

# **Arvada Urban Renewal Authority**

Independent Auditor's Reports and Financial Statements

December 31, 2019

**Arvada Urban Renewal Authority**  
**December 31, 2019**

**Contents**

<b>Independent Auditor's Report .....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>3</b>
<b>Financial Statements</b>	
Statement of Net Position .....	12
Statement of Activities .....	13
Balance Sheet – Governmental Funds .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
<b>Notes to Financial Statements .....</b>	<b>16</b>
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund and Related Note .....	30
Budgetary Comparison Schedule – Jefferson Center District Fund .....	32
Budgetary Comparison Schedule – Ralston Fields Fund .....	33
Budgetary Comparison Schedule – Northwest Arvada Fund .....	34
Budgetary Comparison Schedule – Olde Town Fund .....	35
Budgetary Comparison Schedule – Village Commons Fund .....	36
<b>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 <i>Government Auditing Standards</i> – Independent Auditor's Report .....</b>	<b>37</b>

## 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 (the Authority), a component unit of the City of Arvada, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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, 2019, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020, 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 18, 2020

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

# **Arvada Urban Renewal Authority**

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

### **December 31, 2019**

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, 2019. 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 \$2,420,592 during the current year resulting in a net position of \$3,177,131.
- Government-wide revenues and expenses increased by \$2,544,932 and \$1,769,069, respectively. Property tax, public improvement fees and sales taxes have all increased due to successful commercial and retail efforts in almost all areas. Expenses have also increased as many developer agreements include tax or public improvement fee rebates based on a percentage of taxes or public improvement fees.

#### ***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, 2019**

**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 and Village Commons funds are not required to be presented as major funds; yet, management elects to present them 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, 2019, the Authority's assets exceeded liabilities by \$3,177,131. 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, 2019**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	<b>Total Primary Government 2019</b>	<b>Total Primary Government 2018</b>
<b>Assets</b>		
Current and other assets	\$ 25,896,974	\$ 22,059,587
Property available for sale	300,031	300,031
Total assets	<u>26,197,005</u>	<u>22,359,618</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
Other liabilities	1,463,778	1,027,559
Due in more than one year	5,847,096	6,445,369
Total liabilities	<u>7,310,874</u>	<u>7,472,928</u>
<b>Deferred Inflows of Resources</b>	<u>15,709,000</u>	<u>14,130,151</u>
<b>Net Position</b>		
Restricted for capital projects	220,845	44,041
Unrestricted	2,956,286	712,498
Total net position	<u>\$ 3,177,131</u>	<u>\$ 756,539</u>

Total assets as of December 31, 2019 increased \$3,837,387 when compared to the prior year-end. This change was due to an increase in cash of \$2,460,276 and an increase in taxes receivable of \$1,578,849. The increase in taxes receivable was due to an increase in Ralston Fields and Northwest Arvada as these areas continues to grow.

Total liabilities decreased by \$162,054. This decrease was primarily due to the payment of long-term debt.

Deferred inflows increased by \$1,578,849 due to deferred taxes receivable as noted above.

In summary, these variances resulted in an increase in net position for the Authority in 2019 of \$2,420,592.



**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

***Changes in Net Position***

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

	<b>Total Primary Government 2019</b>	<b>Total Primary Government 2018</b>
<b>Revenues</b>		
General revenues		
Incremental property taxes	\$ 14,478,206	\$ 12,189,649
Public improvement fees	2,368,861	2,233,721
Sales taxes	548,993	479,417
Lodging taxes	119,031	108,484
Investment income	98,857	57,745
	<u>17,613,948</u>	<u>15,069,016</u>
Total revenue		
	<u>17,613,948</u>	<u>15,069,016</u>
<b>Expenses</b>		
General government	1,032,482	931,539
Redevelopment costs	13,987,773	12,224,047
Interest expense	173,101	268,701
	<u>15,193,356</u>	<u>13,424,287</u>
Total expenses		
	<u>15,193,356</u>	<u>13,424,287</u>
<b>Change in Net Position</b>	2,420,592	1,644,729
<b>Net Position (Deficit), Beginning of Year</b>	<u>756,539</u>	<u>(888,190)</u>
<b>Net Position, End of Year</b>	<u><u>\$ 3,177,131</u></u>	<u><u>\$ 756,539</u></u>

