

**Wheatlands Park & Recreation Authority  
Arapahoe County**

**FINANCIAL STATEMENTS**

**December 31, 2020**

**Wheatlands Park & Recreation Authority**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wheatlands Park & Recreation Authority  
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Wheatlands Park & Recreation Authority (the Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Wheatlands Park & Recreation Authority, as of December 31, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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.

### *Other Information*

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

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
July 11, 2021

## **BASIC FINANCIAL STATEMENTS**

**Wheatlands Park & Recreation Authority**

**STATEMENT OF NET POSITION**

**December 31, 2020**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 6,887
Cash and investments - restricted	1,286,651
Prepaid expense	2,288
Capital assets, not being depreciated	13,270,678
<b>Total assets</b>	<u>14,566,504</u>
<b>LIABILITIES</b>	
Accounts payable	3,625,308
Accrued interest	140,782
Noncurrent liabilities	
Due within one year	67,982
Due in more than one year	11,312,237
<b>Total liabilities</b>	<u>15,146,309</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,893,143
Restricted for:	
Emergency reserves	14,830
Debt service	360,864
Unrestricted	(2,848,642)
<b>Total net position</b>	<u>\$ (579,805)</u>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**Wheatlands Park & Recreation Authority**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary government</b>				
General government	\$ 57,236	\$ -	\$ -	\$ (57,236)
Recreation center	900	-	435,645	434,745
Interest on long-term debt and related costs	475,895	-	-	(475,895)
<b>Total governmental activities</b>	<u>\$ 534,031</u>	<u>\$ -</u>	<u>\$ 435,645</u>	<u>(98,386)</u>
<b>General revenues:</b>				
				3,403
				<u>3,403</u>
				(94,983)
				<u>(484,822)</u>
				<u>\$ (579,805)</u>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**Wheatlands Park & Recreation Authority**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2020

	<u>General Fund</u>	<u>Operations Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 6,887	\$ -	\$ -	\$ -	\$ 6,887
Cash and investments - restricted	-	782,321	501,646	2,684	1,286,651
Prepaid expenses	2,288	-	-	-	2,288
<b>Total assets</b>	<u>\$ 9,175</u>	<u>\$ 782,321</u>	<u>\$ 501,646</u>	<u>\$ 2,684</u>	<u>\$ 1,293,538</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,651	\$ -	\$ -	\$ 3,621,657	\$ 3,625,308
<b>Total liabilities</b>	<u>\$ 3,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,621,657</u>	<u>\$ 3,625,308</u>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable:					
Prepaid amounts	2,288	-	-	-	2,288
Restricted for:					
Emergency reserves	1,717	13,113	-	-	14,830
Debt service	-	-	501,646	-	501,646
Assigned for:					
Recreation center operations	-	646,693	-	-	646,693
Recreation center reserves	-	122,515	-	-	122,515
Unassigned	1,519	-	-	(3,618,973)	(3,617,454)
<b>Total fund balances (deficits)</b>	<u>5,524</u>	<u>782,321</u>	<u>501,646</u>	<u>(3,618,973)</u>	<u>(2,329,482)</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<u>\$ 9,175</u>	<u>\$ 782,321</u>	<u>\$ 501,646</u>	<u>\$ 2,684</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net	13,270,678
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Debt payable	(11,380,219)
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Accrued interest on debt	(140,782)
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Net position of governmental activities	<u>\$ (579,805)</u>
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**Wheatlands Park & Recreation Authority**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2020

