

**Golden Urban Renewal Authority**

**FINANCIAL STATEMENTS**

**December 31, 2009**

Draft 4-5-10

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This discussion is designed to provide an analysis of the Authority's financial condition and operating results and to inform the reader on the Authority's financial issues and activities. It is intended to serve as an introduction to the Authority's basic financial statements.

Management's Discussion and Analysis (MD&A) should be read in conjunction with the Authority's financial statements and accompanying notes.

## FINANCIAL HIGHLIGHTS

- The assets of Golden Urban Renewal Authority (the Authority) exceeded its liabilities at the close of the year by \$1,780,095 (net assets).
- The Authority's total net assets increased by \$373,840.
- As of the close of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$981,245, a decrease of \$58,520 in comparison with the prior year. \$481,245 of the fund balance is available for spending at the Authority's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$481,245, or 24% of total expenditures.
- The Authority's total long-term debt decreased by \$608,059 (9%) during the current year.

## USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a body corporate and politic engaged only in a public-purpose type activity.

Financial statements and related disclosures for urban renewal authorities are traditionally prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB). However, state law definitions of urban renewal authorities do not precisely fit the definitions and terms established by the GASB. Unlike traditional governmental entities, Colorado urban renewal authorities can neither levy taxes nor conduct one-person one-vote elections. This report has been prepared in accordance with GASB No. 34 entitled "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." To account for differences between state law and GASB No. 34, the following terms required by GASB No. 34 have the following meaning under applicable Colorado law: "Government" means "Authority" and "governmental-type activity" or "government activities" mean "public purpose activity" or "public purpose activities."

The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

## OVERVIEW OF FINANCIAL STATEMENTS

**Government-wide financial statements.** The government-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.

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

The *statement of activities* presents information showing how the government's net assets changed during the year. All changes in net assets 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 only result in cash flows in future fiscal periods. Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues. The governmental activities consist solely of general government activities. The government-wide statements can be found on pages 6-8 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one governmental fund, the general fund.

**Governmental funds.** The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the 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 year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities (See pages 10-13).

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements (See pages 14-25).

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Authority has \$735,357 invested in capital assets (e.g., land, parking structure, leasehold improvements and office equipment), less accumulated depreciation and any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table shows the statement of net assets for the past two years.

	2009	2008
Current and other assets	\$ 2,550,907	\$ 2,328,949
Capital assets (net)	6,889,305	7,049,081
Total assets	<u>9,440,212</u>	<u>9,378,030</u>
Long-term liabilities outstanding	5,272,903	5,828,435
Other liabilities	2,387,214	2,143,340
Total liabilities	<u>7,660,117</u>	<u>7,971,775</u>
Net assets		
Invested in capital assets, net of related debt	735,357	287,074
Restricted for debt service	500,000	500,000
Unrestricted	544,738	619,181
Total net assets	<u>\$ 1,780,095</u>	<u>\$ 1,406,255</u>

- Net capital assets decreased by \$159,776 from last year. This net decrease is primarily attributable to depreciation expense of (\$165,352).
- Long-term liabilities outstanding decreased by \$608,059 (9%) from last year, the net difference attributable to the 2008 payment of \$843,059 in principal on prior obligations and the incurrence of \$235,000 of new debt.

**Governmental activities.** Governmental activities increased the Authority's net assets by \$379,566, thereby accounting for the total increase in the net assets of the Authority. Key elements of this increase are as follows:

	2009	2008
Revenues		
General revenues		
Sales tax increment revenues	\$ 487,978	\$ 488,628
Property tax increment revenues	1,174,344	1,091,287
EPA grant	17,005	98,591
GDGID transfer	4,162	2,940
Investment earnings	22,263	34,350
Contributions	-	7,500
Reimbursements and other revenue	1,326	19,470
Total revenues	<u>1,707,078</u>	<u>1,742,766</u>
Expenses		
General government	1,041,254	1,125,895
Interest on long-term debt	291,984	347,453
Total expenses	<u>1,333,238</u>	<u>1,473,348</u>
Increase (decrease) in net assets	373,840	269,418
Net assets - beginning	1,406,255	1,136,837
Net assets - ending	<u>\$ 1,780,095</u>	<u>\$ 1,406,255</u>

- Property tax increment revenues increased by 83,057 (8%) and sales tax increment revenues decreased by \$650 (.1%) from last year.

