106)</u>	<u>(775)</u>
Total Decrease in Net Position	(5,995)	(10,935)	(3,150)
Net Position Beginning of Year	<u>35,730</u>	<u>46,665</u>	<u>49,815</u>
Net Position, End of Year	<u>\$ 29,735</u>	<u>\$ 35,730</u>	<u>\$ 46,665</u>

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.

The Intergovernmental Agreement specifies that the Authority maintain a cash-based budget, however for audit reporting purposes, actual reflects accrual-based accounting revenue and expenditures. For cash-based budgeting purposes, costs of sales shown represent the capital costs of lot preparation and infrastructure cash-based expenditure for the year. Infrastructure development costs are typically spent in a different cash cycle than sales; however, capital expenditures are accumulated and allocated against sales on a pro-rated basis by lot type and acreage for the purpose of meeting generally accepted accounting principles for accrual-based actual reporting. Therefore, this budget comparison to actual will always reflect an accrual versus cash basis accounting variance.

Additionally, lot pricing is tied to use as opposed to allocated cost of infrastructure, which may result in a variable gross margin from year to year, based on the blend of parcel sales for any given year.

Historically, property tax increment 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 CCD. CCD and DURA approved the use of \$3.5 million for such projects at Boulevard One prior to prepayment of the 2012A loans in December of 2018, and the balance of such funds remain a restricted asset of the LRA until expended during construction.

Operating income from real estate sales at Boulevard One commenced during 2014, continuing through 2021 as the Authority sold finished commercial, single and multifamily lots at Boulevard One. Operating expenses declined as a result of overall staff reductions and related expenses from 2019 through 2021.

Interest expense remained constant after the reduction of outstanding debt in 2018, while interest income decreased due to reduced bank interest rates.

As part of its operations, the Authority continues the formal transfers of residual and publicly funded property and infrastructure to CCD, with property transfers of \$5.6 million occurring during 2020 and \$3.8 during 2021. The total value of the property deeded to CCD as of December 31, 2021 is estimated to exceed \$91 million. Additionally, the Authority transfers publicly funded property and infrastructure to the Boulevard One Homeowner's Association (BOCA). During 2021, the LRA transferred property worth \$2.4 million to BOCA. The total value of the property deeded to BOCA as of December 31, 2021 is estimated to be \$9.3 million. These transfers are expected to continue while development of Boulevard One takes place.

Lowry Redevelopment Authority

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2021

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

	2021	2020	2019
Operating Expenses by Function Compared with Operating Expenses by Natural Classification (in Thousands)			
Function (including salaries and benefits)			
General, Administrative & Finance	\$ 1,154	\$ 1,380	\$ 1,495
Internal Property Maintenance	0	2	16
Marketing & Public Relations	4	10	83
Utilities	31	17	11
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 1,189</u>	<u>\$ 1,409</u>	<u>\$ 1,605</u>
Classification	2021	2020	2019
Salaries & Benefits	\$ 751	\$ 901	\$ 762
Purchased Services	106	147	234
Supplies & Materials	0	2	16
Utilities	31	18	11
Depreciation & Amortization	-	-	-
Advertising and Public Relations	4	10	83
Insurance	161	169	164
Other	136	162	335
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 1,189</u>	<u>\$ 1,409</u>	<u>\$ 1,605</u>

General and administrative decreased from 2019 to 2021 primarily due to reductions in employed workforce, rent, advertising and purchased services. Internal property maintenance decreased in general due to a reduction in grounds maintenance performed by the LRA as property was turned over to the HOA. Marketing and public relations expense decreased from 2020 to 2021, as all residential and substantially all commercial lots were sold by the end of 2021. Utilities increased between 2019 and 2021 with the installation of additional parks in Boulevard One.

