

Golden Urban Renewal Authority

FINANCIAL STATEMENTS

December 31, 2008

DRAFT 6/17

Table of Contents
December 31, 2008

Independent Auditors' Report 1

Management's Discussion and Analysis..... 2

Basic Financial Statements:

 Statement of Net Assets 7

 Statement of Activities..... 8

 Schedule of Expenses – General Government..... 9

 Balance Sheet – Governmental Fund..... 10

 Statement of Revenues, Expenditures, and Changes in Fund Balance..... 11

 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balance to the Statement of Activities..... 12

 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget to Actual..... 13

Notes to Financial Statements 14

DRAFT 6/17

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 \$1,406,255 (net assets).
- The Authority's total net assets increased by \$269,418.
- As of the close of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$1,039,765, an increase of \$305,181 in comparison with the restated prior year. \$539,765 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 \$539,765, or 22 percent of total expenditures.
- The Authority's total long-term debt increased by \$278,120 (4%) 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 \$287,074 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.

	2008	2007 (restated)
Current and other assets	\$ 2,328,949	\$ 2,429,419
Capital assets (net)	7,049,081	6,795,244
Total assets	<u>9,378,030</u>	<u>9,224,663</u>
Long-term liabilities outstanding	6,762,007	6,483,886
Other liabilities	1,209,768	1,646,929
Total liabilities	<u>7,971,775</u>	<u>8,130,815</u>
Net assets		
Invested in capital assets, net of related debt	287,074	311,357
Restricted for debt service	500,000	500,000
Unrestricted	619,181	325,480
Total net assets	<u>\$ 1,406,255</u>	<u>\$ 1,136,837</u>

- Net capital assets increased by \$253,837 from last year. This net increase is primarily attributable to completed construction of \$420,820, and depreciation expense of (\$166,983).
- Long-term liabilities outstanding increased by \$278,120 (4%) from last year, the net difference attributable to the 2008 payment of \$761,870 in principal on prior obligations and the incurrence of \$1,039,990 of new debt for the Gateway Station Project.

Governmental activities. Governmental activities increased the Authority's net assets by \$269,418, thereby accounting for the total increase in the net assets of the Authority. Key elements of this increase are as follows:

	2008	2007 (restated)
Revenues		
General revenues		
Sales tax increment revenues	\$ 488,628	\$ 561,140
Property tax increment revenues	1,091,287	869,602
EPA grant	98,591	61,522
GDGID transfer	2,940	96,969
Investment earnings	34,350	45,351
Contributions	7,500	45,180
Reimbursements and other revenue	19,470	3,337
Total revenues	<u>1,742,766</u>	<u>1,683,101</u>
Expenses		
General government	1,125,895	744,003
Interest on long-term debt	347,453	223,388
Total expenses	<u>1,473,348</u>	<u>967,391</u>
Increase (decrease) in net assets	269,418	715,710
Net assets - beginning	1,136,837	421,127
Net assets - ending	<u>\$ 1,406,255</u>	<u>\$ 1,136,837</u>

- Property tax increment revenues increased by \$221,685 (26%) and sales tax increment revenues decreased by \$72,512 (13%) from last year.

- General government expenditures increased in 2008 by \$381,892 (51%). This increase is primarily attributable to the final payment of \$250,000 to Washington Square Golden LP upon completion of the construction of Phase I per the Redevelopment Agreement dated November 28, 2005. This amount was reported as general government expenditures.

CAPITAL ASSETS

The Authority's investment in capital assets for its governmental activities as of December 31, 2008 amounts to \$287,074 (net of accumulated depreciation). This investment in capital assets included land, a parking structure, leasehold improvements, and furniture and equipment. The total net increase in the Authority's investment in capital assets for the current year was \$253,837.

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 \$6,762,007 in notes outstanding. This is an increase of \$278,120 from last year's outstanding balance of \$6,483,887. This increase is due to draws on the tax increment revenue note reduced by the 2008 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 2009 fiscal year:

- Sales tax increment revenues are not expected to grow significantly due to local economic dynamics.
- 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 are expected to increase dramatically 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, but those increases will not appear in full until 2009 and 2010. Property tax revenue growth might very well be below historic trends due to the global recession and the resulting reduction in local property valuations.
- The Authority's debt service jumped dramatically in 2007 and 2008, with a smaller increase possible in 2009, all of which relates directly to GURA drawing the majority of its \$8,750,000 loan from Colorado Business Bank and up to \$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 from 2008-2011, but will be able to carry forward cash in each of those years to remain on solid financial footing.
- More accurate accounting will likely result in higher billing from the City for city services expenditures.

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 \$196,000 to be paid out over the next four years dependent upon the generation of additional incremental tax revenues (Note 10). It is likely that the total amount paid out will be substantially less than the current obligation due to the underperformance of sales tax generation and the expiration of the agreements by a date certain.