- General government expenditures decreased in 2009 by \$90,367 (8%).

## CAPITAL ASSETS

The Authority's investment in capital assets for its governmental activities as of December 31, 2009 amounts to \$735,357 (net of accumulated depreciation). This investment in capital assets included land, a parking structure, leasehold improvements, and furniture and equipment. The total net decrease in the Authority's investment in capital assets for the current year was \$159,776.

More information on the Authority's capital assets can be found in Note 5 of this report.

## LONG-TERM DEBT

At year-end the Authority had \$6,153,948 in notes outstanding. This is a decrease of \$608,059 from last year's outstanding balance of \$6,762,007. This decrease is due to draws on the tax increment revenue note reduced by the 2009 principal payments.

More information on the Authority's long-term debt can be found in Note 7 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2010 fiscal year:

- Sales tax increment revenues are expected to be flat through 2014.
- Property tax increment revenues are calculated by the County Assessor's office and the Authority's figures reflect those estimates. Property taxes for the Authority's district were expected to increase dramatically for 2010 with the increase in assessed valuation from development of the Millstone Condominiums, Jackson Court and Gateway Station Projects, but also by the Washington Station Project and other redevelopment projects within the GURA district, and the increase was even more than budgeted. However, property tax revenue growth might very well be below historic trends in the future due to the global recession and the resulting reduction in local property valuations. Property tax revenue from 2011-2014 is projected at 2% annually.
- The Authority's debt service jumped dramatically in 2007 and 2008, with smaller increases in 2009 and 2010, all of which relates directly to GURA drawing the full amount of its \$8,750,000 loan from Colorado Business Bank and \$227,000 from the Colorado Housing and Finance Authority for a Brownfields remediation loan (see Note 7). Because of this dynamic, GURA will run annual deficits thru 2014, but will be able to carry forward cash in each of those years to remain on solid financial footing. This has been approved by Colorado Business Bank.

## FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

The Authority will continue to make payments under the TIF contracts to Safeway, Inc., Golden Gem (Home Equity Service Center), and Grappa Mediterranean Bistro/Golden Civic Foundation. Total remaining payments anticipated under these agreements is approximately \$83,758 to be paid out over the next four years dependent upon the generation of additional incremental tax revenues. It is likely that the total amount paid out will be substantially less than the current obligation due to underperformance of sales tax generation and the expiration of the agreements by a date certain.

The Authority had the following grant obligations, totaling \$90,000, as of December 31, 2009:

- An ongoing \$10,000 per year grant to Miners Alley Theatre.
- A five year \$60,000 agreement with the American Alpine Club to help defray energy efficiency and conservation programming costs for the Bradford Washburn American Mountaineering

Museum. The Authority had \$20,000 remaining on this grant. This grant is subordinate to the Colorado Business Bank loan repayment schedule to The Authority

- The Authority budgeted as much as \$60,000 for the founding of a community cinema, including approximately \$35,000 for equipment.
- The Authority has committed approximately \$111,000 to a number of other energy efficiency, web site development, and façade improvement grants that have not yet been scoped or completed.
- The Authority will expend approximately \$20,000 on new side street signage to promote businesses along the side streets and low pedestrian traffic areas of downtown.

The principal and interest payments on an \$8,750,000 fixed rate loan and a \$227,000 low interest Brownfields clean up loan will severely constrain the Authority's ability to borrow additional funds and will require vigilance over additional TIF agreements, grants, and all other expenditures. The Authority has already committed to projects to which most of the line of credit is pledged, e.g., the Gateway Station main redevelopment, the associated parking garage, and the associated PCE remediation project. Additional property tax increment agreements must be reviewed by the Authority's lender to ensure the Authority's capacity to meet its repayment obligations is maintained.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all of those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Golden Urban Renewal Authority, 922 Washington Ave., Suite 100, Golden, CO 80401.

