

**SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)**

BASIC FINANCIAL STATEMENTS

December 31, 2016

TABLE OF CONTENTS

Independent Auditors' Report	<i>i - ii</i>
Management's Discussion and Analysis	<i>iii - vii</i>
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Activities	2
Balance Sheets – Governmental Funds	3
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds to the Statement of Activities	5
Notes to Financial Statements	6 - 18
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	19
OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Debt Service Fund	20



INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sheridan Redevelopment Agency
Sheridan, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sheridan Redevelopment Agency (SRA), a component unit of the City of Sheridan, Colorado as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the SRA'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246
303 733-3796 • FAX 303 733-6230 • www.pnacpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Sheridan Redevelopment Agency, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through vii and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SRA's basic financial statements. The individual major fund schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual major fund schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Payette & Adams, LLC

May 25, 2017
Denver, Colorado

SHERIDAN REDEVELOPMENT AGENCY MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the Sheridan Redevelopment Agency's (Agency) financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Agency's financial statements. This report also contains other supplementary information in addition to the basic statements themselves.

Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of 2016 by \$132,787,525. This deficit of net position is largely due to the refunding and defeasance of Tax Increment Revenue Bonds that were used to support the River Point redevelopment project and the reissuance costs for these bonds. However, the refunding provides for a developer guarantee to the bondholders that the debt service will be covered. The developer, Weingarten Realty Investments, Inc. (WRI) is a strong financial partner to the Agency. WRI was established in 1905 and owns 44.5 million square feet of property worth more than \$4.7 billion. Over time, the Bonds will be repaid through incremental revenues: property tax, sales tax and public improvement fee (PIF) revenues.
- At December 31, 2016, the Agency's governmental funds reported a combined ending fund balance of \$10,709,680. This combined fund balance includes \$10,219,015 of Debt Service Fund balance, and \$490,665 of General Fund fund balance.
- The unassigned fund balance for the General Fund of \$490,665 is 46.4% of the total General Fund expenditures.
- Sales Tax revenues and PIF revenue combined, the Agency's largest sources of revenue, were \$7,758,811 for 2016 as compared to \$6,925,932 for the prior year, an increase of 12%, resulting from additional retailers coming into the River Point project and increases in retail sales.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Sheridan Redevelopment Agency's basic financial statements. The Agency's basic financial statement comprises three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statement

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

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

The **statement of activities** reflects how the Agency's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The Governmental activities of the Agency include general government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds – general fund and debt service fund – both of which are considered to be major funds.

The Agency adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund in the required supplemental information to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 3-5 of this report.

The Agency’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-18 of this report.

Required and Other Supplementary Information

The report includes individual fund schedules. As required, a budgetary comparison statement has been provided in this section for the General Fund, found on page 19. In addition, a budgetary comparison statement has been provided for the Debt Service Fund to demonstrate compliance with that budget, which is found on page 20 of this report.

Financial Analysis of the Agency as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$132,787,525 at the close of 2016.

Sheridan Redevelopment Agency
Condensed Statement of Net Position
December 31,

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$ 13,453,300	\$ 12,960,144
Total Assets	<u>13,453,300</u>	<u>12,960,144</u>
Deferred Outflows of Resources		
Deferred charge on refunding	6,747,511	7,273,018
Deferred outflow of derivative instruments	10,803,769	13,635,794
Total Deferred Outflows of Resources	<u>17,551,280</u>	<u>20,908,812</u>
Liabilities		
Current Liabilities	10,656,823	9,160,591
Noncurrent Liabilities	150,604,270	157,350,715
Total Liabilities	<u>161,261,093</u>	<u>166,511,306</u>
Deferred Inflows of Resources		
Unavailable revenue-property taxes	2,531,012	2,284,589
Total Liabilities	<u>2,531,012</u>	<u>2,284,589</u>
Net Position		
Restricted for debt service	10,219,015	10,102,833
Unrestricted	(143,006,540)	(145,029,772)
Total Net Position	<u>\$ (132,787,525)</u>	<u>\$ (134,926,939)</u>

Sheridan Redevelopment Agency
Condensed Statement of Activities
December 31,

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	\$ -	\$ -
Total Program Revenues	<u>-</u>	<u>-</u>
General Revenues		
Taxes	5,309,711	4,664,199
Investment Earnings	12,274	6,431
Other Revenues	4,685,249	3,965,800
Total General Revenues	<u>10,007,234</u>	<u>8,636,430</u>
Total Revenues	<u>10,007,234</u>	<u>8,636,430</u>
Program Expenses		
General Government	(1,091,502)	(1,026,601)
Redevelopment Projects and Interest	(6,776,318)	(6,803,797)
Total Program Expenses	<u>(7,867,820)</u>	<u>(7,830,398)</u>
Change in Net Position	<u>2,139,414</u>	<u>806,032</u>
Net Position, Beginning	<u>(134,926,939)</u>	<u>(135,732,971)</u>
Net Position, Ending	<u>\$ (132,787,525)</u>	<u>\$ (134,926,939)</u>

The Sheridan Redevelopment Agency's net position increased \$2,139,414 due primarily to the payment of interest and principal on the bonds.