The Authority had the following grant obligations, totaling \$25,000, as of December 31, 2008:

- An ongoing \$10,000 per year grant to Miners Alley Theater.
- 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 \$35,000 remaining on this grant. This grant is subordinate to the Colorado Business Bank loan repayment schedule to The Authority.
- The Authority has committed to a number of other energy efficiency, web site development, and façade improvement grants that have not yet been scoped or completed. The Authority's exposure for these grants will be approximately \$150,000 for 2009.

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.

DRAFT 6/17

Statement of Net Assets
December 31, 2008

ASSETS

Cash and cash equivalents	\$	564,297
Cash and cash equivalents - restricted		500,000
Property tax increment funds receivable - ensuing year		1,157,278
Due from other governments		23,153
Prepaid expenses and deposits		4,805
Loan origination fees (net)		79,416
Capital assets:		
Land		1,009,149
Depreciable assets (net)		6,039,932
Total assets		9,378,030

LIABILITIES

Accounts payable and accrued expenses		52,490
Deferred property tax increment revenue		1,157,278
Notes payable:		
Due within one year		933,572
Due in more than one year		5,828,435
Total liabilities		7,971,775

NET ASSETS

Invested in capital assets (net of related debt)		287,074
Restricted for debt service		500,000
Unrestricted		619,181
Total net assets		\$ 1,406,255

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

Golden Urban Renewal Authority

**Statement of Activities
For the Year Ended December 31, 2008**

	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs	
Primary government:	
General government	\$ (1,125,895)
Interest on long-term debt	<u>(347,453)</u>
Total primary government	<u>(1,473,348)</u>
General revenues:	
Tax increment funds:	
Sales tax increment funds	488,628
Property tax increment funds	1,091,287
EPA grant	98,591
GDGID transfer	2,940
Contributions	7,500
Investment earnings	34,350
Reimbursements and other revenue	<u>19,470</u>
Total general revenues	<u>1,742,766</u>
Change in net assets	269,418
Net assets - beginning - restated	1,136,837
Net assets - ending	<u>\$ 1,406,255</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, 2008**

Amortization	\$ 11,478
Benefits	3,811
City services	127,584
County treasurer's fees	16,369
Depreciation	166,983
Dues and subscriptions	2,281
Development expenses:	
Development grants	301,813
Owner participation agreements	73,818
Redevelopment expenses	38,708
Energy efficiency/renewable energy program	14,172
General and administrative	7,709
Insurance	937
Legal	5,591
Marketing - Golden	14,517
Meetings and conferences	-
Miscellaneous	9,108
Office supplies	5,008
Office postage	905
Parking structure operations	65,845
Printing	19,501
Professional services	18,553
Reinvestment fund contributions	30,000
Rent	19,980
Salaries	153,991
Telephone	1,987
Training and travel	3,118
Web pilot program	8,548
Website design and maintenance	3,580
Total	<u>\$ 1,125,895</u>

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

Golden Urban Renewal Authority

**Balance Sheet
Governmental Fund
December 31, 2008**

	Total Governmental Fund
ASSETS	
Cash and cash equivalents	\$ 564,297
Cash and cash equivalents - restricted	500,000
Property tax increment funds receivable - ensuing year	1,157,278
Due from other governments	23,153
Prepaid expenses and deposits	4,805
Total assets	<u>\$ 2,249,533</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 52,490
Deferred property tax increment revenue	1,157,278
Total liabilities	<u>1,209,768</u>
 Fund Balance:	
Reserved for debt service	500,000
Unreserved reported in general fund	539,765
Total fund balance	<u>1,039,765</u>
 Total liabilities and fund balance	
 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	7,049,081
Other long-term assets, net of accumulated amortization are not available to pay for current-period expenditures and, therefore, are deferred in the funds	79,416
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(6,762,007)</u>
 Net assets of governmental activities	<u>\$ 1,406,255</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, 2008**

REVENUE

Tax increment funds:	
Sales tax increment funds	\$ 488,628
Property tax increment funds	1,091,287
GDGID transfer	98,591
EPA grant	2,940
Investment earnings	34,350
Contribution income	7,500
Reimbursements and other revenue	19,470
Total revenues	1,742,766

EXPENDITURES

General government	947,434
Capital expenditures	420,818
Debt service principal	761,870
Debt service interest	347,453
Total expenditures	2,477,575

(Deficiency) of revenues over expenditures	(734,809)
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OTHER FINANCING SOURCES

Proceeds from tax increment revenue note	1,039,990
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Net change in fund balance	305,181
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Fund balance - beginning - restated	734,584
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Fund balance - end of year	\$ 1,039,765
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The accompanying Notes to Financial Statements are an integral part of these statements.

