ARVADA URBAN RENEWAL AUTHORITY
Arvada, Colorado

FINANCIAL STATEMENTS
December 31, 2009

TABLE OF CONTENTS

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Board of Commissioners
Arvada Urban Renewal Authority
Arvada, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Arvada Urban Renewal Authority, a component unit of the City of Arvada, as of and for the year ended December 31, 2009, which collectively comprise the Arvada Urban Renewal Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Arvada Urban Renewal 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 Arvada Urban Renewal Authority's December 31, 2008 financial statements. Those financial statements were audited by other auditors whose report dated July 20, 2009, expressed an unqualified opinion on the respective financial statements of the governmental activities and each major fund.

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 each major fund of the Arvada Urban Renewal Authority as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2008, from which such summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010 on our consideration of the Arvada Urban Renewal 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages III through IX and 18 through 20 are not a required part of the basic financial statements but are 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 Arvada Urban Renewal Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Greenwood Village, Colorado
August 31, 2010

This section of the Arvada Urban Renewal Authority (the Authority) Annual Financial Report provides readers with a narrative overview and analysis of the Authority's financial performance during the fiscal year that ended on December 31, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements and notes to the financial statements to enhance their understanding of the activities and financial health of the Arvada Urban Renewal Authority.

Financial Highlights

- Government-wide total net assets increased $5,353,127 over the current year. Of total net assets as of year-end, $5,081,740 was available to meet on-going obligations (unrestricted).

- Long-term liabilities decreased $5,515,695 from prior year. This was primarily due the fact that a loan with the City of Arvada (the City) of $5,414,519 was deemed paid, satisfied, and discharged by the City during the current year.

- Government-wide expenses decreased by $1,356,003. This decrease was primarily due to a decrease in redevelopment costs from fiscal year 2008 to fiscal year 2009 of $1,470,232. This was due to decreased redevelopment activity paid for/reimbursed by the Authority as a result of the declining economy. In addition, higher upfront costs were incurred in 2008.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of the following two components:

- Government-wide Financial and Fund Financial Statements
- Notes to the Financial Statements

Government-wide Financial Statements. The government-wide statements are designed to provide readers with a broad overview of the Authority's finances using the accrual basis of accounting, the basis of accounting used by most private-sector businesses.

The statement of net assets presents information on all of the Authority's assets and liabilities. The difference between assets and liabilities are reported as net assets. Over time, increases and decreases in net assets may provide an indication of whether the Authority's financial position is improving or deteriorating.

The statement of activities presents information reflecting how the Authority's net assets have changed during the fiscal year just ended. All changes in net assets are reported as soon as the underlying activity occurs. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements report information on all of the activities of the Authority.

Fund Financial Statements. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Traditional users of the Authority's financial statements will find the fund financial statement presentation more familiar. 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. Of the three possible fund types, the Authority only presents governmental funds. The focus is on major funds rather than fund types. A major fund should generally meet the both of the following criteria: 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities or expenditures/expenses) for that fund type (i.e. governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds. Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for all funds. The General Fund, Jefferson Center Metropolitan District Fund and Ralston Fields Fund are major funds.

The Authority adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison schedule has been provided for the Authority's funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-4 of this report.

Notes to the Financial Statements. The notes to the basic financial statements are considered an integral part of the financial statements since they provide additional information needed to gain a full understanding of the data provided in both the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6-17 of this report.

Government-wide Financial Analysis

At the close of December 31, 2009, the Authority's assets exceeded liabilities by $5,086,102. The following summaries of net assets and changes in net assets are presented for the current year and the previous year for comparative purposes.

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

Arvada Urban Renewal Authority
Statement of Net Assets
December 31, 2009

	Total Primary Government 2009	Total Primary Government 2008
Current and other assets	$ 8,681,781	$ 7,172,822
Property available for sale	5,819,990	5,947,737
Capital assets	4,362	5,025
Total assets	14,506,133	13,125,584
Other liabilities	6,531,210	4,988,093
Long-term liabilities	2,888,821	8,404,516
Total liabilities	9,420,031	13,392,609
Net assets:		
Invested in capital assets	4,362	5,025
Unrestricted	5,081,740	(272,050)
Total net assets	$ 5,086,102	$ (267,025)

For more detailed information, see the Statement of Net Assets on page 1 of this report.

As noted above, current and other assets as of December 31, 2009, increased by $1,508,959 when compared to prior year-end. This increase was primarily due to the increase in the property tax receivable balance by $3,758,453 and an increase in loan receivables of $458,200. This was offset by a decrease in cash and investments of $2,715,434 when compared to the prior year. The increase in the property tax receivable was due to an increase in property values as a result of a new Excel turbine. The increase in the loan receivable balance was due to an agreement the Authority entered into during the 2009 fiscal year with a commercial establishment. As a part of this agreement, the Authority loaned funds to the establishment for capital improvements and the loan will be repaid to the Authority with future profits. The decrease in cash and investments was the result of timing of certain payments. See discussion regarding the decrease in accounts payable in the next paragraph.

Total liabilities decreased by $3,972,578. This decrease was due to a decrease in accounts payable of $2,198,997, an increase in property tax deferred revenue of $3,756,145, and a decrease in noncurrent liabilities (loan payable) of $5,515,695. The decrease in accounts payable was due to the timing of payment of certain costs prior to year end. The increase in property tax deferred revenue was due to an increase in property values as described in the preceding paragraph. Lastly, the decrease in noncurrent liabilities was largely due to the decrease of a note owed to the City. This note amount was for $5,414,519 and was deemed paid, satisfied, and discharged by City Council on September 14, 2009, for previous considerations.

In summary, these variances resulted in a change of net assets for the Authority in 2009 of $5,353,127.

