Arvada Urban Renewal Authority

Independent Auditor’s Reports and Financial Statements

December 31, 2013

Arvada Urban Renewal Authority
December 31, 2013

Contents

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Independent Auditor's Report

Board of Commissioners
Arvada Urban Renewal Authority
Arvada, Colorado

Report on Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Arvada Urban Renewal Authority, a component unit of the City of Arvada, as of and for the year ended December 31, 2013, and the related notes to the basic financial statements, which collectively comprise the entity's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Commissioners
Arvada Urban Renewal Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Arvada Urban Renewal Authority as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2012 financial statements were audited by other auditors and their report thereon, dated June 5, 2013, expressed an unmodified opinion.

Emphasis of Matters

As discussed in Note 2 to the financial statements, in 2013, the Authority adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34* (GASB 61) and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 budgetary comparison schedule supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and

Board of Commissioners
Arvada Urban Renewal Authority

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 23, 2014, on our consideration of the Arvada Urban Renewal Authority's internal control over financial reporting and 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* in considering the Arvada Urban Renewal Authority's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
May 23, 2014

Management’s Discussion and Analysis

Arvada Urban Renewal Authority
Management's Discussion and Analysis
December 31, 2013

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, 2013. 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 position increased $537,528 during the current year. Of total net position as of year-end, $8,424,524 was available to meet ongoing obligations (unrestricted).
- Government-wide expenses increased by $780,234. This increase was caused by redevelopment activity paid for/reimbursed by the Authority in the Jefferson Center 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 position presents information on all of the Authority's assets, liabilities and deferred inflows of resources. The difference between assets, liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position 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 position has changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying activity occurs. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows only 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 presents only 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 District (JCD) Fund and Ralston Fields Fund are required to be shown as major funds. The Northwest Arvada Fund is not required to be presented as a major fund; yet, management elects to present it as major for emphasis of all renewal areas.

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

The basic governmental fund financial statements can be found on pages 16–17 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 18–33 of this report.

Government-wide Financial Analysis

At the close of December 31, 2013, the Authority's assets exceeded liabilities by $9,379,671. The following summaries of net position and changes in net position are presented for the current year and the previous year for comparative purposes.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Total Primary Government 2013	Total Primary Government 2012*
Assets		
Current and other assets	$ 9,000,438	$ 7,904,001
Property available for sale	8,452,431	6,435,885
Investment in limited liability corporations	2,000,000	2,000,000
Capital assets	1,711	2,374
Total assets	19,454,580	16,342,260
Liabilities		
Other liabilities	345,322	117,655
Long-term liabilities	4,757,547	2,764,323
Total liabilities	5,102,869	2,881,978
Deferred Inflows of Resources	4,972,040	4,618,139
Net Position		
Net investment in capital assets	1,711	2,374
Restricted	953,436	268,900
Unrestricted	8,424,524	8,570,869
Total net position	$ 9,379,671	$ 8,842,143

*2012 amounts have been adjusted to reflect changes from GASB 65, *Items Previously Reported as Assets and Liabilities*

For more detailed information, see the Statement of Net Position on page 14 of this report.

Total assets as of December 31, 2013, increased by $3,112,320 when compared to prior year-end. This increase was primarily due to an increase in Property held for resale by $2,016,546, an increase in taxes receivables of $353,901 and an increase in cash and investments of $638,014. The increase in cash and investments was the result of operating incomes and increases to reserve balances in 2013. The increase in taxes receivable was due to increased activity/property values in the Northwest Arvada renewal area (2011 was the first year of activity for this area). The increase in property held for resale was from the purchase of two new properties that will be used in the Gold Line area redevelopment.

Total liabilities increased by $2,220,891. This increase was primarily due to a new $2,000,000 loan with the City of Arvada. Other liabilities stayed relatively the same.

In summary, these variances resulted in a change of net position for the Authority in 2013 of $537,528.

