

EDGEMONT RANCH METROPOLITAN DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017

E

RECEIVED

Office of the State Auditor

June 14, 2018

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
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 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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 6, 2018

Board of Directors
Edgemont Ranch Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Edgemont Ranch Metropolitan District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Edgemont Ranch Metropolitan District as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

April 6, 2018
Edgemont Ranch Metropolitan District
Page 2

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other 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 supplemental budget and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental budget and actual schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental budget and actual schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Edgemont Ranch Metropolitan District

Management's Discussion and Analysis December 31, 2017

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, 2017.

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 other supplementary information in addition to the basic financial statements themselves.

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 a grouping of related accounts that is 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.

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 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.

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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 12 through 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 through 26 of this report.

Government-wide Financial Analysis

The following tables show condensed financial information derived from the government-wide financial statements for the years ended December 31, 2017 and 2016.

Edgemont Ranch Metropolitan District's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 666,547	\$ 584,849	\$ 5,278,590	\$ 766,551	\$ 5,945,137	\$ 1,351,400
Capital assets	4,345,832	3,188,316	7,874,403	6,986,454	12,220,235	10,174,770
Total Assets	5,012,379	3,773,165	13,152,993	7,753,005	18,165,372	11,526,170
Liabilities:						
Current and other liabilities	54,775	55,259	447,783	251,647	502,558	306,906
Long-term liabilities	300,117	349,087	5,108,733	1,067,214	5,408,850	1,416,301
Total Liabilities	354,892	404,346	5,556,516	1,318,861	5,911,408	1,723,207
Deferred Inflows of Resources:						
Deferred property tax revenue	245,281	239,491	-	-	245,281	239,491
Net Position:						
Net investment in capital assets	3,996,745	2,792,083	6,841,930	5,718,108	10,838,675	8,510,191
Restricted for emergencies	6,369	8,249	-	-	6,369	8,249
Restricted for road mtnc.	218,750	177,066			218,750	177,066
Unrestricted (deficit)	190,342	151,930	754,547	716,036	944,889	867,966
Total Net Position	\$ 4,412,206	\$ 3,129,328	\$ 7,596,477	\$ 6,434,144	\$ 12,008,683	\$ 9,563,472

Government-wide Financial Analysis (continued)

The District has maintained a positive balance in all funds.

Edgemont Ranch Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
General government	\$ 13,824	\$ 13,824	\$ -	\$ -	\$ 13,824	\$ 13,824
Roads	60,721	54,773	-	-	60,721	54,773
Water	-	-	553,047	489,744	553,047	489,744
Sewer	-	-	574,750	525,569	574,750	525,569
General revenues:						
Property taxes	264,823	254,411	-	-	264,823	254,411
Miscellaneous	12,541	13,099	-	-	12,541	13,099
Developer donated assets	1,269,501	4,000	954,988	106,227	2,224,489	110,227
Interest	-	-	3,350	-	3,350	-
Transfers	-	-	-	-	-	-
Total Revenues	1,621,410	340,107	2,086,135	1,121,540	3,707,545	1,461,647
Expenses:						
General government	182,457	170,464	-	-	182,457	170,464
Roads	141,827	166,339	-	-	141,827	166,339
Interest	14,248	16,004	-	-	14,248	16,004
Water	-	-	466,251	480,923	466,251	480,923
Sewer	-	-	457,551	328,728	457,551	328,728
Total Expenses	338,532	352,807	923,802	809,651	1,262,334	1,162,458
Change in Net Position	1,282,878	(12,700)	1,162,333	311,889	2,445,211	299,189
Net Position - Beginning	3,129,328	3,142,028	6,434,144	6,122,255	9,563,472	9,264,283
Net Position - Ending	\$ 4,412,206	\$ 3,129,328	\$ 7,596,477	\$ 6,434,144	\$ 12,008,683	\$ 9,563,472

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

Governmental funds: 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 combined ending fund balances of \$415,461, an increase of \$78,216 from the prior year. Of the fund balance, \$7,821 is non-spendable because it consists of prepaid expenses. \$6,369 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 \$218,750 is restricted, as it is intended to be used for future road maintenance. \$60,114 is assigned for debt service. The remaining \$122,407 is unassigned and is available for spending in future years.

