

# **Arvada Urban Renewal Authority**

Independent Auditor's Reports and Financial Statements

December 31, 2015

**Arvada Urban Renewal Authority**  
**December 31, 2015**

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## Independent Auditor's Report

Board of Commissioners  
Arvada Urban Renewal Authority  
Arvada, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Arvada Urban Renewal Authority, a component unit of the City of Arvada, as of and for the year ended December 31, 2015, and the related notes to the 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.

### ***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, 2015, 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.

### ***Other 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 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.

Board of Commissioners  
Arvada Urban Renewal Authority

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016, 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 5, 2016

## **Management's Discussion and Analysis**

# **Arvada Urban Renewal Authority**

## **Management's Discussion and Analysis (Unaudited)**

### **December 31, 2015**

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, 2015. 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 decreased \$6,157,449 during the current year. Of total net position as of year-end, \$2,594,070 was unrestricted and available to meet ongoing obligations.
- Government-wide expenses increased by \$6,619,442. This increase was largely caused by the write-down of property held for sale.

#### ***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 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.

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

**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.

**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, Ralston Fields Fund, and Northwest Arvada Fund are required to be shown as major funds. The Olde Town 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 funds to demonstrate compliance with this budget.

**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.

***Government-wide Financial Analysis***

At the close of December 31, 2015, the Authority's assets exceeded liabilities by \$2,611,270. The following summaries of net position and changes in net position are presented for the current year and the previous year for comparative purposes.



**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	<b>Total Primary Government 2015</b>	<b>Total Primary Government 2014</b>
<b>Assets</b>		
Current and other assets	\$ 14,899,492	\$ 10,830,688
Property available for sale	1,332,694	7,317,141
Investments in limited liability corporations	-	2,000,000
Capital assets, net of accumulated depreciation	387	1,048
Total assets	16,232,573	20,148,877
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Other liabilities	2,425,427	131,312
Due in more than one year	2,115,112	4,759,291
Total liabilities	4,540,539	4,890,603
<b>Deferred Inflows of Resources</b>	9,080,764	6,489,555
<b>Net Position</b>		
Net investment in capital assets	387	1,048
Restricted for capital projects	16,813	16,614
Unrestricted	2,594,070	8,751,057
Total net position	\$ 2,611,270	\$ 8,768,719

Total assets as of December 31, 2015, decreased by \$3,916,304 when compared to prior year-end. This change was primarily due to a decrease in property held for resale of \$5,984,447 and a decrease in investments in limited liability corporations of \$2,000,000. This is offset by an increase in cash and investments of \$1,440,643 and taxes receivables of \$2,519,209. The increase in cash and investments was the result of the sale of limited liability corporations and property held for sale. The increase in taxes receivable was due to increased activity/property values in the Northwest Arvada renewal area. The decrease in property held for resale was from the sale of property for the site of a future hotel and the write-down of property in the Ralston Creek project area that will be sold to a developer.

Total liabilities decreased by \$350,064. This decrease was primarily due to a principal payment on the note payable to the City of Arvada.

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

In summary, these variances resulted in a decrease of net position for the Authority in 2015 of \$6,157,449.

**Changes in Net Position**

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

	<b>Total Primary Government 2015</b>	<b>Total Primary Government 2014</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 118,352	\$ 233,740
General revenues		
Incremental property taxes	6,971,429	5,372,000
Public improvement fees	783,058	723,437
Sales taxes	53,761	31,674
Investment income	9,725	2,529
Loss on sale of investment in LLCs	(500,000)	-
	<u>7,436,325</u>	<u>6,363,380</u>
<b>Expenses</b>		
General government	923,619	745,296
Redevelopment costs	12,514,080	6,091,980
Interest expense	156,075	137,056
	<u>13,593,774</u>	<u>6,974,332</u>
<b>Change in Net Position</b>	(6,157,449)	(610,952)
<b>Net Position, Beginning of Year</b>	<u>8,768,719</u>	<u>9,379,671</u>
<b>Net Position, End of Year</b>	<u>\$ 2,611,270</u>	<u>\$ 8,768,719</u>

