ARVADA URBAN RENEWAL AUTHORITY
Arvada, Colorado

FINANCIAL STATEMENTS
December 31, 2010

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 Arvada Urban Renewal Authority, a component unit of the City of Arvada, as of and for the year ended December 31, 2010, which collectively comprise Arvada Urban Renewal Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arvada Urban Renewal Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

As discussed in Note 12 to the financial statements, Arvada Urban Renewal Authority restated the 2009 consolidated financial statements.

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 Arvada Urban Renewal Authority as of December 31, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2011 on our consideration of 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 20 through 22 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 legal compliance 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
July 1, 2011

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, 2010. 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 $325,335 during the current year. Of total net assets as of year-end, $7,407,738 was available to meet on-going obligations (unrestricted).

- Government-wide expenses increased by $2,643,280. This increase was primarily due to an increase in redevelopment costs from fiscal year 2009 to fiscal year 2010 of $2,722,506. This increase was caused by greater redevelopment activity paid for/reimbursed by the Authority as a result of the ongoing construction/development in the Jefferson Center Metropolitan District area.

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 (JCMD) 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 6-19 of this report.

Government-wide Financial Analysis

At the close of December 31, 2010, the Authority's assets exceeded liabilities by $7,411,437. 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
Statements of Net Assets

	Total Primary Government 2010	Total Primary Government 2009 (as restated)
Current and other assets	$ 7,741,550	$ 8,681,781
Property available for sale	5,819,990	5,819,990
Investment in limited liability corporations	2,000,000	2,000,000
Capital assets	3,699	4,362
Total assets	15,565,239	16,506,133
Other liabilities	5,403,221	6,531,210
Long-term liabilities	2,750,581	2,888,821
Total liabilities	8,153,802	9,420,031
Net assets:		
Invested in capital assets	3,699	4,362
Unrestricted	7,407,738	7,081,740
Total net assets	$ 7,411,437	$ 7,086,102

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

Current and other assets as of December 31, 2010, decreased by $940,231 when compared to prior year-end. This decrease was primarily due to the decrease in the property tax receivable balance by $1,045,771 and an offset by an increase in loan receivables of $99,090. The decrease in the property tax receivable was due to a reassessment in property values in the JCMD project area. The increase in the loan receivable balance was due to an agreement the Authority entered into during the 2010 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 in 2017. The increase in cash and investments was the result of operating incomes and increases to reserve balances in 2010.

Total liabilities decreased by $1,266,229. This decrease was due to a decrease in escrow payable of $50,000 and a decrease in property tax deferred revenue of $1,035,885. The decrease in escrow payable was due to the pay back of earnest money on a closed project. The decrease in property tax deferred revenue was due to a reassessment of property values in the JCMD area as described in the preceding paragraph.

In summary, these variances resulted in a change of net assets for the Authority in 2010 of $325,335.

Changes in Net Assets

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

Arvada Urban Renewal Authority
Statements of Activities and Changes in Net Assets
For the years ended December 31, 2010 and 2009

