

VENTANA METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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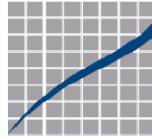
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Office of the State Auditor

September 10, 2018

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ventana Metropolitan District
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Ventana Metropolitan District ("District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District'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 unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Governmental Debt Service Fund	Unmodified
Governmental Capital Project Fund	Unmodified

Basis for Qualified Opinion on Governmental Activities

The District was unable to provide sufficient evidence supporting the balances of construction in progress, developer advances and accrued interest payable; and the amount of interest expense.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the District as of December 31, 2017, the respective changes in financial position and the respective 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 which 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 opinions on the basic financial statements are 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 District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 10, 2018

BASIC FINANCIAL STATEMENTS

VENTANA METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 198,251
Accounts receivable - County Treasurer	233
Property taxes receivable	79,386
Capital assets, not being depreciated:	
Construction in progress	2,138,682
Total assets	2,416,552
<u>LIABILITIES</u>	
Accounts payable	15,742
Developer advances	738,692
Accrued interest payable	670,028
Noncurrent liabilities:	
Notes payable - due in more than one year	1,450,400
Total liabilities	2,874,862
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred tax revenues	79,386
Total deferred inflows of resources	79,386
<u>NET POSITION</u>	
Restricted for:	
Debt service	10,461
Emergency reserve	1,917
Unrestricted	(550,074)
Total net position	\$ (537,696)

The accompanying notes and independent auditor's report
should be read with this financial statement.

VENTANA METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Change in Net position of Primary Government - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
General government	\$ 63,890	130,158		\$ 66,268
Interest and related costs on long-term debt	230,686	-	-	(230,686)
Total primary government	\$ 294,576	\$ 130,158	\$ -	\$ -
GENERAL REVENUES:				
Property taxes				22,766
Specific ownership taxes				2,623
Total general revenues				25,389
Changes in net position				(139,029)
Net position, beginning of year				(398,667)
Net position, end of year				\$ (537,696)

The accompanying notes and independent auditor's report should be read with this financial statement.

VENTANA METROPOLITAN DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 8,545	\$ 179,421	\$ 10,286	\$ 198,252
Accounts receivable - County Treasurer	58	-	175	233
Property taxes receivable	17,097	-	62,289	79,386
Total assets	<u>\$ 25,700</u>	<u>\$ 179,421</u>	<u>\$ 72,750</u>	<u>\$ 277,871</u>
<u>LIABILITIES</u>				
Accounts payable	15,742	-	-	15,742
Total liabilities	<u>15,742</u>	<u>-</u>	<u>-</u>	<u>15,742</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred tax revenues	17,097	-	62,289	79,386
Total deferred inflows of resources	<u>17,097</u>	<u>-</u>	<u>62,289</u>	<u>79,386</u>
<u>FUND BALANCES</u>				
Restricted for:				
Debt service	-	-	10,461	10,461
Emergency reserve	1,917	-	-	1,917
Unassigned:				
General government	(9,056)	179,421	-	170,365
Total fund balances	<u>(7,139)</u>	<u>179,421</u>	<u>10,461</u>	<u>182,743</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,700</u>	<u>\$ 179,421</u>	<u>\$ 72,750</u>	

Amounts reported in 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:

 Construction in progress 2,138,682

Long-term liabilities, including developer advances payable and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

 Bonds payable (1,450,400)

 Developer advances (738,692)

 Accrued interest payable (670,029)

Net position of governmental activities **\$ (537,696)**

The accompanying notes and independent auditor's report should be read with this financial statement.

VENTANA METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>REVENUES</u>				
Property taxes	\$ 5,692	\$ -	\$ 17,074	\$ 22,766
Specific ownership taxes	656	-	1,967	2,623
Park permit fees	-	115,776	-	115,776
Trash services	7,400	-	-	7,400
Recreation dues	6,752	-	-	6,752
Late fees	230	-	-	230
Total revenues	20,730	115,776	19,041	155,547
<u>EXPENDITURES</u>				
Current:				
Cleaning services	1,588	-	-	1,588
Insurance	7,938	-	-	7,938
Landscaping and maintenance	6,195	-	-	6,195
Legal	16,135	-	8,330	24,465
Management expense	19,500	-	-	19,500
Office supplies	489	-	-	489
Security	503	-	-	503
Trash services	6,410	-	-	6,410
Treasurer's fees	84	-	250	334
Utilities	5,058	-	-	5,058
Capital outlay				
Construction in progress	-	957,575	-	957,575
Total expenditures	63,900	957,575	8,580	1,030,055
Excess of expenditures over revenues	(43,170)	(841,799)	10,461	(874,508)
<u>OTHER FINANCING SOURCES (USES)</u>				
Note proceeds	-	-	999,950	999,950
Transfers in (out)	-	999,950	(999,950)	-
Total other financing sources (uses)	-	999,950	-	999,950
Net change in fund balances	(43,170)	158,151	10,461	125,442
Fund balances, beginning of year	36,031	21,270	-	57,301
Fund balances, end of year	\$ (7,139)	\$ 179,421	\$ 10,461	\$ 182,743

The accompanying notes and independent auditor's report
should be read with this financial statement.

