

Vintage Reserve Metropolitan District

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vintage Reserve Metropolitan District
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Vintage Reserve Metropolitan District (the "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 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 Vintage Reserve Metropolitan District, as of December 31, 2017, and the respective changes in financial position and 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 District's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund on page 17 is the responsibility of management and was derived from and relate 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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected on page 18 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Crady, Puca & Associates

Centennial, CO
June 28, 2018

VINTAGE RESERVE METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 76,310	\$ -	\$ 76,310	\$ -	\$ 76,310
Cash and investments - restricted	-	82,013	82,013	-	82,013
Receivable - County Treasurer	250	2,641	2,891	-	2,891
Property taxes receivable	36,409	239,258	275,667	-	275,667
Prepaid expenses	3,213	-	3,213	-	3,213
Prepaid debt insurance, net of accumulated amortization	-	-	-	30,792	30,792
Total Assets	<u>116,182</u>	<u>323,912</u>	<u>440,094</u>	<u>30,792</u>	<u>470,886</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	357,973	357,973
Total Deferred Outflows of Resources	-	-	-	357,973	357,973
Total Assets and Deferred Outflows of Resources	<u>\$ 116,182</u>	<u>\$ 323,912</u>	<u>\$ 440,094</u>		
LIABILITIES					
Accounts payable	\$ 3,705	\$ -	\$ 3,705	-	3,705
Accrued interest on bonds	-	-	-	12,433	12,433
Long-term liabilities:					
Due within one year	-	-	-	75,000	75,000
Due in more than one year	-	-	-	4,665,471	4,665,471
Total Liabilities	<u>3,705</u>	<u>-</u>	<u>3,705</u>	<u>4,752,904</u>	<u>4,756,609</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	36,409	239,258	275,667	-	275,667
Total Deferred Inflows of Resources	<u>36,409</u>	<u>239,258</u>	<u>275,667</u>	<u>-</u>	<u>275,667</u>
FUND BALANCES					
Fund Balances:					
Nonspendable:					
Prepays	3,213	-	3,213	(3,213)	-
Restricted:					
Emergencies	927	-	927	(927)	-
Debt service	-	84,654	84,654	(84,654)	-
Unassigned	71,928	-	71,928	(71,928)	-
Total Fund Balances	<u>76,068</u>	<u>84,654</u>	<u>160,722</u>	<u>(160,722)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 116,182</u>	<u>\$ 323,912</u>	<u>\$ 440,094</u>		
NET POSITION					
Restricted for:					
Emergencies				927	927
Debt service				72,221	72,221
Unrestricted				(4,276,565)	(4,276,565)
Total Net Position				<u>\$ (4,203,417)</u>	<u>\$ (4,203,417)</u>

The notes to the financial statements are an integral part of these statements.

VINTAGE RESERVE METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting	\$ 6,708	\$ -	\$ 6,708	\$ -	\$ 6,708
Audit	4,175	-	4,175	-	4,175
Insurance	2,954	-	2,954	-	2,954
Legal	12,446	-	12,446	-	12,446
Foothills Park and Rec Fees	2,374	-	2,374	-	2,374
Miscellaneous expenses	222	-	222	-	222
Treasurer's fees	508	5,377	5,885	-	5,885
Bond principal	-	70,000	70,000	(70,000)	-
Bond interest expense	-	152,304	152,304	91,437	243,741
Cost of Issuance	-	148,924	148,924	-	148,924
Bond Insurance	-	31,067	31,067	(31,067)	-
Paying agent fees	-	1,000	1,000	-	1,000
Amortization of prepaid bond insurance	-	-	-	4,816	4,816
Total Expenditures	<u>29,387</u>	<u>408,672</u>	<u>438,059</u>	<u>(4,814)</u>	<u>433,245</u>
GENERAL REVENUES					
Property taxes	33,883	358,187	392,070	-	392,070
Specific ownership taxes	3,310	34,994	38,304	-	38,304
Interest income	840	8,726	9,566	-	9,566
Total General Revenues	<u>38,033</u>	<u>401,907</u>	<u>439,940</u>	<u>-</u>	<u>439,940</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	8,646	(6,765)	1,881	4,814	6,695
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	4,870,000	4,870,000	(4,870,000)	-
Bond discount	-	(60,054)	(60,054)	60,054	-
Payment to refunding agent	-	(5,690,561)	(5,690,561)	5,690,561	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(880,615)</u>	<u>(880,615)</u>	<u>880,615</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	8,646	(887,380)	(878,734)	878,734	
CHANGE IN NET POSITION					
				6,695	6,695
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	67,422	972,034	1,039,456	(5,249,568)	(4,210,112)
END OF YEAR	<u>\$ 76,068</u>	<u>\$ 84,654</u>	<u>\$ 160,722</u>	<u>\$ (4,364,139)</u>	<u>\$ (4,203,417)</u>

The notes to the financial statements are an integral part of these statements.

