

**EDGEMONT RANCH METROPOLITAN DISTRICT
DURANGO, COLORADO**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

December 31, 2022

EDGEMONT RANCH METROPOLITAN DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position.....	7
Statement of Activities.....	8
Balance Sheet – Governmental Funds.....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	10
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	11
Statement of Net Position – Proprietary Funds	12
Statement of Revenue, Expenses, And Changes in Net Position – Proprietary Funds.....	13
Statement of Cash Flows – Proprietary Funds.....	14
Notes to the Basic Financial Statements.....	15
Supplemental Information	
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	27
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Water Fund.....	28
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Sewer Fund	29

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Edgemont Ranch Metropolitan District
Durango, Colorado

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Edgemont Ranch Metropolitan District (the "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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Edgemont Ranch Metropolitan District, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Edgemont Ranch Metropolitan 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.

Responsibility 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 Edgemont Ranch Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Edgemont Ranch Metropolitan 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 Edgemont Ranch Metropolitan 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgemont Ranch Metropolitan District's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actual for the debt service fund, for the water fund, and for the sewer fund are presented for purposes of additional analysis and are 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.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fredrick Zink & Associates, PC

FredrickZink & Associates, PC
Durango, Colorado
July 31, 2023

Edgemont Ranch Metropolitan District

Management's Discussion and Analysis December 31, 2022

As management of the Edgemont Ranch Metropolitan District ("District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional information to supplement the basic financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes.)

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, roads, and interest on long-term debt. The business-type activities of the District are water and wastewater services.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements: A fund is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and commitment of spendable resources for the near-term. The two governmental funds maintained by the District are the General Fund and the Debt Service Fund.

Overview of the Financial Statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The basic governmental fund financial statements are found on pages 9 – 10 of this report.

The District adopts an annual appropriated budget for each fund as required by Colorado statutes. Budgetary comparison statements have been provided to demonstrate compliance with these budgets. A General Fund comparison of budget to actual is on page 11.

Proprietary funds: The District maintains two proprietary funds. The District uses the Water Fund to account for its water treatment plant and distribution system and the Sewer Fund to account for its sewer treatment plant and collection system.

These proprietary funds encompass the same functions reported as business-type activities in the government-wide financial statements, only in more detail. As of December 31, 2022, the District is providing water and sewer services to 701 residences, an increase of 33 residences from December 31, 2021. There are also 142 unimproved lots yet to be built on, with approximately 30 additional unimproved lots to be developed in the future. The basic proprietary fund financial statements can be found on pages 12 - 14 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 15 - 26 of this report.

Government-wide Financial Analysis

The following table provides condensed financial information derived from the government-wide financial statements for the years ended December 31, 2022 and 2021 to show the changing net position of the District. The District's net position at the end of 2022 is \$19,631,342 (page 7).

	Governmental				Business-type				TOTAL	
	Net Position				Net Position				2022	2021
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change	2022	2021
Assets:										
Current and other assets	\$ 1,299,841	\$ 1,159,165	\$ 140,676	12%	\$ 1,865,009	\$ 2,405,852	\$ (540,843)	-22%	\$ 3,164,850	\$ 3,565,017
Capital assets	6,631,779	6,254,335	377,444	6%	18,136,442	14,653,416	3,483,026	24%	\$ 24,768,221	\$ 20,907,751
Total Assets	7,931,620	7,413,500	518,120	7%	20,001,451	17,059,268	2,942,183	17%	\$ 27,933,071	\$ 24,472,768
Liabilities:										
Current and other liabilities	86,372	78,170	8,202	10%	490,168	772,080	(281,912)	-37%	\$ 576,540	\$ 850,250
Long-term liabilities	25,339	84,544	(59,205)	-70%	7,364,236	5,244,999	2,119,237	40%	\$ 7,389,575	\$ 5,329,543
Total Liabilities	111,711	162,714	(51,003)	-31%	7,854,404	6,017,079	1,837,325	31%	\$ 7,966,115	\$ 6,179,793
Deferred Inflows of Resources:										
Deferred property tax revenue	335,614	319,905	15,709	5%	-	-	-	0%	\$ 335,614	\$ 319,905
Net Position:										
Net investment in capital assets	6,547,235	6,112,791	434,444	7%	10,468,139	9,225,282	1,242,857	13%	\$ 17,015,374	\$ 15,338,073
Restricted for emergencies	9,110	7,948	1,162	15%	-	-	-	-	\$ 9,110	\$ 7,948
Restricted for road mntc.	243,798	263,752	(19,954)	-8%	-	-	-	-	\$ 243,798	\$ 263,752
Unrestricted (deficit)	684,152	546,390	137,762	25%	1,678,908	1,816,907	(137,999)	-8%	\$ 2,363,060	\$ 2,363,297
Total Net Position	\$ 7,484,295	\$ 6,930,881	\$ 553,414	8%	\$ 12,147,047	\$ 11,042,189	\$ 1,104,858	10%	\$ 19,631,342	\$ 17,973,070

Note that 84% of the governmental funds total assets are tied up in capital assets, comprised mainly of roads and equipment to maintain them. The business-type funds have 91% of total assets tied up in capital assets. These capital assets are comprised mainly of water / sewer infrastructure and treatment plants to serve residents.