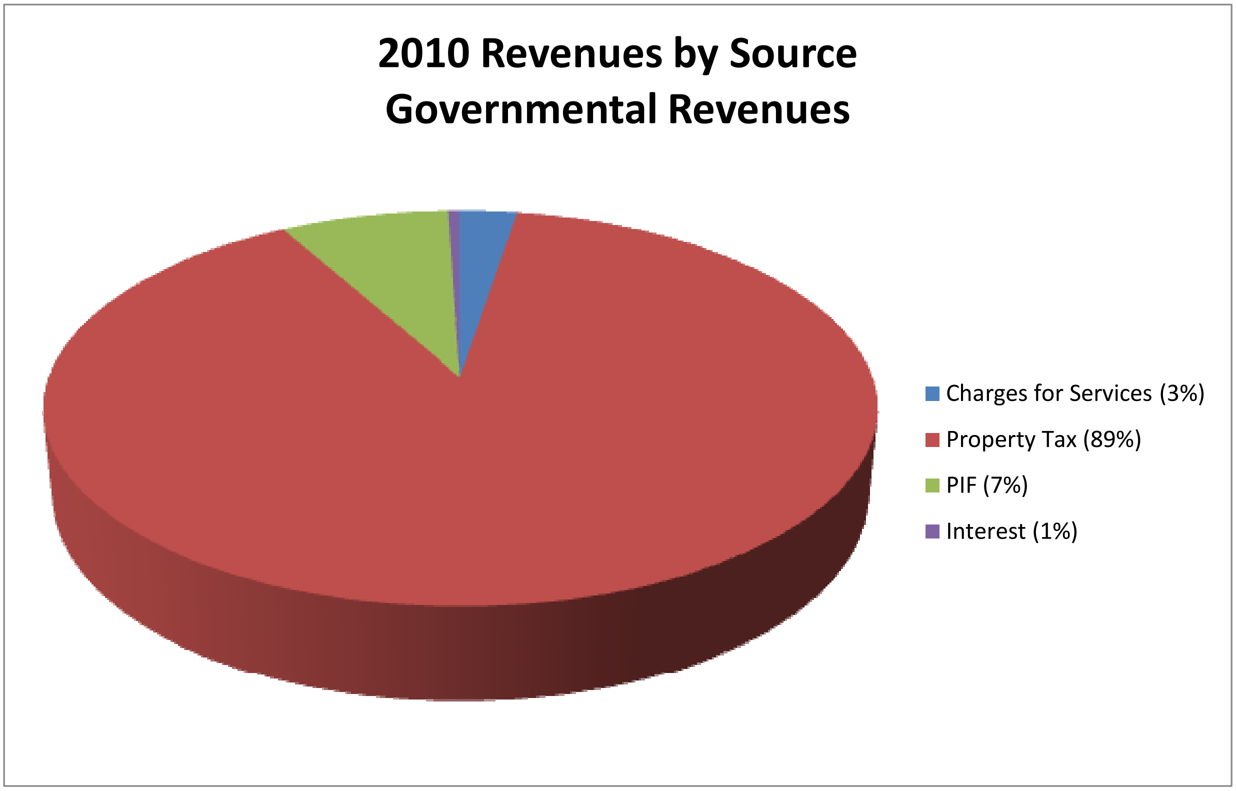
	Total Primary Government 2010	Total Primary Government 2009 (as restated)
Revenues		
Program revenues:		
Charges for services	$ 172,984	$ 211,506
Operating grants and contributions	-	53,624
General revenues:		
Property tax	6,014,789	2,889,273
Public Improvement Fees (PIF)	514,059	521,758
Interest	34,384	29,750
Miscellaneous	-	298
Total revenues	6,736,216	3,706,209
Expenses		
General Government	705,753	699,972
Redevelopment Costs	5,587,836	2,865,330
Interest payments	117,292	190,001
Loss on sale of property	-	12,298
Total expenses	6,410,881	3,767,601
Increase/(Decrease) prior to special item	325,335	(61,392)
Special item - note discharged	-	5,414,519
Increase in net assets	325,335	5,353,127
Net assets, beginning	7,086,102	1,732,975
Net assets, ending	$ 7,411,437	$ 7,086,102

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, 2010, reflects net assets of $7,411,437, an increase of $325,335 from the prior year. This increase was due to an increase in total revenues of $3,030,007 and an increase in expenses of $2,643,280. Revenues were up in 2010 primarily due an increase in property tax revenues by $3,125,516. The increase in property tax revenues was due to an increase in property values as a result of new power plant property in the area. The increase in revenue from property taxes was offset by a decrease in the capital grants received of $53,624.

The increase in expenses was primarily due to an increase in redevelopment costs from fiscal year 2009 to fiscal year 2010 of $2,722,506. This was due to increase redevelopment activity paid for/reimbursed by the Authority in the JCMD redevelopment area.

Governmental Activities
Governmental Activities increased the Authority's Net Assets by $325,335.



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, 2010, the Authority's governmental funds reported combined ending fund balances of $7,609,035, an increase of $96,674 from the prior year. $1,778,418 (23%) 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 items ($10,627) or property held for resale ($5,819,990).

The General Fund is the main operating fund of the Authority. At December 31, 2010, the unreserved fund balance of the General fund was $820,491, while the total fund balance was $6,651,108. The fund balance of the General Fund increased $41,868.

The JCMD Fund is another major fund of the Authority. At December 31, 2010, the total fund balance of the JCMD fund was $147,005, a decrease of $544,471. 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, 2010, the total fund balance was $810,922. This fund balance is unreserved and will be used for future redevelopment projects.

Budgetary Highlights

- **General Fund** - There was an increase of $2,745,000 from the original expenditure budget to the final expenditure budget. This was caused by one item:

    - Increase of $2,745,000 for the payoff of a note related to a development.

