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, 2012 and 2011

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
December 31, 2012 and 2011

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(A Component Unit of the City and County of Denver)
December 31, 2012 and 2011

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April 18, 2013

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

This report consists of management's representations concerning the finances of 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, 2012 and 2011 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, 2012 and 2011 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 require 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 Denver Urban Renewal Authority (DURA) was created by ordinance of the City and County of Denver in 1958 under Colorado Urban Renewal Law which was enacted by the State Legislature in that same year. DURA is the redevelopment agency for the City and County of Denver, performing the traditional duties of an urban renewal authority – eliminating blight where it currently exists and helping prevent additional blight from developing. DURA also has responsibility for implementing two 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., for implementation of the Neighborhood Stabilization Program as contracted with the City and County of Denver.

Housing Rehabilitation

The Authority has assisted over 16,599 Denver residents who already own homes to renovate them or make emergency repairs. Under the Single Family Rehabilitation (SFR) 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.

Additionally, DURA has received grant funding to promote energy efficiency for 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.

DURA 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 Denver Neighborhood Revitalization, Inc. (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 Area Median Income (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.

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, DURA 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 payments on bonds issued by the Authority, 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*, 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 project. 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 eleven 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

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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 financial statements of the governmental activities, 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, 2012 and 2011, and the related notes to the 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 Authority'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 Authority'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, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 audit was 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* the statement of changes in assets and liabilities – agency fund, and the annual 15c2-12 disclosure, as 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.

Board of Commissioners
Denver Urban Renewal Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, 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* and should be considered in assessing the results of our audit.

BKD, LLP

Denver, Colorado
April 18, 2013

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Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2012 and 2011

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, 2012 and 2011. 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 $26,998,723, or 12%, over the course of this year's operations. Governmental activities represented 100% of the increase in net position for 2012. The change in net position is primarily attributable to an $11.7 million increase in TIF project receipts and a $18.1 million decrease in variable rate debt.

- The Authority retired $24,336,267 of previously outstanding bond debt in 2012. The Authority in 2012, redeemed $9,075,000 of Downtown Bonds and $260,000 of Highlands Garden Village Bonds earlier than their scheduled maturities in 2017 and 2023 respectively. Currently, the Authority's outstanding bond debt is $272,318,699.

- Total fund balance in the general fund at December 31, 2012 remained constant at $2,405,066, from the prior year. Of these amounts, $2,351,558 and $2,348,279 at December 31, 2012 and 2011, respectively, were unassigned and can be used for Authority administration.

- The capital projects fund reported a net increase in fund balance of $7,475,204 from the prior year's fund balance due primarily to increases in property and sales tax increment receipts in 2012.

- Business-type activities, which consist of the Authority's federally funded revolving rehabilitation loan program, reported a slight decrease in net position of $9,016 or .2%, from the prior year primarily due to an increase in bad debt expense and resulting operating loss. The Authority transferred $204,254 in 2012 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, 2012, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position. (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, 2012, 2011 and 2010:

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

	Governmental Activities			Business-Type Activities			Total Government		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Current and other assets	$ 157,050	$ 141,859	$ 150,218	$ 4,048	$ 4,102	$ 3,041	$ 161,098	$ 145,961	$ 153,259
Total assets	157,050	141,859	150,218	4,048	4,102	3,041	161,098	145,961	153,259
Deferred outflows	25,685	23,789	9,759	-	-	-	25,685	23,789	9,759
Other liabilities	295,587	295,787	297,882	187	232	53	295,774	296,019	297,935
Long-term liabilities	87,264	96,984	101,731	-	-	-	87,264	96,984	101,731
Total liabilities	382,851	392,771	399,613	187	232	53	383,038	393,003	399,666
Deferred inflows	-	-	478	-	-	-	-	-	478
Net position									
Restricted for									
Capital projects	18,667	14,484	21,850	-	-	-	18,667	14,484	21,850
Debt service	35,019	34,486	38,681	-	-	-	35,019	34,486	38,681
Housing program loans	-	-	-	3,861	3,870	2,988	3,861	3,870	2,988
Unrestricted (deficit)	(253,802)	(276,093)	(300,645)	-	-	-	(253,802)	(276,093)	(300,645)
Total net position (deficit)	$ (200,116)	$ (227,123)	$ (240,114)	$ 3,861	$ 3,870	$ 2,988	$ (196,255)	$ (223,253)	$ (237,126)

Total government-wide liabilities exceeded total government-wide assets and deferred outflows of resources by $(196,254,631) (deficit) at the close of fiscal year 2012. The Authority's large deficit was caused by outstanding bond debt of $272,318,699. Total government-wide liabilities and deferred inflows of resources exceeded total government-wide assets and deferred outflows of resources by $(223,253,354) (deficit) at the close of fiscal year 2011. The Authority's 2011 large deficit was caused by outstanding bond debt of $295,184,677. 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 as to their use.

Table 2 reflects the Authority's Changes in Net Position (Deficit) for the years ended December 31, 2012, 2011 and 2010:

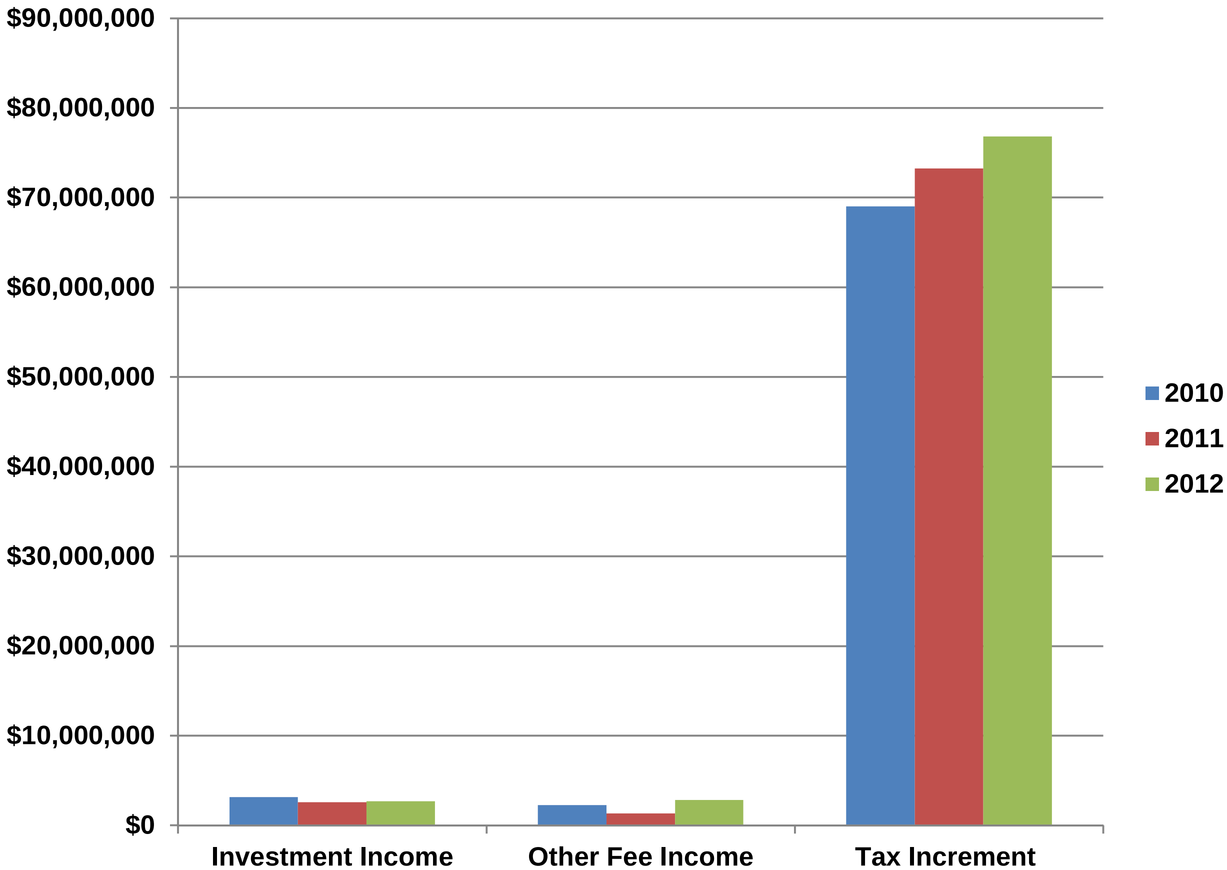
Denver Urban Renewal Authority's Changes In Net Position (Deficit)
(In Thousands)