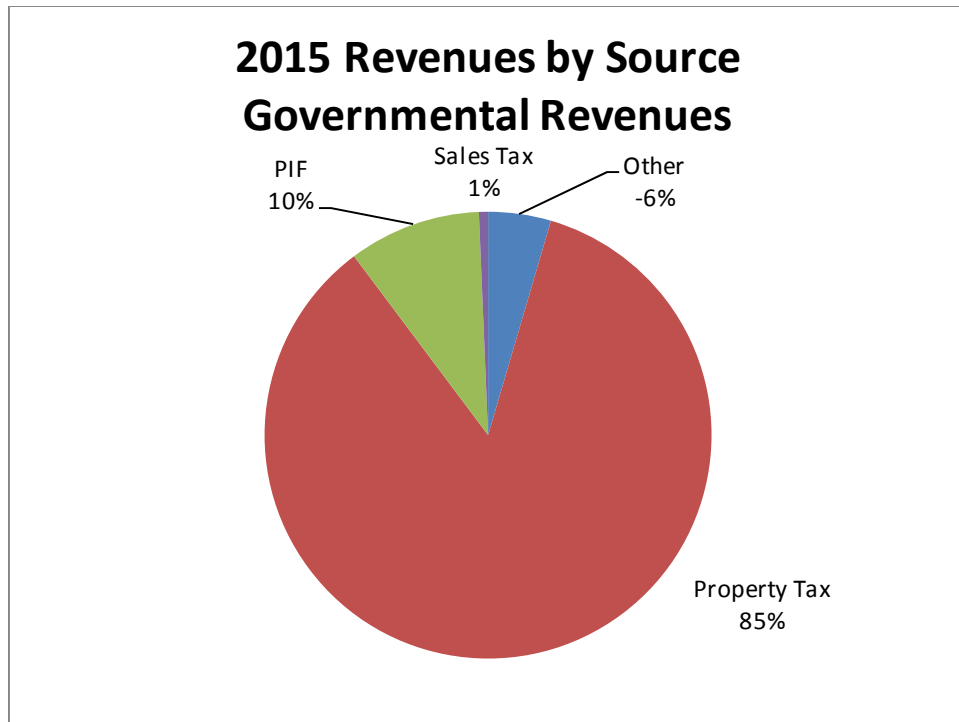
The above condensed summary of the Authority's government-wide activities for the year ended December 31, 2015, reflects net position of \$2,611,270, which was the result of a decrease in net position of \$6,157,449. Revenues were up in 2015 primarily due to an increase in property tax revenues of \$1,599,429, offset by a loss on the sale of an investment of \$500,000.

The increase in expenses was primarily due to an increase in redevelopment costs from fiscal year 2014 to fiscal year 2015 of \$6,422,100. This was primarily due to the write-down of property held for sale.

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

**Governmental Activities**

Governmental Activities decreased the Authority's Net Position by \$6,157,449.



**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, unassigned 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, 2015, the Authority's governmental funds reported combined ending fund balances of \$6,712,627, a decrease of \$4,608,426 from the prior year. Unassigned fund balance is \$2,242,607 (33%). The remainder of fund balance is nonspendable to indicate that it is not available for new spending because it has already been committed to prepaid items (\$4,527), deposits (\$402,410), property held for resale (\$1,302,753), restricted by external legal purposes (\$16,813), or assigned for an intended use (\$2,743,517).

The General Fund is the main operating fund of the Authority. At December 31, 2015, the unassigned fund balance of the General Fund was \$2,242,607, while the total fund balance was \$3,952,297. The fund balance of the General Fund decreased \$4,581,657.

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

The JCD Fund is another major fund of the Authority. At December 31, 2015, the total fund balance of the JCD Fund was \$16,813, an increase of \$199. This money is restricted to 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, 2015, the total fund balance was \$2,689,756, a decrease of \$49,055 over 2014. 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, 2015, the total fund balance was \$0. At the end of the year, revenue from this fund is transferred to the JCD Fund and 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 is used to account for activities in the Olde Town Arvada area. At December 31, 2015, the total fund balance was \$53,761 an increase of \$22,087 from 2014.

***Budgetary Highlights***

**General Fund.** There was an increase of \$2,000,000 to the original revenue budget of \$157,721. This increase was due to the Authority's sale of their equity interest in two separate companies and the sale of land and a building in the Village Commons project area. There was also an increase of \$629,000 from the original expenditure budget to the final expenditure budget. This was caused by the purchase of land and a building in 2015 that will be used in the redevelopment of Ralston Creek in 2016.

***Debt Administration***

**Long-term Debt.** At the end of December 31, 2015, the Authority had total debt outstanding of \$4,245,000. This debt is made up of two notes with the City of Arvada. See Notes to the Financial Statements for more information.

	<b>Total Primary Government 2015</b>	<b>Total Primary Government 2014</b>
<b>Notes Payable</b>	\$ 4,245,000	\$ 4,745,000

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

***Current Economic Factors***

The Authority and the City continue to work on the redevelopment plans for the Northwest Arvada, Ralston Fields, Olde Town Arvada Station, Village Commons and Jefferson Center urban renewal project areas.

**Northwest Arvada**

The Northwest Arvada urban renewal area is the site of a 1,451 acre mixed-use development now called Candelas. In 2007 the infrastructure of the area, including roads, water, sewer and stormwater lines, were constructed. The first building permits were issued in 2013. 2014 saw a tremendous amount of building activity that will continue into 2015. There were 175 single family permits issued in 2015 which accounted for 30% of the building permits issued in the City. When completed, this area is estimated to have 1,489 single-family detached homes, 2,200-3,100 single-family attached homes, 425 acres of commercial development and 269 acres of retail development.

