

CITY OF
ARVADA

COLORADO



Annual Comprehensive Financial Report

For the year ended December 31, 2023





**Arvada, Colorado
Annual Comprehensive Financial Report
For the year ended December 31 ,2023**

CERTIFIED

Kristen R. Rush

CITY CLERK
CITY OF ARVADA

DATE: July 16, 2024

COPY

REPORT ISSUED BY:

DEPARTMENT OF FINANCE
BRYAN ARCHER, DIRECTOR

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Introductory Section

Letter of Transmittal

Government Finance Officers Association
Certificate of Achievement

City Officials

Organizational Chart



FINANCE DEPARTMENT
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July 16, 2024

Citizens of the City of Arvada,
Honorable Mayor, Members of City Council and City Manager

We are pleased to submit the Annual Comprehensive Financial Report for Arvada, Colorado for the fiscal year ended December 31, 2023. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present the financial position and results of operations of various funds and component units of the City in accordance with Generally Accepted Accounting Principles (GAAP). All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In addition to an annual audit of the City's financial records performed by an independent auditor, the City is required to have an annual single audit in conformity with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Information related to this single audit, including the schedules of federal financial assistance, findings and recommendations, and independent auditor's reports on the internal control structure and compliance with applicable laws and regulations are available in the single audit section listed in the table of contents.

In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 , *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, - an amendment of GASB Statement No. 14, Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and Statement No. 84, *Fiduciary Activities*, this report includes all funds of the primary government and the City's component units. For this report the City of Arvada and all its departments, funds and blended component units comprise the Reporting Entity. Our only discretely presented component unit is the Arvada Urban Renewal Authority.

The City is required to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE CITY OF ARVADA

The City of Arvada is located approximately 20 miles to the northwest of the City of Denver, Colorado along Interstate 70. The City provides a full range of services, including police protection, physical parks, planning and zoning, transportation planning, street improvements and maintenance, a housing authority, two golf courses, municipal court services, water, wastewater, stormwater, solid waste and recycling services and facilities, along with various administrative functions. The area has separate governmental units that provide fire protection and recreational services. The population of the City is 123,066 and growing.

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THE ECONOMIC FACTORS OF 2022

The overall US economy was stronger than expected in 2023, with real Gross Domestic Product (GDP) growing at 2.5% compared to 1.9% in 2022. Original projects were 0-1.4% year over year growth. The Consumer Price Index (CPI), a measure of the average change over time in the prices paid by urban consumers for a basket of goods and services, increased at an annualized rate of 3.4%, while still elevated, well below the 2022 number of 6.5%. Finally, the Personal Consumption Expenditures Price Index (PCE), a measure of the total household spending on goods and services, was up 2.6%. Each of these measures is taken into consideration when the Federal Reserve decides what to do with short term interest rates. For the past few months, the fed has kept short term interest rates steady at 5.25% – 5.50%. The current sentiment is that the Fed will continue this practice until inflation falls below 2% and unemployment rises above 4-4.5%. Speaking of unemployment, the national level crept up a bit, ending the year at 3.7% with job openings still outpacing available workers, 8.9 million jobs compared to 5.7 million unemployed. Finally, the 2-year and 10-year yield curves continue to be inverted, ending the year at 35 basis points apart. Historically a predictor of a recession, it has not come to fruition, yet.

The State of Colorado finished its fiscal year with overall General Fund revenue growth of 3.9%. The state was once again above its TABOR (Taxpayer's Bill of Rights) limitations and will be distributing refunds (\$800) to taxpayers. Unemployment ticked up from 2.8% at the end of 2022 to 3.3% at the end of 2023. Inflation is expected to slow down to 3.1% in 2024 from an average of 5.2% in 2023. A robust and diversified economic base should help the state fend off, or at least slow down, any recessionary pressures.

Locally, the City of Arvada continues to be strong. Overall General Fund revenues were up 5.5% over the 2023 budget and 12.8% over 2022. Some of this increase is due to the mark to market adjustment for investments with the rest of the increase concentrated in sales tax, building use tax and interest revenue. Sales tax ended the year up 4.0% over 2022 with the categories of grocery stores, merchant wholesalers, limited-service restaurants, cable and delivery services up and liquor stores, furniture stores and wireless telecommunications down. Building use was down 32.0% compared to 2022 but still exceeded budget as building activity is still elevated. As was stated above, interest revenue was significantly higher in 2023 than in 2022. With the large increase in short term rates over the past year and half, the City has been able to increase its average yield from 1.46% in 2022 to 2.50% in 2023. A couple of areas of concern exist with auto use tax and HUTF (Highway User Tax Fund) revenues. Both areas are down from 2022 with no signs of improving any time soon. Remote work continues to be the norm with employees only going into the office when necessary.

Overall General Fund expenditures were in line with budget except two areas, personnel and capital projects. Personnel was below budget again in 2023 due to the large vacancies in the police department along with some smaller vacancies in public works and parks. Elevated inflation continues to put pressure on capital projects with year over year costs growing as much as 30%. Lead times and commodity increases are decreasing so there is hope.

The Street Maintenance fund was able to get a little more than \$12 million worth of work done in 2023. While this is a large amount of money and effort, the needs continue to outpace the resources. Current estimates put the annual need closer to \$20 million. This will continue to be a topic of discussion in future budget cycles.

The Golf Fund built on the momentum of 2022 and had its best year ever for revenue. Rounds were up 10.6% over 2022 with golf revenue up 21.4%. This led to increased restaurant traffic with revenues up 22.6%. The golf managers will look to put this increased revenue towards improvements on the course and equipment replacement.

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Work continues on the bond projects approved by the citizens of Arvada in November of 2018. Ralston Road is nearing completion with 72nd Avenue still a few years away. These much-needed projects will improve the traffic flow in and around the City.

Work has begun on the 2025-2026 two-year budget cycle. The leadership team has completed a financial resiliency strategy, along with the City Council's Strategic Plan, which will be the basis for the next budget period. A strong local economy supported by essential business, paired with excellent financial stewardship, should allow the City to deliver core services, along with some value adds, to the residents and visitors for years to come.

The 2024-2030 Council Strategic Plan was presented for review on April 22, 2024, and was approved on May 20, 2024, by resolution. The new plan has five strategic result focus areas: Homelessness, Housing, Local Economy, Physical and Technology Systems, and Quality of Life. Each focus area has six to eight strategic goals that will support the implementation of the strategic results.

In 2014, Council approved, by resolution, mandatory reserves for all the major funds and for many of the key minor fund, demonstrating a long-term conservative view of City finances. In 2023, each of the major funds met or exceeded their required reserve goal in the current two-year cycle and all funds exceeded their goal in the ten-year financial plan. By maintaining ten-year operating and capital improvement plans for these funds, the City is able to identify future challenges and work towards meeting them. The long-range financial planning process also makes sure that any decisions to add expenditures today can be paid for in the future.

FUTURE ECONOMIC FACTORS

The broader economy continues to slow down as the hope of a soft landing is still in play. GDP slowed to 1.6% in the first quarter of 2024, below the 2.4% originally expected. Consumer spending slowed but government spending at the state and local levels kept GDP in positive territory. Inflation rose with the PCE price index up 3.4% over the fourth quarter of 2023. This is much higher than the Fed's targeted 2% rate and puts additional pressure on the consumer. Many consumer debt categories are setting new all-time highs including credit card debt, auto loan debt and student loan debt. Household debt, including first and second mortgages along with home equity lines, has also increased to all-time highs. Fortunately, housing prices are also rising maintaining equity.

The labor markets were strong throughout the first quarter, with unemployment staying steady at 3.9%. Finally, the yield curve – specifically, the spread between the interest rates on the 10-year Treasury note and the three-month Treasury bill – is a valuable forecasting tool. The current spread on the 10-year and three-month Treasury is .95% with the spread on the 10-year and 2-year sitting at .31%. Both spreads have moved lower in the past year with many expecting the Fed to lower rates this summer. Using these numbers as a historic estimator, the recession probability in the next year now sits at 58%, down from a high of 68%. The Fed has held short term interest rates in the 5.25% to 5.50% since July of 2023. With mixed economic data, the Fed's are in no rush to lower or even possibly raise short term rates. The Stock Market has shaken off all these concerns, with the S&P 500 up 9.2% for the first quarter. The market is historically forward looking currently betting that any slowdown will be short lived.

The State is expecting fiscal year GDP to come in at 2.4%. A strong labor market, unemployment sits at 3.7%, coupled with wage gains that are outpacing inflation, has allowed consumer spending to remain elevated. Revenue is projected to exceed the TABOR cap, once again.

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The City has experienced a small slowdown in the first quarter of 2024, though many revenue categories are still exceeding their budget expectations. Sales tax collections are up 2.8% but lag one month, so first quarter results only include January and February. The top industry increases are in, electric shopping and mail-order, merchant wholesaler, local delivery and limited-service restaurants. The industries that have struggled to start the year are electric power and liquor stores.

Auto Use has struggled for the past 6 months with revenues down 6.0% for the first quarter. With the cost escalation in new vehicles, consumers are holding onto their cars a little longer. General use is down 6.4% in the first quarter, demonstrating businesses investments are starting to cool. Building use is up 60.0% as compared to first quarter 2023 with some large commercial project permits pulled.

Overall expenditures are up 18.9% over 2023 with the largest areas of growth in personnel costs and support transfers. Expenditures are in line with the 2024 budget, even with the large increase over 2023. The City has started the year right in line with budgeted expectations. More and more economic signs point towards a continued slow down. Will it become a recession, only time will tell.

Three major development areas continue to be keys to the growth of the City. These are the “Ralston Fields” urban renewal area, Transit-Oriented Development (TOD) in and around the G Line stations and the Candelas/ Jefferson Center Metropolitan District (JCMD) project area. Each one of these areas has its own challenges; however, if properly developed, all will be favorable economic drivers in the years to come.

The “Ralston Fields” area was established in 2003 by City Council as an economic development area. The first phase of redevelopment included the addition of a Target, Big 5 and many smaller retail restaurants and shops. The area has seen increased usage with the addition of three multi-family projects, including a 380-unit complex, a 298-unit complex and Arvada Station (302 unit) project. The next phase of development is well under way in the “triangle” area, recently named “Ralston Creek”. Walmart opened in 2018 along with five new restaurants and the relocation of one liquor store. The next phase, currently in design, will include multi-family, an affordable housing complex along with mixed-use options. These developments will be located on the North and South side of the corner of 58th and Garrison and should open later in 2024.

The three rail stops along the G Line (Gold Strike, Olde Town and Arvada Ridge) are completed and open for service. TOD development around the Olde Town station continues with a six-story, 252-unit multi-family complex nearing completion, five new restaurants that have opened along with a new 128-room hotel.

The completion of the 470 beltway, named JPPHA, has continued to be at a standstill. Environmental concerns along with the identified location are now slowing progress. Further testing will need to be completed before the final RFP process. The completion of the beltway would be the last piece of a large transportation project that would finally connect I-25 to I-70 in the western part of the Denver Metro region. If the project is put on hold, additional work will need to be done on the north/south roads in Arvada that are not currently built to handle the growing traffic needs.