Lowry Redevelopment Authority

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2021

5. Operations (continued)

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

	2021		2020		2019	
	Actual	Budget	Actual	Budget	Actual	Budget
Operating revenues						
Real estate sales	\$ 1,256	\$ 1,223	\$ 2,441	\$ 1,495	\$ 3,150	\$ 5,280
Cost of real estate sales	(570)	(2,103) *	(2,882)	(5,405) *	(4,791)	(7,323)
Net real estate income	686	(880)	(441)	(3,910)	(1,641)	(2,043)
Other revenues	1,259	1,083	1,021	1,250	871	895
Total operating revenues	1,945	203	580	(2,660)	(770)	(1,148)
Operating expenses by function						
General, administrative, and finance	1,154	1,281	1,380	1,899	1,495	2,284
Internal property maintenance	0	0	2	3	16	20
Marketing and public relations	4	51	10	90	83	165
Utilities	31	14	17	40	11	38
Total operating expenses by function	1,189	1,346	1,409	2,032	1,605	2,507
Operating income	\$ 756	\$ (1,143)	\$ (829)	\$ (4,692)	\$ (2,375)	\$ (3,655)

* Budget assumes cost of real estate sales is cash outflow associated with capital lot preparation and infrastructure expenditures, actual represents costs of lot preparation, and infrastructure prorated by acreage of saleable land.

Comments on Major Variances from Budget

Real estate sales and cost of sales: In some cases, lots scheduled to close by the end of each year did not close until the next year. This created a variance in sales during 2019 and 2020.

5. Operations (continued)

Comments on Major Variances from Budget (continued)

Real estate costs of sales: For cash-based budgeting purposes, costs of sales shown as charges against sales are the capital 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 type and acreage for the purpose of meeting generally accepted accounting principles in accrual-based actual reporting.

Other revenues: Actual revenues were comprised mainly of equity sharing revenue, which reflected Denver market prices. Housing price increases remained stable year over year, and thus variances as compared to budget are not significant. Variances in 2019 and 2020 were largely a result of interest rates falling to nearly zero in addition to equity share collections lagging projections.

Operating expenses: General and administrative expense variances during 2019-2021 were due to workforce reductions and reduced legal, marketing, rent and contingency expenses in addition to deferral of community projects intended for future implementation as compared to budget. Internal property maintenance variance was due to a move during 2019. Marketing expenses were lower than budgeted in all years, as certain outdoor identity and mobility projects that were budgeted were ultimately capitalized. Small utility variances were due to reduction of charges on demolished property and stormwater assessments, and delay in handover of costs to the HOA during maintenance period for parks.

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,		
	2021	2020	2019
Cash flows from operating activities			
Cash received from real estate sales	\$ 1,256	\$ 2,441	\$ 3,150
Cash paid to suppliers and employees	(1,165)	(1,492)	(1,834)
Cash paid for development costs	(1,635)	(2,619)	(3,049)
Cash provided by other operating activities	1,259	1,021	871
Net cash provided (used) by operating activities	(285)	(649)	(862)
Investing activities	31	64	266
Capital and related financing activities	0	(676)	(453)
Non capital financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(254)	(1,261)	(1,049)
Cash and cash equivalents, beginning of year	12,311	13,572	14,621
Cash and cash equivalents, end of year	<u>\$ 12,057</u>	<u>\$ 12,311</u>	<u>\$ 13,572</u>

Lowry Redevelopment Authority

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2021

Capital and financing activities comprise transactions pertaining to public benefit contributions and lot repurchases. There was no non-capital or financing activity during 2019, 2020 or 2021.

7. Factors Impacting Future Periods

The Authority is in the process of completing infrastructure installation and has finalized residential and commercial lot sales of its last developable property, Boulevard One. This mixed-use community which will include retail, apartments, single-family homes and public spaces in Lowry's newest neighborhood. As of December 31, 2021, a total of 324 single family residential lots had been sold to developers with 297 of these lots completed and sold to homeowners, including two multifamily residential lots sold during 2018 for 90 condominiums. The last residential lot for 11 row homes was sold at year end 2021, adding to the existing Lowry neighborhood for a total of approximately 25,000 residents in 15,000 households. The last residential lot for 11 row homes was sold at year end 2021. Following is a summary of current residential development as of year-end:

Boulevard One Residence Type	Total Residences at Full Build-Out	Residences Developed as of 12/31/2021
<i>Single Family</i>	130	130
<i>Row Homes</i>	104	77
<i>Condos</i>	90	90
<i>Market Rate Apartments</i>	347	347
<i>Affordable Apts./ Land Trust Homes</i>	84	84
<i>Total</i>	755	728

With regard to commercial development, one parcel was sold for retail and commercial use during 2019, with the remaining two sold during 2020. 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 175,000-square-foot "Exchange at Boulevard One" project is the name of the commercial development portion of Boulevard One. The initial phase of the mixed-use project, comprising 135,000 square feet, broke ground in April 2019 and was substantially complete by year end 2021. A parking garage to service the commercial development funded by the developer, The Authority and DURA was also substantially complete as of year-end, pending certificate of occupancy. The funding proceeds from the LRA and DURA for this public benefit project totaled \$4.5M during 2020.