The District has maintained a positive balance in all funds. Net position in governmental and business-type activities increased by \$553,414 and \$1,104,858 respectively, for a total increase of \$1,658,272. The increase in governmental activities comes mainly from tax revenue, fees to maintain roads and developer donated assets. The increase in business-type activities is due to water / sewer service fees and developer donated assets. The developer donated assets are a reflection of the acceptance of 25 lots in Timbers Phase 3D, including all the road, water and sewer infrastructure.

The table below compares the District's Activities for 2022 and 2021 and summarizes the District's net position.

Edgemont Ranch Metropolitan District's Change in Net Position

	Governmental				Business-type				Total			
	Activities				Activities				Total			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
Revenues:												
Program revenues:												
General government	\$ 33,050	\$ 30,504	\$ 2,546		\$ -	\$ -	\$ -		\$ 33,050	\$ 30,504	\$ 2,546	
Roads	80,112	79,310	802	1%	-	-	-		80,112	79,310	802	1%
Water	-	-	-		652,886	628,300	24,586	4%	652,886	628,300	24,586	4%
Sewer	-	-	-		918,588	860,670	57,918	7%	918,588	860,670	57,918	7%
General revenues:												
Property taxes	355,926	336,990	18,936	6%	-	-	-		355,926	336,990	18,936	6%
Miscellaneous	14,923	10,934	3,989	36%	-	-	-		14,923	10,934	3,989	36%
Developer donated assets	568,499	556,410	12,089	2%	803,316	438,118	365,198	83%	1,371,815	994,528	377,287	38%
Interest	27	-	27		7	3,146	(3,139)	-100%	34	3,146	(3,112)	-99%
Change accounting estima	-	-	-		-	-	-		-	-	-	
Total Revenues	1,052,537	1,014,148	38,389	4%	2,374,797	1,930,234	444,563	23%	3,427,334	2,944,382	482,952	16%
Expenses:												
General government	131,900	128,238	3,662	3%	-	-	-		131,900	128,238	3,662	3%
Roads	362,829	307,757	55,072	18%	-	-	-		362,829	307,757	55,072	18%
Interest	4,394	6,517	(2,123)	-33%	-	-	-		4,394	6,517	(2,123)	-33%
Water	-	-	-		583,062	625,370	(42,308)	-7%	583,062	625,370	(42,308)	-7%
Sewer	-	-	-		686,878	594,179	92,699	16%	686,878	594,179	92,699	16%
Total Expenses	499,123	442,512	56,611	13%	1,269,940	1,219,549	50,391	4%	1,769,063	1,662,061	107,002	6%
Change in Net Position	553,414	571,636	(18,222)	-3%	1,104,857	710,685	394,172	55%	1,658,271	1,282,321	375,950	29%
Net Position - Beginning	6,930,881	6,359,245	571,636	9%	11,042,190	10,331,504	710,686	7%	17,973,071	16,690,749	1,282,322	8%
Net Position - Ending	\$ 7,484,295	\$ 6,930,881	\$ 553,414	8%	\$ 12,147,047	\$ 11,042,190	\$ 1,104,857	10%	\$ 19,631,342	\$ 17,973,071	\$ 1,658,271	9%

Governmental revenues: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$937,060, an increase of \$118,970 from the prior year (page 10). Of the fund balance, \$7,702 is non-spendable because it consists of prepaid expenses. \$9,110 is restricted, meaning it is not available for new spending because it has already been committed for emergencies under the Taxpayers' Bill of Rights (TABOR). An additional \$243,798 is restricted for future road maintenance. \$91,492 is assigned for debt service. The remaining \$584,958 is unassigned and is available for spending in future years.

Proprietary funds: The District's proprietary funds statements (pages 12-14) provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the proprietary funds totaled \$12,147,047 at the end of 2022 as compared to \$11,042,189 at the end of 2021. As of December 31, 2022, \$10,468,139 of this balance was invested in capital assets net of related debt and \$1,678,908 was available for spending at the District's discretion.

Budget variances: Details of the budget variances can be seen on page 27 for the debt service fund and pages 28-29 for the proprietary funds.