Overall, the local economy continues to do well with steady building activity, population growth and relatively low unemployment. The rise in inflation, limited labor force, affordable housing and the rise in homelessness will be hurdles that will need to be addressed. Investing in the community and staying focused on the three major development areas will help to maintain a strong foundation and will benefit the City moving forward.

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FINANCIAL INFORMATION

Retirement Funds: The City offers three defined-contribution programs for different types of employees. These are the City of Arvada Retirement Program (CARP) for its regular employees; the Arvada Police Pension Plan (APPP) for its uniformed police officers; and the Executive Management Program for the appointed management team. The City deposits between 10% – 15% into an individual's account and the employee must contribute between 8% – 12%. The employee directs their own investments within available funds. In addition, the City offers voluntary 457 programs where employees can place additional dollars for retirement on a pre-tax or post-tax basis. All plans use Fidelity Investments as their record keeper. The City also has one defined-benefit plan that covers one fully vested participant who did not elect to participate in the Arvada Police Pension Plan that became effective in 1986.

Internal Control Structure: The City of Arvada establishes and maintains an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls: The City of Arvada maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City of Arvada's City Council, its governing body. All activities of the City are included in the annual appropriated budget except the City's self-insured health plan and retirement funds. The City's legal level of budgetary control is at the fund level, if a fund is expected to exceed its appropriation, management must obtain approval of the City Council which is the City's governing body. The City maintains an accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse at December 31, encumbrances outstanding are carried over and become a liability on the next year's budget. Appropriations for fiscal year 2024 will provide the authority to complete those transactions.

Single Audit: As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. As part of the City's single audit, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied, in all material respects, with applicable laws and regulations. The results of the City's single audit for fiscal year 2023, including any reported instances of material weaknesses or significant deficiencies in the internal control structure or any violations of applicable laws and regulations, are available in the single audit section listed in the table of contents.

Independent Audit: Section 10.9 of the City of Arvada's charter requires an annual audit of accounts and other evidences of financial transactions of the City and its departments by independent certified public accountants. The audit is performed by a firm chosen by a seven-member audit board consisting of the City Manager, Deputy City Manager, Director of Finance, Deputy Director of Finance, Controller and two members of the Arvada City Council. This year Forvis Mazars, a firm of independent accountants, audited the financial statements for

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the year ended December 31, 2023.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arvada for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022. The City of Arvada has received this award for 40 consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the certificate of achievement program requirements and we are submitting it to the committee to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each department. Special mention needs to be directed to the dedicated employees of the Finance Department charged with ensuring that all accounting principles are adhered to each and every day, thus ensuring the efficient and effective preparation of this audit and document. Special thanks go to Debra Nielson, Deputy Director of Finance; Vesta Kruk, Controller; and their teams. The production of the document was in the capable hands of Jenna Belec, the Finance Department's Finance Program Coordinator, as well as Steve Milke and Bun Heng, the City's Creative Services Design and Print Services staff.

Respectfully submitted,



Bryan Archer CPA
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Arvada
Colorado**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

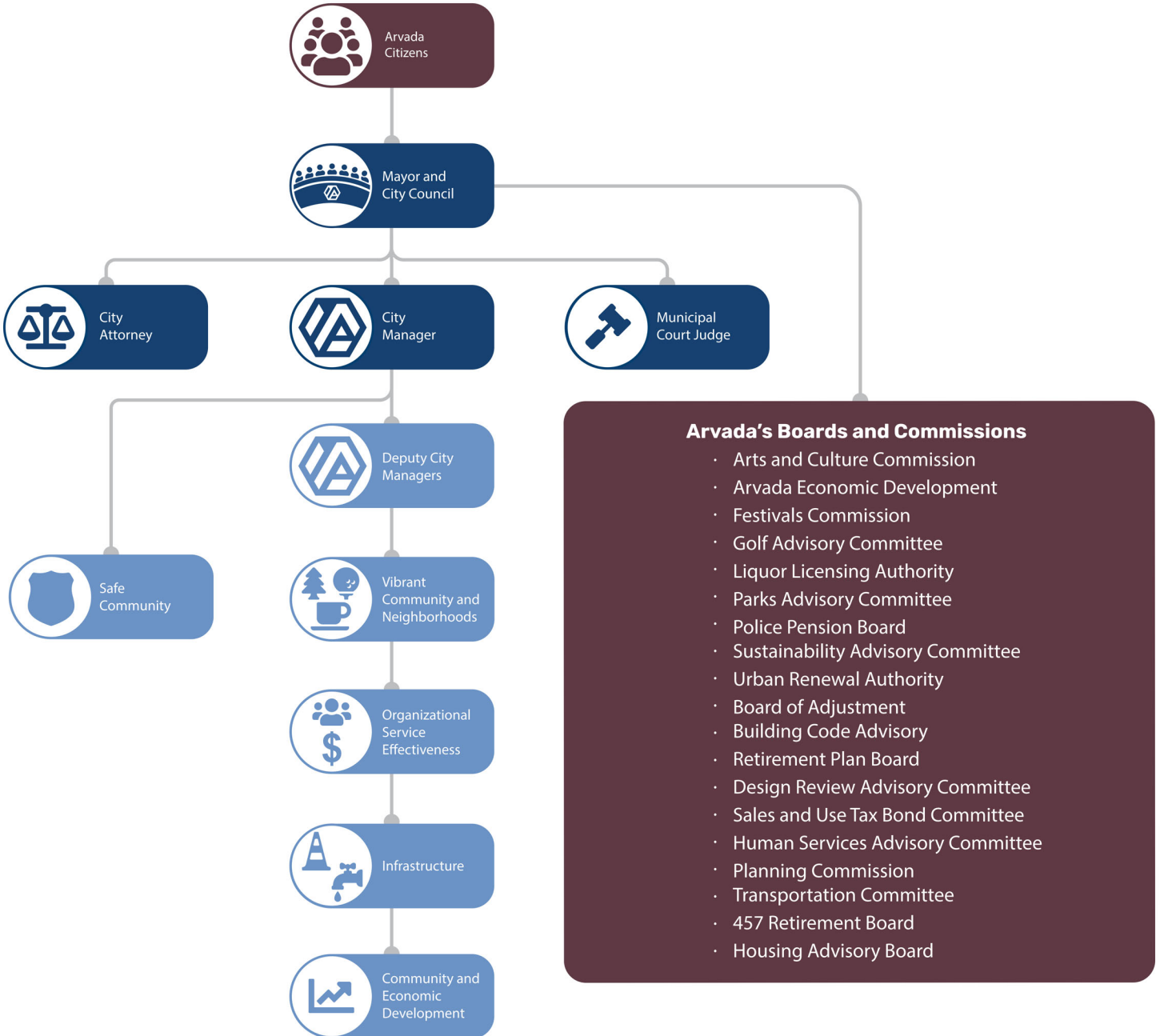
City Officials

Lauren Simpson
Mayor
(Term expires 2027)
Lisa Feret
Councilmember – At-Large
(Term expires 2025)
Sharon Davis
Councilmember – At-Large
(Term expires 2027)
Mayor Pro Tem - Randy Moorman
Councilmember – District 1
(Term expires 2025)
Shawna Ambrose
Councilmember – District 2
(Term expires 2027)
John Marriott
Councilmember – District 3
(Term expires 2025)
Bob Fifer
Councilmember – District 4
(Term expires 2027)

City Manager and Key Staff

Lorie Gillis	City Manager
Linda Haley	Deputy City Manager
Don Wick	Deputy City Manager
Kathryn Kurtz	Municipal Judge
Rachel Morris	City Attorney
Bryan Archer	Director of Finance
Craig Poley	Chief Information Officer
Sharon Israel	Director of Utilities
Gabriella Bommer	Director of Human Resources
Rachel Kuroiwa	Director of Communications and Engagement
Maureen Phair	Executive Director of Arvada Urban Renewal Authority
Enessa Janes	Director of Vibrant Community and Neighborhoods
Kristen Rush	City Clerk
Jessica Garner	Director of Community and Economic Development
Ed Brady	Chief of Police
Jacqueline Rhoades	Director of Public Works

Organizational Chart



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Financial Section

Reports of Independent Certified Public
Accountants

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Financial Statements

Report of Independent Certified Public Accountants

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Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Arvada
Arvada, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Arvada, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Community Development Fund, and Parks Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter – Change in Accounting Principle

As discussed in Note H to the financial statements, effective January 1, 2023, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96). Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, including the Non Major Governmental Funds statements and budget to actual schedules, the Enterprise Funds and Internal Service Funds statements and budgetary comparison schedules (non-GAAP), and the Custodial Funds statements, Financial Data Schedules and the Local Highway Finance Report, and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information, including the Non Major Governmental Funds statements and budget to actual schedules, the Enterprise Funds and Internal Service Funds statements and budgetary comparison schedules (non-GAAP), and the Custodial Funds statements, Financial Data Schedules and the Local Highway Finance Report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and Members of City Council
City of Arvada

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2024, on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 City'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 City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Denver, Colorado
July 16, 2024

Management's Discussion and Analysis

This section of the City of Arvada's Annual Comprehensive Annual Financial Report provides readers with a narrative overview and analysis of the City's financial performance during the fiscal year that ended on December 31, 2023. We encourage readers to consider the information presented here in conjunction with the letter of transmittal at the front of this report, the City's basic financial statements and notes to the financial statements, to enhance their understanding of the activities and financial health of the City of Arvada.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of the following three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Required supplementary information is included in the report. Other supplementary information is also included at the end of the report.

Government-Wide Financial Statements The government-wide statements are designed to provide readers with a broad overview of the City'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 the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may provide an indication of whether the City's financial position is improving or deteriorating.

The statement of activities presents information reflecting how the City's net position has changed during the fiscal year that 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 only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, culture, and human service. The business-type activities of the City include water, wastewater, stormwater, golf and solid waste.

The government-wide financial statements also include the Arvada Urban Renewal Authority as a discretely presented component unit of the City.

Fund Financial Statements Traditional users of the City'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. A major fund should generally meet both of the following criteria: 1) total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets and deferred outflows of resources, liabilities and deferred inflows of resources or expenditures/expenses) for that fund type (i.e. governmental or enterprise funds) and 2) total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5%

of the corresponding total for all governmental and enterprise funds combined.

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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.

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. To facilitate this comparison, reconciliations are provided for both the governmental fund balance sheet and the governmental statements of revenues, expenditures, and changes in fund balances.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 30-33 of this report.

Proprietary Funds The City maintains two different types of proprietary funds, enterprise, and internal service funds. The proprietary fund financial statements are prepared on the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, stormwater, solid waste, and golf operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for medical and dental benefits provided by the City, its risk management program, its replacement and maintenance of vehicles and information technology equipment, and buildings and its print shop operations. The activity in these funds is allocated between the governmental and business-type activities based upon actual usage.

Proprietary funds provide the same type of information as the business type activities in the government-wide financial statements, only in more detail. The Water, Wastewater, Stormwater enterprise funds are considered to be major funds and are therefore presented separately within the proprietary fund financial statements. Solid Waste and Golf enterprise funds are considered to be non-major funds and are presented in aggregate in one Non-Major Funds column. All internal service funds are considered to be non-major funds and they are combined into a single, aggregated column in the proprietary fund statements. Individual fund data for each of the non-major internal service funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The basic proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary Funds The City maintains two different types of fiduciary funds, trust, and custodial funds. The fiduciary fund financial statements are prepared on the accrual basis of accounting. The fiduciary funds are used to account for resources held by the City in a trustee capacity or as custodial agent for the benefit of parties outside the government. The custodial funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

The City does not adopt an annual appropriated budget for its fiduciary funds.