Changes in Net Assets

The following table reflects a summary of activities and changes in net assets:

Arvada Urban Renewal Authority
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2009

	Total Primary Government 2009	Total Primary Government 2008
Revenues		
Program revenues:		
Charges for services	$ 211,506	$ 189,624
Operating grants and contributions	53,624	-
General revenues:		
Property tax	2,889,273	2,545,231
Public Improvement Fees (PIF)	521,758	556,514
Interest	29,750	95,590
Miscellaneous	298	17
Total revenues	3,706,209	3,386,976
Expenses		
General Government	699,972	632,779
Redevelopment Costs	2,865,330	4,335,562
Interest payments	190,001	155,263
Loss on sale of property	12,298	-
Total Expenses	3,767,601	5,123,604
Deficiency prior to special item	(61,392)	(1,736,628)
Special item - note discharged	5,414,519	-
Increase in net assets	5,353,127	(1,736,628)
Net assets, beginning	(267,025)	1,469,603
Net assets, ending	$ 5,086,102	$ (267,025)

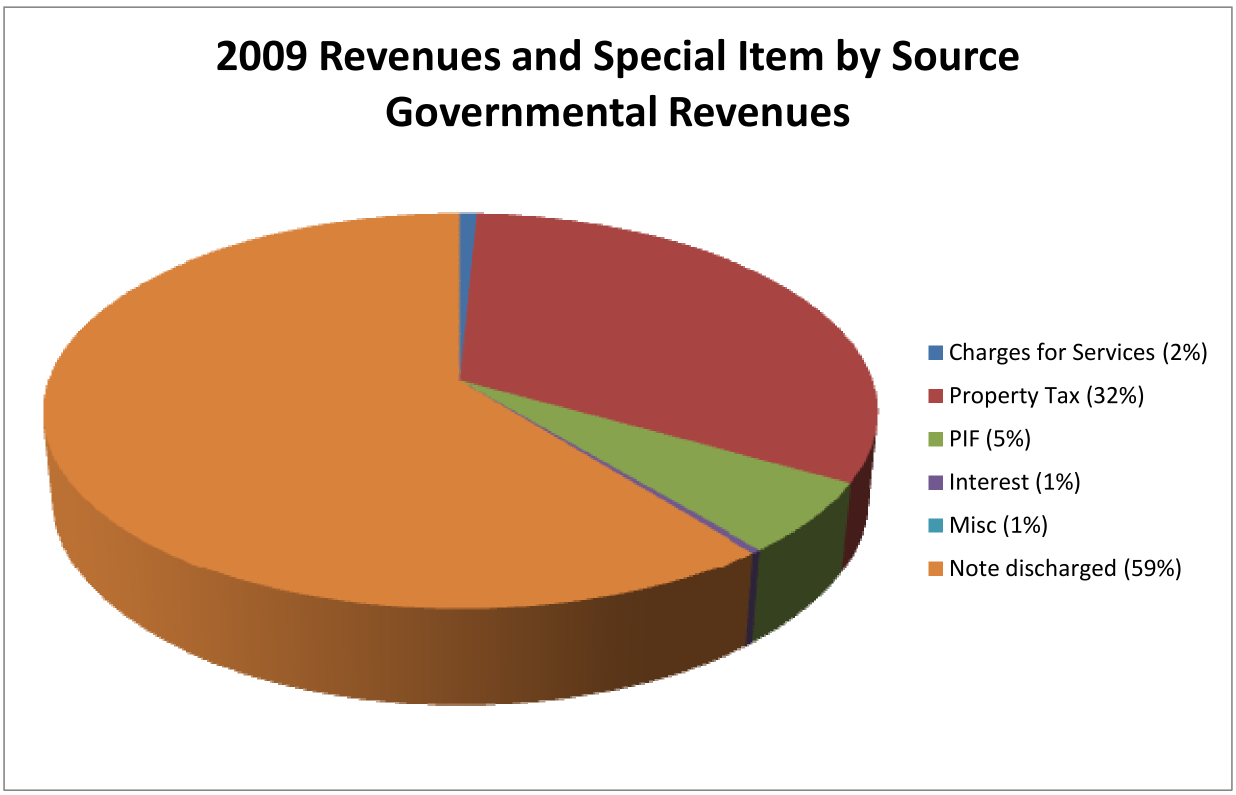
For more detailed information, see the Statement of Activities on page 2 of this report.

The above condensed summary of the Authority's governmental activities for the year ended December 31, 2009, reflects net assets increasing $5,353,127, an increase of $7,089,755 from the prior year. This increase was due to an increase in total revenues of $319,233, a decrease in expenses of $1,356,003, and an increase in special items of $5,414,519. Revenues were up in 2009 primarily due an increase in property tax revenues by $334,042 as more businesses moved into the Ralston Fields shopping center and an additional mill levy was passed. In addition, operating grants and contributions increased by $53,624. This increase was due to the City Council refunding the Authority six months of interest expense related to the debt service payment on a redevelopment project.

The decrease in expenses was primarily due to a decrease in redevelopment costs from fiscal year 2008 to fiscal year 2009 of $1,470,232. This was due to decreased redevelopment activity paid for/reimbursed by the Authority as a result of the declining economy. In addition, higher upfront costs were incurred in 2008.

Lastly, the increase in special items was due to a loan owed to the City that was deemed paid, satisfied, and discharged by City Council on September 14, 2009, for previous considerations, as discussed above.

Governmental Activities
Governmental Activities increased the Authority's Net Assets by $5,353,127.



Financial Analysis of the Authority's Funds

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

Governmental funds. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of year.

At the end of December 31, 2009, the Authority's governmental funds reported combined ending fund balances of $7,512,361, a decrease of $620,105 from the prior year. $1,678,761 (22%) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to prepaid expenses ($13,610) or property held for resale ($5,819,990).

The General fund is the main operating fund of the Authority. At December 31, 2009, the unreserved fund balance of the General fund was $775,640, while the total fund balance was $6,609,240. The fund balance of the General Fund decreased $118,975.

The Jefferson Center Metro District (JCMD) Fund is another major fund of the Authority. At December 31, 2009, the total fund balance of the JCMD fund was $691,476. This money will be used by the JCMD Corporation in the upcoming years for redevelopment of the JCMD Urban Renewal Area.