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VENTANA METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

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

Net change in fund balances - total governmental funds	\$	125,442
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.		
<u>Capital outlay</u>		957,575
The issuance of debt provides current financial resources to government funds, while the repayment of debt principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
<u>Bond proceeds</u>		(999,950)
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.		
<u>Change in accrued interest payable</u>		<u>(222,096)</u>
Changes in net position of governmental activities	\$	<u>(139,029)</u>

The accompanying notes and independent auditor's report should be read with this financial statement.

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VENTANA METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,497	\$ 5,609	\$ 5,692	\$ 83
Specific ownership taxes	385	754	656	(98)
Trash services	8,730	7,400	7,400	-
Recreation dues	11,930	6,752	6,752	-
Late fees	-	195	230	35
Total revenues	26,542	20,710	20,730	20
EXPENDITURES				
Current:				
Accounting	2,000	-	-	-
Bank charges	100	100	-	100
Cleaning services	10,000	1,600	1,588	12
Insurance	4,000	8,010	7,938	72
Landscaping and maintenance	84,904	6,200	6,195	5
Legal	10,000	16,200	16,135	65
Management expense	24,000	24,000	19,500	4,500
Office supplies	-	515	489	26
Security	2,400	510	503	7
Trash services	7,950	6,500	6,410	90
Treasurer's fees	200	200	84	116
Utilities	3,000	5,100	5,058	42
Contingency	10,000	10,000	-	10,000
Total expenditures	158,554	78,935	63,900	15,035
Excess (deficit) of revenues over expenditures	(132,012)	(58,225)	(43,170)	15,055
Net change in fund balance	\$ (132,012)	\$ (58,225)	(43,170)	\$ 15,055
Fund balance, beginning of year			36,031	
Fund balance, end of year			\$ (7,139)	

The accompanying notes and independent auditor's report
should be read with this financial statement.

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. DEFINITION OF REPORTING ENTITY

Ventana Metropolitan District ("District"), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District was formed in 2006 to provide parks and recreation, street improvements, storm sewer, flood, and surface drainage maintenance for the service area which is located in City of Fountain, El Paso County, Colorado ("County"). The District is governed by an elected, five-member board of directors, which is the policy making body of the District.

The District 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 elected governing body as the basic criterion for including a possible component governmental organization in a primary government's reporting 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 District is not financially accountable for any other organization nor is the District a component unit of any other primary governmental entity.

The District has no employees and all operational and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflow of resources and liabilities plus deferred inflow of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct 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.

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (continued)

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement position

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.

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and intergovernmental revenue. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

General fund - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Capital projects fund - The capital projects fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Debt service fund - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of long-term debt.

Budgets

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's board of directors 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.

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled cash and investments

The District 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.

Property taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 and attaches as an enforceable lien as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable taxes, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Districts as assets with an initial, individual cost of more than \$500 and a useful life greater than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the Districts' net position.

It is the policy of the City of Fountain ("City") to accept maintenance responsibility for all capital improvements within the City, except for certain landscaping improvements specified in the Districts' service plan, upon the Districts' completion and conveyance of such improvements provided they meet the City's specifications.

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the item incremental property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund balance

Fund balances for governmental funds are 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:

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

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

Committed fund balance - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. 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.

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (continued)

Fund balance (continued)

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

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

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	<u>\$ 198,251</u>
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Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	<u>\$ 198,251</u>
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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. The PDPA 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 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.

As of December 31, 2017, District's cash deposits had a bank balance of \$198,251 and a carrying balance of \$198,251.

Investments

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

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

The District generally limits its concentration of investments to those identified with an asterisk below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District 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 revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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 United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2017, District had no investments.

