

VENTANA METROPOLITAN DISTRICT
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2022

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ventana Metropolitan District
El Paso County, Colorado

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental activities	Qualified
General fund	Unmodified
Debt service fund	Unmodified
Capital projects fund	Unmodified

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions 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, 2022, 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, 2022, 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.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Qualified Opinion

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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

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.

Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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
July 26, 2023

VENTANA METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2022

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 196,997
Accounts receivable	13,129
Receivable from County Treasurer	3,929
Property tax receivable	494,617
Due from developer	32,742
Capital assets, net	9,354,497
Total assets	10,095,911
<u>LIABILITIES</u>	
Accounts payable	41,187
Noncurrent liabilities:	
Due within one year	6,978,326
Due in more than one year	7,074,163
Total liabilities	14,093,676
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	494,617
Deferred revenues	11,186
Total deferred inflows of resources	505,803
<u>NET POSITION</u>	
Net investment in capital assets	(246,780)
Restricted for:	
Capital projects	337,265
Debt service	56,954
Emergency reserve	14,150
Unrestricted	(4,665,157)
Total net position	\$ (4,503,568)

The accompanying notes and independent auditor's report
should be read with these financial statements.

VENTANA METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<u>FUNCTIONS / PROGRAMS</u>				
Primary government				
Government activities:				
General government	\$ 776,397	\$ 287,410	\$ 8,500	\$ (480,487)
Interest and related costs on long-term debt	860,108	-	-	(860,108)
Total government activities	<u>\$ 1,636,505</u>	<u>\$ 287,410</u>	<u>\$ 8,500</u>	<u>(1,340,595)</u>
<u>GENERAL REVENUES</u>				
Property taxes				493,409
Specific ownership taxes				51,325
Investment income				226
Other income				3,547
Total general revenues				<u>548,507</u>
Change in net position				(792,088)
Net position, beginning of year				<u>(3,711,480)</u>
Net position, end of year				<u>\$ (4,503,568)</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

VENTANA METROPOLITAN DISTRICT

BALANCE SHEETS - GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 143,195	\$ 53,802	\$ -	\$ 196,997
Receivable from County Treasurer	777	3,152	-	3,929
Accounts receivable	13,129	-	-	13,129
Property tax receivable	97,830	396,787	-	494,617
Due from developer	-	-	32,742	32,742
Due from other funds	-	-	304,523	304,523
Total assets	\$ 254,931	\$ 453,741	\$ 337,265	\$ 1,045,937
LIABILITIES				
Accounts payable	\$ 41,187	\$ -	\$ -	\$ 41,187
Due to other funds	304,523	-	-	304,523
Total liabilities	345,710	-	-	345,710
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	97,830	396,787	-	494,617
Deferred revenues	11,186	-	-	11,186
Total deferred inflows of resources	109,016	396,787	-	505,803
FUND BALANCES				
Restricted for:				
Capital projects	-	-	337,265	337,265
Debt service	-	56,954	-	56,954
Emergency reserve	14,150	-	-	14,150
Unassigned:				
Unrestricted	(213,945)	-	-	(213,945)
Total fund balances	(199,795)	56,954	337,265	194,424
Total liabilities, deferred inflows of resources, and fund balances	\$ 254,931	\$ 453,741	\$ 337,265	
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:				
Capital assets, net				9,354,497
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Bonds payable				(14,052,489)
Net position of governmental activities				\$ (4,503,568)

The accompanying notes and independent auditor's report should be read with these financial statements.