Proprietary funds: The District's proprietary funds statements 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 \$7,596,477 at the end of 2017 as compared to \$6,434,144 at the end of 2016. At the end of 2017, \$6,841,930 of this balance was invested in capital assets net of related debt and \$754,547 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 \$149,401 in capital asset additions during 2017. These investments included replacing two variable frequency drives that failed, sewer camera equipment, a truck, and construction in progress for the new sewer plant. The District also received developer donated assets of water and sewer and roads infrastructure in the amount of \$2,224,489. Depreciation expense of \$328,425 was recognized in 2017. 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 pages 22 and 23 of this report.

Long-term debt: The District reduced its outstanding long-term debt balance by \$327,177, bringing the 2017 year-end balances to \$349,087 in Governmental Activities and \$5,488,315 in Business-type Activities. Additional information can be found in the Notes to the Financial Statements on pages 23 and 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.

Edgemont Ranch Metropolitan District

STATEMENT OF NET POSITION

December 31, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Equity in pooled cash and investments	\$ 401,577	\$ 638,949	\$ 1,040,526
Cash held by treasurer	2,245	-	2,245
Restricted cash - unspent bond proceeds	-	4,455,842	4,455,842
Property taxes receivable	245,281	-	245,281
Other receivables	9,623	146,288	155,911
Prepaid expenses	7,821	37,511	45,332
Total Current Assets	<u>666,547</u>	<u>5,278,590</u>	<u>5,945,137</u>
Capital assets, non-depreciable	62,609	170,575	233,184
Capital assets, depreciable (net)	4,283,223	7,703,828	11,987,051
Total Assets	<u>\$ 5,012,379</u>	<u>\$ 13,152,993</u>	<u>\$ 18,165,372</u>
LIABILITIES			
Current Liabilities			
Accounts and other payables	\$ 3,772	\$ 44,425	\$ 48,197
Accrued liabilities	2,033	3,776	5,809
Unearned revenue	-	20,000	20,000
Current portion of long-term obligations	48,970	379,582	428,552
Total Current Liabilities	<u>54,775</u>	<u>447,783</u>	<u>502,558</u>
Long-term obligations, net of current portion	300,117	5,108,733	5,408,850
Total Liabilities	<u>354,892</u>	<u>5,556,516</u>	<u>5,911,408</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	245,281	-	245,281
NET POSITION			
Net investment in capital assets	3,996,745	6,841,930	10,838,675
Restricted for emergencies	6,369	-	6,369
Restricted for road maintenance	218,750	-	218,750
Unrestricted	190,342	754,547	944,889
Total Net Position	<u>\$ 4,412,206</u>	<u>\$ 7,596,477</u>	<u>\$ 12,008,683</u>

The accompanying notes are an integral part of this statement.

Edgemont Ranch Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Position		
			Governmental Activities	Business- Type Activities	Total
Governmental Activities					
General government	\$ 182,457	\$ 13,824	\$ (168,633)		\$ (168,633)
Roads	141,827	60,721	(81,106)		(81,106)
Interest	14,248	-	(14,248)		(14,248)
Total governmental	<u>338,532</u>	<u>74,545</u>	<u>(263,987)</u>		<u>(263,987)</u>
Business-type Activities					
Water	466,251	553,047		\$ 86,796	86,796
Sewer	457,551	574,750		117,199	117,199
Total business-type	<u>923,802</u>	<u>1,127,797</u>		<u>203,995</u>	<u>203,995</u>
Total	<u>\$ 1,262,334</u>	<u>\$ 1,202,342</u>	<u>(263,987)</u>	<u>203,995</u>	<u>(59,992)</u>
General revenues					
Taxes			264,823	-	264,823
Interest income			-	3,350	3,350
Miscellaneous			12,541	-	12,541
Developer donated assets			1,269,501	954,988	2,224,489
Total general revenues and transfers			<u>1,546,865</u>	<u>958,338</u>	<u>2,505,203</u>
		Change in net position	1,282,878	1,162,333	2,445,211
Net position, Jan 1			<u>3,129,328</u>	<u>6,434,144</u>	<u>9,563,472</u>
Net position, Dec 31			<u>\$ 4,412,206</u>	<u>\$ 7,596,477</u>	<u>\$ 12,008,683</u>

The accompanying notes are an integral part of this statement.