Capital Assets and Debt Administration

Capital Assets. The Authority's investment in capital assets for its governmental activities as of December 31, 2010 amounted to $3,699 (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, 2010, the Authority had total debt outstanding of $2,745,000. This debt is made up of one note with the City of Arvada with a remaining balance $2,745,000. See note 6 for more information.

The Authority paid off a note in the amount of $134,065 in 2010.

Arvada Urban Renewal Authority
Outstanding Debt
as of December 31

	Total Primary Government 2010	Total Primary Government 2009
Notes Payable	$ 2,745,000	$ 2,879,065
Total outstanding debt	$ 2,745,000	$ 2,879,065

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 redevelopment 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 Jefferson Center Metropolitan District Corporation has started construction on the new infrastructure needed for development of the area. This work continued in 2010 and will take several years to complete. It will include roads, water, sewer, storm water and electric utilities. Building permits have started to be pulled and ground should break on the first development in the fall of 2010 with the majority of development coming in the 2011 through 2013 time frame.

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, 2010

ASSETS

		Governmental Activities
ASSETS		
Cash and investments	$	1,830,856
Taxes receivable		5,270,260
Fees receivable		72,517
Prepaid expenses		10,627
Loans receivable		557,290
Property held for resale		5,819,990
Capital assets, net of accumulated depreciation		3,699
Investment in limited liability corporations		2,000,000
TOTAL ASSETS		15,565,239
LIABILITIES		
Accounts payable		106,527
Accrued liabilities		13,907
Security deposits		12,527
Deferred revenues		5,270,260
Noncurrent liabilities		
Due in more than one year		2,750,581
TOTAL LIABILITIES		8,153,802
NET ASSETS		
Invested in capital assets		3,699
Unrestricted		7,407,738
TOTAL NET ASSETS	$	7,411,437

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

ARVADA URBAN RENEWAL AUTHORITY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Governmental Activities 2010
FUNCTIONS/PROGRAMS			
Primary government			
Governmental activities			
General government	$ 705,753	$ -	$ (705,753)
Redevelopment projects	5,587,836	172,984	(5,414,852)
Interest expense	117,292	-	(117,292)
Total primary government	$ 6,410,881	$ 172,984	(6,237,897)
GENERAL REVENUES			
Incremental property taxes			6,014,789
Public improvement fees			514,059
Investment income			34,384
Total general revenues			6,563,232
CHANGE IN NET ASSETS			325,335
NET ASSETS, BEGINNING OF YEAR, AS RESTATED			7,086,102
NET ASSETS, END OF YEAR			$ 7,411,437

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

ARVADA URBAN RENEWAL AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	General	Jefferson Center Metropolitan District	Ralston Fields	Total
ASSETS				
Cash and investments	$ 945,446	$ 147,005	$ 738,405	$ 1,830,856
Taxes receivable	-	4,062,097	1,208,163	5,270,260
Fees receivable	-	-	72,517	72,517
Prepaid items	10,627	-	-	10,627
Long-term loans receivable	557,290	-	-	557,290
Property held for resale	5,819,990	-	-	5,819,990
TOTAL ASSETS	$7,333,353	$ 4,209,102	$2,019,085	$13,561,540
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 98,521	$ -	$ -	$ 98,521
Accrued liabilities	13,907	-	-	13,907
Security deposits	12,527	-	-	12,527
Deferred revenues	557,290	4,062,097	1,208,163	5,827,550
Total liabilities	682,245	4,062,097	1,208,163	5,952,505
Fund balances				
Reserved for prepaid items	10,627	-	-	10,627
Reserved for property held for resale	5,819,990	-	-	5,819,990
Unreserved, undesignated reported in capital projects funds	-	147,005	810,922	957,927
Unreserved, undesignated, reported in general fund	820,491	-	-	820,491
Total fund balances	6,651,108	147,005	810,922	7,609,035
TOTAL LIABILITIES AND FUND BALANCES	$7,333,353	$ 4,209,102	$2,019,085	

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.	3,699
Long-term receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	557,290
Investment in limited liability corporations are not financial resources and, therefore, are not reported in the funds.	2,000,000
Long-term liabilities, including notes payable ($2,745,000) and compensated absences ($5,581), are not due and payable in the current year and, therefore, are not reported in the funds.	(2,750,581)
Interest payable is not recorded in the fund statements as it is not a current use of cash.	(8,006)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 7,411,437

