

Arvada Urban Renewal Authority

Independent Auditor's Reports and Financial Statements

December 31, 2020

Arvada Urban Renewal Authority
December 31, 2020

Contents

| | |
|---|-----------|
| Independent Auditor’s Report | 1 |
| Management’s Discussion and Analysis | 3 |
| Financial Statements | |
| 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 |
| Notes to Financial Statements | 16 |
| Required Supplementary Information | |
| 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 |
| 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 | 37 |

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, 2020, 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, 2020, 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 comparisons 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 4, 2021, 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 solely 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 effectiveness of the Authority's 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 4, 2021

Management's Discussion and Analysis

Arvada Urban Renewal Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2020

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, 2020. 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 \$2,128,860 during the current year resulting in a net position of \$1,048,271.
- Government-wide revenues and expenses increased by \$4,641,494 and \$9,190,946, respectively. 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 and 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, 2020

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, 2020, the Authority's assets exceeded liabilities and deferred inflows of resources by \$1,048,271. 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, 2020

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

| | Total Primary Government 2020 | Total Primary Government 2019 |
|--|--|--|
| Assets | | |
| Current and other assets | \$ 28,096,440 | \$ 25,896,974 |
| Property available for sale | 300,042 | 300,031 |
| Total assets | 28,396,482 | 26,197,005 |
| Liabilities, Deferred Inflows of Resources and Net Position | | |
| Liabilities | | |
| Other liabilities | 1,319,377 | 1,463,778 |
| Due in more than one year | 5,230,834 | 5,847,096 |
| Total liabilities | 6,550,211 | 7,310,874 |
| Deferred Inflows of Resources | 20,798,000 | 15,709,000 |
| Net Position | | |
| Restricted for capital projects | 612,115 | 220,845 |
| Unrestricted | 436,156 | 2,956,286 |
| Total net position | \$ 1,048,271 | \$ 3,177,131 |

Total assets as of December 31, 2020 increased \$2,199,477 when compared to the prior year-end. This change was due to a decrease in cash of \$2,866,664 and an increase in taxes receivable of \$5,089,000. The increase in taxes receivable was due to an increase in Ralston Fields and Northwest Arvada as these areas continue to grow.

Total liabilities decreased by \$760,663. This decrease was primarily due to the payment of long-term debt.

Deferred inflows increased by \$5,089,000 due to deferred taxes receivable as noted above.

In summary, these variances resulted in a decrease in net position for the Authority in 2020 of \$2,128,860. Given the Authority's mission to identify and remediate blight, the decreases in the Authority's net position, experienced during 2020, were planned and relate to current urban renewal projects.

Arvada Urban Renewal Authority
Management's Discussion and Analysis (Unaudited)
December 31, 2020

Changes in Net Position

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

| | Total Primary Government 2020 | Total Primary Government 2019 |
|--|--|--|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 7,500 | \$ - |
| General revenues | | |
| Incremental property taxes | 19,453,691 | 14,478,206 |
| Public improvement fees | 2,364,449 | 2,368,861 |
| Sales taxes | 338,445 | 548,993 |
| Lodging taxes | 49,182 | 119,031 |
| Investment income | 41,940 | 98,857 |
| Miscellaneous revenues | 235 | - |
| | <u>22,255,442</u> | <u>17,613,948</u> |
| Expenses | | |
| General government | 5,754,684 | 1,032,482 |
| Redevelopment costs | 18,469,316 | 13,987,773 |
| Interest expense | 160,302 | 173,101 |
| | <u>24,384,302</u> | <u>15,193,356</u> |
| Change in Net Position | (2,128,860) | 2,420,592 |
| Net Position, Beginning of Year | <u>3,177,131</u> | <u>756,539</u> |
| Net Position, End of Year | <u>\$ 1,048,271</u> | <u>\$ 3,177,131</u> |