Changes in Net Position

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

	Total Primary Government 2013	Total Primary Government 2012
Revenues		
Program revenues		
Changes for services	$ 249,532	$ 248,796
General revenues		
Property tax	4,211,831	3,866,130
Public Improvement Fees (PIF)	627,332	582,631
Sales taxes	83,082	-
Interest	2,902	78,875
Total revenue	5,174,679	4,776,432
Expenses		
General government	719,655	632,180
Redevelopment costs	3,818,922	3,128,662
Interest expense	98,574	96,075
Total expenses	4,637,151	3,856,917
Increase in Net Position	537,528	919,515
Net Position, Beginning	8,842,143	7,922,628
Net Position, Ending	$ 9,379,671	$ 8,842,143

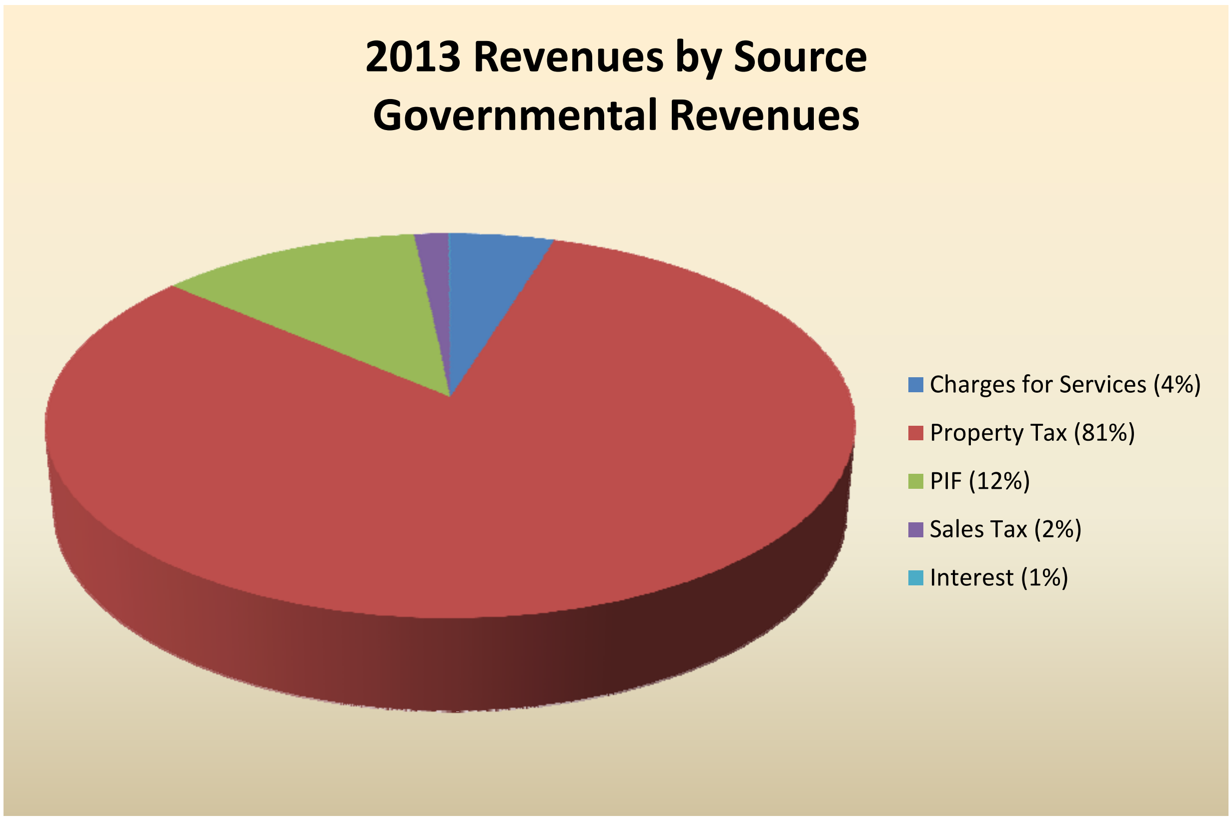
For more detailed information, see the Statement of Activities on page 15 of this report.

The above condensed summary of the Authority's government-wide activities for the year ended December 31, 2013, reflects net position of $9,379,671, which was the result of an increase in net position of $537,528. Revenues were up in 2013 primarily due to an increase in property tax revenues by $345,701.

The increase in expenses was primarily due to an increase in redevelopment costs from fiscal year 2012 to fiscal year 2013 of $690,260. This was due to an increase in redevelopment activity paid for/reimbursed by the Authority in the JCD redevelopment area.

Governmental Activities

Governmental Activities increased the Authority's Net Position by $537,528.