Capital assets: The District invested \$2,958,098 in capital asset additions during 2022. These investments included new water treatment plant filters, booster pump piping, and completion of the new Sewer Treatment Plant. The District also received developer donated assets of water and sewer and roads infrastructure in the amount of \$1,371,815. Depreciation expense of \$469,443 was recognized in 2022. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 23 of this report.

Long-term debt: The District increased its outstanding long-term debt balance by \$2,183,169, bringing the 2022 year-end balances to \$84,544 in Governmental Activities and \$7,668,303 in Business-type Activities. Additional information can be found in the Notes to the Financial Statements on pages 24 and 25 of this report.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Edgemont Ranch Metropolitan District, 5972 County Road 234, Durango, CO 81301, phone (970)259-3102.

BASIC FINANCIAL STATEMENTS

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Equity in pooled cash and investments.....	\$ 944,208	\$ 1,617,924	\$ 2,562,132
Cash held by treasurer.....	2,980	-	2,980
Property taxes receivable.....	335,614	-	335,614
Other receivables.....	9,337	216,277	225,614
Prepaid expenses.....	7,702	30,808	38,510
Total current assets.....	1,299,841	1,865,009	3,164,850
Noncurrent assets			
Capital assets, non-depreciable.....	62,609	170,575	233,184
Capital assets, depreciable (net).....	6,569,170	17,965,867	24,535,037
Total noncurrent assets.....	6,631,779	18,136,442	24,768,221
Total assets	\$ 7,931,620	\$ 20,001,451	\$ 27,933,071
LIABILITIES			
Current liabilities			
Accounts and other payables.....	\$ 19,424	\$ 140,930	\$ 160,354
Accrued liabilities.....	7,743	30,976	38,719
Unearned revenue.....	-	14,195	14,195
Current portion of long-term obligations.....	59,205	304,067	363,272
Total current liabilities.....	86,372	490,168	576,540
Long-term obligations, net of current portion.....	25,339	7,364,236	7,389,575
Total liabilities	\$ 111,711	\$ 7,854,404	\$ 7,966,115
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue.....	\$ 335,614	\$ -	\$ 335,614
NET POSITION			
Net investment in capital assets.....	\$ 6,547,235	\$ 10,468,139	\$ 17,015,374
Restricted for emergencies.....	9,110	-	9,110
Restricted for road maintenance.....	243,798	-	243,798
Unrestricted.....	684,152	1,678,908	2,363,060
Total net position	\$ 7,484,295	\$ 12,147,047	\$ 19,631,342

The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Position		Total
			Governmental Activities	Business- Type Activities	
Governmental Activities:					
General government.....	\$ 131,900	\$ 33,050	\$ (98,850)	\$ -	\$ (98,850)
Roads.....	362,829	80,112	(282,717)	-	(282,717)
Interest.....	4,394	-	(4,394)	-	(4,394)
Total governmental.....	<u>499,123</u>	<u>113,162</u>	<u>(385,961)</u>	<u>-</u>	<u>(385,961)</u>
Business-type Activities					
Water.....	583,062	652,886	-	69,824	69,824
Sewer.....	686,878	918,588	-	231,710	231,710
Total business-type.....	<u>1,269,940</u>	<u>1,571,474</u>	<u>-</u>	<u>301,534</u>	<u>301,534</u>
Total.....	<u>\$ 1,769,063</u>	<u>\$ 1,684,636</u>	<u>\$ (385,961)</u>	<u>\$ 301,534</u>	<u>\$ (84,427)</u>

General revenues

Taxes.....	\$ 355,926	\$ -	\$ 355,926
Interest income.....	27	7	34
Miscellaneous.....	14,923	-	14,923
Developer donated assets.....	568,499	803,316	1,371,815

Total general revenues

and transfers.....	<u>939,375</u>	<u>803,323</u>	<u>1,742,698</u>
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Change in net position.....	553,414	1,104,857	1,658,271
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Net position, beginning.....	<u>6,930,881</u>	<u>11,042,190</u>	<u>17,973,071</u>
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Net position, ending.....	<u>\$ 7,484,295</u>	<u>\$ 12,147,047</u>	<u>\$ 19,631,342</u>
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The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Equity in pooled cash and investments.....	\$ 853,302	\$ 90,906	\$ 944,208
Cash with Treasurer.....	2,394	586	2,980
Property taxes receivable.....	272,717	62,897	335,614
Other receivables.....	9,337	-	9,337
Prepaid expenses.....	7,702	-	7,702
Total assets.....	\$ 1,145,452	\$ 154,389	\$ 1,299,841
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY			
Liabilities			
Accounts payable.....	\$ 19,424	\$ -	\$ 19,424
Accrued liabilities.....	7,743	-	7,743
Total liabilities.....	\$ 27,167	\$ -	\$ 27,167
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue.....	272,717	62,897	335,614
FUND BALANCE			
Nonspendable - prepaid items.....	7,702	-	7,702
Restricted			
Emergencies.....	9,110	-	9,110
Road maintenance.....	243,798	-	243,798
Debt service.....	-	91,492	91,492
Unassigned.....	584,958	-	584,958
Total fund balances.....	845,568	91,492	937,060
Total liabilities, deferred inflows of resources, and fund balances.....	\$ 1,145,452	\$ 154,389	\$ 1,299,841
Fund balances (as reported above).....			\$ 937,060
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets are not financial resources and are therefore not reported in the funds.....			6,631,779
Long-term obligations are not payable in the current period and are therefore not reported in the funds.....			(84,544)
Net position of governmental activities.....			\$ 7,484,295

