

**EDGEMONT RANCH METROPOLITAN DISTRICT
DURANGO, COLORADO**

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

December 31, 2023

EDGEMONT RANCH METROPOLITAN DISTRICT

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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, 2023, 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, 2023, 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 8, 2024

Edgemont Ranch Metropolitan District

Management's Discussion and Analysis December 31, 2023

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, 2023.

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 8 and 9 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 10 – 11 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 12.

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, 2023, the District is providing water and sewer services to 725 residences, an increase of 24 residences from December 31, 2022. There are also 140 unimproved lots yet to be built on, with approximately 12 additional unimproved lots to be developed in the future. The basic proprietary fund financial statements can be found on pages 13 - 15 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 16 - 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, 2023 and 2022 to show the changing net position of the District. The District's net position at the end of 2023 is \$20,613,483 (page 8).

	Governmental				Business-type				TOTAL	
	Net Position				Net Position					
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change	2023	2022
Assets:										
Current and other assets	\$ 1,317,458	\$ 1,299,841	\$ 17,617	1%	\$ 1,871,689	\$ 1,865,009	\$ 6,680	0%	\$ 3,189,147	\$ 3,164,850
Capital assets	7,082,614	6,631,779	450,835	7%	18,175,511	18,136,442	39,069	0%	\$ 25,258,125	\$ 24,768,221
Total Assets	8,400,072	7,931,620	468,452	6%	20,047,200	20,001,451	45,749	0%	\$ 28,447,272	\$ 27,933,071
Liabilities:										
Current and other liabilities	39,650	86,372	(46,722)	-54%	324,589	490,168	(165,579)	-34%	\$ 364,239	\$ 576,540
Long-term liabilities	-	25,339	(25,339)	-100%	7,104,653	7,364,236	(259,583)	-4%	\$ 7,104,653	\$ 7,389,575
Total Liabilities	39,650	111,711	(72,061)	-65%	7,429,242	7,854,404	(425,162)	-5%	\$ 7,468,892	\$ 7,966,115
Deferred Inflows of Resources:										
Deferred property tax revenue	364,897	335,614	29,283	9%	-	-	-	0%	\$ 364,897	\$ 335,614
Net Position:										
Net investment in capital assets	7,057,275	6,547,235	510,040	8%	10,811,275	10,468,139	343,136	3%	\$ 17,868,550	\$ 17,015,374
Restricted for emergencies	13,446	9,110	4,336	48%	-	-	-		\$ 13,446	\$ 9,110
Restricted for road mtnc.	272,917	243,798	29,119	12%	-	-	-		\$ 272,917	\$ 243,798
Unrestricted (deficit)	651,887	684,152	(32,265)	-5%	1,806,683	1,678,908	127,775	8%	\$ 2,458,570	\$ 2,363,060
Total Net Position	\$ 7,995,525	\$ 7,484,295	\$ 511,230	7%	\$ 12,617,958	\$ 12,147,047	\$ 470,911	4%	\$ 20,613,483	\$ 19,631,342

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 \$511,230 and \$470,911 respectively, for a total increase of \$982,141. 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 23 lots in Edgemont Meadows Phases 2C and 3, including all the road, water and sewer infrastructure.

The table below compares the District's Activities for 2023 and 2022 and summarizes the District's net position.