The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the Financial Statements The notes to the basic financial statements are considered an integral part of the financial statements since they provide additional information needed to gain a full understanding of the data provided in both the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-82 of this report.

Required Supplementary Information In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of Arvada's progress in funding its obligation to provide pension benefits and other postemployment benefits, which can be found on pages 84-86.

Combining Statements The combining statements referred to earlier in connection with the non-major governmental funds, internal service funds and fiduciary funds are presented following the required notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government financial position. At the close of December 31, 2023, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,123,891,000. The following summaries of net position and changes in net position are presented for the current year and the previous year in comparison format.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022*	2023	2022*	2023	2022*
Current and other assets	\$ 313,528	\$ 295,013	\$ 180,296	\$ 213,597	\$ 493,824	\$ 508,610
Capital assets	461,875	422,766	437,535	376,748	899,410	799,514
Other non-current assets	3,174	5,258	4,056	3,857	7,230	9,115
Total assets	<u>778,577</u>	<u>723,037</u>	<u>621,887</u>	<u>594,202</u>	<u>1,400,464</u>	<u>1,317,239</u>
Deferred outflows of resources	<u>151</u>	<u>193</u>	<u>18</u>	<u>18</u>	<u>169</u>	<u>211</u>
Other liabilities	47,314	41,768	11,461	14,063	50,774	55,831
Long-term liabilities	105,055	98,223	98,449	100,346	203,504	198,569
Total liabilities	<u>152,369</u>	<u>139,991</u>	<u>109,910</u>	<u>114,409</u>	<u>262,279</u>	<u>254,400</u>
Deferred inflows of resources	<u>13,026</u>	<u>11,674</u>	<u>1,437</u>	<u>681</u>	<u>14,464</u>	<u>12,355</u>
Net position:						
Net investment in capital assets	379,201	375,681	426,330	368,453	804,531	744,134
Restricted	42,685	39,790	1,575	1,425	44,260	41,215
Unrestricted	191,447	156,094	82,653	109,252	275,100	265,346
Total Net position	<u>\$ 613,333</u>	<u>\$ 571,565</u>	<u>\$ 510,558</u>	<u>\$ 479,130</u>	<u>\$ 1,123,891</u>	<u>\$ 1,050,695</u>

* 2022 has not been restated for implementation of GASB 96.

For more detailed information, see the Statement of Net Position on page 27 of this report.

By far the largest portion of the City's Governmental net position, \$379,201,000 (62%), reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, equipment, lease and subscription assets), less any debt used to acquire those assets still outstanding. The City of Arvada uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's Governmental net position, \$42,685,000 (7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$191,447,000 (31%), may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's total net position increased by \$73,196,000 during the current fiscal year. This is due to an increase in the governmental activities of \$41,768,000 and an increase in the business-type activities of \$31,428,000. The increase in the governmental activities is primarily due to an increase in grants and contributions, an increase in sales and use tax and an increase in investment earnings. The increase in the business-type activities is primarily due to increases in developer contributions in the Water and Wastewater Funds, as well as an increase in investment earnings.

Changes in Net Position

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

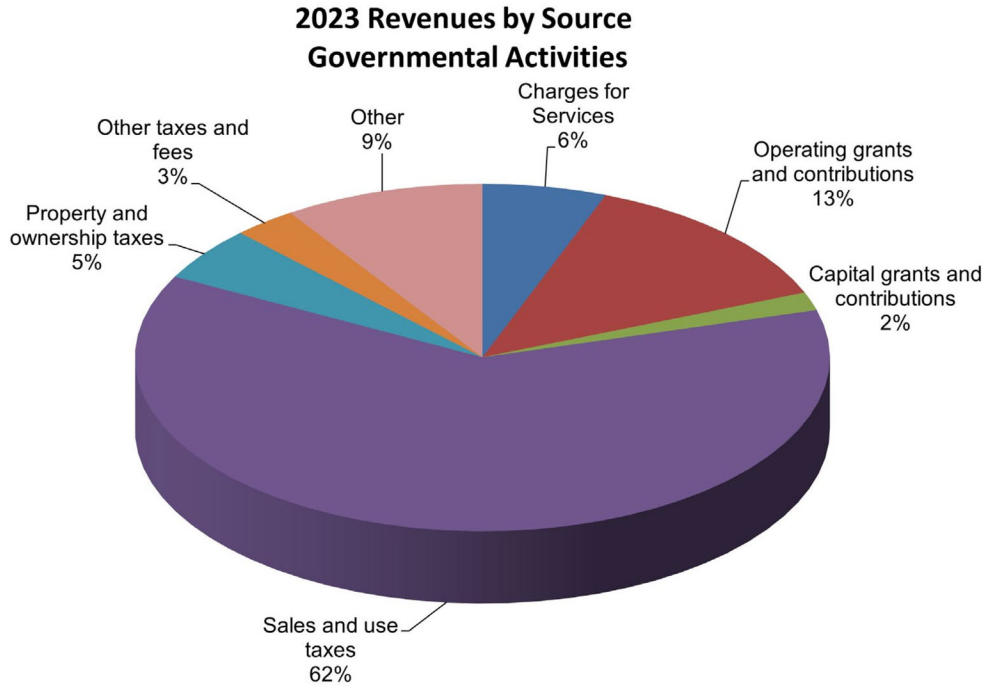
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 10,161	\$ 13,061	\$ 62,357	\$ 66,420	\$ 72,518	\$ 79,481
Operating grants and contribu- tions	23,083	21,308	-	-	23,083	21,308
Capital grants and contributions	2,986	18,051	26,272	17,935	29,258	35,986
General revenues:						
Sales and use taxes	109,080	107,697	-	-	109,080	107,697
Property & ownership taxes	8,827	8,909	-	-	8,827	8,909
Other taxes and fees	5,174	5,606	-	-	5,174	5,606
Investment earnings (loss)	10,544	(6,814)	8,770	(2,844)	19,314	(9,658)
Other	17,072	9,144	-	-	17,072	9,144
Total revenues	<u>186,927</u>	<u>176,962</u>	<u>97,399</u>	<u>81,511</u>	<u>284,326</u>	<u>258,473</u>
Expenses						
General government	\$ 52,196	\$ 52,303	\$ -	\$ -	\$ 52,196	\$ 52,303
Public safety	37,788	36,199	-	-	37,788	36,199
Public works	30,770	32,771	-	-	30,770	32,771
Parks and recreation	13,117	11,582	-	-	13,117	11,582
Culture	-	-	-	-	-	-
Human service	9,527	7,294	-	-	9,527	7,294
Interest	3,640	3,619	-	-	3,640	3,619
Water	-	-	31,068	30,017	31,068	30,017
Wastewater	-	-	16,872	15,940	16,872	15,940
Stormwater	-	-	3,817	3,031	3,817	3,031
Golf	-	-	8,291	7,285	8,291	7,285
Solid Waste	-	-	4,044	4,097	4,044	4,097
Total expenses	<u>147,038</u>	<u>143,768</u>	<u>64,092</u>	<u>60,370</u>	<u>211,130</u>	<u>204,138</u>
Change in net position before transfers	<u>39,889</u>	<u>33,194</u>	<u>33,307</u>	<u>21,141</u>	<u>73,196</u>	<u>54,335</u>
Transfers	<u>1,879</u>	<u>1,941</u>	<u>(1,879)</u>	<u>(1,941)</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>41,768</u>	<u>35,135</u>	<u>31,428</u>	<u>19,200</u>	<u>73,196</u>	<u>54,335</u>
Net position, beginning	<u>571,565</u>	<u>536,430</u>	<u>479,130</u>	<u>459,930</u>	<u>1,050,695</u>	<u>996,360</u>
Net position, ending	<u>\$613,333</u>	<u>\$571,565</u>	<u>\$510,558</u>	<u>\$479,130</u>	<u>\$1,123,891</u>	<u>\$1,050,695</u>

For more detailed information, see the Statement of Activities on pages 28-29 of this report.

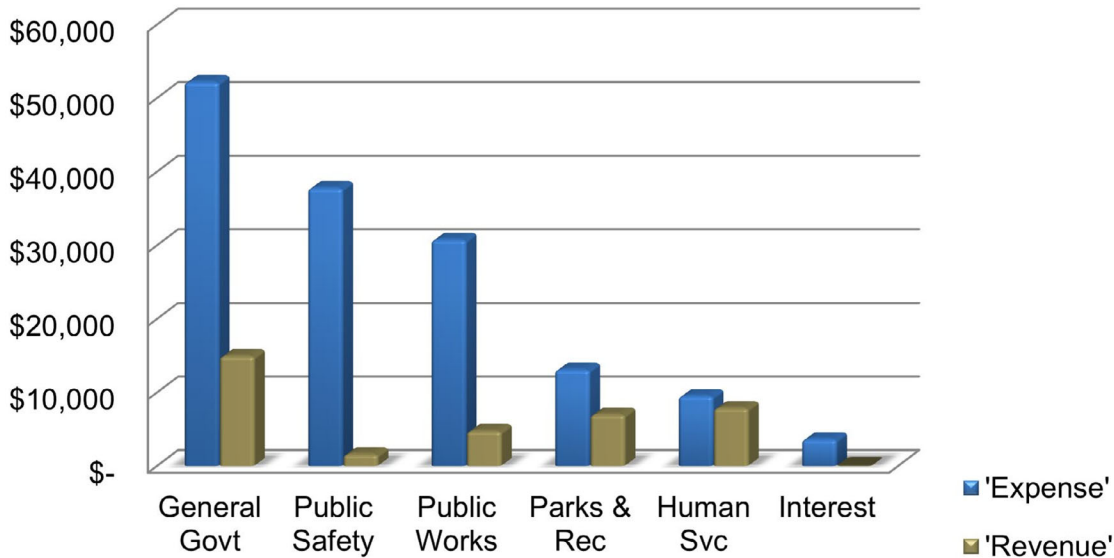
The above condensed summary of the City of Arvada's governmental and business-type activities for the year ended December 31, 2023, reflects net position increasing \$73,196,000. Revenues and expenses graphs are presented below to enhance the reader's understanding of the current year activities.

Governmental Activities

Governmental Activities increased Arvada's Net Position by \$41,768,000.