In summary, the project is entering its final phase of development. Combinations of previous and continued lot sales, in addition to the \$1M line of credit, should provide sufficient working capital for the Authority to successfully complete its development program while meeting all financial obligations.

Lowry Redevelopment Authority

Statement of Net Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,056,696	\$ 12,310,885
Prepaid expenses and other assets	174,185	167,128
Real estate deposits and escrows	515,000	520,000
Total current assets	12,745,881	12,998,013
Noncurrent assets:		
Property held for redevelopment and infrastructure	2,083,218	1,313,069
Capital assets (Note 4)	15,214,065	21,689,226
Total noncurrent assets	17,297,283	23,002,295
Total assets	30,043,164	36,000,308
Liabilities		
Current liabilities:		
Accounts payable	289,620	242,296
Accrued liabilities and other	18,117	22,179
Unearned revenue	-	5,000
Total current liabilities	307,737	269,475
Net Position		
Net investment in capital assets	15,214,065	21,689,226
Restricted - Future projects	500,000	500,000
Unrestricted	14,021,362	13,541,607
Total net position	\$ 29,735,427	\$ 35,730,833

Lowry Redevelopment Authority

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenue		
Real estate sales	\$ 1,255,712	\$ 2,440,671
Equity-sharing revenue	1,234,127	1,014,966
Other revenue	25,131	5,814
Total operating revenue	2,514,970	3,461,451
Operating Expenses		
Cost of real estate sales	569,752	2,881,855
Internal property maintenance - Supplies and materials	-	2,184
Utilities - Purchased services	30,638	17,769
General and administrative:		
Salaries and benefits	750,724	900,875
Purchased services	106,442	147,022
Rent	45,008	41,229
Advertising and public relations	4,346	9,747
Insurance	160,510	168,840
Closing costs	2,050	3,457
Other	89,872	117,632
Total operating expenses	1,759,342	4,290,610
Operating Income (Loss)	755,628	(829,159)
Nonoperating Revenue (Expense)		
Investment income - Net	31,194	62,183
Public benefit contributions	(500,000)	(4,560,661)
Transfer of property to BOCA	(2,437,118)	-
Transfer of property to city	(3,844,414)	(5,605,938)
Bank and debt related fees	(696)	(686)
Total nonoperating expense	(6,751,034)	(10,105,102)
Change in Net Position	(5,995,406)	(10,934,261)
Net Position - Beginning of year	35,730,833	46,665,094
Net Position - End of year	<u>\$ 29,735,427</u>	<u>\$ 35,730,833</u>

Lowry Redevelopment Authority

Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from real estate sales	\$ 1,255,712	\$ 2,440,671
Cash paid to suppliers and for compensation	(1,165,142)	(1,491,816)
Cash paid for development costs	(1,635,207)	(2,618,967)
Cash provided by other operating activities	1,259,259	1,020,780
Net cash and cash equivalents used in operating activities	(285,378)	(649,332)
Cash Flows Used in Financing Activities - Investment in property held for development and infrastructure and capital assets	-	(676,443)
Cash Flows Provided by Investing Activities - Interest received on investments	31,189	64,390
Net Decrease in Cash and Cash Equivalents	(254,189)	(1,261,385)
Cash and Cash Equivalents - Beginning of year	12,310,885	13,572,270
Cash and Cash Equivalents - End of year	<u>\$ 12,056,696</u>	<u>\$ 12,310,885</u>
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities		
Operating income (loss)	\$ 755,628	\$ (829,159)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities - Changes in assets and liabilities:		
Receivables	-	3,468,439
Prepaid and other assets	(2,057)	1,305,491
Property held for development and infrastructure	(1,077,211)	(4,474,538)
Accounts payable	47,324	83,251
Accrued and other liabilities	(9,062)	(202,816)
Total adjustments	(1,041,006)	179,827
Net cash and cash equivalents used in operating activities	<u>\$ (285,378)</u>	<u>\$ (649,332)</u>

December 31, 2021 and 2020

Note 1 - Nature of Business

Lowry Redevelopment Authority (the "Authority") is a quasi-governmental entity established by the City and County of Denver, Colorado (CCD) 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 revenue 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 CCD, designated the Lowry Tax Increment Area and established the repayment of revenue bonds from property taxes collected from this area. During 2017, the Authority prepaid the remaining balance of all loans three years earlier than anticipated. As a result of this advance payment, all property tax revenue generated from the Lowry project flows directly to the original taxing entities, enriching the community with the additional tax increment of over \$20 million annually.