Edgemont Ranch Metropolitan District's Change in Net Position

	Governmental				Business-type				Total			
	Activities			%	Activities			%	Total			%
	2023	2022	\$ Change		2023	2022	\$ Change		2023	2022	\$ Change	
Revenues:												
Program revenues:												
General government	\$ 32,944	\$ 33,050	\$ (106)		\$ -	\$ -	\$ -		\$ 32,944	\$ 33,050	\$ (106)	
Roads	67,544	80,112	(12,568)	-16%	-	-	-		67,544	80,112	(12,568)	-16%
Water	-	-	-		667,001	652,886	14,115	2%	667,001	652,886	14,115	2%
Sewer	-	-	-		924,584	918,588	5,996	1%	924,584	918,588	5,996	1%
General revenues:												
Property taxes	370,603	355,926	14,677	4%	-	-	-		370,603	355,926	14,677	4%
Miscellaneous	10,736	14,923	(4,187)	-28%	980	-	980		11,716	14,923	(3,207)	-21%
Developer donated assets	502,898	568,499	(65,601)	-12%	424,584	803,316	(378,732)	-47%	927,482	1,371,815	(444,333)	-32%
Interest	28,960	27	28,933		51,747	7	51,740	739143%	80,707	34	80,673	237274%
Change accounting estima	-	-	-		-	-	-		-	-	-	
Total Revenues	1,013,685	1,052,537	(38,852)	-4%	2,068,896	2,374,797	(305,901)	-13%	3,082,581	3,427,334	(344,753)	-10%
Expenses:												
General government	150,409	131,900	18,509	14%	-	-	-		150,409	131,900	18,509	14%
Roads	349,857	362,829	(12,972)	-4%	-	-	-		349,857	362,829	(12,972)	-4%
Interest	2,189	4,394	(2,205)	-50%	-	-	-		2,189	4,394	(2,205)	-50%
Water	-	-	-		624,284	583,062	41,222	7%	624,284	583,062	41,222	7%
Sewer	-	-	-		973,701	686,878	286,823	42%	973,701	686,878	286,823	42%
Total Expenses	502,455	499,123	3,332	1%	1,597,985	1,269,940	328,045	26%	2,100,440	1,769,063	331,377	19%
Change in Net Position	511,230	553,414	(42,184)	-8%	470,911	1,104,857	(633,946)	-57%	982,141	1,658,271	(676,130)	-41%
Net Position - Beginning	7,484,295	6,930,881	553,414	8%	12,147,048	11,042,190	1,104,858	10%	19,631,343	17,973,071	1,658,272	9%
Net Position - Ending	\$ 7,995,525	\$ 7,484,295	\$ 511,230	7%	\$ 12,617,959	\$ 12,147,048	\$ 470,911	4%	\$ 20,613,484	\$ 19,631,343	\$ 982,141	5%

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 \$989,996, an increase of \$52,935 from the prior year (page 11). Of the fund balance, \$7,618 is non-spendable because it consists of prepaid expenses. \$13,446 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 \$272,917 is restricted for future road maintenance. \$97,699 is assigned for debt service. The remaining \$546,570 is unassigned and is available for spending in future years.

Proprietary funds: The District's proprietary funds statements (pages 13-15) 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 \$12,617,958 at the end of 2023 as compared to \$12,147,048 at the end of 2022. As of December 31, 2023, \$10,811,275 of this balance was invested in capital assets net of related debt and \$1,806,683 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 \$227,462 in capital asset additions during 2023. These investments included a new mini-excavator and trailer, which was funded equally by all three funds. The general fund purchased a used loader and a new sander to be used for snow removal. The water fund invested \$31,129 in equipment for the water treatment plant. The District also received developer donated assets of water and sewer and roads infrastructure in the amount of \$927,483. Depreciation expense of \$665,038 was recognized in 2023. 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 reduced its long-term debt obligations by \$363,272, bringing the 2023 year-end balances to \$25,339 in Governmental Activities and \$7,364,236 in Business-type Activities. Additional information can be found in the Notes to the Financial Statements on page 24 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, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Equity in pooled cash and investments.....	\$ 932,806	\$ 1,607,426	\$ 2,540,232
Cash held by treasurer.....	3,029	-	3,029
Property taxes receivable.....	364,897	-	364,897
Other receivables.....	9,108	233,789	242,897
Prepaid expenses.....	7,618	30,474	38,092
Total current assets.....	1,317,458	1,871,689	3,189,147
Noncurrent assets			
Capital assets, non-depreciable.....	62,609	170,575	233,184
Capital assets, depreciable (net).....	7,020,005	18,004,936	25,024,941
Total noncurrent assets.....	7,082,614	18,175,511	25,258,125
Total assets	\$ 8,400,072	\$ 20,047,200	\$ 28,447,272
LIABILITIES			
Current liabilities			
Accounts and other payables.....	\$ 5,242	\$ 15,572	\$ 20,814
Accrued liabilities.....	9,069	36,276	45,345
Unearned revenue.....	-	13,158	13,158
Current portion of long-term obligations.....	25,339	259,583	284,922
Total current liabilities.....	39,650	324,589	364,239
Long-term obligations, net of current portion.....	-	7,104,653	7,104,653
Total liabilities	\$ 39,650	\$ 7,429,242	\$ 7,468,892
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue.....	\$ 364,897	\$ -	\$ 364,897
NET POSITION			
Net investment in capital assets.....	\$ 7,057,275	\$ 10,811,275	\$ 17,868,550
Restricted for emergencies.....	13,446	-	13,446
Restricted for road maintenance.....	272,917	-	272,917
Unrestricted.....	651,887	1,806,683	2,458,570
Total net position	\$ 7,995,525	\$ 12,617,958	\$ 20,613,483