	Governmental Activities			Business-Type Activities			Total Government		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Revenues									
Intergovernmental - program	$ 95	$ 57	$ -	$ 1,396	$ 1,448	$ 1,146	$ 1,491	$ 1,505	$ 1,146
General revenues							-		
Tax increment financing	76,838	73,249	69,013	-	-	-	76,838	73,249	69,013
Investment income	2,690	2,573	3,155	27	33	36	2,717	2,606	3,191
Other income	2,835	2,227	2,268	-	-	-	2,835	2,227	2,268
Transfers	(204)	(950)	-	204	950	-	-	-	-
Total revenues	82,254	77,156	74,436	1,627	2,431	1,182	83,881	79,587	75,618
Expenses									
Administration	3,912	4,093	3,600	1,368	1,348	1,160	5,280	5,441	4,760
Other expenses	-	-	-	268	201	180	268	201	180
Redevelopment projects	33,430	40,973	29,398	-	-	-	33,430	40,973	29,398
Debt service									
Interest	17,905	19,099	19,523	-	-	-	17,905	19,099	19,523
Total expenses	55,247	64,165	52,521	1,636	1,549	1,340	56,883	65,714	53,861
Change in net position	27,007	12,991	21,915	(9)	882	(158)	26,998	13,873	21,757
Net position (deficit) beginning of year	(227,123)	(240,114)	(262,029)	3,870	2,988	3,146	(223,253)	(237,126)	(258,883)
Net position (deficit), end of year	$ (200,116)	$ (227,123)	$ (240,114)	$ 3,861	$ 3,870	$ 2,988	$ (196,255)	$ (223,253)	$ (237,126)

Governmental activities increased the Authority's governmental activities net position by $27,007,741, or 11.9%, in 2012, $12,990,658, or 5.4%, in 2011 and $21,914,899, or 8.4%, in 2010.

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2012 and 2011

Revenue Governmental Activities



<u>2012</u>

- 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%.

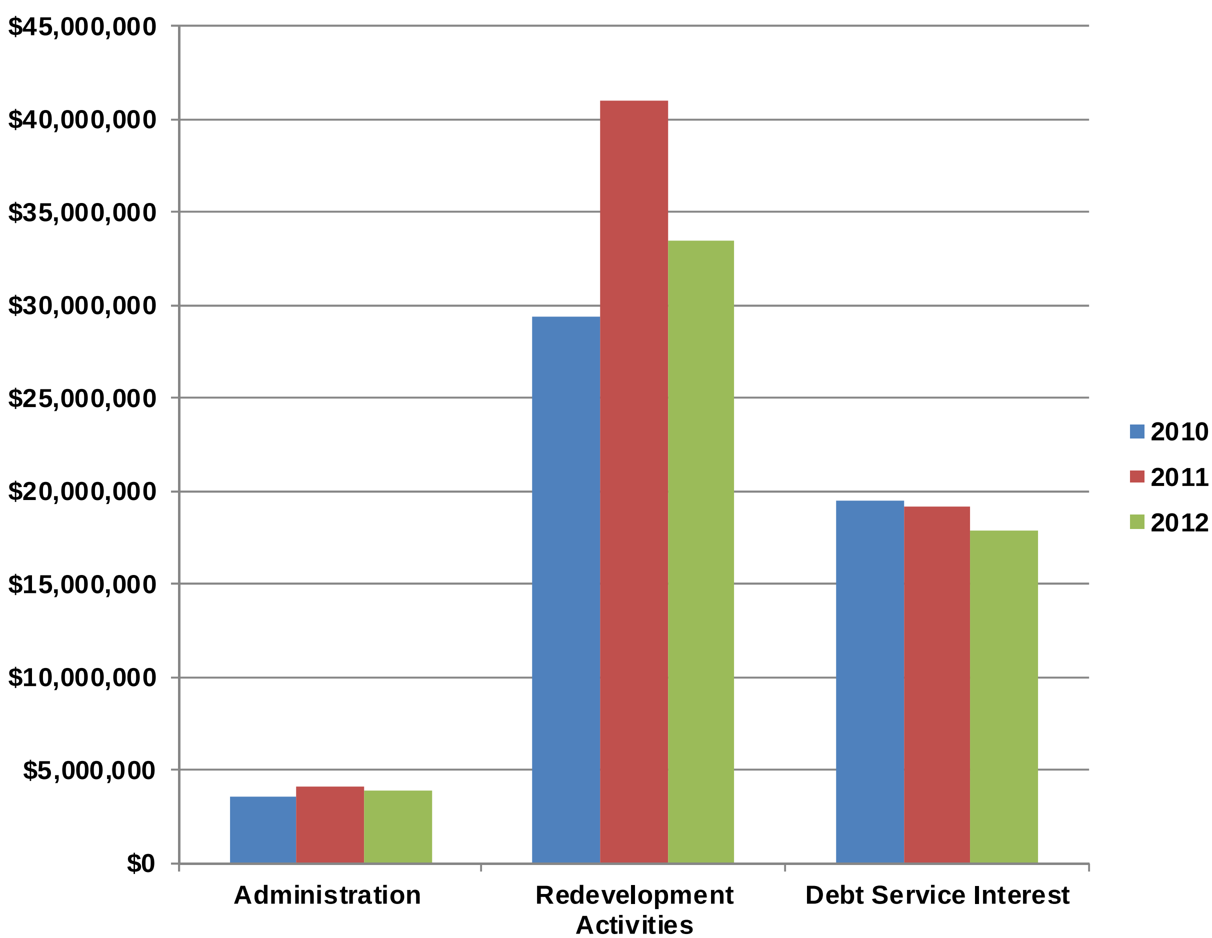
- Investment income represents 3.2% of total governmental activities revenues.

- Other income represents 3.4% of total governmental activities revenues.

2011

- Total governmental activities revenues, excluding transfers, increased by $3,669,164, or 4.9%, from the prior year, primarily due to increased property tax receipts in the Stapleton and Downtown TIF areas.
- Tax increment financing, which represents 93.8% of total governmental activities revenues, increased from last year by $4,235,687, or 6.1%.
- Investment income represents 3.3% of total governmental activities revenues.
- Other income represents 2.9% of total governmental activities revenues.

Expense Governmental Activities



2012

- Total governmental activities expenses of $55,246,935 decreased by $8,917,688, or 13.9% from last year. In 2012, the Authority's administration expenses reflected a $181,159, or 4.6% decrease in operational costs.

- Decreased expenses of $7,543,279 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.

2011

- Total governmental activities expenses of $64,164,623 increased by $11,643,405, or 22.2%, from last year. In 2011, the Authority's administration expenses reflected a $493,340, or 13.7% increase in operational costs.
- Increased expenses in 2011 redevelopment activities reflect early repayment of South Broadway and Stapleton TIF bonds. The increased expenses are directly related to increased tax increment receipts which were used to pay outstanding obligations in 2011.
- The decrease in debt service interest in 2011 reflects the benefit derived from earlier than scheduled bond repayment, the full year effect of refinancing the Stapleton Subordinate debt and subsequent lower interest rates.

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 and its Skyline Funds. 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 $86,378,567 as compared to $76,776,222 in 2011 and $86,745,459 in 2010. This was an increase of $9,602,345 in 2012 as compared to an decrease of $9,969,237 in 2011 and an increase of $10,144,892 in 2010. Unassigned fund balance is $2,351,558, or 2.7%, of the 2012 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 2012, the *unassigned fund balance* of the general fund was $2,351,558, while total fund balance was $2,405,066. At December 31, 2012, $53,508 was nonspendable. At December 31, 2011 and 2010, unassigned fund balances were $2,348,279 and $2,358,295 respectively.

The *capital projects fund* is used to account for the disbursement of funds for various redevelopment project obligations. At December 31, 2012, the capital projects fund balance was $47,360,454, a net increase of $7,475,204 during the fiscal year, due principally to increases in property and sales tax increment receipts. At December 31, 2011 and 2010, fund balances were $39,885,250 and $45,656,053, respectively.