Governmental Activities

Property tax revenues increased 31.22% and Sales Tax revenues increased 13.84% between 2015 and 2016, due to new retail store openings and increased sales.

Financial Analysis of the Agency's Funds

The Agency used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of 2016, the Agency's General Fund reported an ending fund balance of \$490,665, an increase of \$168,167 in comparison with the previous year.

Debt Service Fund

The Agency's debt service fund provides information on the cost of annual debt, including interest expense, principal, facility fees, remarketing and other debt related expense.

General Fund Budgetary Highlights

The General Fund accounts for all of the general government services provided by the Agency, for such items as accounting, legal, City support services and operations.

Line item budget transfers are allowed within a fund with the approval of the Executive Director. Increases in the expenditure budget for any fund must be approved by the Board.

Long-term Debt

The Sheridan Redevelopment Agency's total debt decreased during the year ended 2016, due to principal payments made on the 2011 A and B Bonds. Total debt outstanding at December 31, 2016 is \$139,800,501.

Note 4 of the financial statements provides a more in-depth summary of the Agency's long-term debt.

Economic Factors and Next Year's Budget

Revenues in future years are expected to increase as the River Point project is fully leased and increasing sales tax, property tax and PIF revenues are realized. The Agency continues to monitor all debt service requirements, revenue projections, and the financial health of the Agency. The Agency continues to work with the City of Sheridan in their best collection efforts to ensure proper and timely receipts of PIF and sales tax revenues.

The Sheridan Redevelopment Agency's River Point project is progressing. New businesses opened in 2016 and are expected to continue to open until the space is fully occupied.

Agency expenditures for 2017 are estimated at \$1,192,406 in General Fund and \$9,134,667 in the Debt Service Fund.

Request for Information

The financial report is designed to provide a general overview of the Agency's finances for all those interested in the government's finances. Questions concerning any of the information provided in the report or additional financial information should be addressed to the Finance Director at the Sheridan Redevelopment Agency, 4101 S. Federal Blvd., Sheridan, CO 80110 or by calling 303-762-2200.

BASIC FINANCIAL STATEMENTS

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>Governmental Activities 2016</u>
<u>Assets</u>	
Cash and investments	\$ 386,140
Taxes receivable	3,480,425
Restricted cash and investments	<u>9,586,735</u>
Total Assets	<u>13,453,300</u>
 <u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	6,747,511
Deferred outflow of derivative instruments	<u>10,803,769</u>
Total outflows of resources	<u>17,551,280</u>
 <u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	9,299
Accrued remarketing fees	7,107
Accrued facility fees	169,270
Unearned revenue	15,480
Due to City of Sheridan	11,452
Accrued interest payable	10,444,215
<u>Noncurrent Liabilities</u>	
Due in one year	10,601,070
Due in more than one year	129,199,431
Liability for derivative instruments	<u>10,803,769</u>
Total Liabilities	<u>161,261,093</u>
 <u>Deferred Inflows of Resources</u>	
Unavailable revenue-property taxes	<u>2,531,012</u>
 <u>Net Position</u>	
Restricted for debt service	10,219,015
Unrestricted	<u>(143,006,540)</u>
Total Net Position	<u>\$ (132,787,525)</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Function/Programs</u>			<u>Governmental Activities</u>
Governmental Activities			
General government	\$ 1,091,502	\$ 0	\$ (1,091,502)
Redevelopment projects	1,745,205	0	(1,745,205)
Interest expense	<u>5,031,113</u>	<u>0</u>	<u>(5,031,113)</u>
Total Primary Government	<u>\$ 7,867,820</u>	<u>\$ 0</u>	<u>(7,867,820)</u>
General Revenues			
Public improvement fees			2,449,100
Tax increment financing			2,236,149
Sales taxes			5,309,711
Investment income			<u>12,274</u>
Total General Revenues			<u>10,007,234</u>
Changes in Net Position			2,139,414
Net Position, Beginning			<u>(134,926,939)</u>
Net Position, Ending			<u>\$ (132,787,525)</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
<u>Assets</u>				
Cash and investments	\$ 370,779	\$ 15,361	\$ 386,140	\$ 218,244
Restricted cash and investments	0	9,586,735	9,586,735	9,586,587
Due from other funds	0	0	0	1,350
Taxes receivable	<u>134,701</u>	<u>3,345,724</u>	<u>3,480,425</u>	<u>3,155,313</u>
 Total Assets	 <u>\$ 505,480</u>	 <u>\$ 12,947,820</u>	 <u>\$ 13,453,300</u>	 <u>\$ 12,961,494</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 9,299	\$ 0	\$ 9,299	\$ 8,969
Due to other funds	0	0	0	1,350
Accrued facility fees	0	169,270	169,270	212,078
Accrued remarketing fees	0	7,107	7,107	7,414
Unearned revenue	2,212	13,268	15,480	10,507
Due to City of Sheridan	<u>3,304</u>	<u>8,148</u>	<u>11,452</u>	<u>12,418</u>
 Total liabilities	 <u>14,815</u>	 <u>197,793</u>	 <u>212,608</u>	 <u>252,736</u>
 <u>Deferred Inflows of Resources</u>				
Unavailable revenue-property taxes	<u>0</u>	<u>2,531,012</u>	<u>2,531,012</u>	<u>2,283,427</u>
 <u>Fund Balance</u>				
Restricted for debt service	0	10,219,015	10,219,015	10,102,833
Unassigned	<u>490,665</u>	<u>0</u>	<u>490,665</u>	<u>322,498</u>
 Total fund balance	 <u>490,665</u>	 <u>10,219,015</u>	 <u>10,709,680</u>	 <u>10,425,331</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 505,480</u>	 <u>\$ 12,947,820</u>	 <u>\$ 13,453,300</u>	 <u>\$ 12,961,494</u>