	General Fund	Operations Fund	Debt Service Fund	Capital Fund	Total Governmental Funds
<b>Revenues</b>					
District fees	\$ -	\$ 373,410	\$ -	\$ -	\$ 373,410
Reserve fund payments from district	-	62,235	-	-	62,235
Investment income	-	1,470	1,933	-	3,403
<b>Total revenues</b>	<u>-</u>	<u>437,115</u>	<u>1,933</u>	<u>-</u>	<u>439,048</u>
<b>Expenditures</b>					
Current					
Accounting & audit	35,484	-	-	-	35,484
Insurance and bonds	2,234	-	-	-	2,234
Legal services	11,716	-	-	-	11,716
Bank and trustee fees	7,237	900	-	-	8,137
Website	114	-	-	-	114
Dues	451	-	-	-	451
Debt service					
Interest	-	-	374,255	-	374,255
Capital outlay	-	-	-	11,219,625	11,219,625
<b>Total expenditures</b>	<u>57,236</u>	<u>900</u>	<u>374,255</u>	<u>11,219,625</u>	<u>11,652,016</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(57,236)</u>	<u>436,215</u>	<u>(372,322)</u>	<u>(11,219,625)</u>	<u>(11,212,968)</u>
<b>Other financing sources (uses)</b>					
Debt proceeds	-	-	5,228,562	-	5,228,562
Transfers in (out)	48,891	(80,767)	(4,898,306)	4,930,182	-
<b>Total other financing sources and (uses)</b>	<u>48,891</u>	<u>(80,767)</u>	<u>330,256</u>	<u>4,930,182</u>	<u>5,228,562</u>
<b>Net change in fund balances</b>	(8,345)	355,448	(42,066)	(6,289,443)	(5,984,406)
<b>Fund balances - beginning</b>	<u>13,869</u>	<u>426,873</u>	<u>543,712</u>	<u>2,670,470</u>	<u>3,654,924</u>
<b>Fund balances (deficit) - ending</b>	<u>\$ 5,524</u>	<u>\$ 782,321</u>	<u>\$ 501,646</u>	<u>\$ (3,618,973)</u>	<u>\$ (2,329,482)</u>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**Wheatlands Park & Recreation Authority**

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

**For the Year Ended December 31, 2020**

Net change in fund balances - governmental funds: \$ (5,984,406)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay 11,219,625

Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt issuance (5,228,562)

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.

Accrued interest on long term debt- change in liability (101,634)

Change in net position of governmental activities \$ (94,977)

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**Wheatlands Park & Recreation Authority**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND**

**For the Year Ended December 31, 2020**

	<u>Budget</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Accounting	\$ 12,000	\$ 30,000	\$ 30,484	\$ (484)
Audit	6,000	6,000	5,000	1,000
Legal services	10,000	11,000	11,716	(716)
Insurance and bonds	2,300	2,300	2,234	66
Bank and trustee fees	300	7,260	7,237	23
Website	-	-	114	(114)
Dues	300	300	451	(151)
Contingency	15,000	15,000	-	15,000
<b>Total expenditures</b>	<u>45,900</u>	<u>71,860</u>	<u>57,236</u>	<u>14,624</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(45,900)</u>	<u>(71,860)</u>	<u>(57,236)</u>	<u>14,624</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	45,900	67,991	48,891	(19,100)
<b>Total other financing sources (uses)</b>	<u>45,900</u>	<u>67,991</u>	<u>48,891</u>	<u>(19,100)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>(3,869)</u>	<u>(8,345)</u>	<u>(4,476)</u>
<b>Fund balances - beginning</b>	<u>10,000</u>	<u>13,869</u>	<u>13,869</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 5,524</u>	<u>\$ (4,476)</u>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

# Wheatlands Park & Recreation Authority

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### **NOTE 1 – DEFINITION OF REPORTING ENTITY**

Wheatlands Park and Recreation Authority (the Authority) was organized by an Establishment Agreement between Wheatlands Metropolitan District (Wheatlands) and High Plains Metropolitan District (High Plains) in January 2017 for the purpose of planning, financing, designing, constructing, installing, operating, maintaining, repairing and replacing park and recreation improvements and facilities. The Authority's service area consists of the territory of Wheatlands in Arapahoe County, Colorado. Members are defined as any special district, city, county or other political subdivision of Colorado that is lawfully organized to provide park and recreational facilities or programs that are approved by the Authority. Initial members of the Authority include Wheatlands and High Plains. New members may be included in the Authority upon unanimous consent of the Board. The board of the Authority is initially composed of two directors appointed by Wheatlands and one director appointed by High Plains.