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, 2013, the Authority's governmental funds reported combined ending fund balances of $11,897,871, an increase of $2,593,966 from the prior year. Unassigned fund balance (deficit) is $(151,835) (1%). 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 ($10,844), deposits ($241,446), property held for resale ($8,498,085), restricted by external legal purposes ($953,436), or assigned for an intended use ($2,345,895).

The General Fund is the main operating fund of the Authority. At December 31, 2013, the Unassigned fund balance of the General fund was $759,741, while the total fund balance was $9,510,117. The fund balance of the General Fund increased $1,954,314.

The JCD Fund is another major fund of the Authority. At December 31, 2013, the total fund balance of the JCD fund was a negative, ($911,576), a decrease of $981,541. This money will be used by the JCD Corporation in the upcoming years for redevelopment of the JCD Urban Renewal Area.

The Ralston Fields Fund is used to account for the activities in the Kipling Ridge area and is considered a major fund. At December 31, 2013, the total fund balance was $2,262,813, an increase of $783,610 over 2012. This fund balance is Assigned and will be used for future redevelopment projects.

The Northwest Arvada Fund is used to account for activities in Northwest Arvada Urban Renewal areas. At December 31, 2013, the total fund balance was $953,436, an increase of $754,501. This money will be used by the JCMD Corporation in the upcoming years for redevelopment of the JCMD Urban Renewal Area.

Lastly, The Olde Town Arvada Fund, a new fund in 2013, is used to account for activities in Olde Town Arvada area. At December 31, 2013, the total fund balance was $83,082. The fund had no fund balance in the prior year.

Budgetary Highlights

General Fund. There was an increase of $920,000 from the original expenditure budget to the final expenditure budget. This was caused by the purchase of a plot of land to be used in a 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, 2013, amounted to $1,711 (net of accumulated depreciation). This investment in capital assets includes only furniture and equipment and an asset retirement obligation (see Note 4). All other assets are considered property available for sale and are recorded as such.

Long-term Debt. At the end of December 31, 2013, the Authority had total debt outstanding of $4,745,000. This debt is made up of two notes with the City of Arvada with a remaining balance of $4,745,000. See Note 8 for more information.

	Total Primary Government 2013	Total Primary Government 2012
Notes Payable	$ 4,745,000	$ 2,745,000
Total Outstanding Debt	$ 4,745,000	$ 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 JCD. 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, continued throughout 2012, and was completed in the fall of 2013. The development is very successful as every unit was rented as soon as it was ready.

The next redevelopment the Authority is working on is the "triangle area," now named Ralston Creek. 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 an anchor store that has submitted redevelopment plans with the goal of breaking ground in the spring of 2015.

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 JCD 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 2013 and will take several years to complete. It includes roads, water, sewer, storm water and electric utilities. Building permits were pulled by developers during 2013 for the first set of houses, with the majority of development planned in the 2013 through 2015 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 in care of the Executive Director at the following address:

> Arvada Urban Renewal Authority
> Attention: Executive Director
> 5601 Olde Wadsworth Blvd., Suite 210
> Arvada, Colorado 80002

Financial Statements

Arvada Urban Renewal Authority

Statement of Net Position

December 31, 2013

	2013
Assets	
Cash and investments	$ 3,329,342
Fees receivable	172,566
Taxes receivable	4,972,040
Prepaid expenses	10,844
Deposits	241,446
Loan receivable (net of allowance of $100,000)	274,200
Property held for resale	8,452,431
Capital assets, net of accumulated depreciation	1,711
Investments in limited liability corporations	2,000,000
Total assets	19,454,580
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities	
Accounts payable	60,643
Accrued liabilities	149,606
Security deposits	122,527
Due in one year	12,546
Due in more than one year	4,757,547
Total liabilities	5,102,869
Deferred Inflows of Resources	
Unavailable revenues - property taxes	4,972,040
Net Position	
Net investment in capital assets	1,711
Restricted for capital projects	953,436
Unrestricted	8,424,524
Total net position	$ 9,379,671