Edgemont Ranch Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017

	General	Debt Service	Total Government
ASSETS			
Equity in pooled cash and investments	\$ 342,053	\$ 59,524	\$ 401,577
Cash with Treasurer	1,655	590	2,245
Property taxes receivable	182,361	62,920	245,281
Other receivables	9,623	-	9,623
Prepaid expenses	7,821	-	7,821
Total Assets	<u>\$ 543,513</u>	<u>\$ 123,034</u>	<u>\$ 666,547</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 3,772	\$ -	\$ 3,772
Accrued liabilities	2,033	-	2,033
Total Liabilities	<u>5,805</u>	<u>-</u>	<u>5,805</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	182,361	62,920	245,281
FUND BALANCE			
Nonspendable	7,821	-	7,821
Restricted for emergencies	6,369	-	6,369
Restricted for road maintenance	218,750	-	218,750
Assigned for debt service	-	60,114	60,114
Unassigned	122,407	-	122,407
Total Fund Balances	<u>355,347</u>	<u>60,114</u>	<u>415,461</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 543,513</u>	<u>\$ 123,034</u>	<u>\$ 666,547</u>
		Fund balances (as reported above)	\$ 415,461
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			4,345,832
Long-term obligations are not payable in the current period and are therefore not reported in the funds			(349,087)
Net position of governmental activities			<u>\$ 4,412,206</u>

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, 2017

	General	Debt Service	Total
Revenues			
Taxes	\$ 195,236	\$ 69,587	\$ 264,823
Fees	60,721	-	60,721
Lease	13,824	-	13,824
Miscellaneous	12,541	-	12,541
Total Revenues	<u>282,322</u>	<u>69,587</u>	<u>351,909</u>
Expenditures			
Personnel	120,692	-	120,692
General governmental administrative	55,455	1,872	57,327
Roads	34,280	-	34,280
Debt Service	-	61,394	61,394
Total Expenditures	<u>210,427</u>	<u>63,266</u>	<u>273,693</u>
Net Change in Fund Balances	71,895	6,321	78,216
Fund Balance, January 1	283,452	53,793	337,245
Fund Balance, December 31	<u>\$ 355,347</u>	<u>\$ 60,114</u>	<u>\$ 415,461</u>
Net change in fund balance (above)			78,216

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	1,269,501
Principal payments of long-term obligations consumes current financial resources but do not affect net position	47,146
Depreciation of capital assets does not consume current financial resources but affects net position	(111,985)
Capital assets acquired during the period consumes current financial resources but do not affect net position	-
Change in net position of governmental activities	<u>\$ 1,282,878</u>

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, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 185,125	\$ 185,125	\$ 195,236	\$ 10,111
Fees	50,556	50,556	60,721	10,165
Lease	13,824	13,824	13,824	-
Miscellaneous	13,070	13,070	12,541	(529)
Total Revenues	<u>262,575</u>	<u>262,575</u>	<u>282,322</u>	<u>19,747</u>
Expenditures				
Administrative	53,062	53,062	55,455	2,393
Personnel	126,821	126,821	120,692	(6,129)
Roads	71,030	71,030	34,280	(36,750)
Total Expenditures	<u>250,913</u>	<u>250,913</u>	<u>210,427</u>	<u>(40,486)</u>
Net Change in Fund Balances	11,662	11,662	71,895	60,233
Fund Balance, January 1	<u>283,452</u>	<u>283,452</u>	<u>283,452</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 295,114</u>	<u>\$ 295,114</u>	<u>\$ 355,347</u>	<u>\$ 60,233</u>

The accompanying notes are an integral part of this statement.