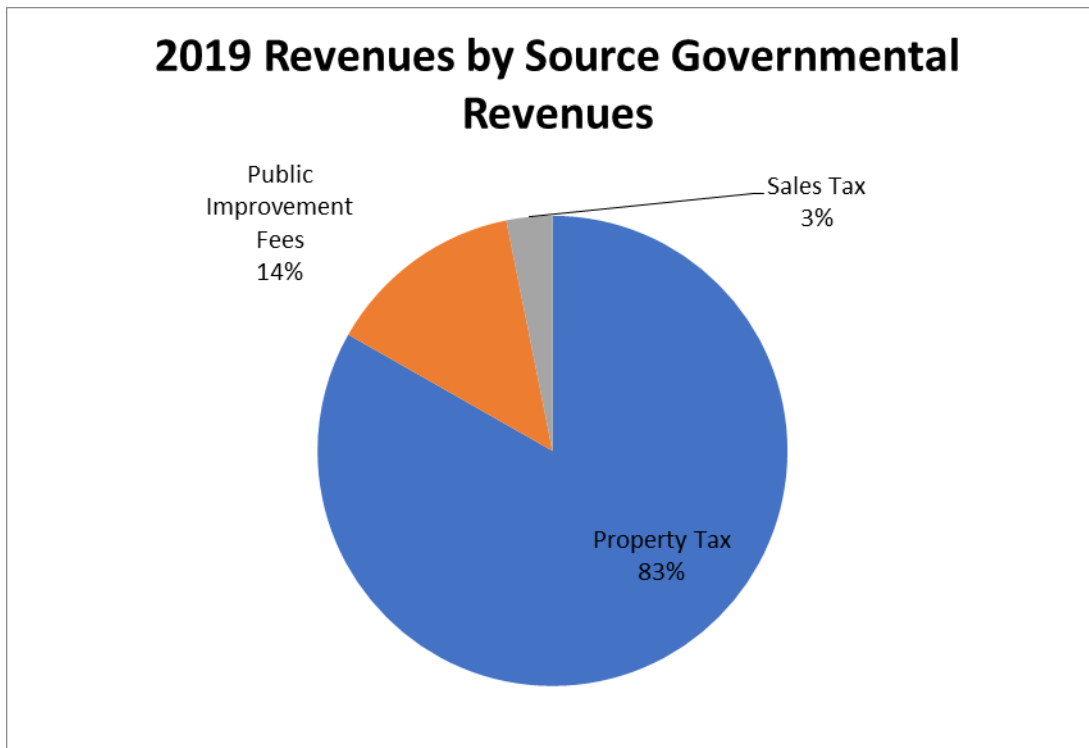
The above condensed summary of the Authority's government-wide activities for the year ended December 31, 2019 reflects a net position of \$3,177,131, which has improved \$2,420,592 from 2018. Revenues were up in 2019 primarily due to an increase in property tax revenues of \$2,288,557, an increase in public improvement fees of \$135,140 and an increase in sales taxes of \$69,576.

The increase in expenses was primarily due to an increase in redevelopment costs from fiscal year 2018 to fiscal year 2019 of \$1,763,726. The increase in property, sales and public improvement fee rebates accounts for much of the increase.

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

***Governmental Activities***

Governmental activities increased the Authority's net position by \$2,420,592.



***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, 2019, the Authority's governmental funds reported combined ending fund balances of \$9,639,858, an increase of \$2,031,569 from the prior year. Unassigned fund balance is \$1,243,289 (13%). The remainder of the fund balance is non-spendable to indicate that it is not available for new spending because it has already been committed to property held for resale (\$300,031), restricted by external legal purposes (\$220,845), or assigned for an intended use (\$7,875,693).

The General Fund is the main operating fund of the Authority. At December 31, 2019, the unassigned fund balance of the General Fund was \$1,243,289, while the total fund balance was \$1,543,320. The fund balance of the General Fund decreased \$6,064,969 primarily due to transfers to the funds for future redevelopment.

# Arvada Urban Renewal Authority

## Management's Discussion and Analysis (Unaudited)

### December 31, 2019

The Jefferson Center District Fund is another major fund of the Authority. At December 31, 2019, the total fund balance of the JCD Fund was \$0. Excess expenditures over revenues of \$8,953,707 were due to redevelopment and were funded with transfers from the General Fund.

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, 2019, the total fund balance was \$6,670,607. Excess revenues over expenditures of \$1,120,550 were retained in the fund for future redevelopment.

The Northwest Arvada Fund is used to account for activities in the Northwest Arvada Urban Renewal areas. At December 31, 2019, the total fund balance was \$0. At the end of the year, excess of revenue over expenses of \$9,402,394 was 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.

The Olde Town Arvada Fund is used to account for activities in the Olde Town Arvada area. At December 31, 2019, the total fund balance was \$985,371. Excess revenues over expenditures of \$395,258 were retained in the fund for future redevelopment.

Lastly, the Village Commons Fund is used to account for one commercial area. At December 31, 2019, the total fund balance was \$440,560. Excess revenues over expenditures of \$440,560 were retained in the fund for future redevelopment.

### ***Budgetary Highlights***

**General Fund.** There were changes to the budget for the General Fund, Jefferson Center District and Northwest Arvada. The increase in the General Fund was to increase transfers to other funds for redevelopment activities. The increase in the Jefferson Center District and Northwest Arvada was a result of property tax that exceeded the original budget which will be transferred to the General Fund to help cover administrative and operating costs.

