# Denver Urban Renewal Authority
## (A Component Unit of the City and County of Denver)

INDEPENDENT AUDITOR'S REPORTS, MANAGEMENT'S DISCUSSION AND ANALYSIS, AND FINANCIAL STATEMENTS

December 31, 2013 and 2012

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## December 31, 2013 and 2012

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# Denver Urban Renewal Authority
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### December 31, 2013 and 2012

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**May 13, 2014**

To the Board of Commissioners of the Denver Urban Renewal Authority:

This report consists of management's representations concerning the finances of the Denver Urban Renewal Authority (the Authority). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority's financial statements have been audited by BKD, LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the Authority's financial statements for the fiscal years ended December 31, 2013 and 2012 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there is a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the fiscal years ended December 31, 2013 and 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## Profile of the Authority

The Authority was created by ordinance of the City and County of Denver (the City) in 1958 under Colorado Urban Renewal Law which was enacted by the State Legislature in that same year. The Authority is the redevelopment agency for the City, performing the traditional duties of an urban renewal authority – eliminating blight where it currently exists and helping prevent additional blight from developing. The Authority also has responsibility for implementing three city housing rehabilitation programs designed to improve the quality of existing single-family homes owned by low to moderate income residents and, through its discretely presented component unit, Denver Neighborhood Revitalization, Inc. (DNRI), for implementation of the Neighborhood Stabilization Program as contracted with the City.

## Housing Rehabilitation

The Authority has assisted over 16,720 Denver residents who already own homes to renovate them or make emergency repairs. Under the Single Family Rehabilitation Program, deferred and low-interest loans of up to $35,000 are available to help eligible homeowners make needed repairs and improvements to their homes. The program is designed to assist with major home renovations such as roofing, heating, electrical or plumbing that are necessary to make the home livable and safe.

For emergency situations, the Emergency Home Repair (EHR) Program is available to very low-income Denver homeowners. The program provides deferred loans to repair plumbing, heating, electrical, and other problems that pose an immediate danger to a homeowner's health and safety.

The Rental/Homeownership Access Modification Program (RHAMP) is a grant program for persons with disabilities who reside in Denver and meet the Americans with Disabilities Act definition of disability. Program grant funds provide participants with accessibility improvements to their rental or owner occupied housing. Program participant's income cannot exceed 50% of Housing and Urban Development (HUD) Area Median Income (AMI).

Additionally, the Authority has received grant funding to promote energy efficiency for Single Family Rehabilitation (SFR) and EHR clients whose household income is at or below 300% of the federal poverty level. This covers all EHR clients and all but a few SFR clients whose income is at 80% of HUD area median income. These funds do not increase the number of homeowners we can assist, but do upgrade the improvements we can provide in the home.

The Authority has a role in the rehabilitation effort from its beginning to its conclusion. That role includes helping people fill out loan applications and obtaining required documentation, underwriting the loan, inspecting the home and developing a work plan. The Authority also provides technical assistance and contractor supervision to assure that work is performed to specified standards.

## Neighborhood Revitalization

In 2009, the Authority established DNRI, a registered State of Colorado not-for-profit organization to address the needs in the Denver community related to foreclosed and/or abandoned homes. DNRI administers and executes the Neighborhood Stabilization Program (NSP) funds awarded by the City and County of Denver. DNRI activities include acquisition and rehabilitation of foreclosed residential properties in targeted neighborhoods within the City and County of Denver. These properties will be sold to homebuyers whose incomes are at or below 120% of the HUD AMI. The program revenue from the sales will be utilized to acquire and rehabilitate additional foreclosed properties for purposes of resale under the program prior to the NSP deadline in 2019. Additionally, DNRI has partnered with Habitat for Humanity of Metro Denver to assist homeowners whose incomes are at or below 50% of the HUD AMI.

## Environmental Protection Agency Grant Project

The Authority entered into a Cooperative Agreement with the U.S. Environmental Protection Agency to provide grant funding for environmental assessments of brownfield sites along the Colfax Corridor and the West Corridor light rail line. Environmental site assessments and cleanup planning on hazardous substance and petroleum brownfield properties are conducted through the Colfax Mainstreet Coalition, a collaboration among the City and County of Denver, the City of Lakewood and the Authority.

## Redevelopment

In its redevelopment capacity, the Authority uses an important financing tool called tax increment financing (TIF) to fill the gap between the cost of a redevelopment project and the level of private financing it can support. Prior to the 1970s, Denver and other cities across the nation relied on substantial federal funding to finance neighborhood and downtown revitalization efforts. As federal funding levels for urban renewal vanished in the 1980s, alternative funding had to be found. Colorado passed a law authorizing the use of TIF in response to this dilemma.

Under the tax increment financing mechanism, the Authority calculates the level of property and/or municipal sales tax collections in a project area before redevelopment and estimates the new tax revenues expected to be generated by the redevelopment. The difference between the tax collections before the redevelopment and the increased taxes taken in as a result of it are used either to make debt service on the bonds, to help pay for eligible project costs, or to reimburse developers for these costs.

A significant portion of the Authority's revenues come from incremental property and sales taxes. Other revenue sources include contract revenues, interest earnings and project fees.

Due to the nature of redevelopment financing and changes in the financial reporting requirements established by the Governmental Accounting Standards Board (GASB) under GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Authority liabilities normally exceed assets, thus resulting in a deficit in the Authority-wide statement of net position.

Redevelopment activities, which benefit and increase property assessed values in the redevelopment project areas are either financed through the issuance of tax increment revenue bonds or with developer reimbursement obligations.

Proceeds from these tax increment revenues are used to pay costs related to eligible improvements in support of a development. Types of project costs paid by the Authority include, but are not limited to, capital costs for demolishing improvements, excavating, grading, landscaping and constructing improvements within the areas covered by the Urban Renewal Plans.

The bond issues which are secured by future tax increment revenues are carried as liabilities in the Authority's financial statements. However, the uses of the bond proceeds do not result in equivalent Authority assets. Resulting assets are accounted for and capitalized by the developers and other beneficiaries, not by the Authority.

The Authority, under a Redevelopment Agreement, reimburses the redeveloper, with interest, for project costs incurred in an amount not to exceed the maximum reimbursable project costs set forth within. These reimbursements are payable solely from property, lodgers, and/or sales tax increment revenue generated by the project. Because these amounts are payable only when generated by the project and received by the Authority from the City, unpaid maximum reimbursement obligations are not recorded in these financial statements.

A Board of 11 Commissioners is appointed by the Mayor and confirmed by Denver's City Council to oversee the Authority. The Executive Director is appointed by the Board and directs the Authority staff and its operations.

The preparation of this report would not have been possible without the efficient and dedicated efforts of the staff of the Authority and especially the members of the Finance Department. We would like to express our appreciation to the Authority's Board of Commissioners for their unfailing support in maintaining the highest standards of professionalism in the management of the Authority's finances.

Respectfully submitted,

Tracy Huggins

Tracy Huggins, Executive Director

Janet M. Colley

Janet Colley, Financial Manager

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# Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Commissioners
Denver Urban Renewal Authority
Denver, Colorado

## Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Denver Urban Renewal Authority (the Authority), a component unit of the City and County of Denver, as of and for the years ended December 31, 2013 and 2012, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Authority as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, in 2012 the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported As Assets and Liabilities*. Our opinion is not modified in respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

### *Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Government and Non-Profit Organizations*, the statement of changes in assets and liabilities – agency fund, and the annual 15c2-12 disclosure listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

BKD, LLP

Denver, Colorado
May 13, 2014

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
### MANAGEMENT'S DISCUSSION AND ANALYSIS
### (UNAUDITED)
### December 31, 2013 and 2012

As management of the Denver Urban Renewal Authority, we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

## Financial Highlights

- The Authority's total net position increased by $28,296,454 or 14.0%, over the course of this year's operations. Governmental activities represented nearly 100% of the increase in net position for 2013. While most of the TIF projects experienced an increase in TIF receipts, the largest change in net position is attributable to an $8.6 million increase in TIF project receipts due primarily to Stapleton and Lowry.

- The Authority retired $27,591,713 of previously outstanding bond debt in 2013. The Authority in 2013, redeemed in full, $5,285,000 of the Downtown Bonds and a partial optional redemption $240,000 of Highlands Garden Village Bonds earlier than their scheduled maturities in 2017 and 2023, respectively. Currently, the Authority's outstanding bond debt is $252,547,955.

- Total fund balance in the general fund at December 31, 2013 remained constant at $2,405,066, from the prior year. Of these amounts, $2,353,829 and $2,351,558 at December 31, 2013 and 2012, respectively, were unassigned and can be used for Authority administration.

- The capital projects fund reported a net increase in fund balance of $15,566,317 from the prior year's fund balance primarily due to released Downtown Bond funds remaining after the full maturity of the bonds in the amount of $17,074,890. The funds were transferred from the debt service fund to the capital projects fund for future TIF project funding.

- Conversely, the debt service fund reported a net decrease in fund balance of $18,708,164 from the prior year's fund balance due primarily to the transfer of released funds from the Downtown bond Series in the amount of $17,074,890 to the capital projects fund.

- Business-type activities, which consist of the Authority's federally funded revolving rehabilitation loan program, reported an increase in net position of $92,713 or 2.4%, from the prior year primarily due to a decrease in bad debt expense and an increase in payoffs and contract program activity. The Authority transferred $36,993 in 2013 from its general operating fund to the Housing Program for ongoing and future program activity.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: (1) Authority-wide (government-wide) financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements. Notwithstanding the treatment of the Authority's audited financial statements presented in accordance with accounting principles generally accepted in the United States of America (US GAAP), the Authority is not a government and is not subject to the restrictions of the Taxpayer Bill of Rights, Article X, Section 20 of the Constitution of the State of Colorado.

**The Financial Reporting Entity** consists of the Authority and organizations for which the Authority is financially accountable. Financial accountability exists if the Authority appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Authority. The Authority includes one discretely presented component unit in its financial statements, Denver Neighborhood Revitalization, Inc. (DNRI).

DNRI was formed in 2009 and is a registered Colorado not-for-profit organization. DNRI was established to administer and execute the Neighborhood Stabilization Program. The program was awarded funding in 2009 by the City and County of Denver. The Authority has elected to present DNRI's financial statements as separate statements within the government-wide presentation.

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

During the year ended December 31, 2013, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported As Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. (See Note 2 of the Financial Statements that follow this report for more detailed information regarding the adoption of the accounting principle.

The *Statement of Net Position* reports all nonfiduciary financial and capital resources of the Authority. The Authority presents the statement in a format that displays *assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources equal net position.* The Authority's net position displays two components: restricted and unrestricted net position. Assets are restricted when their use is subject to external limits such as bond indentures and legal agreements.

The *Statement of Activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected incremental taxes and earned but unused vacation.

The Authority-wide financial statements distinguish functions of the Authority that are principally supported by incremental taxes, intergovernmental revenues, investment income, priority fees and other income *(governmental activities)*, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the Authority include general administration, redevelopment projects and debt service and the business-type activities of the Authority include loan program activity.

**Fund financial statements** are designed to report information about the grouping of related accounts (funds), which are used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the Authority-wide financial statements. However, unlike the Authority-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 the Authority's near-term financing requirements.

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

*Proprietary funds* include the enterprise fund, which is used to report the same functions presented as business-type activities in the Authority-wide financial statements.

*Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the Authority's own programs. The Authority has one fiduciary fund, an agency fund, used to collect tax increment financing for other metropolitan districts.

**Notes to the basic financial statements** provide additional information that is essential to a full understanding of the data provided in the Authority-wide and fund financial statements.

**Supplementary information: The Annual 15c2-12 Disclosure** is provided in addition to the basic financial statements and accompanying notes. This schedule presents information related to the Authority's report required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, for outstanding bonds issued by the Authority.

Also included in supplementary information is a statement of changes in assets and liabilities of the Authority's agency fund and the reporting required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

**Authority-wide financial analysis**

The Authority presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by subsequent GASB pronouncements.

**Table 1** reflects the Authority's Net Position (Deficit) as of December 31, 2013, 2012 and 2011:

**Denver Urban Renewal Authority's Net Position (Deficit)**
**(In Thousands)**

| | Governmental Activities | | | Business-Type Activities | | | Total Government | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 * (As restated) | 2011 | 2013 | 2012 | 2011 | 2013 | 2012 * (As restated) | 2011 |
| Current and other assets | $ 153,647 | $ 152,201 | $ 141,859 | $ 4,143 | $ 4,048 | $ 4,102 | $ 157,790 | $ 156,249 | $ 145,961 |
| Total assets | 153,647 | 152,201 | 141,859 | 4,143 | 4,048 | 4,102 | 157,790 | 156,249 | 145,961 |
| Deferred outflows | 24,435 | 29,944 | 23,789 | - | - | - | 24,435 | 29,944 | 23,789 |
| Other liabilities | 24,954 | 224,043 | 295,787 | 189 | 187 | 232 | 25,143 | 224,230 | 296,019 |
| Long-term liabilities | 265,728 | 101,083 | 96,984 | - | - | - | 265,728 | 101,083 | 96,984 |
| Total liabilities | 290,682 | 325,126 | 392,771 | 189 | 187 | 232 | 290,871 | 325,313 | 393,003 |
| Deferred inflows | 64,161 | 61,984 | - | - | - | - | 64,161 | 61,984 | - |
| Net position | | | | | | | | | |
| Restricted for | | | | | | | | | |
| Capital projects | 34,211 | 20,411 | 14,484 | - | - | - | 34,211 | 20,411 | 14,484 |
| Debt service | 17,905 | 36,613 | 34,486 | - | - | - | 17,905 | 36,613 | 34,486 |
| Housing program loans | - | - | - | 3,954 | 3,861 | 3,870 | 3,954 | 3,861 | 3,870 |
| Unrestricted (deficit) | (228,877) | (261,989) | (276,093) | - | - | - | (228,877) | (261,989) | (276,093) |
| Total net position (deficit) | $ (176,761) | $ (204,965) | $ (227,123) | $ 3,954 | $ 3,861 | $ 3,870 | $ (172,807) | $ (201,104) | $ (223,253) |

* Year Ending 2012 is restated due to the Authority's adoption and implementation of GASB Statement 65.
2011 has not been restated for the adoption of GASB 65 because it is not practical to do so.

Total government-wide liabilities exceeded total government-wide assets and deferred outflows of resources by $(172,807,062) (deficit) at the close of fiscal year 2013. The Authority's large deficit was caused by outstanding bond debt of $252,547,955. Total government-wide liabilities and deferred inflows of resources exceeded total government-wide assets and deferred outflows of resources by $(201,103,516) (deficit) at the close of fiscal year 2012. The Authority's 2012 large deficit was caused by outstanding bond debt of $272,318,699. Bond debt is serviced with tax increment receipts (incremental property and sales taxes) generated by redevelopment projects to provide financing (See Note 1, "Tax Increment Financing" in the financial statements that follow this analysis). Outstanding bond debt was used to finance redevelopment projects located in the City and County of Denver. Resulting assets are accounted for and capitalized by the developers and other beneficiaries, not by the Authority. Types of project costs paid by the Authority include, but were not limited to, capital costs for demolishing improvements, excavating, grading, landscaping and constructing improvements within the areas covered by Urban Renewal Plans.

The Authority's restricted net position represent funds that are subject to restrictions set forth in Redevelopment Agreements and Bond Indentures and for prepaid items as to their use.

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## (UNAUDITED)
## December 31, 2013 and 2012

**Table 2** reflects the Authority's Changes in Net Position (Deficit) for the years ended December 31, 2013, 2012 and 2011:

### Denver Urban Renewal Authority's Changes In Net Position (Deficit)
### (In Thousands)

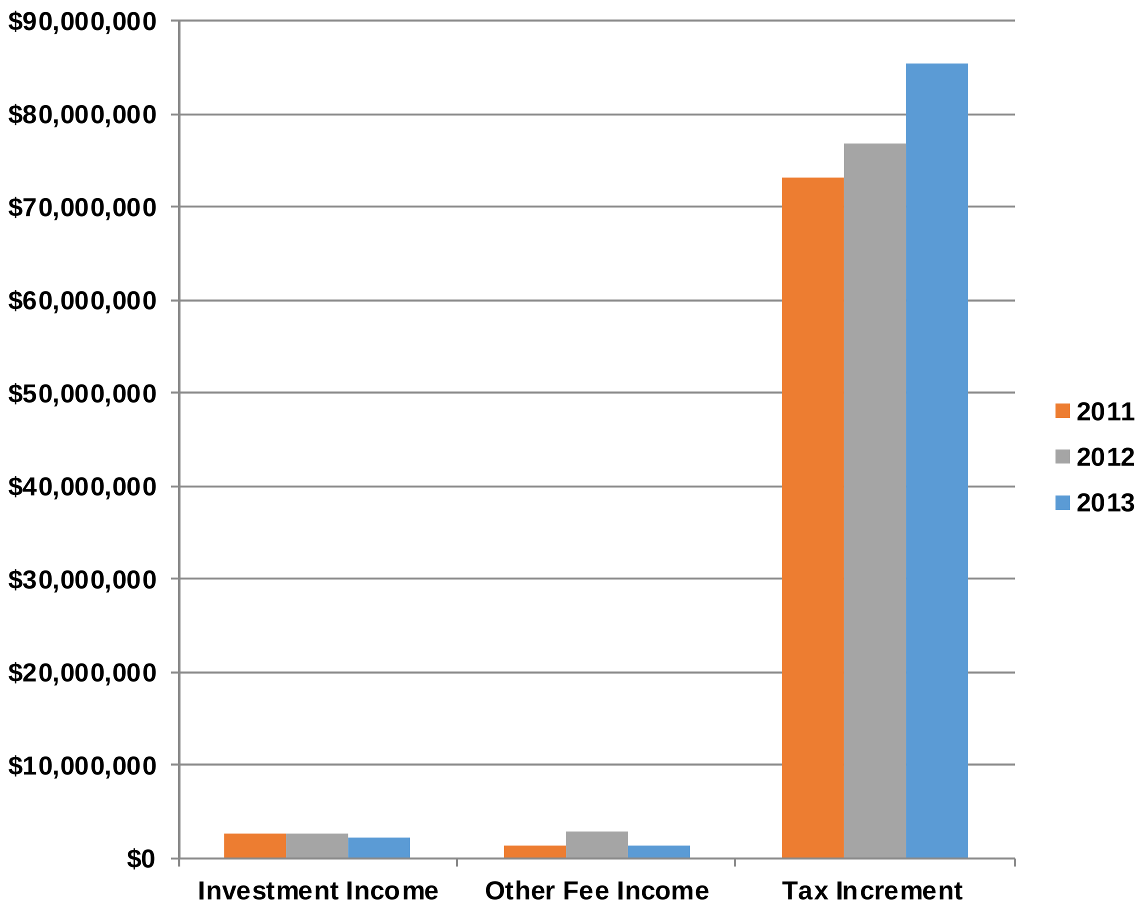
| | Governmental Activities | | | Business-Type Activities | | | Total Government | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 * (As restated) | 2011 | 2013 | 2012 | 2011 | 2013 | 2012 * (As restated) | 2011 |
| Revenues | | | | | | | | | |
| Intergovernmental - program | $ 101 | $ 95 | $ 57 | $ 1,974 | $ 1,396 | $ 1,448 | $ 2,075 | $ 1,491 | $ 1,505 |
| General revenues | | | | | | | - | | |
| Tax increment financing | 85,487 | 76,838 | 73,249 | - | - | - | 85,487 | 76,838 | 73,249 |
| Investment income | 1,452 | 2,690 | 2,573 | 24 | 27 | 33 | 1,476 | 2,717 | 2,606 |
| Other income | 2,206 | 2,835 | 2,227 | - | - | - | 2,206 | 2,835 | 2,227 |
| Transfers | (37) | (204) | (950) | 37 | 204 | 950 | - | - | - |
| Total revenues | 89,209 | 82,254 | 77,156 | 2,035 | 1,627 | 2,431 | 91,244 | 83,881 | 79,587 |
| Expenses | | | | | | | | | |
| Administration | 4,224 | 3,406 | 4,093 | 1,755 | 1,368 | 1,348 | 5,979 | 4,774 | 5,441 |
| Other expenses | - | - | - | 187 | 268 | 201 | 187 | 268 | 201 |
| Redevelopment projects | 40,776 | 33,430 | 40,973 | - | - | - | 40,776 | 33,430 | 40,973 |
| Debt service | | | | | | | | | |
| Interest | 16,005 | 17,905 | 19,099 | - | - | - | 16,005 | 17,905 | 19,099 |
| Total expenses | 61,005 | 54,741 | 64,165 | 1,942 | 1,636 | 1,549 | 62,947 | 56,377 | 65,714 |
| Change in net position | 28,204 | 27,513 | 12,991 | 93 | (9) | 882 | 28,297 | 27,504 | 13,873 |
| Net position (deficit) beginning of year | (204,965) | (232,478) | (240,114) | 3,861 | 3,870 | 2,988 | (201,104) | (228,608) | (237,126) |
| Adoption of GASB 65 | - | - | (5,355) | - | - | - | - | - | (5,355) |
| Net position (deficit), end of year | $ (176,761) | $ (204,965) | $ (232,478) | $ 3,954 | $ 3,861 | $ 3,870 | $ (172,807) | $ (201,104) | $ (228,608) |