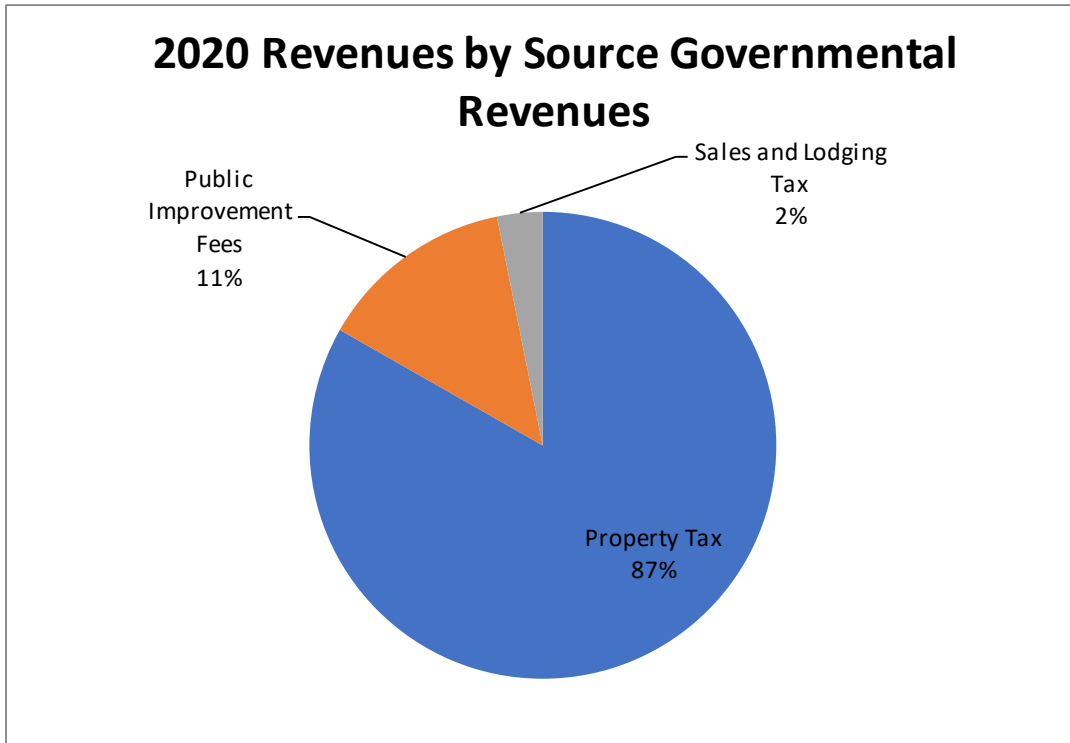
The above condensed summary of the Authority's government-wide activities for the year ended December 31, 2020 reflects a net position of \$1,048,271. Revenues were up in 2020 primarily due to an increase in property tax revenues of \$4,975,485.

Total expenses increased \$9,190,946 from 2019. The increase in redevelopment costs of \$4,481,543 was due to an increase in property, sales and public improvement fee rebates. The increase in general government expenses of \$4,722,202 was due to the Authority's contribution to the reconstruction of Ralston Road and the purchase and subsequent write-down of property held for sale in Ralston Fields.

Arvada Urban Renewal Authority
Management's Discussion and Analysis (Unaudited)
December 31, 2020

Governmental Activities

Governmental activities decreased the Authority's net position by \$2,128,860.



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 end of year.

At the end of December 31, 2020, the Authority's governmental funds reported combined ending fund balances of \$6,912,878. Unassigned fund balance is \$1,244,116 (18%). 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 (\$300,042), restricted by external legal purposes (\$612,115), or assigned for an intended use (\$4,756,605).

The General Fund is the main operating fund of the Authority. At December 31, 2020, the unassigned fund balance of the General Fund was \$1,244,116, while the total fund balance was \$1,544,147. The fund balance of the General Fund increased \$827.

Arvada Urban Renewal Authority
Management’s Discussion and Analysis (Unaudited)
December 31, 2020

The Jefferson Center District Fund is another major fund of the Authority. At December 31, 2020, the total fund balance of the JCD Fund was \$0. Excess expenditures over revenues of \$12,369,175 were due to redevelopment and were funded with transfers from the Norwest Arvada 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, 2020, the total fund balance was \$3,161,403. Excess expenditures over revenues of \$3,509,204 were due to a contribution to the City of Arvada for a reconstruction project and a purchase and subsequent write-down of property.

The Northwest Arvada Fund is used to account for activities in the Northwest Arvada Urban Renewal areas. At December 31, 2020, the total fund balance was \$72,264. At the end of the year, excess of revenue over expenses of \$12,923,751 was transferred to the JCD Fund.

The Olde Town Arvada Fund is used to account for activities in the Olde Town Arvada area. At December 31, 2020, the total fund balance was \$1,371,461. Excess revenues over expenditures of \$386,090 were retained in the fund for future redevelopment.

Lastly, the Village Commons Fund is used to account for one commercial area. At December 31, 2020, the total fund balance was \$763,603. Excess revenues over expenditures of \$323,043 were retained in the fund for future redevelopment.

Budgetary Highlights

There were changes to the budget for the General Fund, Jefferson Center District, Ralston Fields and Northwest Arvada funds. The decrease in the General Fund was to decrease transfers from other funds. The increase in Ralston Fields was for the purchase of property and the distribution to the City for Ralston Road. The increase in the Jefferson Center District and Northwest Arvada was a result of property tax that exceeded the original budget which will be used for redevelopment activities.