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

Fund balance – government funds	\$ 10,709,680
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(133,052,990)
Accrued interest	<u>(10,444,215)</u>
 Net Position of Governmental Activities	 <u>\$ (132,787,525)</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
<u>Revenues</u>				
Property tax increment revenue	\$ 0	\$ 2,236,149	\$ 2,236,149	\$ 1,704,067
Sales tax increment revenue	0	5,309,711	5,309,711	4,664,199
Public improvement fees	1,224,550	1,224,550	2,449,100	2,261,733
Investment earnings	<u>1,823</u>	<u>10,451</u>	<u>12,274</u>	<u>6,431</u>
Total Revenues	<u>1,226,373</u>	<u>8,780,861</u>	<u>10,007,234</u>	<u>8,636,430</u>
<u>Expenditures</u>				
<u>General Government</u>				
Accounting and administration	116,686	0	116,686	104,186
City support costs	827,328	0	827,328	800,748
Trustee fee expense	0	2,750	2,750	2,750
Collection and treasurer fees	15,269	120,908	136,177	100,051
Draw fee expense	0	6,000	6,000	6,000
Other general government	<u>2,561</u>	<u>0</u>	<u>2,561</u>	<u>12,866</u>
Total General Government	<u>961,844</u>	<u>129,658</u>	<u>1,091,502</u>	<u>1,026,601</u>
<u>Redevelopment Project</u>				
Salaries and benefits	81,683	0	81,683	82,620
Rent	7,560	0	7,560	7,560
Legal	2,180	0	2,180	3,800
Other expenses	<u>4,939</u>	<u>0</u>	<u>4,939</u>	<u>1,413</u>
Total Redevelopment Projects	<u>96,362</u>	<u>0</u>	<u>96,362</u>	<u>95,393</u>
<u>Debt Service</u>				
Principal payments	0	3,914,420	3,914,420	2,312,284
LOC renewal fee	0	1,500	1,500	1,500
City public improvement fee allocation	0	780,784	780,784	718,786
Interest expenses	0	2,971,758	2,971,758	3,077,609
Facility fee expense	0	772,052	772,052	847,922
Rating service fee	0	7,500	7,500	7,500
Remarketing fee expense	<u>0</u>	<u>87,007</u>	<u>87,007</u>	<u>89,890</u>
Total Debt Service	<u>0</u>	<u>8,535,021</u>	<u>8,535,021</u>	<u>7,055,491</u>
Total Expenditures	<u>1,058,206</u>	<u>8,664,679</u>	<u>9,722,885</u>	<u>8,177,485</u>
Changes in Fund Balance	168,167	116,182	284,349	458,945
Fund Balance, Beginning	<u>322,498</u>	<u>10,102,833</u>	<u>10,425,331</u>	<u>9,966,386</u>
Fund Balance, Ending	<u>\$ 490,665</u>	<u>\$ 10,219,015</u>	<u>\$ 10,709,680</u>	<u>\$ 10,425,331</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016
Net change in fund balances, total governmental funds	\$ 284,349
<p>Issuances of debt are treated as revenues in the governmental funds, but are recorded as liabilities on the statement of net position. Repayments of this debt are recorded as expenses in the governmental funds and reduce liabilities on the statement of net position.</p>	
Amortization of loss on refunding	(525,507)
Principal payments	3,914,420
Accrued interest expense	(1,533,848)
Change in Net Position of Governmental Activities	\$ 2,139,414

The accompanying notes are an integral part of these financial statements.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On November 12, 2003, the City of Sheridan, Colorado (the “City”) created the Sheridan Redevelopment Agency (“SRA”) as an urban renewal authority as defined by Colorado Revised Statutes Title 31, Article 25, Part 1. The SRA was established to redevelop identified areas of blight with the City. The SRA Board of Commissioners is comprised of the Mayor and Council of the City, with the Mayor serving as the chair of the Commission. The City includes the SRA as a blended component unit in its reporting entity.

The accounting policies of the SRA conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The SRA is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the SRA officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the SRA. The SRA may also be financially accountable for organizations that are fiscally dependent upon it.

Based upon the application of the criteria, there are no other entities that meet the requirements to be included in the SRA’s financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the SRA. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activity is not reported in the government-wide financial statements. The SRA’s entire operation is classified as a governmental activity.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SRA considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Property tax increment revenues, public improvement fees, sales tax increment revenues, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered measurable and available only when cash is received by the SRA.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assets, Liabilities and Net Position/Fund Balances

Major Funds - In the fund financial statements, the SRA reports the following major governmental funds.