The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended December 31, 2022

	General	Debt Service	Total Governmental Funds
REVENUES			
Taxes.....	\$ 285,923	\$ 70,003	\$ 355,926
Fees.....	80,112	-	80,112
Lease.....	33,050	-	33,050
Miscellaneous.....	14,923	-	14,923
Interest income.....	27	-	27
Total revenues.....	414,035	70,003	484,038
EXPENDITURES			
Personnel.....	86,028	-	86,028
General governmental administrative.....	43,247	1,875	45,122
Roads.....	172,524	-	172,524
Debt Service.....	-	61,394	61,394
Total expenditures.....	301,799	63,269	365,068
Net change in fund balances.....	112,236	6,734	118,970
Fund balance, beginning.....	733,332	84,758	818,090
Fund balance, ending.....	\$ 845,568	\$ 91,492	\$ 937,060
 Net change in fund balance (above).....			 \$ 118,970
Amounts reported for governmental activities in the statement of activities are different because:			
Developer donations do not provide current financial resources but affect net position.....			568,499
Principal payments of long-term obligations consumes current financial resources but do not affect net position.....			57,000
Depreciation of capital assets does not consume current financial resources but affects net position.....			(191,055)
Change in net position of governmental activities.....			\$ 553,414

The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2022

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
REVENUES			
Taxes.....	\$ 275,248	\$ 285,923	\$ 10,675
Fees.....	70,476	80,112	9,636
Lease.....	31,100	33,050	1,950
Miscellaneous.....	11,070	14,923	3,853
Interest.....	-	27	27
Total revenues.....	387,894	414,035	26,141
EXPENDITURES			
Administrative.....	47,141	43,247	(3,894)
Personnel.....	92,647	86,028	(6,619)
Roads.....	164,425	172,524	8,099
Total expenditures.....	304,213	301,799	(2,414)
Net change in fund balances.....	83,681	112,236	28,555
Fund balance, beginning.....	690,979	733,332	42,353
Fund balance, ending.....	\$ 774,660	\$ 845,568	\$ 70,908

The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION - ALL PROPRIETARY FUND TYPES

December 31, 2022

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets			
Equity in pooled cash and investments.....	\$ 266,701	\$ 1,351,223	\$ 1,617,924
Accounts receivables (net).....	87,081	129,196	216,277
Prepaid expenses and deposits.....	15,404	15,404	30,808
Total current assets.....	369,186	1,495,823	1,865,009
Capital assets			
Sewer system.....	-	13,378,032	13,378,032
Water system.....	7,606,305	-	7,606,305
Water rights.....	170,575	-	170,575
Building.....	37,801	50,021	87,822
Equipment and vehicles.....	200,256	521,486	721,742
Accumulated depreciation.....	(2,224,936)	(1,603,098)	(3,828,034)
Total capital assets.....	5,790,001	12,346,441	18,136,442
Total assets	\$ 6,159,187	\$ 13,842,264	\$ 20,001,451
LIABILITIES			
Current liabilities			
Accounts payable.....	\$ 21,961	\$ 118,969	\$ 140,930
Accrued liabilities.....	15,488	15,488	30,976
Long-term debt, current portion.....	117,860	186,207	304,067
Unearned revenue.....	5,710	8,485	14,195
Total current liabilities.....	161,019	329,149	490,168
Noncurrent liabilities			
Long-term debt.....	50,443	7,313,793	7,364,236
Total liabilities	\$ 211,462	\$ 7,642,942	\$ 7,854,404
NET POSITION			
Net investment in capital assets.....	5,621,698	4,846,441	10,468,139
Unrestricted.....	326,027	1,352,881	1,678,908
Total net position	\$ 5,947,725	\$ 6,199,322	\$ 12,147,047

The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the year ended December 31, 2022