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Governmental Activities	Business- Type Activities	Total
Governmental Activities:					
General government.....	\$ 150,409	\$ 32,944	\$ (117,465)	\$ -	\$ (117,465)
Roads.....	349,857	67,544	(282,313)	-	(282,313)
Interest.....	2,189	-	(2,189)	-	(2,189)
Total governmental.....	502,455	100,488	(401,967)	-	(401,967)
Business-type Activities					
Water.....	624,284	667,001	-	42,717	42,717
Sewer.....	973,701	924,584	-	(49,117)	(49,117)
Total business-type.....	1,597,985	1,591,585	-	(6,400)	(6,400)
Total.....	\$ 2,100,440	\$ 1,692,073	\$ (401,967)	\$ (6,400)	\$ (408,367)
General revenues					
Taxes.....			\$ 370,603	\$ -	\$ 370,603
Interest income.....			28,960	51,747	80,707
Miscellaneous.....			10,736	980	11,716
Developer donated assets.....			502,898	424,584	927,482
Total general revenues and transfers.....			913,197	477,311	1,390,508
Change in net position.....			511,230	470,911	982,141
Net position, beginning.....			7,484,295	12,147,047	19,631,342
Net position, ending.....			\$ 7,995,525	\$ 12,617,958	\$ 20,613,483

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Equity in pooled cash and investments.....	\$ 835,675	\$ 97,131	\$ 932,806
Cash with Treasurer.....	2,461	568	3,029
Property taxes receivable.....	338,701	26,196	364,897
Other receivables.....	9,108	-	9,108
Prepaid expenses.....	7,618	-	7,618
Total assets.....	\$ 1,193,563	\$ 123,895	\$ 1,317,458
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY			
Liabilities			
Accounts payable.....	\$ 5,242	\$ -	\$ 5,242
Accrued liabilities.....	9,069	-	9,069
Total liabilities.....	\$ 14,311	\$ -	\$ 14,311
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue.....	338,701	26,196	364,897
FUND BALANCE			
Nonspendable - prepaid items.....	7,618	-	7,618
Restricted			
Emergencies.....	13,446	-	13,446
Road maintenance.....	272,917	-	272,917
Debt service.....	-	97,699	97,699
Unassigned.....	546,570	-	546,570
Total fund balances.....	840,551	97,699	938,250
Total liabilities, deferred inflows of resources, and fund balances.....	\$ 1,193,563	\$ 123,895	\$ 1,317,458
Fund balances (as reported above).....			\$ 938,250
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.....			7,082,614
Long-term obligations are not payable in the current period and are therefore not reported in the funds.....			(25,339)
Net position of governmental activities.....			\$ 7,995,525

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended December 31, 2023

	General	Debt Service	Total Governmental Funds
REVENUES			
Taxes.....	\$ 301,126	\$ 69,477	\$ 370,603
Fees.....	67,544	-	67,544
Lease.....	32,944	-	32,944
Miscellaneous.....	10,736	-	10,736
Interest income.....	28,960	51,746	80,706
Total revenues.....	441,310	121,223	562,533
EXPENDITURES			
Personnel.....	118,624	-	118,624
General governmental administrative.....	29,158	1,876	31,034
Roads.....	298,546	-	298,546
Debt Service.....	-	61,394	61,394
Total expenditures.....	446,328	63,270	509,598
Net change in fund balances.....	(5,018)	57,953	52,935
Fund balance, beginning.....	845,569	91,492	937,061
Fund balance, ending.....	\$ 840,551	\$ 149,445	\$ 989,996
 Net change in fund balance (above).....			 \$ 52,935
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.....			502,898
Principal payments of long-term obligations consumes current financial resources but do not affect net position.....			59,205
Revenues in the statement of activities that do not provide available current financial resources are not reported as revenues in the fund.....			(51,747)
Depreciation of capital assets does not consume current financial resources but affects net position.....			(203,322)
Capital assets acquired during the period consumes current financial resources but do not affect net position.....			151,261
Change in net position of governmental activities.....			\$ 511,230