- *The General Fund* is the SRA's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *The Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on general long-term obligations of the SRA.

Cash and Investments – For purpose of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less. Investments are stated at fair value.

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2016, the SRA has determined that all receivables are expected to be collected.

Property tax levies are certified by taxing bodies to the County Commissioners by December 15, so that the County Commissioners apply a tax lien on the individual properties by January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent tax payers are notified in August and generally sales of the tax liens are held in November or December. The County Treasurer will remit the taxes collected monthly to the SRA, less the County collection fee. The SRA is the recipient of property tax increment revenues based on the mill levies of other local governmental units.

Interfund Receivables and Payables – During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *due from other funds* and *due to other funds* because they are short-term in nature.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a depletion of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. They are the deferred charges on refunding and the liability related to the swap agreement hedging the SRA's long term debt, which are reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The swap agreement is more fully described in Note 4 to the financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Accordingly, the item, *unavailable revenue*, is reported for property taxes levied in the current year but collected for use in the next fiscal period.

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

Net Position/Fund Balances – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) or because they are legally or contractually required to be maintained intact. The SRA has no unspendable funds.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of SRA's Board. The Board is the highest level of decision-making body for the SRA. Commitments may be established, modified, or rescinded only through resolutions approved by the Board. The SRA has no committed fund balance.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes. The SRA has no assigned fund balance.

Unassigned – All other spendable amounts.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the SRA considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the SRA considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the SRA's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - STEWARD, COMPLIANCE AND ACCOUNTABILITY

Budgets

In accordance with State Budget Law, the SRA Board of Commissioners holds hearings in the fall of each year to approve the budget and appropriate funds. The appropriation is at the total fund expenditure level and lapses at year end. The Board can modify the budget by line item only within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. During the year ended December 31, 2016, the SRA approved a supplemental appropriation in the Debt Service Fund of \$528,166.

NOTE 3 - DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2016, follows:

Cash on hand	\$ 2,680
Cash	24,074
Investments	<u>9,946,121</u>
Total Cash and Investments	<u>\$ 9,972,875</u>

The above amounts are classified in the financial statements as follows:

Cash and investments	\$ 386,140
Restricted cash and investments	<u>9,586,735</u>
Total Cash and Investments	<u>\$ 9,972,875</u>

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits - In the case of deposits, there is the risk that in the event of bank failure, the government's deposits may not be returned to it. The SRA's deposit policy is in accordance with CRS 11-10.5-101 et. seq. the Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. 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 institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, all of the SRA's deposits as shown below were insured by federal depository insurance and are therefore not deemed to be exposed to custodial credit risk. The bank balance and the carrying value were \$24,073 at December 31, 2016.

Investments

As of December 31, 2016, the SRA had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds (pools). The State Securities commissioner administers and enforces all State statutes governing the pools. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by the U.S. Treasury securities. COLOTRUST places no restrictions or limitations on withdrawals. COLOTRUST is rated AAAM by Standard & Poors. As of December 31, 2016, the SRA had \$359,386 invested in COLOTRUST PLUS +.

Credit Risk – Colorado statutes specify instruments in which units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. 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

The SRA does not have an investment policy that would further limit its investment choices.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

At December 31, 2016, the money market mutual funds investment held by SRA, totaling \$9,586,735 were invested in money market mutual funds provided by U.S. Bank. The funds are covered by the FDIC but not the PDPA and are valued at \$1 per share. There is not an investment component to be valued under GASB Statement No. 72, *Fair Value Measurement and Application*. The mutual fund is not rated, but carries the rating of the bank. At the financial statement opinion date, the latest information available, the bank's long debt/senior debt was rated as follows, at the bank level:

Moody's	A1
Standard and Poor	A+
Fitch	AA

Concentration of Credit Risk – The SRA places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The SRA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes. At December 31, 2016, the SRA has interest rate risk related only to its investment in COLOTRUST. At December 31, 2016 COLOTRUST PLUS + had weighted average maturity of 56 days to reset and 73 days to maturity.

Custodial Credit Risk – Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the SRA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Restricted Cash

At December 31, 2016, the SRA had the following restricted cash balances:

Restricted for:

Debt service reserves	\$ 7,407,500
Debt repayment	2,179,235
Total Government Activities	<u>\$ 9,586,735</u>

NOTE 4 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2016:

	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/16</u>	Current <u>Portion</u>
<u>Tax Increment Revenue Bonds</u>					
Series 2011A-1	\$ 61,280,000	\$ 0	\$ 2,375,000	\$ 58,905,000	\$ 2,615,000
Series 2011A-2	8,555,000	0	335,000	8,220,000	335,000
Series 2011B-1	22,506,692	0	479,920	22,026,772	3,043,783
Series 2011B-2	33,909,963	0	724,500	33,185,463	4,607,287
Series 2011C	<u>17,463,266</u>	<u>0</u>	<u>0</u>	<u>17,463,266</u>	<u>0</u>
Total	<u>\$143,714,921</u>	<u>\$ 0</u>	<u>\$ 3,914,420</u>	<u>\$139,800,501</u>	<u>\$ 10,601,070</u>

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Colorado Urban Renewal Law states that the City has no obligation to repay the SRA's debt. For the year ended December 31, 2016, two retailers comprised approximately 69% of public improvement fees and 62% of the sales tax collected on behalf of the SRA. In addition, five taxpayers total approximately 63% of the taxable assessed valuation allocated to the SRA. The City, in cooperation with the owner of the development, is continuing efforts to attract additional businesses, so as not to rely on any particular revenue source. Further, both the City and the owner of the development are confident it can attract similar large retailers, should there ever be a need, as the referred to retail operations are in prime locations.