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, 2010

	General	Jefferson Center Metropolitan District	Ralston Fields	Total
REVENUES				
Incremental property taxes	$ -	$ 4,992,765	$1,022,024	$6,014,789
Public improvement fees	-	-	514,059	514,059
Rent	161,562	-	-	161,562
Investment income	33,909	84	391	34,384
Recovered costs	11,422	-	-	11,422
Total revenues	206,893	4,992,849	1,536,474	6,736,216
EXPENDITURES				
Current				
General government	618,918	74,936	15,411	709,265
Redevelopment projects	227,919	4,827,221	631,786	5,686,926
Debt service				
Principal	134,065	-	-	134,065
Interest and fiscal charges	109,286	-	-	109,286
Total expenditures	1,090,188	4,902,157	647,197	6,639,542
Excess of revenues over (under) expenditures	(883,295)	90,692	889,277	96,674
OTHER FINANCING SOURCES (USES)				
Debt proceeds from City of Arvada	2,745,000	-	-	2,745,000
Principal payment with proceeds from the City of Arvada	(2,745,000)	-	-	(2,745,000)
Transfers in	925,163	-	-	925,163
Transfers out	-	(635,163)	(290,000)	(925,163)
Total other financing sources (uses)	925,163	(635,163)	(290,000)	-
NET CHANGE IN FUND BALANCES	41,868	(544,471)	599,277	96,674
FUND BALANCES, BEGINNING OF YEAR	6,609,240	691,476	211,645	7,512,361
FUND BALANCES, END OF YEAR	$6,651,108	$ 147,005	$ 810,922	$7,609,035

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, 2010

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances of governmental funds	$ 96,674
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)
Long-term receivables are deferred in the governmental funds.	99,090
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 ($134,065), and a decrease in compensated absences ($4,175).	138,240
Debt proceeds from the City of Arvada provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(2,745,000)
Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets.	2,745,000
Interest payable is not recorded in the fund statements because it is not a current use of cash	(8,006)
Change in net assets of governmental activities	$ 325,335

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. During 2008 and 2009, the City Council established the urban renewal areas known as Village Commons, Northwest Arvada, and Olde Town Station. Separate funds are not established for these three renewal areas since no tax revenue has been received for them as of December 31, 2010. The Olde Town Station and the Jefferson Center Urban Renewal Plans were amended during 2010. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Limited Liability Corporations

The Authority has associations with the following organizations for which it is not financially accountable and has primary access to a portion of the resources. Accordingly, these organizations have not been included in the Authority's financial statements.

- Reno Place Partners, LLC
- Grandview Plaza Partners, LLC

Investment in the corporations are recorded at cost. Further information regarding the nature of the relationships is discussed further in Note 5.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 in money market funds 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 – CASH AND INVESTMENTS

A summary of deposits and investments by type at December 31, 2010, is as follows:

Petty cash	$ 250
Cash deposits	172,405
Certificates of deposit	932,864
Money market fund	725,337
	$ 1,830,856

At December 31, 2010, there were no restricted cash or investments reflected on the Statement of Net Assets.

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, 2010, the Authority had bank deposits with a carrying balance of $1,105,269.

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).

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

- 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.

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, when applicable. Investments in the Dreyfus Government Cash Management money market fund of $725,337 have a weighted average maturity of less than one year.

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, 2010, the Authority's investment in the Dreyfus Government Cash Management money market fund of $725,337 was rated Aaa by Moody'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.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2010, are summarized below:

	Balances December 31, 2009	Additions	Deletions	Balances December 31, 2010
Equipment	$ 6,626	$ -	$ -	$ 6,626
Accumulated depreciation	(2,264)	(663)	-	(2,927)
	$ 4,362	$ (663)	$ -	$ 3,699

Depreciation expense was charged to the general government program.

NOTE 4 – LOANS RECEIVABLE

Following is a summary of the loans receivable for the year ended December 31, 2010.

	Balances December 31, 2009	Additions	Deletions	Balances December 31, 2010
Governmental Activities				
Davis Block development loan	$ -	$ 99,090	$ -	$ 99,090
Udi's development loan	458,200	-	-	458,200
	$ 458,200	$ 99,090	$ -	$ 557,290

During 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.