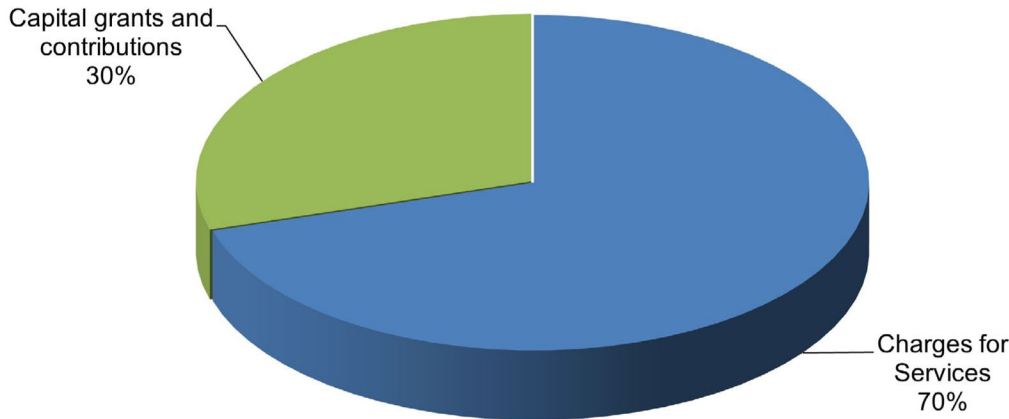
**2023 Expenses and Program Revenues
Governmental Activities**



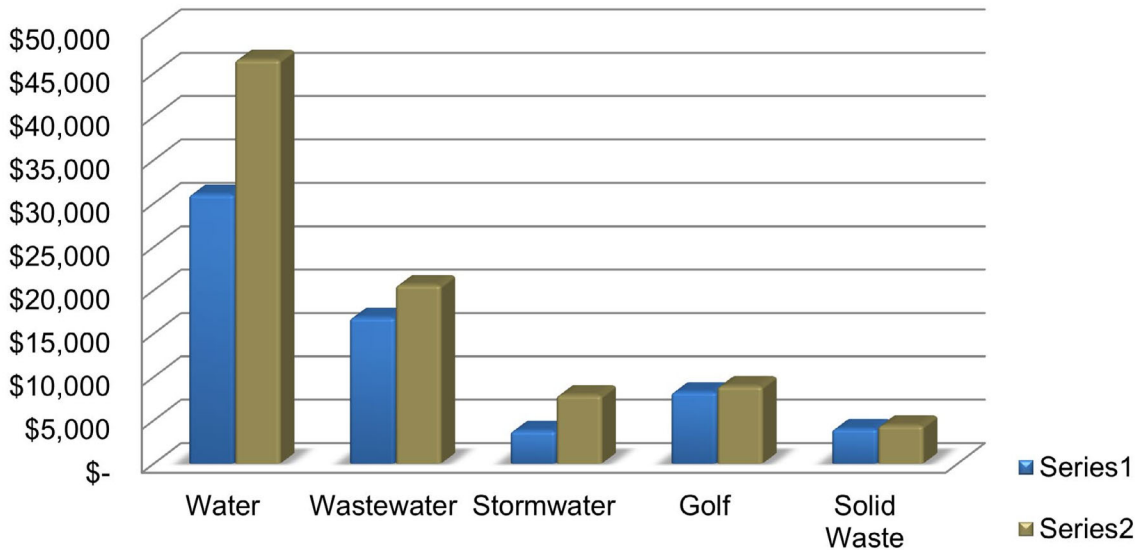
Business-type Activities

Business-type Activities increased Arvada's Net Position by \$31,428,000.

**2023 Revenues by Source
Business Activities**



**2023 Expenses and Program Revenues
Business-Type Activities**



Governmental activities Governmental activities increased the City's net position by \$41,768,000. Key elements of this change are due to the following:

- Investment Earnings increased \$17,358,000
- Miscellaneous revenues increased \$7,928,000 due to implementation of a bag fee collected by retailers and remitted to the City and recovered costs

Business-type activities Business-type activities increased the City's net position by \$31,428,000. Key elements of this increase are due to the following:

- Developer contributions amounted to \$26,272,000 which is an increase from \$17,932,000 in 2022
- Service charges and fees revenue in the Golf fund increased \$1,554,000 due to an increase in golf rounds and pro shop sales

Financial Analysis of the City's Funds

As noted previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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.

December 31, 2023, fund balances of governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. The City had \$625,000 in non-spendable resources.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or law and regulations of other governments; or through constitutional provisional or enabling legislations. The City had \$90,383,000 in restricted resources.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions and ordinances approved by the City Council. The City had \$39,968,000 in committed resources.

Assigned – amounts that are for an intended use established by the City, but that are not considered restricted or committed. The purpose of the assignment must be narrower than the purpose of the General Fund. The City had \$24,174,000 in assigned resources.

Unassigned – represents the remaining balance for the City's General Fund. The City had \$81,244,000 in unassigned resources.

The General Fund is the main operating fund of the City. At December 31, 2023, the non-spendable fund balance was \$575,000, the restricted fund balance was \$3,903,000, and the unassigned fund balance was \$81,244,000. The total fund balance increased \$15,744,000 in 2023 to \$85,722,000. On a budgetary basis, the General Fund expenditures finished over \$13,470,000 to the good overall. The increase in total fund balance is primarily due to an increase in federal and state grants as well as interest earnings.

The Community Development Fund is a major fund of the City. At December 31, 2023, the restricted fund balance was \$2,738,000 and the assigned fund balance was \$2,823,000. Total fund balance decreased \$836,000 in 2023 to \$5,561,000. The decrease was due to a slowdown in grant reimbursements and higher expenditures for essential home repairs which are managed by a third party.

The Parks Fund is a major fund of the City. At December 31, 2023, the non-spendable fund balance was \$45,000 the restricted fund balance was \$256,000 and the assigned fund balance was \$7,591,000. The total fund balance increased \$340,000 in 2023 to \$7,892,000. The increase is due to an increase in Jefferson County Open Space revenues and investment earnings.

The General Capital Projects Fund is another major fund of the City. At December 31, 2023, the restricted fund balance was \$16,343,000, the committed fund balance was \$39,968,000 and the assigned fund balance was \$13,760,000. The total fund balance increased \$13,201,000 in 2023 to \$70,071,000. The increase was due to decrease in expenditures partly because of the delay of some of the larger projects.

The Construction Fund is another major fund of the City. At December 31, 2023 the restricted fund balance was \$43,230,000. Total fund balance decreased \$18,214,000 in 2023 to \$43,230,000. This fund accounts for the 2019 and 2023 Sales and Use Tax revenue bond issuance for two street improvement construction projects and 2021 COP issuance for the Meyers Pool Replacement project. There was an increase in expenditures in 2023 as the two street improvement projects are moving forward with construction which will continue for the next few years. Meyers Pool construction has also been in progress since 2022.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position balances of the City's proprietary funds (including the major enterprise funds) are reflected in the following table:

	Unrestricted Net Position for Year ended 12/31/23	Unrestricted Net Position for Year ended 12/31/22
Major Enterprise Funds		
Water	\$ 63,634	\$ 86,617
Wastewater	10,183	11,395
Stormwater	3,122	7,037
Subtotal of major enterprise funds	76,936	105,049
Non-Major Enterprise Funds		
Golf	(274)	(1,105)
Solid Waste	(464)	(879)
Subtotal of non-major enterprise funds	(738)	(1,984)
Total enterprise funds	76,201	103,065
Internal service funds	27,395	33,787
Total proprietary funds	\$ 103,596	\$ 136,852

Component units The Arvada Urban Renewal Authority (AURA) was created by Ordinance No. 1717 under

the Colorado Urban Renewal Law and approved by voters on March 3, 1981. AURA's purpose is to develop, redevelop or rehabilitate blighted areas of the City. The governing body of AURA is a commission of seven members, appointed by the Mayor and approved by City Council. AURA's annual budget is approved by the City Council and the City provides administrative support to AURA. The statement of net position reflects \$469,000 of restricted net position balance and \$6,328,000 of unrestricted net position balance. The total change in net position for AURA was a decrease of \$1,046,000.

Budgetary Highlights

General Fund

Final budgeted expenditures and transfers out increased \$14,182,000 from the original budget to \$135,350,000. \$3,842,062 of this increase is due to projects not completed in 2022 and carried to 2023 and also one-time funding for projects. Major projects included traffic projects, streets maintenance projects, software projects and safety and security. The City committed to purchase a property at 4600 W 60th Avenue in 2023 for \$3,150,000 which needed to be added to the budget. The City was awarded \$5,296,529 in funding from the American Rescue Plan Act in 2021 and was carried over to 2023. The remaining increase included various operational expenses in the General Fund.

Property tax revenue exceeded budget by \$75,000 due to increasing property values, and Sales and Use Tax also exceeded budget by \$1,924,000 primarily due to increased online sales and grocery store sales. Investment revenues exceeded the budget by \$3,133,000 due to the strong investment environment which included a significant gain on the year-end mark-to-market adjustment. Public Safety saw a savings of \$3,932,000 from budget due to vacancies. Public Works saw a savings of \$4,826,000 from budget due to streets maintenance projects not completed and carried into 2024.

Capital, Lease and Subscription Assets and Debt Administration

Capital, Lease and Subscription Assets The City's investment in capital, lease and subscription assets for its governmental and business-type activities as of December 31, 2023, amounted to \$899,410,000 (net of accumulated depreciation and amortization). This investment in capital assets includes land, water rights, buildings and improvements, equipment and infrastructure, and lease and subscription assets.

	Governmental Activities	Business-type Activities	Total Primary Government
Land and water rights	\$ 59,001	\$ 39,773	\$ 98,774
Infrastructure	140,982	5,242	146,224
Construction in progress	98,550	100,198	198,748
Buildings	35,259	9,578	44,837
Improvements other than buildings	100,998	281,787	382,785
Lease assets	49	226	275
Subscription assets	6,518	38	6,556
Equipment & vehicles	20,518	693	21,211
Total capital assets	<u>\$ 461,875</u>	<u>\$ 437,535</u>	<u>\$ 899,410</u>

Major capital improvements during this fiscal year include the following:

Governmental Activities

- Ralston Road improvements from Upham Street to Yukon Street
- Ralston Road improvements from Yukon Street to Garrison
- West 72nd Street improvements and railroad underpass from Kipling Street to Simms Street
- Parks Maintenance Building
- Meyers Pool construction
- Fiber and conduit throughout the City
- Traffic signal replacement

Proprietary Activities

- On-going maintenance and replacement of water, sewer and stormwater lines
- Denver Moffat water project
- North Trunk Line Replacement
- Central Trunk Line
- Alkire Lift Station
- Canyon Pines pump station

Additional information of the City's capital assets can be found in Note 3.B on page 62 of this report.

Long-term debt At the end of December 31, 2023, the City had total debt outstanding of \$208,159,000. Of this amount, \$173,579,000 represents bonds secured by specified revenue sources (i.e., sales tax revenue bonds). \$27,615,000 represents Certificates of Participation and \$6,965,000 is lease and subscription assets

	Governmental Activities	Business-type Activities	Total Primary Government
Revenue bonds	\$ 74,281	\$ 99,298	\$ 173,579
2016 Certificates of Participation	9,493	-	\$ 9,493
2015 Certificates of Participation	1,270	-	\$ 1,270
2021 Certificates of Participation	16,852	-	\$ 16,852
Lease liability	277	191	\$ 468
Subscription liability	6,054	41	\$ 6,095
Equipment purchase-direct placement	402	-	\$ 402
Total outstanding debt	<u>\$ 108,630</u>	<u>\$ 99,529</u>	<u>\$ 208,159</u>

Additional information on the City's long-term obligations can be found in Note 3.E on pages 65-69 of this report.

