



ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2010



DENVER UNION STATION PROJECT AUTHORITY

A Component Unit of the City and County of Denver

C/O Trammel Crow Company | 1225 17th Street, Suite 3050 | Denver, CO 80202 | 303-628-7444

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DENVER UNION STATION PROJECT AUTHORITY

A Component Unit of the City and County of Denver

DENVER, COLORADO

ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2010

Prepared by Finance Department

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INTRODUCTORY SECTION

Denver Union Station Project Authority

April 28, 2011

Mr. Edward Scholz

Treasurer

Denver Union Station Project Authority



The City and County of Denver (CCD) and creditors of the Denver Union Station Project Authority (Authority) require the Authority to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants for each fiscal year end. Pursuant to that requirement, we hereby issue the annual financial report of the Authority for the fiscal year ended December 31, 2010.

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

The Authority's financial statements have been audited by Bondi & Co, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended December 31, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended December 31, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Authority was part of a broader, federally mandated "Single Audit" designed to meet special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are in the Authority's separately issued Single Audit Report.

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

THE AUTHORITY

The Denver Union Station Project Authority was established in July 2008 by the Denver City Council and is responsible for the financing, acquiring, equipping, designing, constructing, renovating, operating, and maintaining the Denver Union Station redevelopment project (Project). The Authority is a not-for-profit corporation organized pursuant to Colorado statutes. It has been created with the single purpose of undertaking the planned improvements and will not function as a general purpose government. The Authority has no employees, but contracts for professional services and support central to its mission. Trammel Crow Companies is the owner's representative responsible for the oversight and daily management of the Project.

The Authority is organized as a Colorado non-profit corporation. The Authority is governed by a 13 member Board of Directors appointed as follows: six directors are appointed by the mayor of the CCD, two directors are appointed by the Regional Transportation District (RTD), one is appointed by the Denver Regional Council of Governments (DRCOG), one is appointed by the Denver Union Station Metropolitan District (DUSMD), one is appointed by the Colorado Department of Transportation (CDOT) and two are CCD employees who serve as non voting members.

The Project is a multi-model transportation hub project in Denver, Colorado which includes light rail, commuter rail and regional bus facility improvements and renovation of the Denver downtown train station that, in total, is currently budgeted to cost \$484,484,848 to complete. Four government entities have been involved in the planning of the Project and the creation of the Authority: CCD, CDOT, RTD and DRCOG. The Project's improvements will be owned principally by RTD who will maintain and operate the improvements once the Project is completed. CCD will own certain Project infrastructure. Project improvements that will be owned by CCD are maintained as capital assets by the Authority since they are a component unit of CCD while Project improvements that will be owned by RTD are expensed as incurred.

Construction of the Project is being funded through grant revenues in the amount of \$103,086,543, loan proceeds in the amount of \$300,600,000, and Other Funding of \$80,798,305 for a total planned Project cost of \$484,484,848. The development of the area surrounding the multi-model transportation hub was organized under the Denver Downtown Development Authority. This entity has established a tax-increment district which will capture increased property and sales tax revenue created from the development of this land area. These taxes in addition to an RTD bond issued to the Authority in the amount of \$167,954,114 and payable to the Authority over 30 years will be used to repay the outstanding debt the Authority will incur.

FINANCIAL INFORMATION

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the Authority's assets are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Authority has designed its internal control structure to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefit.

Single Audit: As a recipient of federal assistance, the Authority is responsible for ensuring that an adequate internal control structure is instituted to ensure compliance with applicable laws and regulations related to those programs.

As part of the Authority's single audit, tests are made to determine the adequacy of internal control structure; including that portion related to federal financial assistance programs as well as to evaluate the Authority's compliance. The Authority's single audit for the fiscal year ended December 31, 2010 found no instances of material weakness in the internal control structures of applicable laws and regulations. A separate report was prepared for this purpose.

Acknowledgements: Preparation of the annual financial report on a timely basis was made possible by the dedicated services of the entire staff.

Finally, without the leadership and support of the members of the Authority's Board of Directors, preparation of this report would not have been possible.

Respectfully submitted,

Libby Cox

Senior Accountant, Denver Union Station Project Authority

FINANCIAL SECTION



BONDI & Co. LLC

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**Board of Directors
Denver Union Station Project Authority
Denver, Colorado**

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and the major fund of the Denver Union Station Project Authority (Authority) as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2009 financial statements, which were audited by other auditors, and in their report dated May 13, 2010, they expressed unqualified opinions on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

**Board of Directors
Denver Union Station Project Authority**

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, on pages 11 through 16, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

April 27, 2011


BONDI & Co. LLC

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Management's Discussion and Analysis
December 31, 2010

The management of the Denver Union Station Project Authority (Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ending December 31, 2010 and 2009. This discussion and analysis is designed to assist the reader to focus on significant financial activities and identify any significant changes in the financial position of the Authority. It should be read in conjunction with the financial statements that follow this section.