The Ralston Fields Fund is used to account for the activities in the Kipling Ridge area. At December 31, 2009, the total fund balance was $211,645. This fund balance is unreserved and will be used for future redevelopment projects.

Budgetary Highlights

- **General Fund -** There was an increase of $813,194 from the original expenditure budget to the final expenditure budget. This was caused by a few items:

    - Increase of $458,200 as part of a redevelopment agreement.
    - Increase of $260,000 for principal and interest on a loan agreement.
    - Increase of $43,800 for costs related to the sale of property.
    - Increase of $51,194 for general expenses including utilities, legal counsel and studies.

Capital Assets and Debt Administration

Capital Assets. The Authority's investment in capital assets for its governmental activities as of December 31, 2009 amounted to $4,362 (net of accumulated depreciation). This investment in capital assets includes only furniture and equipment. All other assets are considered property available for sale and are recorded as such.

Long-term debt. At the end of December 31, 2009, the Authority had total debt outstanding of $2,879,065. This debt is made up of two notes with remaining balances of $134,065 and $2,745,000. See note 5 for more information.

As discussed previously, during 2009, the City discharged a loan granted to the Authority in the amount of $5,414,519.

Arvada Urban Renewal Authority
Outstanding Debt
as of December 31, 2009

	Total Primary Government 2009	Total Primary Government 2008
Notes Payable	$ 2,879,065	$ 8,392,384
Total outstanding debt	$ 2,879,065	$ 8,392,384

Current Economic Factors

The Authority and the City continue to work on the redevelopment plans for the two new urban renewal areas, known as Ralston Fields and JCMD. The Ralston Fields urban renewal started its re-development in the fall of 2005. The new area was named Kipling Ridge and now has many stores open for business including a Super Target, Big 5 and multiple chain restaurants. The next re-development is being planned for the "triangle area". The current plan calls for an urban mix of retail and residential. With the struggling economy, this redevelopment has been put on hold as many businesses are revisiting their operating and capital plans. There is still some interest in this area and the hope is that construction can begin in late 2011 or early 2012.

The Jefferson Center Metropolitan District Corporation issued bonds in the fall of 2007. These bonds are being used to add to and improve the infrastructure in that area in preparation for future redevelopment and will be paid with the Authority's revenues, specifically property taxes. With the issuance of the bonds, the JCMD Corporation has started construction on the new infrastructure needed for development of the area. This will take several years and will include roads, water, sewer, stormwater and electric utilities. Construction of new homes has now been pushed off until late 2011 or early 2012.

Financial Contact

The Authority's financial statements are designed to provide users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. Questions concerning any of the information presented in this report or requests for additional information should be sent care of the Executive Director at the following address:

Arvada Urban Renewal Authority
Attention: Executive Director
5601 Olde Wadsworth Blvd., Ste. 210
Arvada, CO 80002

FINANCIAL STATEMENTS

ARVADA URBAN RENEWAL AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2009

ASSETS

	Governmental Activities	
	2009	**2008**
ASSETS		
Cash and investments	$ 1,771,423	$ 4,486,857
Restricted cash and investments	50,000	50,000
Taxes receivable	6,388,548	2,630,095
Prepaid expenses	13,610	5,870
Loan receivable	458,200	-
Property held for resale	5,819,990	5,947,737
Capital assets, net of accumulated depreciation	4,362	5,025
TOTAL ASSETS	14,506,133	13,125,584
LIABILITIES		
Accounts payable	149,776	2,348,772
Accrued liabilities	13,763	28,794
Security deposits	11,527	10,527
Escrow deposit	50,000	50,000
Deferred revenues	6,306,144	2,550,000
Noncurrent liabilities		
Due within one year	2,879,065	2,843,800
Due in more than one year	9,756	5,560,716
TOTAL LIABILITIES	9,420,031	13,392,609
NET ASSETS		
Invested in capital assets	4,362	5,025
Unrestricted	5,081,740	(272,050)
TOTAL NET ASSETS	$ 5,086,102	$ (267,025)

The accompanying notes are an integral part of the financial statements.

ARVADA URBAN RENEWAL AUTHORITY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for	Operating Grants and	Governmental Activities	
	Expenses	**Services**	**Contributions**	**2009**	**2008**
FUNCTIONS/PROGRAMS					
Primary government					
Governmental activities					
General government	$ 699,972	$ -	$ -	$ (699,972)	$ (632,779)
Redevelopment projects	2,865,330	211,506	53,624	(2,600,200)	(4,145,938)
Interest expense	190,001	-	-	(190,001)	(155,263)
Total primary government	$ 3,755,303	$ 211,506	$ 53,624	(3,490,173)	(4,933,980)
GENERAL REVENUES					
Incremental property taxes				2,889,273	2,545,231
Public improvement fees				521,758	556,514
Investment income				29,750	95,590
Miscellaneous				298	17
Loss on sale of property held for resale				(12,298)	-
SPECIAL ITEM					
Note discharged				5,414,519	-
Total general revenues and special item				8,843,300	3,197,352
CHANGE IN NET ASSETS				5,353,127	(1,736,628)
NET ASSETS, BEGINNING OF YEAR				(267,025)	1,469,603
NET ASSETS, END OF YEAR				$ 5,086,102	$ (267,025)

The accompanying notes are an integral part of the financial statements.