* Year Ending 2012 is restated due to the Authority's adoption and implementation of GASB Statement 65.
2011 has not been restated for the adoption of GASB 65 because it is not practical to do so.

*Governmental activities* increased the Authority's governmental activities net position by $28,203,741, or 13.7% in 2013, $27,513,651, or 11.8%, in 2012 and $12,990,658, or 5.4%, in 2011.

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## (UNAUDITED)
## December 31, 2013 and 2012

**Revenue Governmental Activities**




**<u>2013</u>**

- Total governmental activities revenues, excluding transfers, increased by $6,786,843, or 8.23%, from the prior year, primarily due to increased property and sales tax receipts in the Lowry, Stapleton and Downtown TIF areas.

- Tax increment financing, which represents 95.8% of total governmental activities revenues, increased from last year by $8,649,314, or 11.2%.

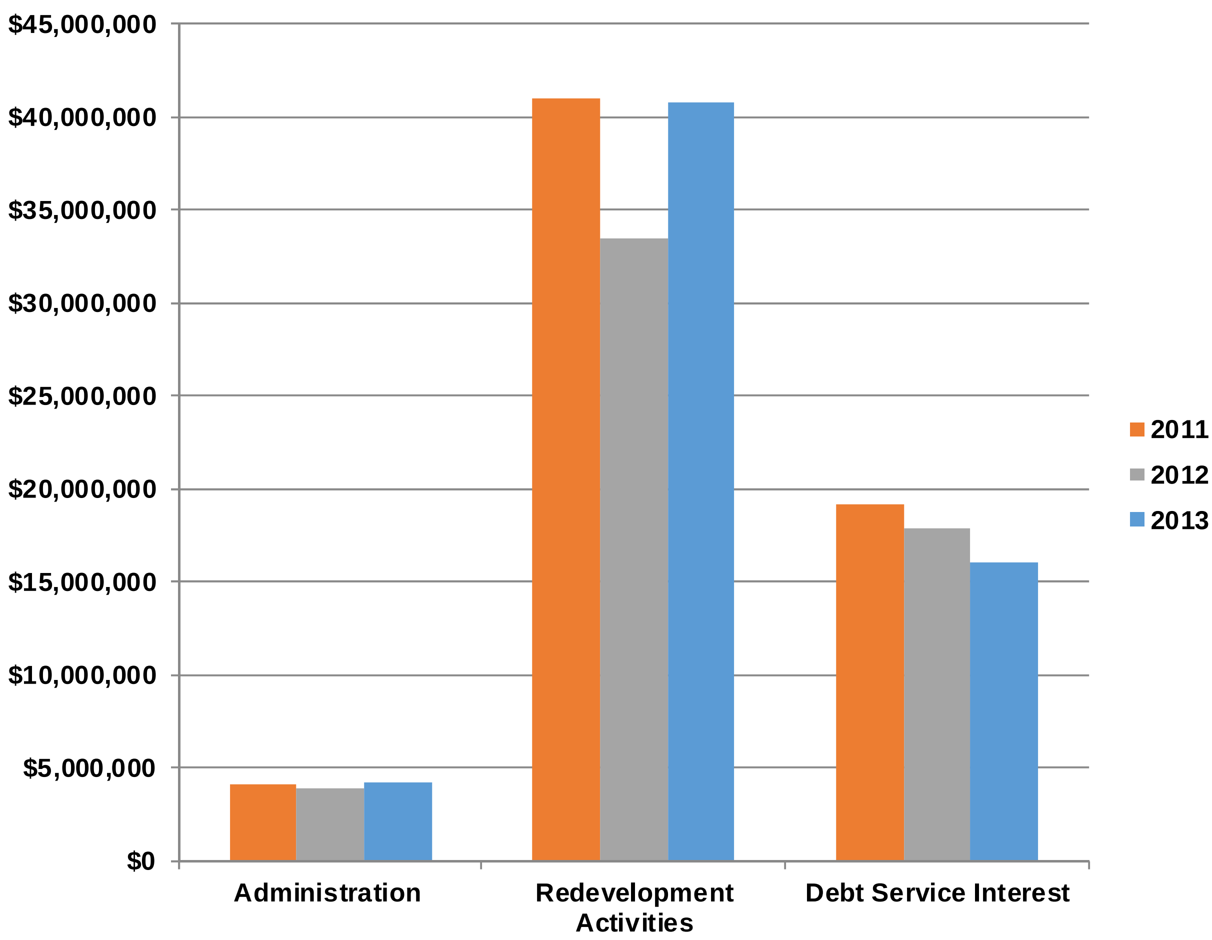
- Investment income represents 1.6% of total governmental activities revenues.

- Other income represents 2.6% of total governmental activities revenues.

**2012**

- Total governmental activities revenues, excluding transfers, increased by $4,353,648, or 5.6%, from the prior year, primarily due to increased property and sales tax receipts in the Lowry, Stapleton and Downtown TIF areas.
- Tax increment financing, which represents 93.4% of total governmental activities revenues, increased from last year by $3,589,333, or 4.9%.
- Investment income represents 3.2% of total governmental activities revenues.
- Other income represents 3.4% of total governmental activities revenues.

**Expense Governmental Activities**



**2013**

- Total governmental activities expenses of $61,005,038 increased by $6,264,014, or 11.4% from last year.
- Increased expenses of $7,345,889 in 2013 redevelopment activities reflect increased activity primarily in new and existing redevelopment projects related to Marycrest, Tamarac Square, the Source and Stapleton.
- The decrease in debt service interest of $1,899,726 in 2013 reflects the benefit derived from consecutive years of earlier than scheduled bond repayment related to the Downtown and Stapleton Bond Series.

**2012**

- Total governmental activities expenses of $54,741,024 decreased by $9,423,599, or 14.7% from last year.
- Decreased expenses of $7,543,278 in 2012 redevelopment activities reflect reduced activity related to the completion and final draw activity of Stapleton School #3.
- The decrease in debt service interest of $1,193,250 in 2012 reflects the benefit derived from consecutive years of earlier than scheduled bond repayment related to the Downtown Series bonds.

*Business-type activities* of the Authority consist of Federal Financial Assistance for the Housing Rehabilitation program. Funds are passed through the City and County of Denver to the Authority via the City's Community Development Block Grant Loan Program. This proprietary activity is accounted for as business-type activity because the Authority has concluded that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

# Financial Analysis of the Authority's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**. The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the Authority's financial requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year. Individual fund information of governmental funds reported by the Authority includes the general fund, capital projects fund and debt service fund, which are all considered major funds.

At the end of the current fiscal year, the Authority's governmental funds reported *combined fund balances* of $83,236,720 as compared to $86,378,567 in 2012 and $76,776,222 in 2011. This was an decrease of $3,141,847 in 2013 as compared to an increase of $9,602,345 in 2012 and an decrease of $9,969,237 in 2011. Unassigned fund balance is $2,353,829, or 2.8%, of the 2013 combined fund balance. This amount is retained for Authority administrative expenses.

The *general fund* is the general operating fund of the Authority. It is used to account for the Authority's general and administrative expenditures, financial commitments except those accounted for in another major fund and other financial items set forth in the previous paragraph. At the end of fiscal year 2013, the *unassigned fund balance* of the general fund was $2,353,829 while total fund balance was $2,405,066. At December 31, 2013, $51,237 was nonspendable. At December 31, 2012 and 2011, unassigned fund balances were $2,351,558 and $2,348,279 respectively.

The *capital projects fund* is used to account for the disbursement of funds for various redevelopment project obligations. At December 31, 2013, the capital projects fund balance was $62,926,771, a net increase of $15,566,317 during the fiscal year, due principally to increases in property and sales tax increment receipts and a $17,074,890 transfer of released Downtown Bond funds from the debt service fund to the capital project fund for future Downtown TIF projects. At December 31, 2012 and 2011, fund balances were $47,360,454 and $39,885,250, respectively.

The *debt service fund* is used for the servicing of long-term debt. The debt service fund has an ending fund balance of $17,904,883, a net decrease of $18,708,164 at December 31, 2013. The Authority's debt service fund balance was $36,613,047 in 2012. At December 31, 2011, fund balance was $34,485,906. The decrease of the 2013 debt service fund balance is due to the transfer of released Downtown Bond funds to the capital project fund.

**Proprietary funds**

The *enterprise fund* is used to account for operations related to the Authority's federal revolving rehabilitation loan program, historically a major program for Single Audit purposes consistent with the provisions of the Single Audit Act of 1996. The Authority was subject to compliance testing in accordance with OMB Circular A-133 for the year ended December 31, 2013 because the Authority's total expenditures of federal funds were greater than $500,000.

**Fiduciary funds**

The Authority, pursuant to the Stapleton Redevelopment Area Cooperation Agreement with the City and County of Denver has agreed to pass through tax increment related to the Westerly Creek, SBC and three Broadway Station Metropolitan Districts. Per the Agreement, this increment cannot be used to finance Authority operations or programs. In 2013, an *agency fund* was used to account for the $11,686,763 of tax increment revenue that passed through the Authority to the districts. The amount of pass-through in 2012 was $10,954,728 and $11,741,546 in 2011.

## General Fund Budgetary Highlights

The Authority is not legally required to budget its activities, therefore, no budgetary statements are presented in the financial statements. However, the Authority annually adopts a budget for the general fund for management purposes only. During 2013, there were no changes made to the general fund budget as approved by the Authority Board of Commissioners.

**Debt Administration**

At December 31, 2013, the Authority had total bond debt outstanding of $252,547,955 as compared to $272,318,699 at the end of the prior year and $295,184,677 in 2011. The Authority's outstanding debt will be repaid from future collections of tax increment revenues or from reserves established by the Authority and maintained by the bond trustee.

The Stapleton Senior bonds are rated A- by Fitch, Inc. (Fitch) and the Stapleton Senior Subordinate bonds are rated Aa3 by Moody's Investors Service Inc. (Moody's). All other Authority bonds are unrated. (See "Note 9" of the Financial Statements that follow this report for more detailed information regarding the Authority's debt).

**Cash management policies and practices**

In accordance with the Authority's Investment Policy, cash during the year was invested in short-term money market securities, the Colorado Local Government Liquid Asset Trust (COLOTRUST) and guaranteed investment contracts. COLOTRUST invests in U.S. Treasury, U.S. Agency Securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency Securities. The maturities of the investments range from days to one year, with an average maturity of approximately 53 days. For fiscal year ended December 31, 2013, the average yield on investments was .12%.

# Economic Factors Impacting the Authority's Financial Position

At December 31, 2013, unassigned fund balance in the general fund was $2,353,829 and $2,351,558 in 2012. The Authority believes the general fund balance is sufficient to cover ongoing operations of the Authority. The Authority also expects 2013 tax increment revenue to meet debt service obligations to the bondholders. (See "Supplementary Information" in the financial statements that follow this report).

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

The Authority will consider the impact of the current U.S. economy when projecting revenue growth in 2014. "Compared with the national average, Metro Denver's employment growth in 2013 was more than 1 percentage point higher at 2.9 percent. Metro Denver will have quite strong employment growth in three leading sectors of our economy in 2014 – natural resources and construction, professional and business services and education and healthcare services" *Patty Silverstein, Chief Economist, Metro Denver Economic Development Corporation.* The expanding employment base provides the basis for an improved commercial real estate market. The residential real estate market also remains strong with high levels of sales activity and rising home prices. *Metro Denver Economic Development Corporation*, *2014 Economic Forecast for Metro Denver*, www.metrodenver.org.

**Request For Information**

This financial report is designed to provide a general overview of the Denver Urban Renewal Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Manager, 1555 California Street, Suite 200, Denver, CO 80202.

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# Basic Financial Statements

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# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF NET POSITION
### December 31, 2013
### (With Comparative Summarized Information as of December 31, 2012)

| | Governmental Activities | Business-type Activities | Total Primary Government 2013 | Total Primary Government 2012 As restated |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 4,091,945 | $ 2,106,609 | $ 6,198,554 | $ 5,669,214 |
| Restricted cash and investments | 78,384,232 | - | 78,384,232 | 77,821,026 |
| Accounts receivable | 171,407 | 19,613 | 191,020 | 268,697 |
| Interest receivable | 201,707 | - | 201,707 | 188,138 |
| Due from the City and County of Denver | 69,932,603 | 266,373 | 70,198,976 | 69,050,958 |
| Prepaid items | 51,237 | - | 51,237 | 53,508 |
| Other assets | 12,492 | - | 12,492 | 4,256 |
| Notes receivable (net of allowance of $3,237,815) | 770,421 | - | 770,421 | 986,384 |
| Loans receivable (net of allowance of $979,992 and $884,334 for 2013 and 2012, respectively) | - | 1,782,083 | 1,782,083 | 2,207,468 |
| Internal balances | 31,352 | (31,352) | - | - |
| Total assets | 153,647,396 | 4,143,326 | 157,790,722 | 156,249,649 |
| **Deferred Outflows of Resources** | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - | 25,685,274 |
| Deferred loss on refunding | 24,434,814 | - | 24,434,814 | 4,258,822 |
| | 24,434,814 | - | 24,434,814 | 29,944,096 |
| **Liabilities** | | | | |
| Accrued liabilities | 3,784,204 | 22,438 | 3,806,642 | 1,164,808 |
| Accrued interest | 1,115,410 | - | 1,115,410 | 1,079,111 |
| Deposits | 838,021 | - | 838,021 | 313,463 |
| Due to the City and County of Denver | 824,007 | 167,000 | 991,007 | 1,565,900 |
| Interest rate swaps | - | - | - | 41,522,262 |
| Bonds with demand features | - | - | - | 172,115,000 |
| Noncurrent liabilities | | | | |
| Due within one year | 18,392,955 | - | 18,392,955 | 6,469,605 |
| Due in more than one year | 265,727,585 | - | 265,727,585 | 101,083,021 |
| Total liabilities | 290,682,182 | 189,438 | 290,871,620 | 325,313,170 |
| **Deferred Inflows of Resources** | 64,160,978 | - | 64,160,978 | 61,984,091 |
| **Net Position (Deficit)** | | | | |
| Restricted for | | | | |
| Capital projects | 34,210,684 | - | 34,210,684 | 20,411,013 |
| Debt service | 17,904,883 | - | 17,904,883 | 36,613,047 |
| Housing program loans | - | 3,953,888 | 3,953,888 | 3,861,175 |
| Unrestricted (deficit) | (228,876,517) | - | (228,876,517) | (261,988,751) |
| Total net position (deficit) | $ (176,760,950) | $ 3,953,888 | $ (172,807,062) | $ (201,103,516) |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF NET POSITION
## December 31, 2012 (Restated)