### ***Debt Administration***

**Long-term Debt.** At the end of December 31, 2019, the Authority had total debt outstanding of \$6,444,074. 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 2019</b>	<b>Total Primary Government 2018</b>
Notes payable	<u>\$ 6,444,074</u>	<u>\$ 6,834,896</u>

# **Arvada Urban Renewal Authority**

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

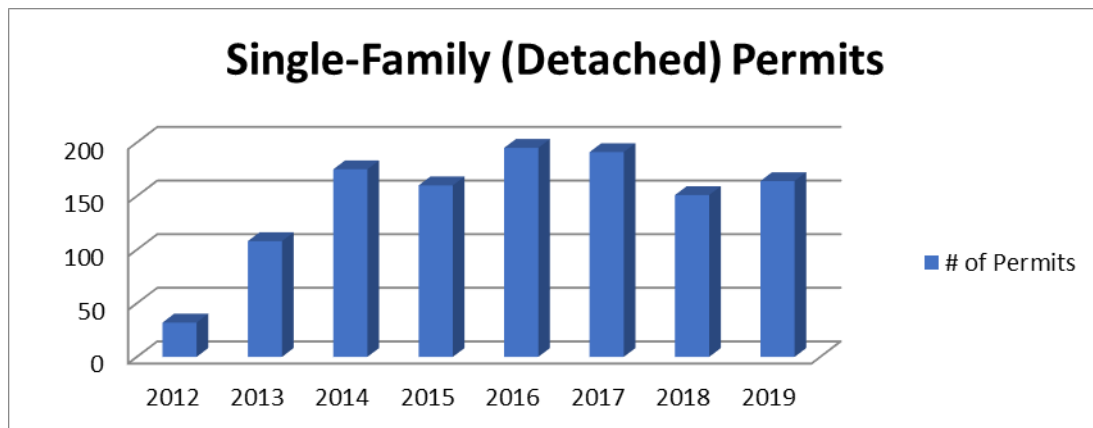
### **December 31, 2019**

#### ***Current Economic Factors***

The Authority and the City continue to work on the redevelopment plans for the Northwest Arvada, Ralston Fields, Olde Town Arvada, 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, was constructed. The first building permits were issued in 2012, with steady growth each year. A King Soopers, the first grocery store in this area, opened in May 2018, followed by a police community station that opened in May 2019. There have also been several smaller retailers that have come into Candelas, including Starbucks, 7-11, Wendy's, Chase Bank, Primrose preschool, Anytime Fitness, Les Schwab and SuperCuts. Candelas was originally planned with more commercial development; however, a study performed in 2019 found that this area could not support the planned commercial development. Arvada City Council approved a rezoning, making way for approximately 650 additional residential units.



#### **Olde Town Arvada Station**

The Olde Town Arvada Station area surrounds the Regional Transportation District's commuter rail transit line stop, called the G Line. The G Line, which opened April 26, 2019, connects Arvada to Denver Union Station. There has already been substantial redevelopment in anticipation of the G Line. Park Place, an upscale multi-family apartment project with 153 units, is fully leased. Solana, a state-of-the-art apartment complex with 352 units that offers high-end amenities, is located across the street from the Olde Town Station. Both apartment projects are close to the retail shops, restaurants and services in Olde Town and have easy access to the Denver metro area via the G Line. This area also had an existing movie theater that was purchased by Harkins Theatres which invested over \$8 million to renovate the theater. The newly renovated theater opened in 2018 and has upgraded amenities including leather reclining seats, reserved and paperless ticketing, in-lobby bar, an expanded concession stand with hot food offerings and laser projection.

The Authority continues to work with a developer for a transit-oriented development on the nine acre site just south of Olde Town. One phase of the development called Olde Town Residences

# **Arvada Urban Renewal Authority**

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

### **December 31, 2019**

will add 252 additional units to this area. This project is currently on hold as a community group that opposes the development is currently in litigation with the City of Arvada. The City had a favorable ruling; however, the community group appealed the decision. The result of the appeal will be decided in 2020. Phase II of this development includes the construction of a hotel and 15,000 square feet of retail space. The developer submitted the preliminary development plan in 2020.

The Authority is also working on a project in the heart of Olde Town to redevelop an old church. The developer is planning to renovate and add onto the existing church which will house several restaurants in the area that is blocks from the G Line and frequented by residents of the new apartment complexes and existing single family homes.

#### **Ralston Fields**

Ralston Fields is an urban renewal area that has been undergoing significant redevelopment. There are two major redevelopment activity areas. The first area is called Ralston Creek. The redevelopment started with a renovation to Ralston Creek Park by the City of Arvada that is on the eastern border of this urban renewal area. The commercial area consists of three shopping centers that were built in the 1960s which are old and outdated. One shopping center is now anchored by Super Walmart, which opened August of 2017. In this same area, there is also an undeveloped strip that the Authority and a developer are working on to create a new multi-family housing development. Also included with the opening of Super Walmart was an update to the Ralston Road streetscape that brought a fresh new look that encourages pedestrian walkability between shopping and restaurant areas and ultimately multi-family housing.

The Authority is working with a developer on the second and third shopping centers. Phase 1 is the Shops at Ralston Creek which includes four retail buildings totaling 30,000 square feet. Tokyo Joes, Five Guys, Arvada Liquor Mart, Wing Stop, Mod Pizza, Tropical Smoothie Café and Lady Jane's are current tenants with Bank of America expected to open in 2020. The Authority is continuing to work with the developer to lease the remaining two sites. Phase 2 includes a townhome complex on the west side of the development that has received the required development approvals from the City but due to the COVID-19 pandemic has lost its debt and equity financing. The developer is waiting to see if the lending community will finance the project after the country reopens for business. On the east side, the Authority purchased an old gas station in March 2020 which will be demolished. This land along with previously purchased land will be marketed to developers of additional commercial and multi-family housing.