The *debt service fund* is used for the servicing of long-term debt. The debt service fund has an ending fund balance of $36,613,047 at December 31, 2012. The Authority's debt service fund balance was $34,485,906 in 2011. At December 31, 2010, fund balance was $38,680,841.

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, 2012 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 2012, an *agency fund* was used to account for the $10,954,728 of tax increment revenue that passed through the Authority to the districts. The amount of pass-through in 2011 was $11,741,546 and $11,241,469 in 2010.

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 2012, there were no changes made to the general fund budget as approved by the Authority Board of Commissioners.

Debt Administration

At December 31, 20122, the Authority had total bond debt outstanding of $272,318,699 as compared to $295,184,677 at the end of the prior year and $315,805,000 in 2010. 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.

Moody's Investors Service (Moody's) bond rating is A1/VMIG1 for the Downtown Denver bond series. The Stapleton Senior bonds are rated AA+/A-1+ by Standard & Poor's (S&P's) and AA-/F1+ by Fitch, Inc. (Fitch), with an underlying rating of A- by Fitch, Inc. The Letter of Credit provider for the Stapleton Bonds, U.S. Bank National Association is rated A+/Stable by Standard & Poor's. All other Authority bonds are unrated. (See "Note 8" 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 35 days. For fiscal year ended December 31, 2012, the average yield on investments was .21%.

Economic Factors Impacting the Authority's Financial Position

At December 31, 2012, unassigned fund balance in the general fund was $2,351,558 and $2,348,279 in 2011. 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).

Further, property tax increment received in fiscal year 2012 does not reflect anticipated increases in 2013 property tax increment resulting from voter approval at the November 6, 2012 election of two ballot measures authorizing increases in the Denver Public Schools' mill levy and one ballot measure permitting the City to maintain its mill levy at a rate that would otherwise result in tax revenues exceeding the TABOR limits.

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 2013. "Metro Denver will outperform the nation as a whole during 2013. Employment growth in the region is projected to exceed that of the state and nation. Several sectors in the area should perform well, including education and health services, professional and business services, and natural resources, mining and construction." *Patty Silverstein, Chief Economist, Metro Denver Economic Development Corporation*, *2013 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, 2012
(With Comparative Summarized Information as of December 31, 2011)

	Governmental Activities	Business-type Activities	Total Primary Government 2012	Total Primary Government 2011
Assets				
Cash and investments	$ 3,919,428	$ 1,749,786	$ 5,669,214	$ 5,166,098
Restricted cash and investments	77,821,026	-	77,821,026	72,179,545
Accounts receivable	206,809	61,888	268,697	272,966
Interest receivable	188,138	-	188,138	156,053
Due from the City and County of Denver	68,993,745	57,213	69,050,958	57,255,735
Prepaid items	53,508	-	53,508	56,787
Other assets	4,256	-	4,256	8,514
Notes receivable - Component Unit	-	-	-	1,672,230
Notes receivable (net of allowance of $3,237,815)	986,384	-	986,384	1,100,328
Loans receivable (net of allowance of $884,334 and $727,278 for 2012 and 2011, respectively)	-	2,207,468	2,207,468	2,738,546
Deferred charges, net	4,848,885	-	4,848,885	5,354,797
Internal balances	28,180	(28,180)	-	-
Total assets	157,050,359	4,048,175	161,098,534	145,961,599
Deferred Outflows				
Accumulated decrease in fair value of hedging derivatives	25,685,274	-	25,685,274	23,789,279
Liabilities				
Accrued liabilities	1,164,808	-	1,164,808	1,988,793
Accrued interest	1,079,111	-	1,079,111	417,017
Deposits	313,463	-	313,463	163,463
Due to the City and County of Denver	1,378,900	187,000	1,565,900	3,214,560
Deferred revenue	61,984,091	-	61,984,091	51,846,041
Interest rate swaps	41,522,262	-	41,522,262	41,523,071
Bonds with demand features	172,115,000	-	172,115,000	190,270,000
Noncurrent liabilities				
Due within one year	6,469,605	-	6,469,605	6,597,384
Due in more than one year	96,824,199	-	96,824,199	96,983,903
Total liabilities	382,851,439	187,000	383,038,439	393,004,232
Net Position (Deficit)				
Restricted for				
Capital projects	20,411,013	-	20,411,013	14,484,261
Debt service	36,613,047	-	36,613,047	34,485,906
Housing program loans	-	3,861,175	3,861,175	3,870,191
Other purposes	-	-	-	-
Unrestricted (deficit)	(257,139,866)	-	(257,139,866)	(276,093,712)
Total net position (deficit)	$ (200,115,806)	$ 3,861,175	$ (196,254,631)	$ (223,253,354)

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
STATEMENT OF NET POSITION
December 31, 2011

	Governmental Activities	Business-type Activities	Total Primary Government
Assets			
Cash and investments	$ 3,972,860	$ 1,193,238	$ 5,166,098
Restricted cash and investments	72,179,545	-	72,179,545
Accounts receivable	234,370	38,596	272,966
Interest receivable	156,053	-	156,053
Due from the City and County of Denver	57,115,147	140,588	57,255,735
Prepaid items	56,787	-	56,787
Other assets	8,514	-	8,514
Notes receivable - Component Unit	1,672,230	-	1,672,230
Notes receivable (net of allowance of $3,237,815)	1,100,328	-	1,100,328
Loans receivable (net of allowance of $727,278 and $1,017,550 for 2011 and 2010, respectively)	-	2,738,546	2,738,546
Deferred charges, net	5,354,797	-	5,354,797
Internal balances	8,623	(8,623)	-
Total assets	141,859,254	4,102,345	145,961,599
Deferred Outflows			
Accumulated decrease in fair value of hedging derivatives	23,789,279	-	23,789,279
Liabilities			
Accrued liabilities	1,974,889	13,904	1,988,793
Accrued interest	417,017	-	417,017
Deposits	163,463	-	163,463
Due to the City and County of Denver	2,996,310	218,250	3,214,560
Deferred revenue	51,846,041	-	51,846,041
Interest rate swaps	41,523,071	-	41,523,071
Bonds with demand features	190,270,000	-	190,270,000
Noncurrent liabilities			
Due within one year	6,597,384	-	6,597,384
Due in more than one year	96,983,903	-	96,983,903
Total liabilities	392,772,078	232,154	393,004,232
Net Position (Deficit)			
Restricted for			
Capital projects	14,484,261	-	14,484,261
Debt service	34,485,906	-	34,485,906
Housing program loans	-	3,870,191	3,870,191
Unrestricted (deficit)	(276,093,712)	-	(276,093,712)
Total net position (deficit)	$ (227,123,545)	$ 3,870,191	$ (223,253,354)

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
STATEMENTS OF FINANCIAL POSITION – DENVER NEIGHBORHOOD REVITALIZATION, INC.
December 31, 2012 and 2011

	2012	2011
Assets		
Cash	$ 1,437,610	$ 2,580,141
Accounts receivable	3,104	276,771
Property held for resale	911,397	1,712,986
Prepaid items	6,612	5,646
Total assets	2,358,723	4,575,544
Liabilities		
Accounts payable	59,896	26,057
Accounts payable - related party	-	15,341
Advances from other government	18,236	533,750
Notes payable - Primary Government	-	1,672,230
Total liabilities	78,132	2,247,378
Net Assets		
Unrestricted net assets	$ 2,280,591	$ 2,328,166

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012
(With Comparative Summarized Information for the year ended December 31, 2011)

	Expenses	Program Revenues: Operating Grants and Contributions
Function/Programs		
Governmental activities		
General government	$ 3,911,940	$ 95,074
Redevelopment projects	33,429,686	-
Interest expense	17,905,310	-
Total governmental activities	55,246,936	95,074
Business-type activities		
Loan programs	1,636,951	1,396,282
Total business-type activities	1,636,951	1,396,282
Total	$ 56,883,887	$ 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		
Net position (deficit), end of year		