VENTANA METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Park permit fees	\$ -	\$ -	\$ 39,768	\$ 39,768
Recreation center fees	179,456	-	-	179,456
Trash service	68,186	-	-	68,186
Property taxes	97,591	395,818	-	493,409
Specific ownership taxes	10,152	41,173	-	51,325
Grant revenues	8,500	-	-	8,500
Investment income	226	-	-	226
Other income	3,547	-	-	3,547
Total revenues	367,658	436,991	39,768	844,417
EXPENDITURES				
Current:				
Accounting and audit	8,825	-	-	8,825
Cleaning service	9,451	-	-	9,451
County Treasurer fees	1,465	5,940	-	7,405
Election	5,151	-	-	5,151
Insurance	14,429	-	-	14,429
Landscaping and maintenance	68,732	-	-	68,732
Legal services	14,828	-	-	14,828
Management fees	34,700	-	-	34,700
Office supplies and postage	5,665	-	-	5,665
Operations	79,019	-	-	79,019
Other	6,915	-	-	6,915
Professional fees	36,960	-	-	36,960
Repair and maintenance	11,748	-	-	11,748
Supplies	14,912	-	-	14,912
Trash service	71,476	-	-	71,476
Utilities	85,996	-	-	85,996
Debt service:				
Interest payments on bond anticipation notes	-	812,417	-	812,417
Capital projects:				
Capital outlay	-	-	6,923,015	6,923,015
Issuance costs	-	-	86,451	86,451
Total expenditures	470,272	818,357	7,009,466	8,298,095
Excess of revenues over expenditures	(102,614)	(381,366)	(6,969,698)	(7,453,678)
OTHER FINANCING SOURCES AND USES				
Proceeds from bond anticipation notes	-	-	6,908,671	6,908,671
Transfer between funds	(57,998)	57,998	-	-
Total other financing sources and uses	(57,998)	57,998	6,908,671	6,908,671
Net change in fund balances	(160,612)	(323,368)	(61,027)	(545,007)
Fund balances, beginning of year	(39,183)	380,322	398,292	739,431
Fund balances, end of year	\$ (199,795)	\$ 56,954	\$ 337,265	\$ 194,424

The accompanying notes and independent auditor's report should be read with these financial statements.

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, 2022

Net change in fund balances \$ (545,007)

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 assets over the estimated useful lives of the assets. Capital outlay, the conveyance of capital assets to other governments, and depreciation expense in the current period are as follows:

Capital outlay	6,923,015
Depreciation	(246,183)

The issuance of long-term debt (such as bonds, leases, and developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Proceeds from bond anticipation notes	(6,908,671)
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Some items in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest on bonds payable	95,377
Change in accrued interest on developer advances	(110,619)

Change in net position \$ (792,088)

The accompanying notes and independent auditor's report should be read with these financial statements.

VENTANA METROPOLITAN DISTRICT

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL) YEAR ENDED DECEMBER 31, 2022

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Park permit fees	\$ -	\$ 39,768	\$ -	\$ (39,768)
Recreation center fees	160,000	179,456	179,456	-
Trash service	68,400	66,243	68,186	1,943
Property taxes	106,305	106,317	97,591	(8,726)
Specific ownership taxes	7,441	10,149	10,152	3
Grant revenues	-	8,500	8,500	-
Investment income	-	-	226	226
Other income	1,000	3,656	3,547	(109)
Total revenues	343,146	414,089	367,658	(46,431)
EXPENDITURES				
Accounting and audit	9,000	8,825	8,825	-
Cleaning service	16,800	9,451	9,451	-
Contingency	10,000	1,946	-	1,946
County Treasurer fees	1,595	1,595	1,465	130
Election	10,000	5,151	5,151	-
Insurance	12,500	14,429	14,429	-
Landscaping and maintenance	85,000	68,732	68,732	-
Legal services	15,000	14,828	14,828	-
Management fees	36,000	34,700	34,700	-
Other	1,000	5,044	6,915	(1,871)
Operations	91,000	79,774	79,019	755
Office supplies and postage	5,000	5,666	5,665	1
Professional fees	42,500	36,959	36,960	(1)
Repair and maintenance	10,000	26,091	11,748	14,343
Supplies	12,000	14,332	14,912	(580)
Trash service	50,000	71,417	71,476	(59)
Utilities	105,250	85,960	85,996	(36)
Total expenditures	512,645	484,900	470,272	14,628
Excess of revenues over expenditures	(169,499)	(70,811)	(102,614)	(31,803)
OTHER FINANCING SOURCES AND USES				
Transfer between funds	100,000	-	(57,998)	(57,998)
Total other financing sources and uses	100,000	-	(57,998)	(57,998)
Net change in fund balance	\$ (69,499)	\$ (70,811)	(160,612)	\$ (89,801)
Fund balance, beginning of year			(39,183)	
Fund balance, end of year			\$ (199,795)	

The accompanying notes and independent auditor's report
should be read with these financial statements.

