ARVADA URBAN RENEWAL AUTHORITY
Arvada, Colorado

FINANCIAL STATEMENTS
December 31, 2011

TABLE OF CONTENTS

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2011, 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.

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, 2011, 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.

As discussed in Note 1 to the basic financial statements, the Arvada Urban Renewal Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages III through IX and 21 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 6, 2012

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, 2011. 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 $511,191 during the current year. Of total net assets as of year-end, $7,904,568 was available to meet on-going obligations (unrestricted).

- Government-wide expenses decreased by $1,803,043. This decrease was caused by reduced redevelopment activity paid for/reimbursed by the Authority 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 6-20 of this report.

Government-wide Financial Analysis

At the close of December 31, 2011, the Authority's assets exceeded liabilities by $7,922,628. 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 2011	Total Primary Government 2010
Current and other assets	$ 7,797,530	$ 7,741,550
Property available for sale	5,813,670	5,819,990
Investment in limited liability corporations	2,000,000	2,000,000
Capital assets	3,037	3,699
Total assets	15,614,237	15,565,239
Other liabilities	4,929,386	5,403,221
Long-term liabilities	2,762,223	2,750,581
Total liabilities	7,691,609	8,153,802
Net assets:		
Invested in capital assets	3,037	3,699
Restricted	15,023	147,005
Unrestricted	7,904,568	7,260,733
Total net assets	$ 7,922,628	$ 7,411,437

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

Current and other assets as of December 31, 2011, increased by $55,980 when compared to prior year-end. This increase was primarily due to the decrease in the property tax receivable balance by $1,296,868 and an offset by an increase in cash of $429,632, an increase in prepaid expenses of $854,905 and an increase in deposits of $80,482. The decrease in the property tax receivable and increase in prepaid expenses was due to a reassessment in property values in the JCMD project area and an overpayment of property taxes in 2011 (See Note 11). The increase in cash and investments was the result of operating incomes and increases to reserve balances in 2011.

Total liabilities decreased by $462,193. This decrease was primarily due to a decrease in property tax deferred revenue of $1,296,868 and an offset by an increase in payables of $815,581. The decrease in property tax deferred revenue is described in the preceding paragraph and the increase in payables is for the property tax overpayment described above.

In summary, these variances resulted in a change of net assets for the Authority in 2011 of $ 511,191.

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, 2011 and 2010

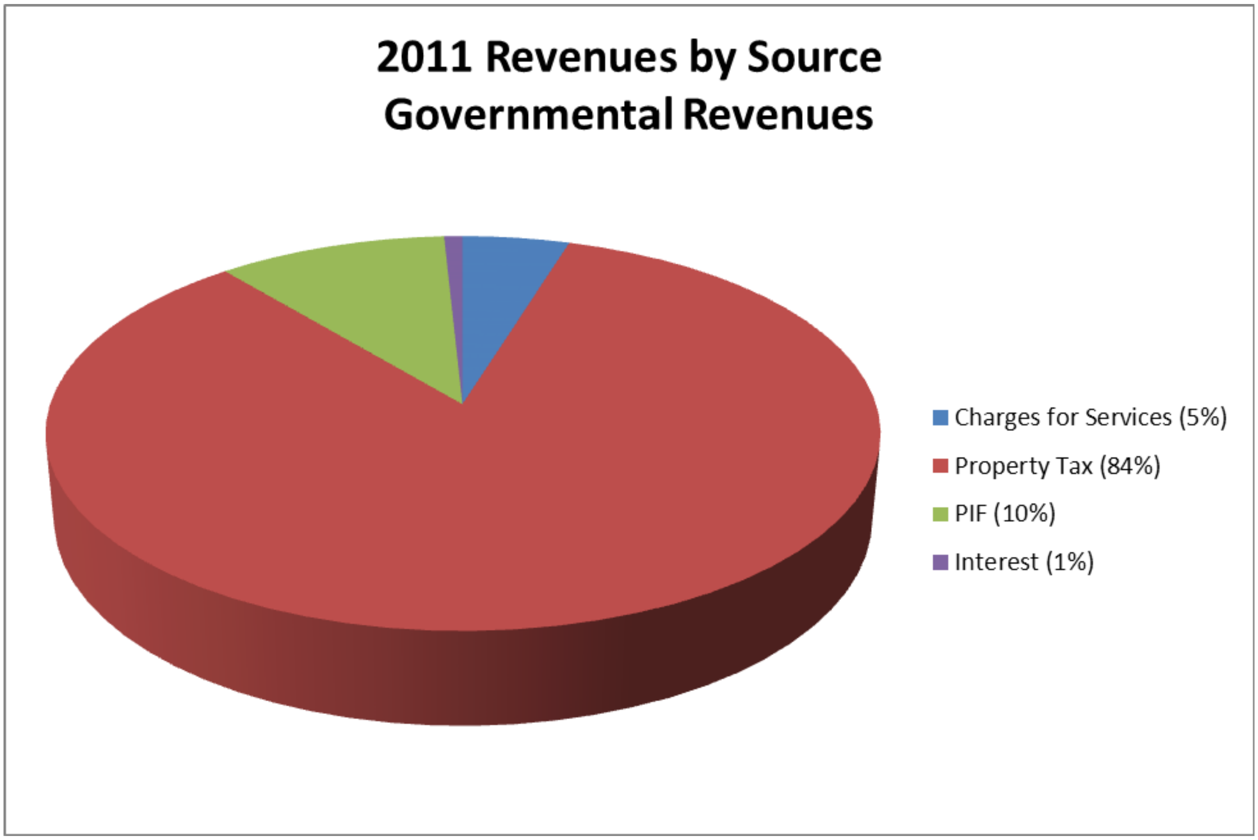
	Total Primary Government 2011	Total Primary Government 2010
Revenues		
Program revenues:		
Charges for services	$ 245,089	$ 172,984
General revenues:		
Property tax	4,306,298	6,014,789
Public Improvement Fees (PIF)	525,958	514,059
Interest	41,684	34,384
Total revenues	5,119,029	6,736,216
Expenses		
General Government	673,095	705,753
Redevelopment Costs	3,838,668	5,587,836
Interest payments	96,075	117,292
Total expenses	4,607,838	6,410,881
Increase in net assets	511,191	325,335
Net assets, beginning	7,411,437	7,086,102
Net assets, ending	$ 7,922,628	$ 7,411,437