The Authority follows the Governmental Accounting Standards Board (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 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 organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority has no employees and all operations and administrative functions are contracted.

As of December 31, 2020 no component unit has been identified as reportable to the Authority, nor is the Authority a component unit of any other primary governmental entity.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Government-wide and fund financial statements**

The government-wide financial statements include the statement of net position and statement of activities. These financial statements include all of the activities of the Authority. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial resources of the Authority. The difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

## Wheatlands Park & Recreation Authority

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

#### Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are shown as increases in assets and repayment of debt is recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The Authority reports the following major governmental funds:

*The general fund* is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

*The operations fund* accounts for the operations of the public recreation center.

*The debt service fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and are being accumulated for principal and interest maturing in future years.

*The capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Authority management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Pooled cash and investments

The Authority follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

## Wheatlands Park & Recreation Authority

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

#### Membership Payments

Debt is secured by fees imposed by Wheatlands and operational revenues through initiation or membership fees and by other programs, usages, services and facilities at the Wheatlands YMCA Recreation Center. High Plains is not required to provide funds as a condition of its membership in the Authority.

#### Budgetary information

In accordance with the Colorado State Budget Law, the Authority's Board of Directors (the Board) holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The Board can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The Authority amended its annual budget for the year ended December 31, 2020.

#### Fund balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

*Restricted fund balance* – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

*Committed fund balance* – The portion of fund balance constrained for specific purposes according to limitations imposed by the Authority's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned fund balance* – The residual portion of fund balance that does not meet any of the above criteria.

## Wheatlands Park & Recreation Authority

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the Authority's practice to use the most restrictive classification first.

At December 31, 2020, the Authority's Capital Fund has a negative unassigned fund balance of (\$3,618,973). The deficit is due to the timing of capital project expenditures and debt proceeds required to fund the recreation center capital project. The Authority will eliminate the deficit fund balance through receipt of loan proceeds in early 2021.

#### Capital Assets

Capital assets, which include park and recreation facilities, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets which are anticipated to be conveyed to other governmental entities or are not yet placed in service are recorded as construction in progress, are not depreciated and are not included in the calculation of net investment in capital assets.

Depreciation expense is computed using the straight-line method over the following estimated economic useful lives:

Parks and recreation facilities 10-30 years

#### NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 6,887
Cash and investments-Restricted	1,286,651
Total cash and investments	<u>\$ 1,293,538</u>

Cash and investments as of December 31, 2020 consist of the following:

Cash	\$ 12,346
Investments	1,281,192
Total cash and investments	<u>\$ 1,293,538</u>

#### Deposits with Financial Institutions

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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public

## Wheatlands Park & Recreation Authority

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

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 equal to 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.

At December 31, 2020, the Authority's cash deposits had a bank and carrying balance of \$12,346.

#### Custodial credit risk – 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 has not adopted a deposit policy for custodial credit risk. As of December 31, 2020, the Authority's bank and carrying balances were federally insured.

#### Investments

The Authority has not adopted a formal investment policy; however the Authority follows state statutes regarding investments.

The Authority generally limits its investment to those which are believed to have minimal interest rate risk and no foreign currency risk. Additionally, the Authority is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Certain securities lending agreements
- Certain certificates of participation
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2020, the Authority had the following investment:

Investment	Maturity	Amount
Morgan Stanley Institutional Liquidity Funds (MSILF)	Weighted average	\$ 1,281,192
Total investments	maturity under 60 days	<u>\$ 1,281,192</u>



**Wheatlands Park & Recreation Authority**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2020**

**Morgan Stanley Institutional Liquidity Funds**

The Authority invested in the Morgan Stanley Institutional Liquidity Funds (MSILF), a Massachusetts business trust. The trust is a money market mutual fund that invests in a combination of repurchase agreements, U.S. government agency debt and U.S. Treasury debt. MSILF seeks preservation of capital, daily liquidity and maximum current income. MSILF records its investments at amortized cost which approximates fair value. The Authority records its investment in MSILF at amortized cost. Dividends are accrued and declared daily and paid monthly. Net realized capital gains, if any, are distributed at least annually. MSILF provides same day access to funds, there are no unfunded commitments, and there is no redemption period. The weighted average maturity is 30 days. MSILF is rated AAAM by Standard and Poor's.