Debt Administration

Long-term Debt. At the end of December 31, 2020, the Authority had total debt outstanding of \$5,884,029. This debt is made up of two notes with the City of Arvada. See Notes to the Financial Statements for more information.

| | Total Primary Government 2020 | Total Primary Government 2019 |
|---------------|--|--|
| Notes payable | \$ 5,844,029 | \$ 6,444,074 |

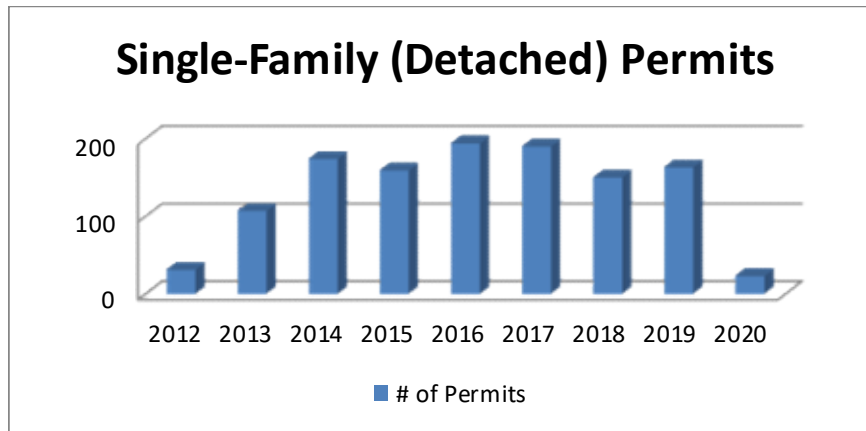
Arvada Urban Renewal Authority
Management’s Discussion and Analysis (Unaudited)
December 31, 2020

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 in April 2019, connects Arvada to Denver Union Station. There was already 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 many upgraded amenities. Unfortunately, the theater was closed in March of 2020 due to the COVID-19 pandemic, but has opened up in 2021 as restrictions have loosened.

The City of Arvada (the City) and the Authority continue to work with a developer for a transit-oriented development on the nine acre site just south of Olde Town. The Residences at Olde Town Station will add 252 additional units to this area. This project was on hold as a community group

Arvada Urban Renewal Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2020

that opposed the development was in litigation with the City. The City had a favorable ruling; however, the community group appealed the decision. In 2020 the appeal was denied and this project should break ground in the summer of 2021. Another phase of this development is construction of a hotel and 15,000 square feet of retail space. The developer submitted the preliminary development plan in 2019; however this project is currently on hold due to the COVID-19 pandemic.

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. This project is also on hold due to the COVID-19 pandemic.

The Authority is also partnering with the City to bring a historical asset to Olde Town. The No. 4 Denver Tramway Streetcar, called the “trolley”, served the community of Arvada for decades with the direct link from Olde Town to downtown Denver. The City of Arvada is currently restoring the trolley to its appearance at its last run in 1950. Restoration will be completed in 2021 and the Authority will be contributing \$460,000 towards the park where the trolley will be located which just alongside of the current G Line tracks.

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 Central Park by the City 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. Revenues in this area increased 2.6% in 2020 due to the nature of items sold at Walmart. In this same area, there is also an undeveloped strip that the Authority and a developer are working on to create a new affordable housing development. The Authority purchased this parcel of land and will sell it to the developer when the project is approved. The developer will be applying for tax credits in August 2021 to help support this project. 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 City is also working on a \$17,000,000 widening of Ralston Road east of Ralston Creek. The Authority will be contributing \$3,500,000 towards the streetscape of Ralston Road. The elements of the streetscape include pedestrian lights, monuments and district markers, landscaped medians, and an enhancement at Wolff Park.

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. All but three spaces are leased. While there are many restaurants in this area which were closed or limited due to COVID-19 restrictions, revenues were only down 2.3% from 2019, which demonstrates the popularity of this center.

Phase 2 includes a 44 unit townhome complex on the west side of the development that will be breaking ground in May 2021. On the east side, 27 for-sale townhomes and a 183 unit apartment complex, including a 5,500 square foot plaza, will be breaking ground the first quarter of 2022.

Arvada Urban Renewal Authority
Management's Discussion and Analysis (Unaudited)
December 31, 2020

The second area is the Arvada Ridge development. Phase 1 of this area was the Arvada Ridge Market place which is a retail center anchored by a Super Target that opened in 2006. A Public Improvement Fee (PIF) in lieu of sale tax was initiated in this area to assist the developer in the public infrastructure. Because of the success of this development, the developer paid off their bonds in 2020, eight years ahead of schedule. The PIF now reverts back to sales tax and the Authority will receive the tax increment in this area until 2028. 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 has now been open for over a year. In addition, a public park is planned for the area. Phase 1 of this park will complete the base structure including irrigation, grading and undergrounding of utilities. The design will be completed in 2021 and the City will look to complete funding of this phase.

The Authority is also working on three new apartment/townhome developments that would break ground in 2022. Development agreements for these projects have not been completed.

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. Revenues in this area were severely impacted by the COVID-19 pandemic decreasing 57.8% from 2019. Revenues are showing a small recovery for the first two months of 2021 as restrictions start to lift.

While there are small urban renewal areas that were affected by the COVID-19 pandemic, the majority of the areas fared very well during the pandemic and continue to generate revenue to enable the Authority to work on additional projects.