In November 2010, the Authority entered into a revolving loan agreement with a limited liability company (Davis Block, LLC). As part of this agreement, the Authority agreed to loan funds for capital improvements, not to exceed $120,000. The loan bears an annual interest rate of 5% with payments of $950 due monthly. The entire principal amount and accrued interest outstanding is due and payable in 2016. The loan is collateralized by the building.

NOTE 5 – INVESTMENT IN LIMITED LIABILITY COMPANIES

The Authority has an equity interest in two separate companies:

- Reno Place Partners, LLC (Reno), and
- Grandview Plaza Partners, LLC (Grandview)

These entities were formed in 2006 and the Authority gave an initial contribution of $2.0 million ($1.45 million for Grandview and $550,000 for Reno) to retain a 33.33% membership interest in both corporations. The remaining 66.67% is owned by Reno Grand, LLC (Developer Member). The capital contributions were used to partially fund two projects including the building/refurbishment of office/retail properties (the projects).

As stipulated by the operating agreements with the corporations, the Authority has four alternatives to recoup its original capital investment.

1. *Required Buy-Out Upon Increased Value:* Anytime after August 31, 2018, upon the exercise by the Authority or the Developer Member, the Authority will be paid its original capital contribution. In addition, the Authority will be paid 33.33% of any additional increase in property value of the projects above and beyond the Authority's initial contribution. For this option to be recognized, the projects' property values would have to exceed original project cost by $2.0 million. For the amount that exceeds the $2.0 million property increase, the Authority will receive 33.33% of that amount. If the value of the Project does not exceed the total project cost, then developer has no obligation to buy-out AURA at this time.

2. *Optional Buy-Out Upon Decreased Value:* Similar to option 1, if the property value were to decrease anytime after August 31, 2018, upon request of the Authority, the Developer Member may buy out the Authority's interest (but is not required to) by taking the value of the project divided by the total project costs and multiplying that percentage times the Authority's original capital contribution.

3. *Required Buy-Out by 2027:* If neither option 1) nor 2) are exercised, then the Authority can exercise a required buy-out after August 31, 2027, in which the Developer Member must pay the Authority the percentage increase (fair value/original project cost) of the projects multiplied by the original capital contribution of $2.0 million.

4. *Purchase Option:* Between now and 2018, the Developer Member may purchase the Authority's interest for a combined total of $3,000,000 ($810,000 – Reno, $2,190,000 – Grandview).

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2010, were as follows:

Transfers In	Transfers Out	Balance
General	Jefferson Center Metropolitan District	$ 635,163
General	Ralston Fields	290,000
		$ 925,163

During the year ended December 31, 2010, the Jefferson Center Metropolitan District and Ralston Fields Funds reimbursed the General Fund for operations and administrative costs. Additionally, Jefferson Center Metropolitan District transferred over $485,163 related to mills associated with the City Property Tax Increment collected by the county and remitted to the Authority since 2004. See Note 11 regarding the redevelopment agreement with Jefferson Center Metropolitan District, the City and the Authority.

NOTE 8 – RELATED PARTY TRANSACTIONS

The City provides legal services to the Authority. During the year ended December 31, 2010, the Authority incurred $40,275 for these services, which includes a payable due to the City related to fourth quarter legal fees of $10,425. Additionally, the Authority incurred $375,197 for other expenses paid by the City on behalf of the Authority. As of December 31, 2010, the Authority has a payable to the City in the amount of $45,613.

The Authority is also indebted to the City in the amount of $2,745,000 (see Note 6). During the year ended December 31, 2010, the total interest expense incurred to the City was $86,062, which includes accrued interest as of December 31, 2010 of $8,006.

NOTE 9 – 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.

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 date; their net assets 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.

NOTE 9 – RETIREMENT PLANS (CONTINUED)

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 $49,000 or 100% 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 $35,470 and employee contributions of $11,736 were paid during 2010 for Authority employees. These contributions represent 13% and 4% of total covered payroll, respectively. The administration of the plan investments are provided by Great-West Retirement Services.

NOTE 10 – 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 11 – 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, 2010 was $70,872.

Minimum rental commitments under this lease are as follows:

Year Ending December 31,	Operating Lease
2011	$ 41,868
2012	34,890
	$ 76,758

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:

- 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 Wheat Ridge. This payment is for charges for municipal services incurred by the City of Wheat Ridge 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.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED**)**

- 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, 2010, $1,945,867 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 the District's outstanding bonds (bonds outstanding as of December 31, 2010, of $1,297,500) or (b) September 30, 2028, the Authority's obligations to the District will terminate. As of December 31, 2010, $1,305,790 had been paid to the District.