Net (Expense) Revenue and Changes in Net Position		Total Primary Government	
Governmental Activities	Business-type Activities	2012	2011
$ (3,816,866)	$ -	$ (3,816,866)	$ (4,036,277)
(33,429,686)	-	(33,429,686)	(40,972,964)
(17,905,310)	-	(17,905,310)	(19,098,560)
(55,151,862)	-	(55,151,862)	(64,107,801)
-	(240,669)	(240,669)	(101,322)
-	(240,669)	(240,669)	(101,322)
(55,151,862)	(240,669)	(55,392,531)	(64,209,123)
76,837,943	-	76,837,943	73,248,610
2,690,675	27,399	2,718,074	2,606,318
2,835,237	-	2,835,237	2,226,779
(204,254)	204,254	-	-
82,159,601	231,653	82,391,254	78,081,707
27,007,739	(9,016)	26,998,723	13,872,584
(227,123,545)	3,870,191	(223,253,354)	(237,125,938)
$ (200,115,806)	$ 3,861,175	$ (196,254,631)	$ (223,253,354)

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

		Program Revenues
	Expenses	Operating Grants and Contributions
Function/Programs		
Governmental activities		
General government	$ 4,093,099	$ 56,822
Redevelopment projects	40,972,964	-
Interest expense	19,098,560	-
Total governmental activities	64,164,623	56,822
Business-type activities		
Loan programs	1,549,871	1,448,549
Total business-type activities	1,549,871	1,448,549
Total	$ 65,714,494	$ 1,505,371
General revenues		
Tax increment financing		
Investment income		
Other revenues		
Transfers		
Total general revenues		
Change in net position (deficit)		
Net position (deficit), beginning of year		
Net position (deficit), end of year		

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total Primary Government
$ (4,036,277)	$ -	$ (4,036,277)
(40,972,964)	-	(40,972,964)
(19,098,560)	-	(19,098,560)
(64,107,801)	-	(64,107,801)
-	(101,322)	(101,322)
-	(101,322)	(101,322)
(64,107,801)	(101,322)	(64,209,123)
73,248,610	-	73,248,610
2,573,070	33,248	2,606,318
2,226,779	-	2,226,779
(950,000)	950,000	-
77,098,459	983,248	78,081,707
12,990,658	881,926	13,872,584
(240,114,203)	2,988,265	(237,125,938)
$ (227,123,545)	$ 3,870,191	$ (223,253,354)

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, 2012 and 2011

	2012	2011
Operating revenues		
Forgiveness of advance - City and County of Denver	$ 133,766	$ 3,178,543
Grant revenue	785,306	-
Developer fee revenue	141,006	432,713
Other	-	24,000
Total operating revenues	1,060,078	3,635,256
Operating expenses		
Service agreement expense	223,278	246,196
Loss on sale of property	855,429	915,688
Other expenses	34,478	40,768
Total operating expenses	1,113,185	1,202,652
Operating revenues over (under) operating expenses	(53,107)	2,432,604
Nonoperating revenues		
Investment income	5,532	5,485
Total nonoperating revenues	5,532	5,485
Increase (decrease) in net assets	(47,575)	2,438,089
Net assets (deficit) - unrestricted, beginning of year	2,328,166	(109,923)
Net assets - unrestricted, end of year	$ 2,280,591	$ 2,328,166

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012
(With Comparative Summarized Information as of December 31, 2011)

	General	Capital Projects	Debt Service	Total Governmental Funds 2012	Total Governmental Funds 2011
Assets					
Cash and investments	$ 3,919,428	$ -	$ -	$ 3,919,428	$ 3,972,860
Restricted cash and investments	-	44,944,237	32,876,789	77,821,026	72,179,545
Accounts receivable	191,757	15,053	-	206,810	234,370
Interest receivable	-	-	67,068	67,068	69,708
Due from the City and County of Denver	-	55,077,851	13,915,894	68,993,745	57,115,147
Prepaid items	53,508	-	-	53,508	56,787
Advances to other funds	93,573	1,743,894	1,593,204	3,430,671	3,516,839
Total assets	$ 4,258,266	$ 101,781,035	$ 48,452,955	$ 154,492,256	$ 137,145,256
Liabilities and Fund Balances					
Liabilities					
Accrued liabilities	$ 84,306	$ 572,688	$ 377,750	$ 1,034,744	$ 1,855,004
Deposits	25,000	288,463	-	313,463	163,463
Due to the City and County of Denver	-	1,291,227	87,673	1,378,900	2,996,310
Advances from other funds	1,743,894	1,658,597	-	3,402,491	3,508,216
Deferred revenue	-	50,609,606	11,374,485	61,984,091	51,846,041
Total liabilities	1,853,200	54,420,581	11,839,908	68,113,689	60,369,034
Fund balances					
Nonspendable - prepaid items	53,508	-	-	53,508	56,787
Restricted					
Capital projects	-	20,411,013	-	20,411,013	14,484,261
Debt service	-	-	36,613,047	36,613,047	34,485,906
Committed	-	26,949,441	-	26,949,441	25,400,989
Unassigned	2,351,558	-	-	2,351,558	2,348,279
Total fund balances	2,405,066	47,360,454	36,613,047	86,378,567	76,776,222
Total liabilities and fund balances	$ 4,258,266	$ 101,781,035	$ 48,452,955	$ 154,492,256	$ 137,145,256

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General	Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and investments	$ 3,972,860	$ -	$ -	$ 3,972,860
Restricted cash and investments	-	39,281,307	32,898,238	72,179,545
Accounts receivable	219,317	15,053	-	234,370
Interest receivable	-	-	69,708	69,708
Due from the City and County of Denver	24,285	45,861,208	11,229,654	57,115,147
Prepaid items	56,787	-	-	56,787
Advances to other funds	110,456	1,790,464	1,615,919	3,516,839
Total assets	$ 4,383,705	$ 86,948,032	$ 45,813,519	$ 137,145,256
Liabilities and Fund Balances				
Liabilities				
Accrued liabilities	$ 163,175	$ 1,508,503	$ 183,326	$ 1,855,004
Deposits	25,000	138,463	-	163,463
Due to the City and County of Denver	-	2,251,996	744,314	2,996,310
Advances from other funds	1,790,464	1,717,752	-	3,508,216
Deferred revenue	-	41,446,068	10,399,973	51,846,041
Total liabilities	1,978,639	47,062,782	11,327,613	60,369,034
Fund balances				
Nonspendable - prepaid items	56,787	-	-	56,787
Restricted				
Capital projects	-	14,484,261	-	14,484,261
Debt service	-	-	34,485,906	34,485,906
Committed	-	25,400,989	-	25,400,989
Unassigned	2,348,279	-	-	2,348,279
Total fund balances	2,405,066	39,885,250	34,485,906	76,776,222
Total liabilities and fund balances	$ 4,383,705	$ 86,948,032	$ 45,813,519	$ 137,145,256

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, 2012 and 2011

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

	2012	2011
Total fund balances - governmental funds	$ 86,378,567	$ 76,776,222
Long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds		
Notes receivable, net	986,384	1,100,328
Notes receivable - Component Unit	-	1,672,230
Interest receivable	121,070	86,345
Other assets	4,256	8,514
Bond issuance costs, net of accumulated amortization, are deferred and reported in the statements of net position but not in the funds	4,848,885	5,354,797
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	23,789,279
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)	(41,523,071)
Bonds payable, net	(271,012,668)	(293,622,810)
Notes payable	(4,396,136)	(228,477)
Interest payable	(1,079,111)	(417,017)
Compensated absences	(130,065)	(119,885)
Net position (deficit) of governmental activities	$ (200,115,806)	$ (227,123,545)

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
(With Comparative Summarized Information for the year ended December 31, 2011)