The governing body of the Authority is a nine-member board of directors. CCD appoints seven members, and the City of Aurora, Colorado appoints two members.

"Sunset" occurs upon the fulfillment of the purpose of the Authority as defined in the Intergovernmental Agreement (IGA) between the cities of Denver and Aurora, Colorado. The Authority is continuing to transfer remaining property and infrastructure to the respective entities that will maintain the area once the Authority completes operations. The Authority expects completion of operations and transfer or satisfaction of all assets and obligations by December 31, 2022.

Note 2 - Significant Accounting Policies

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 government entity.

The financial statements of the Authority have been prepared on the economic resources measurement focus and the accrual basis of accounting. Revenue, 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, nonexchange 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 position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is 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 2 - Significant Accounting Policies (Continued)

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 and expenses during the reporting period. Actual results could differ from those estimates.

Specific Balances and Transactions

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, 2021 and 2020, cash equivalents consisted of money market mutual funds.

Receivables

As of December 31, 2021 and 2020, all receivables have been collected, and no allowance for doubtful accounts has been established as of December 31, 2021 and 2020.

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, includes development costs incurred, and is recorded at the lower of cost or market.

Prior to January 1, 2021, the Authority capitalized 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. Cumulative capitalized interest, net of accumulated amortization, as of December 31, 2021 and 2020 was \$1,054,052 and \$1,313,069, respectively. With the adoption of GASB Statement No. 89, any development interest costs will be expensed as incurred.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

Public Benefit Contributions

Public benefit contributions represent amounts contributed by the Authority to other nongovernmental entities in the form of cash or completed assets.

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 omissions; injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance is purchased for claims arising from such matters. Settled claims have not exceeded commercial coverage during the last three years.

Note 2 - Significant Accounting Policies (Continued)

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Revenue and Cost Recognition

The Authority recognizes revenue from real estate sales at the time the transaction is closed. Earnest money received from sales of properties in advance of closing is recorded as revenue received in advance. Earnest money received with obligations outstanding after closing is recorded as real estate deposits and are released once the obligations are met.

Cost of real estate 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.

Classification of Revenue

The Authority has classified its revenue as either operating or nonoperating revenue according to the following criteria:

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

Nonoperating revenue includes activities that have the characteristics of nonexchange 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.

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2022.

Note 2 - Significant Accounting Policies (Continued)

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the Authority's financial statements for the year ending December 31, 2022.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 14, 2022, which is the date the financial statements were available to be issued.

Note 3 - Deposits and Investments

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk of bank deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits are carried at cost. Accrued interest is recorded as a receivable. Deposits include operating accounts and escrow accounts. As of December 31, 2021 and 2020, the carrying value of the Authority's unrestricted deposits was \$12,056,696 and \$12,310,885, respectively. The bank balance as of December 31, 2021 and 2020, classified by custodial credit risk category, includes \$250,000 covered by federal depository insurance and \$11,843,338 and \$12,145,585 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 percent of the uninsured deposits. The Authority's cash and investments meet these collateral requirements.

Custodial Credit Risk of Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Note 3 - Deposits and Investments (Continued)

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 the 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
- Guaranteed investment contracts

Note 4 - Capital Assets

Capital asset activity of the Authority's business-type activities was as follows:

	Balance January 1, 2021	Additions	Disposals and Adjustments	Balance December 31, 2021
Capital assets not being depreciated - Parks, open space, and demolition	\$ 21,689,226	\$ -	\$ (6,475,161)	\$ 15,214,065
Capital assets being depreciated:				
Office equipment	9,041	-	-	9,041
Office furnishings	4,522	-	-	4,522
Subtotal	13,563	-	-	13,563
Accumulated depreciation:				
Office equipment	9,041	-	-	9,041
Office furnishings	4,522	-	-	4,522
Subtotal	13,563	-	-	13,563
Net capital assets	<u>\$ 21,689,226</u>	<u>\$ -</u>	<u>\$ (6,475,161)</u>	<u>\$ 15,214,065</u>