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**Statement of Net Assets**  
**December 31, 2009**

**ASSETS**

Cash and cash equivalents	\$	481,051
Cash and cash equivalents - restricted		500,000
Property tax increment funds receivable - ensuing year		1,413,941
Due from other governments		89,067
Prepaid expenses and deposits		3,355
Loan origination fees (net)		63,493
Capital assets:		
Land		1,009,149
Depreciable assets (net)		5,880,156
Total assets		9,440,212

**LIABILITIES**

Accounts payable and accrued expenses		92,228
Deferred property tax increment revenue		1,413,941
Notes payable:		
Due within one year		881,045
Due in more than one year		5,272,903
Total liabilities		7,660,117

**NET ASSETS**

Invested in capital assets (net of related debt)		735,357
Restricted for debt service		500,000
Unrestricted		544,738
Total net assets	\$	1,780,095

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Golden Urban Renewal Authority**

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**Statement of Activities  
For the Year Ended December 31, 2009**

	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>Functions/Programs</b>	
Primary government:	
General government	\$ (1,041,254)
Interest on long-term debt	<u>(291,984)</u>
Total primary government	<u>(1,333,238)</u>
General revenues:	
Tax increment funds:	
Sales tax increment funds	487,978
Property tax increment funds	1,174,344
EPA grant	17,005
GDGID transfer	4,162
Investment earnings	22,263
Reimbursements and other revenue	<u>1,326</u>
Total general revenues	<u>1,707,078</u>
Change in net assets	373,840
Net assets - beginning	<u>1,406,255</u>
Net assets - ending	<u>\$ 1,780,095</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Schedule of Expenses - General Government  
For the Year Ended December 31, 2009**

Amortization	\$	10,885
Benefits		3,607
City services		137,660
County treasurer's fees		17,615
Depreciation		165,352
Dues and subscriptions		1,276
Development expenses:		
Development grants		68,240
Owner participation agreements		58,811
Redevelopment expenses		218,097
Energy efficiency/renewable energy program		10,900
General and administrative		4,089
Insurance		405
Legal		7,552
Marketing - Golden		5,050
Miscellaneous		23,073
Office supplies		2,275
Office postage		703
Parking structure operations		86,091
Printing		7,382
Professional services		13,833
Reinvestment fund contributions		150
Rent		20,280
Salaries		155,289
Telephone		1,802
Training and travel		1,862
Web pilot program		14,465
Website design and maintenance		4,510
Total	\$	<u>1,041,254</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Golden Urban Renewal Authority**

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**Balance Sheet  
Governmental Fund  
December 31, 2009**

	<b>Total Governmental Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 481,051
Cash and cash equivalents - restricted	500,000
Property tax increment funds receivable - ensuing year	1,413,941
Due from other governments	89,067
Prepaid expenses and deposits	3,355
Total assets	<u>\$ 2,487,414</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 92,228
Deferred property tax increment revenue	1,413,941
Total liabilities	<u>1,506,169</u>
 Fund Balance:	
Reserved for debt service	500,000
Unreserved reported in general fund	481,245
Total fund balance	<u>981,245</u>
 Amounts reported for governmental activities in the statement of net asset are different because:	
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,889,305
Other long-term assets, net of accumulated amortization are not available to pay for current-period expenditures and, therefore, are deferred in the funds	63,493
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(6,153,948)</u>
 Net assets of governmental activities	<u>\$ 1,780,095</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2009**

**REVENUE**

Tax increment funds:	
Sales tax increment funds	\$ 487,978
Property tax increment funds	1,174,344
EPA grant	17,005
GDGID transfer	4,162
Investment earnings	22,263
Reimbursements and other revenue	1,326
Total revenues	1,707,078

**EXPENDITURES**

General government	859,978
Capital expenditures	5,577
Debt service principal	843,059
Debt service interest	291,984
Total expenditures	2,000,598

(Deficiency) of revenues over expenditures	(293,520)
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**OTHER FINANCING SOURCES**

Proceeds from tax increment revenue note	235,000
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Net change in fund balance	(58,520)
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Fund balance - beginning	1,039,765
Fund balance - end of year	\$ 981,245

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Golden Urban Renewal Authority**

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**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of the Governmental Fund to  
the Statement of Activities  
For the Year Ended December 31, 2009**

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

Net change in fund balance - governmental fund \$ (58,520)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays 5,577  
Depreciation expense (165,352)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of loan origination fees (10,885)  
Expense of loan fees from prior year (net) (5,039)  
Proceeds from tax increment revenue notes (235,000)  
Principal payments 843,059

Change in net assets of governmental activities (page 8) \$ 373,840

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual  
Governmental Fund  
For the Year Ended December 31, 2009**