Financial Contact

The City's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information presented in this report or requests for additional information should be sent to the City's Finance Director at the following address:

City of Arvada
Director of Finance
8101 Ralston Road
Arvada, CO 80002

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Basic Financial Statements



CITY OF
ARVADA

STATEMENT OF NET POSITION
December 31, 2023
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	AURA
ASSETS				
Cash and investments	\$ 284,127	\$ 142,822	\$ 426,949	\$ 8,901
Restricted cash	2,715	22,275	24,990	-
Taxes receivable	21,765	-	21,765	30,971
Accounts receivable, net of allowance for uncollectibles	5,679	7,616	13,295	1,884
Accrued interest	1,223	134	1,357	-
Lease receivable	2,726	111	2,837	-
Internal balances	(6,454)	6,454	-	-
Inventories	877	763	1,640	-
Prepaid costs	870	121	991	-
Lease receivable	-	1,220	1,220	-
Notes receivable	3,174	2,836	6,010	-
Property available for sale	-	-	-	603
Capital and lease assets				
Lease assets, net	49	226	275	4
Subscriptions assets, net	6,518	38	6,556	-
Land, water rights and construction in progress	157,551	139,971	297,522	-
Other capital assets, net	297,757	297,300	595,057	1,527
Total capital, lease and subscription assets	461,875	437,535	899,410	1,531
Total assets	778,577	621,887	1,400,464	43,890
DEFERRED OUTFLOWS OF RESOURCES				
Items related to pension plan	22	-	22	-
Items related to OPEB	85	18	103	-
Deferred loss on refunding	44	-	44	-
Total deferred outflows of resources	151	18	169	-
LIABILITIES				
Accounts payable	33,570	7,511	41,081	554
Contracts payable	-	1,658	1,658	-
Accrued interest payable	359	12	371	-
Unearned revenue	217	107	324	-
Long-term liabilities				
Due within one year:				
Bonds, certificates of participation, leases and subscriptions	7,245	1,786	9,031	687
Claims payable	3,712	-	3,712	-
Compensated absences	2,211	387	2,598	68
Due more than one year:				
Bonds, certificates of participation, leases and subscriptions	101,385	97,743	199,128	3,287
Total OPEB Liability	1,455	319	1,774	-
Net pension liability	4	-	4	-
Compensated absences	2,211	387	2,598	-
Total liabilities	152,369	109,910	262,279	4,596
DEFERRED INFLOWS OF RESOURCES				
Items related to pension plan	10	-	10	-
Items related to OPEB	647	142	789	-
Leases	2,602	1,295	3,897	-
Property taxes	9,767	-	9,767	30,971
Total deferred inflows of resources	13,026	1,437	14,463	30,971
NET POSITION				
Net Investment in capital assets	379,201	426,330	805,531	1,527
Restricted for:				
Capital Projects	-	-	-	469
Conversation Trust	2,302	-	2,302	-
Law Enforcement/Seizure	19,707	-	19,707	-
Emergencies	5,367	-	5,367	-
Housing	317	-	317	-
CDBG	3,106	-	3,106	-
Debt Service	707	1,575	2,282	-
Lands Dedicated	6,667	-	6,667	-
Adams County Open Space	378	-	378	-
Adams County Transportation	1,623	-	1,623	-
Park Development	2,511	-	2,511	-
Unrestricted	191,447	82,653	274,100	6,328
Total Net Position	\$ 613,333	\$ 510,558	\$ 1,123,891	\$ 8,323

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



STATEMENT OF ACTIVITIES
Year Ended December 31, 2023
(in thousands)

	Program Revenues				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAM ACTIVITIES:					
Primary Government:					
Governmental activities:					
General government	\$ 52,196	\$ 6,871	\$ 6,668	\$ 1,431	\$ 14,970
Public safety	37,788	-	1,614	-	1,614
Public works	30,770	3,210	-	1,555	4,765
Parks and recreation	13,117	80	6,920	-	7,000
Human services	9,527	-	7,881	-	7,881
Interest expense	3,640	-	-	-	-
Total governmental activities	<u>147,038</u>	<u>10,161</u>	<u>23,083</u>	<u>2,986</u>	<u>36,230</u>
Business-type activities:					
Water	31,068	29,887	-	16,721	46,608
Wastewater	16,872	15,231	-	5,410	20,641
Stormwater	3,817	3,801	-	4,141	7,942
Golf	8,291	8,990	-	-	8,990
Solid waste	4,044	4,448	-	-	4,448
Total business-type activities	<u>64,092</u>	<u>62,357</u>	<u>-</u>	<u>26,272</u>	<u>88,629</u>
Total primary government	<u>\$ 211,130</u>	<u>\$ 72,518</u>	<u>\$ 23,083</u>	<u>\$ 29,258</u>	<u>\$ 124,859</u>
Component Units:					
AURA	\$ 30,810	\$ 22	\$ -	\$ -	\$ 22
Total component units	<u>\$ 30,810</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>

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



STATEMENT OF ACTIVITIES
Year Ended December 31, 2023
(in thousands)

<u>Net (Expense) Revenue and Changes in Net Position</u>			Component Unit AURA
<u>Primary Government - City of Arvada</u>			
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
\$ (37,226)	\$ -	\$ (37,226)	\$ -
(36,174)	-	(36,174)	-
(26,005)	-	(26,005)	-
(6,117)	-	(6,117)	-
(1,646)	-	(1,646)	-
(3,640)	-	(3,640)	-
<u>(110,808)</u>	<u>-</u>	<u>(110,808)</u>	<u>-</u>
-	15,540	15,540	-
-	3,769	3,769	-
-	4,125	4,125	-
-	699	699	-
-	404	404	-
-	<u>24,537</u>	<u>24,537</u>	-
<u>(110,808)</u>	<u>24,537</u>	<u>(86,271)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,788)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,788)</u>

General Revenues

Taxes:

Property	8,827	-	8,827	25,260
Sales and use	109,080	-	109,080	4,294
Transportation tax	5,174	-	5,174	-
Investment earnings (loss)	10,544	8,770	19,314	188
Miscellaneous	17,072	-	17,072	-
Transfers in (out)	1,879	(1,879)	-	-
Total general revenues	<u>152,576</u>	<u>6,891</u>	<u>159,467</u>	<u>29,742</u>
Change in net position	41,768	31,428	73,196	(1,046)
Net position, January 1	571,565	479,130	1,050,695	9,369
Net position, December 31	<u>\$ 613,333</u>	<u>\$ 510,558</u>	<u>\$ 1,123,891</u>	<u>\$ 8,323</u>

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



**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2023
(in thousands)**

Primary Government

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Parks Fund</u>	<u>General Capital Projects Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and investments	\$ 88,285	\$ 3,120	\$ 7,108	\$ 73,283	\$ 51,556	\$ 22,597	\$ 245,949
Restricted cash	-	2,711	-	-	-	-	2,711
Cash with fiscal agent	-	-	-	-	4	-	4
Taxes receivable	20,416	-	1,229	120	-	-	21,765
Accounts receivable, net of allowance for uncollectibles	3,174	238	54	86	-	1,733	5,285
Accrued interest	493	-	41	358	-	129	1,021
Lease receivable	1,899	-	827	-	-	-	2,726
Inventories	404	-	24	-	-	-	428
Prepaid costs	171	-	21	-	-	5	197
Notes receivable, net of allowance for uncollectibles	1,101	2,066	7	-	-	-	3,174
Total assets	<u>\$ 115,943</u>	<u>\$ 8,135</u>	<u>\$ 9,311</u>	<u>\$ 73,847</u>	<u>\$ 51,560</u>	<u>\$ 24,464</u>	<u>\$ 283,260</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	16,692	288	571	3,752	8,330	450	30,083
Unearned revenue	110	-	63	-	-	44	217
Total liabilities	<u>16,802</u>	<u>288</u>	<u>634</u>	<u>3,752</u>	<u>8,330</u>	<u>494</u>	<u>30,300</u>
DEFERRED INFLOW OF RESOURCES							
Property taxes	9,767	-	-	-	-	-	9,767
Grants	4	220	-	24	-	52	300
Leases	1,817	-	785	-	-	-	2,602
Accounts Receivable	730	-	-	-	-	-	730
Notes Receivable	1,101	2,066	-	-	-	-	3,167
Total deferred inflows of resources	<u>13,419</u>	<u>2,286</u>	<u>785</u>	<u>24</u>	<u>-</u>	<u>52</u>	<u>16,566</u>
FUND BALANCES							
Nonspendable	575	-	45	-	-	5	625
Restricted	3,903	2,738	256	16,343	43,230	23,913	90,383
Committed	-	-	-	39,968	-	-	39,968
Assigned	-	2,823	7,591	13,760	-	-	24,174
Unassigned	81,244	-	-	-	-	-	81,244
Total fund balances	<u>85,722</u>	<u>5,561</u>	<u>7,892</u>	<u>70,071</u>	<u>43,230</u>	<u>23,918</u>	<u>236,394</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 115,943</u>	<u>\$ 8,135</u>	<u>\$ 9,311</u>	<u>\$ 73,847</u>	<u>\$ 51,560</u>	<u>\$ 24,464</u>	<u>\$ 283,260</u>

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



**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET
POSITION**

**December 31, 2023
(in thousands)**

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

Total fund balances - governmental funds		\$ 236,394
Capital, lease and subscription assets net of accumulated depreciation and amortization used in governmental activities are not current financial resources. Therefore, they are not reported in the funds financial statements.		438,857
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of internal service funds are included in the governmental activities in the statement of net position.		44,042
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds.		150
Certain deferred inflow of resources are not financial resources, and therefore are not reported in the funds.		(657)
Certain assets are not available to provide current year financial resources and therefore are deferred in the fund statements		
CDBG Notes Receivable	2,065	
Grants Receivable	300	
Opioid Accounts Receivable	730	
AURA Notes Receivable	1,102	
Subtotal	4,197	
Long-term liabilities and assets are not due and payable or available in the current period and accordingly are not reported in the fund financial statements		
Balances at December 31, 2023 are:		
Lease and subscription payable	(1,719)	
Bonds payable, including bond premium	(74,281)	
Obligation under certificates of participation, including premiums	(27,616)	
Accrued interest	(281)	
Net pension liability	(4)	
Total OPEB liability	(1,455)	
Compensated absences	(4,294)	
Subtotal	(109,650)	
Net position of governmental activities		\$ 613,333

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



GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
December 31, 2023
(in thousands)