| | Governmental Activities | Business-type Activities | Total Primary Government |
|---|---|---|---|
| **Assets** | | | |
| Cash and investments | $ 3,919,428 | $ 1,749,786 | $ 5,669,214 |
| Restricted cash and investments | 77,821,026 | - | 77,821,026 |
| Accounts receivable | 206,809 | 61,888 | 268,697 |
| Interest receivable | 188,138 | - | 188,138 |
| Due from the City and County of Denver | 68,993,745 | 57,213 | 69,050,958 |
| Prepaid items | 53,508 | - | 53,508 |
| Other assets | 4,256 | - | 4,256 |
| Notes receivable (net of allowance of $3,237,815) | 986,384 | - | 986,384 |
| Loans receivable (net of allowance of $884,334 and $727,278 for 2012 and 2011, respectively) | - | 2,207,468 | 2,207,468 |
| Internal balances | 28,180 | (28,180) | - |
| Total assets | 152,201,474 | 4,048,175 | 156,249,649 |
| **Deferred Outflows of Resources** | | | |
| Accumulated decrease in fair value of hedging derivatives | 25,685,274 | - | 25,685,274 |
| Deferred loss on refunding | 4,258,822 | - | 4,258,822 |
| | 29,944,096 | - | 29,944,096 |
| **Liabilities** | | | |
| Accrued liabilities | 1,164,808 | - | 1,164,808 |
| Accrued interest | 1,079,111 | - | 1,079,111 |
| Deposits | 313,463 | - | 313,463 |
| Due to the City and County of Denver | 1,378,900 | 187,000 | 1,565,900 |
| Interest rate swaps | 41,522,262 | - | 41,522,262 |
| Bonds with demand features | 172,115,000 | - | 172,115,000 |
| Noncurrent liabilities | | | |
| Due within one year | 6,469,605 | - | 6,469,605 |
| Due in more than one year | 101,083,021 | - | 101,083,021 |
| Total liabilities | 325,126,170 | 187,000 | 325,313,170 |
| **Deferred Inflows of Resources** | 61,984,091 | - | 61,984,091 |
| **Net Position (Deficit)** | | | |
| Restricted for | | | |
| Capital projects | 20,411,013 | - | 20,411,013 |
| Debt service | 36,613,047 | - | 36,613,047 |
| Housing program loans | - | 3,861,175 | 3,861,175 |
| Unrestricted (deficit) | (261,988,751) | - | (261,988,751) |
| Total net position (deficit) | $ (204,964,691) | $ 3,861,175 | $ (201,103,516) |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENTS OF FINANCIAL POSITION –
## DENVER NEIGHBORHOOD REVITALIZATION, INC.
### December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **Assets** | | |
| Cash | $ 1,285,199 | $ 1,437,610 |
| Accounts receivable | 13,077 | 3,104 |
| Property held for resale | 605,369 | 911,397 |
| Prepaid items | 8,692 | 6,612 |
| Total assets | 1,912,337 | 2,358,723 |
| **Liabilities** | | |
| Accounts payable | 171 | 59,896 |
| Accounts payable - related party | 7,319 | - |
| Advances from other government | 13,077 | 18,236 |
| Total liabilities | 20,567 | 78,132 |
| **Net Assets** | | |
| Unrestricted net assets | $ 1,891,770 | $ 2,280,591 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF ACTIVITIES
### Year Ended December 31, 2013
### (With Comparative Summarized Information for the year ended December 31, 2012)

| | | Program Revenues |
|---|---|---|
| | Expenses | Operating Grants and Contributions |
| **Function/Programs** | | |
| **Governmental activities** | | |
| General government | $ 4,223,879 | $ 100,641 |
| Redevelopment projects | 40,775,575 | - |
| Interest expense | 16,005,585 | - |
| Total governmental activities | 61,005,039 | 100,641 |
| **Business-type activities** | | |
| Loan programs | 1,942,797 | 1,974,557 |
| Total business-type activities | 1,942,797 | 1,974,557 |
| Total | $ 62,947,836 | $ 2,075,198 |
| **General revenues** | | |
| Tax increment financing | | |
| Investment income | | |
| Other revenues | | |
| Transfers | | |
| Total general revenues | | |
| **Change in net position (deficit)** | | |
| **Net position (deficit), beginning of year - as previously stated** | | |
| **Change in accounting principle** | | |
| **Net position (deficit), beginning of year - as restated** | | |
| **Net position (deficit), end of year** | | |

| Net (Expense) Revenue and Changes in Net Position | | Total Primary Government | |
|---|---|---|---|
| Governmental Activities | Business-type Activities | 2013 | 2012 As Restated |
| $ (4,123,238) | $ - | $ (4,123,238) | $ (3,310,954) |
| (40,775,575) | - | (40,775,575) | (33,429,686) |
| (16,005,585) | - | (16,005,585) | (17,905,310) |
| (60,904,398) | - | (60,904,398) | (54,645,950) |
| - | 31,760 | 31,760 | (240,669) |
| - | 31,760 | 31,760 | (240,669) |
| (60,904,398) | 31,760 | (60,872,638) | (54,886,619) |
| 85,487,257 | - | 85,487,257 | 76,837,943 |
| 1,451,799 | 23,960 | 1,475,759 | 2,718,074 |
| 2,206,076 | - | 2,206,076 | 2,835,237 |
| (36,993) | 36,993 | - | - |
| 89,108,139 | 60,953 | 89,169,092 | 82,391,254 |
| 28,203,741 | 92,713 | 28,296,454 | 27,504,635 |
| (204,964,691) | 3,861,175 | (201,103,516) | (223,253,354) |
| - | - | - | (5,354,797) |
| (204,964,691) | 3,861,175 | (201,103,516) | (228,608,151) |
| $ (176,760,950) | $ 3,953,888 | $ (172,807,062) | $ (201,103,516) |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF ACTIVITIES
## Year Ended December 31, 2012 (Restated)

| | Expenses | Program Revenues: Operating Grants and Contributions |
|---|---|---|
| **Function/Programs** | | |
| **Governmental activities** | | |
| General government | $ 3,406,028 | $ 95,074 |
| Redevelopment projects | 33,429,686 | - |
| Interest expense | 17,905,310 | - |
| Total governmental activities | 54,741,024 | 95,074 |
| **Business-type activities** | | |
| Loan programs | 1,636,951 | 1,396,282 |
| Total business-type activities | 1,636,951 | 1,396,282 |
| Total | $ 56,377,975 | $ 1,491,356 |
| **General revenues** | | |
| Tax increment financing | | |
| Investment income | | |
| Other revenues | | |
| Transfers | | |
| Total general revenues | | |
| **Change in net position (deficit)** | | |
| **Net position (deficit), beginning of year - as previously stated** | | |
| **Change in accounting principle** | | |
| **Net position (deficit), beginning of year - as restated** | | |
| **Net position (deficit), end of year - as restated** | | |

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business-type Activities | Total Primary Government |
| $ (3,310,954) | $ - | $ (3,310,954) |
| (33,429,686) | - | (33,429,686) |
| (17,905,310) | - | (17,905,310) |
| (54,645,950) | - | (54,645,950) |
| - | (240,669) | (240,669) |
| - | (240,669) | (240,669) |
| (54,645,950) | (240,669) | (54,886,619) |
| 76,837,943 | - | 76,837,943 |
| 2,690,675 | 27,399 | 2,718,074 |
| 2,835,237 | - | 2,835,237 |
| (204,254) | 204,254 | - |
| 82,159,601 | 231,653 | 82,391,254 |
| 27,513,651 | (9,016) | 27,504,635 |
| (227,123,545) | 3,870,191 | (223,253,354) |
| (5,354,797) | - | (5,354,797) |
| (232,478,342) | 3,870,191 | (228,608,151) |
| $ (204,964,691) | $ 3,861,175 | $ (201,103,516) |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENTS OF ACTIVITIES –
## DENVER NEIGHBORHOOD REVITALIZATION, INC.
### Years Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **Operating revenues** | | |
| Forgiveness of advance - City and County of Denver | $ - | $ 133,766 |
| Grant revenue | 69 | 785,306 |
| Developer fee revenue | 35,864 | 141,006 |
| Total operating revenues | 35,933 | 1,060,078 |
| **Operating expenses** | | |
| Service agreement expense | 150,276 | 223,278 |
| Loss on sale of property | 252,761 | 855,429 |
| Other expenses | 24,079 | 34,478 |
| Total operating expenses | 427,116 | 1,113,185 |
| **Operating revenues over (under) operating expenses** | (391,183) | (53,107) |
| **Nonoperating revenues** | | |
| Investment income | 2,362 | 5,532 |
| Total nonoperating revenues | 2,362 | 5,532 |
| **Decrease in net assets** | (388,821) | (47,575) |
| **Net assets - unrestricted, beginning of year** | 2,280,591 | 2,328,166 |
| **Net assets - unrestricted, end of year** | $ 1,891,770 | $ 2,280,591 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## BALANCE SHEET - GOVERNMENTAL FUNDS
## December 31, 2013
## (With Comparative Summarized Information as of December 31, 2012)

| | General | Capital Projects | Debt Service | Total Governmental Funds 2013 | Total Governmental Funds 2012 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and investments | $ 4,091,945 | $ - | $ - | $ 4,091,945 | $ 3,919,428 |
| Restricted cash and investments | - | 61,821,708 | 16,562,524 | 78,384,232 | 77,821,026 |
| Accounts receivable | 156,355 | 15,053 | - | 171,408 | 206,810 |
| Interest receivable | - | - | 51,516 | 51,516 | 67,068 |
| Due from the City and County of Denver | - | 69,165,120 | 767,483 | 69,932,603 | 68,993,745 |
| Prepaid items | 51,237 | - | - | 51,237 | 53,508 |
| Advances to other funds | 159,242 | 1,962,088 | 1,233,560 | 3,354,890 | 3,430,671 |
| Total assets | $ 4,458,779 | $ 132,963,969 | $ 18,615,083 | $ 156,037,831 | $ 154,492,256 |
| **Liabilities and Fund Balances** | | | | | |
| **Liabilities** | | | | | |
| Accrued liabilities | $ 66,625 | $ 3,587,942 | $ - | $ 3,654,567 | $ 1,034,744 |
| Deposits | 25,000 | 813,021 | - | 838,021 | 313,463 |
| Due to the City and County of Denver | - | 824,007 | - | 824,007 | 1,378,900 |
| Advances from other funds | 1,962,088 | 1,361,450 | - | 3,323,538 | 3,402,491 |
| Total liabilities | 2,053,713 | 6,586,420 | - | 8,640,133 | 6,129,598 |
| **Deferred inflows of resources** | - | 63,450,778 | 710,200 | 64,160,978 | 61,984,091 |
| **Fund balances** | | | | | |
| Nonspendable - prepaid items | 51,237 | - | - | 51,237 | 53,508 |
| Restricted | | | | | |
| Capital projects | - | 34,210,684 | - | 34,210,684 | 20,411,013 |
| Debt service | - | - | 17,904,883 | 17,904,883 | 36,613,047 |
| Committed | - | 28,716,087 | - | 28,716,087 | 26,949,441 |
| Unassigned | 2,353,829 | - | - | 2,353,829 | 2,351,558 |
| Total fund balances | 2,405,066 | 62,926,771 | 17,904,883 | 83,236,720 | 86,378,567 |
| Total liabilities, deferred inflows or resources, and fund balances | $ 4,458,779 | $ 132,963,969 | $ 18,615,083 | $ 156,037,831 | $ 154,492,256 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## BALANCE SHEET - GOVERNMENTAL FUNDS
## December 31, 2012

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 3,919,428 | $ - | $ - | $ 3,919,428 |
| Restricted cash and investments | - | 44,944,237 | 32,876,789 | 77,821,026 |
| Accounts receivable | 191,757 | 15,053 | - | 206,810 |
| Interest receivable | - | - | 67,068 | 67,068 |
| Due from the City and County of Denver | - | 55,077,851 | 13,915,894 | 68,993,745 |
| Prepaid items | 53,508 | - | - | 53,508 |
| Advances to other funds | 93,573 | 1,743,894 | 1,593,204 | 3,430,671 |
| Total assets | $ 4,258,266 | $ 101,781,035 | $ 48,452,955 | $ 154,492,256 |
| **Liabilities and Fund Balances** | | | | |
| **Liabilities** | | | | |
| Accrued liabilities | $ 84,306 | $ 572,688 | $ 377,750 | $ 1,034,744 |
| Deposits | 25,000 | 288,463 | - | 313,463 |
| Due to the City and County of Denver | - | 1,291,227 | 87,673 | 1,378,900 |
| Advances from other funds | 1,743,894 | 1,658,597 | - | 3,402,491 |
| Total liabilities | 1,853,200 | 3,810,975 | 465,423 | 6,129,598 |
| **Deferred inflows of resources** | - | 50,609,606 | 11,374,485 | 61,984,091 |
| **Fund balances** | | | | |
| Nonspendable - prepaid items | 53,508 | - | - | 53,508 |
| Restricted | | | | |
| Capital projects | - | 20,411,013 | - | 20,411,013 |
| Debt service | - | - | 36,613,047 | 36,613,047 |
| Committed | - | 26,949,441 | - | 26,949,441 |
| Unassigned | 2,351,558 | - | - | 2,351,558 |
| Total fund balances | 2,405,066 | 47,360,454 | 36,613,047 | 86,378,567 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 4,258,266 | $ 101,781,035 | $ 48,452,955 | $ 154,492,256 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## RECONCILIATIONS OF THE BALANCE SHEETS - GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET POSITION
### December 31, 2013 and 2012

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

| | 2013 | 2012 |
|---|---|---|
| Total fund balances - governmental funds | $ 83,236,720 | $ 86,378,567 |
| Long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds | | |
| Notes receivable, net | 770,421 | 986,384 |
| Interest receivable | 150,191 | 121,070 |
| Other assets | 12,492 | 4,256 |
| Other long-term assets and deferred outflows are not available to pay for current-period expenditures and therefore are deferred in the funds | | |
| Accumulated decrease in fair value of hedging derivatives | - | 25,685,274 |
| Deferred loss on refundings | 24,434,814 | 4,258,822 |
| Long-term liabilities, including interest rate swap liability, bonds payable, notes payable, interest payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds | | |
| Interest rate swap liability | - | (41,522,262) |
| Bonds payable, net | (279,297,955) | (275,271,490) |
| Notes payable | (4,822,585) | (4,396,136) |
| Interest payable | (1,115,410) | (1,079,111) |
| Compensated absences | (129,638) | (130,065) |
| Net position (deficit) of governmental activities | $ (176,760,950) | $ (204,964,691) |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
### Year Ended December 31, 2013
### (With Comparative Summarized Information for the year ended December 31, 2012)

| | General | Capital Projects | Debt Service | Total Governmental Funds 2013 | Total Governmental Funds 2012 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Intergovernmental | $ 100,641 | $ - | $ - | $ 100,641 | $ 95,074 |
| Tax increment financing | - | 70,761,855 | 14,725,402 | 85,487,257 | 76,837,943 |
| Investment income | 5,942 | 86,676 | 904,868 | 997,486 | 973,910 |
| Other income | 2,111,720 | 10,910 | 83,446 | 2,206,076 | 2,835,237 |
| Total revenues | 2,218,303 | 70,859,441 | 15,713,716 | 88,791,460 | 80,742,164 |
| **Expenditures** | | | | | |
| Current | | | | | |
| Administration | 2,819,826 | - | 37,909 | 2,857,735 | 3,391,590 |
| Redevelopment projects | 17,479 | 27,499,675 | 13,258,421 | 40,775,575 | 33,301,906 |
| Bond Issuance Costs | - | - | 1,390,362 | 1,390,362 | - |
| Swap termination payment | - | - | 38,055,895 | 38,055,895 | 228,600 |
| Debt service | | | | | |
| Principal | - | - | 27,591,713 | 27,591,713 | 24,564,744 |
| Interest | - | 1,285,570 | 13,938,367 | 15,223,937 | 16,987,380 |
| Total expenditures | 2,837,305 | 28,785,245 | 94,272,667 | 125,895,217 | 78,474,220 |
| **Revenues over (under) expenditures** | (619,002) | 42,074,196 | (78,558,951) | (37,103,757) | 2,267,944 |
| **Other financing sources (uses)** | | | | | |
| Transfers in | 2,422,641 | 19,086,243 | 43,871,684 | 65,380,568 | 39,833,096 |
| Transfers out | (1,803,639) | (46,236,534) | (17,377,388) | (65,417,561) | (40,037,350) |
| Bond proceeds | - | - | 3,385,970 | 3,385,970 | - |
| Refunding bonds issued | - | - | 171,265,000 | 171,265,000 | 1,470,289 |
| Premium on refunding bond | - | - | 25,535,521 | 25,535,521 | - |
| Payment to refunding bond escrow | - | - | (166,830,000) | (166,830,000) | - |
| Proceeds from notes payable | - | 426,449 | - | 426,449 | 4,396,136 |
| Proceeds from developer | - | 215,963 | - | 215,963 | - |
| Proceeds from repayment of notes receivable | - | - | - | - | 1,672,230 |
| Total other financing sources (uses) | 619,002 | (26,507,879) | 59,850,787 | 33,961,910 | 7,334,401 |
| **Net change in fund balances** | - | 15,566,317 | (18,708,164) | (3,141,847) | 9,602,345 |
| **Fund balances, beginning of year** | 2,405,066 | 47,360,454 | 36,613,047 | 86,378,567 | 76,776,222 |
| **Fund balances, end of year** | $ 2,405,066 | $ 62,926,771 | $ 17,904,883 | $ 83,236,720 | $ 86,378,567 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
### Year Ended December 31, 2012

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental | $ 95,074 | $ - | $ - | $ 95,074 |
| Tax increment financing | - | 59,671,962 | 17,165,981 | 76,837,943 |
| Investment income | 7,364 | 85,032 | 881,514 | 973,910 |
| Other income | 2,524,567 | 172,927 | 137,743 | 2,835,237 |
| Total revenues | 2,627,005 | 59,929,921 | 18,185,238 | 80,742,164 |
| **Expenditures** | | | | |
| Current | | | | |
| Administration | 3,115,442 | - | 276,148 | 3,391,590 |
| Redevelopment projects | - | 23,019,197 | 10,282,709 | 33,301,906 |
| Swap termination payment | - | - | 228,600 | 228,600 |
| Debt service | | | | |
| Principal | - | 228,477 | 24,336,267 | 24,564,744 |
| Interest | - | 4,594 | 16,982,786 | 16,987,380 |
| Total expenditures | 3,115,442 | 23,252,268 | 52,106,510 | 78,474,220 |
| **Revenues over (under) expenditures** | (488,437) | 36,677,653 | (33,921,272) | 2,267,944 |
| **Other financing sources (uses)** | | | | |
| Transfers in | 2,241,144 | 1,812,701 | 35,779,251 | 39,833,096 |
| Transfers out | (1,752,707) | (37,083,516) | (1,201,127) | (40,037,350) |
| Bond proceeds | - | - | 1,470,289 | 1,470,289 |
| Proceeds from notes payable | - | 4,396,136 | - | 4,396,136 |
| Proceeds from repayment of notes receivable | - | 1,672,230 | - | 1,672,230 |
| Total other financing sources (uses) | 488,437 | (29,202,449) | 36,048,413 | 7,334,401 |
| **Net change in fund balances** | - | 7,475,204 | 2,127,141 | 9,602,345 |
| **Fund balances, beginning of year** | 2,405,066 | 39,885,250 | 34,485,906 | 76,776,222 |
| **Fund balances, end of year** | $ 2,405,066 | $ 47,360,454 | $ 36,613,047 | $ 86,378,567 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## RECONCILIATIONS OF STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
### Years Ended December 31, 2013 and 2012