VENTANA METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. DEFINITION OF REPORTING ENTITY

Ventana Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in February 2006, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to provide storm sewer, street improvements, traffic safety protection, parks and recreation, mosquito control, security, trash services, and covenant enforcement/design review services.

The District follows 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 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, and 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. Material 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 outflows of resources and the liabilities plus deferred inflows of resources 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

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 when 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. 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.

See independent auditor's report.

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another 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 for repayment of debt.

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

Budgets

In accordance with state budget law, the District 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, fund balance remaining, 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.

The District amended its annual budget for the year ended December 31, 2022.

The District incurred expenditures in excess of appropriations for the year ended December 31, 2022 in the debt service fund and capital projects fund, which may be a violation of state budget law.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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 balance.

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 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 sales of tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable amounts, 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, 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 District as assets with an initial individual cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets, which range from 20 to 40 years.

See independent auditor's report.

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, if any, is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund balances and transactions

The District reports interfund balances and transfers that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to other funds and due from other funds, respectively. The interfund balances have been eliminated in the government-wide statements.

Net position and fund balances

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 balances

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. 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:

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

The *restricted fund balance* is 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.

The *committed fund balance* is 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.

The *assigned fund balance* is 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.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

See independent auditor's report.

VENTANA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

For fund presentation purposes, 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.

Deficit

The general fund reported a deficit in the fund financial statements as of December 31, 2022.

3. CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 196,997
	<u>\$ 196,997</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2022, are as follows:

Deposits with financial institutions	\$ 196,997
	<u>\$ 196,997</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. 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, 2022, the District's cash deposits had a bank balance of \$196,997 and a carrying balance of \$196,997.

Investments

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

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. 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.

See independent auditor's report.

VENTANA METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US 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, 2022, the District had no investments.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is as follows:

	Balance 01-01-22	Additions	Dispositions	Reclassifications	Balance 12-31-22
<u>Governmental activities</u>					
Capital assets, depreciable:					
Parks and recreation center	\$ 2,678,262	\$ 6,923,015	\$ -	\$ -	\$ 9,601,277
Total capital assets, depreciable	2,678,262	6,923,015	-	-	9,601,277
Less accumulated depreciation:					
Parks and recreation center	(597)	(246,183)	-	-	(246,780)
Total accumulated depreciation	(597)	(246,183)	-	-	(246,780)
Capital assets, net	\$ 2,677,665	\$ 6,676,832	\$ -	\$ -	\$ 9,354,497

Depreciation expense for the year ended December 31, 2022, totaled \$246,183.

See independent auditor's report.

VENTANA METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2022:

	Balance 01-01-22	Additions	Repayments / Amortization	Balance 12-31-22	Due Within One Year
<u>Governmental activities</u>					
Direct placements:					
Bond anticipation notes	\$ 4,464,400	\$ 6,908,671	\$ -	\$ 11,373,071	\$ 6,908,671
Accrued interest on bond anticipation notes payable	1,063,113	725,078	820,455	975,974	69,655
Total direct placements	5,527,513	7,633,749	820,455	12,349,045	6,978,326
Other long-term obligations:					
Developer advance - capital	738,692	-	-	738,692	-
Accrued interest on developer advance - capital	862,372	110,618	-	964,752	-
Total other long-term obligations	1,601,064	110,618	-	1,703,444	-
Total long-term obligations	<u>\$ 7,128,577</u>	<u>\$ 7,744,367</u>	<u>\$ 820,455</u>	<u>\$ 14,052,489</u>	<u>\$ 6,978,326</u>