Financial Highlights

On July 23, 2010, the Authority secured Project funding through various funding sources. The funding sources include federal loans from Railroad Rehabilitation and Improvement Financing Program (RRIF) and Transportation Infrastructure Finance and Innovation Act (TIFIA), a bond issued by the Regional Transportation District (RTD) and future RTD land sale proceeds, tax increment revenues from the City and County of Denver (CCD) as well as various federal and local grants.

As of December 31, 2010, total assets of the Authority exceeded its liabilities by \$63,987,090. However, in 2009 its liabilities exceeded its assets by \$31,845,986. The 2009 deficit was a result of Project improvements being funded in part by debt of the Authority while those improvements are not considered assets of the company. The amount of unrestricted net assets as of December 31, 2010 was \$58,015,352 compared to a deficit of \$31,845,986 in 2009. As of December 31, 2010, the Authority had \$3,761,231 in restricted assets which are restricted for debt service while there were no restricted assets in 2009. As of December 31, 2010, the Authority had \$2,210,507 in capital assets net of related debt while there were none in 2009.

The net assets increased by \$95,833,076 during 2010. The increase in net assets is largely due to the investment in the RTD bonds in the par amount of \$167,954,114 for the development of the Project. The bond proceeds will be received by the Authority over the next thirty years and will be used to service outstanding debt.

The Authority's total debt increased in 2010 to \$59,513,109 from \$22,492,308 in 2009. Total debt consists of long term debt of \$46,256,685 and a current portion of \$13,256,424. The increase in long-term debt resulted from additional borrowings under the loan agreements with RRIF and TIFIA while the current portion represents a note payable to RTD.

For the year 2010, total revenues and other financing sources exceeded expenses resulting in an increase in net assets of \$95,833,076. Revenues for 2010 consisted of program revenues of \$227,859,084, general revenues of \$9,407,328 and other financing sources of \$46,256,685. Expenses totaled \$141,433,336 of which Project expenditures comprised \$134,683,884. During 2009, the Authority's revenue consisted of interest income of \$1,268 with expenditures totaling \$31,847,254.

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Management's Discussion and Analysis
December 31, 2010

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 and consists of (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The 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 Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as an underlying event giving rise to the change occurs, *regardless of when cash is received or paid*.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Financial Analysis

Condensed Financial Information – Condensed financial information from the Statement of Net Assets and Statement of Activities and changes in net assets is presented below.

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Management's Discussion and Analysis
December 31, 2010

Statement of Net Assets. The statement of net assets presents information on the assets and liabilities which, over time, serve as a useful indicator of the Authority's financial position.

	2010	2009
Assets:		
Current Assets	\$ 20,229,846	\$ 5,333,387
Noncurrent Assets	168,379,786	-
Capital Assets	4,434,219	-
Total Assets	<u>193,043,851</u>	<u>5,333,387</u>
Liabilities:		
Current Liabilities	82,491,703	14,687,065
Noncurrent Liabilities	46,565,058	22,492,308
Total Liabilities	<u>129,056,761</u>	<u>37,179,373</u>
Net Assets:		
Invested in Capital Assets, Net of		
Related Debt	2,210,507	-
Restricted	3,761,231	-
Unrestricted	58,015,352	(31,845,986)
Total Net Assets (Deficit)	<u>\$ 63,987,090</u>	<u>\$ (31,845,986)</u>

Assets

Current Assets – Current assets as of December 31, 2010 were \$20,229,846 which increased from \$5,333,387 as of December 31, 2009. The increase in current assets was largely a result of increases in receivables from the previous year. Receivables increased by \$16,715,048 in 2010 due to scheduled RTD bond payment receipts and amounts to be received from grant funding. Receivables of \$17,112,181 represent 85% of the total current assets.

Noncurrent Assets – Noncurrent assets as of December 31, 2010 were \$168,379,786 while there were no noncurrent assets in 2009. The increase in noncurrent assets was largely a result of the Investment in RTD Bonds. The Authority entered into an agreement in July 2010 in which RTD issued a bond in the par amount of \$167,954,114 payable to the Authority to provide partial funding for construction of the Project in which RTD will assume ownership of certain assets during construction. The terms of the bond agreement require RTD to make semi-annual principal and interest payments of \$6,003,244 through 2040. The Authority received \$1,090,587 of bond principal payments from RTD in 2010.