Arvada Urban Renewal Authority

Statement of Activities

Year Ended December 31, 2013

	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Positions: Governmental Activities 2013
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 719,655	$ -	$ (719,655)
Redevelopment projects	3,818,922	249,532	(3,569,390)
Interest expense	98,574	-	(98,574)
Total primary government	$ 4,637,151	$ 249,532	$ (4,387,619)
General Revenues			
Incremental property taxes			$ 4,211,831
Public improvement fees			627,332
Sales taxes			83,082
Investment income			2,902
Total general revenues			4,925,147
Change in Net Position			537,528
Net Position, Beginning of Year			8,842,143
Net Position, End of Year			$ 9,379,671

Arvada Urban Renewal Authority
Balance Sheet
Governmental Funds
December 31, 2013

	General	Jefferson Center District	Ralston Fields	Northwest Arvada	Olde Town	Total
Assets						
Cash and Investments	$ 1,108,193	$ 41,860	$ 2,179,289	$ -	$ -	$ 3,329,342
Fees receivable	-	-	89,484	-	83,082	172,566
Taxes receivable	-	2,915,600	1,097,000	959,440	-	4,972,040
Interfund receivable	-	-	-	953,436	-	953,436
Prepaid expenses	10,844	-	-	-	-	10,844
Deposits	241,446	-	-	-	-	241,446
Loans receivable (net of allowance of $100,000)	274,200	-	-	-	-	274,200
Property held for resale	8,422,490	-	-	-	-	8,422,490
Total assets	$ 10,057,173	$ 2,957,460	$ 3,365,773	$ 1,912,876	$ 83,082	$ 18,376,364
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	$ 54,683	$ -	$ 5,960	$ -	$ -	$ 60,643
Accrued liabilities	95,647	-	-	-	-	95,647
Interfund payable	-	953,436	-	-	-	953,436
Security deposits	122,527	-	-	-	-	122,527
Total liabilities	272,857	953,436	5,960	-	-	1,232,253
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	2,915,600	1,097,000	959,440	-	4,972,040
Unavailable revenue - loan revenues	274,200	-	-	-	-	274,200
Total deferred inflows of resources	274,200	2,915,600	1,097,000	959,440	-	5,246,240
Fund balances						
Non-spendable for prepaid items	10,844	-	-	-	-	10,844
Non-spendable for deposits	241,446	-	-	-	-	241,446
Non-spendable for property held for sale	8,498,085	-	-	-	-	8,498,085
Restricted	-	-	-	953,436	-	953,436
Assigned	-	-	2,262,813	-	83,082	2,345,895
Unassigned	759,741	(911,576)	-	-	-	(151,835)
Total fund balances (deficit)	$ 9,510,116	$ (911,576)	$ 2,262,813	$ 953,436	$ 83,082	$ 11,897,871

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	$ 1,711
Long-term receivable, net of allowance for doubtful accounts, is not available to pay for current period expenditures and, therefore, is deferred in funds.	274,200
Investments in limited liability corporations are not financial resources and, therefore, are not reported in the funds.	2,000,000
Interest payable is not recorded in the fund statements as it is not a current use of cash.	(24,018)
Long-term liabilities including notes payable ($4,745,000) and compensated absences ($25,093) are not due and payable with current economic resources and, therefore, are not reported in the funds.	(4,770,093)
Net position of governmental activities	$ 9,379,671

Arvada Urban Renewal Authority

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2013

	General	Jefferson Center District	Ralston Fields	Northwest Arvada	Olde Town	Total
Revenues						
Incremental property taxes	$ -	$ 2,577,731	$ 868,109	$ 765,991	$ -	$ 4,211,831
Public improvement fees	-	-	627,332	-	-	627,332
Sales taxes	-	-	-	-	83,082	83,082
Rent	249,532	-	-	-	-	249,532
Investment income	2,902	-	-	-	-	2,902
Recovered costs	42,165	-	-	-	-	42,165
Total revenues, gains and support	294,599	2,577,731	1,495,441	765,991	83,082	5,216,844
Expenditures						
Current						
General government	655,560	38,706	13,236	11,490	-	718,992
Redevelopment projects	75,595	3,219,609	518,113	-	-	3,813,317
Debt service						
Interest and fiscal charges	90,569	-	-	-	-	90,569
Total expenditures	821,724	3,258,315	531,349	11,490	-	4,622,878
Excess of revenues over (under) expenditures	(527,125)	(680,584)	964,092	754,501	83,082	593,966
Other Financing Sources (Uses)						
Loan proceeds	2,000,000	-	-	-	-	2,000,000
Transfers in	481,439	-	-	-	-	481,439
Transfers out	-	(300,957)	(180,482)	-	-	(481,439)
Total other financing sources (uses)	2,481,439	(300,957)	(180,482)	-	-	2,000,000
Net Change in Fund Balances	1,954,314	(981,541)	783,610	754,501	83,082	2,593,966
Fund Balances, Beginning of Year	7,555,802	69,965	1,479,203	198,935	-	9,303,905
Fund Balances (Deficit), End of Year	$ 9,510,116	$ (911,576)	$ 2,262,813	$ 953,436	$ 83,082	$ 11,897,871