Bond anticipation notes payable

On December 3, 2015, the District entered into an agreement with CH Metrobonds, LLC, a developer. The developer has agreed to advance funds to the District for construction of certified eligible public improvements within the boundaries of the District. The advances will be evidenced by subordinated promissory notes bearing interest at a rate of 8.00% per annum with each draw maturing five years from the draw date and 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. In the event the notes are not repaid by the maturity dates they will continue to accrue interest. As of December 31, 2021, draws were as follows:

Draw Date	Maturity Date	Amount
12/07/2015	12/06/2020	\$ 450,450
02/03/2017	02/02/2022	999,950
09/18/2018	09/17/2023	3,014,000
05/02/2022	12/31/2022	6,908,671

Developer advances

The District entered into a reimbursement agreement with Old Pueblo Road Investment Company, LLC, a developer, under which the District agreed to reimburse the developer for the cost of formation and railroad crossing improvements that benefit the District and development within the District. The District agreed to repay such advances plus accrued interest at 8.00% per annum, compounding annually. Principal and interest are due at the District's discretion and depending on the availability of revenues. As of December 31, 2022, the outstanding developer advance totaled \$738,692 and accrued interest related to the developer advance totaled \$964,752.

See independent auditor's report.

VENTANA METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. NET POSITION

The District has net position consisting of: invested in capital assets, net of related debt; restricted; and unrestricted.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2022, the District had net position invested in capital assets, net of related debt as follows:

Invested in capital assets, net of related debt:	
Capital assets	\$ 9,354,497
Related long-term obligations	<u>(9,601,277)</u>
Invested in capital assets, net of related debt	<u>\$ (246,780)</u>

Restricted net position includes balances with 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 as of December 31, 2022 as follows:

Restricted net position:	
Capital projects (Note 4)	\$ 337,265
Debt service (Note 5)	56,954
Emergency reserve (Note 10)	<u>14,150</u>
	<u>\$ 408,369</u>

The District's unrestricted net position as of December 31, 2022, totaled a deficit of \$4,665,157.

7. RELATED PARTIES

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

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"). 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.

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VENTANA METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

District management believes the District 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

DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL) YEAR ENDED DECEMBER 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 387,318	\$ 387,361	\$ 395,818	\$ 8,457
Specific ownership taxes	27,112	36,979	41,173	4,194
Total revenues	414,430	424,340	436,991	12,651
EXPENDITURES				
County Treasurer fees	5,810	5,810	5,940	(130)
Legal services	-	53,802	-	
Interest payments on bond anticipation notes	-	360,915	812,417	(451,502)
Issuance costs	-	18,399	-	18,399
Total expenditures	5,810	438,926	818,357	(433,233)
Excess of revenues over expenditures	408,620	(14,586)	(381,366)	445,884
OTHER FINANCING SOURCES AND USES				
Transfer between funds	-	-	57,998	57,998
Total other financing sources and uses	-	-	57,998	57,998
Net change in fund balance	<u>\$ 408,620</u>	<u>\$ (14,586)</u>	(323,368)	<u>\$ 503,882</u>
Fund balance, beginning of year			380,322	
Fund balance, end of year			<u>\$ 56,954</u>	

See independent auditor's report.

VENTANA METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Park permit fees	\$ -	\$ 39,768	\$ 39,768
Total revenues	-	39,768	39,768
<u>EXPENDITURES</u>			
Capital outlay	-	6,923,015	(6,923,015)
Issuance costs	-	86,451	(86,451)
Total expenditures	-	7,009,466	(7,009,466)
Excess of revenues over expenditures	-	(6,969,698)	(6,969,698)
<u>OTHER FINANCING SOURCES AND USES</u>			
Proceeds from bond anticipation notes	-	6,908,671	6,908,671
Transfer to other funds	(100,000)	-	100,000
Total other financing sources and uses	(100,000)	6,908,671	7,008,671
Net change in fund balance	<u>\$ (100,000)</u>	(61,027)	<u>\$ 38,973</u>
Fund balance, beginning of year		398,292	
Fund balance, end of year		<u>\$ 337,265</u>	

See independent auditor's report.