Capital Assets – The Authority is constructing certain Project elements that will transfer ownership to CCD at the Project's completion. These Project elements include street and public area improvements and are considered assets of the Authority until such time as the transfer is completed. During 2010, the Authority constructed \$4,434,219 of CCD assets.

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Management's Discussion and Analysis
December 31, 2010

Liabilities

Current Liabilities – Current Liabilities were \$82,491,703 as of December 31, 2010. This represents an increase from 2009 of \$67,804,638. Current liabilities increased due to the current portion of a note payable in the amount of \$13,256,424 which was recorded as part of long term debt in 2009. Additionally, the Authority has a current liability of \$46,779,002 for an RTD Bond Liability in Excess of Project Expenses for the uncompleted RTD bond funded portion of the Project. In July 2010, RTD issued a bond to the Authority in the par amount of \$167,954,114. The bond was issued in return for RTD's portion of the Project construction funding commitment of \$208,786,053 consisting of the bond and \$40,831,939 in other RTD funding. As of December 31, 2010, \$121,175,112 of the Project has been completed resulting in a remaining construction obligation to RTD of \$46,779,002 which is expected to be completed in 2011.

Noncurrent Liabilities – Noncurrent liabilities were \$46,565,058 as of December 31, 2010, an increase of \$24,072,750 from 2009. The 2010 balance is comprised of principal and interest obligations on loans from RRIF and TIFIA in which funds are drawn for construction of the Project. The TIFIA agreement requires compounded deferral and capitalization of interest costs incurred exceeding 7.5% of annual interest expense. As of December 31, 2010, the deferred and capitalized interest portion of noncurrent liabilities payable to TIFIA at a future date is \$308,373.

Net Assets – Net assets increased \$95,833,076 to \$63,987,090 in 2010 due primarily from the Investment in RTD Bond. Net assets are comprised of Invested in Capital Assets, net of related debt in the amount of \$2,210,507, restricted net assets of \$3,761,231 and unrestricted net assets of \$58,015,352. As of December 31, 2009, the Authority had a deficit net asset balance of \$31,845,986.

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Management's Discussion and Analysis
December 31, 2010

Statement of Activities and Changes in Net Assets. The following summary of revenues, expenses, and changes in net assets shows the activities of the Authority resulted in an increase in net assets. The key element of the increase in net assets from a deficit of \$31,845,986 in 2009 to \$63,987,090 in 2010 was the establishment of funding in July 2010.

	2010	2009
Expenditures/Expenses		
Project Expenditures	\$ 134,683,884	\$ 31,691,955
Professional Fees	2,395,568	116,651
General and Administrative	44,584	648
Insurance	1,312,826	38,000
Interest	2,996,474	-
Total Expenditures/Expenses	<u>141,433,336</u>	<u>31,847,254</u>
Program Revenue		
Capital Grant and Contributions	<u>227,859,084</u>	<u>-</u>
Total Program Revenues	<u>227,859,084</u>	<u>-</u>
Excess (Deficiency) of Program		
Revenues Over (Under) Expenditures	<u>86,425,748</u>	<u>(31,847,254)</u>
General Revenue		
Interest Income	9,011,904	1,268
Tax Revenue	<u>395,424</u>	<u>-</u>
Total General Revenues	<u>9,407,328</u>	<u>1,268</u>
Excess (Deficiency) of Revenues Over		
(Under) Expenditures	<u>95,833,076</u>	<u>(31,845,986)</u>
Change In Net Assets	<u>95,833,076</u>	<u>\$ (31,845,986)</u>
Net Assets - Beginning of Year	<u>(31,845,986)</u>	
Net Assets - End of Year	<u><u>\$ 63,987,090</u></u>	

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Management's Discussion and Analysis
December 31, 2010

Expenditures/Expenses

Project Expenditures – Project expenditures represent construction expenditures of funds from sources other than RTD and were \$134,683,884 for the year ending December 31, 2010. These expenditures represented 95% of the total expenditures and expenses incurred. The increase from \$31,691,955 in 2009 was due to the securing of financing sources in July 2010 increasing funds available for construction activity.

Revenue

Program Revenue – Program revenues of \$227,859,084 consist of federal and local grants and other contributions secured through the funding agreement completed in July 2010.