**Ralston Fields**

Within the Ralston Fields urban renewal area is the “triangle area”, now called Ralston Creek. This area consists of three shopping centers that were built in the 1960's which are old and outdated. One shopping center will be anchored by Walmart, which is expected to open April of 2017. The Authority is working with a developer on the second and third shopping centers. The Authority has the right to purchase additional property in this area, which will also be included in future redevelopment. Development plans include multi-family residential; small and mid-sized retail; and new streetscape to bring a fresh new look and encourage pedestrian walkability to this area.

**Olde Town Arvada Station**

The Olde Town Arvada Station area surrounds the Regional Transportation District's future commuter rail transit line stop, called the Gold Line, in Olde Town. The Gold Line will connect Arvada to Denver Union Station. Park Place, an upscale multi-family apartment project with 153 units opened in December of 2015 and is now 68% leased. Another apartment project across the street from the Olde Town Station started construction at the end of 2015 and will add 352 units when complete in the second quarter of 2017. Both apartment projects are close to the retail shops and services in Olde Town and will have access to the Denver metro area when the Gold Line is operational in October 2016. The City and the Authority are also working with a developer for a transit-oriented development on the nine acre site just south of Olde Town. The developer anticipates submitting plans to the City this summer and breaking ground in 2017.

**Village Commons**

The Village Commons project area lies within a quarter mile of the Gold Line. In 2015, the Authority sold a parcel of land in this project area that will become the first hotel in the Olde Town area. The anticipated opening date of the new Hilton Garden Inn is the first quarter of 2017 and will have 118 rooms.

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

**Jefferson Center**

The Jefferson Center urban renewal area was established in 2003 and generates property tax revenues to support Northwest Arvada.

***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, 2015**

**Assets**

Cash and investments	\$	5,091,934
Fees receivable		153,657
Taxes receivable		9,080,764
Prepaid expenses		4,527
Deposits		402,410
Loan receivable (net of allowance of \$100,000)		166,200
Property held for resale		1,332,694
Capital assets, net of accumulated depreciation		<u>387</u>
Total assets		<u>16,232,573</u>

**Liabilities, Deferred Inflows of Resources and Net Position**

**Liabilities**

Accounts payable		154,073
Accrued liabilities		64,295
Security deposits		54,227
Due in one year		2,152,832
Due in more than one year		<u>2,115,112</u>
Total liabilities		<u>4,540,539</u>

**Deferred Inflows of Resources**

Unavailable revenue - property taxes		<u>9,080,764</u>
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**Net Position**

Net investment in capital assets		387
Restricted for capital projects		16,813
Unrestricted		<u>2,594,070</u>
Total net position	\$	<u><u>2,611,270</u></u>



**Arvada Urban Renewal Authority**  
**Statement of Activities**  
**Year Ended December 31, 2015**

	<b>Expenses</b>	<b>Program Revenues Charges for Services</b>	<b>Net Revenue (Expense) and Change in Net Position Governmental Activities 2015</b>
<b>Functions/Programs</b>			
Primary government			
Governmental activities			
General government	\$ 923,619	\$ -	\$ (923,619)
Redevelopment projects	12,514,080	118,352	(12,395,728)
Interest expense	156,075	-	(156,075)
Total primary government	\$ 13,593,774	\$ 118,352	(13,475,422)
<b>General Revenues</b>			
Incremental property taxes			6,971,429
Public improvement fees			783,058
Sales taxes			53,761
Investment income			9,725
Loss on sale of investments in limited liability corporations			(500,000)
Total general revenues			7,317,973
<b>Change in Net Position</b>			(6,157,449)
<b>Net Position, Beginning of Year</b>			8,768,719
<b>Net Position, End of Year</b>			\$ 2,611,270