December 31, 2021 and 2020

Note 4 - Capital Assets (Continued)

	Balance January 1, 2020	Additions	Disposals and Adjustments	Balance December 31, 2020
Capital assets not being depreciated - Parks, open space, and demolition	\$ 25,239,100	\$ 1,029,949	\$ (4,579,823)	\$ 21,689,226
Capital assets being depreciated:				
Office equipment	9,041	-	-	9,041
Vehicles	5,775	-	(5,775)	-
Office furnishings	4,522	-	-	4,522
Subtotal	19,338	-	(5,775)	13,563
Accumulated depreciation:				
Office equipment	9,041	-	-	9,041
Vehicles	5,775	-	(5,775)	-
Office furnishings	4,522	-	-	4,522
Subtotal	19,338	-	(5,775)	13,563
Net capital assets	<u>\$ 25,239,100</u>	<u>\$ 1,029,949</u>	<u>\$ (4,579,823)</u>	<u>\$ 21,689,226</u>

The Authority periodically transfers infrastructure assets to CCD as a part of its governmental agreement. All related infrastructure assets, including streets, roads, parks, and water and sewer lines, are to be transferred.

Property Held for Redevelopment and Infrastructure

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

	Balance January 1, 2021	Additions	Disposals and Adjustments	Balance December 31, 2021
Development costs	\$ -	\$ 1,029,166	-	\$ 1,029,166
Capitalized bond interest	1,313,069	-	(259,017)	1,054,052
Total	<u>\$ 1,313,069</u>	<u>\$ 1,029,166</u>	<u>\$ (259,017)</u>	<u>\$ 2,083,218</u>
	Balance January 1, 2020	Additions	Disposals and Adjustments	Balance December 31, 2020
Development costs	\$ 1,243,754	\$ 1,702,881	\$ (2,946,635)	-
Capitalized bond interest	1,537,952	-	(224,883)	1,313,069
Total	<u>\$ 2,781,706</u>	<u>\$ 1,702,881</u>	<u>\$ (3,171,518)</u>	<u>\$ 1,313,069</u>

On May 31, 2012, the Authority acquired, by economic development conveyance from the U.S. Air Force, a property now known as Boulevard One (originally U.S. 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.

This parcel was acquired pursuant to a revenue-sharing agreement between the U.S. Air Force and the Authority and required no initial land purchase. There will be a final accounting to split the net revenue pursuant to a formula that includes allowable and nonreimbursable items of income and expense, including repayment of loans, between the Authority and the U.S. Air Force in equal proportion.

Note 5 - Retirement Plans

Section 457 Deferred Compensation Plan

The Authority offers a deferred compensation plan to all employees. The plan, administered by Nationwide Financial, provides for the Authority's employees to defer a portion of their salary until future years. The Authority is required under the plan agreement to make its 5 percent contribution based upon eligible salaries. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseen emergency. Contributions to the plan totaled \$28,894 and \$38,069 for the years ended December 31, 2021 and 2020, respectively.

401(a) Savings Plan

The Authority provides a 401(a) savings plan for all employees. The plan, administered by Nationwide Financial, provides for the Authority to make a required 1 percent contribution based on eligible salaries. Contributions to the plan amounted to \$5,779 and \$7,768 for the years ended December 31, 2021 and 2020, respectively.

Note 6 - Environmental Remediation Liability

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 U.S. 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.

Note 7 - State Statutes

Colorado voters passed an amendment to the Colorado 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.

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 provided \$500,000 and \$5,000 to the Foundation for the years ended December 31, 2021 and 2020, respectively.

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.

December 31, 2021 and 2020

Note 9 - Colorado Community Land Trust

The Authority established the Colorado Community Land Trust (CCLT) as a separate legal entity in 2002 in order to market and sell affordable housing units. 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 the 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 that clarified the total number of units required for the Lowry affordable housing program to be 200 units. The final 14 units were completed and sold to residents in 2020. As of December 31, 2021, the Authority contributed land and infrastructure at an approximate cost of \$2.6 million to CCLT. Together, with additional monetary support in prior years, the Authority has provided a total subsidy conservatively valued at over \$6.5 million.