The second area is the Arvada Ridge development. Phase 1 of this area is the Arvada Ridge Market place which is a retail center anchored by a Super Target that opened in 2006. Phase 2 is Arvada Station, a 380 unit market-rate, multi-family apartment complex located across the street from the Arvada Ridge commuter rail station of the G Line. Phase 3 of Arvada Ridge is Gateway apartments, a 298 unit market-rate multi-family apartment complex within walking distance of the Arvada Ridge commuter rail station and Red Rocks Community College. This apartment complex is now complete and over 50% leased. A public art park is part of the development. In addition, a public park is planned for the area. This park will help residents become active participants in their health providing opportunities for fitness and recreation. It will also act as an outdoor classroom and research laboratory for students at Red Rocks Community College. This park is not fully funded at this time.

**Arvada Urban Renewal Authority**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

**Village Commons**

The Village Commons project area lies within a quarter mile of the G Line. In 2015, the Authority sold a parcel of land in this project area for the first hotel in the Olde Town area. Hilton Garden Inn opened in March of 2017 and has 136 rooms and a small conference center. The hotel has been a welcome addition to the City of Arvada accommodating visitors to the Arvada Center and Stenger/Lutz and APEX athletic facilities. The conference center is also a new venue for weddings, reunions, charity events and business meetings.

**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, 2019

### Assets

Cash and investments	\$ 9,379,116
Fees receivable	808,858
Taxes receivable	15,709,000
Property held for resale	<u>300,031</u>
Total assets	<u>26,197,005</u>

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

#### Liabilities

Accounts payable	460,698
Accrued liabilities	284,300
Security deposits	103,149
Due in one year	615,631
Due in more than one year	<u>5,847,096</u>
Total liabilities	<u>7,310,874</u>

#### Deferred Inflows of Resources

Unavailable revenue - property taxes	<u>15,709,000</u>
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#### Net Position

Restricted for capital projects	220,845
Unrestricted	<u>2,956,286</u>
Total net position	<u>\$ 3,177,131</u>



# Arvada Urban Renewal Authority

## Statement of Activities Year Ended December 31, 2019

		<b>Program Revenues Charges for Services</b>	<b>Net Revenue (Expense) and Change in Net Position Governmental Activities 2019</b>
<b>Functions/Programs</b>	<b>Expenses</b>		
Primary government			
Governmental activities			
General government	\$ 1,032,482	\$ -	\$ (1,032,482)
Redevelopment projects	13,987,773	-	(13,987,773)
Interest expense	173,101	-	(173,101)
Total primary government	<u>\$ 15,193,356</u>	<u>\$ -</u>	<u>(15,193,356)</u>
<b>General Revenues</b>			
Incremental property taxes			14,478,206
Public improvement fees			2,368,861
Sales taxes			548,993
Lodging taxes			119,031
Investment income			98,857
Total general revenues			<u>17,613,948</u>
<b>Change in Net Position</b>			2,420,592
<b>Net Position, Beginning of Year</b>			<u>756,539</u>
<b>Net Position, End of Year</b>			<u>\$ 3,177,131</u>

# Arvada Urban Renewal Authority

## Balance Sheet

### Governmental Funds

December 31, 2019

	General	Jefferson Center District	Ralston Fields	Northwest Arvada	Olde Town	Village Commons	Total
<b>Assets</b>							
Cash and investments	\$ 1,824,782	\$ 43,865	\$ 6,082,017	\$ -	\$ 739,589	\$ 688,863	\$ 9,379,116
Due from other funds	355,855	-	498,080	-	246,162	-	1,100,097
Fees receivable	500	-	709,121	-	-	99,237	808,858
Taxes receivable	-	2,500,000	1,700,000	10,500,000	600,000	409,000	15,709,000
Property held for resale	300,031	-	-	-	-	-	300,031
Total assets	2,481,168	2,543,865	8,989,218	10,500,000	1,585,751	1,197,100	27,297,102
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	65,570	-	359,198	-	380	35,550	460,698
Accrued liabilities	24,887	-	259,413	-	-	-	284,300
Due to other funds	744,242	43,865	-	-	-	311,990	1,100,097
Security deposits	103,149	-	-	-	-	-	103,149
Total liabilities	937,848	43,865	618,611	-	380	347,540	1,948,244
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - property taxes	-	2,500,000	1,700,000	10,500,000	600,000	409,000	15,709,000
<b>Fund Balances</b>							
Nonspendable for property held for sale	300,031	-	-	-	-	-	300,031
Restricted	-	-	-	-	106,195	114,650	220,845
Assigned	-	-	6,670,607	-	879,176	325,910	7,875,693
Unassigned	1,243,289	-	-	-	-	-	1,243,289
Total fund balances	\$ 1,543,320	\$ -	\$ 6,670,607	\$ -	\$ 985,371	\$ 440,560	9,639,858

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

Long-term liabilities including notes payable (\$6,444,074) and compensated absences (\$18,653) are not due and payable with current economic resources and, therefore, are not reported in the funds.