	General	Capital Projects	Debt Service	Total Governmental Funds 2012	Total Governmental Funds 2011
Revenues					
Intergovernmental	$ 95,074	$ -	$ -	$ 95,074	$ 56,822
Tax increment financing	-	59,671,962	17,165,981	76,837,943	73,248,610
Investment income	7,364	85,032	881,514	973,910	982,409
Other income	2,524,567	172,927	137,743	2,835,237	2,226,779
Total revenues	2,627,005	59,929,921	18,185,238	80,742,164	76,514,620
Expenditures					
Current					
Administration	3,115,442	-	276,148	3,391,590	3,462,256
Redevelopment projects	-	23,019,197	10,282,709	33,301,906	40,972,964
Swap termination payment	-	-	228,600	228,600	382,600
Debt service					
Principal	-	228,477	24,336,267	24,564,744	24,167,429
Interest	-	4,594	16,982,786	16,987,380	18,565,558
Total expenditures	3,115,442	23,252,268	52,106,510	78,474,220	87,550,807
Revenues over (under) expenditures	(488,437)	36,677,653	(33,921,272)	2,267,944	(11,036,187)
Other financing sources (uses)					
Transfers in	2,241,144	1,812,701	35,779,251	39,833,096	38,564,537
Transfers out	(1,752,707)	(37,083,516)	(1,201,127)	(40,037,350)	(39,514,537)
Bond proceeds	-	-	1,470,289	1,470,289	3,173,402
Proceeds from notes payable	-	4,396,136	-	4,396,136	-
Proceeds from repayment of notes receivable	-	1,672,230	-	1,672,230	243,548
Issuance of note receivable	-	-	-	-	(1,400,000)
Total other financing sources (uses)	488,437	(29,202,449)	36,048,413	7,334,401	1,066,950
Net change in fund balances	-	7,475,204	2,127,141	9,602,345	(9,969,237)
Fund balances, beginning of year	2,405,066	39,885,250	34,485,906	76,776,222	86,745,459
Fund balances, end of year	$ 2,405,066	$ 47,360,454	$ 36,613,047	$ 86,378,567	$ 76,776,222

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, 2011

	General	Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Intergovernmental	$ 56,822	$ -	$ -	$ 56,822
Tax increment financing	-	56,548,174	16,700,436	73,248,610
Investment income	11,568	90,659	880,182	982,409
Other income	2,226,779	-	-	2,226,779
Total revenues	2,295,169	56,638,833	17,580,618	76,514,620
Expenditures				
Current				
Administration	2,958,274	-	503,982	3,462,256
Redevelopment projects	-	27,759,046	13,213,918	40,972,964
Swap termination payment	-	-	382,600	382,600
Debt service				
Principal	-	373,704	23,793,725	24,167,429
Interest	-	25,969	18,539,589	18,565,558
Total expenditures	2,958,274	28,158,719	56,433,814	87,550,807
Revenues over (under) expenditures	(663,105)	28,480,114	(38,853,196)	(11,036,187)
Other financing sources (uses)				
Transfers in	2,254,629	2,175,031	34,134,877	38,564,537
Transfers out	(1,595,023)	(35,269,496)	(2,650,018)	(39,514,537)
Bond proceeds	-	-	3,173,402	3,173,402
Proceeds from repayment of notes receivable	-	243,548	-	243,548
Issuance of note receivable	-	(1,400,000)	-	(1,400,000)
Total other financing sources (uses)	659,606	(34,250,917)	34,658,261	1,066,950
Net change in fund balances	(3,499)	(5,770,803)	(4,194,935)	(9,969,237)
Fund balances, beginning of year	2,408,565	45,656,053	38,680,841	86,745,459
Fund balances, end of year	$ 2,405,066	$ 39,885,250	$ 34,485,906	$ 76,776,222

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, 2012 and 2011

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

	2012	2011
Net change in fund balances, total governmental funds	$ 9,602,345	$ (9,969,237)
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	24,336,267	23,793,725
Repayment of note principal	228,477	373,704
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	(662,094)	45,884
Change in compensated absences	(10,180)	(10,665)
Amortization of loss on refundings	(492,059)	(815,109)
Amortization of bond issuance costs	(505,912)	(615,920)
Amortization of bond premium	236,223	236,223
Write-down of note receivable	(127,780)	-
Other changes in assets	(4,258)	(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	48,894	45,391
Amortization of imputed debt - swap	1,896,471	1,927,870
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		
Issuance of note receivable	-	1,400,000
Proceeds from the repayment of notes receivable	(1,672,230)	(243,548)
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		
Bond and note proceeds	(5,866,425)	(3,173,402)
Change in net position (deficit) of governmental activities	$ 27,007,739	$ 12,990,658

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
STATEMENTS OF NET POSITION - PROPRIETARY FUND
December 31, 2012 and 2011

	Total Enterprise Fund	
	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 1,749,786	$ 1,193,238
Accounts receivable	61,888	38,596
Due from the City and County of Denver	57,213	140,588
Total current assets	1,868,887	1,372,422
Noncurrent assets		
Loans receivable (net of allowance of $884,334 and $727,278 for 2012 and 2011, respectively)	2,207,468	2,738,546
Total assets	4,076,355	4,110,968
Liabilities		
Current liabilities		
Accrued liabilities	-	13,904
Due to the City and County of Denver	187,000	218,250
Total current liabilities	187,000	232,154
Noncurrent liabilities		
Advances from other funds	28,180	8,623
Total liabilities	215,180	240,777
Net Position		
Restricted - Housing program loans	$ 3,861,175	$ 3,870,191

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, 2012 and 2011

	Total Enterprise Fund	
	2012	2011
Operating revenues		
Contract revenue	$ 703,660	$ 372,009
Investment income	27,399	33,248
Other operating revenues	692,622	1,076,540
Total operating revenues	1,423,681	1,481,797
Operating expenses		
Programs	1,368,507	1,348,355
Bad debt expense	268,444	201,516
Total operating expenses	1,636,951	1,549,871
Operating loss	(213,270)	(68,074)
Transfers in	204,254	950,000
Change in net position	(9,016)	881,926
Net position, beginning of year	3,870,191	2,988,265
Net position, end of year	$ 3,861,175	$ 3,870,191

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
Years Ended December 31, 2012 and 2011

	Total Enterprise Fund	
	2012	2011
Cash flows from operating activities		
Cash received from loan payments and other revenues	$ 1,055,721	$ 948,684
Cash received from contracts	787,037	391,734
Cash payments for loans and administration fees	(1,506,167)	(1,554,827)
Net cash provided by (used in) operating activities	336,591	(214,409)
Cash flows from noncapital financing activities		
Due to the City and County of Denver	(31,250)	218,250
Advances from other funds	19,554	(152,029)
Transfer in	204,254	950,000
Net cash provided by noncapital financing activities	192,558	1,016,221
Cash flows from investing activities		
Cash received from investment income	27,399	33,254
Net increase in cash and cash equivalents	556,548	835,066
Cash and cash equivalents, beginning of year	1,193,238	358,172
Cash and cash equivalents, end of year	$ 1,749,786	$ 1,193,238
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (213,270)	$ (68,074)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Bad debt expense	268,444	201,518
Investment income included in operating revenues	(27,399)	(33,254)
Changes in assets and liabilities		
Accounts receivable	(23,289)	(15,268)
Due from the City and County of Denver	83,376	19,725
Loans receivable	262,633	(279,568)
Accrued liabilities	(13,904)	(39,488)
Net cash provided by (used in) operating activities	$ 336,591	$ (214,409)

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, 2012 and 2011

	2012	2011
Assets		
Taxes receivable	$ 12,327,472	$ 11,078,501
Total assets	$ 12,327,472	$ 11,078,501
Liabilities		
Due to other governments	$ 12,327,472	$ 11,078,501
Total liabilities	$ 12,327,472	$ 11,078,501

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, *The Financial Reporting Entity.* 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 Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, 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 Revenue – Deferred revenue in the funds statements is comprised principally 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 period. Deferred revenue 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, as well as issuance costs, 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.

During the year ended December 31, 2011, the Authority adopted the requirements of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). In accordance with 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.

Further, property tax increment received in fiscal year 2012 does not reflect anticipated increases in 2013 property tax increment resulting from voter approval at the November 6, 2012 election of two ballot measures authorizing increases in the Denver Public Schools' mill levy and one ballot measure permitting the City to maintain its mill levy at a rate that would otherwise result in tax revenues exceeding the TABOR limits.

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.

Note 2: Adoption of Accounting Principle

During the year ended December 31, 2012, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position and related disclosures. In addition, GASB 63 amends the net asset reporting requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the residual measurement and by renaming this measurement as net position, instead of net assets. Finally, this pronouncement renames the "statement of net assets" to the "statement of net position" for both the government-wide statements and the proprietary fund statements contained in the Authority's basic financial statements.

The adoption of this accounting principle did not result in any changes in beginning net position (deficit) as of January 1, 2011 or changes in net position (deficit) for the year ended December 31, 2011.