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2023

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
REVENUES			
Taxes.....	\$ 290,957	\$ 301,126	\$ 10,169
Fees.....	71,340	67,544	(3,796)
Lease.....	32,794	32,944	150
Miscellaneous.....	9,070	10,736	1,666
Interest.....	-	28,960	28,960
Total revenues.....	404,161	441,310	37,149
EXPENDITURES			
Administrative.....	36,876	29,158	(7,718)
Personnel.....	118,595	118,624	29
Roads.....	167,070	298,546	131,476
Total expenditures.....	322,541	446,328	123,787
Net change in fund balances.....	81,620	(5,018)	(86,638)
Fund balance, beginning.....	690,979	845,569	154,590
Fund balance, ending.....	\$ 772,599	\$ 840,551	\$ 67,952

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION - ALL PROPRIETARY FUND TYPES

December 31, 2023

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets			
Equity in pooled cash and investments.....	\$ 299,792	\$ 1,307,634	\$ 1,607,426
Accounts receivables (net).....	93,914	139,875	233,789
Prepaid expenses and deposits.....	15,237	15,237	30,474
Total current assets.....	408,943	1,462,746	1,871,689
Capital assets			
Sewer system.....	-	13,612,516	13,612,516
Water system.....	7,827,534	-	7,827,534
Water rights.....	170,575	-	170,575
Building.....	37,801	50,021	87,822
Equipment and vehicles.....	222,792	544,022	766,814
Accumulated depreciation.....	(2,394,982)	(1,894,768)	(4,289,750)
Total capital assets.....	5,863,720	12,311,791	18,175,511
Total assets	\$ 6,272,663	\$ 13,774,537	\$ 20,047,200
LIABILITIES			
Current liabilities			
Accounts payable.....	\$ 8,101	\$ 7,471	\$ 15,572
Accrued liabilities.....	18,138	18,138	36,276
Long-term debt, current portion.....	50,443	209,140	259,583
Unearned revenue.....	5,260	7,898	13,158
Total current liabilities.....	81,942	242,647	324,589
Noncurrent liabilities			
Long-term debt.....	-	7,104,653	7,104,653
Total liabilities	\$ 81,942	\$ 7,347,300	\$ 7,429,242
NET POSITION			
Net investment in capital assets.....	5,813,277	4,997,998	10,811,275
Unrestricted.....	377,444	1,429,239	1,806,683
Total net position	\$ 6,190,721	\$ 6,427,237	\$ 12,617,958

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the year ended December 31, 2023

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Sales and services.....	\$ 421,251	\$ 667,792	\$ 1,089,043
Maintenance fees.....	245,750	252,055	497,805
Total operating revenues.....	667,001	919,847	1,586,848
OPERATING EXPENSES			
Treatment.....	176,932	143,276	320,208
Personnel.....	237,248	237,248	474,496
Depreciation.....	170,046	291,670	461,716
Administrative costs.....	35,701	75,254	110,955
Total operating expenses.....	619,927	747,448	1,367,375
Excess of revenues over expenses.....	47,074	172,399	219,473
NON-OPERATING REVENUE (EXPENSES)			
Other income.....	-	4,737	4,737
Interest income.....	9,578	42,168	51,746
Developer donated assets.....	190,100	234,484	424,584
Lease income.....	600	380	980
Interest expense.....	(4,357)	(226,253)	(230,610)
Total non-operating revenue (expenses).....	195,921	55,516	251,437
Change in net position.....	242,995	227,915	470,910
Net position, beginning.....	5,947,726	6,199,322	12,147,048
Net position, ending.....	\$ 6,190,721	\$ 6,427,237	\$ 12,617,958