**NOTE 4 – CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 619,465	\$ –	\$ –	\$ 619,465
Construction in progress	1,431,594	11,219,619	–	12,651,213
Total capital assets, not being depreciated	<u>2,051,059</u>	<u>11,219,619</u>	<u>–</u>	<u>13,270,678</u>
Governmental activities capital assets, net	<u>\$ 2,051,059</u>	<u>\$ 11,219,619</u>	<u>\$ –</u>	<u>\$ 13,270,678</u>

**NOTE 5 – LONG-TERM OBLIGATIONS**

Following is an analysis of changes in long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Retirements	Balance at December 31, 2020	Due Within One Year
<u>Direct Borrowings</u>					
Recreational Revenue Note	\$ 151,657	\$ 4,978,562	\$ –	\$ 5,130,219	\$ 67,982
Recreational Revenue Subordinate A Note	3,950,000	–	–	3,950,000	–
Recreational Revenue Subordinate B-1 Notes	1,384,000	–	–	1,384,000	–
Recreational Revenue Subordinate B-2 Notes	416,000	–	–	416,000	–
Due to YMCA	250,000	250,000	–	500,000	–
	<u>\$ 6,151,657</u>	<u>\$ 5,228,562</u>	<u>\$ –</u>	<u>\$ 11,380,219</u>	<u>\$ 67,982</u>

## Wheatlands Park & Recreation Authority

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

#### Recreational Revenue Note

On September 18, 2019, the Authority entered into a note agreement (Senior Note) with Mutual of Omaha Bank (Bank) in its capacity as lender. The Bank agreed to advance to the Authority a maximum principal amount of \$15,000,000. The debt advances are to be used for the first phase of the Wheatlands YMCA recreation center consisting of a proposed 40,525 square foot building and ancillary drives and parking areas (2019 Project). The funds will be disbursed from the effective date of the note for 24 months to pay construction costs. Interest only payments are due monthly during the construction period. At the completion of construction or 24 months after the note date, the note converts from interest only payments to amortizing payments. The amortization period for the note is 25 years. The note bears an interest rate of 4.26%. The Authority had pledged, assigned and granted to the Bank a first priority security interest in the pledged revenue to secure this obligation. Pledged revenue is all Authority fees, operations revenues, YMCA campaign revenues, District maintenance contributions and any other revenue received from all sources for the use and operation of the recreation center. In addition to the pledge revenue, the Lender holds a deed of trust on the real property where the 2019 project is located. During 2020 the Authority received \$4,978,562 in advances from the Senior Note. As of December 31, 2020 the balance drawn is \$5,130,219 and the Authority has available an additional \$9,869,781 to draw on the note.

The occurrence of any of the following events or conditions constitute an event of default under the terms of the Note:

- (a) Failure to apply pledged revenue as required by the Agreement;
- (b) Failure to enforce the District Intergovernmental Agreement or collection of District fees (Note 9);
- (c) Failure to enforce the Management Agreement or collection of District fees (Note 9);
- (d) Failure to observe covenants described in the agreement including bonding and insurance requirements, pledged revenue collection, additional debt limitation, and maintenance of a debt service coverage ratio;
- (e) Untrue representations or warranties made by the Authority to Lender;
- (f) An occurrence of an event of default or non-performance under the Custodial Agreement related to the revenue note;
- (g) Pledge of collateral fails to be enforceable;
- (h) Any judgment or court order for the payment of money exceeding any insurance coverage by more than \$500,000 and the Authority fails to vacate, contest, pay or satisfy such judgment;
- (i) A change in the conditions of the Authority that would have a material adverse impact on the ability of the Authority to generate pledged revenue including dissolution or bankruptcy;
- (j) Finance agreement ceases to be valid;
- (k) A qualified opinion as the result of an audit;
- (l) Interest on debt becomes subject to income tax

Upon occurrence of any event of default the Loan shall become immediately due and payable and the Lender may foreclose on the Deed of Trust to remedy the default.