  Additionally, 100% of the ad valorem tax on real and personal property attributable to the District Mill Levy actually received by AURA shall be remitted to the District. Total amount remitted to the District related to the District Mill Levy during the year ended December 31, 2010 was $94,467. The District Mill Levy remitted by AURA to the District shall not be included in the totals of Property Tax payments as noted above.

On April 4, 2005, the Authority also entered into a Master Redevelopment Agreement with the Jefferson Center Metropolitan District No. 1 (JCMD No.1) and the City. This agreement, and the obligations associated with this agreement, were assigned and assumed by Jefferson Center Metropolitan District No. 2 (JCMD) effective retroactively to April 4, 2005. On January 11, 2010 this agreement was Amended and Restated. The amended and restated agreement states that JCMD will bear the costs and expenses incurred in connection with the establishment of the Jefferson Center and Northwest Arvada Urban Renewal Areas and adoption of the Jefferson Center and Northwest Arvada Urban Renewal Plans. The Authority, subject to the terms and conditions set forth in the Amended and Restated Master Redevelopment Plan Agreement, is obligated to remit to JCMD and JCMD No. 1 the pledged revenues for use in financing project costs and any reimbursable expenditures in accordance with the agreement. Pledged revenues are equal to the total amount of incremental property and sales taxes received by the Authority which are available for payment to JCMD and reduced by the administrative fees of $150,000. Additionally, any City Property Tax Increment collected by the County and remitted to the Authority shall be utilized by the Authority in furtherance of the urban renewal plans.

With respect to the Jefferson Center Urban Renewal Plan, the Authority's obligations under this agreement will terminate upon the earlier of (a) the payment in full of all JCMD obligations (bonds outstanding as of December 31, 2010, of $38,800,000), or (b) the date that is

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

the 25th anniversary of the date of adoption of the Jefferson Center Urban Renewal Plan. With respect to the Northwest Arvada Urban Renewal Plan, the Authority's obligations under this agreement will terminate upon the earlier of (a) the date payment is made in full of all JCMD obligations (bonds outstanding as of December 31, 2010, of $38,800,000), supported by Northwest Area Property Taxes or to which Northwest Area Property Taxes are pledged, or (b) the date that is the 25th anniversary of the date of adoption of the Jefferson Center Urban Renewal Plan. The agreement is expected to terminate in 2034. The Northwest Area Urban Renewal Area did not receive any tax revenue during the year ended December 31, 2010, as the area was established at the end of 2009.

NOTE 12 – RESTATEMENT

As of January 1, 2010, the Authority's net assets were restated to correct errors related to the presentation of its investment in limited liability corporations. A summary of the adjustment is as follows:

	Net Assets
Net assets, beginning of year, (January 1, 2010) as previously reported	$ 5,086,102
Restatement	2,000,000
Net assets, beginning of year (January 1, 2010) restated	$ 7,086,102

NOTE 13 – SUBSEQUENT EVENTS

In February 2011, the final draw on the loan receivable to Davis Block, LLC from the Authority as described in Note 4 was paid out in the amount of $20,910.

REQUIRED SUPPLEMENTARY INFORMATION

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Rent	$ 193,000	$ 193,000	$ 161,562	$ (31,438)
Investment income	10,000	10,000	33,909	23,909
Recovered costs	-	-	11,422	11,422
Total revenues	203,000	203,000	206,893	3,893
EXPENDITURES				
Current				
General government	738,046	731,546	618,918	112,628
Redevelopment projects	125,000	131,500	227,919	(96,419)
Debt service				
Principal	457,200	457,200	134,065	323,135
Interest and fiscal charges	170,200	170,200	109,286	60,914
Total expenditures	1,490,446	1,490,446	1,090,188	400,258
Excess of revenues over (under) expenditures	(1,287,446)	(1,287,446)	(883,295)	404,151
OTHER FINANCING SOURCES (USES)				
Debt proceeds from City of Arvada	-	2,745,000	2,745,000	-
Principal payment with proceeds from the City of Arvada	-	(2,745,000)	(2,745,000)	-
Transfers in	810,000	810,000	925,163	115,163
NET CHANGE IN FUND BALANCE	(477,446)	(477,446)	41,868	519,314
FUND BALANCES, BEGINNING OF YEAR	652,331	6,609,240	6,609,240	-
FUND BALANCES, END OF YEAR	$ 174,885	$ 6,131,794	$ 6,651,108	$ 519,314

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.