Edgemont Ranch Metropolitan District

STATEMENT OF NET POSITION - ALL PROPRIETARY FUND TYPES

December 31, 2017

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current Assets			
Equity in pooled cash and investments	\$ 130,808	\$ 508,141	\$ 638,949
Restricted cash - unspent bond proceeds	-	4,455,842	4,455,842
Accounts receivables (net)	68,665	77,623	146,288
Prepaid expenses and deposits	7,577	29,934	37,511
Total Current Assets	207,050	5,071,540	5,278,590
Capital assets			
Sewer system	-	3,584,651	3,584,651
Water system	5,925,934	-	5,925,934
Water rights	170,575	-	170,575
Building	29,530	41,750	71,280
Equipment and vehicles	188,194	465,852	654,046
Accumulated depreciation	(1,498,177)	(1,033,906)	(2,532,083)
Capital Assets	4,816,056	3,058,347	7,874,403
Total Assets	\$ 5,023,106	\$ 8,129,887	\$ 13,152,993
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 15,833	\$ 28,592	\$ 44,425
Accrued liabilities	1,743	2,033	3,776
Long-term debt, current portion	164,462	215,120	379,582
Unearned revenue	-	20,000	20,000
Total Current Liabilities	182,038	265,745	447,783
Noncurrent liabilities			
Long-term debt	756,534	4,352,199	5,108,733
Total Liabilities	938,572	4,617,944	5,556,516
NET POSITION			
Net investment in capital assets	3,895,060	2,946,870	6,841,930
Unrestricted	189,474	565,073	754,547
Total Net Position	\$ 4,084,534	\$ 3,511,943	\$ 7,596,477

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, 2017

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues			
Sales and services	\$ 376,696	\$ 394,225	\$ 770,921
Maintenance fees	175,851	179,535	355,386
Total Operating Revenues	<u>552,547</u>	<u>573,760</u>	<u>1,126,307</u>
Operating Expenses			
Treatment	136,997	72,766	209,763
Personnel	120,080	139,484	259,564
Depreciation	130,233	86,207	216,440
Administrative costs	26,757	20,216	46,973
Total Operating Expenses	<u>414,067</u>	<u>318,673</u>	<u>732,740</u>
Operating Income	138,480	255,087	393,567
Non-Operating Revenue (Expenses)			
Other income	500	990	1,490
Interest income	-	3,350	3,350
Developer donated assets	556,028	398,960	954,988
Debt issuance costs	-	(47,508)	(47,508)
Interest expense	(52,184)	(91,370)	(143,554)
Total Non-Operating Revenue (Expenses)	<u>504,344</u>	<u>264,422</u>	<u>768,766</u>
Change in Net Position	642,824	519,509	1,162,333
Net Position - January 1	<u>3,441,710</u>	<u>2,992,434</u>	<u>6,434,144</u>
Net Position - December 31	<u>\$ 4,084,534</u>	<u>\$ 3,511,943</u>	<u>\$ 7,596,477</u>

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, 2017

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
Cash Flows From Operating Activities			
Cash received from customers	\$ 581,274	\$ 606,872	\$ 1,188,146
Cash paid to employees	(119,952)	(139,335)	(259,287)
Cash paid to suppliers	(166,479)	(95,374)	(261,853)
Net Cash Provided (Used) By Operating Activities	294,843	372,163	667,006
Cash Flows From Capital and Related Financing Activities			
Purchase of fixed assets	(12,169)	(137,232)	(149,401)
Interest paid	(52,184)	(91,370)	(143,554)
Debt issuance costs paid	-	(47,508)	(47,508)
Proceeds from issuance of debt	-	4,500,000	4,500,000
Debt principal payments	(153,228)	(126,803)	(280,031)
Net Cash Provided (Used) By Capital and Related Financing Activities	(217,581)	4,097,087	3,879,506
Cash Flows From Investing Activities			
Interest income	-	3,350	3,350
Net Cash Provided (Used) By Investing Activities	-	3,350	3,350
Net Increase (Decrease) in Cash and Equivalents	77,262	4,472,600	4,549,862
Cash and Equivalents, Beginning	53,546	491,383	544,929
Cash and Equivalents, Ending	<u>\$ 130,808</u>	<u>\$ 4,963,983</u>	<u>\$ 5,094,791</u>
Reconciliation of Net Operating Income To Net Cash Provided (Used) By Operating Activities:			
Operating Income (Loss)	\$ 138,480	\$ 255,087	\$ 393,567
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	130,233	86,207	216,440
Other income	500	990	1,490
Change in accounts receivable	28,227	32,122	60,349
Change in prepaid expenses	(201)	(22,325)	(22,526)
Change in accounts payable	(2,524)	19,933	17,409
Change in accrued liabilities	128	149	277
Net Cash Provided (Used) By Operating Activities	<u>\$ 294,843</u>	<u>\$ 372,163</u>	<u>\$ 667,006</u>
Noncash Capital and Investing Activity:			
Developer donated assets	\$ 556,028	\$ 398,960	\$ 954,988

The accompanying notes are an integral part of this statement.