CCLT is a separate legal entity with its own board of directors. CCLT is not a component unit of the Authority; thus, it is not reflected in the accompanying financial statements.

Other Supplemental Information

Lowry Redevelopment Authority

Other Supplemental Information Comparison of Operating Income Components against Budget (Unaudited)

Years Ended December 31, 2021 and 2020
(Amounts in Thousands)

	2021 Actual	2021 Original Budget (Unaudited)	2020 Actual	2020 Original Budget (Unaudited)
Revenue - Operating revenue				
Real estate sales	\$ 1,256	\$ 1,223	\$ 2,441	\$ 1,495
Cost of real estate sales	(570)	(2,650)	(2,882)	(5,405)
Other revenue	1,259	1,084	1,021	1,250
Total operating revenue	1,945	(343)	580	(2,660)
Expenditures - Current services				
General, administrative, and finance	1,158	1,346	1,380	1,899
Internal property maintenance	-	-	2	3
Marketing and public relations	-	-	10	90
Utilities	31	-	17	40
Total operating expenses by function	1,189	1,346	1,409	2,032
Operating Income (Loss)	\$ 756	\$ (1,689)	\$ (829)	\$ (4,692)

The intergovernmental agreement specifies that the Authority maintain a cash-based budget; however, for audit reporting purposes, actual reflects accrual-based accounting revenue and expenditures. For cash-based budgeting purposes, costs of sales shown represent the capital costs of lot preparation and infrastructure cash-based expenditure for the year. Infrastructure development costs typically are spent in a different cash cycle than sales; however, capital expenditures are accumulated and allocated against sales on a prorated basis by lot type and acreage for the purpose of meeting generally accepted accounting principles for accrual-based actual reporting. Therefore, this budget comparison to actual will always reflect an accrual versus cash basis accounting variance.

Additionally, lot pricing is tied to use as opposed to allocated cost of infrastructure, which may result in a variable gross margin from year to year, based on the blend of parcel sales for any given year.

Year Ended December 31, 2021

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. Boulevard One is not a separate legal entity and the Authority has chosen to include the information in their report. 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, 2021**

Assets	
Current assets	
Cash and cash equivalents	\$ 8,007,422
A/R - Metropolitan	15,000
Construction Escrow	500,000
Due from Legacy Lowry	182,869
Prepaid expenses	174,185
Total current assets	<u>8,879,476</u>
Non-current assets	
Infrastructure	<u>217,558</u>
Total non-current assets	<u>217,558</u>
Total assets	<u>\$ 9,097,034</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 286,717
Accrued expenses	<u>18,117</u>
Total current liabilities	304,834
Non-current liabilities	
Interco TIF demo	<u>6,500,000</u>
Total liabilities	<u>6,804,834</u>
Net Position	
Net investment in capital assets	217,558
Unrestricted	<u>2,074,642</u>
Total net position	<u>2,292,200</u>
Total liabilities and net position	<u>\$ 9,097,034</u>

Year Ended December 31, 2021

**Statement of Revenues, Expenses, and Changes in Net Position – Boulevard One
For the Year Ended December 31, 2021**

Operating revenues	
Real estate sales	\$ 1,170,400
Equity sharing revenue	1,234,127
Contract and utility income	4,003
Investment and miscellaneous income	19,859
Cost of real estate sales	<u>(469,432)</u>
Net real estate income	1,958,956
Operating expenses	
Purchased services	134,335
General and administrative	190,070
Salaries and benefits	<u>658,723</u>
	983,129
Operating Income	<u>975,828</u>
Nonoperating revenues (expenses)	
Contributions and transfers to other entities	(6,281,532)
Total increase in net position	(5,305,705)
Net position, beginning of year	<u>7,597,904</u>
Net position, end of year	<u>\$ 2,292,200</u>

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*

Independent Auditor's Report

To Management and the Board of Directors
Lowry Redevelopment Authority

We have audited, 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, the financial statements of the business-type activities of Lowry Redevelopment Authority (the "Organization") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated June 14, 2022.

Report on Internal Control Over Financial Reporting

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

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 or significant deficiencies may exist that were not identified.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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.

Report on Compliance and Other Matters

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

To Management and the Board of Directors
Lowry Redevelopment Authority

Purpose of This Report

The purpose of this report is 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 entity'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

June 14, 2022