	<b>Adopted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Sales tax increment funds	\$ 455,347	\$ 455,347	\$ 487,978	\$ 32,631
Property tax increment funds	1,157,278	1,157,278	1,174,344	17,066
EPA grant	29,360	29,360	17,005	(12,355)
GDGID transfer	4,000	4,000	4,162	162
Investment earnings	35,000	35,000	22,263	(12,737)
Reimbursements, contributions and other revenue	500	500	1,326	826
Total revenues	<u>1,681,485</u>	<u>1,681,485</u>	<u>1,707,078</u>	<u>25,593</u>
<b>EXPENDITURES</b>				
General government	1,466,539	1,469,789	859,978	609,811
Capital expenditures	-	-	5,577	(5,577)
Debt service principal	843,059	843,059	843,059	-
Debt service interest	387,130	387,130	291,984	95,146
Contingency reserves	50,000	50,000	-	50,000
Total expenditures	<u>2,746,728</u>	<u>2,749,978</u>	<u>2,000,598</u>	<u>749,380</u>
Excess (deficiency) of revenues over expenditures	<u>(1,065,243)</u>	<u>(1,068,493)</u>	<u>(293,520)</u>	<u>774,973</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from tax increment revenue notes	<u>720,010</u>	<u>720,010</u>	<u>235,000</u>	<u>(485,010)</u>
Net change in fund balance	(345,233)	(348,483)	(58,520)	289,963
Fund balance - beginning	<u>514,311</u>	<u>514,311</u>	<u>1,039,765</u>	<u>525,454</u>
Fund balance - ending	<u>\$ 169,078</u>	<u>\$ 165,828</u>	<u>\$ 981,245</u>	<u>\$ 815,417</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

## **Notes to Financial Statements**

**December 31, 2009**

### **Note 1 Summary of significant accounting policies**

The Golden Urban Renewal Authority (the "Authority") is a body corporate and politic of the State of Colorado. Organized on June 26, 1989, the Authority was created by Part I of Article 25 of Title 13 C.R.S. to acquire, clear, rehabilitate, conserve and develop or redevelop one or more slum or blighted areas existing within the City of Golden (the "City").

Although the Authority is not a government under state law, the financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting policies follows:

#### **A. Reporting entity**

The Authority is being treated as a component unit of the City of Golden for purposes of the 2009 audit. In light of the definitions in the Colorado Urban Renewal Law and applicable appellate court decisions, including the decision of the Colorado Court of Appeals in Olson v. City of Golden, Case No. 01CA0470, dated February 14, 2002, the Authority's legal counsel has recommended the Authority be more accurately characterized as an independent special purpose corporation.

The Authority has no component units as defined by the Governmental Accounting Standards Board (GASB), Statement No 39, *Determining Whether Certain Organizations Are Component Units*.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the Authority.

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

#### **C. Measurement focus, basis of accounting, and financial statement presentation**

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

**Notes to Financial Statements**  
**December 31, 2009**

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 and claims and judgments, are recorded only when payment is due.

Property tax increment revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when the Authority receives cash.

**D. Assets, liabilities, and net assets**

**1. Deposits and investments**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and savings accounts.

**2. Receivables and payables**

The Authority receives its funding from sales tax increment revenues collected by the City. Pursuant to the Golden Downtown Redevelopment Plan, which became effective December 31, 1989, the Authority receives a portion of sales taxes collected by the City over and above an annual base amount and, under the plan, 1989 is established as the base year. At December 31, 2009, the City owed the Authority \$119,451 for 2009 incremental sales taxes collected and the Authority owed the City \$24,258 for city services.

In 1995, the Authority began receiving property tax increments from Jefferson County. These increments represent an increase in the value of property due to new taxable construction within the urban renewal area.

Property tax increment revenues are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax increment revenues are recorded as revenue in the year they are available or collected.

**3. Loan origination fees**

In the government-wide financial statements, loan origination fees on the Tax Increment Revenue Note are being amortized over the life of the loan. At December 31, 2009, loan origination fees totaled \$108,845 and accumulated amortization totaled \$43,352. Amortization expense related to these costs totaled \$10,885 for the year ended December 31, 2009.

In the fund financial statements, loan origination fees are expensed when incurred.

**Notes to Financial Statements**  
December 31, 2009

**4. Capital assets**

Capital assets, which include office equipment, and infrastructure assets (e.g. parking structure), are reported in the government-wide financial statements. Capital assets are defined by the Authority as those assets with a cost of \$500 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Authority records other expenses related to the various projects as “development expenses” which are not capitalized.