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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.

2. Reporting Entity

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.

3. 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.

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

4. 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 Funds

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.

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

5. 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.

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

6. 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.

7. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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.
- (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.
- (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,

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 2017 were as follows: General Fund (\$250,913), Debt Service Fund (\$63,289), Water Fund (\$485,614), and Sewer Fund (\$513,866). The District made supplemental appropriations for 2017 as follows: Water Fund (\$501,614) and Sewer Fund (\$764,115).

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

8. 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.

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

9. Property Taxes

Property taxes for 2017, collectible in 2018, were certified by the La Plata County Commissioners before December 31, 2017. Property taxes attached as an enforceable lien on January 1, 2017 and are due in total April 30, 2018 or in equal installments February 28, 2018 and June 15, 2018, at the option of the taxpayer. Property taxes for 2017, collectible in 2018, 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.

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

10. Accounts Receivable

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

11. 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.

12. Classification of Fund Balance

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

Nonspendable: Prepaid expenses represent fund balance amounts that are not in spendable form.

Restricted: The Colorado Constitution as amended by TABOR (see separate TABOR amendment note) 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.

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.

It is the District's policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Committed: Committed is that portion of fund balance that has been committed by the highest level of formal action of the District's Board of Directors and does not lapse at year-end. 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: Assignments of fund balance are designated by District management. Fund balance in the Debt Service Fund is assigned for future debt service.

Unassigned: Fund balance that has not been reported in any other classification is reported as unassigned.

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

CASH 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."

Deposits

At year-end, the carrying amount of the District's cash deposits was \$5,496,513 and the bank balance was \$5,581,309. 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.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

At December 31, 2017, the District had no investments.

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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	4,449,109	1,269,501	-	5,718,610
Buildings	50,036	-	-	50,036
Equipment and vehicles	283,342	-	-	283,342
Total depreciable capital assets	4,782,487	1,269,501	-	6,051,988
Less accumulated depreciation	1,656,780	111,985	-	1,768,765
Depreciable capital assets, net	3,125,707	1,157,516	-	4,283,223
Governmental activities capital assets, net	<u>\$ 3,188,316</u>	<u>\$ 1,157,516</u>	<u>\$ -</u>	<u>\$ 4,345,832</u>

Governmental activity depreciation expense is allocated as follows:

General government	\$ 4,438
Roads	107,547
	<u>\$ 111,985</u>

Business-type activities

Non-depreciable capital assets:				
Water Fund water rights	\$ 170,575	\$ -	\$ -	\$ 170,575
Depreciable capital assets:				
Water Fund				
Water system	5,357,737	568,197	-	5,925,934
Building	29,530	-	-	29,530
Vehicles and equipment	188,194	-	-	188,194
Sewer Fund				
Sewer system	3,116,960	467,691	-	3,584,651
Building	41,750	-	-	41,750
Vehicles and equipment	397,351	68,501	-	465,852
Total depreciable capital assets	9,131,522	1,104,389	-	10,235,911
Less accumulated depreciation	2,315,643	216,440	-	2,532,083
Depreciable capital assets, net	6,815,879	887,949	-	7,703,828
Business-type activities capital assets, net	<u>\$ 6,986,454</u>	<u>\$ 887,949</u>	<u>\$ -</u>	<u>\$ 7,874,403</u>

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

LONG-TERM OBLIGATIONS

A summary of the District's Long-term Debt Obligations follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
2014 General Obligation Refunding Loan	\$ 396,233	\$ -	\$ 47,146	\$ 349,087	\$ 48,970
Business-type Activities:					
Rancho Durango Obligation	\$ 453,083	\$ -	\$ 94,246	\$ 358,837	\$ 106,314
2014 Water Revenue Loan	788,782	-	93,853	694,929	97,484
2017 Sewer Revenue Loan	-	4,500,000	78,899	4,421,101	162,335
TCF Equipment Finance, Inc. Lease	26,481	-	13,033	13,448	13,449
	<u>\$1,268,346</u>	<u>\$4,500,000</u>	<u>\$280,031</u>	<u>\$5,488,315</u>	<u>\$ 379,582</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 made monthly through May, 2024.