Note 3: Cash and Investments

A summary of cash and investments follows:

	2012	2011
Petty cash	$ 300	$ 300
Cash deposits	32,201,821	24,187,171
Investments	51,288,119	53,158,172
Total cash and investments	$ 83,490,240	$ 77,345,643

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

	2012	2011
Cash and investments	$ 5,669,214	$ 5,166,098
Restricted cash and investments	77,821,026	72,179,545
Total cash and investments	$ 83,490,240	$ 77,345,643

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, 2012 and 2011, 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. 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 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, 2012 and 2011, the Authority had deposits with financial institutions with a carrying amount of $32,201,821 and $24,187,171, respectively. The bank balances with the financial institutions were $32,256,223 as of December 31, 2012 and $24,303,999 as of December 31, 2011. Of these balances, $500,000 was covered by Federal Depository Insurance and $31,756,223 for 2012 and $23,803,999 for 2011 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, 2012. 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, 2012 and 2011, the Authority has the following investments:

	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

	2011		
	Investment Maturity (Years)		
	Fair Value	Less than One Year	1 to 5 Years
Money market funds	$ 19,537,418	$ 19,537,418	$ -
Guaranteed investment contracts	18,000,000	-	18,000,000
Local government investment pool	15,620,754	15,620,754	-
Total	$ 53,158,172	$ 35,158,172	$ 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, 2012 and 2011, the Authority had invested $15,655,784 and $15,620,754, 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, AAA/V1+ from Fitch and Aaa from Moody's.

The Authority is also invested in a guaranteed investment contract that pays a fixed rate of interest on the funds invested in certain bond reserve accounts under the Stapleton bonds. At December 31, 2012 and 2011, the Authority was invested in two separate agreements that pay a guaranteed rate of interest of 4.950% and 4.859%, respectively.

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:

	2012	**2011**
Guaranteed investment contracts	35.10%	33.86%

Restricted Cash and Investments

At December 31, 2012 and 2011, the Authority had restricted cash and investments totaling $77,821,026 and $72,179,545, 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:

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

2011

	Payable Fund			
Receivable Fund	General Fund	Capital Projects Fund	Enterprise Fund	Total
General Fund	$ -	$ 101,833	$ 8,623	$ 110,456
Capital Projects Fund	1,790,464	-	-	1,790,464
Debt Service Fund	-	1,615,919	-	1,615,919
Total	$ 1,790,464	$ 1,717,752	$ 8,623	$ 3,516,839

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.

2012

Transfers In	Transfers Out: General Fund	Transfers Out: Capital Projects Fund	Transfers Out: 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

2011

Transfers In	Transfers Out: General Fund	Transfers Out: Capital Projects Fund	Transfers Out: Debt Service Fund	Total
General Fund	$ -	$ 1,134,619	$ 1,120,010	$ 2,254,629
Capital Projects Fund	1,595,023	-	580,008	2,175,031
Debt Service Fund	-	34,134,877	-	34,134,877
Enterprise Fund	-	-	950,000	950,000
Total	$ 1,595,023	$ 35,269,496	$ 2,650,018	$ 39,514,537

Note 5: Notes Receivable

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).

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, 2012 and 2011. Repayment of the notes is doubtful and the receivable amount has been fully allowed for in the financial statements.

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, 2012 and 2011 is $770,421. At December 31, 2012 and 2011, the note had accrued $111,670 and $73,148 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 and $329,907 at December 31, 2012 and 2011, respectively. The note is collateralized by the first deed of trust, and is due and payable on October 1, 2015, and accrues simple interest of 3% during year one, 4% during year two, and 5% during years three through five. At December 31, 2012, the note had accrued $9,400 in interest.

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, 2012 and 2011 totaled $163,679 and $163,320, 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, 2012 and 2011:

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

Balance January 1, 2011	Additions	Payments/ Write-offs	Change in Allowance	Balance December 31, 2011
$ 2,660,496	$ 163,320	$ (495,788)	$ 410,518	$ 2,738,546

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, 2012 and 2011 totaled $517,090 and $519,969, respectively. Deferred loans outstanding at December 31, 2012 and 2011 totaled $28,380,949 and $28,833,285, 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 six projects via the issuance of debt, of which three bond issues are currently outstanding. The Authority is currently financing 18 reimbursement projects (see Note 11, 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 three 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 2012 and 2011 were 5,452 and 5,002, 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.

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.

Note 8: Long-term Liabilities

The following is a summary of debt transactions of the Authority for the years ended December 31, 2012 and 2011:

	Balance 1/1/2012	Additions	Payments/ Reductions	Balance 12/31/2012	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	-
Deferred amount on refundings	(4,750,881)	-	492,059	(4,258,822)	-
Notes payable	228,477	4,396,136	(228,477)	4,396,136	-
Compensated absences	119,885	102,083	(91,903)	130,065	-
Total	$ 293,971,172	$ 5,968,508	$ (24,400,811)	$ 275,538,869	$ 16,029,605

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

	Balance 1/1/2011	Additions	Payments/ Reductions	Balance 12/31/2011	Due Within One Year
Bonds payable	$ 315,805,000	$ 3,173,402	$ (23,793,725)	$ 295,184,677	$ 15,448,907 *
Premium on bonds payable	3,425,237	-	(236,223)	3,189,014	-
Deferred amount on refundings	(5,565,990)	-	815,109	(4,750,881)	-
Notes payable	602,182	-	(373,705)	228,477	228,477
Compensated absences	109,220	97,877	(87,212)	119,885	-
Total	$ 314,375,649	$ 3,271,279	$ (23,675,756)	$ 293,971,172	$ 15,677,384

* Includes bonds with demand features of $9,080,000

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, 2012 and 2011 to the principal and interest requirements of the Bonds for those periods is as follows:

	2012	2011
TIF revenues recognized, net of priority fees	$ 52,405,204	$ 47,627,654
Principal and interest requirements	29,679,672	29,456,913
Swap settlement payments	8,273,840	8,923,994

Bonds Payable

Bonds payable as of December 31, 2012 are:

Tax Increment Revenue Bonds

	Balance 1/1/2012	Additions	Payments	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

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

Bonds Payable

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

Tax Increment Revenue Bonds (continued)

Bonds payable as of December 31, 2011 were:

	Balance 1/1/2011	Additions	Payments	Balance 12/31/2011		Due Within One Year
South Broadway/Montgomery Ward Urban Renewal Project Series 2002, due in varying installments through 2015 with variable interest rates at a maximum of 12%. The interest rate at December 31, 2010 was 3.00%, maturing on December 1, 2015. Fully paid during the year ended December 31, 2011.	$ 1,715,000	$ -	$ 1,715,000	$ -		$ -
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, 2011 was 0.12% and the bonds mature on December 1, 2025.	76,170,000	-	2,190,000	73,980,000	*	2,760,000
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, 2011 was 0.12% and the bonds mature on December 1, 2025.	102,685,000	-	3,170,000	99,515,000	*	3,905,000
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.	97,455,000	-	2,365,000	95,090,000		3,805,000
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.	5,000,000	-	2,053,725	2,946,275		1,133,406

Tax Increment Revenue Bonds (continued)

	Balance 1/1/2011	Additions	Payments	Balance 12/31/2011		Due Within One Year
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	-	3,173,402		1,220,501
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. The variable interest rate at December 31, 2011 was 1.00% and the bonds mature on September 1, 2017.	6,945,000	-	3,635,000	3,310,000	*	375,000
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, 2011 was .75% and the bonds mature on September 1, 2017.	8,405,000	-	1,120,000	7,285,000	*	1,105,000
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. The variable interest rate at December 31, 2011 was 1.00% and the bonds mature on September 1, 2017.	12,080,000	-	6,545,000	5,535,000	*	840,000

Tax Increment Revenue Bonds (continued)

	Balance 1/1/2011	Additions	Payments	Balance 12/31/2011		Due Within One Year
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. The variable interest rate at December 31, 2011 was 1.0% and the bonds mature on September 1, 2017.	1,410,000	-	765,000	645,000	*	95,000
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.	3,940,000	-	235,000	3,705,000		210,000
	$ 315,805,000	$ 3,173,402	$ 23,793,725	$ 295,184,677		$ 15,448,907

* Bonds with demand features - Included in balances above are $172,115,000 and $190,270,000 at December 31, 2012 and 2011, respectively, of tax increment revenue bonds that have certain demand features discussed below. 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.