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

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 position and allocated over their estimated useful lives as an annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	$ (663)
Long-term receivable, net of allowance for doubtful accounts, is deferred in the governmental funds. This amount represents loan principal payments received.	(42,000)
Proceeds from long-term obligations are revenues in the governmental funds, but increases long-term liabilities in the statement of net position. This amount represents the increase in long-term debt.	(2,000,000)
Payment of long-term obligations is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position. This amount represents the increase in compensated absences ($5,770) and the increase in interest payable ($8,005).	(13,775)
Net position of governmental activities	$ 537,528

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Arvada Urban Renewal Authority (the Authority or AURA) 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 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 were established for the Northwest Arvada renewal area in 2011 and for Olde Town renewal area in 2013 for tax revenues levied during the year. A separate fund is not established for the Village Commons renewal area since no tax revenues have been received for this area as of December 31, 2013. The 25-year urban renewal plans intend to enhance, redevelop, and revitalize these areas.

Accounting Principles

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.

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 in Note 7.

Government-wide and Fund Financial Statements

The government-wide financial statements (*i.e.*, the statement of net position 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.

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.

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 District – The Jefferson Center 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 financial 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.
- Olde Town – The Olde Town Fund is a capital projects fund used to account for the financial activities of this urban renewal area.

Assets, Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position

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 that 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.

Deposit – The deposit in the amount of $241,446 represents three years of option payments. By making these option payments, the Authority has the right to purchase retail property at any time during the following calendar year following such payment. The Authority has the right to extend the option for an additional calendar year by paying an option payment in the amount of $80,482 on or before the anniversary date of the first option payment. The Authority may extend the option up to three additional times. Each option payment made by the Authority will be applied to and credited towards the purchase price.

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

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

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues primarily from property taxes, grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Fund Balances – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Per GASB 54, as of December 31, 2013, 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 $10,844 in nonspendable resources related to prepaid items, $241,446 for deposits, and $8,498,085 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. As of December 31, 2013, $953,436 has been classified as restricted for redevelopment activity in the Northwest Arvada 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. As of December 31, 2013, $2,262,813 has been classified as assigned for redevelopment activity in the Ralston Fields urban renewal area and $83,082 for the Olde Town urban renewal area.

Unassigned – Represents the residual classification for the Authority's General Fund, which could report a surplus or deficit, and any other fund deficits. The Authority has $835,337 of unassigned fund balance in the General Fund and ($911,576) of unassigned fund balance in the Jefferson Center District Fund.

Deficit Fund Balance – As of December 31, 2013, the Jefferson Center District fund was in a deficit net position. The deficiency in working capital is due to lower property tax revenues than expected. Management will consider this in relation to the feasibility of the 2014 budget.

When an expenditure is incurred for purposes for which both restricted 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.

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 them to the Authority on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflows of resources 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.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Note 2: Change in Accounting Principles

Effective January 1, 2013, the Authority implemented the provisions of GASB No. 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34,* and GASB No. 65, *Items Previously Reported as Assets and Liabilities*.

The objective of GASB No. 61 is to improve financial reporting for a governmental financial reporting entity. This Statement addresses reporting entity issues that have arisen since the issuance of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements–and Management's Discussion and Analysis—for State and Local Governments*. The adoption of GASB No. 61 had no impact on the Authority's financial statements.

The objective of GASB No. 65 is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The adoption of GASB No. 65 had no effect on the beginning fund balances or the beginning net position for the year ended December 31, 2013, as previously reported.