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

| | 2013 | 2012 |
|---|---|---|
| Net change in fund balances, total governmental funds | $ (3,141,847) | $ 9,602,345 |
| Repayment of bond principal and note principal are expenditures in the governmental funds, but repayments reduce long-term liabilities in the statements of net position | | |
| Repayment of bond principal | 27,591,713 | 24,336,267 |
| Repayment of note principal | - | 228,477 |
| Swap termination payment | 38,055,895 | - |
| Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds | | |
| Change in accrued interest | (36,299) | (662,094) |
| Change in compensated absences | 427 | (10,180) |
| Amortization of loss on refundings | (2,483,661) | (492,059) |
| Amortization of bond premium | 1,738,312 | 236,223 |
| Write-down of note receivable | - | (127,780) |
| Other changes in assets | (8,236) | (4,258) |
| Some revenues reported in the statements of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds | | |
| Interest revenue | 13,569 | 48,894 |
| Amortization of imputed debt - swap | 440,744 | 1,896,471 |
| The outflow of the issuance of notes receivables and the proceeds of repayments of notes receivables are other financing sources and uses in the governmental funds, but do not affect the statements of activities | | |
| Proceeds from the repayment of notes receivable | - | (1,672,230) |
| Proceeds from the issuance of bonds, payments to escrow agent, and related costs are other financing sources and uses/expenditures in the governmental funds, but are long-term liabilities and assets in the statements of net position and do not affect the statements of activities | | |
| Refunding bond issued | (171,265,000) | - |
| Bond proceeds | (3,385,970) | (5,866,425) |
| Proceeds on notes payable and developers | (610,385) | - |
| Payments to refunding bond escrow agent and others | 166,830,000 | - |
| Premium on refunding bonds | (25,535,521) | - |
| Change in net position (deficit) of governmental activities | $ 28,203,741 | $ 27,513,651 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENTS OF NET POSITION - PROPRIETARY FUND
## December 31, 2013 and 2012

| | Total Enterprise Fund | |
|---|---|---|
| | 2013 | 2012 |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 2,106,609 | $ 1,749,786 |
| Accounts receivable | 19,613 | 61,888 |
| Due from the City and County of Denver | 266,373 | 57,213 |
| Total current assets | 2,392,595 | 1,868,887 |
| **Noncurrent assets** | | |
| Loans receivable (net of allowance of $979,992 and $884,334 for 2013 and 2012, respectively) | 1,782,083 | 2,207,468 |
| Total assets | 4,174,678 | 4,076,355 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accrued liabilities | 22,438 | - |
| Due to the City and County of Denver | 167,000 | 187,000 |
| Total current liabilities | 189,438 | 187,000 |
| **Noncurrent liabilities** | | |
| Advances from other funds | 31,352 | 28,180 |
| Total liabilities | 220,790 | 215,180 |
| **Net Position** | | |
| Restricted - Housing program loans | $ 3,953,888 | $ 3,861,175 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
### Years Ended December 31, 2013 and 2012

| | Total Enterprise Fund | |
|---|---|---|
| | **2013** | **2012** |
| **Operating revenues** | | |
| Contract revenue | $ 1,054,935 | $ 703,660 |
| Investment income | 23,960 | 27,399 |
| Other operating revenues | 919,622 | 692,622 |
| Total operating revenues | 1,998,517 | 1,423,681 |
| **Operating expenses** | | |
| Programs | 1,755,457 | 1,368,507 |
| Bad debt expense | 187,340 | 268,444 |
| Total operating expenses | 1,942,797 | 1,636,951 |
| **Operating income (loss)** | 55,720 | (213,270) |
| Transfers in | 36,993 | 204,254 |
| **Change in net position** | 92,713 | (9,016) |
| **Net position, beginning of year** | 3,861,175 | 3,870,191 |
| **Net position, end of year** | $ 3,953,888 | $ 3,861,175 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
## Years Ended December 31, 2013 and 2012

| | Total Enterprise Fund | |
|---|---|---|
| | 2013 | 2012 |
| **Cash flows from operating activities** | | |
| Cash received from loan payments, interest, and other revenues | $ 1,295,789 | $ 1,081,908 |
| Cash received from contracts | 845,774 | 787,037 |
| Cash payments for loans and administration fees | (1,806,209) | (1,506,167) |
| Net cash provided by operating activities | 335,354 | 362,778 |
| **Cash flows from noncapital financing activities** | | |
| Due to the City and County of Denver | (20,000) | (31,250) |
| Advances from other funds | 3,172 | 19,554 |
| Transfer in | 36,993 | 204,254 |
| Net cash provided by noncapital financing activities | 20,165 | 192,558 |
| **Cash flows from investing activities** | | |
| Cash received from investment income | 1,304 | 1,212 |
| **Net increase in cash and cash equivalents** | 356,823 | 556,548 |
| **Cash and cash equivalents, beginning of year** | 1,749,786 | 1,193,238 |
| **Cash and cash equivalents, end of year** | $ 2,106,609 | $ 1,749,786 |
| **Reconciliation of operating loss to net cash used in operating activities** | | |
| Operating income (loss) | $ 55,720 | $ (213,270) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities | | |
| Bad debt expense | 187,340 | 268,444 |
| Investment income included in operating revenues | (1,304) | (1,212) |
| Changes in assets and liabilities | | |
| Accounts receivable | 42,278 | (23,289) |
| Due from the City and County of Denver | (209,161) | 83,376 |
| Loans receivable | 238,043 | 262,633 |
| Accrued liabilities | 22,438 | (13,904) |
| Net cash provided by operating activities | $ 335,354 | $ 362,778 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENTS OF FIDUCIARY FUND ASSETS AND LIABILITIES – AGENCY FUND
## December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **Assets** | | |
| Taxes receivable | $ 16,736,876 | $ 12,327,472 |
| Total assets | $ 16,736,876 | $ 12,327,472 |
| **Liabilities** | | |
| Due to other governments | $ 16,736,876 | $ 12,327,472 |
| Total liabilities | $ 16,736,876 | $ 12,327,472 |

## Note 1: Summary of Significant Accounting Policies

Denver Urban Renewal Authority (the Authority) was created pursuant to the Urban Renewal Law of the State of Colorado to acquire, clear, rehabilitate, conserve, develop, or redevelop identified slum or blighted areas that exist within the City and County of Denver (the City).

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

### *Reporting Entity and Financial Statement Presentation*

The financial reporting entity consists of the Authority and organizations for which the Authority is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. In addition, any legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Authority. The Authority includes one discretely presented component unit in its financial statements as discussed below.

The Authority is governed by an eleven-member Board of Commissioners, appointed by the Mayor of the City and approved by City Council. Member terms are for five-year staggered periods with no compensation.

For financial reporting purposes, the Authority is a component unit of the City and County of Denver under the provisions of Governmental Accounting Standards Board Statement No. 14 (GASB 14), *The Financial Reporting Entity*, as amended by Governmental Accounting Standards Board Statement No. 61 (GASB 61) *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.* Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable because the Mayor appoints the Authority's Board of Commissioners, subject to City Council approval, and the Authority cannot undertake any urban renewal projects unless the City approves the urban renewal plan.

### *Discretely Presented Component Unit – Denver Neighborhood Revitalization, Inc.*

Based upon the criteria stated above, the Authority reports the accounts and operations of Denver Neighborhood Revitalization, Inc. (DNRI) within the reporting entity. DNRI, formed in 2009, is registered with the Colorado Secretary of the State as a not-for-profit organization established for the administration and execution of the Neighborhood Stabilization Program as granted by the City and County of Denver. DNRI's financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification 958, relating to the reporting model for financial statements of not-for-profit organizations, a different GAAP reporting model than is used by the Authority. In accordance with GASB 14, GASB 61 and Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14,* the Authority has elected to present DNRI's financial statements as separate statements within the government-wide presentation.

Separate financial statements for DNRI may be obtained from the Authority's office as follows: Financial Manager, 1555 California Street, Suite 200, Denver, Colorado 80202.

### *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 Authority except fiduciary activities. 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.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include governmental grants and payments made on loans. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority has only one major proprietary fund, its enterprise fund, as discussed below.

### *Measurement Focus and Basis of Accounting*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, the Authority reports the following major governmental funds:

> The General Fund is the Authority's primary operating fund. It accounts for and reports all financial resources of the Authority, except those required to be accounted for in another fund.
>
> The Capital Projects Fund is used to account for and reports various costs, and the related tax revenue and other financial resources, including debt, received for urban renewal projects.
>
> The Debt Service Fund accounts for and reports resources accumulated and payments made on long-term debt obligations of the Authority, including expenditures related to debt obligations.

The Authority also reports the following major proprietary fund:

> The Enterprise Fund accounts primarily for the activity related to the Authority's federal revolving rehabilitation loan program.

In addition, the Authority reports an agency fund to account for the tax increment financing that passes through the Authority from the City and County of Denver to other governmental districts.

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 Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Tax increment financing, payments from developers, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

In the fund financial statements, expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, including loans under the federal revolving rehabilitation loan program. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

DNRI considers debt forgiveness by the City and County of Denver and developer fee revenues to be operating revenues and related expenses, including losses on sales of property, to be operating expenses.

### *Assets, Liabilities and Fund Balances*

Cash, Cash Equivalents and Investments – Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

Restricted Cash and Investments – Cash and investments held for payment of bonds or reimbursements under certain redevelopment agreements are classified as restricted assets since their use is limited by applicable bond indentures or redevelopment agreements.

Receivables – All receivables are reported at their gross values and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Receivables and Payables – During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payables are classified in the funds statements as "due from other funds" and "due to other funds" because they are short-term in nature. Noncurrent portions of interfund receivables and payables are reported as "advances to other funds" and "advances from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Due from/to the City and County of Denver – Due from the City and County of Denver in the governmental funds includes amounts due from the City and County of Denver for contracts, other programs or tax increment distributions (sales and property taxes, net). A property tax receivable, due from the City and County of Denver, is recorded when the levy is certified by the City's Assessor on or before December 15 of each year, unless there is a special election. The property taxes due from the City and County of Denver are recorded inclusive of a 1% administration fee withheld by the City and County of Denver upon distribution of the taxes to the Authority. Property taxes are due to the City and considered earned by the Authority on January 1 following the year assessed (*i.e.*, in the period for which the taxes are levied). Contract receipts are recorded as receivables and revenues at the time reimbursable program costs are incurred. Due to the City and County of Denver in the proprietary fund represents money advanced to the Authority that is required to be repaid to the City.

Prepaid Items – Payments for services that will benefit subsequent periods are recorded as prepaid items.

Compensated Absences – Employees of the Authority with more than six months of service are allowed to accumulate unused sick and vacation time. Upon termination of employment from the Authority, an employee will be compensated for all accrued vacation time at their current pay rate, subject to certain limitations, but will forfeit any compensation for accrued sick time.

Accumulated unpaid vacation pay is accrued when earned. These compensated absences are recognized as current salary costs when paid in the governmental funds. A liability has been recorded in the government-wide financial statements for the accrued compensated absences.

Deferred Outflows of Resources and Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred outflows of resources of the Authority for the year ended December 31, 2013 consist of deferred losses on previous debt refundings and for the year ended December 31, 2012 consist of deferred losses on previous debt refundings and the accumulated decrease in the fair value of hedging derivatives. Deferred inflows of resources in the governmental fund financial statements are comprised of property taxes due from the City and County of Denver that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to the assets exists, but for which the levy pertains to the subsequent year.

Long-term Debt – In the government-wide financial statements, and for the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Position and Fund Balances – In the government-wide financial statements, net position is restricted when constraints placed on the net position is externally imposed. When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed. Within the unrestricted fund balance, unassigned fund balance is used first with any excess unassigned fund balance being committed by the Board at year-end as described below. Committed fund balance can only be used as described below, and cannot be used for operations once established by the Board.

In accordance with Governmental Accounting Standards Board Statement No. 54*, Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) the Authority reports its fund balances based primarily on the extent to which it is bound to honor constraints. Fund balances consist of five categories: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable fund balances of the Authority include prepaid items.

Restricted fund balances represent amounts constrained to specific purposes by external parties, enabling legislation and/or constitutional provisions. The Authority's restricted fund balances are constrained by bond agreements restricting the resources to expenditures towards the urban renewal projects or to debt service.

Committed fund balances represent amounts constrained by the highest level of decision making authority (the Authority's Board of Commissioners) and have been constrained through Board resolution. Only through similar Board action can the commitment be changed. The committed amounts are for the purposes of funding the Development Fund, a fund within the Capital Projects Fund. The Development Fund was established by the Board to manage excess revenue in a way that would preserve its ability to operate, protect bond issuances, and build a fund for community revitalization projects that otherwise would not be funded through traditional methods. The Development Fund is funded through transfers of excess revenues over expenditures from the General Fund.

Assigned fund balances represent funds that are intended to be used for a specific purpose but the constraint need not be from the highest level of decision making authority. Assignment of funds is largely through the adherence to Authority policy. The Authority has no assigned fund balances.

Unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been restricted, committed, or assigned.

The Authority has a policy of maintaining a minimum fund balance level of $2,100,000 of unassigned fund balance in the General Fund. However, the adopted policy states that the unassigned fund balance can be used to remedy an unanticipated budgetary shortfall in excess of $1,000,000, but if the unassigned balance falls below the minimum amount due to the anticipated budgetary shortfall, it must be replenished with Development Fund amounts within 12 months.

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

### *Tax Increment Financing*

The Authority's work in support of urban redevelopment utilizes a financing tool called tax increment financing, or TIF. State law enables urban renewal authorities to use additional incremental property and sales taxes generated by a redevelopment project to provide financing. These receipts, or "tax increments," must pay for infrastructure and related improvements associated with the redevelopment, usually through the issuance of bonds or developer reimbursement.

All additional taxes created by the redevelopment revert to the normal taxing entities once the Authority has fulfilled its monetary obligations related to a project. The neighborhood benefits from the creation of revitalized, productive properties and the taxing entities get new, permanent sources of revenue that would not have existed if the Authority had not enabled the project to be undertaken.

The Authority's bonds payable are payable solely from future TIF revenues pledged for such repayment or from reserves established by the Authority and maintained by the bond trustee.

### *Budgets*

The Authority annually adopts a budget for the General Fund for management purposes only. However, because the Authority is not legally required to budget its activities, no budgetary statements are presented in the financial statements.

### *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; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

### *Reclassifications*

Certain reclassifications have been made to the 2012 totals to conform with the 2013 presentation.

## Note 2: Changes in Accounting Principles

### *GASB 65*

During 2013, the Authority adopted GASB Statement No. 65 of the Governmental Accounting Standards Board (GASB 65), *Items Previously Reported As Assets and Liabilities.* GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations.

Adoption of GASB 65 resulted in a decrease in beginning net position, as of January 1, 2012, of $5,354,797 resulting from the requirement in GASB 65 that debt issuance costs, (except for any portion related to prepaid bond insurance costs), be recognized as an expense in the period incurred. Other line item changes as a result of the adoption of GASB 65 are due to the reclassification of items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and did not have an impact on net position.

Changes in the previously issued financial statements for 2012 as a result of adopting GASB 65 are as follows:

| | As Previously Reported | Adjustment | As Restated |
|---|---|---|---|
| **Statement of Net Position as of December 31, 2012:** | | | |
| Deferred charges | $ 4,848,885 | $ (4,848,885) | $ - |
| Deferred outflows of resources | 25,685,274 | 4,258,822 | 29,944,096 |
| Deferred revenue | 61,984,091 | (61,984,091) | - |
| Noncurrent liabilities | | | |
| Due in more than one year | 96,824,199 | 4,258,822 | 101,083,021 |
| Deferred inflows of resources | - | 61,984,091 | 61,984,091 |
| Net position - unrestricted (deficit) | (257,139,866) | (4,848,885) | (261,988,751) |
| **Statement of Activities** | | | |
| General government expenses - governmental activities | 3,911,940 | (505,912) | 3,406,028 |
| Changes in net position - governmental activities | 27,007,739 | 505,912 | 27,513,651 |
| Net position for the year ended December 31, 2012 - governmental activities | (200,115,806) | (4,848,885) | (204,964,691) |
| **Balance Sheet** | | | |
| Deferred revenue | 61,984,091 | (61,984,091) | - |
| Deferred inflows of resources | - | 61,984,091 | 61,984,091 |

## Note 3: Cash and Investments

A summary of cash and investments follows:

| | 2013 | 2012 |
|---|---|---|
| Petty cash | $ 300 | $ 300 |
| Cash deposits | 50,210,094 | 32,201,821 |
| Investments | 34,372,392 | 51,288,119 |
| Total cash and investments | $ 84,582,786 | $ 83,490,240 |

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

| | 2013 | 2012 |
|---|---|---|
| Cash and investments | $ 6,198,554 | $ 5,669,214 |
| Restricted cash and investments | 78,384,232 | 77,821,026 |
| Total cash and investments | $ 84,582,786 | $ 83,490,240 |

### *Cash Deposits*

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires deposits to be held by eligible public depositories. Eligibility is determined by state regulations. At December 31, 2013 and 2012, State regulatory commissioners have indicated that all financial institutions holding deposits for the Authority are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution 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. Because the Authority's deposits are either insured by federal insurance or collateralized under the PDPA, such deposits are not exposed to custodial credit risk.

In accordance with the Authority's investment policy, at the time of purchase, any repurchase agreements must be at least equal to one hundred two percent (102%) of the funds invested, subsequently not to fall below one hundred percent (100%) of the funds invested and marked-to-market weekly. Collateral for any investment is held in an account in the Authority's name.

At December 31, 2013 and 2012, the Authority had deposits with financial institutions with a carrying amount of $50,210,094 and $32,201,821, respectively. The bank balances with the financial institutions were $50,629,259 as of December 31, 2013 and $32,256,223 as of December 31, 2012. Of these balances, $500,000 was covered by Federal Depository Insurance and $50,129,259 for 2013 and $31,756,223 for 2012 was covered by collateral held by authorized financial institutions in the Authority's name (PDPA).