General Revenue – General revenue increased to \$9,407,328 in 2010 from \$1,268 in 2009 primarily due to interest earned on the Investment in RTD Bond. Included in general revenue is tax revenue received of \$395,424 from the tax increment financing agreement with CCD established with the July 2010 funding agreement. There were no tax revenues in 2009.

Other Financing Sources – Other financing sources resulted in \$46,256,685 of funding from government sources, primarily RTD, resulting from the funding agreement completed in July 2010.

Request for Information

This financial report is designed to provide an overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Finance Contact, Libby Cox, Denver Union Station Project Authority, 1600 Blake Street, Denver, Colorado, 80202-1399.

BASIC FINANCIAL STATEMENTS

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Governmental Fund Balance Sheet/Statement of Net Assets

As of December 31, 2010
(with summarized comparative 2009)

	General Fund	Adjustments	Statement of Net Assets 2010	Statement of Net Assets 2009
ASSETS				
Cash and Cash Equivalents	\$ 1,095,728	\$ -	\$ 1,095,728	\$ 3,977,303
Grant Receivables	9,812,402	-	9,812,402	-
Tax Receivables	765,624	-	765,624	397,133
Other Receivables	5,379,769	1,154,386	6,534,155	-
Prepaid Items	19,210	-	19,210	19,156
Debt Issuance Costs	-	2,002,727	2,002,727	939,795
Restricted Cash	3,761,231	-	3,761,231	-
Investment in RTD Bonds	-	164,618,555	164,618,555	-
Capital Assets Non-Depreciable	-	4,434,219	4,434,219	-
Total Assets	<u>20,833,964</u>	<u>172,209,887</u>	<u>193,043,851</u>	<u>5,333,387</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	21,642,077	48,576	21,690,653	14,289,932
Deferred Tax Revenue	765,624	-	765,624	397,133
Bond Liability in Excess of Project Expenses	-	46,779,002	46,779,002	-
Accrued Interest Payable	-	308,373	308,373	-
Long Term Liabilities (note 4)				
Due Within One Year	-	13,256,424	13,256,424	22,492,308
Due After One Year	-	46,256,685	46,256,685	-
Total Liabilities	<u>22,407,701</u>	<u>106,649,060</u>	<u>129,056,761</u>	<u>37,179,373</u>
FUND BALANCE				
Total Fund Balance (Deficit) - Unreserved	<u>(1,573,737)</u>	<u>1,573,737</u>		
Total Liabilities and Fund Balance	<u>\$ 20,833,964</u>			
NET ASSETS (DEFICIT)				
Invested in Capital Assets, Net of Related Debt		2,210,507	2,210,507	
Restricted Net Assets		3,761,231	3,761,231	
Unrestricted Net Assets		<u>58,015,352</u>	<u>58,015,352</u>	
Total Net Assets (Deficit)		<u>\$ 63,987,090</u>	<u>\$ 63,987,090</u>	<u>\$ (31,845,986)</u>

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund

Balance/Statement of Activities

For the Year Ended December 31, 2010

(with summarized comparative 2009)

	General Fund	Adjustments	Statement of Activities 2010	Statement of Activities 2009
Expenditures/Expenses				
Project Expenditures	\$ 83,533,190	\$ 51,150,694	\$ 134,683,884	\$ 31,691,955
Professional Fees	2,395,568	-	2,395,568	116,651
General and Administrative	44,584	-	44,584	648
Insurance	1,312,826	-	1,312,826	38,000
Capital Outlay	4,434,219	(4,434,219)	-	-
Debt Service				
Principal	9,235,884	(9,235,884)	-	-
Interest	3,702,457	(705,983)	2,996,474	-
Total Expenditures/Expenses	104,658,728	36,774,608	141,433,336	31,847,254
Program Revenues				
Capital Grants and Contributions	57,714,451	170,144,633	227,859,084	-
Total Program Revenues	57,714,451	170,144,633	227,859,084	-
Net Program Expense			86,425,748	(31,847,254)
General Revenues				
Interest Income	9,011,904	-	9,011,904	1,268
Tax Revenue	395,424	-	395,424	-
Total General Revenues	9,407,328	-	9,407,328	1,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,536,949)	37,536,949	-	-
Other Financing Sources				
Proceeds from Debt Issuance	46,256,685	(46,256,685)	-	-
Total Other Financing Sources	\$ 46,256,685	\$ (46,256,685)	-	-
Excess (Deficiency) of Revenues and other Financing Sources Over (Under) Expenditures	8,719,736	(8,719,736)		
Change In Net Assets		\$ 95,833,076	95,833,076	\$ (31,845,986)
Fund Balance/Net Assets - Beginning of Year	(10,293,473)	(21,552,513)	(31,845,986)	-
Fund Balance/Net Assets - End of Year	\$ (1,573,737)	\$ 65,560,827	\$ 63,987,090	\$ (31,845,986)