(6,462,727)

Net position of governmental activities

\$ 3,177,131

**Arvada Urban Renewal Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended December 31, 2019**

	General	Jefferson Center District	Ralston Fields	Northwest Arvada	Olde Town	Village Commons	Total
<b>Revenues</b>							
Incremental property taxes	\$ -	\$ 2,470,408	\$ 1,499,171	\$ 9,545,578	\$ 554,948	\$ 408,101	\$ 14,478,206
Public improvement fees	-	-	2,368,861	-	-	-	2,368,861
Sales taxes	-	-	-	-	342,114	206,879	548,993
Lodging taxes	-	-	-	-	-	119,031	119,031
Investment income	47,244	-	51,613	-	-	-	98,857
Recovered costs	142,976	-	-	-	-	-	142,976
Total revenues	190,220	2,470,408	3,919,645	9,545,578	897,062	734,011	17,756,924
<b>Expenditures</b>							
Current							
General government	563,706	37,237	257,625	143,184	22,809	6,122	1,030,683
Redevelopment projects	-	11,386,878	2,145,845	-	478,995	119,031	14,130,749
Debt service							
Principal payments	-	-	250,000	-	-	140,822	390,822
Interest and fiscal charges	-	-	145,625	-	-	27,476	173,101
Total expenditures	563,706	11,424,115	2,799,095	143,184	501,804	293,451	15,725,355
Excess of revenues over (under) expenditures	(373,486)	(8,953,707)	1,120,550	9,402,394	395,258	440,560	2,031,569
<b>Other Financing Sources (Uses)</b>							
Transfers in	563,706	9,402,394	5,665,076	-	590,113	-	16,221,289
Transfers out	(6,255,189)	(448,687)	(115,019)	(9,402,394)	-	-	(16,221,289)
Total other financing sources (uses)	(5,691,483)	8,953,707	5,550,057	(9,402,394)	590,113	-	-
<b>Net Change in Fund Balances</b>	(6,064,969)	-	6,670,607	-	985,371	440,560	2,031,569
<b>Fund Balances, Beginning of Year</b>	7,608,289	-	-	-	-	-	7,608,289
<b>Fund Balances, End of Year</b>	<u>\$ 1,543,320</u>	<u>\$ -</u>	<u>\$ 6,670,607</u>	<u>\$ -</u>	<u>\$ 985,371</u>	<u>\$ 440,560</u>	<u>\$ 9,639,858</u>

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

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 increase in compensated absences (\$1,799) and decrease in notes payable (\$390,822).

389,023

Change in net position of governmental activities

\$ 2,420,592

# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

**December 31, 2019**

### **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, the Olde Town renewal area in 2013, and the Village Commons renewal area in 2017. The 25-year urban renewal plans intend to enhance, redevelop, and revitalize these areas.

The Authority operates under an Intergovernmental Agreement with the City whereby the City provides the Authority with employees (*i.e.* – “positions”) to carry out its operations. The cost of the employees are reimbursed by the Authority.

#### ***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, 2019**

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 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, 2019**

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. Prior to 2019, all remaining fund balances were closed into the general fund. During 2019, the Authority transferred fund balances of Ralston Fields and Village Commons back to those respective funds for future development. The classifications of fund balances, after transfer from the General Fund, retained their respective designations.
- Jefferson Center District – The Jefferson Center District Fund is a special revenue fund used to account for the financial activities related to this urban renewal area.
- Ralston Fields – The Ralston Fields Fund is a special revenue 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 special revenue fund used to account for the financial activities of this urban renewal area.
- Olde Town – The Olde Town Fund is a special revenue fund used to account for the financial activities of this urban renewal area.
- Village Commons – The Village Commons Fund is a special revenue 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.

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 – Positions 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.

# Arvada Urban Renewal Authority

## Notes to Financial Statements

December 31, 2019

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, 2019 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 \$300,031 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, 2019, \$220,845 has been classified as restricted, based on the restricted use of property taxes, for redevelopment activity in the Olde Town and Village Commons urban renewal areas.
- 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, 2019, \$7,875,693 has been classified as assigned for redevelopment activity in the Ralston Fields, Olde Town and Village Commons urban renewal areas.
- 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 \$1,243,289 of unassigned fund balance in the General Fund.

# Arvada Urban Renewal Authority

## Notes to Financial Statements

December 31, 2019

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 positions; 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: Cash and Investments**

Cash and investments of the Authority as of December 31, 2019, are as follows:

Petty cash	\$ 250
Cash deposits	5,533,794
Certificates of deposit, short-term	2,443,010
Colorado Statewide Investment Program (CSIP)	1,045,616
Money market mutual fund with broker	356,446
	<hr/>
	\$ 9,379,116



# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

**December 31, 2019**

At December 31, 2019, the Authority invested in CSIP, a local government investment pool. The valuation of the investment is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of the investment pool, including establishing operating standards and policies. CSIP is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings. At December 31, 2019, the Authority also invested in a money market mutual fund with a broker which is held at cost. At December 31, 2019, 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, 2019, the Authority had bank deposits with a carrying balance of \$7,976,804. The bank balances were \$8,026,610, of which \$853,149 was covered by the federal deposit insurance and \$7,173,461 was collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

### ***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, 2019**

- 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.