The bonds are subject to tender on the demand of the holder at a price equal to the principal plus accrued interest upon delivery of an irrevocable notice of tender to the Remarketing Agent and the Tender Agent not less than seven days before the Optional Tender Date specified by the owner in such notice. Each series of bonds is required, with certain exceptions, to maintain a credit facility to provide security and liquidity during any period that the bonds bear a daily rate, weekly rate, unit pricing rate or a term rate. The Remarketing Agency agent is authorized to use its best efforts to sell the tendered bonds.

Under existing irrevocable letters of credit for each series of demand bonds, the trustee is entitled to draw an amount sufficient to pay the purchase price of the tendered bonds. The letters of credit expiration dates range from April 30, 2014 to September 30, 2014 and it is the intention of the Authority to further extend the applicable letters until the maturity of all the bonds. The letter of credit reimbursement agreements require the Authority to pay a fee ranging from 1.00% to 1.35% per annum of the undrawn stated amount of the letter of credit.

Because these bonds have not matured and are payable solely from future TIF revenues, they have not been included as liabilities in the balance sheets of the fund statements.

Debt service requirements to maturity for the Bonds are as follows (using variable interest rates in effect as of December 31, 2012):

Year Ending December 31,	Principal	Interest	Total
2013	$ 16,029,605	$ 4,989,281	$ 21,018,886
2014	20,204,093	4,635,285	24,839,378
2015	14,895,000	4,146,683	19,041,683
2016	17,770,000	3,916,093	21,686,093
2017	18,425,000	3,664,993	22,089,993
2018-2022	93,700,000	12,531,648	106,231,648
2023-2026	91,295,000	3,349,912	94,644,912
Total	$272,318,698	$ 37,233,895	$309,552,593

Notes Payable

Notes payable activity for the years ended at December 31, 2012 and 2011 consists of the following:

	Balance 1/1/2012	Additions	Payments	Balance 12/31/2012	Due Within One Year
Note payable to the City and County of Denver, for Marycrest project, to be paid over a 25-year period, with simple interest accruing at a rate of 2% per annum., payable solely from TIF revenue, due quarterly.	$ -	$ 4,396,136	$ -	$ 4,396,136	$ -
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	-	-
	$ 228,477	$ 4,396,136	$ 228,477	$ 4,396,136	$ -

	Balance 1/1/2011	Additions	Payments	Balance 12/31/2011	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.	$ 602,182	$ -	$ 373,705	$ 228,477	$ 228,477

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 10th 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 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. The Authority incurred $1,470,289 of debt relating to this funding during the year ended December 31, 2012, as shown in the bonds payable table.

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 is obligated, 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 is deemed to be a Junior Subordinate Bond of the Authority under the Stapleton Master Indenture.

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 is obligated, 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 $1,470,289 of debt relating to this funding during the year ended December 31, 2012.

The Authority has 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 $137,744 in 2012, from the United States Treasury which equaled to 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.

The Internal Revenue Code of 1986 imposes requirements that the Authority must continue to meet on an ongoing basis in order to receive the cash subsidy payments. These requirements generally involve the way that proceeds of the 2010 FCS Junior Subordinate Bond must be invested and ultimately used, and the periodic submission of requests for payment. If the Authority does not meet these requirements, it is possible that the Authority may not receive the cash subsidy payments. Furthermore, in certain circumstances, the cash subsidy payments may be reduced (offset) by amounts determined by the United States Treasury to be applicable. For example, offsets may occur by reason of any past-due legally enforceable debt of the Authority to any federal agency. The amount of any such offsets is not predictable, but the Authority does not currently expect that any such offsets will apply to the subsidy payments the Authority expects to receive.

Swap Agreements

The Authority has entered into interest swap rate agreements in order to lock in interest rate savings and protect against rising interest rates. The swaps are 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 and 2011, fixed payments to the counterparties ranged from 3.06% to 5.26%. The interest rate swaps have 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.

Swap payments and associated debt. As of December 31, 2012, debt service requirements of the variable-rate debt under swap agreements and net swap payments using variable interest rates in effect at December 31, 2012, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending December 31,	Principal	Interest	Interest Rate Swaps, Net	Total
2013	$ 13,860,000	$ 324,517	$ 7,367,867	$ 21,552,384
2014	9,580,000	213,591	6,842,384	16,635,975
2015	8,945,000	201,341	6,449,420	15,595,761
2016	9,605,000	183,777	5,891,469	15,680,246
2017	10,895,000	168,602	5,405,295	16,468,897
2018-2022	56,760,000	592,193	18,943,734	76,295,927
2023-2025	62,470,000	164,773	5,251,547	67,886,320
Total	$ 172,115,000	$ 1,848,794	$ 56,151,716	$ 230,115,510

The fair value balances and notional amounts of the swaps outstanding at December 31, 2012 and 2011 and the changes in fair value of such swaps for the years then ended, are as follows:

Counterparty	Effective Date	Maturity Date	Notional Amount	Associated Debt Series	Payable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 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)

Counterparty	Effective Date	Maturity Date	Notional Amount	Associated Debt Series	Payable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2011
2006 Swap Agreement								
Royal Bank of Canada	10/25/2006	9/1/2013	$ 16,775,000	2006A,B,C,D	3.816%	Deferred Outflow	$ (1,041,567)	$ (846,632)
2008A-1 and 2008 A-2 Swap Agreements								
Royal Bank of Canada	3/11/2010	12/1/2024	16,667,416	2008 A-1	3.059%	Deferred Outflow	1,168,731	(1,726,215)
Merrill Lynch	5/1/2007	12/1/2024	29,160,167	2008 A-1	5.259%	Deferred Inflow	303,824	(7,608,035)
						Deferred Outflow	2,105,620	-
						Investment Revenue	(694,486)	-
Bank of America	5/1/2007	12/1/2024	16,667,417	2008 A-1	5.259%	Deferred Inflow	173,868	(4,348,613)
						Deferred Outflow	1,203,336	-
						Investment Revenue	(396,966)	-
Merrill Lynch	6/1/2008	12/1/2025	111,000,000	2008 A-1, 2008 A-2	4.598%	Deferred Outflow	10,594,522	(26,993,576)
						Investment Revenue	(836,416)	-
Total			$ 190,270,000					$ (41,523,071)

The fair values take 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 calculates 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 are 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 is 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 is 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 contains substantially identical terms to the terminated Series 2008A-1 Lehman Swap Agreement, except that the fixed rate payable by the Authority is 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 are 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 are 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 are 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 and 2011 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

	2011		
	Ratings of the Counterparty or its Credit Support Provider		
	S&P's	Moody's	Fitch
Merrill Lynch Capital Services, Inc.	A	Baa1	A
Bank of America, N.A.	A+	A2	A
Royal Bank of Canada	AA-	Aa1	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 is 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 is exposed to interest rate risk in that as the SIFMA swap index decreases the Authority's notes payment on the swap increases.

The Authority has 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 are 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 and 2011 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

	2011		
	Ratings of the Counterparty or its Credit Support Provider		
	S&P's	**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 is exposed to interest rate risk in that as the SIFMA swap index decreases the Authority's notes payment on the swap increases.

Note 9: 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, 2012 and 2011, the Authority's contribution to the Plan totaled $140,747 and $141,268 and the employee contributions totaled $70,374 and $70,634, respectively, which are equal to the required contributions.

Note 10: Lease Commitment

The Authority's office space is leased under an agreement expiring on the last day of February 2014, unless terminated earlier pursuant to the terms of the lease. The Authority's commitment under the lease is as follows:

Year Ending December 31,	
2013	$ 173,542
2014	29,042
Total	$ 202,584

Total rental expense under this lease for the years ended December 31, 2012 and 2011 was $225,423 and $209,668, respectively.

Note 11: 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, 2012 of $2,703,283.

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 Denver Urban Renewal 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 Denver Urban Renewal Authority.

Denver Urban Renewal 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 2012 and 2011, the Authority returned $8,047,636 and $7,639,663 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, 2012, 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	775,542
City Park South	4,212,461
The Pepsi Center	9,475,679
38th and York	3,564,000
Highland's Garden Village	602,794
The Point	1,091,543
Lowry	44,420,697
Lowry Supplemental Projects	2,913,716
Executive Tower Inn	13,638,430
Alameda Square	8,290,892
Lowenstein Theater	2,015,750
DPS Stapleton School #1	5,500,000
South Broadway	11,915,082
Colorado National Bank	10,000,000
Tamarac Square	5,000,000
Total	$ 127,811,081

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, 2012 and 2011, $583,357 and $1,533,985, 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, 2012 were $117,723, of which the entire amount is attributable to deferred payment loans as discussed in Note 6.