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

The above condensed summary of the Authority's government-wide activities for the year ended December 31, 2011, reflects net assets of $7,922,628, an increase of $511,191 from the prior year. This increase was primarily due to a decrease in total revenues of $1,617,187 and a decrease in expenses of $1,803,043. Revenues were down in 2011 primarily due to a decrease in property tax revenues by $1,708,491. The decrease in property tax revenues was due to a decrease in property values as a result of a property tax abatement process performed by Jefferson County. The decrease in revenue from property taxes was offset by an increase in the rental income received of $72,105.

The decrease in expenses was primarily due to a decrease in redevelopment costs from fiscal year 2010 to fiscal year 2011 of $1,749,169. This was due to decreased redevelopment activity paid for/reimbursed by the Authority in the JCMD redevelopment area.

Governmental Activities
Governmental Activities increased the Authority's Net Assets by $511,191.



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, 2011, the Authority's governmental funds reported combined ending fund balances of $8,182,245, an increase of $573,210 from the prior year. $901,198 (11%) constitutes Unassigned fund balance. The remainder of fund balance is Non-spendable to indicate that it is not available for new spending because it has already been committed to prepaid items ($6,933), deposits ($80,482) or property held for resale ($5,813,670), Restricted by external legal purposes ($15,023) or Assigned for an intended use ($1,364,939)

The General Fund is the main operating fund of the Authority. At December 31, 2011, the Unassigned fund balance of the General fund was $901,198, while the total fund balance was $6,802,283. The fund balance of the General Fund increased $151,175.

The JCMD Fund is another major fund of the Authority. At December 31, 2011, the total fund balance of the JCMD fund was $15,023, a decrease of $131,982. 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, 2011, the total fund balance was $1,364,939. This fund balance is Assigned and will be used for future redevelopment projects.

Budgetary Highlights

- **General Fund** - There was an increase of $80,482 from the original expenditure budget to the final expenditure budget. This was caused by one item:

    - Increase of $80,482 for the purchase of a "first right of refusal" deposit on a possible future re-development site.

Capital Assets and Debt Administration

Capital Assets. The Authority's investment in capital assets for its governmental activities as of December 31, 2011 amounted to $3,037 (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, 2011, 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 of $2,745,000. See note 6 for more information.

Arvada Urban Renewal Authority
Outstanding Debt
as of December 31

	Total Primary Government 2011	Total Primary Government 2010
Notes Payable	$ 2,745,000	$ 2,745,000
Total outstanding debt	$ 2,745,000	$ 2,745,000

Current Economic Factors

The Authority and the City continue to work on the redevelopment plans for the two urban renewal areas known as Ralston Fields and JCMD. The Ralston Fields urban renewal started its re-development in the fall of 2003. 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. A large townhome project, over 300 units, started in the fall of 2011 with a completion date of fall 2012. This will bring many new residents to the area and should help to increase sales tax revenue.