VINTAGE RESERVE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2017

	Original And <u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 33,883	\$ 33,883	\$ -
Specific ownership taxes	2,541	3,310	769
Interest income	<u>-</u>	<u>840</u>	<u>840</u>
Total Revenues	<u>36,424</u>	<u>38,033</u>	<u>1,609</u>
EXPENDITURES			
Accounting	8,000	6,708	1,292
Audit	4,300	4,175	125
Insurance	3,100	2,954	146
Legal	15,000	12,446	2,554
Foothills Park and Rec Fees	25,000	2,374	22,626
Miscellaneous expenses	500	222	278
Treasurer's fees	508	508	-
Contingency	42,785	-	42,785
Emergency reserve	<u>927</u>	<u>-</u>	<u>927</u>
Total Expenditures	<u>100,120</u>	<u>29,387</u>	<u>70,733</u>
NET CHANGE IN FUND BALANCE	(63,696)	8,646	72,342
FUND BALANCE:			
BEGINNING OF YEAR	<u>63,696</u>	<u>67,422</u>	<u>3,726</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 76,068</u>	<u>\$ 76,068</u>

The notes to the financial statements are an integral part of these statements.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Vintage Reserve Metropolitan District, (“the District”), located in Jefferson County, Colorado; conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized in 2003 as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

Major individual governmental funds are reported as separate columns in the fund financial statements. The District has no fiduciary funds.

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 the 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 collectible 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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Debt Service Fund –The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District'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 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. The appropriation is at the total fund expenditures level and lapses at year end. During 2017, the District amended its total appropriations in the Debt Service Fund from \$381,559 to \$6,200,000 as a result of the issuance of the Series 2017 Bonds (see Note 4).

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition.

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 minimum number of bank accounts. 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Original Issue Premium, Prepaid Debt Insurance and Loss on Refunding

The original issue discount, prepaid debt insurance and loss on refunding from the Series 2017 Bonds are being amortized over the terms of the bonds using the interest/straight-line method. Accumulated amortization of original issue discount, prepaid debt insurance and loss on refunding amounted to \$525, \$275 and \$3,768 respectively at December 31, 2017.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position.

Capital Assets

Capital assets, including property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District 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 estimated fair value at the date of 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 asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. All capital assets acquired or constructed by the District have been conveyed to other governments.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

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 by certification to the County Commissioners to put the tax lien on the individual properties 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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund in the amount of \$3,213 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$927 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$84,654 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds Series 2017 (see Note 4).

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. At December 31, 2017, the District did not have any amount to report in this category.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 76,310
Cash and investments – Restricted	<u>82,013</u>
Total	\$ <u>158,323</u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	\$ 1,145
Investments – COLOTRUST	<u>157,178</u>
	\$ <u>158,323</u>

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the 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.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments:

Credit Risk

The District has not adopted a formal investment policy; however the District 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.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

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 District's investments are not required to be categorized within the fair value hierarchy. The District's investment's value is calculated using the net asset value method per share.

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

As of December 31, 2017, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") 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 District records its investment in COLOTRUST using the net asset value method. The trusts operate 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 trusts. Substantially all securities owned by the trusts 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, 2017, the District had \$157,178 invested in COLOTRUST Plus +.

Note 3: Capital Assets

All capital assets have been conveyed to other governmental entities.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2017, is as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Bonds Series 2007

On April 17, 2007, the District issued \$6,225,000 in Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Bonds Series 2007 (the "Series 2007 Bonds") for the purpose of advance refunding the Series 2005 Bonds, reimbursing the Developer for the construction and installation of public improvements, funding the Reserve Fund, funding capitalized interest, and paying the costs of issuing the Series 2007 Bonds. The Series 2007 Bonds bore interest at the rates ranging from 4.0% to 4.625% to be paid semiannually in June 1 and December 1 beginning June 1, 2007. The Series 2007 Bonds had a maturity date of December 1, 2037, however mandatory sinking fund payments begin on December 1, 2010. The Series 2007 Bonds maturing on and after December 1, 2018 were subject to redemption prior to maturity at the option of the District, in whole on any date, or in part on any interest payment date, at any time on and after December 1, 2017, at the redemption price equal to the principal amount of each Series 2007 Bond or portion thereof redeemed, plus accrued interest thereon to the date of redemption.