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Notes to Financial Statements

December 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Denver Union Station Project Authority (Authority) was incorporated in 2008, by the City and County of Denver, Colorado (CCD) as a separate and distinct corporate entity for the limited purpose of financing, acquiring equipment, constructing and maintaining the Denver Union Station Project (Project). The Authority is organized as a Colorado non-profit corporation. The Authority is governed by a 13-member Board of Directors appointed as follows: six directors are appointed by the mayor of CCD, two directors are appointed by the Regional Transportation District (RTD), one is appointed by the Colorado Department of Transportation (CDOT), one is appointed by the Denver Regional Council of Governments (DRCOG), one is appointed by the Denver Union Station Metropolitan District (DUSMD), and two are CCD employees who serve as non-voting directors. The Authority neither leases nor owns any physical facilities nor does it have any employees. Administrative functions are performed by personnel of Trammel Crow Companies, Inc. (TCC), the owner's representative for the Project. Additionally in 2010, TCC entered into an agreement with RTD whereas RTD would provide accounting services for the Project.

The Project is a multi-modal transportation hub project in Denver, Colorado, which includes light rail, commuter rail and regional bus facility improvements and renovation of the Denver downtown train station that, in total, is expected to cost approximately \$500 million to complete. Four governmental entities have been involved in the planning of the Project and creation of the Authority: CCD, RTD, CDOT and DRCOG. The Project's improvements will be owned principally by RTD and therefore are not included in the Authority's assets. The other project elements include street and public area improvements and are considered assets of the Authority until such time as ownership transfer upon completion of the Project.

Funding for the Project is planned to be partially funded by RTD with the remainder of funds to be provided by grants from CDOT, the Federal Transportation Authority, Colorado Senate Bill 1, DRCOG, the American Recovery and Reinvestment Act (ARRA) and the Federal Highway Administration (FHWA). Additionally, the Project secured loans from the Federal Railroad Administration (FRA) and the U.S. Department of Transportation with loans from the Railroad Rehabilitation and Improvement Financing Program (RRIF) and the Transportation Infrastructure Finance and Innovation Act (TIFIA). Debt service on loans will be funded through tax increment revenues generated within the boundaries of the newly created Denver Downtown Development Authority (DDDA) and through RTD's commitment as mentioned above.

Calendar year 2009 was the first year of activity for the Authority when the Project was given a limited notice to proceed in May. A full notice to proceed was granted in April of 2010.

Denver Union Station Project Authority
A Component Unit of the City and County of Denver

Notes to Financial Statements

December 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Per the criteria set forth in generally accepted accounting principles, the Authority's financial statements are included in CCD's comprehensive annual financial report (CAFR) as a component unit of CCD.

Government-wide and Fund Financial Statements

The government-wide financial statements (Government Fund Balance Sheet/Statement of Net Assets and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities) report information on all activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Authority receives value without directly giving value in return, include taxes, grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource is required to be used or the fiscal year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specific

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December 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

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 for both exchange and non-exchange transactions. 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. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority only uses governmental funds and has only one such fund, the general fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources of funds and uses the balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Authority reports the following major governmental fund:

General Fund - The general fund is used to account for all financial resources of the Authority. The general fund balance is available to the Authority for any purpose, provided

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December 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

it is expended or transferred according to the general laws of Colorado and the bylaws of the Authority.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Generally, fund balance represents the difference between the current assets and current liabilities. The Authority reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund balance that is available for appropriation in future periods. Designations are management’s intent to set aside these resources for specific services.

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Because the Project improvements are being funded, in part, by debt the Authority has incurred or will incur, and are not the assets of the Authority, the Authority’s net assets are in a deficit (Authority’s liabilities exceeded its assets) position as of December 31, 2009.

Budgets

For fiscal years ending December 31, 2010, the Authority has adopted a budget for the Project, which represents the full activities of the Authority. However, because the Authority is not legally required to budget its activities, no budgetary statements are presented in the financial statements.