The next redevelopment the Urban Renewal is working on is the “triangle area”. The current plan calls for an urban mix of retail and residential. While the economy was struggling, this redevelopment was put on hold as many businesses revisited their operating and capital plans. Now, as the economy has started to stabilize, there is some renewed interest in this area and the hope is that redevelopment can begin in late 2012 or early 2013.

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 the JCMD Urban Renewal 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 2011 and will take several years to complete. It includes roads, water, sewer, storm water and electric utilities. Building permits were pulled by developers during 2011 for the first set of houses, with the majority of development planned in the 2012 through 2014 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, 2011

ASSETS

	Governmental Activities
ASSETS	
Cash and investments	$ 2,260,488
Taxes receivable	3,973,422
Fees receivable	110,031
Prepaid expenses	865,532
Deposit	80,482
Loans receivable, (net of allowance of $100,000)	507,575
Property held for resale	5,813,670
Capital assets, net of accumulated depreciation	3,037
Investment in limited liability corporations	2,000,000
TOTAL ASSETS	15,614,237
LIABILITIES	
Accounts payable	922,108
Accrued liabilities	21,329
Security deposits	12,527
Deferred revenues	3,973,422
Noncurrent liabilities	
Due in more than one year	2,762,223
TOTAL LIABILITIES	7,691,609
NET ASSETS	
Invested in capital assets	3,037
Restricted	15,023
Unrestricted	7,904,568
TOTAL NET ASSETS	$ 7,922,628

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

ARVADA URBAN RENEWAL AUTHORITY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for	Governmental Activities
	Expenses	Services	2011
FUNCTIONS/PROGRAMS			
Primary government			
Governmental activities			
General government	$ 673,095	$ -	$ (673,095)
Redevelopment projects	3,838,668	245,089	(3,593,579)
Interest expense	96,075	-	(96,075)
Total primary government	$ 4,607,838	$ 245,089	(4,362,749)
GENERAL REVENUES			
Incremental property taxes			4,306,298
Public improvement fees			525,958
Investment income			41,684
Total general revenues			4,873,940
CHANGE IN NET ASSETS			511,191
NET ASSETS, BEGINNING OF YEAR			7,411,437
NET ASSETS, END OF YEAR			$ 7,922,628

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

ARVADA URBAN RENEWAL AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	General	Jefferson Center Metropolitan District	Ralston Fields	Northwest Arvada	Total
ASSETS					
Cash and investments	$ 990,531	$ 15,023	$ 1,254,934	$ -	$ 2,260,488
Taxes receivable	-	2,879,635	866,644	227,143	3,973,422
Fees receivable	-	-	110,031	-	110,031
Prepaid items	6,933	858,599	-	-	865,532
Deposits	80,482	-	-	-	80,482
Long-term loans receivable (net of allowance of $100,000)	507,575	-	-	-	507,575
Property held for resale	5,813,670	-	-	-	5,813,670
TOTAL ASSETS	$ 7,399,191	$ 3,753,257	$ 2,231,609	$ 227,143	$ 13,611,200
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 63,483	$ 858,599	$ 26	$ -	$ 922,108
Accrued liabilities	13,323	-	-	-	13,323
Security deposits	12,527	-	-	-	12,527
Deferred revenues	507,575	2,879,635	866,644	227,143	4,480,997
Total liabilities	596,908	3,738,234	866,670	227,143	5,428,955
Fund balances					
Non-spendable for prepaid items	6,933	-	-	-	6,933
Non-spendable for deposits	80,482	-	-	-	80,482
Non-spendable for property held for resale	5,813,670	-	-	-	5,813,670
Restricted	-	15,023	-	-	15,023
Assigned	-	-	1,364,939	-	1,364,939
Unassigned	901,198	-	-	-	901,198
Total fund balances	6,802,283	15,023	1,364,939	-	8,182,245
TOTAL LIABILITIES AND FUND BALANCES	$ 7,399,191	$ 3,753,257	$ 2,231,609	$ 227,143	

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.	3,037
Long-term receivable, net of allowance for doubtful accounts, is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	507,575
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 ($17,223), are not due and payable in the current year and, therefore, are not reported in the funds.	(2,762,223)
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	$ 7,922,628