Variable Rate Tax Increment Refunding Revenue Bonds Series 2011A

On April 28, 2011, the SRA issued \$65,000,000 and \$9,075,000 of Variable Rate Tax Increment Revenue Bonds Series 2011A-1 and Series 2011A-2 Bonds (collectively the Series 2011A Bonds). Bond proceeds were used for the purpose of refunding the SRA's Series 2007A-1 and Series 2007A-2 bonds, funding a bond reserve and paying the fees and expenses of issuing the bonds.

The Series 2011A Bonds will initially bear interest based on the weekly rate which will be adjusted each Thursday and is payable on the first day of each month, and shall be equal to the rate as set by the remarketing agent. The initial interest rate on the Series 2011A-1 and Series 2011A-2 Bonds were .3% and .4%. The Series 2011A-1 Bonds are subject to optional and mandatory sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2013 in the amount of \$295,000 and increase annually through December 2029 to \$12,185,000. The bonds can be optionally redeemed if the bonds are in the weekly or monthly mode on the first day of any month. The Series 2011A-2 Bonds are also subject to optional and mandatory sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2013 in the amount of \$40,000 and increase annually through December 2029 to \$1,700,000.

The principal, interest on, and purchase price of the Series 2011A-1 and Series 2011A-2 Bonds will be payable by the Trustee under separate irrevocable, direct pay letters of credit issued by JPMorgan Chase Bank, N.A. The letters of credit allow the Trustee to draw up to an amount sufficient to pay the principal of the Series 2011A Bonds when due and up to 34 days' interest on the Series 2011A-1 and Series 2011A-2 Bonds at a maximum interest rate of 12% per annum. Each letter of credit expires on May 23, 2018 and may be terminated prior thereto, or extended therefrom, upon the occurrence of certain events. The letters of credit were issued pursuant to a reimbursement agreement between the SRA and JPMorgan Chase Bank, N.A., which obligates the SRA to reimburse the bank for draws and to pay certain fees and expenses. During the year ended December 31, 2016, amounts borrowed and repaid under the letters of credit totaled \$299,671.

The Series 2011A Bonds are also special, limited revenue obligations of the SRA payable from and secured by the Series 2011A Bonds Trust Estate. The Bond Trust Estate shall include, among other things, ad valorem property tax increment revenues and sales tax increment revenues received by the SRA from a designated urban renewal area. The SRA has also pledged a portion of the public improvement fees and interest thereon related to the urban renewal area. The bonds are secured by a Series 2011A Bonds Reserve Fund initially funded with proceeds from the Series 2011A Bonds in the amount of \$7,407,500. The current balance in the reserve accounts are \$7,407,500.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Variable Rate Tax Increment Refunding Revenue Bonds Series 2011A (Continued)

The payment of principal and interest related to the Series 2011A Bonds is also guaranteed by the developer and a related entity until such time as the Rolling Twelve Month Debt Service Coverage Ratio as of the preceding 24 months is not less than 1.40. The Rolling Twelve Month Debt Service Coverage Ratio is defined as the twelve month previous pledged incremental tax revenues divided by the average annual debt service. At December 31, 2016, the Rolling Twelve Month Debt Service Coverage Ratio had not been met.

The SRA has also entered into an Interest Rate Exchange Agreement whereby the SRA will pay a fixed interest rate (3.80% on the Series 2011A-1 Bonds and 5.27% on the Series 2011A-2 Bonds) to the counterparty, Royal Bank of Canada (“RBC”) and the counterparty will in turn pay a variable interest rate to the SRA. For the Series 2011A-1 Bonds the counterparty will pay interest based on the USD-SIFMA Municipal Swap Index. For the Series 2011A-2 Bonds, the counterparty will pay interest based on the one-month LIBOR Index. The Notional amount for these contracts is the outstanding bond principal of \$67,125,000. The contract was entered into on March 7, 2007 and terminates on December 1, 2029. Payments due to the counterparty are guaranteed by the developer and a related entity. The SRA has no net exposure to actual credit risk as this swap agreement is a liability. As the interest rate the SRA will pay is fixed, the Agency believes it has reduced its interest rate risk by entering into this agreement. As the index for both the swap agreement and the bond issue are the same, the SRA believes it has no basis risk. The counterparty may terminate this contract if the SRA fails to perform under the contract or credit support agreement. In addition, the swap may automatically terminate due to cross default or other provisions included in the contract. As the swap agreement is scheduled to terminate when the bonds mature, the Agency has no rollover risk.