Primary Government

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Parks Fund</u>	<u>General Capital Projects Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property and ownership taxes	\$ 8,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,827
Sales and use taxes	88,532	-	-	-	-	20,548	109,080
Franchise fees	5,231	-	-	80	-	-	5,311
Licenses & permits	3,899	-	46	-	-	-	3,945
Intergovernmental	10,968	162	6,920	1,555	-	9,191	28,796
Charges for services	1,033	-	-	-	-	-	1,033
Recovered costs	5,190	-	34	31	5	-	5,260
Fines & forfeitures	1,016	-	-	-	-	-	1,016
Investment earnings (loss)	4,306	171	335	2,176	2,686	870	10,544
Memberships, donations & dedications	-	-	-	1,191	7,037	-	8,228
Miscellaneous	1,112	557	1,208	305	-	150	3,332
Total Revenues	<u>130,114</u>	<u>890</u>	<u>8,543</u>	<u>5,338</u>	<u>9,728</u>	<u>30,759</u>	<u>185,372</u>
EXPENDITURES							
General government	35,243	-	-	604	5	198	36,050
Public safety	27,293	-	-	-	-	11,554	38,847
Public works	31,052	-	-	-	-	-	31,052
Parks and recreation	-	-	13,261	-	-	-	13,261
Human services	-	1,761	-	-	-	7,789	9,550
Debt service							
Principal	358	-	-	-	-	5,487	5,845
Interest	27	-	-	-	-	3,579	3,606
Bond issuance costs	-	-	-	-	146	-	146
Capital outlay	105	10	-	10,249	35,957	-	46,321
Total Expenditures	<u>94,078</u>	<u>1,771</u>	<u>13,261</u>	<u>10,853</u>	<u>36,108</u>	<u>28,607</u>	<u>184,678</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	36,036	(881)	(4,718)	(5,515)	(26,380)	2,152	694
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	-	-	-	8,166	-	8,166
Transfers in	250	45	5,076	18,716	-	3,255	27,342
Transfers out	(20,542)	-	(18)	-	-	(3,010)	(23,570)
Total other financing sources (uses)	<u>(20,292)</u>	<u>45</u>	<u>5,058</u>	<u>18,716</u>	<u>8,166</u>	<u>245</u>	<u>11,938</u>
NET CHANGE IN FUND BALANCES	15,744	(836)	340	13,201	(18,214)	2,397	12,632
FUND BALANCES, BEGINNING	69,978	6,397	7,552	56,870	61,444	21,521	223,762
FUND BALANCES ENDING	<u>\$ 85,722</u>	<u>\$ 5,561</u>	<u>\$ 7,892</u>	<u>\$ 70,071</u>	<u>\$ 43,230</u>	<u>\$ 23,918</u>	<u>\$ 236,394</u>

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



**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES**

December 31, 2023

(in thousands)

Net change in fund balances - total government funds \$12,632

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization expense in the current period.

Capital outlay	46,321	
Disposal of Capital and Lease Assets, net of internal service funds	2,716	
Depreciation and amortization expense	(19,472)	
Excess of capital outlay over depreciation and amortization expense		29,565

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Issuing debt increases long-term liabilities and does not affect the statement of activities.

Issuance of debt	(8,166)	
Lease and subscription activity	(1,048)	
Direct placement activity	(402)	
Repayment of principal	5,487	
Subtotal		(4,129)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Developer Contributions	1,431	
Grants/notes receivable - current net of allowance	576	
Subtotal		2,007

Internal service funds are used by management to charge the costs of certain activities, such as risk management, vehicle replacement and maintenance, information technology replacement and the print shop services. A portion of the revenue (expense) of certain internal service funds is reported with governmental activities.

2,389

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of bond premium and deferred loss on refunding	(502)	
Pension	67	
OPEB	44	
Interest expense	(11)	
Compensated absences	(294)	
Subtotal		(696)

Change in net position of governmental activities \$41,768

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



GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
December 31, 2023
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property and ownership taxes	\$ 8,752	\$ 8,752	\$ 8,827	\$ 75
Sales and use taxes	86,608	86,608	88,532	1,924
Franchise fees	5,075	5,075	5,231	156
Licenses and permits	3,710	3,710	3,899	189
Intergovernmental	5,563	5,563	10,968	5,405
Charges for services	570	570	1,033	463
Recovered costs	4,932	4,932	5,190	258
Fines and forfeitures	1,086	1,086	1,016	(70)
Investment earnings	1,173	1,173	4,306	3,133
Administrative services	3,580	3,580	4,043	463
Miscellaneous	63	63	1,112	1,049
Total revenues	121,112	121,112	134,157	13,045
EXPENDITURES				
Current expenditures:				
Community and Economic Development	5,066	5,126	3,995	1,131
Judicial	1,547	1,574	1,322	252
Management	5,675	6,378	5,453	925
Legal	2,675	2,972	2,848	124
Finance	10,831	18,404	17,703	701
Human resources	2,500	2,588	2,236	352
Debt Service				
Principal	-	-	507	(507)
Interest	-	-	27	(27)
Public safety	30,780	31,425	27,144	4,281
Public works	34,491	35,878	31,052	4,826
Planning	663	663	813	(150)
Information technology	5,288	5,390	4,916	474
Total current expenditures	99,516	110,398	98,016	12,382
Capital outlay	83	93	105	(12)
Total expenditures	99,599	110,491	98,121	12,370
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	21,513	10,621	36,036	25,415
OTHER FINANCING SOURCES (USES)				
Transfer in	185	185	250	65
Transfers out	(21,569)	(23,759)	(20,542)	3,217
Total other financing (uses)	(21,384)	(23,574)	(20,292)	3,282
NET CHANGE IN FUND BALANCE	129	(12,953)	15,744	28,697
FUND BALANCE, BEGINNING	69,978	69,978	69,978	-
FUND BALANCE, ENDING	\$ 70,107	\$ 57,025	\$ 85,722	\$ 28,697

Total expenditures as presented on budgetary basis 98,121
less allocation of internal transfers (4,043)
Total expenditures as presented on GAAP basis 94,078

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



COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
December 31, 2023
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 659	\$ 659	\$ 162	\$ (497)
Investment earnings	34	34	171	137
Miscellaneous	157	157	557	400
Total revenues	<u>850</u>	<u>850</u>	<u>890</u>	<u>40</u>
EXPENDITURES				
Current expenditures:				
Program costs	1,064	4,184	1,761	2,423
Capital outlay	-	-	10	(10)
Total expenditures	<u>1,064</u>	<u>4,184</u>	<u>1,771</u>	<u>2,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(214)</u>	<u>(3,334)</u>	<u>(881)</u>	<u>2,453</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	45	45	45	-
Transfers out	(260)	(260)	-	260
Total other financing sources (uses)	<u>(215)</u>	<u>(215)</u>	<u>45</u>	<u>260</u>
NET CHANGE IN FUND BALANCE	(429)	(3,549)	(836)	2,713
FUND BALANCE, BEGINNING	6,397	6,397	6,397	-
FUND BALANCE, ENDING	<u>\$ 5,968</u>	<u>\$ 2,848</u>	<u>\$ 5,561</u>	<u>\$ 2,713</u>

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



PARKS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
December 31, 2023
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 67	\$ 67	\$ 46	\$ (21)
Intergovernmental revenues				
Jefferson County-Open Space	5,942	5,942	6,920	978
Recovered costs	1	1	34	33
Investment earnings	47	47	335	288
Miscellaneous	1,273	1,273	1,208	(65)
	<u>7,330</u>	<u>7,330</u>	<u>8,543</u>	<u>1,213</u>
EXPENDITURES				
Current expenditures:				
Park maintenance	12,929	13,549	12,758	791
Park design	453	451	429	22
Capital outlay	-	35	74	(39)
Total current expenditures	<u>13,382</u>	<u>14,035</u>	<u>13,261</u>	<u>774</u>
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES				
	<u>(6,052)</u>	<u>(6,705)</u>	<u>(4,718)</u>	<u>1,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,025	5,025	5,076	51
Transfers out	-	(18)	(18)	-
Total other financing sources	<u>5,025</u>	<u>5,007</u>	<u>5,058</u>	<u>51</u>
NET CHANGE IN FUND BALANCE				
	<u>(1,027)</u>	<u>(1,698)</u>	<u>340</u>	<u>2,038</u>
FUND BALANCE, BEGINNING				
	<u>7,552</u>	<u>7,552</u>	<u>7,552</u>	<u>-</u>
FUND BALANCE, ENDING				
	<u>\$ 6,525</u>	<u>\$ 5,854</u>	<u>\$ 7,892</u>	<u>\$ 2,038</u>

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



PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2023
(in thousands)

	Business-Type Activities				Total Business Type Activities	Govern- mental Activities
	Major Funds					Internal Service Funds
	Water Fund	Waste-water fund	Storm-water Fund	Non- Major Funds		
ASSETS						
CURRENT ASSETS						
Cash and investments	\$ 83,260	\$ 55,103	\$ 2,727	\$ 1,732	\$ 142,822	\$ 38,178
Cash with fiscal agent	22,275	-	-	-	22,275	-
Accounts receivable, net of allowance for uncollectibles	3,557	2,693	553	815	7,618	394
Accrued interest	116	-	18	-	134	202
Inventories	600	-	-	163	763	449
Prepaid costs	112	-	-	9	121	673
Interfund receivable	473	131	-	-	604	-
Lease Receivable	111	-	-	-	111	-
Total current assets	<u>110,504</u>	<u>57,927</u>	<u>3,298</u>	<u>2,719</u>	<u>174,448</u>	<u>39,896</u>
NONCURRENT ASSETS						
Advance to Golf Fund	-	1,175	-	-	1,175	-
Advance to Solid Waste	368	-	-	-	368	-
Lease receivable	1,220	-	-	-	1,220	-
Notes receivable, net of allowance for uncollectibles	-	2,836	-	-	2,836	-
Subscription assets net of amortization	-	-	-	38	38	5,413
Lease assets net of amortization	-	-	-	226	226	30
Land, water rights & construction in progress	123,751	5,315	6,598	4,307	139,971	-
Property and equipment, net of accumulated depreciation	166,492	63,277	56,444	11,087	297,300	17,575
Total non-current assets	<u>291,831</u>	<u>72,603</u>	<u>63,042</u>	<u>15,658</u>	<u>443,134</u>	<u>23,018</u>
Total assets	<u>402,335</u>	<u>130,530</u>	<u>66,340</u>	<u>18,377</u>	<u>617,582</u>	<u>62,914</u>
DEFERRED OUTFLOWS OF RESOURCES						
Items related to OPEB	11	3	1	3	18	3
LIABILITIES CURRENT LIABILITIES						
Accounts payable	5,828	828	184	671	7,511	3,486
Contracts payable	1,059	599	-	-	1,658	-
Accrued compensated absences	206	60	6	115	387	64
Serial bonds payable	790	785	-	-	1,575	-
Claims payable	-	-	-	-	-	3,712
Interfund payable	-	-	-	604	604	-
Accrued interest	-	-	-	12	12	78
Lease liability	-	-	-	191	191	16
Subscription liability	-	-	-	20	20	4,255
Unearned revenue	-	(1)	24	84	107	-
Total current liabilities	<u>7,883</u>	<u>2,271</u>	<u>214</u>	<u>1,697</u>	<u>12,065</u>	<u>11,611</u>
NONCURRENT LIABILITIES						
Accrued compensated absences	206	60	6	115	387	64
Total OPEB liability	192	51	18	58	319	59
Serial bonds payable	48,899	48,823	-	-	97,722	-
Lease liability	-	-	-	-	-	18
Subscription liability	-	-	-	21	21	725
Advance from Water Fund	-	-	-	368	368	-
Advance from Wastewater Fund	-	-	-	1,175	1,175	-
Total non-current liabilities	<u>49,297</u>	<u>48,934</u>	<u>24</u>	<u>1,737</u>	<u>99,992</u>	<u>866</u>
Total liabilities	<u>57,180</u>	<u>51,205</u>	<u>238</u>	<u>3,434</u>	<u>112,057</u>	<u>12,477</u>
DEFERRED INFLOWS OF RESOURCES						
Items related to lease receivable	1,295	-	-	-	1,295	-
Items related to OPEB liability	85	23	8	26	142	27
Total deferred inflows of resources	<u>1,380</u>	<u>23</u>	<u>8</u>	<u>26</u>	<u>1,437</u>	<u>27</u>
NET POSITION						
Net investment in capital assets	279,362	68,337	62,973	15,658	426,330	23,018
Restricted - debt service	790	785	-	-	1,575	-
Unrestricted	63,634	10,183	3,122	(738)	76,201	27,395
Total net position	<u>\$ 343,786</u>	<u>\$ 79,305</u>	<u>\$ 66,095</u>	<u>\$ 14,920</u>	<u>\$ 504,106</u>	<u>\$ 50,413</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds 6,452
Net position of business-type activities (page 27) \$ 510,558