### *Investments*

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. By definition, investments in external investment pools and money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Guaranteed investment contracts are exposed to custodial credit risk as of December 31, 2013. The Authority has no investment policy that addresses custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in financial market rates of interest will adversely affect the value of an investment. This risk is commonly measured by the duration of an investment. The Authority's investment policy does not formally limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

As of December 31, 2013 and 2012, the Authority has the following investments:

| | 2013 | | |
|---|---|---|---|
| | Investment Maturity (Years) | | |
| | Fair Value | Less than One Year | 1 to 5 Years |
| Money market funds | $ 9,396,472 | $ 9,396,472 | $ - |
| Guaranteed investment contracts | 9,300,000 | - | 9,300,000 |
| Local government investment pool | 15,675,920 | 15,675,920 | - |
| Total | $ 34,372,392 | $ 25,072,392 | $ 9,300,000 |

| | 2012 | | |
|---|---|---|---|
| | Investment Maturity (Years) | | |
| | Fair Value | Less than One Year | 1 to 5 Years |
| Money market funds | $ 17,632,339 | $ 17,632,339 | $ - |
| Guaranteed investment contracts | 18,000,000 | - | 18,000,000 |
| Local government investment pool | 15,655,784 | 15,655,784 | - |
| Total | $ 51,288,123 | $ 33,288,123 | $ 18,000,000 |

Credit Risk – Credit risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the Authority. Colorado statutes specify the investments in which the Authority may invest which include:

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of 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 above investments are authorized for all funds and fund types used by Colorado governments. These investments must have a credit rating of AAA by Standard and Poor's and a rating of Aaa from Moody's.

At December 31, 2013 and 2012, the Authority had invested $15,675,920 and $15,655,784, respectively, in the Colorado Local Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds for investment purposes and is registered with the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. The majority of securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of the pool consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. COLOTRUST is comprised of two funds: PRIME and PLUS+. COLOTRUST PRIME carries an AAAm from Standards and Poor's. COLOTRUST PLUS+ carries an AAAm rating from Standard and Poor's.

The Authority is also invested in a guaranteed investment contract that pays a fixed rate of interest on the funds invested in a bond reserve account for the Stapleton bonds. At December 31, 2013, the Authority was invested in an agreement that pays a guaranteed rate of interest of 4.859%. At December 31, 2012, the Authority was invested in two separate agreements that pay a guaranteed rate of interest of 4.859% and 4.950%.

Both of these agreements were entered into with Merrill Lynch Capital Services, Inc. In connection with the refunding of the Authority's Series 2008A-1 Bonds and Series 2008A-2 Bonds with the proceeds of its Series 2013A-1 Bonds, as described in Note 9, the Authority terminated the first of these Agreements on March 26, 2013 and terminated a portion of the second on March 25, 2013. $422,000 of current and future interest due was paid by the provider in connection with the termination and partial termination, respectively, of the two agreements.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are not subject to concentration of credit risk disclosed requirements. More than 5% of the Authority's investments are with the following issuers:

| | 2013 | 2012 |
|---|---|---|
| Guaranteed investment contracts | 29.36% | 35.10% |

### *Restricted Cash and Investments*

At December 31, 2013 and 2012, the Authority had restricted cash and investments totaling $78,384,232 and $77,821,026, respectively, for debt service payments or reimbursements under certain redevelopment agreements.

## Note 4: Interfund Balances and Transfers

The General Fund has made advances to the Capital Projects Fund for the Denver Dry Goods Building (see Note 5) and other capital projects. Other interfund balances represent ongoing operations of the Authority occurring due to numerous transactions between the funds. Amounts are expected to be repaid within a reasonable period of time.

Interfund advances between funds are as follows:

**2013**

| | Payable Fund | | | |
|---|---|---|---|---|
| Receivable Fund | General Fund | Capital Projects Fund | Enterprise Fund | Total |
| General Fund | $ - | $ 127,890 | $ 31,352 | $ 159,242 |
| Capital Projects Fund | 1,962,088 | - | - | 1,962,088 |
| Debt Service Fund | - | 1,233,560 | - | 1,233,560 |
| Total | $ 1,962,088 | $ 1,361,450 | $ 31,352 | $ 3,354,890 |

**2012**

| | Payable Fund | | | |
|---|---|---|---|---|
| Receivable Fund | General Fund | Capital Projects Fund | Enterprise Fund | Total |
| General Fund | $ - | $ 65,393 | $ 28,180 | $ 93,573 |
| Capital Projects Fund | 1,743,894 | - | - | 1,743,894 |
| Debt Service Fund | - | 1,593,204 | - | 1,593,204 |
| Total | $ 1,743,894 | $ 1,658,597 | $ 28,180 | $ 3,430,671 |

At the end of each year, the General Fund transfers any fund revenues in excess of expenditures to the Capital Projects Fund to be used for future projects. If General Fund expenditures exceed revenues, the Capital Projects and Debt Service Funds transfer funds to the General Fund to eliminate the deficiency of revenues.

**2013**

| | Transfers Out | | | |
|---|---|---|---|---|
| **Transfers In** | **General Fund** | **Capital Projects Fund** | **Debt Service Fund** | **Total** |
| General Fund | $ - | $ 2,364,850 | $ 57,791 | $ 2,422,641 |
| Capital Projects Fund | 1,766,646 | - | 17,319,597 | 19,086,243 |
| Debt Service Fund | - | 43,871,684 | - | 43,871,684 |
| Enterprise Fund | 36,993 | - | - | 36,993 |
| Total | $ 1,803,639 | $ 46,236,534 | $ 17,377,388 | $ 65,417,561 |

**2012**

| | Transfers Out | | | |
|---|---|---|---|---|
| **Transfers In** | **General Fund** | **Capital Projects Fund** | **Debt Service Fund** | **Total** |
| General Fund | $ - | $ 1,304,265 | $ 936,879 | $ 2,241,144 |
| Capital Projects Fund | 1,548,453 | - | 264,248 | 1,812,701 |
| Debt Service Fund | - | 35,779,251 | - | 35,779,251 |
| Enterprise Fund | 204,254 | - | - | 204,254 |
| Total | $ 1,752,707 | $ 37,083,516 | $ 1,201,127 | $ 40,037,350 |

## Note 5: Notes Receivable

### *DNRI*

In 2009, the Authority, as lender, entered into a loan agreement with DNRI, its discretely presented component unit, for $1,700,000 with $1,000,000 outstanding at December 31, 2009. The outstanding balance was repaid during 2010 and DNRI subsequently borrowed an additional $1,000,000 from the Authority. At December, 31, 2010, the loan balance was $515,778. In 2011, DNRI borrowed another $1,400,000 and made payments of $243,548, making the loan balance at December 31, 2011, $1,672,230. The note was paid in full during 2012.

In 1992, the Denver Dry Development Corporation, a Colorado nonprofit corporation, was formed for the redevelopment of the Denver Dry Goods Building. The Denver Dry Development Corporation is the general partner of Denver Building Housing, Ltd. (DBH, Ltd.), a Colorado limited partnership. The sole limited partner is the Federal National Mortgage Association (FNMA).

### *DBH, Ltd.*

During 1993, the Authority sold certain portions of the Denver Dry Goods Building to DBH, Ltd. The sales price, $2,225,000, was financed by the buyer in the form of a promissory note to the Authority. The Authority also received two additional notes receivable for expenditures to ready the building for use, one in the amount of $437,815 and one in the amount of $600,000 from DBH, Ltd. A payment of $600,000 was received on one note during the year ended December 31, 2003, and the Authority loaned an additional $575,000 to DBH, Ltd., during the year ended December 31, 2004. In 2009, the terms of the notes were modified such that the notes bear no interest and are due only upon the sale of the building and only to the extent of 50% of the proceeds of the sale. All notes are secured by the building.

Notes receivable from DBH, Ltd. totaled $3,237,815 as of December 31, 2013 and 2012. Repayment of the notes is doubtful and the receivable amount has been fully allowed for in the financial statements.

### *Dahlia Square LLC*

In 2008, the Authority, as lender, entered into a loan agreement for $1,272,572 with Dahlia Square LLC, as borrower, for purposes of acquiring property in the North East Park Hill Urban Renewal Area. The loan is collateralized by the deed of trust on the property and matures on February 27, 2018 and the loan accrues simple interest beginning July 1, 2009 at 3% per annum, increasing to 4% per annum on July 1, 2010 and to 5% per annum on July 1, 2011 through final maturity. A payment was made by Dahlia Square LLC during 2010 and the loan balance at December 31, 2013 and 2012 is $770,421. At December 31, 2013 and 2012, the note had accrued $150,191 and $111,670 in interest, respectively.

In 2010, the Authority, as lender, entered into a loan agreement with DSS Two Land Company LLC for $329,907 for purposes of acquiring property in the Dahlia Square Subdivision. The outstanding balance was $215,963 at December 31, 2012 and paid off in full in 2013.

## Note 6: Loans Receivable

The Authority has entered into several agreements with the City to administer various community development home loan programs. Under certain guidelines, qualified homeowners/occupants within the City may borrow funds to rehabilitate single family housing units. In addition, the Authority administered programs which offered qualified first-time home buyers first and second mortgages to purchase qualifying residences. The loans were funded by the City, the U.S. Department of Housing and Urban Development (HUD) and other State and private sources.

The major categories of loans are as follows:

### *Fully Amortized*

Loans are made to qualified program applicants under the Authority's Single Family Rehabilitation Program and bear interest at 0% to 8% per annum.

The loans are payable in monthly installments. All loans are collateralized by the properties on which the money is loaned. The loans originated under these programs for the years ended December 31, 2013 and 2012 totaled $137,252 and $163,679, respectively. The Authority provides for losses on all loans more than 30 days delinquent.

The following is a summary of enterprise fund loans receivable transactions under this loan category for the years ended December 31, 2013 and 2012:

| Balance January 1, 2013 | Additions | Payments/ Write-offs | Change in Allowance | Balance December 31, 2013 |
|---|---|---|---|---|
| $ 2,207,468 | $ 137,252 | $ (466,979) | $ (95,658) | $ 1,782,083 |

| Balance January 1, 2012 | Additions | Payments/ Write-offs | Change in Allowance | Balance December 31, 2012 |
|---|---|---|---|---|
| $ 2,738,546 | $ 163,679 | $ (537,701) | $ (157,056) | $ 2,207,468 |

### *Deferred Payment*

Certain applicants to the loan program qualify for a deferred payment home rehabilitation loan through the Community Development Rehabilitation Program. The loans are granted for a 20-year term or are secured by a perpetual lien, bear 0% interest, and are payable only in the event of sale, transfer or owner non-occupancy during the loan term.

New loans originated under these programs for the years ended December 31, 2013 and 2012 totaled $1,017,111 and $517,090, respectively. Deferred loans outstanding at December 31, 2013 and 2012 totaled $25,519,306 and $28,380,949, respectively. Because these amounts are payable only upon the conditions discussed above, they are not recorded in the financial statements.

## Note 7: Capital Projects

There are two ways in which the Authority finances urban renewal projects, through the issuance of bonds or through reimbursements to developers for a portion of the developer's project financing. The Authority is currently financing 18 reimbursement projects (see Note 12, under reimbursement projects). Reimbursements to developers are payable solely from property and/or sales tax increment revenue generated by each project. Tax increment revenue is based on the project's current property value and retail sales performance. The two projects financed through issuance of bonds currently outstanding are as follows:

### *Stapleton Project*

The Stapleton project involves the redevelopment of the Stapleton Airport Area. This 7.5 square mile project, encompassing approximately 4,700 acres, is one of the largest infill developments in the nation. Generally, the project area consists of the land area south of 64th Avenue, east of Quebec Street, west of Havana, and north of Montview Boulevard. The entire project will be developed in a series of phases over a period of approximately 20 years. When completed, the project will be home to approximately 12,000 housing units, three million square feet of retail facilities, ten million square feet of commercial space, numerous schools and community facilities, with a work force population of 35,000 employees and 30,000 residents. The Stapleton redevelopment will also include over 1,100 acres of parks and open space.

A significant amount of development has occurred in the southern portion of the project and construction continues in the northern half of the project. The large regional retail center, Northfield Mall, opened during the fourth quarter of 2005 featuring Bass Pro Shops and Super Target. The second phase of the mall opened in October 2006 featuring a Macy's and Harkins Theaters, and the third phase opened in 2007 with a JC Penney's. There is approximately 1.1 million square feet of retail space at Northfield Mall. Retail space at Quebec Square is 761,000 square feet and 165,000 square feet at the Town Center. Office space totals 393,000 square feet at the project. The cumulative number of residential units sold through 2013 and 2012 were 6,022 and 5,452, respectively. A new interchange with Interstate 70 is open and enables continued development in the northern part of the project.

### *Highlands Garden Village*

The Highlands Garden Village project involves the redevelopment of 27.39 acres vacated by the relocation of the Elitch Gardens amusement park. The redevelopment creates a mixed-use urban village that includes over 300 residential units, a 43,000 square foot public school, 70,000 square feet of commercial space, 38,000 square feet of civic use space (historic theatre and carousel building) and 140,000 square feet of open space.

In addition to the two projects above, the project below was originally financed through the issuance of bonds.

### *Downtown Denver Bonds*

The Authority issued a series of bonds between 1992 and 1997 to support the development of four projects: The Denver Dry, Mercantile Square, Sheraton Denver (formerly Adams Mark Hotel), and the Denver Pavilions. The four projects were originally financed separately with the cumulative total of bonds issued at $77,055,000. The four projects were refinanced in one bond issuance in 2006. Collectively these four projects were integral to the implementation and success of the 1986 Downtown Area Plan and were a catalyst for redevelopment in downtown Denver as we know it today. The 2006 bond issuance was fully retired during 2013.

## Note 8: Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are comprised of the following for the years ended December 31:

| | 2013 | 2012 |
|---|---|---|
| Deferred outflows of resources | | |
| Deferred loss on refundings | $ 24,434,814 | $ 4,258,822 |
| Accumulated decrease in fair value of hedging derivatives | - | 25,685,274 |
| Total deferred inflows of resources | $ 24,434,814 | $ 29,944,096 |

| | 2013 | 2012 |
|---|---|---|
| Deferred inflows of resources | | |
| Property taxes not yet received | $ 64,160,978 | $ 61,984,091 |
| Total deferred inflows of resources | $ 64,160,978 | $ 61,984,091 |

## Note 9: Long-term Liabilities

The following is a summary of debt transactions of the Authority for the years ended December 31, 2013 and 2012:

| | Balance 1/1/2013 | Additions | Payments/ Reductions | Balance 12/31/2013 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 272,318,699 | $ 174,650,970 | $ (194,421,714) | $ 252,547,955 | $ 18,392,955 |
| Premium on bonds payable | 2,952,791 | 25,535,521 | (1,738,312) | 26,750,000 | - |
| Notes payable | 4,396,136 | 426,449 | - | 4,822,585 | - |
| Compensated absences | 130,065 | 102,325 | (102,752) | 129,638 | - |
| Total | $ 279,797,691 | $ 200,715,265 | $ (196,262,778) | $ 284,250,178 | $ 18,392,955 |

| | Balance 1/1/2012 (Restated) | Additions | Payments/ Reductions | Balance 12/31/2012 (Restated) | Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 295,184,677 | $ 1,470,289 | $ (24,336,267) | $ 272,318,699 | $ 16,029,605 ** |
| Premium on bonds payable | 3,189,014 | - | (236,223) | 2,952,791 | - |
| Notes payable | 228,477 | 4,396,136 | (228,477) | 4,396,136 | - |
| Compensated absences | 119,885 | 102,083 | (91,903) | 130,065 | - |
| Total | $ 298,722,053 | $ 5,968,508 | $ (24,892,870) | $ 279,797,691 | $ 16,029,605 |

** Includes bonds with demand features of $9,560,000

Compensated absences are reported in accrued liabilities in the statements of net position.

A comparison of TIF revenues pledged as collateral for the payment of Tax Increment Revenue Bonds (Bonds) recognized for the years ended December 31, 2013 and 2012 to the principal and interest requirements of the Bonds for those periods is as follows:

| | 2013 | 2012 |
|---|---|---|
| TIF revenues recognized, net of priority fees | $ 58,328,648 | $ 52,405,204 |
| Principal and interest requirements | 26,443,063 | 29,679,672 |
| Swap settlement payments | 3,034,096 | 8,273,840 |

## *Bonds Payable*

Bonds payable as of December 31, 2013 are:

**Tax Increment Revenue Bonds**

| | Balance 1/1/2013 | Additions | Payments/ Reductions | Balance 12/31/2013 | Due Within One Year |
|---|---|---|---|---|---|
| Stapleton Senior Tax Increment Revenue Bonds Series 2008A-1 for the Stapleton Project. The bonds are variable rate with swap interest payments due the first business day of the month. The variable interest rate at December 31, 2012 was 0.12% and the bonds mature on December 1, 2025. The bonds were refunded in 2013. | $ 71,220,000 | $ - | $ 71,220,000 | $ - * | $ - |
| Stapleton Senior Tax Increment Revenue Bonds Series 2008A-2 for the Stapleton Project. The bonds are variable rate with swap interest payments due the first business day of the month. The variable interest rate at December 31, 2012 was 0.12% and the bonds mature on December 1, 2025. The bonds were refunded in 2013. | 95,610,000 | - | 95,610,000 | - * | - |
| Stapleton Senior Subordinate Tax Increment Revenue Bonds Series 2010B-1 for the Stapleton Project. The interest rate on the bonds varies from 2.0% to 5.0% and the bonds mature on December 1, 2025. | 91,285,000 | - | 3,850,000 | 87,435,000 | 6,095,000 |
| Stapleton Junior Subordinate Build America Bonds Series 2010B-1 for the Stapleton Project. The interest rate on the bonds was 8.07% and the bonds mature on December 1, 2025. The bonds were retired in 2013. | 2,166,256 | - | 2,166,256 | - | - |
| Stapleton & School District No. 1 of the City and County of Denver Junior Subordinate Bonds Series 2010B-1, relating to the school funding of the Stapleton Project. The interest rate on the bonds is 5.25% and the bonds mature on December 1, 2014. The bonds were retired in 2013. | 3,517,443 | 1,543,986 | 5,061,429 | - | - |