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Sales and services.....	\$ 412,856	\$ 649,779	\$ 1,062,635
Maintenance fees.....	240,030	246,038	486,068
Total operating revenues.....	652,886	895,817	1,548,703
OPERATING EXPENSES			
Treatment.....	188,904	100,685	289,589
Personnel.....	196,362	196,362	392,724
Depreciation.....	155,975	122,413	278,388
Administrative costs.....	33,074	61,952	95,026
Total operating expenses.....	574,315	481,412	1,055,727
Excess of revenues over expenses.....	78,571	414,405	492,976
NON-OPERATING REVENUE (EXPENSES)			
Other income.....	-	22,771	22,771
Interest income.....	-	7	7
Developer donated assets.....	486,698	316,618	803,316
Interest expense.....	(8,747)	(205,466)	(214,213)
Total non-operating revenue (expenses).....	477,951	133,930	611,881
Change in net position.....	556,522	548,335	1,104,857
Net position, beginning.....	5,391,203	5,650,987	11,042,190
Net position, ending.....	\$ 5,947,725	\$ 6,199,322	\$ 12,147,047

The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

For the year ended December 31, 2022

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
Cash flows from operating activities			
Cash received from customers.....	\$ 647,615	\$ 888,925	\$ 1,536,540
Cash paid to employees.....	(195,659)	(195,660)	(391,319)
Cash paid to suppliers.....	(217,015)	(175,807)	(392,822)
Net cash provided by operating activities	234,941	517,458	752,399
Cash flows from capital and related financing activities			
Purchase of fixed assets.....	(123,481)	(3,231,117)	(3,354,598)
Interest paid.....	(8,747)	(205,466)	(214,213)
Proceeds from debt.....	-	2,353,638	2,353,638
Debt principal payments.....	(113,469)	-	(113,469)
Net cash used by capital and related financing activities	(245,697)	(1,082,945)	(1,328,642)
Cash flows from investing activities			
Interest income.....	-	7	7
Net cash provided by investing activities	-	7	7
Net decrease in cash and equivalents	(10,756)	(565,480)	(576,236)
Cash and equivalents, beginning.....	277,457	1,916,703	2,194,160
Cash and equivalents, ending.....	\$ 266,701	\$ 1,351,223	\$ 1,617,924
Reconciliation of net operating income to net cash provided by operating activities:			
Operating income.....	\$ 78,571	\$ 414,405	\$ 492,976
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	155,975	122,413	278,388
Other income.....	-	22,771	22,771
Change in accounts receivable.....	(10,981)	(18,148)	(29,129)
Change in prepaid expenses.....	(3,132)	(3,132)	(6,264)
Change in accounts payable, net of noncash capital activity.....	8,096	(10,038)	(1,942)
Change in accrued liabilities.....	702	702	1,404
Change in deferred revenue.....	5,710	(11,515)	(5,805)
Total adjustments	156,370	103,053	259,423
Net cash provided by operating activities	\$ 234,941	\$ 517,458	\$ 752,399
Noncash capital and investing activity:			
Developer donated assets	\$ 486,698	\$ 316,618	\$ 803,316

The accompanying notes are an integral part of these financial statements.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Edgemont Ranch Metropolitan District (the "District") was organized by judicial decree on July 13, 1983. The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized pursuant to the requirements of the Special District Act. The District was formed to provide certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within La Plata County, Colorado. The governing body of the District is elected by the registered voters within the District and consists of a five-member board of directors.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting entity

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Currently, the District has governmental and business-type activities.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debts and obligations. The District's net position is reported as net investment in capital assets; restricted for emergencies; restricted for road maintenance; and, unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, fund balances, revenues, and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

C. Fund accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has a General Fund and a Debt Service Fund, which are governmental funds, and a Water Fund and a Sewer Fund, which are proprietary funds.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

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.

Debt Service Fund – The Debt Service Fund is used to account for debt service resources and transactions of the District except those accounted for in the proprietary funds.

Proprietary Funds

Proprietary funds account for operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the District has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Operating revenues and expenses for enterprise funds are those that result from providing services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major proprietary funds:

Water Fund – The Water Fund accounts for operations of the District's water treatment plant and distribution system.

Sewer Fund – The Sewer Fund accounts for the operations of the District's sewer treatment plant and collection system.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

D. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial resources focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

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

The accrual basis of accounting is utilized in the proprietary fund type. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense and expenditures for property and equipment are shown as increases in assets.

E. Cash and cash equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

F. Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, when applicable. No allowance for uncollectible amounts was deemed necessary by Management for 2022.

G. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

H. Capital assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Road system	50 years
Street lights	20 years
Water system	50 years
Sewer system	50 years
Buildings	40 years
Equipment and vehicles	5-10 years

I. Use of estimates

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

J. 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 or expenditure) until then. The District does not have any items that qualify for reporting in this category.