Golden Urban Renewal Authority

**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, 2008

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

Net change in fund balance - governmental fund \$ 305,181

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	420,818
Depreciation expense	(166,983)

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	(11,478)
Proceeds from tax increment revenue notes	(1,039,990)
Principal payments	<u>761,870</u>

Change in net assets of governmental activities (page 8) \$ 269,418

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, 2008**

	Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES			
Sales tax increment funds	\$ 455,886	\$ 488,628	\$ 32,742
Property tax increment funds	1,048,734	1,091,287	42,553
EPA grant	-	98,591	98,591
GDGID transfer	2,200	2,940	740
Investment earnings	50,000	34,350	(15,650)
Reimbursements, contributions and other revenue	144,765	26,970	(117,795)
Total revenues	<u>1,701,585</u>	<u>1,742,766</u>	<u>41,181</u>
EXPENDITURES			
General government	711,063	947,434	(236,371)
Capital expenditures	167,500	420,818	(253,318)
Debt service principal	761,870	761,870	-
Debt service interest	382,318	347,453	34,865
Contingency reserves	55,000	-	55,000
Total expenditures	<u>2,077,751</u>	<u>2,477,575</u>	<u>(399,824)</u>
Excess (deficiency) of revenues over expenditures	<u>(376,166)</u>	<u>(734,809)</u>	<u>(358,643)</u>
OTHER FINANCING SOURCES			
Proceeds from tax increment revenue notes	-	1,039,990	1,039,990
Net change in fund balance	(376,166)	305,181	681,347
Fund balance - beginning - restated	890,477	734,584	(155,893)
Fund balance - ending	<u>\$ 514,311</u>	<u>\$ 1,039,765</u>	<u>\$ 525,454</u>

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

Notes to Financial Statements

December 31, 2008

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 2007 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.

For financial reporting purposes, management has considered all potential component units as defined in GASB No. 14 and has determined that no other outside agency meets the criteria established therein; therefore, no other agency has been included as a component unit in the Authority's financial statements.

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.

Separate financial statements are provided for the governmental fund.

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, 2008

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.

The general fund is the Authority's primary operating fund. It accounts for all financial resources of the general government.

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, 2007, the City owed the Authority \$98,133 for 2008 incremental sales taxes collected and the Authority owed the City \$74,980 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, 2008, loan origination fees totaled \$114,775 and accumulated amortization totaled \$35,359. Amortization expense related to these costs totaled \$11,478 for the year ended December 31, 2008.

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

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

Notes to Financial Statements
December 31, 2008

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.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

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, 2008.

Note 2 Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental fund. 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:

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.

Notes to Financial Statements
December 31, 2008

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, 2008, expenditures exceeded appropriations in the general fund by \$358,643. 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, 2008 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u><u>\$ 1,064,297</u></u>
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Cash and investments as of December 31, 2007 consist of the following:

Deposits with financial institutions	\$ 336,974
Certificates of deposit	532,573
Money markets	27,423
Local government investment pools	167,327
Total cash and cash equivalents	<u><u>\$ 1,064,297</u></u>

Cash deposits

Colorado statutes require that the Authority use eligible public depositories as defined by the Colorado Public Deposit Protection Act. 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 to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2008, the Authority's cash deposits had a bank balance of \$424,178 and a carrying balance of \$364,397.

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, 2008, \$343,258 of the Authority's bank balance was exposed to custodial credit risk.

Notes to Financial Statements
December 31, 2008

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 local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust) are both rated AAAM by Standard & Poor's. The Authority invested \$27,423 in money markets rated A by Standard & Poor's.

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, 2008, the Authority had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	\$ 167,327
Money markets	Less than 1 year	27,423
Total investments		<u>\$ 194,750</u>

Local government investment pools

During 2008, 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, 2008, the Authority had \$167,327 invested in COLOTRUST PLUS+.

Notes to Financial Statements
December 31, 2008

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 \$532,573 at December 31, 2008. 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	\$ 1,157,278
Intergovernmental	23,153
Total receivables	<u>\$ 1,180,431</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 2007, 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>\$ 1,157,278</u>
Total deferred property tax increment revenue for the general fund	<u>\$ 1,157,278</u>

Notes to Financial Statements

December 31, 2008

Note 5 Capital assets

Capital asset activity for the year ended December 31, 2008 was as follows:

Governmental activities	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated:				
Land	\$ 1,009,149	\$ -	\$ -	\$ 1,009,149
Construction in progress	4,404,650	420,818	4,825,468	-
 Total capital assets, not being depreciated	 5,413,799	 420,818	 4,825,468	 1,009,149
Capital assets, being depreciated:				
Parking structures	1,652,000	4,825,468	-	6,477,468
Office equipment	23,176	-	-	23,176
Signage	16,980	-	-	16,980
Total capital assets depreciated	1,692,156	4,825,468	-	6,517,624
Less: accumulated depreciation				
Parking structure	(279,236)	(161,937)	-	(441,173)
Office equipment	(19,914)	(1,650)	-	(21,564)
Signage	(11,559)	(3,396)	-	(14,955)
Total accumulated depreciation	(310,709)	(166,983)	-	(477,692)
Total capital assets being depreciated (net)	1,381,447	4,658,485	-	6,039,932
 Capital assets (net)	 \$ 6,795,246	 \$ 5,079,303	 4,825,468	 \$ 7,049,081

Note 6 Commitments

Operating leases

The Authority currently leases office space through December 31, 2011. The future minimum lease payments are as follows:

Year Ending December 31	Amount
2009	\$ 20,280
2010	20,580

Rent expense under this lease agreement for the year ended December 31, 2007 totaled \$19,980.

Notes to Financial Statements

December 31, 2008

Note 7 Long-term debt

Long-term liability activity for the year ended December 31, 2007, 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	\$ 6,256,887	\$ 1,039,990	\$ 761,870	\$ 6,535,007	\$ 933,572
CHFA revolving loan	227,000	-	-	227,000	-
	<u>\$ 6,483,887</u>	<u>\$ 1,039,990</u>	<u>\$ 761,870</u>	<u>\$ 6,762,007</u>	<u>\$ 933,572</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.

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.

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
December 31, 2008

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, 2008, based on the current outstanding principal:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 813,485	\$ 290,096	\$ 1,103,581
2010	850,517	253,064	1,103,581
2011	889,307	214,274	1,103,581
2012	979,791	173,540	1,153,331
2013	1,022,306	130,024	1,152,330
2014 - 2015	2,206,601	122,058	2,328,659
	<u>\$ 6,762,007</u>	<u>\$ 1,183,056</u>	<u>\$ 7,945,063</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 Gateway Station Redevelopment Project

The Authority has entered into several agreements for the redevelopment of a parcel of property within the Authority's district and for the design and construction of a public parking structure on adjacent land. These agreements are collectively referred to as the Gateway Station Redevelopment Project. The project will be completed in three phases. Phase 1A - demolition of existing structures and the development and construction of a condominium structure. Phase 1B - development and construction of a parking facility. Phase 2 - development and construction of a mixed-use structure (residential, retail, commercial, office, parking or other uses).

Agreement to exchange real property

On December 8, 2005, the Authority entered into an Agreement to Exchange Real Property with a land owner in Golden, Colorado. Under the terms of the agreement, the Authority will exchange perpetual use of six parking spaces in the parking facility, for a parcel of land on which that parking facility will be built.

Redevelopment agreements

On November 28, 2005, the Authority entered into a Redevelopment Agreement with Washington Square Golden LP (Washington Square) and Nexcore Partners XVI LLLP (Nexcore). Under the terms of the agreement, the Authority will provide \$1,250,000 to Nexcore for Phase 1A construction. Upon commencement of Phase 2, Nexcore will purchase a parcel of land from the Authority for \$622,397 for development of Phase 2.

In 2008, the Authority was informed this option would not be exercised.

On February 1, 2006, the Authority entered into a Fixed Price Development Delivery Agreement with Nexcore for the construction of Phase 1B of the Redevelopment Agreement for \$4,139,130.

Notes to Financial Statements
December 31, 2008

In February 2006, the Authority purchased a parcel of land in Golden, Colorado for \$530,877. A portion of the property will be used as the site on which the parking structure will be built.

Note 10 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 \$57,880 under this agreement during 2008.

Safeway, Inc.

On June 13, 2005, the Authority entered into an agreement with Safeway, Inc. (owner) to reimburse the owner a portion of the revenue produced through the improvement of the site. Such reimbursements are to be equal to the lesser of the actual documented cost of the eligible site improvements or \$85,000. The Authority paid \$4,235 under this agreement during 2008.

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 \$10,833 under this agreement during 2008.

Notes to Financial Statements
December 31, 2008

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 \$2,301 under this agreement during 2008.

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 \$25,000 under this agreement to date, \$15,000 of which was paid 2008.

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 \$160,113 under this agreement to date, \$98,591 of which was received in 2008.

Note 11 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 12 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."

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.

Notes to Financial Statements
December 31, 2008

Note 13 – Restated net assets

Net assets at December 31, 2007 have been restated to correct certain reporting errors for overstatements of interest income and payables in the total amount of \$42,989. These changes are reported in these statements as follows:

Net assets at December 31, 2007 as originally stated	\$ 1,093,848
Excess accrual of interest and payables	<u>42,989</u>
Restated net assets December 31, 2007	\$ <u>1,136,837</u>

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