**Arvada Urban Renewal Authority**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

	General	Jefferson Center District	Ralston Fields	Northwest Arvada	Olde Town	Total
<b>Assets</b>						
Cash and investments	\$ 2,482,133	\$ 16,813	\$ 2,592,988	\$ -	\$ -	\$ 5,091,934
Fees receivable	-	-	99,896	-	53,761	153,657
Taxes receivable	-	3,130,865	1,121,454	4,828,445	-	9,080,764
Prepaid expenses	4,527	-	-	-	-	4,527
Deposits	402,410	-	-	-	-	402,410
Loans receivable (net of allowance of \$100,000)	166,200	-	-	-	-	166,200
Property held for resale	1,302,753	-	-	-	-	1,302,753
Total assets	<u>4,358,023</u>	<u>3,147,678</u>	<u>3,814,338</u>	<u>4,828,445</u>	<u>53,761</u>	<u>16,202,245</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	150,945	-	3,128	-	-	154,073
Accrued liabilities	34,354	-	-	-	-	34,354
Security deposits	54,227	-	-	-	-	54,227
Total liabilities	<u>239,526</u>	<u>-</u>	<u>3,128</u>	<u>-</u>	<u>-</u>	<u>242,654</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	-	3,130,865	1,121,454	4,828,445	-	9,080,764
Unavailable revenue - loan revenues	166,200	-	-	-	-	166,200
Total deferred inflows of resources	<u>166,200</u>	<u>3,130,865</u>	<u>1,121,454</u>	<u>4,828,445</u>	<u>-</u>	<u>9,246,964</u>
<b>Fund Balances</b>						
Nonspendable for prepaid items	4,527	-	-	-	-	4,527
Nonspendable for deposits	402,410	-	-	-	-	402,410
Nonspendable for property held for sale	1,302,753	-	-	-	-	1,302,753
Restricted	-	16,813	-	-	-	16,813
Assigned	-	-	2,689,756	-	53,761	2,743,517
Unassigned	2,242,607	-	-	-	-	2,242,607
Total fund balances	<u>\$ 3,952,297</u>	<u>\$ 16,813</u>	<u>\$ 2,689,756</u>	<u>\$ -</u>	<u>\$ 53,761</u>	<u>6,712,627</u>

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.	387
Long-term receivable, net of allowance for doubtful accounts, is not available to pay for current period expenditures and, therefore, is deferred in funds.	166,200
Long-term liabilities including notes payable (\$4,245,000) and compensated absences (\$22,944) are not due and payable with current economic resources and, therefore, are not reported in the funds.	<u>(4,267,944)</u>
Net position of governmental activities	<u>\$ 2,611,270</u>

**Arvada Urban Renewal Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended December 31, 2015**

	General	Jefferson Center District	Ralston Fields	Northwest Arvada	Olde Town	Total
<b>Revenues</b>						
Incremental property taxes	\$ -	\$ 2,951,379	\$ 1,193,636	\$ 2,826,414	\$ -	\$ 6,971,429
Public improvement fees	-	-	783,058	-	-	783,058
Sales taxes	-	-	-	-	53,761	53,761
Rent	118,352	-	-	-	-	118,352
Investment income	5,358	-	4,367	-	-	9,725
Recovered costs	1,554,000	-	-	-	-	1,554,000
Total revenues	<u>1,677,710</u>	<u>2,951,379</u>	<u>1,981,061</u>	<u>2,826,414</u>	<u>53,761</u>	<u>9,490,325</u>
<b>Expenditures</b>						
Current						
General government	823,796	44,384	18,020	42,396	-	928,596
Redevelopment projects	6,487,423	5,389,561	637,096	-	-	12,514,080
Debt service						
Principal payments	500,000	-	-	-	-	500,000
Interest and fiscal charges	156,075	-	-	-	-	156,075
Total expenditures	<u>7,967,294</u>	<u>5,433,945</u>	<u>655,116</u>	<u>42,396</u>	<u>-</u>	<u>14,098,751</u>
Excess of revenues over (under) expenditures	<u>(6,289,584)</u>	<u>(2,482,566)</u>	<u>1,325,945</u>	<u>2,784,018</u>	<u>53,761</u>	<u>(4,608,426)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,707,927	2,638,326	-	-	-	4,346,253
Transfers out	-	(155,561)	(1,375,000)	(2,784,018)	(31,674)	(4,346,253)
Total other financing sources (uses)	<u>1,707,927</u>	<u>2,482,765</u>	<u>(1,375,000)</u>	<u>(2,784,018)</u>	<u>(31,674)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(4,581,657)</u>	<u>199</u>	<u>(49,055)</u>	<u>-</u>	<u>22,087</u>	<u>(4,608,426)</u>
<b>Fund Balances, Beginning of Year</b>	<u>8,533,954</u>	<u>16,614</u>	<u>2,738,811</u>	<u>-</u>	<u>31,674</u>	<u>11,321,053</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,952,297</u>	<u>\$ 16,813</u>	<u>\$ 2,689,756</u>	<u>\$ -</u>	<u>\$ 53,761</u>	<u>\$ 6,712,627</u>

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.	\$ (661)
Long-term receivable, net of allowance for doubtful accounts, is deferred in the governmental funds. This amount represents loan principal payments received (recovered costs, above).	(54,000)
Proceeds from sale of investment in limited liability corporations are revenues in the governmental funds, but decreases long-term assets in the statement of net position. This amount represents the amount received in the sale of these investments.	(1,500,000)
Investments in limited liability corporations are not financial resources and, therefore, are not reported in the funds. This amount represents the loss on the sale of these investments recognized on the government-wide statement of activities.	(500,000)
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 net decrease in compensated absences (\$5,638) and decrease in notes payable (\$500,000).	<u>505,638</u>
Change in net position of governmental activities	<u>\$ (6,157,449)</u>

# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

### **December 31, 2015**

#### **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, 2015. 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.

# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

### **December 31, 2015**

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

#### ***Government-wide and Fund Financial Statements***

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

# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

### **December 31, 2015**

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 the lower of cost or net realizable 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 \$402,410 represents five 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.

# Arvada Urban Renewal Authority

## Notes to Financial Statements

### December 31, 2015

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, loans receivable, 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, 2015 fund balances of governmental funds are classified as follows:

Nonspendable – 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 \$4,527 in nonspendable resources related to prepaid items, \$402,410 for deposits, and \$1,302,753 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, 2015, \$16,813 has been classified as restricted, based on the restricted use of property taxes, for redevelopment activity in the Jefferson Center 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.

# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

### **December 31, 2015**

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, 2015, \$2,689,756 has been classified as assigned for redevelopment activity in the Ralston Fields urban renewal area and \$53,761 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 \$2,242,607 of unassigned fund balance in the General Fund.

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.



**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 2: Cash and Investments**

Cash and investments of the Authority as of December 31, 2015, are as follows:

Petty cash	\$	250
Cash deposits		281,820
Certificates of deposit		4,458,386
Money market funds		351,478
		351,478
	\$	5,091,934

At December 31, 2015, 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, 2015, the Authority had bank deposits with a carrying balance of \$4,740,206.

***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.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

- 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 \$351,478 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, 2015, the Authority’s investment in the Dreyfus Government Cash Management money market fund of \$351,478 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, 2015, are summarized below:

	<b>Balance December 31, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2015</b>
Equipment	\$ 6,626	\$ -	\$ -	\$ 6,626
Accumulated depreciation	(5,578)	(661)	-	(6,239)
	<u>\$ 1,048</u>	<u>\$ (661)</u>	<u>\$ -</u>	<u>\$ 387</u>

Depreciation expense was charged to the general government program.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 4: Property Held for Resale**

The Authority owns certain property held for resale containing asbestos. Management believes that the Authority is compelled to take action due to the imminent public endangerment posed by the property and has obligated itself to commence the remediation effort. As a result, the Authority has recorded a pollution remediation obligation of \$29,941 in the statement of net position for the estimated remediation costs expected to be incurred. This obligation is recorded in both property held for resale and accrued liabilities in the statement of net position. During 2015, no action was taken on the remediation and management made no changes to the obligation previously recorded.

**Note 5: Loan Receivable**

Following is a summary of the loans receivable for the year ended December 31, 2015.

	<b>Balance December 31, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2015</b>
UDI's development loan	\$ 320,200	\$ -	\$ (54,000)	\$ 266,200
Allowance for uncollectible	(100,000)	-	-	(100,000)
	\$ 220,200	\$ -	\$ (54,000)	\$ 166,200

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 6: Investment in Limited Liability Companies**

The Authority had an equity interest in two separate companies, Reno Place Partners, LLC and Grandview Plaza Partners, LLC, which were both sold during 2015.

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).

During the year ended December 31, 2015, the Authority sold its equity interest in the two companies for a combined total of \$1,500,000. As a result of this sale, the Authority recognized a loss on the investment of \$500,000 which is reported in government-wide statement of activities.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 7: Long-term Debt**

Following is a summary of long-term debt transactions for the year ended December 31, 2015:

	<b>Balance December 31, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2015</b>	<b>Due within One Year</b>
City of Arvada notes payable	\$ 4,745,000	\$ -	\$ (500,000)	\$ 4,245,000	\$ 2,135,504
Compensated absences	28,582	20,779	(26,417)	22,944	17,328
	<u>\$ 4,773,582</u>	<u>\$ 20,779</u>	<u>\$ (526,417)</u>	<u>\$ 4,267,944</u>	<u>\$ 2,152,832</u>

**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% through April 2012. Interest payments are due monthly with the principle balance due upon maturity. The agreement required that upon the sale of the related property held for resale, the note would become due and payable in full. The loan is collateralized with a building and two parcels of land. The Authority obtained previous one-year amendments extending the maturity date through April 2015. During 2015, the property was sold and the note with the city was amended. Under the amended note, the Authority made a lump sum payment of \$500,000 at the time of the sale and the remaining balance of \$2,245,000 will be paid in monthly installments beginning January 2016 and continuing through November 2030 at a simple interest rate of 1.5%.

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% through November 2016. Interest payments are due monthly. The loan is collateralized with a building and a parcel of land.

The following schedule reflects the debt service requirements of the Authority's long-term debt payable to the City of Arvada as of December 31, 2015:

<b>Date</b>	<b>Amount</b>
2016	\$ 2,135,504
2017	137,551
2018	139,628
2019	141,737
2020	143,878
2021-2025	752,649
2026-2030	794,053
	<u>\$ 4,245,000</u>

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

**Compensated Absences**

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

**Note 8: Interfund Transfers**

Interfund transfers for the year ended December 31, 2015, were as follows:

Transfers In	Transfers Out	Balance
General	Jefferson Center District	\$ 155,561
General	Ralston Fields	1,375,000
General	Olde Town	31,674
General	Northwest Arvada	145,692
Jefferson Center District	Northwest Arvada	<u>2,638,326</u>
		<u><u>\$ 4,346,253</u></u>

During the year ended December 31, 2015, the Jefferson Center District, Ralston Fields, Olde Town and Northwest Arvada Funds transferred funds to the General Fund to help cover operations and administrative costs. See Note 13 regarding the redevelopment agreement with Jefferson Center District, the City and the Authority.