**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.

**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.

At December 31, 2019, the Authority invested in CSIP's Term Portfolio, an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. CSIP operates similarly to a money market fund and each share is equal to \$1.00. The value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. The Authority's investment in CSIP is rated AA+ by Fitch Ratings. CSIP is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following address:

Colorado Statewide Investment Program  
633 17th Street, Suite 2250  
Denver, Colorado 80202

At December 31, 2019, the Authority also invested in the Dreyfus Government Cash Management money market mutual fund which was rated Aaa by Moody's.

**Arvada Urban Renewal Authority**  
**Notes to Financial Statements**  
**December 31, 2019**

**Note 3: Long-term Debt**

Following is a summary of long-term debt transactions for the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019	Due Within One Year
City of Arvada notes payable	\$ 6,834,896	\$ -	\$ (390,822)	\$ 6,444,074	\$ 600,987
Compensated absences	16,854	19,748	(17,949)	18,653	14,644
	<u>\$ 6,851,750</u>	<u>\$ 19,748</u>	<u>\$ (408,771)</u>	<u>\$ 6,462,727</u>	<u>\$ 615,631</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 principal 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 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%. The loan's balance at December 31, 2019 was \$1,694,074 and is unsecured, though the City shall be authorized to withhold payment to the Authority derived from incremental sales tax or public improvement fees in the event of default.

In June 2016, the City and the Authority entered into a second intergovernmental agreement in which the City loaned the Authority \$5,000,000 at a simple interest rate of 3.0% through June 2028. Interest payments are due monthly beginning in June 2017 through 2018. Principal and interest will be payable monthly thereafter until maturity. The loan's balance at December 31, 2019 was \$4,750,000 and is unsecured, though the City shall be authorized to withhold payment to the Authority derived from incremental sales tax or public improvement fees in the event of default.

# Arvada Urban Renewal Authority

## Notes to Financial Statements

December 31, 2019

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, 2019:

Year	Principal	Interest
2020	\$ 600,987	\$ 167,263
2021	617,264	150,986
2022	633,607	134,644
2023	650,406	117,844
2024	667,443	100,807
2025-2029	3,120,903	221,865
2030-2034	153,464	1,107
	<u>\$ 6,444,074</u>	<u>\$ 894,516</u>

### Compensated Absences

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

### Note 4: Interfund Receivables, Payables and Transfers

Interfund receivables and payables at December 31, 2019, were as follows:

Receivable Fund	Payable Fund	Balance
General	Jefferson Center District	\$ 43,865
General	Village Commons	311,990
Ralston Fields	General	498,080
Olde Town	General	246,162
		<u>\$ 1,100,097</u>

Interfund transfers for the year ended December 31, 2019, were as follows:

Transfers In	Transfers Out	Balance
General	Jefferson Center District	\$ 448,687
General	Ralston Fields	115,019
Jefferson Center District	Northwest Arvada	9,402,394
Ralston Fields	General	5,665,076
Olde Town	General	590,113
		<u>\$ 16,221,289</u>

# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

**December 31, 2019**

During the year ended December 31, 2019, certain funds transferred various budgeted amounts to the General Fund to help cover operations and administrative costs. Also during 2019, as described in Note 1, the General Fund transferred various budgeted amounts to the Ralston Fields and Village Commons funds for future development. See Note 8 regarding the redevelopment agreement with Jefferson Center District, the City and the Authority.

### **Note 5: Related-party Transactions**

The Authority incurred approximately \$345,000 for payroll and other expenses paid by the City on behalf of the Authority and reimbursed by the Authority.

The Authority is indebted to the City in the amount of \$6,444,074 (see Note 3). During the year ended December 31, 2019, \$176,513 of interest was paid and \$83,125 was accrued to the City related to these notes.

Fees receivable of \$808,858 are due from the City as the City receipts the funds and transfers the funds into the Authority's pooled cash.

### **Note 6: Retirement Plans**

Positions of the Authority are eligible to participate in the City's retirement plans. The City has adopted separate retirement plans (the Plans) covering all positions, 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 positions 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). Two positions of the Authority were participants in CARP as of December 31, 2019.

# Arvada Urban Renewal Authority

## Notes to Financial Statements

December 31, 2019

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 City 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. City 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 \$54,000, 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 \$15,853 and employee contributions of \$12,530 were paid during 2019. These contributions represent 10.4% and 8.0% of total covered payroll, respectively. The administration of the plan is provided by Fidelity.

### ***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 City employees are eligible to participate from the date of employment. One position of the Authority was a participant in the Executive Plan as of December 31, 2019.

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 8.00% contribution in 2019. City employees covered under this plan are vested upon date of hire. City 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, 2019, the Authority contributed \$13,965 for the benefit of one participant in the Plan and the employee contributed \$10,315, as required. The plan is administered by Fidelity.

# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

**December 31, 2019**

### **Note 7: 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 City 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 8: 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***

As of December 31, 2019, the Authority had entered into various Disposition and Development Agreements (DDA) to sell all remaining property held for resale.