Cash and Cash Equivalents

The Authority considers all highly liquid investments, restricted and unrestricted, purchased with an original maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables consist primarily of grant funding to be collected from the Authority's funding sources. Other receivables are made up of bond interest and principal payments expected to be collected in 2011. Management believes these amounts will be received in full and therefore has made no provision for uncollectible amounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. The Authority has elected to use the consumption method of accounting to reflect the expenses incurred in the period in which the prepaid items are consumed.

Investments

Investments are made in accordance with the Colorado Revised Statutes (CRS) 24-75-601, 32-9-119 and 32-9-163.

Capital Assets

The Authority is constructing certain Project elements that will transfer ownership to CCD at the Project's completion. These Project elements include street and public area improvements and are considered assets of the Authority until such time as the transfer is completed. Other construction in progress is owned by RTD and is therefore not included in the Authority's assets.

Capital asset activity for the year ended December 31, 2010, was as follows

	Beginning Balance	Additions	Reductions	Ending Balance
Construction in Progress -				
City of Denver	\$ -	\$4,434,219	\$ -	\$4,434,219
Total Capital Assets	<u>\$ -</u>	<u>\$4,434,219</u>	<u>\$ -</u>	<u>\$4,434,219</u>

Due from Denver Downtown Development Authority

The Denver Downtown Development Authority (DDDA), a component unit of CCD, collects certain tax incentive revenues, principally property taxes, on behalf of the Authority and subsequently remits those funds to the Authority. Property tax revenues are considered

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December 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

imposed non-exchange revenue transactions under GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Under GASB 33, an asset is recorded for property taxes when an enforceable legal claim to the assets arises (assessment date) which, for Colorado property taxes, occurs in the year preceding collection of the taxes. Revenues for such property taxes are deferred and recognized in the period for which the taxes are levied. Thus property taxes assessed in one reporting period that are for a subsequent levy year are recorded by the Authority as an asset and as deferred revenue.

Debt Issuance Costs

Cost associated with the issuance of debt is recognized as debt service expenditures in the period incurred in fund financial statements and is deferred and amortized as an expense in the statement of activities in government-wide financial statements. Issuance cost is amortized over the life of the related debt using the straight-line method in the government-wide financial statements.

Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, loans are recognized as a liability in the governmental fund financial statements only when due.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets of the Authority as of December 31, 2010 were \$63,987,090 which is an increase of \$95,833,076 from the deficit net assets of \$31,845,986 as of December 31, 2009. The deficit net assets resulted primarily from debt incurred by the Authority to fund the preliminary Project improvements that are not assets of the Authority.

Fund Balance

The Authority has a deficit fund balance as of December 31, 2010 of \$1,573,737 compared to a deficit of \$10,293,473 in 2009.

Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported

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December 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Restricted Assets

Restricted assets are assets restricted by the covenants of long-term financial arrangements.

Revenue Recognition

DDDA Tax Collection

Revenues for such property taxes are deferred and recognized in the period for which the taxes are levied. Thus property taxes assessed in one reporting period that are for a subsequent levy year are recorded by the Authority as an asset and as deferred revenue.

Grants and Assistance

The federal government, through the Federal Transit Administration (FTA) as well as the state government, through the Colorado Department of Transportation (CDOT) provides financial assistance by making grants directly to the Authority. The amount recorded as by the Authority for grant revenue for 2010 was \$52,328,961. The year ending December 31, 2010 was the first year that such grants and assistance were made to the Authority.

RTD Contributions

Through December 31, 2010 RTD contributed \$159,021,307 to the Project. The year ending December 31, 2010 was the first year that RTD contributions were made to the Authority.

NOTE 2: CASH AND DEPOSITS

Custodial Credit Risk - Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Under this act, all uninsured public deposits at qualified institutions are fully collateralized with pledged collateral which is held in custody by any Federal Reserve Bank or branch thereof, or held in escrow by an eligible banking institution.

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NOTE 2: CASH AND DEPOSITS (CONTINUED)

Custodial credit risk for deposits and investments is the risk that, in the event of failure of the custodian, the Authority may not be able to recover the value of deposits that are in the possession of a third party. In October 2008, as part of the Economic Stabilization Act, Congress increased the Federal Deposit Insurance Corporation (FDIC) coverage to \$250,000 per depositor.

As of December 31, 2010 the Authority had bank balances of \$4,960,849. Of the total bank balance \$500,000 was covered by FDIC with the remaining \$4,460,849 covered by PDPA.