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



PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
December 31, 2023
(in thousands)

	Business-Type Activities				Total Business Type Activities	Govern- mental Activities
	Major Funds					Internal Ser- vice Funds
	Water Fund	Waste-water fund	Storm-water Fund	Non- Major Funds		
OPERATING REVENUES						
Sales	\$ 28,034	\$ -	\$ -	\$ 7,813	\$ 35,847	\$ -
Service charges & fees	690	15,158	3,925	5,600	25,373	15,631
Recovered costs	-	-	-	-	-	548
Contributions	-	-	-	-	-	-
Employer	-	-	-	-	-	8,920
Employee	-	-	-	-	-	2,095
Retirees and continued benefit individuals	-	-	-	-	-	302
Miscellaneous	1,285	467	3	25	1,780	1,885
Total revenues	<u>30,009</u>	<u>15,625</u>	<u>3,928</u>	<u>13,438</u>	<u>63,000</u>	<u>29,381</u>
EXPENSES						
Operating & maintenance	24,077	12,615	2,508	-	39,200	-
Administration	-	635	-	11,539	12,174	5,863
Insurance premiums	-	-	-	-	-	3,236
Uninsured damages & claims	-	-	-	-	-	10,830
Repair & maintenance	-	-	-	-	-	3,248
Interest expense	-	-	-	-	-	84
Depreciation and amortization	5,135	1,633	1,321	784	8,873	3,961
Total expenses	<u>29,212</u>	<u>14,883</u>	<u>3,829</u>	<u>12,323</u>	<u>60,247</u>	<u>27,222</u>
OPERATING INCOME	<u>797</u>	<u>742</u>	<u>99</u>	<u>1,115</u>	<u>2,753</u>	<u>2,159</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment	5,448	2,833	432	57	8,770	1,907
Gain (loss) on sale of assets	(200)	(479)	(127)	-	(806)	483
Interest expense	(1,930)	(1,946)	-	(71)	(3,947)	-
Total non-operating revenues (expenses)	<u>3,318</u>	<u>408</u>	<u>305</u>	<u>(14)</u>	<u>4,017</u>	<u>2,390</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	4,115	1,150	404	1,101	6,770	4,549
CAPITAL CONTRIBUTIONS	16,721	5,410	4,141	-	26,272	-
TRANSFERS IN	8	-	8	345	361	1,433
TRANSFERS OUT	<u>(918)</u>	<u>(16)</u>	<u>(874)</u>	<u>(432)</u>	<u>(2,240)</u>	<u>(3,326)</u>
CHANGE IN NET POSITION	19,926	6,544	3,679	1,014	31,163	2,656
NET POSITION, BEGINNING	323,860	72,761	62,416	13,906		47,757
NET POSITION, ENDING	<u>\$ 343,786</u>	<u>\$ 79,305</u>	<u>\$ 66,095</u>	<u>\$ 14,920</u>	<u></u>	<u>\$ 50,413</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					265	
Change in net position of business-type activities (page 29)					<u>\$ 31,428</u>	

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

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
December 31, 2023
(in thousands)**

	Business-Type Activities				Governmental	
	Major Funds				Activities	
	Water Fund	Waste-water fund	Storm-water Fund	Non-Major Funds	Total Business Type Activities	Internal Service Funds
Cash flows from operating activities						
Cash received from external customers	\$ 28,799	\$ 15,509	\$ 4,071	\$ 13,394	\$ 61,773	\$ 3,332
Cash received from internal customers	-	-	-	-	-	26,648
Cash payments to external suppliers	(14,054)	(9,677)	(3,750)	(6,660)	(34,141)	(19,439)
Cash payments to internal suppliers	(1,302)	(484)	(132)	(592)	(2,510)	(265)
Cash payments to employees for services	(9,002)	(2,344)	(973)	(4,625)	(16,944)	(2,806)
Net cash provided by operating activities	<u>4,441</u>	<u>3,004</u>	<u>(784)</u>	<u>1,517</u>	<u>8,178</u>	<u>7,470</u>
Cash flows from non-capital financing activities						
Transfers to other funds	(918)	(16)	(874)	(432)	(2,240)	(3,326)
Transfers from other funds	8	-	8	345	361	1,390
Net cash provided (used) in non-capital financing activities	<u>(910)</u>	<u>(16)</u>	<u>(866)</u>	<u>(87)</u>	<u>(1,879)</u>	<u>(1,936)</u>
Cash flows from capital & related financing activities						
Capital contributions	11,851	1,406	-	-	13,257	-
Purchase of capital assets	(48,774)	(5,963)	(2,502)	(176)	(57,415)	(7,193)
Proceeds from sale of assets	92	-	-	-	92	483
Principal paid on lease and subscription payable	-	-	-	(128)	(128)	(725)
Interest paid on lease and subscription payable	-	-	-	(16)	(16)	(72)
Principal paid on serial bond payable	(715)	(710)	-	-	(1,425)	-
Interest paid on serial bond payable	(2,008)	(2,031)	-	-	(4,039)	-
Principal paid on interfund payable	-	-	-	(591)	(591)	-
Interest paid on interfund payable	-	-	-	(67)	(67)	-
Receipts from principal paid on interfund payable	462	627	-	-	1,089	-
Receipts from interest paid on interfund payable	78	-	-	-	78	-
Net cash provided (used) by capital and related financing activities	<u>(39,014)</u>	<u>(6,671)</u>	<u>(2,502)</u>	<u>(978)</u>	<u>(49,165)</u>	<u>(7,507)</u>
Cash flows from investing activities						
Investment earnings	6,998	3,097	550	149	10,794	596
Change in pooled investments	(1,359)	(238)	(110)	(88)	(1,795)	1,237
Net cash provided by investing activities	<u>5,639</u>	<u>2,859</u>	<u>440</u>	<u>61</u>	<u>8,999</u>	<u>1,833</u>
Net increase (decrease) in cash and cash equivalents	<u>(29,844)</u>	<u>(824)</u>	<u>(3,712)</u>	<u>513</u>	<u>(33,867)</u>	<u>(140)</u>
Cash and cash equivalents January 1, 2023	106,575	55,927	6,439	1,219	170,160	38,318
Cash with fiscal agent January 1, 2023	<u>28,804</u>	-	-	-	<u>28,804</u>	-
Total cash, cash equivalents and cash with fiscal agent January 1, 2023	135,379	55,927	6,439	1,219	198,964	38,318
Cash and cash equivalents December 31, 2023	83,260	55,103	2,727	1,732	142,822	38,178
Cash with fiscal agent December 31, 2023	<u>22,275</u>	-	-	-	<u>22,275</u>	-
Total cash, cash equivalents and cash with fiscal agent December 31, 2023	<u>105,535</u>	<u>55,103</u>	<u>2,727</u>	<u>1,732</u>	<u>165,097</u>	<u>38,178</u>
Reconciliation of operating income (loss) to net cash provided by (used) in operating activities:						
Operating income (loss)	797	743	99	1,115	2,753	2,158
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	5,135	1,633	1,321	784	8,873	3,958
(Increase) decrease in account receivable	(335)	(116)	128	(45)	(368)	416
(Increase) decrease in lease receivable	(798)	-	-	-	(798)	(47)
(Increase) decrease in notes receivable	-	-	-	-	-	-
(Increase) decrease in inventories	(100)	-	-	20	(80)	(62)
(Increase) decrease in prepaid costs	(15)	1	-	-	(14)	(192)
(Decrease) increase deferred inflow leases	778	-	-	26	804	78
(Decrease) increase in accrued payroll	-	11	5	16	32	-
(Decrease) increase in accounts payable	(1,556)	629	(2,356)	(221)	(3,504)	1,423
(Decrease) increase in contracts payable	723	115	-	-	838	-
(Decrease) increase in claims payable	-	-	-	-	-	(269)
(Decrease) increase in total OPEB liability	12	7	(7)	(1)	11	(5)
(Decrease) increase in unearned revenue	(183)	-	24	(200)	(359)	-
(Decrease) increase in compensated absences	(17)	(19)	2	23	(11)	12
Net cash provided by operating activities	<u>\$ 4,441</u>	<u>\$ 3,004</u>	<u>\$ (784)</u>	<u>\$ 1,517</u>	<u>\$ 8,178</u>	<u>\$ 7,470</u>
Non-cash investing, capital and financing activities						
Developer contributions	\$ 4,871	\$ 4,004	\$ 4,141	\$ -	\$ 13,016	\$ -
Change in fair value of non-cash pooled investment	\$ (1,359)	\$ (238)	\$ (110)	\$ (88)	\$ (1,795)	\$ 1,237
Capital assets accounts payable and contract payable outstanding	\$ 1,059	\$ 599	\$ -	\$ (76)	\$ 1,582	\$ -

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



FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2023
(in thousands)

	Defined Benefit Police Pension	Custodial Fund
Assets		
Pooled cash and investments	\$ 379	\$ 2,000
Money market	7	\$ -
Accrued interest	2	\$ 10
Total current assets	388	2,010
Total Assets	388	2,010
Liabilities		
Current Liabilities		
Accounts payable	-	27
Due to employees	-	164
Total current liabilities	-	191
Total liabilities	-	191
NET POSITION RESTRICTED FOR		
Pensions	388	-
Individuals, organizations, and other governments	-	1,819
Total fiduciary net position	\$ 388	\$ 1,819

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



FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
December 31, 2023
(in thousands)

	<u>Defined Benefit Police Pension</u>	<u>Custodial Fund</u>
ADDITIONS		
Investment earnings	\$ 18	\$ 88
Contributions	19	2,359
Total additions	37	2,447
DEDUCTIONS		
Program costs	-	2,149
Benefits paid	29	-
Total deductions	29	2,149
INCREASE (DECREASE) IN FIDUCIARY NET POSTION	8	298
Fiduciary net position, January 1	380	1,521
Fiduciary net position, December 31	\$ 388	\$ 1,819

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

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Notes to the Financial Statements

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1. Summary of Significant Accounting Policies

This is a summary of significant accounting policies for the City of Arvada, Colorado presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

A. Financial Reporting Entity

The City of Arvada is a political subdivision of the State of Colorado, located in Jefferson and Adams Counties in the northwest quadrant of the greater Denver, Colorado, metropolitan area. The population of the City is approximately 123,066. The City, incorporated in 1904, provides general government; police services; water; sewer, stormwater; solid waste, golf; park maintenance; and various trust and custodial functions in a fiduciary capacity. The City does not provide fire protection, or public education.