ARVADA URBAN RENEWAL AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

	General	Jefferson Center Metropolitan District	Ralston Fields	Total 2009	Total 2008
ASSETS					
Cash and investments	$ 919,450	$ 720,642	$ 131,331	$ 1,771,423	$ 4,486,857
Restricted cash and investments	50,000	-	-	50,000	50,000
Taxes receivable	2,090	5,051,986	1,334,472	6,388,548	2,630,095
Prepaid items	13,610	-	-	13,610	5,870
Long-term loan receivable	458,200	-	-	458,200	-
Property held for resale	5,819,990	-	-	5,819,990	5,947,737
TOTAL ASSETS	$ 7,263,340	$ 5,772,628	$ 1,465,803	$ 14,501,771	$ 13,120,559
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 120,610	$ 29,166	$ -	$ 149,776	$ 2,348,772
Accrued liabilities	13,763	-	-	13,763	28,794
Security deposits	11,527	-	-	11,527	10,527
Escrow deposit	50,000	-	-	50,000	50,000
Deferred revenues	458,200	5,051,986	1,254,158	6,764,344	2,550,000
Total liabilities	654,100	5,081,152	1,254,158	6,989,410	4,988,093
Fund balances					
Reserved for prepaid items	13,610	-	-	13,610	5,870
Reserved for property held for resale	5,819,990	-	-	5,819,990	5,947,737
Unreserved, undesignated reported in capital projects funds	-	691,476	211,645	903,121	1,404,251
Unreserved, undesignated, reported in general fund	775,640	-	-	775,640	774,608
Total fund balances	6,609,240	691,476	211,645	7,512,361	8,132,466
TOTAL LIABILITIES AND FUND BALANCES	$ 7,263,340	$ 5,772,628	$ 1,465,803		
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				4,362	5,025
Long-term receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds.				458,200	-
Long-term liabilities, including notes payable $(2,879,065) and compensated absences $(9,756), are not due and payable in the current year and, therefore, are not reported in the funds.				(2,888,821)	(8,404,516)
NET ASSETS OF GOVERNMENTAL ACTIVITIES				$ 5,086,102	$ (267,025)

The accompanying notes are an integral part of the financial statements.

ARVADA URBAN RENEWAL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2009

	General	Jefferson Center Metropolitan District	Ralston Fields	Total 2009	Total 2008
REVENUES					
Incremental property taxes	$ 4,092	$ 1,924,107	$ 961,074	$ 2,889,273	$ 2,545,231
Public improvement fees	-	-	521,758	521,758	556,514
Rent	196,911	-	-	196,911	189,330
Investment income	25,489	3,064	1,197	29,750	95,590
Recovered costs	68,219	-	-	68,219	294
Miscellaneous	298	-	-	298	17
Total revenues	295,009	1,927,171	1,484,029	3,706,209	3,386,976
EXPENDITURES					
Current					
General government	701,685	-	-	701,685	629,811
Redevelopment projects	458,200	2,213,352	651,978	3,323,530	4,335,562
Debt service					
Principal	98,800	-	-	98,800	16,572
Interest and fiscal charges	190,001	-	-	190,001	155,263
Total expenditures	1,448,686	2,213,352	651,978	4,314,016	5,137,208
Excess of revenues over (under) expenditures	(1,153,677)	(286,181)	832,051	(607,807)	(1,750,232)
OTHER FINANCING SOURCES (USES)					
Loss on sale of property held for resale	(12,298)	-	-	(12,298)	-
Transfers in	1,047,000	-	-	1,047,000	818,000
Transfers out	-	(100,000)	(947,000)	(1,047,000)	(818,000)
Total other financing sources (uses)	1,034,702	(100,000)	(947,000)	(12,298)	-
NET CHANGE IN FUND BALANCES	(118,975)	(386,181)	(114,949)	(620,105)	(1,750,232)
FUND BALANCES, BEGINNING OF YEAR	6,728,215	1,077,657	326,594	8,132,466	9,882,698
FUND BALANCES, END OF YEAR	$ 6,609,240	$ 691,476	$ 211,645	$ 7,512,361	$ 8,132,466

The accompanying notes are an integral part of the financial statements.

ARVADA URBAN RENEWAL AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

	2009	2008
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Net Change in Fund Balances of Governmental Funds	$ (620,105)	$ (1,750,232)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as an annual depreciation expense in the statement of activities. This amount represents depreciation expense ($663) in the current year.	(663)	(1,001)
Long-term receivables are deferred in the governmental funds	458,200	-
Payment of principal on long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This amount represents principal payments ($98,800), and a decrease in compensated absences ($2,376).	101,176	14,605
Revenue/special item in the statement of activities that does not provide current financial resources is not reported as a revenue/special item in the funds - Debt discharged	5,414,519	-
Change in Net Assets of Governmental Activities	$ 5,353,127	$ (1,736,628)

The accompanying notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Arvada Urban Renewal Authority (the Authority) was created in 1981 by the City of Arvada (the City) pursuant to the Urban Renewal Law of the State of Colorado. The Authority was created for the development, redevelopment and rehabilitation of identified blighted areas within the City, and to provide necessary, greater and reasonable economic utilization of such areas. Specifically, the Authority promotes adequate public facilities and improved traffic patterns to eliminate traffic and pedestrian hazards within the areas; ensures sound social, physical and economic growth within the City; and provides a sound economic base for the community. The Authority is governed by a seven-member Board of Commissioners whose members are appointed by the Mayor of the City.

The initial urban renewal area covered 433 acres of land on either side of Wadsworth Boulevard from downtown to U.S. Interstate 70. The debt and incremental revenues related to this area concluded during 2006.

During 2003, the City Council established two additional urban renewal areas known as Ralston Fields and Jefferson Center Metropolitan District. The 25-year urban renewal plans intend to enhance, redevelop, and revitalize these areas.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the Authority has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The Authority would be financially accountable for organizations that make up its legal entity. It would also be financially accountable for legally separate organizations if the Authority officials appoint a voting majority of the organization's governing body and is able to impose its will on that organization; or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. The Authority may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of the above criteria, the Authority does not include additional organizations in its reporting entity. For financial reporting purposes, the Authority is a component unit of the City.

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 activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental activities are normally supported by taxes and intergovernmental revenues.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Authority.

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

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 Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Jefferson Center Metropolitan District - The Jefferson Center Metropolitan District Fund is used to account for the financial activities related to this urban renewal area.

Ralston Fields - The Ralston Fields Fund is used to account for the activities of this urban renewal area, which includes the Arvada Ridge public improvement area.

Assets, Liabilities and Fund Balances/Net Assets

Investments - Investments are reported at fair value based upon quoted market prices.