### Tax Increment Revenue Bonds (continued)

| | Balance 1/1/2013 | Additions | Payments/ Reductions | Balance 12/31/2013 | Due Within One Year |
|---|---|---|---|---|---|
| Downtown Denver Urban Renewal Project Tax Increment Revenue Bonds, Series 2006B (Downtown Bonds). The bonds are variable rate with swap interest payments due the first business day of the month. The variable interest rate at December 31, 2012 was 1.85% and the bonds mature on September 1, 2017. The bonds were retired in 2013. | 5,285,000 | - | 5,285,000 | - * | - |
| Highlands Garden Village Urban Renewal Project Tax Exempt Series 2007A, with fixed interest at 5.25% until 2016 with variable interest rate thereafter. The bonds mature on December 1, 2023. | 3,235,000 | - | 460,000 | 2,775,000 | 230,000 |
| Stapleton Senior Tax Increment Revenue Bonds Series 2013A-1 for the Stapleton Project. The interest rate on the bond is a fixed rate of 5% and the bonds mature on December 1, 2025. | - | 171,265,000 | 9,705,000 | 161,560,000 | 11,290,000 |
| Stapleton Series 2013D-1 Park Creek Junior Subordinate Bond for the Stapleton Project. The interest rate on the bond is a fixed rate of 8.5% and the bond matures on December 1, 2025. | - | 1,841,984 | 1,064,029 | 777,955 | 777,955 |
| | $ 272,318,699 | $ 174,650,970 | $ 194,421,714 | $ 252,547,955 | $ 18,392,955 |

### Tax Increment Revenue Bonds (continued)

Bonds payable as of December 31, 2012 are:

| | Balance 1/1/2012 | Additions | Payments/ Reductions | Balance 12/31/2012 | | Due Within One Year |
|---|---|---|---|---|---|---|
| Stapleton Senior Tax Increment Revenue Bonds Series 2008A-1 for the Stapleton Project. The bonds are variable rate with swap interest payments due the first business day of the month. The variable interest rate at December 31, 2012 was 0.12% and the bonds mature on December 1, 2025. | $ 73,980,000 | $ - | $ 2,760,000 | $ 71,220,000 | * | $ 3,595,000 |
| Stapleton Senior Tax Increment Revenue Bonds Series 2008A-2 for the Stapleton Project. The bonds are variable rate with swap interest payments due the first business day of the month. The variable interest rate at December 31, 2012 was 0.12% and the bonds mature on December 1, 2025. | 99,515,000 | - | 3,905,000 | 95,610,000 | * | 4,980,000 |
| Stapleton Senior Subordinate Tax Increment Revenue Bonds Series 2010B-1 for the Stapleton Project. The interest rate on the bonds varies from 2.0% to 5.0% and the bonds mature on December 1, 2025. | 95,090,000 | - | 3,805,000 | 91,285,000 | | 3,850,000 |
| Stapleton Junior Subordinate Build America Bonds Series 2010B-1 for the Stapleton Project. The interest rate on the bonds is 8.07% and the bonds mature on December 1, 2025. | 2,946,275 | - | 780,019 | 2,166,256 | | 1,155,410 |
| Stapleton & School District No. 1 of the City and County of Denver Junior Subordinate Bonds Series 2010B-1, relating to the school funding of the Stapleton Project. The interest rate on the bonds is 5.25% and the bonds mature on December 1, 2014. | 3,173,402 | 1,470,289 | 1,126,248 | 3,517,443 | | 1,244,195 |

### Tax Increment Revenue Bonds (continued)

| | Balance 1/1/2012 | Additions | Payments | Balance 12/31/2012 | | Due Within One Year |
|---|---|---|---|---|---|---|
| Downtown Denver Urban Renewal Project Tax Increment Revenue Bonds, Series 2006A (Downtown Bonds). The bonds are variable rate with swap interest payments due the first business day of the month. | 3,310,000 | - | 3,310,000 | - | * | - |
| Downtown Denver Urban Renewal Project Tax Increment Revenue Bonds, Series 2006B (Downtown Bonds). The bonds are variable rate with swap interest payments due the first business day of the month. The variable interest rate at December 31, 2012 was 1.85% and the bonds mature on September 1, 2017. | 7,285,000 | - | 2,000,000 | 5,285,000 | * | 985,000 |
| Downtown Denver Urban Renewal Project Tax Increment Revenue Bonds, Series 2006C (Downtown Bonds). The bonds are variable rate with swap interest payments due the first business day of the month. | 5,535,000 | - | 5,535,000 | - | * | - |
| Downtown Denver Urban Renewal Project Tax Increment Revenue Bonds, Series 2006D (Downtown Bonds). The bonds are variable rate with swap interest payments due the first business day of the month. | 645,000 | - | 645,000 | - | * | - |
| Highlands Garden Village Urban Renewal Project Tax-Exempt Series 2007A, with fixed interest at 5.25% until 2016 with variable interest rate thereafter. The bonds mature on December 1, 2023. | 3,705,000 | - | 470,000 | 3,235,000 | | 220,000 |
| | $ 295,184,677 | $ 1,470,289 | $ 24,336,267 | $ 272,318,699 | | $ 16,029,605 |

* Bonds with demand features - Included in balances above are $172,115,000 at December 31, 2012, of tax increment revenue bonds that have certain demand features. The proceeds of these bonds were used to a) refund various bond issuances, b) establish a bond reserve fund in accordance with the bond agreements, and c) pay cost incurred to issue the bonds. The redemption schedule for these bonds is included in the debt services requirements schedule shown below. These bonds were either refunded or retired in 2013.

Debt service requirements to maturity for the Bonds are as follows (using variable interest rates in effect as of December 31, 2013):

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $ 18,392,955 | $ 12,271,114 | $ 30,664,069 |
| 2015 | 15,630,000 | 11,384,613 | 27,014,613 |
| 2016 | 18,365,000 | 10,649,113 | 29,014,113 |
| 2017 | 18,850,000 | 9,866,425 | 28,716,425 |
| 2018 | 21,420,000 | 8,923,250 | 30,343,250 |
| 2019-2023 | 97,990,000 | 29,482,825 | 127,472,825 |
| 2024-2026 | 61,900,000 | 5,078,250 | 66,978,250 |
| | $ 252,547,955 | $ 87,655,590 | $ 340,203,545 |

### *Notes Payable*

Notes payable activity for the years ended December 31, 2013 and 2012 consists of the following:

| | Balance 1/1/2013 | Additions | Payments | Balance 12/31/2013 | Due Within One Year |
|---|---|---|---|---|---|
| Note payable to the City and County of Denver, for Marycrest, to be paid over a 25-year period, with interest accruing at a rate of 2% per annum. The maturity date is May 11, 2037. | $ 4,396,136 | $ 426,449 | $ - | $ 4,822,585 | $ - |

| | Balance 1/1/2012 | Additions | Payments/ Reductions | Balance 12/31/2012 | Due Within One Year |
|---|---|---|---|---|---|
| Note payable to the City and County of Denver, for St. Luke's project, to be paid over a 15-year period, with interest accruing at a rate of 6% per annum. The maturity date is August 1, 2012. | $ 228,477 | $ - | $ 228,477 | $ - | $ - |
| Note payable to the City and County of Denver, for Marycrest, to be paid over a 25-year period, with interest accruing at a rate of 2% per annum. The maturity date is May 11, 2037. | - | 4,396,136 | - | 4,396,136 | - |
| | $ 228,477 | $ 4,396,136 | $ 228,477 | $ 4,396,136 | $ - |

Debt service requirements for the note payable to the City and County of Denver are dependent on the availability of tax increment financing (TIF) revenue. Due to the uncertainty of this revenue, the principal payments cannot be estimated. Payments will consist of the entirety of the Authority's receipt of TIF revenue due quarterly on the $10^{th}$ day of January, April, July, and October.

### *Refunded Bonds*

On May 18, 2010, the Authority issued its Stapleton Senior Subordinate Tax Increment Revenue Bonds, Series 2010B-1, in the aggregate principal amount of $100,740,000 (the Series 2010B-1 Bonds), pursuant to the Trust Indenture dated as of May 1, 2004 (the Stapleton Master Indenture) between the Authority and U.S. Bank National Association, as trustee (the Trustee), and the Series 2010B-1 Supplemental Indenture dated as of April 1, 2010 (the Series 2010B-1 Supplemental Indenture) between the Authority and the Trustee. Proceeds of the Series 2010B-1 Bonds were used to: (a) refund and redeem on May 18, 2010 the $96,510,000 in principal amount of the Authority's Stapleton Senior Subordinate Tax Increment Revenue Bonds, Series 2004B-1 (the Series 2004B-1 Bonds), that remained outstanding as of such date; and (b) pay certain costs incurred by the Authority in connection with the issuance of the Series 2010B-1 Bonds, including without limitation the cost of reimbursing the Authority for the termination payment paid by the Authority in connection with the termination on March 9, 2010 on the Series 2008A-1 Lehman Swap Agreement. The reserve account for the Series 2010B-1 Bonds (the Series 2010B-1 Reserve Account) was funded in the amount of $6,000,000 (the Series 2010B-1 Reserve Requirement) from a transfer of the amount that had been held in the reserve account for the refunded Series 2004B-1 Bonds. In consideration of certain services provided by the Authority to the City within the Stapleton Urban Redevelopment Area pursuant to a Services Agreement dated as of April 1, 2010 (the 2010 City/Authority Services Agreement) between the City and the Authority, the City agreed that the City's Manager of Finance will submit a request for appropriation to the City Council of the City for the purpose of replenishing the Series 2010B-1 Reserve Account to the Series 2010B-1 Reserve Requirement following any draw thereon (payments by the City to the Authority of such appropriated amounts being referred to in the 2010 City/Authority Services Agreement as the Supplemental Payments). The Authority will be obligated, subject to the terms and provisions of the 2010 City/Authority Services Agreement and of the Stapleton Master Indenture, to reimburse the City for any Supplemental Payments. Pursuant to the Series 2010B-1 Supplemental Indenture, this obligation is deemed to be a Junior Bond of the Authority under the Stapleton Master Indenture.

In connection with the issuance of the Series 2010B-1 Bonds, the Authority entered into separate agreements dated as of April 1, 2010 with School District No. 1, in the City and County of Denver and State of Colorado (Denver Public Schools), and Forest City Stapleton, Inc. (FCS) (the "2010 Supplemental Denver Public Schools Funding Agreement" and the 2010 FCS School Funding Agreement, respectively) for the purpose of accelerating the construction of the third DPS school at Stapleton.

Pursuant to the 2010 Supplemental Denver Public Schools (DPS) Funding Agreement, Denver Public Schools agreed to advance up to $7,000,000 to be applied to the construction of such school. The Authority obligated itself, subject to the terms and provisions of the 2010 Supplemental

Denver Public Schools Funding Agreement and of the Stapleton Master Indenture, to repay DPS for such advances as provided in the 2010 Supplemental Denver Public Schools Funding Agreement and only upon the occurrence of specific events, including the submission and approval of construction costs and only as TIF revenue is available after the payment of other obligations. Pursuant to the Series 2010B-1 Supplemental Indenture, this obligation was deemed to be a Junior Subordinate Bond of the Authority under the Stapleton Master Indenture. The Authority incurred $1,543,986 and $1,470,289 of debt relating to this funding during the years ended December 31, 2013 and 2012, respectively, as shown in the bonds payable table. On December 20, 2013, the Authority fully repaid the remaining principal amount of this obligation and all accrued interest thereon, and as of December 31, 2013, the obligation is no longer outstanding.

Pursuant to the 2010 FCS School Funding Agreement, FCS agreed to advance up to $5,000,000 to be applied to the construction of such school. The Authority obligated itself, subject to the terms and provisions of the 2010 FCS School Funding Agreement and of the Stapleton Master Indenture, to repay FCS for such advances as provided in the 2010 FCS School Funding Agreement and only upon the occurrence of specific events, including the submission and approval of construction costs and only as TIF revenue is available after the payment of other obligations. Pursuant to the Series 2010B-1 Supplemental Indenture, this obligation is deemed to be a Junior Subordinate Bond of the Authority under the Stapleton Master Indenture (the 2010 FCS Junior Subordinate Bond). The Authority incurred $0 of debt relating to this funding during the years ended December 31, 2013 and 2012. On December 20, 2013, the Authority fully repaid the remaining principal amount of this obligation and accrued interest thereon, and as of December 31, 2013, the obligation is no longer outstanding.

The Authority designated the 2010 FCS Junior Subordinate Bond as a taxable Build America Bond as authorized by the American Recovery and Reinvestment Act of 2009 (the Recovery Act). As such, interest on the 2010 FCS Junior Subordinate Bond is not excludable from gross income for federal income tax purposes. Pursuant to the Recovery Act, the Authority received cash subsidy payments of $83,446 and $137,744 for the years ended December 31, 2013 and 2012, respectively, from the United States Treasury which equaled approximately 35% of the interest payable on the 2010 FCS Junior Subordinate Bond. According to the United States Treasury, its priority of making the cash subsidy payment is the same as its refunding of overpayments of tax.

On March 28, 2013, the Authority issued its Stapleton Senior Tax Increment Revenue Bonds, Series 2013A-1, in the aggregate principal amount of $171,265,000 (the Series 2013A-1 Bonds) pursuant to the Trust Indenture dated as of May 1, 2004 (the Stapleton Master Indenture) between the Authority and U.S. Bank National Association, as trustee (the Trustee), and the Series 2013A-1 Supplemental Indenture dated as of March 1, 2013 (the Series 2013A-1 Supplemental Indenture) between the Authority and the Trustee. Proceeds of the Series 2013A-1 Bonds, together with amounts released from certain accounts maintained under the Stapleton Master Indenture with respect to the Refunded Bonds (defined below) and amounts received by the Authority in connection with the termination or partial termination of certain guaranteed investment contracts described under "*Investments*" in Note 3, were used to: (a) refund and redeem on April 1, 2013 the $71,220,000 in principal amount of Authority's Stapleton Senior Tax Increment Revenue Bonds, Series 2008A-1 (the Series 2008A-1 Bonds), that remained outstanding as of such date; (b) refund and redeem on April 1, 2013 the $95,610,000 in principal amount of Authority's Stapleton Senior Tax Increment Revenue Bonds, Series 2008A-2 (the Series 2008A-2 Bonds and, together with the

Series 2008A-1 Bonds, the Refunded Bonds); (c) fund an account relating to the Series 2013A-1 Bonds of the reserve fund maintained for the Senior Bonds under the Stapleton Master Indenture in the amount of $9,300,000; (d) pay the costs of terminating certain swap agreements relating to the Refunded Bonds described below under "*Swap Agreements*" and certain irrevocable letters of credit providing credit support for the Refunded Bonds described above under "*Bonds Payable*"; and (d) pay certain costs incurred by the Authority in connection with the issuance of the Series 2013A-1 Bonds. The cash flows that would have been required to service the 2008A-1 and 2008A-2 bonds was $240,590,406 and the cash flows that are required to service the 2013A-1 bonds is $224,667,806 for a cash flow savings of $15,992,690. The present value of the savings, representing an economic gain on the refunding is $12,539,210.

On April 15, 2013, the Authority and Park Creek Metropolitan District entered into a Second Supplement to Amended and Restated Master Redevelopment Agreement dated April 1, 2013 (the Second Master Redevelopment Agreement Supplement). Under the Second Master Redevelopment Agreement Supplement, Park Creek has agreed to advance up to $4,000,000 to finance development at Stapleton. The Authority is obligated, subject to the terms and provisions of the Second Master Redevelopment Agreement Supplement and of the Stapleton Master Indenture, to repay Park Creek for the advances as provided in the Second Master Redevelopment Agreement Supplement with interest at a rate of 8.5% per annum. In connection with the execution of the Second Master Redevelopment Agreement Supplement, the Authority and the Trustee entered into a Series 2013D-1 Park Creek Junior Subordinate Bond Supplemental Trust Indenture dated as of April 1, 2013, pursuant to which this obligation is deemed to be a Junior Subordinate Bond of the Authority under the Stapleton Master Indenture. For the year ended December 31, 2013, the Authority has been advanced $1,841,984 under this agreement with a balance at year-end remaining of $777,955 as shown in the bond payable table.

On July 8, 2013, the Authority and DPS entered into a Second Supplement to Amended and Restated Stapleton School Funding Agreement (the Second School Funding Agreement Supplement). Under the Second School Funding Agreement Supplement, DPS has agreed to advance up to $81,799,825 to finance the construction of two additional schools at Stapleton. The Authority is obligated, subject to the terms and provisions of the Second School Funding Agreement Supplement and of the Stapleton Master Indenture, to repay DPS for the advances as provided in the Second School Funding Agreement Supplement. In connection with the execution of the Second School Funding Agreement Supplement, the Authority and the Trustee entered into a Series 2013D-2 DPS Junior Subordinate Bond Supplemental Trust Indenture dated as of July 8, 2013, pursuant to which this obligation is deemed to be a Junior Subordinate Bond of the Authority under the Stapleton Master Indenture. As of December 31, 2013, the Authority has not incurred any advances under this agreement.

### *Swap Agreements*

The Authority had entered into interest swap rate agreements in order to lock in interest rate savings and protect against rising interest rates. During the year ended December 31, 2013, the swaps on the 2008 debt were terminated through the 2013 refunding described above while the swap on the 2006 bonds matured (see below).

In connection with the refunding of the Authority's Series 2008A-1 Bonds and Series 2008A-2 Bonds with the proceeds of the Series 2013A-1 Bonds (the Series 2013A-1 Bonds being fixed rate bonds) as described above in "*Refunded Bonds*," the Authority terminated each of the Series 2008A-1 Swap Agreements and the Series 2008A-2 Swap Agreement. To effect these terminations, the Authority paid the following termination amounts on March 28, 2013 from proceeds of the Series 2013A-1 Bonds and the other amounts described above in "*Refunded Bonds*": (a) $6,923,552 to Merrill Lynch Capital Services, Inc. (MLCS) with respect the Series 2008A-1 Swap Agreement with MLCS; (b) $3,957,015 to Bank of America, N.A.; with respect the Series 2008A-1 Swap Agreement with Bank of America, N.A.; (c) $1,751,080 to Royal Bank of Canada with respect the replacement Series 2008A-1 Swap Agreement with Royal Bank of Canada; and (d) $25,424,248 to MLCS with respect the Series 2008A-2 Swap Agreement.

In September 2013, the Authority paid its final regularly scheduled payment with respect to the swap associated with the 2006 Downtown Bonds, with the effect that the swap terminated in accordance with its terms. The Authority was not required to pay any additional termination payment in connection with this termination.

As a result of these terminations, the Authority has no swap agreements outstanding as of December 31, 2013.

The swaps were all pay fixed, receive variable rate, cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index. At December 31, 2012, fixed payments to the counterparties ranged from 3.06% to 5.26%. The interest rate swaps had the effect of creating a synthetic interest rate on the bonds within the same range of 3.06% to 5.26%, respectively. All of the activity related to the swaps is recorded in the Authority's governmental activities.