The government reports both deferred inflows, which arise under the full accrual and modified accrual basis of accounting. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

K. Compensated absences

The liability for compensated absences reported in the government-wide financial statements consists of unused paid time off (PTO), based on the employee's length and hours of service. The maximum of twice an employee's annual vacation earned may accrue for each employee at any given time. At year end, the estimated value of compensated absences was \$21,752.

L. Accrued liabilities and long-term obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

M. Net position or fund balances

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

Net Position - Net position is assets minus liabilities plus deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Fund Balance - Generally, fund balance reflects assets minus liabilities and deferred inflows of resources. Financial reporting standards establish criteria for classifying fund balance amounts into specifically defined categories to make the nature and extent of constraints on these amounts more useful and understandable. The categories comprise a hierarchy based on the extent to which constraints must be honored for a specified purpose and for which amounts can be spent. Fund balances of governmental funds may be categorized as nonspendable, restricted, committed, assigned, and unassigned.

In the governmental fund (general fund and debt service fund) financial statements fund balance is reported in five classifications:

Nonspendable Fund Balance - cannot be spent because it is either in nonspendable form or is legally or contractually required to be maintained intact. Examples include items not expected to be converted to cash such as inventories and prepaid assets.

Restricted Fund Balance - is restricted for specific purposes based on constraints externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Voters approved an increase in property taxes for the District that is to be used for road maintenance. The fund balance related to amounts not yet spent is reported as restricted.

Committed Fund Balance - is constrained for a specific purpose by formal action (resolution or ordinance) adopted by the District's Board of Directors, does not lapse at year-end, and can be rescinded only through the same type of formal action used to establish the original commitment. Trustee actions require either an ordinance or resolution. Both are equally binding for their respective purposes and are mutually exclusive, not interchangeable with one another. The District does not have any committed fund balance at year end. It is the District's policy to use committed fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Assigned Fund Balance - is constrained for specific purposes as determined by District management and the Board of Directors through the budget process. The Executive Director is the only employee authorized to assign fund balance. Fund balance in the Debt Service Fund is assigned for future debt service.

Unassigned Fund Balance - is unconstrained and comprised of residual uncategorized fund balance amounts. The General Fund reports a positive unassigned fund balance.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are considered to be reduced first, followed by assigned amounts and then unassigned amounts.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

N. Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

O. Property taxes

Property taxes for 2022, collectible in 2023, were certified by the La Plata County Commissioners before December 31, 2022. Property taxes attached as an enforceable lien on January 1, 2023 and are due in total April 30, 2023 or in equal installments February 28, 2023 and June 15, 2023, at the option of the taxpayer. Property taxes for 2022, collectible in 2023, are shown as property taxes receivable and deferred property tax revenue on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

P. Specific ownership taxes

Specific ownership taxes are collected by La Plata County for motor vehicles and other personal property registered in the District's assessment area. Specific ownership taxes are recorded as revenue when collected by La Plata County.

Q. Estimates

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary fund is adopted on the budgetary basis of accounting, which differs from the GAAP basis in that depreciation and amortization are excluded from expenditures, and outlays for the acquisition of capital assets and debt service principal are included as expenditures.

As required by Colorado statutes, the District followed the timetable below in approving and enacting the budgets for the ensuing year:

- 1) Prior to August 25, the County Assessor sends the District the assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation only once by a single notification to the District, on or before December 10.
- 2) On or before October 15, the District's accountant submits to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- 3) The Board holds a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

- 4) Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derives the necessary property taxes as computed in the proposed budget.
- 5) Prior to December 31, the final budget and appropriating resolution is adopted.
- 6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

Amounts originally appropriated by the District for 2022 were as follows: General Fund (\$298,213), Debt Service Fund (\$63,291), Water Fund (\$662,308), and Sewer Fund (\$3,170,417).

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2022 will be collected in 2023. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Tabor Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2022, a reserve of \$9,110 was required for the General Fund.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

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

3. DEPOSITS AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position as "Equity in pooled cash and investments."

At year-end, the carrying amount of the District's cash deposits was \$2,562,719 and the bank balance was \$2,558,747. The bank balance was covered by federal depository insurance or collateralized as discussed in the next paragraph.