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, 2020

Assets

| | |
|--------------------------|-------------------|
| Cash and investments | \$ 6,512,452 |
| Fees receivable | 735,988 |
| Taxes receivable | 20,798,000 |
| Deposit | 50,000 |
| Property held for resale | <u>300,042</u> |
| Total assets | <u>28,396,482</u> |

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities

| | |
|---------------------------|------------------|
| Accounts payable | 492,507 |
| Accrued liabilities | 88,642 |
| Security deposits | 104,455 |
| Due in one year | 633,773 |
| Due in more than one year | <u>5,230,834</u> |
| Total liabilities | <u>6,550,211</u> |

Deferred Inflows of Resources

| | |
|--------------------------------------|-------------------|
| Unavailable revenue - property taxes | <u>20,798,000</u> |
|--------------------------------------|-------------------|

Net Position

| | |
|---------------------------------|----------------------------|
| Restricted for capital projects | 612,115 |
| Unrestricted | <u>436,156</u> |
| Total net position | <u><u>\$ 1,048,271</u></u> |

Arvada Urban Renewal Authority
Statement of Activities
Year Ended December 31, 2020

| | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net Revenue (Expense) and Change in Net Position Governmental Activities 2020</u> |
|--|----------------------|--|--|
| Functions/Programs | | | |
| Primary government | | | |
| Governmental activities | | | |
| General government | \$ 5,754,684 | \$ - | \$ (5,754,684) |
| Redevelopment projects | 18,469,316 | 7,500 | (18,461,816) |
| Interest expense | 160,302 | - | (160,302) |
| | <u>\$ 24,384,302</u> | <u>\$ 7,500</u> | <u>(24,376,802)</u> |
| General Revenues | | | |
| Incremental property taxes | | | 19,453,691 |
| Public improvement fees | | | 2,364,449 |
| Sales taxes | | | 338,445 |
| Lodging taxes | | | 49,182 |
| Investment income | | | 41,940 |
| Miscellaneous revenues | | | 235 |
| | | | <u>22,247,942</u> |
| | | | (2,128,860) |
| Change in Net Position | | | (2,128,860) |
| Net Position, Beginning of Year | | | <u>3,177,131</u> |
| Net Position, End of Year | | | <u>\$ 1,048,271</u> |

Arvada Urban Renewal Authority
Balance Sheet
Governmental Funds
December 31, 2020

| | General | Jefferson Center District | Ralston Fields | Northwest Arvada | Olde Town | Village Commons | Total |
|---|---------------------|---------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| Assets | | | | | | | |
| Cash and investments | \$ 1,852,490 | \$ 189,338 | \$ 2,362,100 | \$ - | \$ 1,371,841 | \$ 736,683 | \$ 6,512,452 |
| Due from other funds | 51,955 | - | 497,780 | 133,980 | - | - | 683,715 |
| Fees receivable | 500 | - | 692,861 | - | - | 42,627 | 735,988 |
| Taxes receivable | - | 2,773,000 | 2,140,000 | 14,592,000 | 883,000 | 410,000 | 20,798,000 |
| Deposits | - | - | 50,000 | - | - | - | 50,000 |
| Property held for resale | 300,031 | - | 11 | - | - | - | 300,042 |
| Total assets | <u>2,204,976</u> | <u>2,962,338</u> | <u>5,742,752</u> | <u>14,725,980</u> | <u>2,254,841</u> | <u>1,189,310</u> | <u>29,080,197</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | 45,078 | 3,403 | 366,223 | 61,716 | 380 | 15,707 | 492,507 |
| Accrued liabilities | 13,516 | - | 75,126 | - | - | - | 88,642 |
| Due to other funds | 497,780 | 185,935 | - | - | - | - | 683,715 |
| Security deposits | 104,455 | - | - | - | - | - | 104,455 |
| Total liabilities | <u>660,829</u> | <u>189,338</u> | <u>441,349</u> | <u>61,716</u> | <u>380</u> | <u>15,707</u> | <u>1,369,319</u> |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable revenue - property taxes | - | 2,773,000 | 2,140,000 | 14,592,000 | 883,000 | 410,000 | 20,798,000 |
| Fund Balances | | | | | | | |
| Nonspendable for property held for sale | 300,031 | - | 11 | - | - | - | 300,042 |
| Restricted | - | - | - | 72,264 | 238,450 | 301,401 | 612,115 |
| Assigned | - | - | 3,161,392 | - | 1,133,011 | 462,202 | 4,756,605 |
| Unassigned | 1,244,116 | - | - | - | - | - | 1,244,116 |
| Total fund balances | <u>\$ 1,544,147</u> | <u>\$ -</u> | <u>\$ 3,161,403</u> | <u>\$ 72,264</u> | <u>\$ 1,371,461</u> | <u>\$ 763,603</u> | <u>\$ 6,912,878</u> |

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

Long-term liabilities including notes payable (\$5,844,029) and compensated absences (\$20,578) are not due and payable with current economic resources and, therefore, are not reported in the funds. (5,864,607)