Included in accrued liabilities are remaining pollution remediation costs on a certain property, totaling approximately \$175,000. The Authority expects that these costs will be incurred and paid in 2020, and per the terms of the related contract, reimbursed by the developer upon closing. However, the Authority is in negotiations with the developer on the nature, timing and method of reimbursement, and thus has expensed the estimated costs at December 31, 2019.

#### ***Lessee Reporting***

The Authority entered into an operating lease for office space. Rent expense, including annual maintenance expenses, for the year ended December 31, 2019, was \$63,152.

# Arvada Urban Renewal Authority

## Notes to Financial Statements

### December 31, 2019

Minimum rental commitments under this lease are as follows:

2020	\$ 37,410
2021	38,573
2022	39,736
2023	33,921
2024	-
	<hr/>
	<u>\$ 149,640</u>

#### ***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, under the Urban Renewal Law of the State of Colorado, has entered into various DDAs with certain developers, the terms of which are scoped into the requirements of Governmental Accounting Standards Board Statement No. 77, *Tax Abatements*. These agreements generally stipulate that the Authority will sell property held for resale, typically at a discount, and provide certain types of property and sales tax rebates (in excess of a set “base” amount and up to a set maximum dollar threshold and/or maturity date), lodging tax rebates, public improvement fee (PIF) rebates and/or PIF in lieu of sales taxes in exchange for a commitment from the developer to purchase, develop and otherwise rehabilitate the related property within a specified period of time.

As of December 31, 2019, the Authority had entered into nine DDAs expiring from 2025 to 2035. During the year ended December 31, 2019, the Authority rebated property tax of \$12,772,586, PIF of \$973,324 and lodging tax of \$119,031. These rebates are recorded in redevelopment project expenses/expenditures on the statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. Also during 2019, developers, referred to above, received \$1,176,299 in PIF, which does not pass through the Authority’s financial statements.



# **Arvada Urban Renewal Authority**

## **Notes to Financial Statements**

**December 31, 2019**

### **Note 9: Subsequent Events**

Subsequent to year-end, the Authority entered into the following transactions:

- The Authority purchased property, which included land and an existing building, in the Ralston Fields urban renewal area for \$3,000,000. The purchase did not require external financing and included assumption of an existing lease expiring May 2020.
- The Authority entered into a redevelopment agreement to reimburse the developer up to a maximum of \$1,500,000 for specified costs incurred in the Olde Town urban renewal area.
- The Authority became contingently obligated to purchase property in the Ralston Fields urban renewal area for \$1,000,000 if the developer is unable to execute the purchase by March 2021. However, following this date, the developer will be obligated to purchase the property from the Authority for the same amount. The purchase commitment is subject to certain terms and conditions, including a required closing during calendar year 2020, otherwise certain penalties may apply.
- The Authority advanced the City \$1,000,000 to assist the City in funding the Emergency Small Business Loan Fund. The advance to the City is non-interest bearing and will be repaid on or before June 30, 2022.

In addition to the above, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Authority. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**

**Arvada Urban Renewal Authority**  
**Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)**  
**General Fund and Related Note**  
**Year Ended December 31, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Rent	\$ -	\$ -	\$ -	\$ -
Investment income	40,000	40,000	47,244	7,244
Recovered costs	-	-	142,976	142,976
Total revenues	40,000	40,000	190,220	150,220
<b>Expenditures</b>				
Current				
General government	852,881	852,881	563,706	289,175
Total expenditures	852,881	852,881	563,706	289,175
Excess of revenues over (under) expenditures	(812,881)	(812,881)	(373,486)	439,395
<b>Other Financing Sources</b>				
Transfers in	2,363,655	2,363,655	563,706	(1,799,949)
Transfers out	-	(6,000,000)	(6,255,189)	(255,189)
Total other financing sources (uses)	2,363,655	(3,636,345)	(5,691,483)	(2,055,138)
<b>Net Change in Fund Balance</b>	1,550,774	(4,449,226)	(6,064,969)	(1,615,743)
<b>Fund Balance, Beginning of Year</b>	7,608,289	7,608,289	7,608,289	-
<b>Fund Balance, End of Year</b>	<u>\$ 9,159,063</u>	<u>\$ 3,159,063</u>	<u>\$ 1,543,320</u>	<u>\$ (1,615,743)</u>

**Arvada Urban Renewal Authority**  
**Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)**  
**General Fund and Related Note (continued)**  
**Year Ended December 31, 2019**

**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.

# Arvada Urban Renewal Authority

## Budgetary Comparison Schedule

### Jefferson Center District Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Incremental property taxes	\$ 1,750,000	\$ 1,750,000	\$ 2,470,408	\$ 720,408
Total revenues	1,750,000	1,750,000	2,470,408	720,408
<b>Expenditures</b>				
Current				
General government	41,200	41,200	37,237	3,963
Redevelopment projects	10,281,800	11,476,800	11,386,878	89,922
Total expenditures	10,323,000	11,518,000	11,424,115	93,885
Excess of revenues over (under) expenditures	(8,573,000)	(9,768,000)	(8,953,707)	814,293
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,718,000	10,218,000	9,402,394	(815,606)
Transfers out	(145,000)	(450,000)	(448,687)	1,313
Total other financing sources (uses)	8,573,000	9,768,000	8,953,707	(814,293)
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance, Beginning of Year</b>	-	-	-	-
<b>Fund Balance, End of Year</b>	\$ -	\$ -	\$ -	\$ -