The fair value of the interest rate swaps is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. At December 31, 2016, the market value of this contract is estimated to be a negative \$10,803,769. During the year ended December 31, 2016, the contract value decreased \$2,832,025. During the year ended December 31, 2016, under the swap agreement, the SRA paid the counterparty \$2,521,507.

Although the outlook was negative, at December 31, 2016, latest information available, RBC was rated as follows:

Moody’s	Aa3
Standard and Poor	AA-
Fitch	AA

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Variable Rate Tax Increment Refunding Revenue Bonds Series 2011A (Continued)

Projected annual debt service requirements for the outstanding Series 2011A-1 Bonds at December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,615,000	\$ 2,332,638	\$ 4,947,638
2018	2,850,000	2,229,084	5,079,084
2019	3,090,000	2,116,224	5,206,224
2020	3,270,000	1,999,323	5,269,323
2021	3,485,000	1,864,368	5,349,368
2022-2026	21,025,000	7,072,302	28,097,302
2027-2029	<u>22,570,000</u>	<u>2,072,586</u>	<u>24,642,586</u>
Total	<u>\$ 58,905,000</u>	<u>\$ 19,686,525</u>	<u>\$ 78,591,525</u>

Projected annual debt service requirements for the outstanding Series 2011A-2 Bonds at December 31, 2016 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 365,000	\$ 433,194	\$ 798,194
2018	395,000	413,959	808,959
2019	430,000	393,142	823,142
2020	460,000	371,496	831,496
2021	490,000	346,239	836,239
2022-2026	2,935,000	1,311,899	4,246,899
2027-2029	<u>3,145,000</u>	<u>384,536</u>	<u>3,529,536</u>
Total	<u>\$ 8,220,000</u>	<u>\$ 3,654,465</u>	<u>\$ 11,874,465</u>

Subordinate Tax Increment Refunding Revenue Bonds Series 2011B

Also on April 28, 2011, the SRA issued \$23,039,349 and \$34,705,443 of Series 2011B-1 Bonds and Series 2011B-2 Bonds (collectively the Series 2011B Bonds). This was a private placement with Weingarten Realty Investors. Bond proceeds were used for the purpose of refunding the SRA's Series 2007A-1, Series 2007A-2 Bonds, and Series 2007 B Bonds and paying the fees and expenses of issuing the bonds. The Series 2011B Bonds do not bear interest and mature on December 15, 2039. Failure to pay the full maturity amount of any sinking fund payment is not an Event of Default under the Indenture. Any unpaid Series 2011B Bond amounts still outstanding after maturity on December 15, 2039 will no longer be owed.

Payments on the Series 2011B Bonds are subordinated to the payment of current principal and interest on the Series 2011A Bonds. The bonds accrete interest at a rate of 1.419%. The Series 2011B-1 Bonds are subject to optional and mandatory sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2011 in the amount of \$305,000 and increase annually through December 2039 to \$1,510,000. The Series 2011B-2 Bonds are also subject to optional and mandatory

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Subordinate Tax Increment Refunding Revenue Bonds Series 2011B (Continued)

sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2011 in the amount of \$465,000 and increase annually through December 2039 to \$2,280,000. The 2011B Bonds can be optionally redeemed on any date after the Series 2011A Bonds are no longer outstanding from any Pledged Incremental Tax Revenues and on any December 15 from the Debt Service Public Improvement Fee or the SRA Public Improvement Fee, at a redemption price equal to the maturity value, subject to the following provisions. No payment will be made on the Series 2011B Bonds until (a) the Series 2011A's Reserve Fund contains an amount equal to the reserve requirement, (b) the Series 2011A Bond Payment Fund contains an amount equal to the sum of (i) three months of interest on the Series 2011A Bonds and (ii) one-fourth of the principal due on the Series 2011A Bonds in the next calendar year (c) all Agency Bond Fees and Bank Fees then due have been paid, (d) all amounts due and payable under the Bank Reimbursement Agreement, or any Interest Rate Exchange Agreement have been paid, and (vii) no Event of Default under the Indenture has occurred and is continuing. Any sinking fund amounts not paid in the current year, no longer accrete interest, and become due and payable in the subsequent period. As of December 31, 2016, \$5,820,000 of current requirements remains unpaid and therefore is due in 2017.

Projected annual debt service requirements for the outstanding Series 2011B-1 Bonds at December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,043,783	\$ 71,216	\$ 3,114,999
2018	727,534	82,466	810,000
2019	726,176	93,824	820,000
2020	720,341	104,660	825,001
2021	710,226	114,774	825,000
2022-2026	3,383,706	716,294	4,100,000
2027-2031	4,195,300	1,289,700	5,485,000
2032-2036	5,452,971	2,157,029	7,610,000
2037-2039	<u>3,066,735</u>	<u>1,463,265</u>	<u>4,530,000</u>
Total	<u>\$ 22,026,772</u>	<u>\$ 6,093,228</u>	<u>\$ 28,120,000</u>

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Subordinate Tax Increment Refunding Revenue Bonds Series 2011B (Continued)