NOTE 3: AMOUNTS DUE TO GOVERNMENTS

Amounts Due to Other Governments

On March 5, 2009, RTD, as lender, entered into an agreement with the Authority to advance the Authority \$1,500,000 to facilitate initial funding for the Project. At RTD's sole discretion, the Authority shall (1) re-pay the loan amount to RTD upon receipt by the Authority of bond or other financing sufficient to fund the Project or (2) credit the loan amount against other amounts to be paid to the Authority by RTD in furtherance of the Project.

If RTD elects to be repaid, the Authority shall make such payment within 30 days of closing on its first financing issued for the development of the Project, unless otherwise agreed in writing by RTD. As of December 31, 2010, the Authority owes RTD \$1,500,000.

On April 30, 2009, RTD entered into an Initial Funding Reimbursement and Project Coordination Agreement with the Authority to advance the Authority moneys for improvements for the Project consisting of certain transit improvements, which will be constructed on RTD-owned property and will be owned, used and operated by RTD. The advance of funds is up to an aggregate amount of \$40,000,000. RTD received funds under the American Recovery and Reinvestment Act (ARRA) and from other federal grants for application to the Project. Rather than remitting such funds to the Authority, RTD and the Authority agreed that RTD may elect to apply such funds as reimbursement of the advances made by RTD. The Authority shall apply various federal grants and other available moneys of the Authority to reimburse RTD for the remaining outstanding amount of the advance.

The Initial Funding Reimbursement and Project Coordination Agreement was amended on June 8th, 2010 to increase this advance by an additional \$9,000,000.

Additionally, on July 16, 2010, this agreement had a second amendment advancing an additional \$8,100,000.

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December 31, 2010

NOTE 3: AMOUNTS DUE TO GOVERNMENTS (CONTINUED)

As of December 31, 2010, the amount remaining due to RTD from the aforementioned funding agreements was \$13,256,424 which is scheduled to be repaid in 2011. This amount is shown as a long-term liability in the Statement of Net Assets and is included in the Long Term Debt schedule that follows.

Amounts Due to the City and County of Denver

On April 14, 2009, the City and County of Denver (CCD) entered into the Denver Union Station Project Authority Services Agreement with the Authority to loan the Authority up to \$1,500,000 to facilitate initiation of the preliminary phase of the Project. The agreement required the Authority, upon closing of funding, to reimburse CCD the full amount, without interest. The agreement also called for such repayment to be made on or before December 31, 2009, however, closing of funding was not completed by this date. Subsequent to December 31, 2009, CCD provided for an extension of the due date until such time as other financing was obtained by the Authority.

CCD advanced the Authority \$1,000,000 during 2009 and this balance was repaid by the Authority in December 2010. As of December 31, 2010, there were no outstanding balances due to CCD.

NOTE 4: LONG TERM DEBT

On July 23, 2010, the Authority closed loans from the Railroad Rehabilitation and Improvement Financing Program (RRIF) for \$155,000,000 and the Transportation Finance and Innovation Act (TIFIA) for \$145,600,000. As of December 31, 2010, the Authority had drawn \$13,806,026 from the RRIF loan at a coupon rate of 3.91% and \$32,450,659 from the TIFIA loan at a coupon rate of 3.99%. In order to draw RRIF loan funds, the Authority is required to pay a Credit Risk Premium for the amount drawn at a rate of 18.64%.

Specific revenue sources pledged to the repayment of the Authority's loan obligations include the following sources of revenue.

- Pledge payments from RTD
- Tax-increment revenues from development within the Denver Downtown Development Authority (DDDA) boundaries
- Tax revenue pledges from special taxing districts
- Lodgers tax revenue generated with the Project area

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December 31, 2010

NOTE 4: LONG TERM DEBT (CONTINUED)

RTD Pledged Revenues are \$360,194,666 with commitment terms ending in 2040. The other pledged revenue sources are not determinable at this time, however they are committed through 2040. The pledged revenue cannot be estimated in comparison to pledged debt as revenues are uncertain as to future amounts. In 2010, RTD pledged a total of \$6,003,244. of which \$43,829 was used to pay interest. No principal had been repaid as of December 31, 2010.

From 2010 to 2014, 92.5% of the interest accruing on the TIFIA loan will be deferred and recapitalized in the repayment schedule. The amortization schedule for the TIFIA loan will be managed to limit the maximum annual payments to an amount below the annual RTD payment of approximately \$12 million. Annual debt payments will be sculpted through 2021 and level thereafter.

The first interest payment for both the RRIF and TIFIA loans was due and paid on December 1, 2010 with the next payment scheduled on June 1, 2011. The interest portion of the amount due is represented as a component of long-term debt on the government-wide financial statements but will not be expensed until due in the general fund.