#### Recreational Revenue Subordinate A Note

On September 18, 2019, the Authority entered into a note agreement with a Lender in the principal amount of \$3,950,000. The Authority had pledged, assigned and granted to the Lender a subordinate security interest in the Pledged Revenue to secure this obligation. Pledged revenue is all Authority fees, operations revenues, YMCA campaign revenues, District maintenance contributions and any other revenue received from all sources for the use and operation of the recreation center. The note requires interest only payments through September 2022. Thereafter both principal and interest payments are

## **Wheatlands Park & Recreation Authority**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2020**

due monthly until March 20, 2025 when a principal balloon payment of \$3,822,511 becomes due. The note bears an interest rate of 8.25%. As of December 31, 2020 the balance outstanding of the note was \$3,950,000.

The Recreational Revenue Subordinate A Note has the same covenants and events of default as the Recreational Revenue Note above.

#### **Recreational Revenue Subordinate B Notes**

On September 18, 2019, the Authority entered into note agreements with Lenders to provide financing for the 2019 Project in the principal amount of \$1,384,000 (Subordinate B-1 Notes) and a taxable note in the amount of \$416,000 (Subordinate B-2 Notes). The Subordinate B-1 Notes bear an interest rate of 5% and the Subordinate B-2 Notes 6.5%. Interest accrues monthly and is payable annually on December 20th subject to available revenues. Principal amounts under the notes are due on December 20, 2029. The Authority has pledged, assigned and granted to the Lenders a subordinate security interest in the Pledged Revenue to secure this obligation. Pledged revenue is all Authority fees, operations revenues, YMCA campaign revenues, District maintenance contributions and any other revenue received from all sources for the use and operation of the recreation center. As of December 31, 2020 the balance outstanding on the Subordinate B-1 Notes was \$1,384,000 and the Subordinate B-2 Notes was \$416,000, respectively.

The Recreational Revenue Subordinate B Notes have the same covenants and events of default as the Recreational Revenue Note above with the exception of the maintenance of a debt service coverage ratio.

#### **YMCA**

In connection with the Management Agreement and Supplement to Management Agreement (see Note 9), the YMCA agreed to contribute financial support to assist in completion of the 2019 project. This assistance includes \$500,000 provided to the Authority to fund the Debt Service Reserve. \$250,000 of these funds were paid concurrent with the loan closing and an additional \$250,000 was funded, as required, on September 15, 2020. The funds may be repaid by the Authority within 30 days of the repayment of the Senior Loan, Subordinate A Loan and Subordinate B Loan. Under a notice of exclusive control, the Custodian may use the reserve to pay debt service on the Subordinate A Loan. A Notice of Exclusive Control may be issued by the Bank if the quarterly debt service ratio is below 1.00.

**Wheatlands Park & Recreation Authority**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2020**

**Debt Maturities**

Debt maturities for the next five years and to maturity follows:

Year Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2021	\$ 67,982	\$ 639,938	\$ 707,920
2022	132,583	635,346	767,929
2023	176,507	627,311	803,818
2024	186,319	617,499	803,818
2025	3,969,078	372,094	4,341,172
2026-2030	2,579,265	1,274,960	3,854,225
2031-2035	963,887	705,379	1,669,266
2036-2040	1,192,248	477,016	1,669,264
2041-2045	1,474,714	194,552	1,669,266
2046	637,636	1,120	638,756
Total	<u>\$ 11,380,219</u>	<u>\$ 5,545,215</u>	<u>\$ 16,925,434</u>

**NOTE 6 – COMMITMENTS**

At December 31, 2020, the Authority had unexpended construction commitments related to the recreation center construction of approximately \$5,567,000. The project is expected to be completed in 2021.