However, in accordance with the provisions of GASB 65, property taxes (imposed non-exchange revenue transactions) are reported as deferred inflows of resources for resources reported as receivables before the period for which they are levied in both the government-wide and governmental funds statements, and certain long-term loans receivable are reported as deferred inflows of resources in the governmental funds statements because they have not met the availability criterion for revenue recognition.

Note 3: Cash and Investments

Cash and investments of the Authority as of December 31, 2013 are as follows:

Petty cash	$ 250
Cash deposits	781,482
Certificates of deposit	946,153
Money market funds	1,601,457
	$ 3,329,342

At December 31, 2013, there were no restricted cash or investments reflected on the Statement of Net Position.

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, 2013, the Authority had bank deposits with a carrying balance of $1,727,635.

Investments

The Authority is required to comply with state statutes that 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 that seeks to ensure the preservation of capital in the overall portfolio.

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

- U.S. Treasury Securities
- Obligations of U.S. Government agencies (including FDIC and FSLIC insured transactions up to $100,000)
- Certificates of deposit and other evidences of deposit or investment at banks, savings and loan associations, and other state or federally regulated financial institutions subject to PDPA (5%) and a minimum net worth of any bank of $10,000,000 and a minimum net worth of any savings and loan association of $15,000,000
- Repurchase agreements made in compliance with Revised Colorado State Statute 24-36-113. Repurchase collateral will be perfected and delivered to the Trustee.

- Repurchase agreements must be collateralized at a minimum of 100% of the purchase price of the repurchase agreement and market-to-market on a weekly basis. All repurchase agreements shall be evidenced by a master repurchase agreement between the Authority and securities dealer.

- Money market funds – Investments with any financial institutions that have appeared in any published watch list during a 12-month period preceding the investment date in an amount greater than $100,000 are 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 $1,601,457 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 have either assets of one billion dollars or the highest rating issued by a nationally recognized organization that regularly rates such obligations. At December 31, 2013, the Authority's investment in the Dreyfus Government Cash Management money market fund of $1,601,457 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 4: Capital Assets

Changes in capital assets for the year ended December 31, 2013, are summarized below:

	Balance December 31 2012	Additions	Deletions	Balance December 31 2013
Equipment	$ 6,626	$ -	$ -	$ 6,626
Accumulated depreciation	(4,252)	(663)	-	(4,915)
	$ 2,374	$ (663)	$ -	$ 1,711

Depreciation expense was charged to the general government program.

Note 5: Property Held for Sale

During 2013, AURA acquired property containing asbestos held for resale. Management believes that AURA is compelled to take action due to the imminent public endangerment posed by the property and obligated itself to commence the remediation effort. Subsequent to year-end, AURA solicited for bids for the demolition and redevelopment of the property. Based on the estimate received from the selected contractor, AURA recorded a pollution remediation obligation in the 2013 statement of net position for the estimated remediation costs expected to be incurred during 2014.

Note 6: Loan Receivable

Following is a summary of the loans receivable for the year ended December 31, 2013.

	Balance December 31 2012	Additions	Deletions	Balance December 31 2013
Udi's development loan	$ 416,200	$ -	$ (42,000)	$ 374,200
Allowance for uncollectible	(100,000)	-	-	(100,000)
	$ 316,200	$ -	$ (42,000)	$ 274,200

The 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 7: 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.

Required Buy-Out Upon Increased Value: Any time 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 the developer has no obligation to buy out AURA at this time.

1. Optional Buy-Out Upon Decreased Value: Similar to option 1, if the property value were to decrease any time 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.

2. Required Buy-Out by 2027: If neither option 1 nor 2 is 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.

3. 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 8: Long-term Debt

Following is a summary of long-term debt transactions for the year ended December 31, 2013:

	Balance December 31 2012	Additions	Deletions	Balance December 31 2013	Due within One Year
City of Arvada notes payable	$ 2,745,000	$ 2,000,000	$ -	$ 4,745,000	$ -
Compensated absences	19,323	21,501	(15,731)	25,093	12,546
	$ 2,764,323	$ 2,021,501	$ (15,731)	$ 4,770,093	$ 12,546

City of Arvada Notes 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 two years.

Interest payments are due monthly. The loan was due in full in April 2014, but the agreement was amended for the loan to be due in full in 2015. The loan is collateralized with a building and two parcels of land.