Net position of governmental activities \$ 1,048,271

Arvada Urban Renewal Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
Year Ended December 31, 2020

| | General | Jefferson Center District | Ralston Fields | Northwest Arvada | Olde Town | Village Commons | Total |
|---|---------------------|---------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| Revenues | | | | | | | |
| Incremental property taxes | \$ - | \$ 2,830,400 | \$ 2,139,302 | \$ 13,183,205 | \$ 890,348 | \$ 410,436 | \$ 19,453,691 |
| Public improvement fees | - | - | 2,364,449 | - | - | - | 2,364,449 |
| Sales taxes | - | - | - | - | 251,335 | 87,110 | 338,445 |
| Lodging taxes | - | - | - | - | - | 49,182 | 49,182 |
| Rent | - | - | 5,000 | - | 2,500 | - | 7,500 |
| Investment income | 11,639 | - | 30,301 | - | - | - | 41,940 |
| Recovered costs | 846 | - | - | - | - | - | 846 |
| Miscellaneous revenues | - | - | 235 | - | - | - | 235 |
| Total revenues | <u>12,485</u> | <u>2,830,400</u> | <u>4,539,287</u> | <u>13,183,205</u> | <u>1,144,183</u> | <u>546,728</u> | <u>22,256,288</u> |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | 493,970 | 41,410 | 4,905,607 | 259,454 | 48,086 | 6,157 | 5,754,684 |
| Redevelopment projects | - | 15,158,165 | 2,550,883 | - | 710,007 | 49,182 | 18,468,237 |
| Debt service | | | | | | | |
| Principal payments | - | - | 457,110 | - | - | 142,935 | 600,045 |
| Interest and fiscal charges | - | - | 134,891 | - | - | 25,411 | 160,302 |
| Total expenditures | <u>493,970</u> | <u>15,199,575</u> | <u>8,048,491</u> | <u>259,454</u> | <u>758,093</u> | <u>223,685</u> | <u>24,983,268</u> |
| Excess of revenues over (under) expenditures | <u>(481,485)</u> | <u>(12,369,175)</u> | <u>(3,509,204)</u> | <u>12,923,751</u> | <u>386,090</u> | <u>323,043</u> | <u>(2,726,980)</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | 482,312 | 12,851,487 | - | - | - | - | 13,333,799 |
| Transfers out | - | (482,312) | - | (12,851,487) | - | - | (13,333,799) |
| Total other financing sources (uses) | <u>482,312</u> | <u>12,369,175</u> | <u>-</u> | <u>(12,851,487)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 827 | - | (3,509,204) | 72,264 | 386,090 | 323,043 | (2,726,980) |
| Fund Balances, Beginning of Year | <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> |
| Fund Balances, End of Year | <u>\$ 1,544,147</u> | <u>\$ -</u> | <u>\$ 3,161,403</u> | <u>\$ 72,264</u> | <u>\$ 1,371,461</u> | <u>\$ 763,603</u> | <u>\$ 6,912,878</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 (\$1,925) and decrease in notes payable (\$600,045).

Change in net position of governmental activities

598,120

\$ (2,128,860)

Arvada Urban Renewal Authority

Notes to Financial Statements

December 31, 2020

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, 2020

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, 2020

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 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 the local government investment pool are reported at net asset value and investments in certificates of deposit and money market mutual funds are reported at amortized cost.

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. Property tax receivables are reported as a deferred inflow of resources when levied.

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, 2020

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, 2020 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 \$300,042 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, 2020, \$612,115 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, 2020, \$4,756,605 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 \$1,244,116 of unassigned fund balance in the General Fund.

Arvada Urban Renewal Authority

Notes to Financial Statements

December 31, 2020

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, 2020, are as follows:

| | | |
|--|----|------------------|
| Petty cash | \$ | 250 |
| Cash deposits | | 4,764,870 |
| Certificates of deposit, short-term | | 333,534 |
| Colorado Statewide Investment Program (CSIP) | | 1,055,579 |
| Money market mutual fund with broker | | 358,219 |
| | | <hr/> |
| | \$ | <u>6,512,452</u> |

Arvada Urban Renewal Authority

Notes to Financial Statements

December 31, 2020

At December 31, 2020, 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, 2020, the Authority also invested in a money market mutual fund with a broker which is held at cost. At December 31, 2020, 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, 2020, the Authority had bank deposits with a carrying balance of \$5,098,404. The bank balances were \$5,169,405, of which \$604,455 was covered by the federal deposit insurance and \$4,564,950 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, 2020

- 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, 2020, 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, 2020, 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, 2020

Note 3: Long-term Debt

Following is a summary of long-term debt transactions for the year ended December 31, 2020:

| | Balance December 31, 2019 | Additions | Deletions | Balance December 31, 2020 | Due Within One Year |
|---------------------------------|--|------------------|---------------------|--|--------------------------------|
| City of Arvada notes payable | \$ 6,444,074 | \$ - | \$ (600,045) | \$ 5,844,029 | \$ 617,264 |
| Compensated absences | 18,653 | 20,874 | (18,949) | 20,578 | 16,509 |
| | <u>\$ 6,462,727</u> | <u>\$ 20,874</u> | <u>\$ (618,994)</u> | <u>\$ 5,864,607</u> | <u>\$ 633,773</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, 2020 was \$1,551,139 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 2028. Principal and interest will be payable monthly thereafter until maturity. The loan's balance at December 31, 2020 was \$4,292,890 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, 2020