The fair value balances and notional amounts of the swaps outstanding at December 31, 2012 and the changes in fair value of such swaps for the year then ended, is as follows:

| | Effective | Maturity | Notional | Associated | Payable | Changes in Fair Value | | Fair Value |
|---|---|---|---|---|---|---|---|---|
| Counterparty | Date | Date | Amount | Debt Series | Swap Rate | Classification | Amount | 12/31/2012 |
| 2006 Swap Agreement | | | | | | | | |
| Royal Bank of Canada | 10/25/2006 | 9/1/2013 | $ 5,285,000 | 2006 C | 3.816% | Deferred Outflow | $ (702,793) | $ (143,838) |
| 2008A-1 and 2008 A-2 Swap Agreements | | | | | | | | |
| Royal Bank of Canada | 3/11/2010 | 12/1/2024 | 15,725,965 | 2008 A-1 | 3.059% | Deferred Outflow | 219,102 | (1,945,317) |
| Merrill Lynch | 5/1/2007 | 12/1/2024 | 27,513,069 | 2008 A-1 | 5.259% | Deferred Outflow | 544,676 | (7,483,612) |
| | | | | | | Investment Revenue | (669,099) | - |
| Bank of America | 5/1/2007 | 12/1/2024 | 15,725,966 | 2008 A-1 | 5.259% | Deferred Outflow | 311,540 | (4,277,496) |
| | | | | | | Investment Revenue | (382,657) | - |
| Merrill Lynch | 6/1/2008 | 12/1/2025 | 107,865,000 | 2008 A-1, 2008 A-2 | 4.598% | Deferred Outflow | 1,523,470 | (27,671,999) |
| | | | | | | Investment Revenue | (845,047) | - |
| Total | | | $ 172,115,000 | | | | | $ (41,522,262) |

The fair values took into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculated the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bonds due on the date of each future net settlement payment on the swaps.

The Authority had entered into three swap agreements with separate counterparties with respect to the Series 2004A-1 Stapleton Senior Bonds (the Series 2004A-1 Swap Agreements). The three Series 2004A-1 Swap Agreements had an aggregate notional amount equal to the aggregate outstanding principal amount of the Series 2004A-1 Bonds. The counterparties for the Series 2004A-1 Swap Agreements were Merrill Lynch Capital Services, Inc., Lehman Brothers Special Financing Inc. and Bank of America, N.A., respectively.

Upon the issuance of the Series 2008A-1 Bonds, the Series 2004A-1 Swap Agreements were re-designated by the Authority to relate to a $75,000,000 principal amount portion of the Series 2008A-1 Bonds (as used hereafter, the Series 2008A-1 Swap Agreements). The fixed rate payable by the Authority was set at 5.259%.

On September 16, 2008, Lehman Brothers Holdings Inc., the guarantor of the obligations of Lehman Brothers Special Financing Inc. (LBSF) under the Series 2008A-1 Swap Agreement between the Authority and LBSF (the Series 2008A-1 Lehman Swap Agreement), filed for federal bankruptcy protection. Under the provisions of the Series 2008A-1 Lehman Swap Agreement, such filing constituted an Event of Default by LBSF. The Event of Default by LBSF gave the Authority the right, but not the obligation, to terminate the swap.

During the pendency of the LBSF bankruptcy, the Authority suspended making regularly-scheduled payments to LBSF under the Series 2008A-1 Lehman Swap Agreement, but collected and accounted for the amounts of such payments within the trust account from which such payments were previously paid, so as to make them available for payment upon any such termination.

On February 23, 2010, in anticipation of terminating the Series 2008A-1 Lehman Swap Agreement, the Authority paid to LBSF the accrued, suspended regularly-scheduled payments mentioned above, in the amount of $1,031,595, and on March 1, 2010, the Authority paid the regularly-scheduled payment for that date to LBSF. On March 9, 2010, the Authority and LBSF terminated the Series 2008A-1 Lehman Swap Agreement with the agreement that the Authority would pay the agreed-upon termination payment to LBSF. Such termination amount was immediately paid by the Authority from the Authority's Capital Projects Fund. On May 18, 2010, the Authority's Debt Service Fund reimbursed the Capital Projects Fund for the agreed-upon termination payment from a portion of the proceeds of the Authority's Stapleton Senior Subordinate Tax Increment Revenue Bonds, Series 2010B-1. This amount was included in the total outstanding principal of the 2010 B-1 Bond issuance.

Simultaneously with the termination of the Series 2008A-1 Lehman Swap Agreement, the Authority and the Royal Bank of Canada entered into a replacement Series 2008A-1 Swap Agreement to maintain the interest rate hedge with respect to the portion of the Series 2008A-1 Bonds previously hedged by the Series 2008A-1 Lehman Swap Agreement. This swap agreement with the Royal Bank of Canada contained substantially identical terms to the terminated Series 2008A-1 Lehman Swap Agreement, except that the fixed rate payable by the Authority was set at 3.059%.

In 2005, the Authority entered into a swap agreement with Merrill Lynch Capital Services, Inc. with respect to the Series 2004B-1 Bonds. The notional amount of this swap agreement was $100,000,000, representing half of the then-outstanding $200,000,000 aggregate principal amount of the Series 2004B-1 Bonds. In connection with the refunding of $100,000,000 in principal amount of the Series 2004B-1 Bonds with the proceeds of the Series 2008A-2 Bonds, as described earlier, this swap agreement was amended to increase the notional amount to $113,900,000 and to adjust the fixed payment rate payable by the Authority to 4.598% to account for the change in cash flows from the original date of the swap agreement, and was re-designated by the Authority as relating to the Series 2008A-2 Bonds (and a portion of the Series 2008A-1 Bonds) and the regularly scheduled payments to be made thereunder were re-designated as Senior Obligations (as so amended, this swap agreement is referred to as the Series 2008A-2 Swap Agreement). The notional amount was increased to provide a hedge for the $4,000,000 in principal amount of the Series 2008A-1 Bonds unhedged by the Series 2008A-1 Swap, the $7,000,000 in principal amount of the Series 2008A-2 Bonds that would not have been hedged by the original $100,000,000 notional amount, and $2,900,000 in principal amount of the Series 2004B-1 Bonds remaining outstanding.

In September 2012, the Authority partially terminated the swap associated with the 2006 Downtown Bonds by paying a fee of $228,600 with the purpose of creating agreement between the notional amount of the swap and the outstanding balance on the bonds. At the time of the partial termination the outstanding balance on the bonds was $16,775,000 and the notional amount on the swap was $23,865,000. After the partial termination, the outstanding balance on the bonds and the notional amount on the swap, were equal at $12,235,000 and were in agreement at year-end with both the notional amount of the swap and the outstanding balance of the bonds at $5,285,000. The Authority recorded a reduction in investment income (government-wide statements) and an expenditure (fund statements) for the termination fee.

Regularly scheduled swap payments by the Authority under the Series 2008A-1 Swap Agreements and the 2008A-2 Swap Agreement were Senior Obligations under the Stapleton Master Indenture payable on parity with debt service on the Series 2008A-1 Bonds, the Series 2008A-2 Bonds and any additional Senior Bonds issued by the Authority under the Stapleton Master Indenture.

All termination payments payable by the Authority under the Series 2008A-1 Swap Agreements and the Series 2008A-2 Swap Agreement, other than termination payments resulting from a default by the counterparty under any of such agreements, are payable on a pro rata basis amongst themselves on a priority that is subordinate to that of required administrative costs of the trustee and the Authority's agents appointed pursuant to the Stapleton Master Indenture, any required rebate payments to the United States Treasury, debt service on Senior Bonds and Senior Subordinate Bonds, required deposits to the debt service reserve established for the Senior Bonds and that established for the Senior Subordinate Bonds, and payments of City Retained Taxes to the

City. Such termination payments are payable by the Authority on a priority that is superior to that of payments of debt service on Junior Bonds and Junior Subordinate Bonds issued pursuant to the Stapleton Master Indenture. All termination payments payable by the Authority under the Series 2008A-1 Swap Agreements and the Series 2008A-2 Swap Agreement that result from a default by the counterparty, under the applicable swap agreement are payable on a pro rata basis amongst themselves on a priority that is subordinate to all other payment priorities for the revenues subject to the Stapleton Master Indenture (other than deposits to the surplus fund created thereunder), including debt service on all bonds issued thereunder.

The following risks were generally associated with the swap agreements:

Credit Risk – All of the swap agreements described above rely on the performance of the respective swap counterparties. The Authority is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Authority. The Authority measures the extent of this risk based upon the credit ratings of each counterparty (or, with respect to a swap agreement for which the counterparty's payment obligations are guaranteed by another entity, the credit ratings of such guarantor) and the fair value of the swap agreement.

Under the Series 2008A-1 Swap Agreement and Series 2008A-2 Swap Agreement between the Authority and Merrill Lynch Capital Services, Inc., the payment obligations of Merrill Lynch Capital Services, Inc., are guaranteed by Merrill Lynch & Co., Inc. These swap agreements do not require Merrill Lynch Capital Services, Inc., or Merrill Lynch & Co., Inc., to maintain a specific rating. The Series 2008A-1 Swap Agreement between the Authority and Bank of America, N.A., will terminate if the long-term certificates of deposit of Bank of America, N.A., cease to be rated, on an unenhanced basis, at least Baa2 by Moody's, BBB by S&P, or BBB by Fitch, unless Bank of America, N.A., assigns its obligations under such swap agreement to a third-party acceptable to the Authority, or provides evidence of credit support for its obligations that is acceptable to the Authority, or posts collateral for its payment obligations thereunder in the amount required by the swap agreement. Such swap agreement will also terminate if any party providing such credit support to Bank of America, N.A., has outstanding unenhanced, unsubordinated indebtedness that ceases to be rated at least Aa3 by Moody's, AA- by S&P, or AA- by Fitch. The Series 2008A-1 Swap Agreement between the Authority and the Royal Bank of Canada (which replaced the terminated Series 2008A-1 Lehman Swap Agreement effective March 9, 2010) will terminate if the Royal Bank of Canada has one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least Baa2 by Moody's, BBB by S&P or an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties, unless the Royal Bank of Canada posts collateral in the amount required by the swap agreement.

The ratings of the counterparties or their current guarantors or other credit support providers for the 2008A-1 and 2008A-2 swap agreements as of December 31, 2012 are as follows:

| | 2012 | | |
|---|---|---|---|
| | Ratings of the Counterparty or its Credit Support Provider | | |
| | S&P's | Moody's | Fitch |
| Merrill Lynch Capital Services, Inc. | A- | Baa2 | A |
| Bank of America, N.A. | A | A3 | A |
| Royal Bank of Canada | AA- | Aa3 | AA |

As of December 31, 2012, there was no risk of loss as the fair values of the swap agreements are negative. However, a negative fair value results in a termination payment being owed by the Authority upon a termination, as described above with respect to the Series 2008A-1 Lehman Swap Agreement.

Termination Risk – Any party to any of the Series 2008A-1 Swap Agreements and the Series 2008A-2 Swap Agreement may terminate such swap agreement if the other party fails to perform as required by the terms of such swap agreement. Additionally, the Authority may optionally terminate any of such swap agreements at any time in its discretion, provided that if the Authority would be required to make a termination payment to the applicable counterparty upon such termination, the Authority may not optionally terminate unless it has sufficient funds available to make such payment.

Further, additional termination events specified in each of such swap agreements will cause such swap agreement to terminate, including events both within and outside the control of the Authority. Examples of such events include the failure of the Authority to meet certain rating requirements, as described above, and defaults by the Authority with respect to its bonds. If, at the time of termination, the applicable swap agreement has a negative fair value to the Authority, determined as provided in such swap agreement, the Authority will be liable to the applicable counterparty for a termination payment approximately equal to such fair value.

Additionally, if any of the Series 2008A-1 Swap Agreements or the Series 2008A-2 Swap Agreement was terminated and the related Series 2008A-1 Bonds or Series 2008A-2 Bonds, as applicable, are then in a variable rate mode, such bonds would no longer have the benefit of the interest rate risk hedge represented by such swap agreement. The Authority is not aware of any current circumstances that would lead to a termination event with respect to any of such swap agreements.

Basis Risk – Each of the Series 2008A-1 Swap Agreements and the Series 2008A-2 Swap Agreement provides for the applicable counterparty to pay variable payments to the Authority based on the SIFMA Municipal Swap Index (formerly the BMA Municipal Swap Index). To the extent that the rate produced by such index from time to time does not equal the interest rate on the associated Series 2008A-1 Bonds or Series 2008A-2 Bonds, as applicable, there will either be a net loss or net benefit to the Authority.

Interest Rate Risk – The Authority was exposed to interest rate risk in that as the SIFMA swap index decreases the Authority's notes payment on the swap increases.

The Authority had further entered into a swap agreement with Royal Bank of Canada (the Series 2006 Swap Agreement) with respect to the Tax Increment Revenue Refunding Bonds, *Downtown Denver Urban Renewal Project* Series *2006A, 2006B, 2006C, and 2006D* (the Series 2006 Bonds). Regularly scheduled payments on the Series 2006 Swap Agreement commenced as of November 1, 2006.

Regularly scheduled swap payments by the Authority under the Series 2006 Swap Agreement are secured under the Indenture of Trust relating to the Series 2006 Bonds on parity with payment of interest on the Series 2006 Bonds. All termination payments payable by the Authority under the Series 2006 Swap Agreement are payable by the Authority on a basis subordinate to payment of any debt service on the Series 2006 Bonds and any other amounts payable pursuant to the Indenture of Trust (provided the Authority has agreed to further subordinate payment of certain amounts which are subordinate to debt service) to which it is due to the payment of any termination payments, but only at the times and to the extent such amounts are payable pursuant to the Indenture of Trust.

The following risks were generally associated with the Series 2006 Swap Agreement:

Credit Risk – The Series 2006 Swap Agreement relies on the performance of the counterparty. The Authority is exposed to the risk of the counterparty being unable to fulfill its financial obligations to the Authority. The Authority measures the extent of this risk based upon the credit ratings of the counterparty and the value of the swap agreement. The Series 2006 Swap Agreement does not require the Authority's bonds or the counterparty to maintain a specific rating. The ratings of the counterparty as of December 31, 2012 are as follows:

| | 2012 | | |
|---|---|---|---|
| | Ratings of the Counterparty or its Credit Support Provider | | |
| | **S&P** | **Moody's** | **Fitch** |
| Royal Bank of Canada | AA- | Aa1 | AA |

Termination Risk – Any party to the Series 2006 Swap Agreement may terminate the swap agreement if the other party fails to perform as required by the terms of such swap agreement. Additionally, the Authority may optionally terminate the Series 2006 Swap Agreement at any time in its discretion, provided that if the Authority would be required to make a termination payment to the counterparty upon such termination, the Authority may not optionally terminate unless it has sufficient funds available to make such payment. Further, additional termination events specified in the Series 2006 Swap Agreement will cause the swap agreement to terminate, including events both within and outside the control of the Authority. An example of such an event is a default by the Authority with respect to the Series 2006 Bonds. If, at the time of termination, the Series 2006 Swap Agreement has a negative market value determined provided in the swap agreement, the Authority could be liable to the counterparty for a termination payment equal to such value. If the Series 2006 Swap Agreement is terminated, the Series 2006 Bonds bearing interest at a variable rate would either no longer be hedged with a synthetic fixed rate, or the nature of the basis risk associated with the swap agreement may change. The Authority is not aware of any current circumstances that would lead to a termination event with respect to the Series 2006 Swap Agreement.

Basis Risk – The Series 2006 Swap Agreement provides for the counterparty to pay variable payments to the Authority based on the SIFMA Municipal Swap Index. To the extent that the rate produced by such index from time to time does not equal the interest rate on the Series 2006 Bonds there will either be a net loss or net benefit to the Authority.

Interest Rate Risk – The Authority was exposed to interest rate risk in that as the SIFMA swap index decreases the Authority's notes payment on the swap increases.

## Note 10: Pension Plan

The Authority maintains a defined contribution pension plan organized in accordance with the provisions of Section 401(a) of the Internal Revenue Code. The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Commissioners. Employees with six consecutive months of service are required to contribute 5% of their compensation to the Plan. The Authority contributes 10% of their compensation to the Plan. Participants in the Plan are vested in the Authority's contribution as follows: 20% after one year of participation, 40% after two years of participation, and 100% after three years of participation. During the years ended December 31, 2013 and 2012, the Authority's contribution to the Plan totaled $136,746 and $140,747, respectively, and the employee contributions totaled $68,373 and $70,374, respectively, which are equal to the required contributions.

## Note 11: Lease Commitment

The Authority's office space is leased under an agreement that expired on the last day of February 2014. The Authority entered in to a new lease commencing March 2014. The Authority's commitment under the lease is as follows:

| Year Ending December 31, | |
|---|---|
| 2014 | $ 199,042 |
| 2015 | 190,542 |
| 2016 | 194,792 |
| 2017 | 196,042 |
| 2018 | 202,687 |
| Total | $ 983,105 |

Total rental expense under this lease for the years ended December 31, 2013 and 2012 was $219,540 and $225,423, respectively.

## Note 12: Commitments and Contingencies

In connection with the Authority's development of the Denver Dry Building, the Authority has guaranteed certain loans made to DBH, Ltd. by the Bank of Denver with an outstanding balance as of December 31, 2013 of $2,658,275.

In addition, the Authority has guaranteed all obligations of the Denver Dry Development Corporation as general partner, under the terms and conditions of the limited partnership agreement of DBH, Ltd. No amounts have been recorded as a liability in these financial statements as management believes the possibility of having to make payments under these guarantees is remote.

### *Contracts*

Contracts from governmental entities are governed by various rules and regulations of the contractor agencies. Under the terms of the contracts, costs charged to the contracts are subject to audit and adjustment by the contractor agency. Such audit could lead to reimbursement to the contractor agency. Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the contracts the Authority has received. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### *Other*

In 2008, the Lowry Economic Redevelopment Authority (LRA) refunded, paid and discharged the Series 2002 Bonds and issued $65,000,000 of 2008A Bonds. In accordance with the redeveloper agreement, the source of repayment for these bonds is tax increment revenue collected by the Authority and distributed to the LRA. The tax increment revenue is derived from the Lowry Urban Renewal area for the portion of Lowry lying within Denver. However, these bonds do not constitute an obligation of the Authority and are not recorded as a liability in these financial statements. As part of the Lowry bond refinance in 2008, the LRA, the City, and the Authority agreed that 50% of the revenue available after annual debt service on the 2008A Bonds be returned to the Authority for financing supplemental projects at Lowry. During 2010, the Authority approved two supplemental projects: a $2 million reimbursement obligation for the restoration and redevelopment of the Historic Hangar No. 2 at Lowry and a $4.4 million reimbursement obligation for Lowry Storm Sewer Projects.