Property Held for Resale - The Authority holds land and buildings which are available for resale. The property is reported at cost, which approximates market value. In the fund financial statements, property held for resale is offset by a fund balance reserve to indicate that it is not available for appropriation and is not an expendable available financial resource.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets. are recorded at estimated fair market value at the date of donation.

Equipment of the Authority is depreciated using the straight-line method over the estimated useful lives of 10 years.

Deferred Revenues - Deferred revenues arise when resources are received by the Authority before it has a legal claim to them. Property taxes earned but levied for the subsequent year are reported as deferred revenues.

Compensated Absences - Employees of the Authority are allowed to accumulate unused vacation and sick time. Upon termination of employment from the Authority, an employee will be compensated for accrued vacation time.

These compensated absences are recognized as current salary costs when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued vacation time.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Assets/Fund Balances - In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. 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.

Incremental Property Taxes

As allowed by State statute, the Authority receives revenue from incremental property taxes that are collected from a designated geographical area as defined in the urban renewal plan by the City. Property tax revenue is earned from the geographical area based upon the increase in assessed valuation of taxable property within the area.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the Authority on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are reported at year-end.

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; injuries to employees; and natural disasters. For these risks of loss, the Authority participates in the City's risk programs.

Comparative Information

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of changes in financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments at December 31, 2009, as reflected on the Statement of Net Assets is as follows:

Unrestricted cash and investments	$ 1,771,423
Restricted cash and investments	50,000
	$ 1,821,423

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

A summary of deposits and investments by type at December 31, 2009,is as follows:

Petty cash	$ 250
Cash deposits	131,791
Certificates of deposit	919,519
Money market fund	769,863
	$ 1,821,423

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2009, the Authority had bank deposits with a carrying balance of $1,051,310.

Investments

The Authority is required to comply with State statutes which specify instruments meeting defined rating, maturity, and concentration risk criteria in which units of local government may invest. In addition, the Authority has an investment policy in which seeks to ensure the preservation of capital in the overall portfolio.

Per the Authority's investment policy, funds of the Authority may be invested in:

- U.S. Treasury Securities;
- Obligations of U.S. Government agencies (including FDIC and FSLIC insured transactions up to $100,000);
- Certificates of deposit and other evidences of deposit or investment at banks, savings and loan associations and other state or federally regulated financial institutions subject to PDPA (5%) and a minimum net worth of any bank of $10,000,000 and a minimum net worth of any savings and loan association of $15,000,000;
- Repurchase agreements made in compliance with Revised Colorado State Statute 24-36-113. Repurchase collateral will be perfected and delivered to the Trustee. Repurchase agreements must be collateralized at a minimum of 100% of the purchase price of the repurchase agreement and market-to-market on a weekly basis. All repurchase agreements shall be evidenced by a master repurchase agreement between the Authority and securities dealer.
- Money market funds. Investments with any financial institutions which have appeared in any published watch list during a 12-month period preceding the investment date in an amount greater than $100,000, is specifically prohibited.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The Authority's investment policy follows State statutes, but places additional limits on investment maturities and custodial credit risk.

Interest Rate Risk - The Authority's investment policy limits the maturity of investment instruments or fixed-income securities to a maximum of three years except for reserve funds which are invested subject to agreements tailored to bond indentures.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized organization that regularly rates such obligations. At December 31, 2009, the Authority's investment in the Dreyfus Government Cash Management money market fund of $769,863 was rated AAAm by Standard & Poor's.

Custodial Credit Risk -The Authority's investment policy requires that investments be placed with two or more financial institutions and in such amounts or proportions of total investments or assets as may be reasonable and prudent.

Concentration of Credit Risk - State statutes generally do not limit the amount the Authority may invest in one issuer.

Restricted Cash and Investments

At December 31, 2009, the General Fund held cash of $50,000 received as an escrow deposit from the developer of a Marriott Hotel.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2009, are summarized below:

	Balances December 31, 2008	Additions	Deletions	Balances December 31, 2009
Equipment	$ 6,626	$ -	$ -	$ 6,626
Accumulated depreciation	(1,601)	(663)	-	(2,264)
	$ 5,025	$ (663)	$ -	$ 4,362

Depreciation expense was charged to the general government program.

NOTE 4 - LOAN RECEIVABLE

Following is a summary of the loan receivable for the year ended December 31, 2009.

	Balances December 31, 2008	Additions	Deletions	Balances December 31, 2009
Governmental Activities				
Development loan receivable	$ -	$ 458,200	$ -	$ 458,200

In May 2009, the Authority entered into a development loan agreement with a commercial establishment (Udi's Bread Café and Pizzeria). As part of this agreement, the Authority agreed to loan funds for capital improvements. The loan bears an annual interest rate of 5.3%. The payment of principal and interest will be made by the establishment from the proceeds of operation of the business. The Authority will be entitled to 75% of the net revenues of the establishment on a monthly basis until the loan has been repaid.

NOTE 5 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2009.

	Balances December 31, 2008	Additions	Payments	Balances December 31, 2009	Due Within One Year
Governmental Activities					
City of Arvada notes payable	$ 5,414,519	$ -	$ (5,414,519)	$ -	$ -
Promissory note payable	151,868	-	(17,803)	134,065	134,065
Loan payable	2,825,997	-	(80,997)	2,745,000	2,745,000
Compensated absences	12,132	-	(2,376)	9,756	-
	$ 8,404,516	$ -	$ (5,515,695)	$ 2,888,821	$ 2,879,065

City of Arvada Notes Payable

During 2004, four previous loans from the City were consolidated into one note. On August 1, 2006, payments on the loan were suspended and no interest accrued on the balance of the loan. On September 14, 2009, the entire loan obligation was deemed paid, satisfied, and discharged due to previous considerations and the City considered it satisfied in full in accordance with the settlement agreement.

Promissory Note Payable

During 2005, the Authority acquired property at 5690 Webster Street. Consideration for this property was in the form of a note payable to the seller in the principal amount of $200,000. The note bears interest at the rate of 7%, with annual principal and interest payments due through December 31, 2010. As discussed in Note 11, Subsequent Events, this loan was paid in full in March 2010.