Major outlays for capital assets and improvements for which the Authority retains title are capitalized as projects are constructed.

Infrastructure assets and office equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Parking Structure	40
Office Equipment	5

**5. Compensated absences**

It is the authority’s policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Vacation hours earned and accrued, but not taken, up to the accrual limitation, will be paid to the employee upon termination of service with the Authority. Sick leave is neither available nor payable upon termination of service with the Authority.

**6. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**7. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There is no designation of fund balance by management at December 31, 2009.

**Note 2 Stewardship, compliance, and accountability**

**A. Budgetary information**

Annual budgets are adopted on the modified accrual basis of accounting. In accordance with the Colorado State Budget Law, the Authority’s Board of Directors follows these procedures in establishing the budgetary data reflected in the financial statements:

## Notes to Financial Statements

### December 31, 2009

Property taxes are levied by the Jefferson County Commissioners. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The Jefferson County Treasurer collects the determined tax increment revenues during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December.

#### B. Excess of expenditures over appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the general fund by \$287,794. These over-expenditures were funded by greater than anticipated revenues, proceeds from tax increment revenue notes and available fund balance.

#### Note 3 Deposits and investments

Cash and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 981,051</u>
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Cash and investments as of December 31, 2007 consist of the following:

Certificates of deposit	\$ 502,407
Money markets	376,509
Total cash and cash equivalents	<u>\$ 981,051</u>

#### Cash deposits

Colorado statutes require that the Authority use eligible public depositories as defined by the Colorado Public Deposit Protection Act (PDPA). Under the Act, amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the Act and allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal 102% of aggregate uninsured deposits.

As of December 31, 2009, all of the Authority's deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

#### Custodial credit risk – deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk and follows state statutes regarding custodial credit risk for deposits. As of December 31, 2009, \$601,415 of the Authority's bank balance was exposed to custodial credit risk.

**Notes to Financial Statements**  
**December 31, 2009**

**Investments**

Credit risk

The Authority's investment policy adopts state statutes regarding credit risk for investments.

Colorado statutes and the Authority's investment policy specify investment instruments meeting defined rating and risk criteria in which the Authority may invest, which include the following:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority invests in Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust) which are local state sponsored investment pools, both rated AAAM by Standard & Poor's. These investments are not categorized because the investments are not evidenced by securities that exist in physical or book entry form.

Interest rate risk

Colorado revised statutes limit investment maturities to five years or less, unless formally approved by the Board of Directors. The Authority's investment policy further limits this such that no more than 33% of the total portfolio shall exceed 1 year in maturity, and no investment shall exceed three years in maturity.

As of December 31, 2009, the Authority had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>
Money markets	Less than 1 year	\$ 376,509
Total investments		<u>\$ 376,509</u>

Local government investment pools

During 2009, the Authority invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2009, the Authority had no investments in COLOTRUST PLUS+.

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Concentration of credit risk

The Authority follows state statutes regarding concentration of credit risk for investments. The Authority invests primarily in local government investment pools and/or money market funds, which are not subject to concentration of credit risk.

Custodial credit risk – investments

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority follows state statutes regarding custodial credit risk for investments.

Restricted cash

In accordance with certain covenants in the loan and security agreement with Colorado Business Bank related to the Tax Increment Revenue Note (Note 7), the Authority is required to maintain an account restricted for the future payment of debt service equal to 10% of the withdrawn balance to a maximum of \$500,000. Accordingly, the Authority has a required balance of \$500,000 and an actual deposited balance of \$502,407 at December 31, 2009. In November, 2007 the loan and security agreement was amended to include a required debt service coverage ratio of at least 1.0 to 1.0 or a minimum of \$250,000 cash will be carried over into the following year after payment of all related expenditures. This cash carry over does not include the \$500,000 reserve fund which is allocated specifically to the Senior Debt Service of the bank's loan.