In November 2013, the City and the Authority entered into a second intergovernmental agreement in which the City loaned the Authority $2,000,000 at a simple interest rate of 3.0% for three years. Interest payments are due monthly. The loan is collateralized with a building and land.

Compensated Absences

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

Note 9: Interfund Receivables, Payables and Transfers

Interfund receivables and payables at December 31, 2013, were as follows:

Interfund receivable	Northwest Arvada	$ 953,436
Interfund payable	Jefferson Center District	(953,436)
		$ -

Interfund transfers for the year ended December 31, 2013, were as follows:

Transfers In	Transfers Out	Balance
General	Jefferson Center District	$ 300,957
General	Ralston Fields	180,482
		$ 481,439

During the year ended December 31, 2013, the Jefferson Center District and Ralston Fields Funds reimbursed the General Fund for operations and administrative costs. See Note 14 regarding the redevelopment agreement with Jefferson Center District, the City and the Authority.

Note 10: Related-Party Transactions

The City provides legal services to the Authority. During the year ended December 31, 2013, the Authority incurred $45,150 for these services, which includes a payable due to the City related to fourth quarter legal fees of $8,550. Additionally, the Authority incurred $420,144 for other expenses paid by the City on behalf of the Authority. As of December 31, 2013, the Authority had payables to the City in the amount of $50,349.

The Authority is also indebted to the City in the amount of $4,745,000 (see Note 8). During the year ended December 31, 2013, the total interest expense incurred to the City was $98,574, which includes accrued interest as of December 31, 2013, of $24,019.

The Authority has an investment in a company and also has an office lease with them. Rent expense for the year ended December 31, 2013, was $61,626.

Note 11: 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 is detailed in the following section.

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 full-time and part-time City employees are eligible to participate in CARP, except for uniformed police officers, the City Manager and his staff, the City Attorney, and department heads (who elect to participate in the Executive Retirement Plan). Four employees of the Authority were participants in CARP as of December 31, 2013.

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 $51,000 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; in substantially equal annual, semiannual, quarterly or monthly installments; through the purchase of an immediate or deferred single payment, non-transferable annuity contract; or by a combination of the above. Plan provisions and contribution requirements are established and may be amended by the City Council.

The required City contribution of $36,803 and employee contributions of $25,084 were paid during 2013 for Authority employees. These contributions represent 12% and 8% of total covered payroll, respectively. The administration of the plan investments are provided by Great-West Retirement Services.

Note 12: 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 to a $250,000 deductible. The workers' compensation program maintains a self-insured retention (SIR) limit of $350,000. There have been no settlements that 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 $1,500 per year per person.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following paragraph.

General Litigation

The Authority is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Authority.

Note 14: Commitments and Contingencies

Lessee Reporting

The Authority entered into an operating lease for office space with a company in which the Authority has an equity interest (see Note 7). Monthly lease payments of $4,390 are required through October 2018. Rent expense, including annual maintenance expenses, for the year ended December 31, 2013, was $61,626.

Minimum rental commitments under this lease are as follows:

2014	$ 52,684
2015	52,684
2016	52,684
2017	52,684
2018	43,903
	$ 254,639

Lessor Reporting

The Authority generates a portion of its revenue from the leasing of various parcels of its property held for resale. The rental payments received are based on a minimum monthly rental amount, plus charges related to the operating expenses of the subject property.

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 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 of $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, 2013, $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, 2013 of $11,935,000) or (b) September 30, 2028, the Authority's obligations to the District will terminate. As of December 31, 2013, $2,325,929 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, 2013, was $25,159. 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 District No. 1 (JCD No.1) and the City. This agreement, and the obligations associated with this agreement, were assigned to and assumed by Jefferson Center District No. 2 (JCD) effective retroactively to April 4, 2005. On January 11, 2010, this agreement was amended and restated. The amended and restated agreement states that JCD 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 JCD and JCD 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 JCD 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 JCD obligations (bonds outstanding as of December 31, 2013 of $34,175,000), 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 JCD obligations (bonds outstanding as of December 31, 2013, of $34,175,000, 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 15: Subsequent Events

Subsequent to year-end, AURA acquired property held for resale for a purchase price of $350,000. Following this acquisition, this property and one other parcel of property held for resale, with a combined book value of approximately $425,000, were then sold to a developer for $10. In exchange for the developer's commitment to develop the property, AURA agreed to rebate up to $1,628,107, including accrued interest of 4% compounded annually, of property taxes received from these properties over the following 14 years.