Statutes require that any public depository which accepts and holds public funds maintain, as security for public deposits accepted and held by it, not insured by federal depository insurance, eligible collateral having a market value, at all times, equal to at least 102 percent of the amount of public deposits. Banking institutions are monitored by the State of Colorado Banking Commission and must report monthly on all public deposits held. Pledged collateral must be held in joint custody of the bank and of the Public Deposit Protection Act in a safekeeping account held by a third party, usually the Federal Reserve Bank. The pledged collateral cannot be released unless approval is obtained by the banking commission. Savings and Loan institutions are monitored by the State of Colorado Commissioner of Savings and Loan Associations and must report quarterly on all public deposits held. Pledged collateral, usually in the form of mortgages, must be held by a third party institution for the benefit of the commissioner.

At December 31, 2022, the District had no investments.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Governmental activities				
Non-depreciable capital assets:				
Land	\$ 62,609	\$ -	\$ -	\$ 62,609
Depreciable capital assets:				
Infrastructure	8,204,058	568,499	-	8,772,557
Buildings	58,307	-	-	58,307
Equipment and vehicles	300,767	-	-	300,767
Total depreciable capital assets	8,563,132	568,499	-	9,131,631
Less accumulated depreciation	2,371,406	191,055	-	2,562,461
Depreciable capital assets, net	6,191,726	377,444	-	6,569,170
Governmental activities capital assets, net	<u>\$ 6,254,335</u>	<u>\$ 377,444</u>	<u>\$ -</u>	<u>\$ 6,631,779</u>

Governmental activity depreciation expense is allocated as follows:

General government	\$ 750
Roads	190,305
	<u>\$ 191,055</u>

Business-type activities

Non-depreciable capital assets:				
Water Fund water rights	\$ 170,575	\$ -	\$ -	\$ 170,575
Depreciable capital assets:				
Water Fund				
Water system	6,996,126	610,179	-	7,606,305
Building	37,801	-	-	37,801
Vehicles and equipment	200,256	-	-	200,256
Sewer Fund				
Sewer system	10,226,797	3,151,235	-	13,378,032
Building	50,021	-	-	50,021
Vehicles and equipment	521,486	-	-	521,486
Total depreciable capital assets	18,032,487	3,761,414	-	21,793,901
Less accumulated depreciation	3,549,646	278,388	-	3,828,034
Depreciable capital assets, net	14,482,841	3,483,026	-	17,965,867
Business-type activities capital assets, net	<u>\$ 14,653,416</u>	<u>\$ 3,483,026</u>	<u>\$ -</u>	<u>\$ 18,136,442</u>

Depreciation expense for the year ended December 31, 2022 was \$469,443.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

5. LONG-TERM OBLIGATIONS

A summary of the District's long-term debt obligations is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
2014 General Obligation Refunding Loan	\$ 141,544	\$ -	\$ 57,000	\$ 84,544	\$ 59,205
Business-type Activities:					
2014 Water Revenue Loan	281,772	-	113,469	168,303	117,860
2021 Sewer Revenue Loan	5,146,362	2,353,638	-	7,500,000	186,207
	<u>\$ 5,428,134</u>	<u>\$ 2,353,638</u>	<u>\$ 113,469</u>	<u>\$ 7,668,303</u>	<u>\$ 304,067</u>

2014 General Obligation Refunding Loan in the face amount of \$510,000 was issued with a date of May 1, 2014. The interest rate is 3.75% and principal and interest payments of \$5,116 are due monthly through May 2024.

2014 Water Revenue Loan in the face amount of \$1,000,000 was issued with a date of May 1, 2014 and amended on December 12, 2014. The interest rate is 3.75% and principal and interest payments of \$10,185 are due monthly through May 2024. The loan is secured by the net revenues of the water fund of the District.

In July 2021, the District entered into a loan agreement to borrow up to \$7,500,000 (2021 Sewer Revenue Loan) for construction of the wastewater plant. Upon the completion of the construction phase and borrowing on the loan, the loan will convert to a commercial loan. The District took the remaining draws on the loan in 2022. The outstanding balance at December 31, 2022 of \$7,500,000 are reflected in the debt service requirements schedule on the following page. The monthly principal and interest payments of \$35,735 begin February 2023 with a balloon payment due in 2031. The loan is secured by the net revenues of the sewer fund of the District.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

The debt service requirements for the 2014 General Obligation Refunding Loan is as follows:

Year	Principal	Interest	Total
2023	\$ 59,205	\$ 2,189	\$ 61,394
2024	25,339	241	25,580
	<u>\$ 84,544</u>	<u>\$ 2,430</u>	<u>\$ 86,974</u>

The debt service requirements for the 2014 Water Revenue Loan is as follows:

Year	Principal	Interest	Total
2023	\$ 117,860	\$ 4,356	\$ 122,216
2024	50,443	480	50,923
	<u>\$ 168,303</u>	<u>\$ 4,836</u>	<u>\$ 173,139</u>

The debt service requirements for the 2021 Sewer Revenue Loan is as follows:

Year	Principal	Interest	Total
2023	\$ 186,207	\$ 206,878	\$ 393,085
2024	209,140	219,679	428,819
2025	215,595	213,225	428,820
2026	222,248	206,572	428,820
2027	229,107	199,713	428,820
2028-2031	6,437,703	641,866	7,079,569
	<u>\$ 7,500,000</u>	<u>\$ 1,687,933</u>	<u>\$ 9,187,933</u>

6. COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District believes that there are no material outstanding claims against the District at December 31, 2022.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2022 is as follows:

Assets	<u>\$ 69,212,177</u>
Liabilities	\$ 45,329,704
Surplus	<u>23,882,473</u>
Total Liabilities and Surplus	<u>\$ 69,212,177</u>
Revenues	\$ 27,526,998
Expenses	<u>25,447,966</u>
Net Income (Loss)	<u>\$ 2,079,032</u>

8. DEFERRED COMPENSATION PLAN

The District participates in the Edgemont Ranch Metropolitan District Lincoln Retirement 457(b) Governmental Deferred Compensation Plan administered by Lincoln National Life Insurance Company. The Plan is a single-employer defined contribution retirement plan covering all full-time employees of the District. The District's board authorizes the benefit terms of the plan and has the authority to amend those terms, subject to applicable regulations. The District contributes 5% of participant's compensation to the plan. Participants can contribute up to the maximum percentage allowed by the Internal Revenue Service. Participants are fully vested in all contributions. During 2022 the District contributed \$17,446 and plan participants contributed \$8,562.

9. SUBSEQUENT EVENT

The District has evaluated subsequent events through July 31, 2023, the date which the financial statements were available to be issued. There were no material subsequent events that required additional disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

EDGEMONT RANCH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - DEBT SERVICE FUND

Year ended December 31, 2022

	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget Favorable (Unfavorable)
REVENUES			
Taxes.....	\$ 68,897	\$ 69,921	\$ 1,024
Interest.....	75	82	7
Total revenues.....	68,972	70,003	1,031
EXPENDITURES			
Administrative.....	1,897	1,875	22
Debt service.....	61,394	61,394	-
Total expenditures.....	63,291	63,269	(22)
Excess of revenues over (under) expenditures.....	5,681	6,734	1,053
Fund balance, beginning.....	84,758	84,758	-
Fund balance, ending.....	\$ 90,439	\$ 91,492	\$ 1,053

EDGEMONT RANCH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - WATER FUND

Year ended December 31, 2022

	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget Favorable (Unfavorable)
REVENUES			
Sales and services.....	\$ 376,672	\$ 412,856	\$ 36,184
Maintenance fees.....	243,360	240,030	(3,330)
Total revenues.....	620,032	652,886	32,854
EXPENDITURES			
Administrative.....	32,328	33,074	(746)
Personnel.....	205,558	196,362	9,196
Water treatment.....	196,205	188,904	7,301
Debt payments.....	122,217	122,216	1
Capital outlay.....	121,000	123,481	(2,481)
Total expenditures.....	677,308	664,037	13,271
Excess of revenues over (under) expenditures.....	\$ (57,276)	\$ (11,151)	\$ 46,125
Reconciliation to GAAP basis of accounting			
Capital outlay capitalized.....		\$ 123,481	
Debt principal payments.....		113,469	
Developer donated assets.....		486,698	
Depreciation expense.....		(155,975)	
Change in net position.....		556,522	
Net position, beginning.....		5,391,203	
Net position, ending.....		\$ 5,947,725	

EDGEMONT RANCH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - SEWER FUND

Year ended December 31, 2022

	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget Favorable (Unfavorable)
REVENUES			
Sales and services.....	\$ 648,545	\$ 649,779	\$ 1,234
Maintenance fees.....	249,900	246,038	(3,862)
Interest income.....	-	7	7
Other income.....	100	22,771	22,671
Total revenues.....	898,545	918,595	20,050
EXPENDITURES			
Administrative.....	63,698	61,952	1,746
Personnel.....	205,558	196,362	9,196
Sewer treatment.....	143,161	100,685	42,476
Debt payments.....	458,000	205,466	252,534
Capital outlay.....	2,657,583	3,231,117	(573,534)
Total expenditures.....	3,528,000	3,795,582	(267,582)
Excess of revenues over (under) expenditures.....	\$ (2,629,455)	\$ (2,876,987)	\$ (247,532)
Reconciliation to GAAP basis of accounting			
Capital outlay capitalized.....		\$ 3,231,117	
Developer donated assets.....		316,618	
Depreciation expense.....		(122,413)	
Change in net position.....		548,335	
Net position, beginning.....		5,650,987	
Net position, ending.....		\$ 6,199,322	