**Note 4 Receivables**

Receivables as of year-end for the Authority's general fund are as follows:

Receivables	
Property tax increment funds receivable	\$ 1,413,941
Intergovernmental	95,193
Total receivables	<u>\$ 1,509,134</u>

The general fund reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of 2009, the various components of deferred revenue reported in the general fund were as follows:

	<u>Unavailable</u>
Property tax increment revenues receivable - ensuing year	<u>\$ 1,413,941</u>
Total deferred property tax increment revenue for the general fund	<u>\$ 1,413,941</u>

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**Note 5 Capital assets**

Capital asset activity for the year ended December 31, 2009 was as follows:

Governmental activities	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated:				
Land	\$ 1,009,149	\$ -	\$ -	\$ 1,009,149
 Total capital assets, not being depreciated	1,009,149	-	-	1,009,149
Capital assets, being depreciated:				
Parking structures	6,477,468	-	-	6,477,468
Office equipment	23,175	5,577	-	28,752
Signage	16,980	-	-	16,980
Total capital assets depreciated	6,517,623	5,577	-	6,523,200
Less: accumulated depreciation				
Parking structure	(441,173)	(161,937)	-	(603,110)
Office equipment	(21,564)	(1,397)	-	(22,961)
Signage	(14,955)	(2,018)	-	(16,973)
Total accumulated depreciation	(477,692)	(165,352)	-	(643,044)
Total capital assets being depreciated (net)	6,039,931	(159,775)	-	5,880,156
 Capital assets (net)	\$ 7,049,080	\$ (159,775)	-	\$ 6,889,305

**Note 6 Commitments**

Operating leases

The Authority currently leases office space through December 31, 2010. The future minimum lease payments are as follows:

Year Ending December 31	Amount
2010	\$ 20,580

Rent expense under this lease agreement for the year ended December 31, 2009 totaled \$20,280.

## Notes to Financial Statements

### December 31, 2009

#### Note 7 Long-term debt

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
<u>Tax Increment</u>					
Revenue Notes	\$ 6,535,007	\$ 235,000	\$ 843,059	\$ 5,926,948	\$ 939,064
CHFA revolving loan	227,000	-	-	227,000	-
	<u>\$ 6,762,007</u>	<u>\$ 235,000</u>	<u>\$ 843,059</u>	<u>\$ 6,153,948</u>	<u>\$ 939,064</u>

#### Tax Increment Revenue Note

##### Colorado Business Bank

On November 22, 2005, the Authority entered into a non-revolving loan agreement with Colorado Business Bank (the Lender) for a maximum of \$8,750,000, to be drawn upon over time in minimum increments of \$250,000. All advances must be drawn prior to November 1, 2009. The Authority shall make principal and interest payments on the loan commencing June 1, 2006, and continuing on June 1 and December 1 of each calendar year thereafter during the term of the loan. The amount of such principal payments shall be (a) based on a level amortization schedule of the remainder of the term of the loan; (b) calculated by the Lender on December 1 of each year during the term of this agreement, commencing December 1, 2005; and (c) based on the then current outstanding principal balance of the loan. If not paid sooner, all outstanding amounts will become due on December 1, 2015. The loan bears interest at 4.51%.

A portion of the proceeds from this loan were used to pay-off the loans with Wells Fargo and the City of Golden. The remainder of the loan proceeds will be used for the construction of a public parking garage in Golden, Colorado.

The tax increment revenue note includes several covenants, the most significant of which requires the Authority to maintain a "Minimum Senior Debt Service Coverage Ratio" of at least 1.0, as defined in the loan agreement. The Authority is also required to maintain a debt service reserve account equal to 10% of the withdrawn balance on the loan up to \$500,000

##### Colorado Brownfields Revolving Loan Fund

On September 7, 2007, the Authority entered into a revolving loan agreement with Colorado Housing and Finance Authority (the Lender) for a maximum of \$227,000. The Authority shall make interest payments on August 1, 2008 for the outstanding balance in arrears for the period from February 1, 2008 to and including July 31, 2008, and continuing on February 1 and August 1 of each succeeding year to and including August 1, 2011 for the outstanding balance in arrears for the preceding six month period. The loan bears interest at 2%.

Commencing on February 1, 2012 and on each succeeding February 1 and August 1 including February 1, 2015, the Authority will pay interest on only the accruing outstanding balance for the preceding six month period, together with a principal amount of \$25,000 to be applied to the

**Notes to Financial Statements**  
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outstanding balance of the note. On August 1, 2015 (the "Maturity Date"), the remaining principal and interest payments shall be due and payable in full.