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, 2020:

| Year | Principal | Interest |
|-----------|---------------------|-------------------|
| 2021 | \$ 617,264 | \$ 150,986 |
| 2022 | 633,607 | 134,644 |
| 2023 | 650,406 | 117,844 |
| 2024 | 667,443 | 100,807 |
| 2025 | 685,424 | 82,826 |
| 2026-2030 | <u>2,589,885</u> | <u>140,146</u> |
| | <u>\$ 5,844,029</u> | <u>\$ 727,253</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, 2020, were as follows:

| Receivable Fund | Payable Fund | Balance |
|------------------|---------------------------|-------------------|
| General | Jefferson Center District | \$ 51,955 |
| Northwest Arvada | Jefferson Center District | 133,980 |
| Ralston Fields | General | <u>497,780</u> |
| | | <u>\$ 683,715</u> |

Interfund transfers for the year ended December 31, 2020, were as follows:

| Transfers In | Transfers Out | Balance |
|---------------------------|---------------------------|----------------------|
| General | Jefferson Center District | \$ 482,312 |
| Jefferson Center District | Northwest Arvada | <u>12,851,487</u> |
| | | <u>\$ 13,333,799</u> |

During the year ended December 31, 2020, there were certain budgeted funds transfers to support operations and redevelopment activities, for the major funds, or to support administrative costs, for the general fund. Northwest Arvada makes annual, budgeted transfers to Jefferson Center District to support redevelopment activities of that urban renewal area.

Arvada Urban Renewal Authority
Notes to Financial Statements
December 31, 2020

Note 5: Related-party Transactions

The Authority incurred approximately \$373,000 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 \$5,844,029 (see Note 3). During the year ended December 31, 2020, \$160,478 of interest was paid and \$75,126 was accrued to the City related to these notes.

Fees receivable of \$735,988 are due from the City as the City receipts the funds and transfers the funds into the Authority's pooled cash.

The Authority entered into an agreement with the City to grant \$3,500,000 for the Ralston Road Street Scape reconstruction project. The first disbursement in the amount of \$1,750,000 was made in 2020 and the second disbursement of \$1,750,000 is expected to be made in 2021.

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 was repaid during 2020.

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, 2020.

Arvada Urban Renewal Authority
Notes to Financial Statements
December 31, 2020

Employer contributions vest with the employee according to the following:

| Years of Service | Vesting Percentages |
|------------------|---------------------|
| Less than 1 year | 0% |
| 1 year | 20% |
| 2 years | 40% |
| 3 years | 60% |
| 4 years | 80% |
| 5 or more years | 100% |

The plan requires covered 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 \$14,807 and employee contributions of \$9,935 were paid during 2020. These contributions represent 11.9% 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, 2020.

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 2020. 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, 2020, the Authority contributed \$16,061 for the benefit of one participant in the Plan and the employee contributed \$13,305, as required. The plan is administered by Fidelity.

Arvada Urban Renewal Authority
Notes to Financial Statements
December 31, 2020

Note 7: Risk Management

The Authority is covered under the City's Risk Management program and the Colorado Governmental Immunity Act. 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 \$387,000 per person and \$1,093,000 per incident. General Liability and Excess Auto Liability coverage is \$1,000,000 with a \$500,000 retention coverage for damage the City is legally obligated to pay because of Bodily Injury or Property Damage caused by an occurrence. Property coverage has \$100,000 per occurrence except for \$250,000 Data Service Provider and Owned Network Interruption, and 5% wind and/or hail per location subject to a \$250,000 minimum per location. The self-insured workers' compensation program maintains a retention of \$750,000 with a limit of \$1,000,000 per occurrence. There have been no losses or settlements that exceed any of the insured retention limits in the last three years. As the City commits itself to funding any deficiencies in the risk management program, 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, 2020, 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 \$30,000. The Authority expects that these costs will be incurred and paid in 2021, 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, 2020.

Lessee Reporting

The Authority entered into an operating lease for office space. Rent expense, including annual maintenance expenses, for the year ended December 31, 2020, was \$59,975.

Arvada Urban Renewal Authority
Notes to Financial Statements
December 31, 2020

Minimum rental commitments under this lease are as follows:

| | | |
|------|----|---------|
| 2021 | \$ | 38,573 |
| 2022 | | 39,736 |
| 2023 | | 33,921 |
| | | 33,921 |
| | \$ | 112,230 |

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, 2020, the Authority had entered into nine DDAs expiring from 2025 to 2035. During the year ended December 31, 2020, the Authority rebated property tax of \$17,146,523, PIF of \$991,426 and lodging tax of \$49,182. 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 2020, developers, referred to above, received \$1,163,673 in PIF, which does not pass through the Authority’s financial statements.