The Stapleton Redevelopment Area Cooperation Agreement between the City and County of Denver and the Denver Urban Renewal Authority provides that tax increment revenue generated in the SBC Metropolitan District and the Westerly Creek Metropolitan District pass through the Authority to the respective Districts. The Authority reports the pass-through amount within its agency fund. District bonds outstanding do not constitute an obligation of the Authority.

The Authority entered into a Cooperation Agreement with the City and County of Denver for the City to subordinate its retained portion of tax increment revenues generated in the Stapleton Urban Redevelopment Area to Stapleton project bond debt service. Under the agreement, the Authority has agreed to return to the City retained amounts not used for debt service in December of each year. In 2013 and 2012, the Authority returned $9,842,289 and $8,047,636 of retained amounts not used for debt service, respectively.

### *Reimbursement Projects*

The Authority has entered into various Redevelopment Agreements (Agreements) with various Redevelopers whereby the Redeveloper has agreed to construct certain improvements under specific urban renewal plans approved by the City. Under the Agreements, the Authority reimburses the Redeveloper, with interest, for project costs incurred by the Redeveloper in an amount not to exceed the maximum reimbursable project costs specified in the Agreements. These reimbursements are payable solely from property, lodgers, and/or sales tax increment revenue generated by each project and are not a general obligation of the Authority. Tax increment revenue is based on the project's current property value and retail sales performance. The redevelopment agreements have various original expiration terms, ranging from 5 to 25 years.

Tax increment revenue received for Lowry is paid to the developer monthly for debt service payment on outstanding Lowry project bonds. As of December 31, 2013, the Authority has the following open redevelopment agreements:

| | Unpaid Maximum Reimbursable Project Costs |
|---|---|
| Rio Grande Building | $ 1,500,000 |
| The Boston Lofts | 944,495 |
| Holtze Executive Place | 1,950,000 |
| The Bank Lofts | 739,849 |
| City Park South | 3,042,270 |
| The Pepsi Center | 6,565,304 |
| 38th and York | 3,564,000 |
| Highlands' Garden Village | 358,230 |
| The Point | 999,381 |
| Lowry | 35,263,925 |
| Executive Tower Inn | 13,586,046 |
| Alameda Square | 8,290,892 |
| Lowenstein Theater | 1,636,638 |
| DPA Stapleton School #1 | 4,500,000 |
| South Boardway | 10,225,844 |
| Colorado National Bank | 9,908,330 |
| Tamarac Square | 5,000,000 |
| Source/Ironworks | 1,103,850 |
| Total | $ 109,179,054 |

The unpaid maximum reimbursable project costs only become a liability of the Authority once developer reimbursement requests are received and approved by the Authority and applicable incremental sales and property taxes are received by the Authority from the City. As of December 31, 2013 and 2012, $791,003 and $583,357, respectively, met this criteria and has been accrued in the Capital Projects Fund.

The Agreements have additional provisions paid by the developer which generally include: monthly administrative fees; an annual priority fee; a participating interest fee upon sale or refinance of the project and participation by the Authority in the net cash flow from the property through the termination date.

### *Undisbursed Loan Commitments*

The Authority has committed to fund loans during the year that were not fully disbursed as of year-end. The total undisbursed loan commitments as of December 31, 2013 were $309,062, of which $268,168 is attributable to deferred payment loans. Total undisbursed loan commitments as of December 31, 2012 were $117,723, of which the entire amount is attributable to deferred payment loans as discussed in Note 6.

## Note 13: 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 Authority is not subject to the Tabor Amendment. See: Marian L. Olson v. City of Golden, et. al., 53 P.3d 747 (Co. App.), certiorari denied.

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# Supplementary Information

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# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND
### Year Ended December 31, 2013

| | Balance January 1, 2013 | Additions | Deductions | Write-offs | Balance December 31, 2013 |
|---|---|---|---|---|---|
| **Agency** | | | | | |
| **Assets** | | | | | |
| Cash | $ - | $ 11,686,763 | $ (11,686,763) | $ - | $ - |
| Taxes receivable | 12,327,472 | 16,096,167 | (11,686,763) | - | 16,736,876 |
| Total assets | $ 12,327,472 | $ 27,782,930 | $ (23,373,526) | $ - | $ 16,736,876 |
| **Liabilities** | | | | | |
| Due to other governments | $ 12,327,472 | $ 16,096,167 | $ (11,686,763) | $ - | $ 16,736,876 |
| Total liabilities | $ 12,327,472 | $ 16,096,167 | $ (11,686,763) | $ - | $ 16,736,876 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND
### Year Ended December 31, 2012

| | Balance January 1, 2012 | Additions | Deductions | Write-offs | Balance December 31, 2012 |
|---|---|---|---|---|---|
| **Agency** | | | | | |
| **Assets** | | | | | |
| Cash | $ - | $ 10,954,728 | $ (10,954,728) | $ - | $ - |
| Taxes receivable | 11,078,501 | 12,203,699 | (10,954,728) | - | 12,327,472 |
| Total assets | $ 11,078,501 | $ 23,158,427 | $ (21,909,456) | $ - | $ 12,327,472 |
| **Liabilities** | | | | | |
| Due to other governments | $ 11,078,501 | $ 12,203,699 | $ (10,954,728) | $ - | $ 12,327,472 |
| Total liabilities | $ 11,078,501 | $ 12,203,699 | $ (10,954,728) | $ - | $ 12,327,472 |

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# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## ANNUAL 15c2-12 DISCLOSURE
## Year Ended December 31, 2013

| | Stapleton 2013A-1 | | Stapleton 2010B-1 | | Highlands Garden Village 2007A | |
|---|---|---|---|---|---|---|
| Mill Levy | | | | | | |
| General Fund, Denver | 10.610 | | 10.610 | | 10.610 | |
| Social Services | 4.520 | | 4.520 | | 4.520 | |
| Denver Schools/General Fund | 39.575 | | 39.575 | | 39.575 | |
| Denver Schools/Bond Fund | 10.913 | | 10.913 | | 10.913 | |
| Bond Sinking Fund, Denver | 4.170 | | 4.170 | | 4.170 | |
| Bond Interest, Denver | 3.780 | | 3.780 | | 3.780 | |
| Fire Pension Fund | 1.587 | | 1.587 | | 1.587 | |
| Urban Drainage/Flood Control | 0.657 | | 0.657 | | 0.657 | |
| Police Pension Fund | 1.893 | | 1.893 | | 1.893 | |
| Capital Improvement | 2.581 | | 2.581 | | 2.581 | |
| Capital Maintenance | 2.752 | | 2.752 | | 2.752 | |
| | 83.038 | | 83.038 | | 83.038 | |
| Property Tax Base Amount | 37,458,837 | (1) | (1) | | 1,844,408 | |
| Sales Tax Base Amount | 856,917 | | (1) | | - | |
| Collected Property Taxes | 26,249,189 | | (1) | | 641,675 | |
| Collected Sales Taxes | 18,184,161 | | (1) | | 367,606 | |
| Debt Service Reserve Earnings | 387,683 | | 193,842 | | 116 | |
| Other Interest Earnings | 321,887 | | 251 | | - | |
| Net Revenues | 45,142,920 | | 194,093 | | 1,009,397 | |
| **BONDS & PRIORITY EXPENSE** | | | | | | |
| Debt Service | 18,621,952 | | 7,985,300 | | 393,003 | |
| DURA Priority and Other Expenses | 1,444,073 | | (1) | | 57,791 | |
| Annual Coverage Ratio | 2.36 | (2) | 1.65 | (3) | 2.24 | (4) |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## ANNUAL 15c2-12 DISCLOSURE
## Year Ended December 31, 2013

NOTES:

(1) The 2010 B-1 bonds were issued May 2010.  The 2010 B-1 Stapleton bonds are tax-exempt and fixed rate.

The 2010 B-1 bonds defeased the remaining $100 million of the 2004 B-1 Stapleton bonds.

The 2010 B-1 Stapleton bonds are subordinate to the 2008 A-1 and A-2 Stapleton bonds with respect to collected property and sales taxes available for debt service, DURA priority fee and the Denver Public Schools reimbursement for Stapleton School #1.

The 2013 A-1 bonds were issued March 2013.  The 2013 A-1 Stapleton bonds are tax-exempt and fixed rate.

The 2013 A-1 bonds defeased the 2008 A-1 and 2008 A-2 Stapleton bonds.

(2) The coverage ratio presented is calculated after payment of priority and other expenses.

(3) The coverage ratio presented is calculated after payment of priority and other expenses and includes 2010B-1 and 2013 A-1 debt service payment.

(4) The coverage ratio includes debt service payment, priority and other expenses.

See Note 9 to Financial Statements for principal amounts outstanding and final maturity dates.

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## ANNUAL 15c2-12 DISCLOSURE
## Year Ended December 31, 2012

| | Stapleton 2008A-1 | | Stapleton 2008A-2 | | Stapleton 2010B-1 | | Downtown Denver 2006A,B,C,D | | Highlands Garden Village 2007A | |
|---|---|---|---|---|---|---|---|---|---|---|
| Mill Levy | | | | | | | | | | |
| General Fund, Denver | 7.174 | | 7.174 | | 7.174 | | 7.174 | | 7.174 | |
| Social Services | 4.101 | | 4.101 | | 4.101 | | 4.101 | | 4.101 | |
| Denver Schools/General Fund | 34.307 | | 34.307 | | 34.307 | | 34.307 | | 34.307 | |
| Denver Schools/Bond Fund | 7.958 | | 7.958 | | 7.958 | | 7.958 | | 7.958 | |
| Bond Sinking Fund, Denver | 3.980 | | 3.980 | | 3.980 | | 3.980 | | 3.980 | |
| Bond Interest, Denver | 3.600 | | 3.600 | | 3.600 | | 3.600 | | 3.600 | |
| Fire Pension Fund | 1.519 | | 1.519 | | 1.519 | | 1.519 | | 1.519 | |
| Urban Drainage/Flood Control | 0.623 | | 0.623 | | 0.623 | | 0.623 | | 0.623 | |
| Developmentally Disabled | 1.030 | | 1.030 | | 1.030 | | 1.030 | | 1.030 | |
| Police Pension Fund | 1.812 | | 1.812 | | 1.812 | | 1.812 | | 1.812 | |
| Capital Improvement | 2.631 | | 2.631 | | 2.631 | | 2.631 | | 2.631 | |
| Capital Maintenance | 2.572 | | 2.572 | | 2.572 | | 2.572 | | 2.572 | |
| | 71.307 | | 71.307 | | 71.307 | | 71.307 | | 71.307 | |
| Property Tax Base Amount | 37,458,837 | | (1) | | (1) | | 65,244,581 | | 1,844,408 | |
| Sales Tax Base Amount | 856,917 | | (1) | | (1) | | 939,932 | (2) | - | |
| Collected Property Taxes | 21,618,917 | | (1) | | (1) | | 10,909,536 | (3) | 516,307 | |
| Collected Sales Taxes | 15,807,246 | | (1) | | (1) | | 5,229,028 | (2) | 511,110 | |
| Debt Service Reserve Earnings | 580,262 | | (1) | | 288,951 | | | | 123 | |
| Other Interest Earnings | 18,678 | | (1) | | | | | | - | |
| Net Revenues | 38,025,103 | | (1) | | 288,951 | | 16,138,564 | (4) | 1,027,540 | |
| **BONDS & PRIORITY EXPENSE** | | | | | | | | | | |
| Debt Service | 16,373,718 | | (1) | | 8,092,500 | (8) | 3,448,360 | (4) | 405,385 | |
| DURA Priority and Other Expenses | 1,426,994 | | (1) | | (1) | | 879,088 | (4) | 57,791 | |
| Annual Coverage Ratio | 2.25 | (5) | (1) | | 1.51 | (6) | 4.68 | (7) | 2.22 | (9) |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## ANNUAL 15c2-12 DISCLOSURE
## Year Ended December 31, 2012

NOTES:

(1) The 2004 A-1 and 2004 B-1 Stapleton bonds were issued May 2004.
The 2008 A-1 and A-2 Stapleton bonds were issued May 2008 and July 2008, respectively. The 2008 A-1 and A-2 Stapleton bonds are tax-exempt and variable rate.
The 2008 A-1 bonds defeased the 2004 A-1 and the 2008 A-2 bonds defeased $100 million of the 2004 B-1 Stapleton bonds.
The 2010 B-1 bonds were issued May 2010. The 2010 B-1 Stapleton bonds are tax-exempt and fixed rate.
The 2010 B-1 bonds defeased the remaining $100 million of the 2004 B-1 Stapleton bonds.
The 2010 B-1 Stapleton bonds are subordinate to the 2008 A-1 and A-2 Stapleton bonds with respect to collected property and sales taxes available for debt service, DURA priority fee and the Denver Public Schools reimbursement for Stapleton School #1 .

(2) Includes Lodgers' Taxes for the Adams Mark project.

(3) Includes payments in lieu of taxes for the Adams Mark project.

(4) The Downtown Denver Bond Series was issued October 25, 2006. The 2006A, B, C and D Bonds are tax-exempt and variable rate. The Downtown Denver Bond Series defeased the Mercantile Square 1995A bonds, the Adams Mark 1996A and 1998A bonds, the Denver Pavilions 1997A, 2001B-1 and 2001B-2 bonds and the Denver Dry 2002A and 2002B bonds. The net revenues, debt service and expenses presented represent the combined total collected and paid in 2012 for the downtown project debt.

(5) The coverage ratio presented is calculated after payment of priority and other expenses.

(6) The coverage ratio presented is calculated after payment of priority and other expenses and includes 2010B-1 and 2013A-1 debt service payment.

(7) Priority and other expenses are subordinate to the Downtown Denver bonds debt service. The coverage ratio includes debt service payment only.

(8) Restatement of the 2012 Debt Service Amount Paid for Stapleton Bonds Series 2010B-1.

(9) The coverage ratio includes debt service payment, priority and other expenses.

See Note 9 to Financial Statements for principal amounts outstanding and final maturity dates.

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# Single Audit

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# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2013

| Cluster/Program | Federal Agency Pass-through Entity | CFDA Number | Amount Expended |
|---|---|---|---|
| Community Development Block Grants/ Entitlement Grants | U.S. Department of Housing and Urban Development passed through from the City and County of Denver | 14.218 | $ 449,641 |
| HOME Investment Partnerships Program | U.S. Department of Housing and Urban Development passed through from the City and County of Denver | 14.239 | 585,935 |
| Brownsfields Assessment and Cleanup Cooperative Agreements - ARRA | U.S. Environmental Protection Agency passed through from the City and County of Denver | 66.818 | 17,479 |
| | | | $ 1,053,055 |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## Notes to Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2013

### Note 1: Basis of Presentation

This schedule includes the federal awards of Denver Urban Renewal Authority, a component unit of the City and County of Denver, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The loan program administered by the Authority may result in the recognition of loans receivable rather than expenditures in the financial statements.

### Note 2: Recycle Loans

Loans made from the recycled federal funding for the year ended December 31, 2013 total $569,044. Recycled federal funding used for administrative costs for the year ended December 31, 2013, totaled $241,264.

### Note 3: Subrecipients

Of the federal expenditures presented in this schedule, Denver Urban Renewal Authority provided no federal awards to subrecipients.

BKD LLP
CPAs & Advisors

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## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Denver Urban Renewal Authority
Denver, Colorado

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 governmental activities, the business-type activities, the discretely-presented component unit, each major fund and the aggregate remaining fund information of Denver Urban Renewal Authority (the Authority), a component unit of the City and County of Denver, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 13, 2014.

### Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that are considered to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Board of Commissioners
Denver Urban Renewal Authority

## Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 determination of financial statement amounts. 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*.

The purpose of this communication 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 Authority's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
May 13, 2014

BKD LLP
CPAs & Advisors
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# Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Denver Urban Renewal Authority
Denver, Colorado

## Report on Compliance for Each Major Federal Program

We have audited the compliance of Denver Urban Renewal Authority (the Authority), a component unit of the City and County of Denver, with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

Board of Commissioners
Denver Urban Renewal Authority

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

## Report on Internal Control Over Compliance

The management the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
May 13, 2014

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## Schedule of Findings and Questioned Costs
## Year Ended December 31, 2013

### Section I – Summary of Auditor's Results

*Financial Statements*

1. Type of auditor's report issued:
   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

| | | |
|---|---|---|
| Material weakness(es) identified? | ☐ Yes | ☒ No |
| Significant deficiency(ies) identified? | ☐ Yes | ☒ None Reported |

3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

*Federal Awards*

4. Internal control over major programs:

| | | |
|---|---|---|
| Material weakness(es) identified? | ☐ Yes | ☒ No |
| Significant deficiency(ies) identified? | ☐ Yes | ☒ None Reported |

5. Types of auditor's report issued on compliance for major programs:
   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ☐ Yes ☒ No

7. Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 14.239 | HOME Investment Partnerships Program |
| 14.218 | Community Development Block Grants/Entitlement Grants |

8. Dollar threshold used to distinguish between Type A and Type B programs: $300,000

9. Auditee qualified as low-risk auditee? ☐ Yes ☒ No

### Section II – Financial Statement Findings

| Reference Number | Finding | Questioned Costs |
|---|---|---|
| | No matters are reportable. | |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## Schedule of Findings and Questioned Costs (Continued)
## Year Ended December 31, 2013

### Section III – Federal Award Findings and Questioned Costs

| Reference Number | Summary of Finding | Status |
|---|---|---|
| | No matters are reportable. | |

# Denver Urban Renewal Authority
# (A Component Unit of the City and County of Denver)
## Summary Schedule of Prior Audit Findings
## Year Ended December 31, 2013

### Section III – Federal Award Findings and Questioned Costs

| Reference Number | Summary of Finding | Status |
|---|---|---|
| 12-01 | **Finding:** Reporting<br><br>CFDA No. 14.239 HOME Investment Partnerships Program<br><br>**Criteria:** The U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, requires that all reports for Federal awards include the activity of the reporting period, be supported by applicable accounting or performance records, be mathematically accurate, and be fairly presented in accordance with program requirements.<br><br>**Condition:** Information relating to the Single Family Rehabilitation program reported in the quarterly Homeowner / Homebuyer Completion Reports to the City and County of Denver and the monthly Ethnicity Reports submitted to City and County of Denver (Grantor) did not match supporting documents. | Fully corrected |