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, 2011

	General	Jefferson Center Metropolitan District	Ralston Fields	Northwest Arvada	Total
REVENUES					
Incremental property taxes	$ -	$ 3,329,868	$ 976,430	$ -	$4,306,298
Public improvement fees	-	-	525,958	-	525,958
Rent	241,226	-	-	-	241,226
Investment income	10,848	9	58	-	10,915
Recovered costs	3,863	-	-	-	3,863
Total revenues	255,937	3,329,877	1,502,446	-	5,088,260
EXPENDITURES					
Current					
General government	564,542	50,707	14,773	-	630,022
Redevelopment projects	31,025	3,144,272	613,656	-	3,788,953
Debt service					
Interest and fiscal charges	96,075	-	-	-	96,075
Total expenditures	691,642	3,194,979	628,429	-	4,515,050
Excess of revenues over (under) expenditures	(435,705)	134,898	874,017	-	573,210
OTHER FINANCING SOURCES (USES)					
Transfers in	586,880	-	-	-	586,880
Transfers out	-	(266,880)	(320,000)	-	(586,880)
Total other financing sources (uses)	586,880	(266,880)	(320,000)	-	-
NET CHANGE IN FUND BALANCES	151,175	(131,982)	554,017	-	573,210
FUND BALANCES, BEGINNING OF YEAR	6,651,108	147,005	810,922	-	7,609,035
FUND BALANCES, END OF YEAR	$6,802,283	$ 15,023	$1,364,939	$ -	$8,182,245

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, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances of governmental funds	$	573,210
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 ($662) in the current year.		(662)
Long-term receivables are deferred in the governmental funds. This amount represents a net increase in principal loaned of $19,516, bad debt expense of ($100,000), and long term interest accrued of $30,769.		(49,715)
Payment of long-term obligations is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This amount represents an increase in compensated absences ($11,642).		(11,642)
Change in net assets of governmental activities	$	511,191

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. A separate fund was established for the Northwest Arvada renewal area in 2011 for tax revenues levied during the year. Separate funds are not established the Village Commons and Olde Town Station renewal areas since no tax revenue has been received for them as of December 31, 2011. 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

Investments in the corporations are recorded at cost. Further information regarding the nature of the relationships is discussed further in Note 5 and Note 11.

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.

Under Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, activities in the government-wide financial statements follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, the Authority has the option of either (1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or (2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The Authority has chosen not to apply FASB standards issued after November 30, 1989.

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 a capital projects fund used to account for the financial activities related to this urban renewal area.

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

Northwest Arvada - The Northwest Arvada Fund is a capital projects fund used to account for the financial activities of this urban renewal area.

Assets, Liabilities and Fund Balances/Net Assets

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

Prepaid Expenses - The majority of the Prepaid Expenses ($858,599) represents over-payments to third parties for redevelopment project expenses. During the year, the Authority received incremental property taxes in which the majority of these collections were then passed along to other parties for redevelopment project expenses (See note 11). In December 2011, the Authority was informed that the incremental property taxes it had received and then paid to the third parties were refunded by Jefferson County (the County) to the property owner. Rather than be required to refund the County for the overpayment of property taxes, future incremental property taxes due to the Authority will be reduced by the current year

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

overpayments. As such, a payable to the County was recorded by the Authority (see Accounts Payable below).

As a direct result, the amount of incremental taxes passed along to the other parties by the Authority during the year are considered a prepaid amount and, similarly, future incremental property taxes due to the third parties will be reduced by the current year overpayments.

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 an unspendable fund balance 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.

Accounts Payable - Of the Accounts Payable balance as of December 31, 2011, $858,599 represents incremental property taxes owed back to the County. As noted above, the Authority was informed that the incremental property taxes it had received were refunded by the County to the property owner. Rather than be required to refund the County for the overpayment of property taxes, future incremental property taxes due to the Authority will be reduced by the current year overpayments. As such, a payable to the County was recorded by the Authority.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets/Fund Balances - The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The Authority implemented GASB 54 for the fiscal year ended December 31, 2011. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Per GASB 54, as of December 31, 2011, fund balances of governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. The Authority had $6,933 in nonspendable resources related to prepaid items, $80,482 related to deposits and $5,813,670 for property held for sale.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. For the year ended December 31, 2011, $15,023 has been classified as restricted for redevelopment activity in the Jefferson Center Metropolitan District urban renewal area.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified or rescinded only through resolutions approved by the Board. The Authority does not have any committed fund balance.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the Authority, but are not considered restricted or committed. The purpose of the assignment must be narrower than the purpose of the General Fund. The Authority has $1,364,939 classified as assigned for redevelopment activity in the Ralston Fields urban renewal area.