**NOTE 7 – NET POSITION**

The Authority has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, developer advances, note, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020, the Authority had net investment in capital assets calculated as follows:

Capital assets, net	\$ 13,270,678
Outstanding long-term obligations	(11,380,219)
Unused proceeds from long-term obligations	2,684
Net investment in capital assets	<u>\$ 1,893,143</u>

Restricted assets include net position that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2020, the Authority had \$360,864 of restricted net position for debt service and \$14,830 for emergencies.

## **Wheatlands Park & Recreation Authority**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2020**

The Authority has a deficit in unrestricted net position of (\$2,848,642) at December 31, 2020. The deficit is primarily due to the timing of capital project expenditures and debt proceeds required to fund the capital project. The Authority anticipates the completion of the project which is expected to provide pledged revenue necessary to meet debt obligations during 2021.

#### **NOTE 8 – RELATED PARTIES**

Two of three positions on the Board of Directors are appointed by Wheatlands. Such Board members may have a potential conflict of interest with respect to actions taken in their capacity as Board members. Disclosure of any potential conflicts of interest is made in accordance with Colorado law, in advance of each Board meeting.

During 2020 the Authority recognized \$373,410 in fees and \$62,235 in reserve fund payments from Wheatlands.

#### **NOTE 9 – AUTHORITY AGREEMENTS**

##### **Intergovernmental Agreement with Wheatlands Metropolitan District**

On February 4, 2019 the Authority entered into an agreement with Wheatlands. The agreement documents the terms and conditions upon which Wheatlands agrees to convey land to the Authority for the purpose of constructing, operating and maintaining a recreation center and related park and recreation improvements. Wheatlands further agrees to pay the Authority on a monthly basis beginning January 2019 a District rate for each completed single-family residence located in the District's boundaries. The District rate shall not exceed \$30 per month for each of the residences. The rate may be increased from time to time consistent with rate increases for other memberships to the Recreation Center. Upon the opening of the recreation center, all District residents are entitled to access and general membership to the recreation center at no cost to the residents. Additionally, commencing on January 1, 2019, Wheatlands agrees to pay a reserve fund payment of \$5 for each existing residence for the purpose of funding the recreation center and creating reserve funds. The initial term of the agreement is 40 years and shall automatically renew for successive 5 year terms unless one party to the agreement provides written notice.

##### **Management Agreement**

The Authority and the YMCA entered into a Management Agreement dated May 23, 2019 for the management and operation of the recreation center to commence following the phased completion of the recreation center's construction. The YMCA has the right to approve the programs, usages and services to be operated in the Recreation Center which will be implemented and managed by the YMCA. Initial services include programs for group training, fitness, kids, aquatics, wellness and nutrition, and fundraising. The YMCA will provide all materials, certain equipment and employees related to program offerings. The YMCA is responsible for the management and operations of all areas of the recreation center, its programs and services. The Authority is responsible for payment of expenses for the facility including expenses for land maintenance, utilities and building maintenance necessary to operate the recreation center. The Authority will pay direct program costs defined as reasonable and necessary costs incurred by the YMCA to implement and manage programs, usages and services such as program and office supplies, printing and advertising, training and personnel certification, computer network and software support costs, telephone charges, and insurance costs. Additionally, 4% of the revenues generated from initiation or membership fees and by other programs, usages or services and facilities, and YMCA campaign revenues will be paid to the YMCA for overhead and administrative costs of the

## **Wheatlands Park & Recreation Authority**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2020**

YMCA associated with the facility and services provided to manage and operate the facilities. The agreement is effective as of the date of the note closing (see Note 5) and will terminate thirty years after the completion of the construction of phase one of the recreation center.

The Authority, YMCA, Bank, Subordinate A Note Lender and Subordinate B Note Lenders entered into a Supplement To Management Agreement dated September 18, 2019 amending the Management Agreement to provide for an Incentive Fee to be paid at the end of each calendar year to the YMCA up to a maximum of 16% of the sum of the Operational Revenues and the YMCA Campaign Revenues. The fee payment is calculated by the Custodian and generally is paid only if the annual debt service coverage ratio exceeds 1.20 to 1.00 based on audited year-end financials.