**Note 9: Related-party Transactions**

The City provides legal services to the Authority. During the year ended December 31, 2015, the Authority incurred \$51,075 for these services, which includes a payable due to the City related to fourth quarter legal fees of \$17,775. Additionally, the Authority incurred \$430,566 for other expenses paid by the City on behalf of the Authority. As of December 31, 2015, the Authority had payables to the City for these expenses in the amount of \$33,762.

The Authority is also indebted to the City in the amount of \$4,245,000 (see Note 7). During the year ended December 31, 2015, the total interest expense incurred to the City was \$156,075, all of which was paid in 2015.

**Note 10: 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.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

***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). Three employees of the Authority were participants in CARP as of December 31, 2015.

Employer contributions vest with the employee according to the following:

<b>Years of Service</b>	<b>Vesting Percentages</b>
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 \$53,000, 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 Authority contribution of \$22,876 and employee contributions of \$15,031 were paid during 2015. These contributions represent 12% of total covered payroll. The administration of the plan investments are provided by Empower Retirement.

***City of Arvada Retirement Plan – Executive Retirement Plan***

The City provides retirement benefits for the City Manager, the City Attorney, the Municipal Judge and Department Heads through a separate defined contribution plan. Qualified employees are eligible to participate from the date of employment. One employee of the Authority was a participant in the Executive Plan as of December 31, 2015.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

Under the plan, the City contributes an amount equal to 10.02% of the participant's base salary. The employee covered by this plan is required to make an 8% contribution in 2015. Employees covered under this plan are vested upon date of hire. Employees who leave employment with the City are entitled to all contributions and interest earnings. Plan provisions and contribution requirements are established and may be amended by City Council.

For the year ended December 31, 2015, the Authority contributed \$13,627 for the benefit of one participant in the Plan and the employee contributed \$10,880, as required. The plan investments are administered by Empower Retirement.

**Note 11: Risk Management**

The City has established a risk management program in which the Authority participates. The City is self-insured for medical coverage as well as occurrences of general liability and auto liability claims, which are subject to the Colorado Governmental Immunity Act, which limits recoveries to \$350,000 per person and \$990,000 per incident. 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 \$500,000. 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. As the City commits itself to funding any deficiencies in the risk management programs, no liability is recorded in the Authority's financial statements.

**Note 12: Commitments and Contingencies**

***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.

***Property Held for Resale***

During 2015, the Authority entered into various Disposition and Development agreements (DDA) to sell property held for resale with an adjusted book value of \$1,202,753.

As a result of these agreements, the Authority recognized an impairment loss on the properties of \$6,284,447. This loss is recorded in redevelopment projects on the statement of activities and statement of revenues, expenditures and changes in fund balance – governmental funds. Management expects the sales of the properties to close in 2016 and 2017.

Included in one of the DDA's on a property that sold during 2015 was a commitment from the Authority to return approximately \$93,000 upon the Redeveloper's receipt of a certificate of occupancy from the City of Arvada. This commitment is not expected to occur until 2017.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

***Lessee Reporting***

The Authority entered into an operating lease for office space with a company in which the Authority had an equity interest (see Note 6). Monthly lease payments of \$4,390 are required through October 2018. Rent expense, including annual maintenance expenses, for the year ended December 31, 2015, was \$54,819.

Minimum rental commitments under this lease are as follows:

2016	\$	52,684
2017		52,684
2018		43,903
		<hr/>
	\$	149,271
		<hr/> <hr/>

***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



# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

### **December 31, 2015**

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 District: The District is to receive 60% of all property tax and PIF from the Area, excluding taxes derived from the Retail Sales Operation. Additionally, the District is to receive 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 District is to receive 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, 2014 of \$9,440,000) or (b) September 30, 2028, the Authority's obligations to the District will terminate. As of December 31, 2015, \$3,410,372 had been passed through the Authority and remitted to the District related to property tax and PIF. Taxes derived from the Retail Sales Operation allocated to the District are not passed through the Authority.
- Additionally, 100% of the ad valorem tax on real and personal property attributable to the District Mill Levy actually received by the Authority shall be remitted to the District. Total amount remitted to the District related to the District Mill Levy during the year ended December 31, 2015, was \$42,759. 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.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2015**

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, 2015 of \$32,765,000), or (b) the date that is the 25<sup>th</sup> 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, 2015, of \$32,765,000, supported by Northwest Area Property Taxes or to which Northwest Area Property Taxes are pledged), or (b) the date that is the 25<sup>th</sup> anniversary of the date of adoption of the Jefferson Center Urban Renewal Plan. The agreement is expected to terminate in 2034.