The Series 2007 Bonds were secured by Pledged Revenues including a mill levy of no more than 50.0 mills until such time as the debt to assessed value ratio is 50% or less, and no less than 42.5 mills until such time that the Surplus Fund is equal to or greater than the Maximum Surplus Amount of \$500,000, and specific ownership taxes attributable to the debt service mill levy. Repayment of principal and interest was insured by Radian Asset Assurance, Inc. ("Radian"). As of April 1, 2015, Radian was acquired by Assured Guaranty Corp. ("AGC"). AGC has assumed all of Radian's insurance policies. Therefore, all outstanding bonds insured by Radian carried AGC's Moody's rating of A3.

The Series 2007 Bonds were additionally secured by a Surplus Fund. These funds represent property taxes and specific ownership taxes not used for payment of principal and interest on the Series 2007 Bonds. The maximum permitted size of the Surplus Fund was \$500,000. The Surplus Fund may be released at such time as the Debt to Assessed Value Requirement is 50% or less.

Associated with the issuance of the Series 2007 Bonds, the District funded a Reserve Fund in the amount of \$447,647. The Reserve Fund was maintained by the Trustee. Amounts on deposit in the reserve fund escrow account were to be released and transferred to the bond fund for payment of principal and interest due on the Series 2007 bonds if a deficiency existed in the Principal or Interest accounts. During 2017, the Series 2007 Bonds were repaid in full.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Advance refunding of debt

The Series 2007 Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the \$5,000,000 of 2005 general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$448,770. This amount was being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 30 years by \$124,581 and resulted in an economic gain of \$1,248,091. The Series 2007 Bonds were refunded in full during 2017. (See below)

General Obligation Refunding Bonds Series 2017

On September 27, 2017 the District issued General Obligation Refunding Bonds, Series 2017 (“Series 2017 Bonds”) in the amount of \$4,870,000. The Series 2017 Bonds were issued for the purpose of repaying the Series 2007 Bonds, paying the costs of issuing the Series 2017 Bonds and paying the cost of bond insurance. The Series 2017 Bonds accrued interest at rates ranging from 1.5% to 3.5% payable semiannually on each June 1 and December 1, commencing on December 1, 2017. Principal payments on the Series 2017 bonds are due on December 1st of each year commencing on December 1, 2017. The Series 2017 Bonds are subject to redemption prior to maturity at the option of the District as a whole or integral multiples of \$5,000 on December 1, 2027, and on any date thereafter, upon payment of par and accrued interest without redemption premium. The Series 2017 Bonds are secured by Pledged Revenues including the required mill levy imposed each year upon all taxable property of the District in an amount sufficient to pay the Debt Service Requirements as the same become due and payable, without limitations. Repayment of principal and interest was insured by Build America Mutual Assurance Company (“BAM”) As of June 26, 2017 BAM carried a rating of AA/Stable by S&P Global Ratings.

Advance refunding of debt

The Series 2017 Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2007 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$361,741. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The refunding resulted in a net present value savings of \$420,981 due to the average interest rate of the Series 2017 Bonds being lower than the refunded bonds.

Vintage Reserve Metropolitan District

Notes to Financial Statements December 31, 2017

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
Series 2007 Bonds	\$ 5,575,000	\$ -	\$5,575,000	\$ -	\$ -
Original issue premium 2007 Bonds	13,866	-	13,866	-	-
Series 2017 Bonds	-	4,870,000	70,000	4,800,000	75,000
Original issue discount 2017 Bonds	-	(60,054)	(525)	(59,529)	-
Total Long Term Debt	<u>\$ 5,588,866</u>	<u>\$4,809,946</u>	<u>\$5,658,341</u>	<u>\$4,740,471</u>	<u>\$ 75,000</u>

The following is a summary of the annual long-term debt principal and interest requirements.