The following is a schedule of all debt repayment as of December 31, 2009, based on the current outstanding principal:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 881,045	\$ 262,022	\$ 1,143,067
2011	921,228	221,839	1,143,067
2012	1,013,244	177,682	1,190,926
2013	1,057,176	134,641	1,191,817
2014	1,103,112	87,705	1,190,817
2015	1,178,143	38,675	1,216,818
	<u>\$ 6,153,948</u>	<u>\$ 922,564</u>	<u>\$ 7,076,512</u>

**Note 8 Risk management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City of Golden carries insurance that covers Golden Urban Renewal Authority.

**Note 9 Other agreements**

Executive Director

In 2004, the Authority signed a memorandum of understanding with the City of Golden, whereby an employee of the City will be leased to the Authority to act as the Executive Director.

Owner participation agreements

The Authority has entered into several agreements to assist in carrying out the Golden Downtown Redevelopment Plan. Under these agreements, the Authority agrees to reimburse certain developers' lenders from that portion of the revenue produced by the ad valorem property tax valuation and municipal sales tax increments in excess of the base valuation for such tax valuation and sales tax proceeds (as determined by the Authority) to be produced and available from eligible improvements made to the development sites. The developers agree to redevelop the approved property according to the plans and specifications prepared and submitted by the developer and approved by the Authority and the City of Golden. Due to the nature of these agreements, no liability is recorded in the financial statements until the related increment taxes have been received by the Authority.

Outstanding reimbursement agreements are as follows:

Golden Gem, LLC

On September 26, 2001, the Authority entered into an agreement with Golden Gem, LLC (developer) to reimburse the lender a portion of the revenue produced through the development of the site. Such reimbursements are to be equal to the lesser of the actual documented cost of the eligible site improvements (public parking) or \$350,000, subject to certain conditions. The Authority paid \$52,210 under this agreement during 2009.

**Notes to Financial Statements**  
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Mesa Meadows Land Co.

On June 28, 2004, the Authority entered into an agreement with Mesa Meadows Land Co. (developer) to reimburse the developer for certain costs. Such reimbursements are to be equal to the lesser of the actual documented cost of the eligible site improvements or \$50,000 to be paid \$10,000 per year through 2009. The Authority paid \$10,000 under this agreement in 2009.

Grappa, Inc.

In 2008, the Authority entered into an agreement with Grappa, Inc, owner and operator of Grappa Mediterranean Bistro & Cafe, Inc. located in downtown Golden to reimburse Grappa's lender, The Golden Civic Foundation, Inc. for funds provided for eligible property improvements not to exceed \$40,000. The Authority paid \$6,056 under this agreement during 2009.

Other agreements:

The American Alpine Club

In January 2007, the Authority entered into a "grant" agreement with the American Alpine Club whereby the Authority agreed to provide funds for certain improvements to the Bradford Washburn American Mountaineering Museum, a local cultural institution located in the American Mountaineering Center. Under this agreement, the Authority has agreed to a total grant of \$60,000. The Authority has remitted \$40,000 under this agreement to date, \$15,000 of which was paid in 2009.

US Environmental Protection Agency

In 2007, the Authority applied for and received approval for a grant of \$200,000 from the US Environmental Protection Agency to fund certain approved ground cleanup costs related to the subsequent construction of a parking garage. The Authority has received \$177,118 under this agreement to date, \$17,005 of which was received in 2009.

**Note 10 Related parties**

In February of 2004, the Authority approved the bylaws of the Clear Creek Square Parking Condominium Association, Inc. (Association) the purpose of which is to provide maintenance and upkeep of the parking structure at Clear Creek Square. Two members of the Authority's board serve on the board of the Association.

**Note 11 Tax, spending and debt limitation**

In November 1992, Colorado voters passed Amendment 1, referred to as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments.

On September 18, 2000, the Jefferson County District Court ruled that TABOR did not apply to the Authority because it is not a "district" under TABOR. Under TABOR a "district" is defined as "the state or any local government, excluding enterprises."

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On February 14, 2002, the Colorado Court of Appeals affirmed the decision of the district court in Olson v. City of Golden, 53 P.3d 747 (Colo. App. 2002) and certiorari was denied by the Colorado Supreme Court on September 3, 2002. The Court of Appeals ruled that, unlike local governments, the Authority has no power to levy taxes on the public at large for general government purposes and cannot conduct "one person one vote" elections, which are the characteristic of a government for the purposes of TABOR. Therefore, the Authority is neither a part of state government or local government.

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