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

For the year ended December 31, 2023

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
Cash flows from operating activities			
Cash received from customers.....	\$ 660,318	\$ 913,698	\$ 1,574,016
Cash paid to employees.....	(234,597)	(234,598)	(469,195)
Cash paid to suppliers.....	(226,326)	(329,861)	(556,187)
Net cash provided by operating activities	199,395	349,239	548,634
Cash flows from capital and related financing activities			
Purchase of fixed assets.....	(53,665)	(22,536)	(76,201)
Interest paid.....	(4,357)	(226,253)	(230,610)
Debt principal payments.....	(117,860)	(186,207)	(304,067)
Net cash used by capital and related financing activities	(175,882)	(434,996)	(610,878)
Cash flows from investing activities			
Interest income.....	9,578	42,168	51,746
Net cash provided by investing activities	9,578	42,168	51,746
Net increase (decrease) in cash and equivalents	33,091	(43,589)	(10,498)
Cash and equivalents, beginning of year.....	266,701	1,351,223	1,617,924
Cash and equivalents, end of year.....	\$ 299,792	\$ 1,307,634	\$ 1,607,426
Reconciliation of net operating income to net cash provided by operating activities:			
Operating income.....	\$ 47,074	\$ 172,399	\$ 219,473
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	170,046	291,670	461,716
Other income.....	600	5,117	5,717
Change in accounts receivable.....	(6,833)	(10,679)	(17,512)
Change in prepaid expenses.....	167	167	334
Change in accounts payable, net of noncash capital activity.....	(13,859)	(111,498)	(125,357)
Change in accrued liabilities.....	2,650	2,650	5,300
Change in deferred revenue.....	(450)	(587)	(1,037)
Total adjustments	152,321	176,840	329,161
Net cash provided by operating activities	\$ 199,395	\$ 349,239	\$ 548,634
Noncash capital and investing activity:			
Developer donated assets	\$ 190,100	\$ 234,484	\$ 424,584

The accompanying notes are an integral part of this statement.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

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.

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.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

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.

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.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

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 2023.

G. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2023, 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, 2023

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 \$25,330.

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, 2023

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, 2023

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 2023, collectible in 2024, were certified by the La Plata County Commissioners after December 31, 2023. Property taxes attached as an enforceable lien on January 1, 2024 and are due in total April 30, 2024 or in equal installments February 28, 2024 and June 15, 2024, at the option of the taxpayer. Property taxes for 2023, collectible in 2024, 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. While the County did not certify the property taxes until after December 31, 2023, Management has decided to be consistent in treatment of property taxes receivables and deferred property tax revenue.

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.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

- 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.
- 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 2023 were as follows: General Fund (\$344,207), Debt Service Fund (\$63,292), Water Fund (\$587,342), and Sewer Fund (\$950,193).

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 2023 will be collected in 2024. 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, 2023, a reserve of \$8,908 was required for the General Fund.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

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 \$2,540,800 and the bank balance was \$466,285. 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, 2023, the District had no investments.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

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	8,772,557	502,898	-	9,275,455
Buildings	58,307	-	-	58,307
Equipment and vehicles	300,767	151,261	(2,900)	449,128
Total depreciable capital assets	9,131,631	654,159	(2,900)	9,782,890
Less accumulated depreciation	2,562,461	203,322	(2,900)	2,762,883
Depreciable capital assets, net	6,569,170	450,837	-	7,020,007
Governmental activities capital assets, net	<u>\$ 6,631,779</u>	<u>\$ 450,837</u>	<u>\$ -</u>	<u>\$ 7,082,616</u>

Governmental activity depreciation expense is allocated as follows:

General government	\$ 750
Roads	202,572
	<u>\$ 203,322</u>

Business-type activities

Non-depreciable capital assets:

Water Fund water rights	\$ 170,575	\$ -	\$ -	\$ 170,575
Depreciable capital assets:				
Water Fund				
Water system	7,606,305	221,229	-	7,827,534
Building	37,801	-	-	37,801
Vehicles and equipment	200,256	22,536	-	222,792
Sewer Fund				
Sewer system	13,378,032	234,484	-	13,612,516
Building	50,021	-	-	50,021
Vehicles and equipment	521,486	22,536	-	544,022
Total depreciable capital assets	21,793,901	500,785	-	22,294,686
Less accumulated depreciation	3,828,034	461,716	-	4,289,750
Depreciable capital assets, net	17,965,867	39,069	-	18,004,936
Business-type activities capital assets, net	<u>\$ 18,136,442</u>	<u>\$ 39,069</u>	<u>\$ -</u>	<u>\$ 18,175,511</u>

Depreciation expense for the year ended December 31, 2023 was \$665,038.