Projected annual debt service requirements for the outstanding Series 2011B-2 Bonds at December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,607,287	\$ 107,713	\$ 4,715,000
2018	1,100,283	124,717	1,225,000
2019	1,102,547	142,453	1,245,000
2020	1,082,694	157,306	1,240,000
2021	1,067,491	172,509	1,240,000
2022-2026	5,133,270	1,086,730	6,220,000
2027-2030	6,337,114	1,947,886	8,285,000
2031-2035	8,124,212	3,215,788	11,340,000
2036-2039	<u>4,630,565</u>	<u>2,209,435</u>	<u>6,840,000</u>
Total	<u>\$ 33,185,463</u>	<u>\$ 9,164,537</u>	<u>\$ 42,350,000</u>

Series 2011C Note Payable

Also on April 28, 2011, the SRA refinanced \$13,139,024 of Series 2007C Notes and \$2,243,698 of interest by issuing 73 promissory 2011C Notes totaling \$17,463,266. The notes are owed to the Developer. The notes accrete interest at an annual rate of 6.533%. Payments of principal and interest begin in December 2034 in the amount of \$1,525,000 and increase annually through December 2106 to \$26,420,000. These notes are payable from public improvement fee revenues. Payments of principal and interest on the notes are subordinate to the payment of the Series 2011A Bonds and the Series 2011B Bonds.

Projected annual debt service requirements for the outstanding 2011C Notes at December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2034	\$ 341,814	\$ 1,183,186	\$ 1,525,000
2035	332,432	1,247,568	1,580,000
2036	323,884	1,316,116	1,640,000
2037	315,146	1,384,854	1,700,000
2038	306,258	1,453,742	1,760,000
2039-2043	2,489,029	15,045,971	17,535,000
2044-2048	2,354,121	20,085,879	22,440,000
2049-2053	1,988,873	24,026,127	26,015,000
2054-2058	1,680,028	28,474,972	30,155,000
2059-2063	1,419,170	33,535,830	34,955,000
2064-2068	1,198,947	39,326,053	40,525,000
2069-2073	1,012,870	45,972,130	46,985,000
2074-2078	855,710	53,609,290	54,465,000
2079-2083	722,646	62,417,354	63,140,000
2084-2088	610,506	72,584,494	73,195,000
2089-2093	515,708	84,344,292	84,860,000
2094-2098	435,547	97,939,453	98,375,000
2099-2103	367,882	113,672,118	114,040,000
2104-2106	<u>192,695</u>	<u>76,777,305</u>	<u>76,970,000</u>
Total	<u>\$ 17,463,266</u>	<u>\$ 774,396,734</u>	<u>\$ 791,860,000</u>

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Refundings

As described above, during the year ended December 31, 2011, the SRA undertook a refunding of all of its debt. In the refunding, the reacquisition price exceeded the net carrying amount of the old debt by \$9,721,880. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

NOTE 5 - ENVIRONMENTAL REMEDIATION

A large portion of the property included the urban renewal area (the “site”) consisted of landfills and junk yards in addition to a medical transfer station, various businesses that generated hazardous wastes, vehicle repair facilities, and petroleum service stations, all or some of which may have resulted in contamination of the site. Above and below ground storage tanks were discovered on the site. Contaminants from various off-site commercial/industrial activities have or may have migrated or may migrate in the future onto the site. As a result of historic on and off-site operations, a variety of contaminants have been documented or are suspected to be present at the site.

The developer submitted a voluntary cleanup plan application (the “plan”) for the site to the Colorado Department of Public Health and Environment (the CDPHE”). The plan contained several sub-plans that addressed materials removal, vapor intrusion and accumulation issues, and operations. The plan and related modifications have been approved by CDPHE.

While some municipal waste material was excavated and disposed of off-site, municipal waste and other waste materials and contaminants remain on-site. Every owner, tenant, or occupant, within the mitigated zone, is required to design and construct a vapor intrusion mitigation system to address concerns related to methane gas produced by the remaining decomposing material.

In addition, the plan did not address remediation of groundwater contamination existing on the site. The developer anticipates that the remediation efforts will take several years and will require additional CDPHE extensions to the plan.

The developer and related entities have jointly and severally agreed to indemnify the owners of the Series 2011A Bonds, through the Trustee, from certain losses that might be incurred as a result of claims arising under certain environmental laws. In addition, the developer has obtained two environmental insurance policies covering potential liabilities associated with the development of the site, including Pollution Legal Liability policy in the amount of \$40 million and a Contractor’s Pollution Liability policy in the amount of \$10 million.

NOTE 6 - RISK MANAGEMENT

The SRA is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. In order to reduce insurance costs, the SRA participates in the City’s risk management program. Settled claims have not exceeded insurance coverage in any of the last three years.

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - CONTINGENCIES

Tabor Amendment

In November, 1992, Colorado voters passed Article X, Section 20 (Tabor Amendment) to the State Constitution, which limits state and local government tax powers and imposes spending limitations. The Agency is not subject to the Tabor Amendment. See Olson v. City of Golden, 53 p.3d 747 (Colo. App. 2002), certiorari denied.

NOTE 8 - NET POSITION

At December 31, 2016, the SRA had a net position of (\$132,787,525).

The ability of the SRA to meet future debt service payments is dependent upon the ability of the River Point Project to generate future sufficient tax increment revenues and public improvement fees, the ability of the developer to reach agreements with additional retail tenants for the River Point Project, and the ability of the developer and related entities to meet debt service guarantees.