As discussed in Note 8, on May 7, 2013, the Authority and the City amended its $2,745,000 intergovernmental loan agreement to extend the amended maturity date from April 1, 2014, to April 1, 2015, for a series of additional months, not to exceed 12 months in total.

Required Supplementary Information

Arvada Urban Renewal Authority

Budgetary Comparison Schedule
General Fund and Related Note
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues				
Rent	$ 246,075	$ 246,075	$ 249,532	$ 3,457
Investment income	10,926	10,926	2,902	(8,024)
Recovered costs	43,812	43,812	42,165	(1,647)
Total revenues	300,813	300,813	294,599	(6,214)
Expenditures				
Current				
General government	2,394,876	3,314,876	2,798,242	516,634
Redevelopment projects	-	-	75,595	(75,595)
Interest and fiscal charges	96,075	96,075	90,569	5,506
Total expenditures	2,490,951	3,410,951	2,964,406	446,545
Excess of revenues over (under) expenditures	(2,190,138)	(3,110,138)	(2,669,807)	440,331
Other Financing Sources (Uses)				
Loan proceeds	-	2,000,000	2,000,000	-
Transfers in	1,175,000	1,600,000	481,439	(1,118,561)
Net Change in Fund Balance	(1,015,138)	489,862	(188,368)	(678,230)
Fund Balance, Beginning of Year	1,290,945	7,555,802	7,555,802	-
Fund Balance, End of Year	$ 275,807	$ 8,045,664	7,367,434	$ (678,230)
Reconciliation to GAAP basis:				
Add:				
Addition to property held for resale			2,142,682	
Fund balance, GAAP basis, end of year			$ 9,510,116	

Note 1: 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 60 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 District Fund
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues				
Incremental property taxes	$ 4,050,000	$ 4,050,000	$ 2,577,731	$ (1,472,269)
Investment income	15,000	15,000	-	(15,000)
Total revenues	4,065,000	4,065,000	2,577,731	(1,487,269)
Expenditures				
Current				
General government	2,000	2,000	38,706	(36,706)
Redevelopment projects	3,785,000	3,785,000	3,219,609	565,391
Total expenditures	3,787,000	3,787,000	3,258,315	528,685
Excess of revenues over (under) expenditures	278,000	278,000	(680,584)	(958,584)
Other Financing Sources (Uses)				
Transfers out	(275,000)	(275,000)	(300,957)	(25,957)
Net Change in Fund Balance	3,000	3,000	(981,541)	(984,541)
Fund Balance, Beginning of Year	15,023	69,965	69,965	-
Fund Balance, End of Year	$ 18,023	$ 72,965	$ (911,576)	$ (984,541)

Arvada Urban Renewal Authority
Budgetary Comparison Schedule
Ralston Fields Fund
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues				
Incremental property taxes	$ 990,000	$ 990,000	$ 868,109	$ (121,891)
Public improvement fee	545,000	545,000	627,332	82,332
Investment income	500	500	-	(500)
Total revenues	1,535,500	1,535,500	1,495,441	(40,059)
Expenditures				
Current				
General government	15,000	15,000	13,236	1,764
Redevelopment projects	629,000	629,000	518,113	110,887
Total expenditures	644,000	644,000	531,349	112,651
Excess of revenues over (under) expenditures	891,500	891,500	964,092	72,592
Other Financing Sources (Uses)				
Transfers out	(875,000)	(1,300,000)	(180,482)	1,119,518
Net Change in Fund Balance	16,500	(408,500)	783,610	1,192,110
Fund Balance, Beginning of Year	1,386,339	1,479,203	1,479,203	-
Fund Balance, End of Year	$ 1,402,839	$ 1,070,703	$ 2,262,813	$ 1,192,110

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

Board of Commissioners
Arvada Urban Renewal Authority
Arvada, Colorado

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 23, 2014, which contained an "Emphasis of Matters" paragraph regarding changes in accounting principles and contained a reference to the report of other auditors.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Board of Commissioners
Arvada Urban Renewal Authority

Compliance

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 purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
May 23, 2014