

Rueter-Hess Recreation Authority

Year Ended December 31, 2022
with
Independent Auditor's Report

Rueter-Hess Recreation Authority

Year Ended December 31, 2022
(See Independent Auditor's Report)

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Board of Directors
Rueter-Hess Recreation Authority
Englewood, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Rueter-Hess Recreation Authority (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of Rueter-Hess Recreation Authority as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Authority 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 opinion.

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 (GAAP), 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 Authority's ability to continue as a going concern for twelve 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 opinion. 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 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, 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 Authority'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 Authority'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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 20, 2023

Rueter-Hess Recreation Authority

Statement of Net Position
December 31, 2022
(See Independent Auditor's Report)

Assets

Current assets:		
Cash and investments	\$	2,001,233
Prepaid expenses		<u>3,284</u>
Total current assets		<u>2,004,517</u>
Capital assets:		
Construction in progress		<u>2,579,209</u>
Total assets	\$	<u><u>4,583,726</u></u>

Liabilities and Net Position

Current liabilities:		
Accounts payable	\$	11,039
Retainage payable		11,263
Security deposits		<u>500</u>
Total liabilities		<u>22,802</u>
Net position:		
Nonspendable		3,284
Net investment in capital assets		2,579,209
Unrestricted		<u>1,978,431</u>
Total net position		<u>4,560,924</u>
Total liabilities and net position	\$	<u><u>4,583,726</u></u>

(See Notes to Financial Statements)

Rueter-Hess Recreation Authority

Statement of Revenues, Expenses, and Change in Net Position Year Ended December 31, 2022 (See Independent Auditor's Report)

Operating revenues:	
General assessments	\$ 280,000
Capital assessments	351,000
Recreational and application fee revenue	<u>21,635</u>
Total operating revenues	<u>652,635</u>
Operating expenses:	
Accounting	20,000
Audit	5,000
General and administrative	2,006
Insurance	3,299
Legal	23,144
Management services	70,000
Membership dues	1,177
Operations	40,630
Repairs and maintenance	<u>1,157</u>
Total operating expenses	<u>166,413</u>
Income from operations	486,222
Interest and total non-operating revenues and expenses	<u>19,793</u>
Change in net position	506,015
Net position - beginning of year	<u>4,054,909</u>
Net position - end of year	<u><u>\$ 4,560,924</u></u>

(See Notes to Financial Statements)

Rueter-Hess Recreation Authority

Statement of Cash Flows Year Ended December 31, 2022 (See Independent Auditor's Report)

Cash flows from operating activities:	
Cash receipts	\$ 652,635
Cash paid to suppliers	<u>(156,960)</u>
Net cash provided by operating activities	<u>495,675</u>
Interest and total cash flows from non-capital financing activities	<u>19,793</u>
Capital acquisitions and total cash flows from capital and related financing activities	<u>(312,646)</u>
Net decrease in cash and investments	202,822
Cash and investments, beginning	<u>1,798,411</u>
Cash and investments, ending	<u><u>\$ 2,001,233</u></u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 486,222
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Change in operating assets and liabilities	
Prepaid expenses	(3,284)
Accounts payable	1,474
Retainage payable	<u>11,263</u>
Net cash provided by operating activities	<u><u>\$ 495,675</u></u>

(See Notes to Financial Statements)

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

The Rueter-Hess Recreation Authority (the "Authority") was formed by an intergovernmental agreement with participating members to establish a legal, separate entity in conformity and subject to 29-1-203.5, C.R.S. The Authority was established in August 2015 to affect planning, development, financing, construction, administration, operation, and maintenance of recreational uses, improvements and facilities at the Rueter-Hess Reservoir located in Douglas County, Colorado.

The members of the Authority include Parker Water and Sanitation District, Douglas County, City of Castle Pines, City of Lone Tree, Town of Parker, and Town of Castle Rock (collectively, the "Members"), all political subdivisions of the State of Colorado. The Authority is managed by a Board of Directors appointed by the Members of the Authority.

The Authority has no employees and all operation and administrative functions are provided under contract with an outside party.

The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

Definition of reporting entity

The Authority follows the Governmental Accounting Standards Boards ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the Authority's governing body, ability to impose its will on the organization, a potential for the Authority to provide specific financial benefits or burdens and fiscal dependency.

As required by accounting principles generally accepted in the United States of America, ("GAAP"), these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority has no component units as defined by GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

The accounting policies of the Authority conform to GAAP as applicable to governmental units accounted for as a proprietary enterprise fund. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34.

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position) report information on all of the non-fiduciary activities of the Authority.

The Statement of Net Position reports all financial and capital resources of the Authority. The difference between the assets and liabilities of the Authority is reported as net position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets.

The Authority distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's purpose of providing the development, construction, operation and maintenance of recreational improvements and facilities at the Rueter-Hess Reservoir. Operating revenues consist of assessments charged to the members of the Authority. Operating expenses include the cost of services, administrative expenses, and repairs and maintenance. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Budget and Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the Authority's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Authority's Board of Directors can modify the budget assuming it meets the notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year-end.