# Arvada Urban Renewal Authority

## Budgetary Comparison Schedule

### Ralston Fields Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Incremental property taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,499,171	\$ 299,171
Public improvement fee	2,050,000	2,050,000	2,368,861	318,861
Investment income	40,000	40,000	51,613	11,613
Recovered costs	300,000	300,000	-	(300,000)
Total revenues	3,590,000	3,590,000	3,919,645	329,645
<b>Expenditures</b>				
Current				
General government	45,000	45,000	257,625	(212,625)
Redevelopment projects	1,645,000	1,645,000	2,145,845	(500,845)
Principal payments	250,000	250,000	250,000	-
Interest and fiscal charges	150,000	150,000	145,625	4,375
Total expenditures	2,090,000	2,090,000	2,799,095	(709,095)
Excess of revenues over expenditures	1,500,000	1,500,000	1,120,550	(379,450)
<b>Other Financing Uses</b>				
Transfers in	-	-	5,665,076	5,665,076
Transfers out	(1,500,000)	(1,500,000)	(115,019)	1,384,981
Total other financing sources (uses)	(1,500,000)	(1,500,000)	5,550,057	7,050,057
<b>Net Change in Fund Balance</b>	-	-	6,670,607	6,670,607
<b>Fund Balance, Beginning of Year</b>	-	-	-	-
<b>Fund Balance, End of Year</b>	\$ -	\$ -	\$ 6,670,607	\$ 6,670,607

# Arvada Urban Renewal Authority

## Budgetary Comparison Schedule

### Northwest Arvada Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Incremental property taxes	\$ 9,200,000	\$ 9,600,000	\$ 9,545,578	\$ (54,422)
Total revenues	9,200,000	9,600,000	9,545,578	(54,422)
<b>Expenditures</b>				
Current				
General government	110,000	110,000	143,184	(33,184)
Total expenditures	110,000	110,000	143,184	(33,184)
Excess of revenues over (under) expenditures	9,090,000	9,490,000	9,402,394	(87,606)
<b>Other Financing Uses</b>				
Transfers out	(9,090,000)	(9,490,000)	(9,402,394)	87,606
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance, Beginning of Year</b>	-	-	-	-
<b>Fund Balance, End of Year</b>	\$ -	\$ -	\$ -	\$ -

# Arvada Urban Renewal Authority

## Budgetary Comparison Schedule

### Olde Town Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Incremental sales taxes	\$ 204,000	\$ 204,000	\$ 342,114	\$ 138,114
Incremental property taxes	<u>480,000</u>	<u>480,000</u>	<u>554,948</u>	<u>74,948</u>
Total revenues	<u>684,000</u>	<u>684,000</u>	<u>897,062</u>	<u>213,062</u>
<b>Expenditures</b>				
Current				
General government	-	-	22,809	(22,809)
Redevelopment projects	<u>480,000</u>	<u>480,000</u>	<u>478,995</u>	<u>1,005</u>
Total expenditures	<u>480,000</u>	<u>480,000</u>	<u>501,804</u>	<u>(21,804)</u>
Excess of revenues over (under) expenditures	<u>204,000</u>	<u>204,000</u>	<u>395,258</u>	<u>191,258</u>
<b>Other Financing Uses</b>				
Transfers in	-	-	590,113	590,113
Transfers out	<u>(204,000)</u>	<u>(204,000)</u>	<u>-</u>	<u>204,000</u>
Total other financing sources (uses)	<u>(204,000)</u>	<u>(204,000)</u>	<u>590,113</u>	<u>794,113</u>
<b>Net Change in Fund Balance</b>	-	-	985,371	985,371
<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>\$ 985,371</u>	<u>\$ 985,371</u>



# Arvada Urban Renewal Authority

## Budgetary Comparison Schedule

### Village Commons Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Incremental sales taxes	\$ 150,000	\$ 150,000	\$ 206,879	\$ 56,879
Incremental property taxes	166,000	166,000	408,101	242,101
Lodging taxes	99,000	99,000	119,031	20,031
Total revenues	415,000	415,000	734,011	319,011
<b>Expenditures</b>				
Current				
General government	5,000	5,000	6,122	(1,122)
Redevelopment projects	99,000	99,000	119,031	(20,031)
Principal payments	140,822	140,822	140,822	-
Interest and fiscal charges	27,523	27,523	27,476	47
Total expenditures	272,345	272,345	293,451	(21,106)
Excess of revenues over expenditures	142,655	142,655	440,560	297,905
<b>Other Financing Uses</b>				
Transfers out	(142,655)	(142,655)	-	142,655
<b>Net Change in Fund Balance</b>	-	-	440,560	440,560
<b>Fund Balance, Beginning of Year</b>	-	-	-	-
<b>Fund Balance, End of Year</b>	\$ -	\$ -	\$ 440,560	\$ 440,560

**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***

**Independent Auditor's Report**

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, 2019, 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 18, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners  
Arvada Urban Renewal Authority

### ***Compliance and Other Matters***

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

### ***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 18, 2020