Year	Principal	Interest	Total
2018	\$ 75,000	\$ 149,200	\$ 224,200
2019	80,000	148,075	228,075
2020	85,000	146,875	231,875
2021	85,000	145,600	230,600
2022	90,000	144,325	234,325
2023 - 2027	515,000	690,125	1,205,125
2028 - 2032	655,000	613,000	1,268,000
2033 - 2037	830,000	500,738	1,330,738
2038 - 2042	1,055,000	346,675	1,401,675
2042 - 2047	1,330,000	144,025	1,474,025
	<u>\$4,800,000</u>	<u>\$ 3,028,638</u>	<u>\$ 7,828,638</u>

Note 5: Debt Authorization

As of December 31, 2017, the District had remaining voted debt authorization of approximately \$70,775,000. In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any debt issuances is not determinable. Per the District's Service Plan, the District will issue bonds in an amount sufficient to permit the District to construct all or a portion of the needed facilities. In addition, the District shall have the ability to issue such additional debt as may be necessary to support future capital requirements of the District, and in accordance with Colorado law.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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 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 require judicial interpretation.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (“the Pool”) is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

Vintage Reserve Metropolitan District

Notes to Financial Statements
December 31, 2017

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Prepaid bond insurance and deferred loss on refunding used in government activities are not a financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable, bond discount and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report prepaid bond insurance as expenditures, and loss on refunding as a deferred outflow of resources, however, in the statement of activities, the cost of prepaid bond insurance and the loss on refunding is amortized over the term of the bonds;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities;
- 3) governmental funds report bond proceeds as other financing sources; and discount on bonds as other financing use and, however in the statement of activities they are shown in long-term debt: and
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

VINTAGE RESERVE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 358,187	\$ 358,000	\$ 358,187	\$ 187
Specific ownership taxes	26,864	30,000	34,994	4,994
Interest income	-	14,003	8,726	(5,277)
Total Revenues	<u>385,051</u>	<u>402,003</u>	<u>401,907</u>	<u>(96)</u>
EXPENDITURES				
Treasurer's fees	5,373	5,370	5,377	(7)
Bond principal	120,000	70,000	70,000	-
Bond interest expense	251,186	152,768	152,304	464
Cost of Issuance	-	199,003	148,924	50,079
Bond Insurance	-	-	31,067	(31,067)
Paying agent fees	5,000	2,000	1,000	1,000
Total Expenditures	<u>381,559</u>	<u>429,141</u>	<u>408,672</u>	<u>20,469</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,492	(27,138)	(6,765)	20,373
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	4,880,000	4,870,000	(10,000)
Bond discount	-	(80,509)	(60,054)	20,455
Payment to refunding agent	-	(5,690,350)	(5,690,561)	(211)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(890,859)</u>	<u>(880,615)</u>	<u>10,244</u>
NET CHANGE IN FUND BALANCE	3,492	(917,997)	(887,380)	30,617
FUND BALANCE:				
BEGINNING OF YEAR	<u>967,752</u>	<u>972,034</u>	<u>972,034</u>	<u>-</u>
END OF YEAR	<u>\$ 971,244</u>	<u>\$ 54,037</u>	<u>\$ 84,654</u>	<u>\$ 30,617</u>

The notes to the financial statements are an integral part of these statements.

Vintage Reserve Metropolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2017

(Unaudited)

<u>Year Ended</u> <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		Percent Collected to Levied
		<u>Fund</u>	<u>Service</u>	<u>Levied</u>	<u>Collected</u>	
2005	\$ 38,420	5.000	45.000	\$ 1,920	\$ 1,921	100.05%
2006	\$ 1,586,280	5.000	45.000	\$ 79,313	\$ 79,314	100.00%
2007	\$ 5,058,170	5.000	45.000	\$ 252,909	\$ 252,909	100.00%
2008	\$ 8,380,220	5.000	45.000	\$ 419,011	\$ 419,001	100.00%
2009	\$ 8,865,040	5.000	40.000	\$ 398,927	\$ 398,737	99.95%
2010	\$ 8,788,380	4.000	38.000	\$ 369,112	\$ 368,829	99.92%
2011	\$ 8,792,010	3.500	37.000	\$ 356,076	\$ 355,613	99.87%
2012	\$ 8,387,975	3.500	37.000	\$ 339,713	\$ 339,713	100.00%
2013	\$ 8,391,603	3.500	37.000	\$ 339,860	\$ 339,859	100.00%
2014	\$ 8,602,420	3.500	37.000	\$ 348,398	\$ 348,398	100.00%
2015	\$ 8,622,471	3.500	37.000	\$ 349,210	\$ 349,210	100.00%
2016	\$ 9,680,729	3.500	37.000	\$ 392,070	\$ 392,070	100.00%
2017	\$ 9,680,729	3.500	37.000	\$ 392,070	\$ 392,070	100.00%
Estimated for year ending December 31, 2018	\$ 10,402,521	3.500	23.000	\$ 275,667		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.