Note 12: 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.

Note 13: Subsequent Event

On March 28, 2013, the Authority issued $171,265,000 of Stapleton Senior Tax Increment Revenue Bonds, Series 2013A-1 for the purpose of refunding the Stapleton Senior Series 2008A-1 and Series 2008A-2 bonds noted in Note 8 and for making certain payments in connection with the termination of certain existing hedge and credit support facilities. The 2013A-1 Bonds carry a fixed interest rate of 5% and mature on December 1, 2025. As part of this transaction the interest rate swaps associated with the Stapleton bonds described in Note 8 were terminated.

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, 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

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, 2011

	Balance January 1, 2011	Additions	Deductions	Write-offs	Balance December 31, 2011
Agency					
Assets					
Cash	$ -	$ 11,741,546	$ (11,741,546)	$ -	$ -
Taxes receivable	12,341,244	10,478,803	(11,741,546)	-	11,078,501
Total assets	$ 12,341,244	$ 22,220,349	$ (23,483,092)	$ -	$ 11,078,501
Liabilities					
Due to other governments	$ 12,341,244	$ 10,478,803	$ (11,741,546)	$ -	11,078,501
Total liabilities	$ 12,341,244	$ 10,478,803	$ (11,741,546)	$ -	$ 11,078,501

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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, 2012

	Stapleton 2008A-1		Stapleton 2008A-2		Stapleton 2010B-1		Downtown Denver 2006A,B,C,D		Highlands Garden Village 2007A	
NET REVENUES										
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)		11,862,259		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)		1.73	(5)	4.68	(6)	2.22	(5)

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 debt service payment, priority and other expenses.

(6) Priority and other expenses are subordinate to the Downtown Denver bonds debt service. The coverage ratio presented is calculated after debt service payment only.

See Note 8 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, 2011

	Stapleton 2008A-1		Stapleton 2008A-2		Stapleton 2010B-1		Downtown Denver 2006A,B,C,D		Highlands Garden Village 2007A	
NET REVENUES										
Mill Levy										
General Fund, Denver	8.455		8.455		8.455		8.455		8.455	
Social Services	3.556		3.556		3.556		3.556		3.556	
Denver Schools/General Fund	33.172		33.172		33.172		33.172		33.172	
Denver Schools/Bond Fund	6.800		6.800		6.800		6.800		6.800	
Bond Sinking Fund, Denver	4.470		4.470		4.470		4.470		4.470	
Bond Interest, Denver	3.110		3.110		3.110		3.110		3.110	
Fire Pension Fund	1.317		1.317		1.317		1.317		1.317	
Urban Drainage/Flood Control	0.576		0.576		0.576		0.576		0.576	
Developmentally Disabled	1.019		1.019		1.019		1.019		1.019	
Police Pension Fund	1.572		1.572		1.572		1.572		1.572	
Capital Improvement	-		-		-		-		-	
Capital Maintenance	2.544		2.544		2.544		2.544		2.544	
	66.591		66.591		66.591		66.591		66.591	
Property Tax Base Amount	41,760,473		41,760,473		41,760,473		75,266,354		1,878,469	
Sales Tax Base Amount	856,917		(1)		(1)		912,632	(2)	-	
Collected Property Taxes	21,589,703		(1)		(1)		11,097,745	(3)	484,398	
Collected Sales Taxes	12,918,933		(1)		(1)		3,547,317	(2)	102,269	
Debt Service Reserve Earnings	578,217		(1)		293,931		1,028		99	
Other Interest Earnings	4,870		(1)		1,859		63		-	
Net Revenues	35,091,723		(1)		295,790		14,646,154	(4)	586,766	
BONDS & PRIORITY EXPENSE										
Debt Service	17,607,620		(1)		9,170,725		5,469,750	(4)	389,502	
DURA Priority and Other Expenses	1,426,994		(1)		(1)		877,219	(4)	57,791	
Annual Coverage Ratio	1.86	(5)	(1)		1.78	(5)	2.68	(6)	1.31	(5)

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
ANNUAL 15c2-12 DISCLOSURE
Year Ended December 31, 2011

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 2011 for the downtown project debt.

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

(6) Priority and other expenses are subordinate to the Downtown Denver bonds debt service. The coverage ratio presented is calculated after debt service payment only.

See Note 8 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, 2012

Cluster/Program	Federal Agency Pass-through Entity	CFDA Number	Amount Expended
Community Development Block Grants/ Entitlement Grants (Loan Program)	U.S. Department of Housing and Urban Development passed through from the City and County of Denver	14.218	$ 195,299
Home Investment Partnerships Program	U.S. Department of Housing and Urban Development passed through from the City and County of Denver	14.239	318,000
Neighborhood Stabilization Program - ARRA	U.S. Department of Housing and Urban Development passed through from the City and County of Denver	14.256	2,815,179
			$ 3,328,478

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, 2012

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, 2012 total \$576,150. Recycled federal funding used for administrative costs for the year ended December 31, 2012, totaled \$182,320.

Note 3: Subrecipients

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

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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, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 18, 2013.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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*.

Other Matter

We noted certain matters that we reported to the Authority's management in a separate letter dated April 18, 2013.

This 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
April 18, 2013

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, 2012. 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.

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, 2012.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-01. Our opinion on each major federal program is not modified with respect to this matter.

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 or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance that we considered to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 12-01.

Board of Commissioners
Denver Urban Renewal Authority

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.

Other Matter

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

BKD, LLP

Denver, Colorado
April 18, 2013

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Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

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:

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

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

Federal Awards

4. Internal control over major programs:

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

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
14.256	Neighborhood Stabilization Program - ARRA

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.	

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
12-01	**Finding:** Reporting

CFDA No. 14.239 HOME Investment Partnerships Program

U.S. Department of Housing and Urban Development

Pass-through from the City and County of Denver, contract control number 201102631, contract period September 1, 2011 - August 31, 2012.

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.

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.

Questioned Costs: None.

Context: Under the HOME program, we tested two Homeowner / Homebuyer Completion Reports submitted to the City and County of Denver for the first and third quarters of the fiscal year. Errors were noted in the deferred loan payments reported and the value after rehabilitation reported. The total error in absolute value was $20,866 for the two quarters tested. These errors were not corrected in subsequent periods. Additionally, we tested two monthly Ethnicity Reports submitted to the City and County of Denver for March and September of the fiscal year. The monthly Ethnicity Reports inconsistently reported the ethnicity and race of the clients compared to the supporting documentation for the March report.

Effect: Inaccurate information was reported to the awarding agencies.

Cause: The dollar amount reported for the final value after rehabilitation was actually the preliminary amount from the Analysis Sheet, while the proper amount to use is the final dollar amount of the value after rehabilitation. The preliminary amount was used erroneously and not noted in review. The deferred payment amount was the proper amount at the time of the loan closure, but the loan was subsequently modified as part of ordinary practice. The modified amount should have been reported in the next quarter's activity or the original report amended, but this did not occur. The reporting of ethnicity, as opposed to an individual's race, on the Ethnicity Report was inconsistently applied in the March report.

Recommendation: We recommend that a detailed review of reports be performed by someone other than the preparer prior to the submission of reports. The detailed review should include verifying dollar amounts and other information, such as ethnicity and race of clients, against supporting records and documentation. Evidence of this review should be maintained with the supporting documents used to prepare the report.

Views of Responsible Officials and Planned Corrective Actions:

Response: Agree.

Person(s) responsible for implementing: Housing Manager.

Implementation date: April 15, 2013.

Corrective action planned: The Authority has processes in place and will enhance existing processes to ensure that formal documentation is maintained and reports provided to the City and County of Denver are updated or amended as needed. Additionally, a detailed review of reports will be performed by someone other than the preparer prior to the submission of reports to the City and County of Denver and that evidence of this review will be maintained with the supporting documents used to prepare the report.

Denver Urban Renewal Authority
(A Component Unit of the City and County of Denver)
(A Component Unit of the State of Colorado)
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2012

Reference Number	Summary of Finding	Status
	No matters are reportable.	