SUPPLEMENTARY INFORMATION

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
JEFFERSON CENTER METROPOLITAN DISTRICT FUND
Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Incremental property taxes	$ 1,900,000	$ 4,920,000	$ 4,992,765	$ 72,765
Investment income	25,000	500	84	(416)
Total revenues	1,925,000	4,920,500	4,992,849	72,349
EXPENDITURES				
General government	2,000	2,000	74,936	(72,936)
Redevelopment projects	1,800,000	5,030,000	4,827,221	202,779
Total expenditures	1,802,000	5,032,000	4,902,157	129,843
Excess of revenues over (under) expenditures	123,000	(111,500)	90,692	202,192
OTHER FINANCING SOURCES				
Transfers out	(100,000)	(563,000)	(635,163)	(72,163)
NET CHANGE IN FUND BALANCE	23,000	(674,500)	(544,471)	130,029
FUND BALANCES, BEGINNING OF YEAR	1,077,657	691,476	691,476	-
FUND BALANCES, END OF YEAR	$ 1,100,657	$ 16,976	$ 147,005	$ 130,029

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
RALSTON FIELDS FUND
Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Incremental property taxes	$ 950,000	$ 950,000	$ 1,022,024	$ 72,024
Public improvement fees	520,000	520,000	514,059	(5,941)
Investment income	5,000	5,000	391	(4,609)
Total revenues	1,475,000	1,475,000	1,536,474	61,474
EXPENDITURES				
General government	-	-	15,411	(15,411)
Redevelopment projects	760,000	760,000	631,786	128,214
Total expenditures	760,000	760,000	647,197	112,803
Excess of revenues over (under) expenditures	715,000	715,000	889,277	174,277
OTHER FINANCING SOURCES				
Transfers out	(710,000)	(710,000)	(290,000)	420,000
NET CHANGE IN FUND BALANCE	5,000	5,000	599,277	594,277
FUND BALANCES, BEGINNING OF YEAR	126,938	211,645	211,645	-
FUND BALANCES, END OF YEAR	$ 131,938	$ 216,645	$ 810,922	$ 594,277

GOVERNMENTAL AUDITING STANDARDS REQUIRED REPORT

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 Arvada Urban Renewal Authority (the Authority), a component unit of the City of Arvada, as of and for the year ended December 31, 2010, and have issued our report thereon dated July 1, 2011. Our report was modified to include an explanatory paragraph addressing the Authority's restatement of the 2009 financial 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.

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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 2010-01 to be a material weakness in internal control over financial reporting.

Member of HLB International

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 response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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
July 1, 2011

ARVADA URBAN RENEWAL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2010

Finding 2010-01 Financial Reporting Implications of Operating Agreements

Material Weakness

Condition:

The Authority enters into multiple contracts and agreements as part of the normal business operations and many of these agreements have significant accounting implications. The City of Arvada (the City) assists in maintaining the Arvada Urban Renewal Authority's (the Authority) financial information. As a result of often operating independently, certain operating agreements entered into by the Authority have the risk of not being accounted for properly by the City.

During the audit, a restatement to beginning net assets was required to present the Authority's $2,000,000 investment in two limited liability corporations that were formed in 2006. During 2006, this $2,000,000 was expensed rather than presented as an asset of the Authority. As such, beginning net assets were restated to correctly present these investments.

Effects:

A restatement to beginning net assets and additional disclosures were proposed to ensure the financial statements were in accordance with generally accepted accounting principles.

Recommendations:

The City should establish a comprehensive evaluation process to identify and research potential accounting and financial reporting implications in operating agreements as they are entered into by the Authority. This process should include meeting with Authority representatives. The Authority should ensure the City adequately understands the operating agreements so that the City can correctly account for the transactions. The City should document the conclusions on financial reporting implications of the operating agreements. Review and approval of this document should be performed by someone other than the preparer.

Management's Response:

The City of Arvada's Finance Department and the management of the Authority will review and discuss all future operating agreements. This process will ensure that both of the entities are in agreement on the financial and accounting implications. We will also continue to have monthly meetings to ensure any other financial concerns are addressed. If any unique issues arise, we will discuss the issues with our current auditors.