In 2014, the Authority entered into a Disposition and Development Agreement with Park Place Olde Town, Inc. (Park Place). In the agreement, Park Place will bear the costs and expenses incurred in connection with the construction of an upscale multifamily development. The Authority is obligated to rebate incremental property taxes collected from the real property and improvements physically located in the project area up to an amount of \$1,250,000 with annual interest of 4%. The agreement allows the Authority to pay a maximum of \$1,628,207 to Park Place over the next 14 years.

**Note 13: Subsequent Events**

On February 1, 2016, the Authority closed on the sale of one of their properties held for sale. The property, having an adjusted book value of \$100,000, was sold for approximately \$180,000.

On April 4, 2016, the Authority and the City entered into a loan agreement in which the City will loan the Authority \$5,000,000, no later than June 10, 2016, at a simple interest rate of 3% through May 2028. Interest only payments, in the amount of \$150,000, are due June 2017 and 2018. Starting in June 2019, annual payments of principal and interest ranging from \$450,000 to \$651,517 are due.

## **Required Supplementary Information**

**Arvada Urban Renewal Authority**  
**Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)**  
**General Fund and Related Note**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Rent	\$ 102,721	\$ 102,721	\$ 118,352	\$ 15,631
Investment income	1,000	1,000	5,358	4,358
Recovered costs	54,000	2,054,000	1,554,000	(500,000)
	<u>157,721</u>	<u>2,157,721</u>	<u>1,677,710</u>	<u>(480,011)</u>
<b>Expenditures</b>				
Current				
General government	1,527,222	2,156,222	1,204,254	951,968
Redevelopment projects	-	203,000	203,000	-
Principal payments	-	500,000	500,000	-
Interest and fiscal charges	160,000	160,000	156,075	3,925
	<u>1,687,222</u>	<u>3,019,222</u>	<u>2,063,329</u>	<u>955,893</u>
Excess of revenues over (under) expenditures	<u>(1,529,501)</u>	<u>(861,501)</u>	<u>(385,619)</u>	<u>475,882</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>1,236,000</u>	<u>1,763,000</u>	<u>1,707,927</u>	<u>(55,073)</u>
<b>Net Change in Fund Balance</b>	(293,501)	901,499	1,322,308	420,809
<b>Fund Balance, Beginning of Year</b>	<u>8,533,954</u>	<u>8,533,954</u>	<u>8,533,954</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 8,240,453</u>	<u>\$ 9,435,453</u>	9,856,262	<u>\$ 420,809</u>
Reconciliation to GAAP basis:				
Add/(less):				
Addition to property held for resale			880,482	
Sale of property held for resale			(500,000)	
Write-down of property held for resale			<u>(6,284,447)</u>	
Fund balance, GAAP basis, end of year			<u>\$ 3,952,297</u>	

**Arvada Urban Renewal Authority**  
**Budgetary Comparison Schedule**  
**General Fund and Related Note (continued)**  
**Year Ended December 31, 2015**

**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, except that activity related to purchases and write-downs on property held for sale have no effect on budgetary accounting. 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, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Incremental property taxes	\$ 2,650,000	\$ 2,952,000	\$ 2,951,379	\$ (621)
Investment income	5,000	5,000	-	(5,000)
Total revenues	<u>2,655,000</u>	<u>2,957,000</u>	<u>2,951,379</u>	<u>(5,621)</u>
<b>Expenditures</b>				
Current				
General government	52,000	49,000	44,384	4,616
Redevelopment projects	<u>3,914,250</u>	<u>5,390,000</u>	<u>5,389,561</u>	<u>439</u>
Total expenditures	<u>3,966,250</u>	<u>5,439,000</u>	<u>5,433,945</u>	<u>5,055</u>
Excess of revenues over (under) expenditures	<u>(1,311,250)</u>	<u>(2,482,000)</u>	<u>(2,482,566)</u>	<u>(566)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,430,750	2,638,000	2,638,326	326
Transfers out	<u>(119,500)</u>	<u>(156,000)</u>	<u>(155,561)</u>	<u>439</u>
Total other financing sources (uses)	<u>1,311,250</u>	<u>2,482,000</u>	<u>2,482,765</u>	<u>765</u>
<b>Net Change in Fund Balance</b>	-	-	199	199
<b>Fund Balance, Beginning of Year</b>	<u>16,614</u>	<u>16,614</u>	<u>16,614</u>	-
<b>Fund Balance, End of Year</b>	<u>\$ 16,614</u>	<u>\$ 16,614</u>	<u>\$ 16,813</u>	<u>\$ 199</u>