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Loan Payable

The Authority agreed to guarantee a commercial loan for a business located within the urban renewal area. During the year ended December 31, 2006, the owners defaulted on the commercial loan. In May 2007, the Authority received ownership of the property and assumed the commercial loan. Interest accrues at 6.50% and is payable monthly. The due date for this loan was January 2010. All principal and accrued interest was paid in full during February 2010 by the City of Arvada on behalf of the Authority. See Note 11, Subsequent Events, for more information.

Compensated Absences

Compensated absences are expected to be liquidated with revenues of the General Fund.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfers In	Transfers Out	Balance
General	Jefferson Center Metropolitan District	$ 100,000
General	Ralston Fields	947,000
		$ 1,047,000

During the year ended December 31, 2009, the Jefferson Center Metropolitan District and Ralston Fields Funds reimbursed the General Fund for operations and administrative costs.

NOTE 7 - RELATED PARTY TRANSACTIONS

The City provides legal services to the Authority. During the year ended December 31, 2009, the Authority paid $35,550 for these services. In addition, the Authority was indebted to the City in the amount of $5,414,519 (see Note 5). In September 2009, this obligation was considered satisfied and discharged in full. During the year ended December 31, 2009, the Authority reimbursed the City $422,684 for expenses paid by the City on behalf of the Authority. On December 31, 2009, the Authority owed the City $101,640.

NOTE 8 - RETIREMENT PLANS

Employees of the District are eligible to participate in the City's retirement plans. The City has adopted separate retirement or pension plans (Plans) covering all employees, except those hired on a temporary basis.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

Although it has not expressed any intention to do so, the City has the right under the Plans to discontinue its contribution or to terminate the Plans. Should the Plans terminate at some future time, their net assts will be used to provide participants' benefits. Upon such termination, the assets of the Plans are to be allocated for the benefit of each participant and the beneficiary in a manner approved by the Internal Revenue Service. The Plan applicable to Authority employees includes:

City of Arvada Retirement Plan - Defined Contribution Plan

Effective January 1, 1993, all eligible City employees participate in the City of Arvada Retirement Plan (CARP), a defined contribution plan.

All City full-time and part-time employees except uniformed police officers, the City Manager and his staff, the City Attorney and Department Heads (who elect to participate in the ICMA Retirement Corporation - Money Purchase Plan), are eligible to participate in CARP.

Employer contributions vest with the employee according to the following:

Years of Service	Vesting Percentages
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

The plan requires covered employees to contribute 8% of their salary to the plan and the City to contribute 10% of the compensation of all participants hired after April 2, 2004. Employees hired on or before April 2, 2004 had a choice of receiving a flat rate 10% contribution or receiving an age weighted, graduated retirement contribution up to a maximum of 15%. The maximum permissible contribution is the lesser of $40,000 or 25% of the participant's earnings for the plan year.

Benefit payments are based upon the participant account balance as of the valuation date immediately preceding the date of distribution. The participant may elect to receive distribution in a lump sum; substantially equal annual, semi-annual, quarterly or monthly installments; through the purchase of an immediate or deferred single payment, non-transferable annuity contract; or a combination of the above. Plan provisions and contribution requirements are established and may be amended by City Council.

The required City contribution of $36,635 and employee contributions of $17,062 were paid during 2009 for Authority employees. These contributions represent 12% and 6% of total covered payroll, respectively. The administration of the plan investments were transferred from Fidelity Corporation to great-West Retirement Services in 2009.

NOTE 9 - RISK MANAGEMENT

The City has established a risk management program in which the Authority participates. The City is self insured for occurrences of general liability and auto liability claims, which are subject to the Colorado Governmental Immunity Act which limits recoveries to $150,000 per person and $600,000 per accident. Property damage is subject to a $100,000 deductible. The Workers' Compensation program maintains a self-insured retention (SIR) limit of $350,000. There have been no settlements which exceed the governmental immunity limits for general or auto liability in the last three years. No loss has been recorded in the last three years for the property program that exceeds the $100,000 deductible. Additionally, no claim or settlement in workers' compensation has exceeded the SIR in the last three years.

The City also provides dental insurance for employees. Dental claims are limited to $1,000 per year per person.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Commitments and Contingencies

Operating Lease

The Authority entered into an operating lease for office space. Monthly lease payments of $3,489 are required through October 2012. Total rent expense, including annual maintenance expenses, for the year ended December 31, 2009 was $62,981.

Minimum rental commitments under this lease is as follows:

Year Ending December 31,	**Operating Lease**
2010	$ 41,868
2011	41,868
2012	34,890
	$ 118,626

Tabor Amendment

In November, 1992, Colorado voters passed Article X, Section 20 to the State Constitution, known as the Tabor Amendment, which limits state and local government tax powers and imposes spending limitations. The Authority believes it is not subject to the Tabor Amendment, based upon Marian L. Olson v. City of Golden, et. al., 53 P.3d 747 (Co. App.), certiorari denied.

Developer Agreements

The Authority receives incremental property taxes within the Ralston Fields area, as discussed in Note 1. In addition, a public improvement corporation (PIC) collects public improvement fees (PIF) within the area in substitution of a sales tax. In 2004, the Authority entered into a cooperation agreement among the following parties:

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED**)**

- Ridge Venture LLC (the developer),
- Retail Sales Operation
- Kipling Ridge Metropolitan District (the District), and
- the City.