NOTE 9 - RELATED PARTY TRANSACTIONS

During the year, the SRA transferred \$916,572 to the City's General Fund as reimbursement for services provided by the City to the SRA. Additionally, the SRA owed the City \$11,452 at December 31, 2016, for such services and collected fees.

REQUIRED SUPPLEMENTARY INFORMATION

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Public improvement fees	\$ 1,160,814	\$ 1,224,550	\$ 63,736	\$ 1,130,867
Investment earnings	<u>150</u>	<u>1,823</u>	<u>1,673</u>	<u>4,261</u>
Total Revenues	<u>1,160,964</u>	<u>1,226,373</u>	<u>65,409</u>	<u>1,135,128</u>
<u>Expenditures</u>				
General Government				
Accounting and administration	162,950	116,686	46,264	104,186
Collection and treasurer fees	11,588	15,269	(3,681)	12,290
Payments to the City of Sheridan	827,342	827,328	14	800,748
Other general government	<u>3,000</u>	<u>2,561</u>	<u>439</u>	<u>12,866</u>
Total General Government	<u>1,004,880</u>	<u>961,844</u>	<u>43,036</u>	<u>930,090</u>
Redevelopment Projects				
Salaries and benefits	81,686	81,683	3	82,620
Rent and utilities	7,560	7,560	0	7,560
Legal	7,500	2,180	5,320	3,800
Other expenses	<u>1,000</u>	<u>4,939</u>	<u>(3,939)</u>	<u>1,413</u>
Total Redevelopment Projects	<u>97,746</u>	<u>96,362</u>	<u>1,384</u>	<u>95,393</u>
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>	<u>0</u>
Total Expenditures	<u>1,122,626</u>	<u>1,058,206</u>	<u>64,420</u>	<u>1,025,483</u>
Changes in fund balance	38,338	168,167	129,829	109,645
Fund balance, beginning	<u>196,447</u>	<u>322,498</u>	<u>126,051</u>	<u>212,853</u>
Fund balance, ending	<u>\$ 234,785</u>	<u>\$ 490,665</u>	<u>\$ 255,880</u>	<u>\$ 322,498</u>

OTHER SUPPLEMENTARY INFORMATION

SHERIDAN REDEVELOPMENT AGENCY
(SHERIDAN, COLORADO)
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

YEAR ENDED DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	<u>2016</u>			Variance with Final Budget	<u>2015</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<u>Revenues</u>					
Property tax increment revenue	\$ 1,931,028	\$ 2,283,427	\$ 2,236,149	\$ (47,278)	\$ 1,704,067
Sales tax increment revenue	5,286,090	5,435,653	5,309,711	(125,942)	4,664,199
Public improvement fees	1,160,814	1,186,196	1,224,550	38,354	1,130,866
Investment earnings	<u>2,500</u>	<u>7,091</u>	<u>10,451</u>	<u>3,360</u>	<u>2,170</u>
Total Revenues	<u>8,380,432</u>	<u>8,912,367</u>	<u>8,780,861</u>	<u>(131,506)</u>	<u>7,501,302</u>
<u>Expenditures</u>					
<u>General Government</u>					
Trustee fee expense	3,250	2,750	2,750	0	2,750
Collection and treasurer fees	93,394	105,394	120,908	(15,514)	87,761
Draw fee expense	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>(6,000)</u>	<u>6,000</u>
Total General Government	<u>96,644</u>	<u>108,144</u>	<u>129,658</u>	<u>(21,514)</u>	<u>96,511</u>
<u>Debt Service</u>					
Bond principal payment	3,608,469	4,059,421	3,914,420	145,001	2,312,284
City public improvement fee allocation	753,229	753,229	780,784	(27,555)	718,786
Interest expense	2,964,371	2,960,585	2,971,758	(11,173)	3,077,609
Facility fee expense	817,275	817,275	772,052	45,223	847,922
Rating service fee	8,000	7,500	7,500	0	7,500
LOC renewal fee	0	0	1,500	(1,500)	1,500
Remarketing fee expense	<u>87,006</u>	<u>87,006</u>	<u>87,007</u>	<u>(1)</u>	<u>89,890</u>
Total Debt Service	<u>8,238,350</u>	<u>8,685,016</u>	<u>8,535,021</u>	<u>149,995</u>	<u>7,055,491</u>
Contingency	<u>30,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
Total Expenditures	<u>8,364,994</u>	<u>8,893,160</u>	<u>8,664,679</u>	<u>228,481</u>	<u>7,152,002</u>
Revenues in excess (deficiency) of expenditures	15,438	19,207	116,182	96,975	349,300
Other financing sources (uses)					
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Changes in fund balance	15,438	19,207	116,182	96,975	349,300
Fund balance, beginning	<u>9,929,753</u>	<u>9,929,753</u>	<u>10,102,833</u>	<u>173,080</u>	<u>9,753,533</u>
Fund balance, ending	<u>\$ 9,945,191</u>	<u>\$ 9,948,960</u>	<u>\$ 10,219,015</u>	<u>\$ 270,055</u>	<u>\$ 10,102,833</u>