Unassigned – represents the residual classification for the Authority's General Fund and could report a surplus or deficit. The Authority has $901,198 of unassigned fund balance in the General Fund.

When an expenditure is incurred for purposes for which both unrestricted and unrestricted fund balance is available, restricted fund balance is considered expended. For expenditures in which any unrestricted fund balance classification could be used, committed fund balance is considered first expended, then assigned, then unassigned.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 – CASH AND INVESTMENTS

A summary of deposits and investments by type at December 31, 2011, is as follows:

Petty cash	$ 250
Cash deposits	129,594
Certificates of deposit	939,240
Money market funds	1,191,404
	$ 2,260,488

At December 31, 2011, 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, 2011, the Authority had bank deposits with a carrying balance of $1,068,834.

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 which seeks to ensure the preservation of capital in the overall portfolio.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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.

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 $1,191,404 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, 2011, the Authority's investment in the Dreyfus Government Cash Management money market fund of $1,191,404 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, 2011, are summarized below:

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Equipment	$ 6,626	$ -	$ -	$ 6,626
Accumulated depreciation	(2,927)	(662)	-	(3,589)
	$ 3,699	$ (662)	$ -	$ 3,037

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, 2011.

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Governmental Activities				
Davis Block development loan	$ 99,090	$ 20,910	$ 1,394	$ 118,606
Udi's development loan	458,200	30,769	-	488,969
Allowance for uncollectible	-	(100,000)	-	(100,000)
	$ 557,290	$ (48,321)	$ 1,394	$ 507,575

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 is required to be made by the establishment from the proceeds of operation of the business. The Authority is entitled to 75% of the net revenues of the establishment on a monthly basis until the loan has been repaid. The additions to principal represent unpaid interest due on the loan. Subsequent to December 31, 2011, the terms of the loan were modified (see Note 12).

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%. Prior to April 2011, principal payments of $950 were due monthly. In April 2011, the loan agreement was amended with interest only payments due monthly through April 2012. Thereafter monthly payments of $637 will be made through March 2017 when the balance will be paid in full. The loan is collateralized by the building.

All loans receivable are shown net of allowance for doubtful accounts. The allowance is based on management's assessment of the collectability of specific loans and historical experience.

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 6 – LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2011:

	Balances December 31, 2010	Additions	Payments	Balances December 31, 2011	Due Within One Year
Governmental Activities					
City of Arvada note payable	$ 2,745,000	$ -	$ -	$ 2,745,000	$ -
Compensated absences	5,581	11,642	-	17,223	-
	$ 2,750,581	$ 11,642	$ -	$ 2,762,223	$ -

City of Arvada Note Payable

In February 2010, the City and the Authority entered into an intergovernmental agreement in which the City loaned the Authority $2,745,000 at a simple interest rate of 3.5% for 2 years. Interest payments are due monthly. In March 2012, the loan was amended to extend the maturity date to April 2013. The loan is collateralized with a building and two parcels of land.

Compensated Absences

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

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2011, were as follows:

Transfers In	Transfers Out	Balance
General	Jefferson Center Metropolitan District	$ 266,880
General	Ralston Fields	320,000
		$ 586,880

During the year ended December 31, 2011, 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 $116,880 related to mills associated with the City Property Tax Increment collected by the County and remitted to the Authority. 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, 2011, the Authority incurred $48,300 for these services, which includes a payable due to the City related to fourth quarter legal fees of $13,050. Additionally, the Authority incurred $389,560 for other expenses paid by the City on behalf of the Authority. As of December 31, 2011, the Authority has a payable to the City in the amount of $43,701.

The Authority is also indebted to the City in the amount of $2,745,000 (see Note 6). During the year ended December 31, 2011, the total interest expense incurred to the City was $96,075, which includes accrued interest as of December 31, 2011 of $8,006.

NOTE 9 – RETIREMENT PLANS

Employees of the Authority 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.

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 Executive Retirement Plan), are eligible to participate in CARP. 493 employees were participants in CARP as of December 31, 2011

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%

NOTE 9 – RETIREMENT PLANS (CONTINUED)

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 $33,207 and employee contributions of $17,793 were paid during 2011 for Authority employees. These contributions represent 11% and 6% 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 and liability claims a $250,000 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 with a company the Authority has an equity interest in (see Note 5). Monthly lease payments of $3,489 are required through October 2012. Total rent expense, including annual maintenance expenses, for the year ended December 31, 2011 was $62,995.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Minimum rental commitments under this lease are as follows:

Year Ending December 31,	**Operating Lease**
2012	$ 34,890
	$ 34,890

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.