The purpose of this agreement is to accomplish the purposes of the Ralston Fields Urban Renewal Plan (the Plan). In this agreement, a portion of the incremental property tax revenues collected by the Authority and a portion of the PIF collected by the PIC are allocated to the City, the District, and the Retail Sales Operation, as follows:

- The City: The Authority is to pay the City $100,000 a year for a continuing period of 18 consecutive years, which is passed through to the City of Wheatridge. This payment is for charges for municipal services incurred by the City of Wheatridge for property adjacent to the Ralston Fields Urban Renewal Area (the Area) arising from or out of the development activities that are necessary to implement the purposes of Plan.
- The Retail Sales Operation: The Authority and the PIC are to remit 25% of property taxes and PIF, respectively, derived from the Retail Sales Operation back to the Retail Sales Operation up to a maximum of $3 million. The agreement allows the Authority and the PIC to pay a maximum $500,000 per year until 2014 or when the $3 million is reached, whichever is earlier (Retail Sales Operation Reimbursement Period). As of December 31, 2009, $1,561,005 of the $3 million had been paid to the Retail Sales Operation.
- The District: The Authority and the PIC are to remit to the District 60% of all property tax and PIF from the Area, excluding taxes derived from the Retail Sales Operation. Additionally, the Authority is to remit to the District another 45% of all sales and property tax revenue derived from the Retail Sales Operation up to the end of the Retail Sales Operation Reimbursement Period. After the Retail Sales Operation Reimbursement Period has expired, the Authority will remit to the District 60% of all property tax and PIF from the Area, inclusive of taxes derived from the Retail Sales Operation. Upon the earlier of (a) payment in full of outstanding bonds (bonds outstanding as of December 31, 2009, of $13,420,000) or (b) or September 30, 2028, the Authority's obligations to the District will terminate. As of December 31, 2009, $1,633,313 had been paid to the District.

The Authority also entered into a Master Redevelopment Agreement with the Jefferson Center Metropolitan District No. 1 (JCMD) and the City. The agreement states that JCMD will bear the costs and expenses incurred in connection with the establishment of the Jefferson Center Urban Renewal Area and adoption of the Jefferson Center Urban Renewal Plan. The Authority, subject to the terms and conditions set forth in the Master Redevelopment Plan Agreement, is obligated to remit to JCMD the pledged revenues for use in financing project costs. Pledged revenues are equal to the total amount of incremental property taxes received by the Authority which are available for payment to JCMD and reduced by the administrative fees. Upon the earlier of (a) the payment in full of all JCMD obligations (bonds outstanding as of December 31, 2009, of $40,000,000), or (b) the date that is the 25th anniversary of the date of adoption of the Jefferson Center Urban Renewal Plan, the Authority's obligations under this agreement will terminate. The agreement is expected to terminate in 2028.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital Commitments

During 2009, the Authority agreed to provide $125,000 to the City for the future construction of park improvements in the Ralston Fields project area. This commitment was met in 2010.

NOTE 11 - SUBSEQUENT EVENTS

In February 2010, the City and the Authority agreed to an intergovernmental agreement in which the City loaned the Authority $2,763,833 at a simple interest rate of 3.5% for 2 years. After two years, the loan is due and payable in full on March 1, 2012. The loan was collateralized with a building and two parcels of land. The proceeds of this loan were used to repay a commercial loan of $2,745,000 as described in Note 5.

In March 2010, the Authority paid in full the balance due on the 5690 Webster Street property note payable, as described in Note 5.

REQUIRED SUPPLEMENTARY INFORMATION

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Incremental property taxes	$ -	$ -	$ 4,092	$ 4,092
Rent	194,244	194,244	196,911	2,667
Investment income	25,000	25,000	25,489	489
Recovered costs	-	-	68,219	68,219
Miscellaneous	250	250	298	48
Total revenues	219,494	219,494	295,009	75,515
EXPENDITURES				
Current				
General government	735,852	738,046	701,685	36,361
Redevelopment projects	-	458,000	458,200	(200)
Debt service				
Principal	17,698	97,698	98,800	(1,102)
Interest and fiscal charges	10,168	190,168	190,001	167
Total expenditures	763,718	1,483,912	1,448,686	35,226
Excess of revenues over (under) expenditures	(544,224)	(1,264,418)	(1,153,677)	110,741
OTHER FINANCING SOURCES				
Loss on sale of property held for resale	-	47,253	(12,298)	(59,551)
Transfers in	1,001,018	1,101,018	1,047,000	(54,018)
NET CHANGE IN FUND BALANCE	456,794	(116,147)	(118,975)	(2,828)
FUND BALANCES, BEGINNING OF YEAR	4,645,423	6,728,215	6,728,215	-
FUND BALANCES, END OF YEAR	$ 5,102,217	$ 6,612,068	$ 6,609,240	$ (2,828)

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

Budgets and Budgetary Accounting

Annual budgets are adopted by the Board of Commissioners (the Board) on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All appropriations lapse at fiscal year-end.

Not less than sixty days prior to the first day of the next fiscal year, the City Council accepts the Authority's budget by resolution and the annual appropriation by ordinance.

Both the adopted budget and the level of appropriation (by fund) can be amended during the budget year. This action requires Board approval in the form of a resolution for a budgetary amendment.

Legal Compliance

For the year ended December 31, 2009, the original budget for the Ralston Fields Fund was adopted with a deficit of ($1,529). This may be in violation of the Colorado Local Government Budget Law.

SUPPLEMENTAL INFORMATION

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
JEFFERSON CENTER METROPOLITAN DISTRICT FUND
Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Incremental property taxes	$ 1,800,000	$ 1,900,000	$ 1,924,107	$ 24,107
Investment income	100,000	10,000	3,064	(6,936)
Total revenues	1,900,000	1,910,000	1,927,171	17,171
EXPENDITURES				
Redevelopment projects	1,800,000	2,401,000	2,213,352	187,648
Total expenditures	1,800,000	2,401,000	2,213,352	187,648
Excess of revenues over (under) expenditures	100,000	(491,000)	(286,181)	204,819
OTHER FINANCING SOURCES				
Transfers out	(100,000)	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	-	(591,000)	(386,181)	204,819
FUND BALANCES, BEGINNING OF YEAR	1,882,477	1,077,657	1,077,657	-
FUND BALANCES, END OF YEAR	$ 1,882,477	$ 486,657	$ 691,476	$ 204,819