An elected mayor and six-member council govern the City. As required by accounting principles generally accepted in the United States of America (US GAAP) these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize it is legally separate from the City. Each blended and discretely presented component unit has a December 31 year-end.

Blended Component Units

Arvada Housing Authority (Special Revenue Fund) – The Authority administers funds received for rent subsidy to low/moderate income households under Section 8 of the U.S. Housing Assistance Payment Program. The City provides all administrative support to the Authority. The Authority, a legally separate entity, is governed by a Board of Directors, which consists of all current members of the Arvada City Council. Separate audited financial statements for the Arvada Housing Authority are not prepared.

Arvada Economic Development Association (AEDA) (Special Revenue Fund) - AEDA was established to encourage and stimulate all forms of economic development, commercial and industrial. The City's management team has operational responsibility for AEDA. AEDA exclusively benefits the City through economic development which increases revenues received by the City. Separate audited financial statements for the Arvada Economic Development Association are not prepared.

Police Defined Benefit Pension Plan (Fiduciary Fund) – The single employer defined benefit pension plan covers the uniformed police officers who did not elect to participate in the Defined Contribution Police Plan that became effective January 1, 1986. One fully vested participant remains in the Defined Benefit Plan as of December 31, 2023. Funding for the plan consists of contributions from the City and investment earnings. The City also has operational responsibility for the Plan. Separate audited financial statements for the Police Defined Benefit Pension Plan are not prepared.

Discrete Component Unit

Arvada Urban Renewal Authority (AURA) – AURA is reported in a separate column as a discretely presented component unit to emphasize that it is legally separate from the City.

AURA was created by Ordinance No. 1717 under the Colorado Urban Renewal Law and was approved by the voters on March 3, 1981. Its purpose is to develop, redevelop or rehabilitate blighted areas of the City. AURA currently has five active project areas, Ralston Fields, Jefferson Center Metropolitan District (JCMD), Village Commons, Olde Town Station and Northwest Arvada. The governing body of the AURA is a commission of seven members, appointed by the Mayor and approved by City Council for staggered terms of five years. AURA's annual budget must be approved by the City Council and the City provides administrative support to AURA.

The City has implemented GASB Statement 61, *The Financial Statement Reporting Entity: Omnibus- An Amendment of GASB Statements No. 14 and No. 34*, and we believe that AURA is included as a discrete component unit in the City's financial statements because of the City's ability to appoint AURA's governing authority and approve the budget and its revision, however, the City does not have any responsibilities to fund AURA operating deficiencies or deficits.

Separate audited financial statements for AURA may be obtained by contacting the Finance Department at 720-898-7120 or writing to:

City of Arvada
Finance Department
8101 Ralston Road
Arvada, CO 80002

B. 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 the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and defined benefit police pension fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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.

Government fund financial statements are reported using the current financial resources measurement focus and 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease expenditures as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

C. Financial Statement Presentation

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund balance/net position, revenues and expenditures or expenses as appropriate. The various funds are summarized by type within the financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Community Development Fund accounts for all entitlements, revenues and expenditures of the Community Development Block Grants (CDBG) program, the Home Rehabilitation program and Essential Home Repairs program and is a special revenue fund.

The Parks Fund accounts for costs associated with the acquisition, design, development, maintenance and beautification of parks, open space and trails within the City and is a special revenue fund. Revenues are primarily from Jefferson County Open Space funds and can include revenues from the City's General Fund, Grants Fund, and Lands Dedicated revenues.

The General Capital Projects Fund accounts for all major capital projects of the City. Appropriations are not restricted to a fiscal year. Sources of revenue to this fund are transfers from the General and other funds, interest earned, transfers from Jefferson County Open Space funds and contributions by developers and government grants.

The Construction Fund accounts for proceeds from the Series 2021 Certificates of Participation issue and the Sales and Use Tax Revenue Bonds Series 2019 as well as the Sales and Use Tax Revenue Bonds Series 2023. The fund will be used to replace the Meyers Pool with a new 50-meter pool, reconstruction and widening of Ralston Road from Yukon Street to Garrison Street and the reconstruction and railroad underpass on West 72nd Avenue from Kipling Street to Simms Street.

Governmental funds that do not meet the criteria of major funds have been summarized and presented as other governmental funds within the fund financial statements.

The City reports the following major proprietary funds:

The Water Fund accounts for all activity within the scope of water utility operations. Water service is available within the City limits and is extended to some residents of the county and adjacent cities. All activities necessary to provide such service are accounted for in this fund, including administration, operations, capital water projects, maintenance, financing and related debt service, and billing and collection.

The Wastewater Fund accounts for all activities necessary in the collection, transmission, and disposal of sewage and wastewater. It includes administration, operations, capital maintenance, financing and billing and collection.

The Stormwater Fund accounts for all activities necessary to maintain a stormwater management plan. It includes administration, operations, capital maintenance and billing and collection.

Internal Service Funds are used to account for the City's fleet and information technology replacement, risk management insurance program, self-funded medical and dental insurance, printing services and building and fleet maintenance services.

The City reports the following fiduciary funds:

The Defined Benefit Police Pension Fund is used to account for the City's defined benefit police pension trust to provide retirement benefits for one retiree that did not elect to join the new plan formed in 1986.

Custodial Funds are used to account for monies held for the Ralston House, a local 503(c)(3) not-for-profit agency to which the City of Arvada provides accounting and investing services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are the charges between the City's enterprise operations and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position**1) Deposits and Investments**

The City's cash and cash equivalents include amounts that are readily convertible to known cash and are not subject to significant risk from changes in interest.

The City pools cash resources of most funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Cash overdrafts from pooled cash and investments are reported as an interfund receivable/payable.

Colorado statutes require that the City use an eligible public depository as defined by the Public Deposit Protection Act (PDPA). Under the Act, the depository is required to pledge a pool of eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by Federal Depository Insurance. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. Each institution designated as a public depository can be assessed a portion of the losses of a public entity's deposits in a failed public depository. Thus, all public deposits are fully collateralized. Eligible collateral as defined by the Act primarily includes obligations of, or guaranteed by, the U.S. Government, the State of Colorado, or any subdivision thereof and obligations evidenced by notes received by first lien mortgages or deeds of trust on real property.

Investments in local government investment pools are reported at the net asset value per share which is determined based upon how the fund is valued (i.e. fair value or amortized cost). All other investments are reported at fair value. For cash and cash equivalents, the fair value approximates the carrying value. For long-term investments, fair value is determined via dealer quotes. The City considers all investments with original maturities at three months or less to be cash equivalents.

2) Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". On the Statement of Net Position, residual balances between governmental and business type activities are reflected as internal balances.

All receivables are shown net of an allowance for uncollectible accounts when applicable. The citizen invoice receivable allowance in the General Fund as of December 31, 2023, was \$47,913. The loans receivable allowance in the Community Development Fund as of December 31, 2023, was \$558,963. The loans receivable allowance in the Housing Fund as of December 31, 2023, was \$61,203. The customer account receivable allowance in the Water Fund as of December 31, 2023, was \$6,782.

Property taxes attach an enforceable lien on the property as of January 1 and are levied on the following January 1. Taxes are payable the following year in one installment made on or before April 30, or in two installments made on or before February 28 and June 15. The assessments and collections are made by Jefferson County and Adams County and are remitted monthly to the City. City property tax revenues certified in December are recorded as a receivable and an offsetting deferred inflow of resources.

The City records non-current receivables for interfund and other long-term notes on the Statement of Net Position of its Proprietary Fund Types. Within the governmental funds, all non-current receivables are fully offset by deferred inflow of resource. Non-current notes receivable in the governmental funds include loans to the Arvada Urban Renewal Authority \$1,101,896, Opioid Settlement funds of \$729,537, and notes receivable to various customers in the Community Development and Parks Funds \$2,476,000. Non-current receivables and other long-term notes are shown on the statement of net position of the government-wide statements, net of allowance.

3) Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method with the exception of the City's central supply inventory which is valued at average cost. The cost of inventories is recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. The consumption method is used to recognize expense in the period service is provided.

4) Restricted Assets

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Certain assets of the Community Development Block Grant special revenue fund are restricted because their use is completely restricted by grant agreements. Certain assets of the Construction Fund are restricted because their use is restricted due to Bond and Certificates of Participation (COP) rules.

5) Capital Assets

Capital assets which include property, plant, equipment, and all infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the Proprietary funds in the fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Assets are assessed for impairment annually; there were no impaired assets during 2023.

Capital assets other than land and water rights are depreciated. Depreciation is computed using the straight-line method with estimated useful lives as follows:

<u>Assets and Lease Assets</u>	<u>Years</u>
Buildings	50
Road System Infrastructure	25
Other Improvements	20
Other Infrastructure	8-50
Equipment	5-10
Vehicles	3-5

6) Leases

Lessor Leases

The City is the lessor for noncancellable leases of real estate owned by the City. City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements. The City recognizes lease receivables with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. All leases are fixed payment leases; there are no variable payment leases. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as miscellaneous revenue in the fund financial statements. The miscellaneous revenue in the Governmental Funds is \$178,099, and Enterprise Funds \$20,845.

Key estimates and judgements include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

- The City uses the estimated incremental borrowing rate for the discount rate.
- The lease term includes the noncancellable period of the leases.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the leases.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lessee Leases

The City is the lessee for noncancellable leases of land, equipment, and vehicles. The City recognizes a lease liability and intangible right-to-use lease asset (lease asset) in the government-wide and Enterprise fund financial statements. The City recognizes lease assets with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, less any lease incentives received from the lessor at or before commencement of the lease, plus certain initial indirect costs. Subsequently, the lease asset is amortized on the straight-line basis over the shorter of the lease term or the useful life of the underlying asset. All lease payments are fixed payment leases; there are no variable payment leases.

Key estimates and judgements related to leases include how the City determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term included the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease assets and liabilities if certain changes occur that are expected to significantly alter the amount of the lease liability. Lease assets are reported with capital assets and lease liabilities are reported with current and noncurrent liabilities on the statement of net position and Enterprise fund financial statements.

Subscription-Based Information Technology Arrangements

The City has entered into Subscription-Based Information Technology Arrangements (SBITA), which conveys the right to use another party's information technology software. The City recognizes a subscription liability and intangible right-to-use subscription asset (subscription asset) in the government-wide, Internal Service and Enterprise fund financial statements. The City recognizes subscription assets with an initial, individual value of \$5,000 or more.

At the commencement of a subscription agreement, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, less any subscription incentives received at or before commencement of the subscription, plus certain capitalizable initial implementation costs. Subsequently, the subscription asset is amortized on the straight-line basis over the shorter of the subscription term or the useful life of the underlying IT asset. The City has a variety of variable subscription payment clauses with varying set and percentage increases through the life of the subscription agreement.

Key estimates and judgements related to subscriptions include how the City determines the discount rate it uses to discount the expected subscription payments to present value, subscription term and subscription payments.

- The City uses the interest rate charged in the subscription agreement as the discount rate. When the interest rate charged is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term included the noncancellable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription assets and liabilities if certain changes occur that are expected to significantly alter the amount of the subscription liability. Subscription assets are reported with capital assets and subscription liabilities are reported with current and noncurrent liabilities on the statement of net position and Enterprise fund financial statements.

7) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since benefits are not paid upon termination. Vacation