4. CAPITAL ASSETS

Capital assets largely consist of construction in progress of road and bridge improvements, water and wastewater systems, drainage and landscaping. Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance 1/1/17	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/17
Governmental activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,181,107	\$ 957,575	\$ -	\$ 2,138,682

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. LONG-TERM OBLIGATIONS

Developer advances

The District entered into a reimbursement agreement with Old Pueblo Road Investment Company, LLC ("Developer") under which the District agreed to reimburse the Developer for formation and railroad crossing expenses made on behalf of the District. The District agreed to repay the developer advances along with accrued interest at a rate of 8.00% per annum. The interest compounds on an annual basis. The District will make payments with the proceeds of any future available revenues, including but not limited to the proceeds of bonds, fees and taxes of the District.

Bond anticipation note

On December 3, 2016, the District entered into an agreement with CH Metrobonds, LLC ("Developer"). The developer has agreed to advance funds to the District up to \$4,500,000 for construction of certified eligible public improvements within the boundaries of the District. The advances will be evidenced by a subordinate promissory note, with a maximum face value of \$4,500,000. The note bears interest at an annual rate of 8.00% per annum and each draw matures five years from the draw date and is subject to redemption prior to maturity upon the District's issuance of general obligation or revenue bonds or from any legally available revenues available to the District. As of December 31, 2017, draws were as follows:

<u>Draw Date</u>	<u>Maturity Date</u>	<u>Amount</u>
12/7/2015	12/6/2020	\$ 450,450
2/3/2017	2/2/2022	999,950
		<u>\$ 1,450,400</u>

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of changes in long-term obligations of the District during the year ended December 31, 2017:

	Balance 1/1/17	Additions	Repayments/ Defeasance	Balance 12/31/17	Due within one year
Developer advance	\$ 738,692	\$ -	\$ -	\$ 738,692	\$ -
Developer advance - Accrued interest	447,934	72,559	-	520,493	-
Bond Anticipation Note	450,450	999,950	-	1,450,400	-
Bond Anticipation Note - Accrued Interest	-	149,535	-	149,535	-
	<u>\$ 1,637,076</u>	<u>\$ 1,222,044</u>	<u>\$ -</u>	<u>\$ 2,859,120</u>	<u>\$ -</u>

6. NET POSITION

The District has a net position consisting of two components - restricted and unrestricted.

Restricted net position includes the net position that is restricted for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of as of December 31, 2017 as follows:

Restricted net position:

Debt service (see Note 5)	10,461
Emergencies (see Note 10)	<u>\$ 1,917</u>
	<u>\$ 12,378</u>

The District's unrestricted net position as of December 31, 2017 totaled a deficit of \$550,074.

7. RELATED PARTIES

The members of the board of directors of the District are employees, owners of or otherwise associated with the developer and may have conflicts of interest in dealing with the District.

See independent auditor's report

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational and capital expenditures and meet debt service requirements. Until an independent revenue base is established, continuation of operations in the District and construction of public improvements will be dependent upon funding by Developer contributions or the issuance of debt.

9. RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2017. 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 District 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.

10. 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 within the State of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

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 District'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 the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

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See independent auditor's report

SUPPLEMENTARY INFORMATION

VENTANA METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Park permit fees	\$ 54,270	\$ 115,776	115,776	\$ -
Total revenues	54,270	115,776	115,776	-
<u>EXPENDITURES</u>				
Current:				
Capital outlay	4,049,550	957,812	957,575	237
Total expenditures	4,049,550	957,812	957,575	237
<u>OTHER FINANCING SOURCES (USES)</u>				
Note proceeds	4,049,550	999,550	-	(999,550)
Transfer out	-	(70,500)	999,950	1,070,450
Total other financing sources	4,049,550	929,050	999,950	70,900
Net change in fund balance	<u>\$(3,995,280)</u>	<u>\$ (842,036)</u>	\$ 158,151	<u>\$ (71,137)</u>
Fund balance, beginning of year			21,270	
Fund balance, end of year			<u>\$ 179,421</u>	

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VENTANA METROPOLITAN DISTRICT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Property taxes	\$ 16,691	\$ 16,830	17,074	\$ 244
Specific ownership taxes	1,169	2,261	1,967	
Total revenues	17,860	19,091	19,041	244
<u>EXPENDITURES</u>				
Current:				
Legal	-	8,330	8,330	-
Trustee fees	500	500	-	500
Treasurer's fees	250	252	250	2
Total expenditures	750	9,082	8,580	502
<u>OTHER FINANCING SOURCES (USES)</u>				
Note proceeds	-	-	999,950	999,950
Transfer out	-	-	(999,950)	(999,950)
Total other financing sources	-	-	-	-
Net change in fund balance	\$ 17,110	\$ 10,009	\$ 10,461	\$ (258)
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 10,461	

See independent auditor's report.