COVID-19

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.

Arvada Urban Renewal Authority
Notes to Financial Statements
December 31, 2020

Note 9: Excess of Expenditures Over Appropriation

The expenditures of the Northwest Arvada Fund exceeded appropriations due to certain general expenditures not being budgeted for in 2020.

Note 10: Subsequent Events

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

- The Authority purchased an IRG Parcel, which included land and an existing building, in the Ralston Fields urban renewal area for \$1,000,000. The purchase did not require external financing.
- The Authority sold property held for resale for \$300,000, which was formerly the Ralston Road Café.
- The Authority received final payment on the Kipling Ridge PIF bond refunding reserve for \$1,400,000.

Required Supplementary Information

Arvada Urban Renewal Authority
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
General Fund and Related Note
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance |
|---|----------------------------|-------------------------|---------------------|-----------------------|
| Revenues | | | | |
| Rent | \$ - | \$ - | \$ - | \$ - |
| Investment income | 40,000 | 40,000 | 11,639 | (28,361) |
| Recovered costs | - | - | 846 | 846 |
| | <u>40,000</u> | <u>40,000</u> | <u>12,485</u> | <u>(27,515)</u> |
| Total revenues | | | | |
| | <u>40,000</u> | <u>40,000</u> | <u>12,485</u> | <u>(27,515)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 574,060 | 574,060 | 493,970 | 80,090 |
| | <u>574,060</u> | <u>574,060</u> | <u>493,970</u> | <u>80,090</u> |
| Total expenditures | | | | |
| | <u>574,060</u> | <u>574,060</u> | <u>493,970</u> | <u>80,090</u> |
| Excess of revenues over (under) expenditures | <u>(534,060)</u> | <u>(534,060)</u> | <u>(481,485)</u> | <u>52,575</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 2,664,655 | 1,599,655 | 482,312 | (1,117,343) |
| Transfers out | - | - | - | - |
| | <u>2,664,655</u> | <u>1,599,655</u> | <u>482,312</u> | <u>(1,117,343)</u> |
| Total other financing sources (uses) | | | | |
| | <u>2,664,655</u> | <u>1,599,655</u> | <u>482,312</u> | <u>(1,117,343)</u> |
| Net Change in Fund Balance | 2,130,595 | 1,065,595 | 827 | (1,064,768) |
| Fund Balance, Beginning of Year | <u>1,543,320</u> | <u>1,543,320</u> | <u>1,543,320</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 3,673,915</u> | <u>\$ 2,608,915</u> | <u>\$ 1,544,147</u> | <u>\$ (1,064,768)</u> |

Arvada Urban Renewal Authority
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
General Fund and Related Note (continued)
Year Ended December 31, 2020

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, 2020

| | Original Budget | Final Budget | Actual | Variance |
|--|----------------------------|-------------------------|---------------------|------------------|
| Revenues | | | | |
| Incremental property taxes | \$ 1,750,000 | \$ 3,390,000 | \$ 2,830,400 | \$ (559,600) |
| Total revenues | <u>1,750,000</u> | <u>3,390,000</u> | <u>2,830,400</u> | <u>(559,600)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 41,200 | 41,200 | 41,410 | (210) |
| Redevelopment projects | <u>11,405,800</u> | <u>15,305,800</u> | <u>15,158,165</u> | <u>147,635</u> |
| Total expenditures | <u>11,447,000</u> | <u>15,347,000</u> | <u>15,199,575</u> | <u>147,425</u> |
| Excess of revenues under expenditures | <u>(9,697,000)</u> | <u>(11,957,000)</u> | <u>(12,369,175)</u> | <u>(412,175)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 9,852,000 | 12,432,000 | 12,851,487 | 419,487 |
| Transfers out | <u>(155,000)</u> | <u>(475,000)</u> | <u>(482,312)</u> | <u>(7,312)</u> |
| Total other financing sources (uses) | <u>9,697,000</u> | <u>11,957,000</u> | <u>12,369,175</u> | <u>412,175</u> |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Arvada Urban Renewal Authority
Budgetary Comparison Schedule
Ralston Fields Fund
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance |
|---|----------------------------|-------------------------|---------------------|-------------------|
| Revenues | | | | |
| Incremental property taxes | \$ 1,500,000 | \$ 2,150,000 | \$ 2,139,302 | \$ (10,698) |
| Public improvement fee | 2,050,000 | 2,200,000 | 2,364,449 | 164,449 |
| Investment income | 40,000 | 40,000 | 35,536 | (4,464) |
| Recovered costs | 300,000 | - | - | - |
| Total revenues | <u>3,890,000</u> | <u>4,390,000</u> | <u>4,539,287</u> | <u>149,287</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 65,000 | 4,865,000 | 4,905,607 | (40,607) |
| Redevelopment projects | 1,840,000 | 2,925,000 | 2,550,883 | 374,117 |
| Principal payments | 457,110 | 457,110 | 457,110 | - |
| Interest and fiscal charges | 142,890 | 142,890 | 134,891 | 7,999 |
| Total expenditures | <u>2,505,000</u> | <u>8,390,000</u> | <u>8,048,491</u> | <u>341,509</u> |
| Excess of revenues over (under) expenditures | <u>1,385,000</u> | <u>(4,000,000)</u> | <u>(3,509,204)</u> | <u>490,796</u> |
| Other Financing Uses | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (1,385,000) | - | - | - |
| Total other financing uses | <u>(1,385,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | - | (4,000,000) | (3,509,204) | 490,796 |
| Fund Balance, Beginning of Year | <u>6,670,607</u> | <u>6,670,607</u> | <u>6,670,607</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 6,670,607</u> | <u>\$ 2,670,607</u> | <u>\$ 3,161,403</u> | <u>\$ 490,796</u> |