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

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	\$ 84,544	\$ -	\$ 59,205	\$ 25,339	\$ 25,339
Business-type Activities:					
2014 Water Revenue Loan	168,303	-	117,860	50,443	50,443
2021 Sewer Revenue Loan	7,500,000	-	186,207	7,313,793	209,140
	<u>\$ 7,668,303</u>	<u>\$ -</u>	<u>\$ 304,067</u>	<u>\$ 7,364,236</u>	<u>\$ 259,583</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 in 2022, the loan was converted to a commercial loan. The interest rate is 3% with monthly principal and interest payments of \$35,735 beginning in February 2023 with a balloon payment due in 2031. The loan is secured by the net revenues of the sewer fund of the District.

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

Year	Principal	Interest	Total
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	229,107	199,713	428,820
2029-2031	6,208,596	442,154	6,650,750
	<u>\$ 7,313,793</u>	<u>\$ 1,481,056</u>	<u>\$ 8,794,849</u>

EDGEMONT RANCH METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

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, 2023.

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.

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, 2023 is as follows:

Assets	<u>\$ 81,143,798</u>
Liabilities	\$ 58,670,068
Surplus	<u>22,473,730</u>
Total Liabilities and Surplus	<u>\$ 81,143,798</u>
Revenues	\$ 29,593,851
Expenses	<u>31,416,477</u>
Net Income (Loss)	<u>\$ (1,822,626)</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 2023 the District contributed \$15,032 and plan participants contributed \$9,468.

9. SUBSEQUENT EVENT

The District has evaluated subsequent events through July 8, 2024, 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, 2023

	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget Favorable (Unfavorable)
REVENUES			
Taxes.....	\$ 68,932	\$ 69,386	\$ 454
Interest.....	75	91	16
Total revenues.....	69,007	69,477	470
EXPENDITURES			
Administrative.....	1,898	1,876	22
Debt service.....	61,394	61,394	-
Total expenditures.....	63,292	63,270	(22)
Excess of revenues over (under) expenditures.....	5,715	6,207	492
Fund balance, beginning.....	91,492	91,492	-
Fund balance, ending.....	\$ 97,207	\$ 97,699	\$ 492

EDGEMONT RANCH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - WATER FUND

Year ended December 31, 2023

	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget Favorable (Unfavorable)
REVENUES			
Sales and services.....	\$ 389,632	\$ 421,251	\$ 31,619
Maintenance fees.....	246,816	245,750	(1,066)
Interest income.....	-	9,578	9,578
Lease income.....	450	600	150
Total revenues.....	636,898	677,179	40,281
EXPENDITURES			
Administrative.....	35,018	35,701	(683)
Personnel.....	237,190	237,248	(58)
Water treatment.....	178,908	176,932	1,976
Debt payments.....	122,217	122,217	-
Capital outlay.....	53,667	53,665	2
Total expenditures.....	627,000	625,763	1,237
Excess of revenues over (under) expenditures.....	\$ 9,898	\$ 51,416	\$ 41,518
Reconciliation to GAAP basis of accounting			
Capital outlay capitalized.....		\$ 53,665	
Debt principal payments.....		117,860	
Developer donated assets.....		190,100	
Depreciation expense.....		(170,046)	
Change in net position.....		242,995	
Net position, beginning.....		5,947,726	
Net position, ending.....		\$ 6,190,721	

EDGEMONT RANCH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - SEWER FUND

Year ended December 31, 2023

	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget Favorable (Unfavorable)
REVENUES			
Sales and services.....	\$ 667,025	\$ 667,792	\$ 767
Maintenance fees.....	253,500	252,055	(1,445)
Interest income.....	-	42,168	42,168
Lease income.....	450	380	(70)
Other income.....	100	4,737	4,637
Total revenues.....	921,075	967,132	46,057
EXPENDITURES			
Administrative.....	59,688	75,254	(15,566)
Personnel.....	237,190	237,248	(58)
Sewer treatment.....	181,648	143,276	38,372
Debt payments.....	440,000	412,460	27,540
Capital outlay.....	31,667	22,536	9,131
Total expenditures.....	950,193	890,774	59,419
Excess of revenues over (under) expenditures.....	\$ (29,118)	\$ 76,358	\$ 105,476
Reconciliation to GAAP basis of accounting			
Capital outlay capitalized.....		\$ 22,536	
Developer donated assets.....		234,484	
Depreciation expense.....		(291,670)	
Change in net position.....		227,915	
Net position, beginning.....		6,199,322	
Net position, ending.....		\$ 6,427,237	