Cash Equivalents

The Authority considers cash deposits, certificates of deposit, and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments for the government are reported at fair value.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Debt Authorization

As of December 31, 2022, the Authority had no authorized but unissued indebtedness.

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method.

2. Cash and Investments

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	<u>\$ 2,001,233</u>

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	\$ 850,191
Investments - COLOTRUST	<u>1,151,042</u>
	<u>\$ 2,001,233</u>

Custodial Credit Risks

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA which allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

2. Cash and Investments (continued)

Custodial Credit Risks (continued)

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2022, none of the Authority's bank balance was exposed to custodial credit risk. At December 31, 2022, the Authority's cash deposits had a bank balance and carrying balance of \$852,266 and \$850,191, respectively.

Investments – Credit Risk

The Authority has not adopted a formal investment policy; however, the Authority follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The Authority's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

2. Cash and Investments (continued)

As of December 31, 2022, the Authority had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST" or the "Trust") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the Authority records its investment in COLOTRUST using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2022, the Authority had \$1,151,042 invested in COLOTRUST.

Custodial and Concentration of Credit Risk

None of the Authority's investments are subject to custodial or concentration of credit risk.

3. Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

	<u>Balance</u> <u>#NAME?</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>#NAME?</u>
Capital assets not being depreciated:				
Construction in progress	\$ 2,266,563	\$ 312,646	\$ -	\$ 2,579,209
Total capital assets not being depreciated	<u>\$ 2,266,563</u>	<u>\$ 312,646</u>	<u>\$ -</u>	<u>\$ 2,579,209</u>

The construction in progress relates to a multi-phase recreation facilities master plan with overall anticipated cost estimates developed in 2016 of approximately \$3,376,000 for initial phases of recreation facilities construction.

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

4. Risk Management

The Authority is exposed to various risks of loss related to thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God.

The Authority is a member of the Colorado Special Districts Property and Liability Pool (the "Pool") as of December 31, 2022.

The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The Authority pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

5. Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

The Authority, in accordance with C.R.S. 37-45.1-101 et. Seq., has adopted a policy to treat its operations as an enterprise fund. Because of this, the Authority does not feel it is subject to many of the requirements of the TABOR amendment.

Rueter-Hess Recreation Authority

Notes to Financial Statements
Year Ended December 31, 2022
(See Independent Auditor's Report)

5. Tax, Spending, and Debt Limitations (continued)

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Authority's management believes it is in compliance with the applicable provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits will require judicial interpretation.

6. Subsequent Events

In April 2023, the Board of Directors of the Authority approved an Intergovernmental Agreements with Douglas County dissolving the Authority and establishing the Douglas County Board of County Commissioners as the manager of recreation operations previously managed by the Authority effective December 31, 2023. All assets and cash held by the District as of this date will be transferred to Douglas County.

Supplemental Information

Rueter-Hess Recreation Authority

Schedule of Revenues, Expenses and Change in Fund Balance – Budget and Actual (Budgetary Basis) Year Ended December 31, 2022 (See Independent Auditor’s Report)

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
General assessments	\$ 350,000	\$ 280,000	\$ (70,000)
Capital assessments	531,000	351,000	(180,000)
Recreational and application fee revenue	60,500	21,635	(38,865)
Interest and miscellaneous income	750	19,793	19,043
Total revenues	942,250	672,428	(269,822)
Expenses:			
Accounting	20,000	20,000	-
Audit	4,750	5,000	(250)
Capital improvements	1,434,450	312,646	1,121,804
Consulting	40,000	-	40,000
Contingency	10,000	-	10,000
General and administrative	3,000	2,006	994
Insurance	5,000	3,299	1,701
Legal	25,000	23,144	1,856
Management services	100,000	70,000	30,000
Membership dues	1,200	1,177	23
Operations	300,000	40,630	259,370
Repairs and maintenance	35,000	1,157	33,843
Total expenses	1,978,400	479,059	1,499,341
Excess of expenses over revenues	(1,036,150)	193,369	1,229,519
Funds available - beginning of year	1,885,266	1,788,346	(96,920)
Funds available - end of year	\$ 849,116	\$ 1,981,715	\$ 1,132,599
Funds available are defined as follows:			
Current assets		\$ 2,004,517	
Less current liabilities		22,802	
		\$ 1,981,715	

Rueter-Hess Recreation Authority

Reconciliation of Revenues and Expenditures (Budgetary Basis)
To Statement of Revenues, Expenses, and Change in Net Position
Year Ended December 31, 2022
(See Independent Auditor's Report)

Excess of expenses over revenues (budgetary basis)	\$	193,369
Add capital expenditures which is not an expense		<u>312,646</u>
Changes in Net Position per Statement of Revenues, Expenses, and Change in Net Position	\$	<u>506,015</u>