Arvada Urban Renewal Authority
Budgetary Comparison Schedule
Northwest Arvada Fund
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance |
|---|----------------------------|-------------------------|---------------------|------------------|
| Revenues | | | | |
| Incremental property taxes | \$ 10,425,000 | \$ 13,100,000 | \$ 13,183,205 | \$ 83,205 |
| Total revenues | <u>10,425,000</u> | <u>13,100,000</u> | <u>13,183,205</u> | <u>83,205</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | <u>160,000</u> | <u>255,000</u> | <u>259,454</u> | <u>(4,454)</u> |
| Total expenditures | <u>160,000</u> | <u>255,000</u> | <u>259,454</u> | <u>(4,454)</u> |
| Excess of revenues over expenditures | <u>10,265,000</u> | <u>12,845,000</u> | <u>12,923,751</u> | <u>78,751</u> |
| Other Financing Uses | | | | |
| Transfers out | <u>(10,265,000)</u> | <u>(12,845,000)</u> | <u>(12,851,487)</u> | <u>(6,487)</u> |
| Net Change in Fund Balance | - | - | 72,264 | 72,264 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 72,264</u> | <u>\$ 72,264</u> |

Arvada Urban Renewal Authority
Budgetary Comparison Schedule
Olde Town Fund
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance |
|---|----------------------------|-------------------------|---------------------|---------------------|
| Revenues | | | | |
| Incremental sales taxes | \$ 290,000 | \$ 290,000 | \$ 251,335 | \$ (38,665) |
| Incremental property taxes | 600,000 | 600,000 | 890,348 | 290,348 |
| Other | - | - | 2,500 | 2,500 |
| Total revenues | <u>890,000</u> | <u>890,000</u> | <u>1,144,183</u> | <u>254,183</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 50,000 | 50,000 | 48,086 | 1,914 |
| Redevelopment projects | <u>535,000</u> | <u>535,000</u> | <u>710,007</u> | <u>(175,007)</u> |
| Total expenditures | <u>585,000</u> | <u>585,000</u> | <u>758,093</u> | <u>(173,093)</u> |
| Excess of revenues over expenditures | <u>305,000</u> | <u>305,000</u> | <u>386,090</u> | <u>81,090</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>(305,000)</u> | <u>(305,000)</u> | <u>-</u> | <u>305,000</u> |
| Total other financing sources (uses) | <u>(305,000)</u> | <u>(305,000)</u> | <u>-</u> | <u>305,000</u> |
| Net Change in Fund Balance | - | - | 386,090 | 386,090 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>985,371</u> | <u>985,371</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,371,461</u> | <u>\$ 1,371,461</u> |

Arvada Urban Renewal Authority
Budgetary Comparison Schedule
Village Commons Fund
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance |
|---|----------------------------|-------------------------|-------------------|-------------------|
| Revenues | | | | |
| Incremental sales taxes | \$ 200,000 | \$ 200,000 | \$ 87,110 | \$ (112,890) |
| Incremental property taxes | 385,000 | 385,000 | 410,436 | 25,436 |
| Lodging taxes | 100,000 | 100,000 | 49,182 | (50,818) |
| Total revenues | <u>685,000</u> | <u>685,000</u> | <u>546,728</u> | <u>(138,272)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 10,000 | 10,000 | 6,157 | 3,843 |
| Redevelopment projects | 100,000 | 100,000 | 49,182 | 50,818 |
| Principal payments | 142,934 | 142,934 | 142,935 | (1) |
| Interest and fiscal charges | 25,411 | 25,411 | 25,411 | - |
| Total expenditures | <u>278,345</u> | <u>278,345</u> | <u>223,685</u> | <u>54,660</u> |
| Excess of revenues over (under) expenditures | <u>406,655</u> | <u>406,655</u> | <u>323,043</u> | <u>(83,612)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(406,655)</u> | <u>(406,655)</u> | <u>-</u> | <u>406,655</u> |
| Net Change in Fund Balance | - | - | 323,043 | 323,043 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>440,560</u> | <u>440,560</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 763,603</u> | <u>\$ 763,603</u> |

**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, 2020, 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 4, 2021.

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) as a basis for designing 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 financial statements. 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 on 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 4, 2021