**Arvada Urban Renewal Authority**  
**Budgetary Comparison Schedule**  
**Ralston Fields Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Incremental property taxes	\$ 1,125,000	\$ 1,125,000	\$ 1,193,636	\$ 68,636
Public improvement fee	705,000	705,000	783,058	78,058
Investment income	1,000	1,000	4,367	3,367
Total revenues	<u>1,831,000</u>	<u>1,831,000</u>	<u>1,981,061</u>	<u>150,061</u>
<b>Expenditures</b>				
Current				
General government	20,000	20,000	18,020	1,980
Redevelopment projects	<u>785,000</u>	<u>785,000</u>	<u>637,096</u>	<u>147,904</u>
Total expenditures	<u>805,000</u>	<u>805,000</u>	<u>655,116</u>	<u>149,884</u>
Excess of revenues over (under) expenditures	<u>1,026,000</u>	<u>1,026,000</u>	<u>1,325,945</u>	<u>299,945</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(950,000)</u>	<u>(1,375,000)</u>	<u>(1,375,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	76,000	(349,000)	(49,055)	299,945
<b>Fund Balance, Beginning of Year</b>	<u>2,738,811</u>	<u>2,738,811</u>	<u>2,738,811</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 2,814,811</u></u>	<u><u>\$ 2,389,811</u></u>	<u><u>\$ 2,689,756</u></u>	<u><u>\$ 299,945</u></u>



**Arvada Urban Renewal Authority**  
**Budgetary Comparison Schedule**  
**Northwest Arvada Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Incremental property taxes	\$ 1,550,000	\$ 2,827,000	\$ 2,826,414	\$ (586)
Investment income	500	500	-	(500)
Total revenues	<u>1,550,500</u>	<u>2,827,500</u>	<u>2,826,414</u>	<u>(1,086)</u>
<b>Expenditures</b>				
Current				
General government	<u>23,250</u>	<u>43,500</u>	<u>42,396</u>	<u>1,104</u>
Total expenditures	<u>23,250</u>	<u>43,500</u>	<u>42,396</u>	<u>1,104</u>
Excess of revenues over (under) expenditures	<u>1,527,250</u>	<u>2,784,000</u>	<u>2,784,018</u>	<u>18</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(1,527,250)</u>	<u>(2,784,000)</u>	<u>(2,784,018)</u>	<u>(18)</u>
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Arvada Urban Renewal Authority**  
**Budgetary Comparison Schedule**  
**Olde Town Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Incremental sales taxes	\$ 70,000	\$ 54,000	\$ 53,761	\$ (239)
Investment income	500	500	-	(500)
Total revenues	<u>70,500</u>	<u>54,500</u>	<u>53,761</u>	<u>(739)</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Redevelopment projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>70,500</u>	<u>54,500</u>	<u>53,761</u>	<u>(739)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(70,000)</u>	<u>(86,000)</u>	<u>(31,674)</u>	<u>54,326</u>
<b>Net Change in Fund Balance</b>	500	(31,500)	22,087	53,587
<b>Fund Balance, Beginning of Year</b>	<u>31,674</u>	<u>31,674</u>	<u>31,674</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 32,174</u></u>	<u><u>\$ 174</u></u>	<u><u>\$ 53,761</u></u>	<u><u>\$ 53,587</u></u>

**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, 2015, 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 5, 2016.

***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 or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a significant deficiency in internal control.

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 Authority's Response to Finding**

The Authority's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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 5, 2016

**Arvada Urban Renewal Authority**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2015**

**Reference  
Number**

**Finding**

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**2015-001**    **Finding:** Accounts Payable

**Criteria or Specific Requirement:** Internal controls over the cut-off of expenditures should be improved to ensure the financial statements are fairly presented in accordance with accounting principles generally accepted (GAAP).

**Condition:** During our testing of year-end expenditure cutoff, we noted one invoice which was improperly excluded from accounts payable at December 31, 2015 in the amount of \$92,740.

**Effect:** As a result of our testing, we proposed, and the Authority recorded, an entry to adjust accounts payable for this amount.

**Cause:** During 2015, the Authority entered into multiple Disposition and Development Agreements (DDA). While invoices related to subsequent payments were reviewed for potential accruals, the facts within the DDA's are typically the source documents generating the liabilities. The Authority did not have internal controls and processes in place to evaluate these agreements for potential liabilities related to the Authority's reimbursement of incremental costs of the Redeveloper that were due and payable at year-end.

**Recommendation:** We recommend the Authority develop a process and implement controls for reviewing these agreements and ensuring that all items are properly accounted for. In addition, as the Authority's general ledger functions are handled through the City of Arvada's finance department, the City's finance department should request to review DDA's in addition to the invoices to ensure that they have the information needed to record all necessary payables.

**Views of Responsible Officials and Planned Corrective Actions:**

**Response:** The Authority will send all agreements to the City of Arvada. The Finance department will review subsequent payments and agreements with the Authority for any year-end accruals.