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
RALSTON FIELDS FUND
Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Incremental property taxes	$ 833,340	$ 955,000	$ 961,074	$ 6,074
Public improvement fees	726,316	525,000	521,758	(3,242)
Investment income	25,000	5,000	1,197	(3,803)
Total revenues	1,584,656	1,485,000	1,484,029	(971)
EXPENDITURES				
Redevelopment projects	683,638	683,638	651,978	31,660
Total expenditures	683,638	683,638	651,978	31,660
Excess of revenues over (under) expenditures	901,018	801,362	832,051	30,689
OTHER FINANCING SOURCES				
Transfers out	(901,018)	(1,001,018)	(947,000)	54,018
NET CHANGE IN FUND BALANCE	-	(199,656)	(114,949)	84,707
FUND BALANCES, BEGINNING OF YEAR	(1,529)	326,594	326,594	-
FUND BALANCES, END OF YEAR	$ (1,529)	$ 126,938	$ 211,645	$ 84,707

GOVERNMENTAL AUDITING STANDARDS REQUIRED REPORT

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

Board of Commissioners
Arvada Urban Renewal Authority
Arvada, Colorado

We have audited the financial statements of the governmental activities and each major fund of the Arvada Urban Renewal Authority (the Authority), a component unit of the City of Arvada, as of and for the year ended December 31, 2009, and have issued our report thereon dated August 31, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-01 and 2009-02 to be material weaknesses in internal control over financial reporting.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-03 through 2009-05 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Greenwood Village, Colorado
August 31, 2010

ARVADA URBAN RENEWAL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2009

Finding 2009-01 Financial Reporting Process

Material Weakness

Condition:

The City of Arvada (the City) assists the Authority in maintaining the Arvada Urban Renewal Authority's (the Authority's) financial information. The City is responsible for reconciling bank accounts, disbursing checks, recording journal entries, and other financial reporting responsibilities. During the audit, several audit adjustments were required to present the Authority's financial information in accordance with generally accepted accounting principles. This was due to the fact that the City did not establish a comprehensive evaluation process to identify and research potential accounting and financial reporting issues.

Effects:

Several audit adjustments and additional disclosures were proposed to the ensure the financial statements were in accordance with generally accepted accounting principles.

Recommendations:

1. The City should establish a process to identify and evaluate accounting and financial reporting treatment of any significant or unusual transactions, and any new accounting pronouncements. The process could include additional training for individuals responsible for financial reporting and consultation with external auditors prior to audit fieldwork.
2. The City should establish a closing procedures checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. Management should also consider completing a financial reporting checklist as part of the financial reporting review process.

Management's Response:

Management reviews the accounting and financial reporting treatment of significant or unusual transactions with external auditors. Management will continue to discuss unusual transactions with the external auditor for proper financial reporting treatment.

Management will work with the external auditors to establish a year end closing checklist that includes each procedure, the person responsible for the procedure, the due date and date completed.

Finding 2009-02 Journal Entry Review

Material Weakness

Condition:

The City is responsible for posting numerous journal entries as part of the normal processing of accounting information on behalf of the Authority. However, in most instances, a detailed independent review of these journal entries is not completed.

Effect:

Incorrect or inappropriate journal entries could be posted to the accounting records either due to error or fraud and not be detected in the normal course of operations.

Recommendation:

The City should develop a process to independently review journal entries, especially those that are in areas of higher risk for misstatement, are unusual or non-routine in nature, or affect the year end financial statement preparation process. Review personnel should possess sufficient technical knowledge of the subject matter of the journal entries being reviewed to be able to identify errors or entries that appear to be unusual.

Management's Response:

Although all journal entries were not reviewed, all general ledger accounts were reviewed by supervisory personnel. In addition, in July 2010, there was an upgrade of the financial management system. As part of this upgrade, the City implemented an authorization process for all journal entries which requires secondary approval of the journal entry before the entry can be posted.

Finding 2009-03 Review of Bank Reconciliations

Significant Deficiency

Condition:

The City is responsible for performing bank reconciliations for the Authority. The City has not established a formal process to review completed bank reconciliations.

Effect:

As a result of cash reconciliations not being reviewed, an erroneous reconciling item was included in the bank reconciliation for the Authority. The effect of this error was that cash was overstated prior to the audit adjustment being recorded.

Recommendation:

The City should establish a process to ensure that all bank reconciliations are independently reviewed and such review documented by qualified supervisory personnel. The review should ensure that reconciling items are properly investigated and resolved.

Management's Response:

Bank reconciliations are independently reviewed by the supervisor of the reconciler. The City will establish a process to ensure that the supervisory review is documented.

Finding 2009-04 Payroll Segregation of Duties

Significant Deficiency

Condition:

The City is responsible for the processing of payroll on behalf of the Authority. Our review of the City's payroll system disclosed that individuals responsible for issuing payroll checks also have access to the master payroll file.

Effect:

The lack of segregation increases the risk that unauthorized payroll checks could be issued.

Recommendation:

Individuals with payroll processing responsibilities should not have access to the master payroll file. Access controls within the payroll system should be established to implement the proper segregation of duties.

Management's Response:

Due to personnel constraints, there is one primary employee responsible for processing payroll. This employee issues the checks and also has the ability to override certain payroll items. The Finance Department will work with the Auditor to develop a report that provides for review of items that have been overridden. Once the report is developed, the Controller or Assistant Finance Director will review and document approval of the report.

Finding 2009-05 Cut-off Procedures

Significant Deficiency

Condition:

The City is responsible for ensuring all of AURA's expenses are properly accrued for at year-end. The City communicates cutoff requirements with the various City departments and the Authority to help ensure that all year-end purchases are recorded in the proper period. However, during our testing of vendor payments made in the subsequent fiscal year, we noted no formal control in place to ensure expenses were recorded in the correct fiscal year.

Effect:

Expenses may not be accrued in the correct fiscal year; thus, causing expenses and accounts payable to be understated at year-end.

Recommendation:

Additional cutoff controls should be established to ensure that accounts payable transactions have been captured and recorded in the proper fiscal year. Such controls may include a review of coding of expenses to ensure proper coding to the correct fiscal year.

Management's Response:

In the future, the Finance Department will ensure departments adhere to the end of year processes and any transactions outside those time limits will be discussed with the Auditor and City Manager