#### **NOTE 10 – RISK MANAGEMENT**

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

The Authority is a member of the Colorado Special Districts Property and Liability Pool (Pool). 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.

#### **NOTE 11 – TAX, SPENDING AND DEBT LIMITATION**

Article X, Section 20 of the Colorado Constitution, referred to 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.

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.

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 provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**Wheatlands Park & Recreation Authority**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - OPERATIONS FUND**

**For the Year Ended December 31, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
District fees	\$ 374,760	\$ 374,760	\$ 373,410	\$ (1,350)
Reserve fund payments from district	63,360	63,360	62,235	(1,125)
Membership dues	237,155	-	-	-
Contributions	50,000	-	-	-
Investment income	10,832	10,832	1,470	(9,362)
<b>Total revenues</b>	<u>736,107</u>	<u>448,952</u>	<u>437,115</u>	<u>(11,837)</u>
<b>EXPENDITURES</b>				
Other operating expenses	180,729	50,000	900	49,100
<b>Total expenditures</b>	<u>180,729</u>	<u>50,000</u>	<u>900</u>	<u>49,100</u>
<b>Excess of revenues over expenditures</b>	<u>555,378</u>	<u>398,952</u>	<u>436,215</u>	<u>37,263</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	(45,900)	(224,017)	(80,767)	143,250
<b>Total other financing sources (uses)</b>	<u>(45,900)</u>	<u>(224,017)</u>	<u>(80,767)</u>	<u>143,250</u>
<b>Net change in fund balances</b>	<u>509,478</u>	<u>174,935</u>	<u>355,448</u>	<u>180,513</u>
<b>Fund balances - beginning</b>	<u>399,893</u>	<u>426,873</u>	<u>426,873</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 909,371</u>	<u>\$ 601,808</u>	<u>\$ 782,321</u>	<u>\$ 180,513</u>



**Wheatlands Park & Recreation Authority**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET  
AND ACTUAL - DEBT SERVICE FUND**

For the Year Ended December 31, 2020

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Investment income	\$ 6,000	\$ 1,933	\$ (4,067)
<b>Total revenues</b>	6,000	1,933	(4,067)
<b>EXPENDITURES</b>			
Bank and trustee fees	3,500	-	3,500
Debt service			
Interest	733,257	374,255	359,002
Contingency	10,000	-	10,000
<b>Total expenditures</b>	746,757	374,255	372,502
<b>Excess of revenues over (under) expenditures</b>	(740,757)	(372,322)	368,435
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt proceeds	15,100,000	5,228,562	(9,871,438)
Transfers in (out)	(14,850,000)	(4,898,306)	9,951,694
<b>Total other financing sources (uses)</b>	250,000	330,256	80,256
<b>Net change in fund balances</b>	(490,757)	(42,066)	448,691
<b>Fund balances - beginning</b>	601,948	543,712	(58,236)
<b>Fund balances - ending</b>	\$ 111,191	\$ 501,646	\$ 390,455

**Wheatlands Park & Recreation Authority**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT)  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**

**For the Year Ended December 31, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>EXPENDITURES</b>			
Capital outlay	\$ 17,025,082	\$ 11,219,625	\$ 5,805,457
<b>Total expenditures</b>	<u>17,025,082</u>	<u>11,219,625</u>	<u>5,805,457</u>
<b>Excess of expenditures over (under) revenues</b>	(17,025,082)	(11,219,625)	5,805,457
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	14,850,000	4,930,182	(9,919,818)
<b>Total other financing sources</b>	<u>14,850,000</u>	<u>4,930,182</u>	<u>(9,919,818)</u>
<b>Net change in fund balances</b>	<u>(2,175,082)</u>	<u>(6,289,443)</u>	<u>(4,114,361)</u>
<b>Fund balances - beginning</b>	<u>2,852,064</u>	<u>2,670,470</u>	<u>(181,594)</u>
<b>Fund balances (deficit) - ending</b>	<u>\$ 676,982</u>	<u>\$ (3,618,973)</u>	<u>\$ (4,295,955)</u>