Long-term debt activity for the year ended December 31, 2010 was as follows:

		Beginning			Ending	Current
	Maturity Date	Balance	Additions	Reductions	Balance	Portion of
						Long Term
Note Payable	05/31/11	\$ 22,492,308		\$ 9,235,884	\$ 13,256,424	\$ 13,256,424
RRIF Loan	12/31/38	-	13,806,026	-	13,806,026	-
TIFIA Loan	06/01/40	-	32,450,659	-	32,450,659	-
Total Long-Term Debt		<u>\$ 22,492,308</u>	<u>\$ 46,256,685</u>	<u>\$ 9,235,884</u>	<u>\$ 59,513,109</u>	<u>\$ 13,256,424</u>

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December 31, 2010

NOTE 4: LONG TERM DEBT (CONTINUED)

Long Term Debt Repayment Schedule

Year Ending December 31,	Principal	Capitalized Interest	Interest	Total
2011	\$ 13,256,424	\$ 923	\$ 636,924	\$ 13,894,271
2012	-	4,834	636,924	641,758
2013	-	8,902	636,924	645,826
2014	-	13,132	636,924	650,056
2015	1,090,713	366,123	1,834,597	3,291,433
2016 - 2020	6,137,383	1,830,614	8,489,169	16,457,166
2021 - 2025	7,454,099	1,830,614	7,172,452	16,457,165
2026 - 2030	9,053,333	1,830,614	5,573,218	16,457,165
2031 - 2035	10,995,710	1,830,614	3,630,841	16,457,165
2036 - 2040	11,525,447	1,830,614	1,306,767	14,662,828
Total	<u>\$ 59,513,109</u>	<u>\$ 9,546,984</u>	<u>\$ 30,554,740</u>	<u>\$ 99,614,833</u>

NOTE 5: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to others; and natural disasters. The Authority funds its outside insurance purchases, deductibles, and uninsured losses through the general fund. The Authority carries commercial insurance for all risks of loss, including errors, omissions, and property. Settled claims resulting from these risks have not exceeded coverage for 2010 or 2009.

NOTE 6: TAXPAYERS BILL OF RIGHTS (TABOR)

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer's Bill of Rights (TABOR), which added 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.

The Authority's management believes the Authority is exempt from the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require further judicial review.

NOTE 7: COMMITMENTS AND CONTINGENCIES

In April 2009, the Authority signed a long-term construction contract for the design and construction of the Project with Kiewit Western Company (Kiewit), general contractor for the Project. The contract value is \$338,373,482, which will be paid over the term of the Project.

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December 31, 2010

NOTE 7: COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of December 31, 2010, \$88,213,056 had been paid to Kiewit and an additional Project expense of \$19,206,319 was recognized at December 31, 2010 for work completed but not yet paid including \$10,914,123 of contract retainage.

In September 2009, the Authority entered into an agreement with the owner's representative, Trammel Crow Companies (TCC), for services related to the Project and for the Authority's management services. The contract amount to be paid to TCC is \$4,982,994 which is payable over the term of the Project. As of December 31, 2010, a total of \$1,791,741 had been paid and an additional \$151,964 was recognized as incurred expense to be paid in the subsequent period.

In 2009, the Authority entered into a Master Developer Agreement with Union Station Neighborhood Company, LLC (USNC) for \$6,300,000. Under this agreement USNC will assist the Authority in the design, construction and development of certain aspects of the Project.

Payment terms under the contract are as follows:

- \$700,000 paid within 15 days from the effective date of the agreement (August 2009)
- \$175,000 monthly from May 2009 through and including December 2009
- \$145,000 monthly from January 2010 through and including December 2011
- \$40,000 monthly from January 2012 through and including June 2013

For the year ended December 31, 2010 the Authority has paid USNC \$3,695,000 and has recognized an additional expense of \$145,000 earned by USNC to be paid in the subsequent period.

In 2010, the Authority entered into an agreement with RTD to perform certain accounting services. This agreement was included in the 2nd amendment to The Initial Funding Reimbursement and Project Coordination Agreement. Fees for these accounting services are payable annually in the amount of \$100,000 per year for 2010 through 2014. Through December 31, 2010 the Authority has recognized \$100,000 of related expenses.

NOTE 8: ECONOMIC DEPENDENCY

The Authority has not yet established a revenue base sufficient to pay the Authority's operational expenditures. Until a sufficient revenue base is established, continuation of the Authority's operations is dependent upon funding from CCD and RTD.