- 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, 2011, $2,316,670 of the $3 million had been paid to the Retail Sales Operation.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 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, 2011, of $12,360,000) or (b) September 30, 2028, the Authority's obligations to the District will terminate. As of December 31, 2011, $1,665,075 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, 2011 was $88,666. The District Mill Levy remitted by the Authority 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 to 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, 2011, of $37,600,000), or (b) the date that is 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, 2011, of $37,600,000), 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.

NOTE 12 – SUBSEQUENT EVENTS

As discussed in Note 6, the Authority and the City amended its $2,745,000 intergovernmental loan agreement to extend the original maturity date from March 2012 to April 2013.

In April 2012, the loan agreement with Udi's was amended with the following key changes.

- All unpaid interest accrued and future interest due will be suspended so long as there is no payment default.
- The principal due on the loan ($458,200) will be paid in varying amounts on a monthly basis through December 2019.
- Certain capital expenditures made by Udi's, not to exceed $100,000, will be credited against payments due in 2018 and 2019.

REQUIRED SUPPLEMENTARY INFORMATION

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Rent	$ 169,000	$ 169,000	$ 241,226	$ 72,226
Investment income	10,000	10,000	10,848	848
Loan payments	35,400	35,400	-	(35,400)
Recovered costs	-	-	3,863	3,863
Total revenues	214,400	214,400	255,937	41,537
EXPENDITURES				
Current				
General government	629,236	709,718	564,542	145,176
Redevelopment projects	45,000	45,000	31,025	13,975
Interest and fiscal charges	100,000	100,000	96,075	3,925
Total expenditures	774,236	854,718	691,642	163,076
Excess of revenues over (under) expenditures	(559,836)	(640,318)	(435,705)	204,613
OTHER FINANCING SOURCES (USES)				
Transfers in	1,145,000	1,145,000	586,880	(558,120)
NET CHANGE IN FUND BALANCE	585,164	504,682	151,175	(353,507)
FUND BALANCES, BEGINNING OF YEAR	775,640	6,651,108	6,651,108	-
FUND BALANCES, END OF YEAR	$ 1,360,804	$ 7,155,790	$ 6,802,283	$ (353,507)

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, 2011

	Original/Final Budget	Actual	Variance
REVENUES			
Incremental property taxes	$ 4,800,000	$ 3,329,868	$ (1,470,132)
Investment income	25,000	9	(24,991)
Total revenues	4,825,000	3,329,877	(1,495,123)
EXPENDITURES			
General government	2,000	50,707	(48,707)
Redevelopment projects	4,548,000	3,144,272	1,403,728
Total expenditures	4,550,000	3,194,979	1,355,021
Excess of revenues over (under) expenditures	275,000	134,898	(140,102)
OTHER FINANCING SOURCES			
Transfers out	(275,000)	(266,880)	8,120
NET CHANGE IN FUND BALANCE	-	(131,982)	(131,982)
FUND BALANCES, BEGINNING OF YEAR	-	147,005	147,005
FUND BALANCES, END OF YEAR	$ -	$ 15,023	$ 15,023

ARVADA URBAN RENEWAL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
RALSTON FIELDS FUND
Year Ended December 31, 2011

	Original/Final Budget	Actual	Variance
REVENUES			
Incremental property taxes	$ 961,000	$ 976,430	$ 15,430
Public improvement fees	521,000	525,958	4,958
Investment income	5,000	58	(4,942)
Total revenues	1,487,000	1,502,446	15,446
EXPENDITURES			
General government	-	14,773	(14,773)
Redevelopment projects	615,000	613,656	1,344
Total expenditures	615,000	628,429	(13,429)
Excess of revenues over (under) expenditures	872,000	874,017	2,017
OTHER FINANCING SOURCES			
Transfers out	(870,000)	(320,000)	550,000
NET CHANGE IN FUND BALANCE	2,000	554,017	552,017
FUND BALANCES, BEGINNING OF YEAR	211,645	810,922	599,277
FUND BALANCES, END OF YEAR	$ 213,645	$ 1,364,939	$ 1,151,294

GOVERNMENTAL AUDITING STANDARDS REQUIRED REPORT

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2011, and have issued our report thereon dated June 6, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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 opinion 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.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated June 6, 2012.

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.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 6, 2012