The District has incurred an obligation to Rancho Durango, Ltd. for the use and ultimate ownership of certain infrastructure of the District including water and sewer treatment facilities and distribution and collection systems, land, buildings, and easements that are integral to the operation of the District. The agreement requires monthly payments equal to 25% of water and sewer fees collected in excess of \$8,000 for that month. The final monthly payment is due in May, 2020. The obligation is presented in the District's financial statements at the net present value of the estimated future payments, discounted at the District's estimated borrowing rate at the date of the transaction of 7.5%.

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 made monthly through May, 2024. The loan is secured by the net revenues of the water fund of the District.

2017 Sewer Revenue Loan in the face amount of \$4,500,000 was issued with a date of June 13, 2017. The interest rate is 3.375% and principal and interest payments of \$10,185 are made monthly through May, 2027. A balloon payment is due June, 2027. The loan is secured by the net revenues of the water fund of the District.

The District entered into a capital lease with TCF Equipment Finance, Inc. to acquire a jetter. The lease requires semi-annual payments of \$6,885, including interest at 3.15%, through December, 2018. The asset

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

has been capitalized with a cost of \$64,209 and has accumulated depreciation of \$14,983 at December 31, 2017.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 48,970	\$ 12,424	\$ 61,394
2019	50,864	10,530	61,394
2020	52,832	8,562	61,394
2021	54,877	6,517	61,394
2022	57,000	4,394	61,394
2023-2024	84,544	2,430	86,974
	<u>\$ 349,087</u>	<u>\$ 44,857</u>	<u>\$ 393,944</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 97,484	\$ 24,732	\$ 122,216
2019	101,256	20,960	122,216
2020	105,174	17,042	122,216
2021	109,243	12,973	122,216
2022	113,469	8,747	122,216
2023-2024	168,303	4,836	173,139
	<u>\$ 694,929</u>	<u>\$ 89,290</u>	<u>\$ 784,219</u>

The debt service requirements for the 2017 Sewer Revenue Loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 162,335	\$ 148,748	\$ 311,083
2019	167,978	143,105	311,083
2020	173,426	137,657	311,083
2021	179,845	131,238	311,083
2022	186,096	124,987	311,083
2023-2027	3,551,421	479,293	4,030,714
	<u>\$4,421,101</u>	<u>\$1,165,028</u>	<u>\$5,586,129</u>

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The future minimum lease payments of the Rancho Durango and the TCF Equipment Finance, Inc. obligations follow:

Year	
2018	\$ 146,997
2019	138,227
2020	<u>143,227</u>
Total minimum lease payments	428,451
Less amount representing interest	<u>56,166</u>
	<u><u>\$ 372,285</u></u>

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, 2017.

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, 2016 (the latest audited information available) is as follows:

Assets	<u>\$ 52,645,796</u>
Liabilities	<u>\$ 28,757,242</u>
Surplus	<u>23,888,554</u>
	<u><u>\$ 52,645,796</u></u>
Revenues	\$ 19,338,769
Expenses	<u>14,100,230</u>
Net Income (Loss)	<u><u>\$ 5,238,539</u></u>

Edgemont Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017, a reserve of \$6,369 was required for the General Fund.

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.

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 2017 the District contributed \$11,870 and plan participants contributed \$0.

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, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 65,823	\$ 65,823	\$ 69,491	\$ 3,668
Interest	200	200	96	(104)
Total Revenues	66,023	66,023	69,587	3,564
Expenditures				
Administrative	1,895	1,895	1,872	(23)
Debt service	61,394	61,394	61,394	-
Total Expenditures	63,289	63,289	63,266	(23)
Excess of revenues over (under) expenditures	2,734	2,734	6,321	3,587
Fund Balance, January 1	53,793	53,793	53,793	-
Fund Balance, December 31	<u>\$ 56,527</u>	<u>\$ 56,527</u>	<u>\$ 60,114</u>	<u>\$ 3,587</u>

Edgemont Ranch Metropolitan District

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

Year ended December 31, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Sales and services	\$ 304,942	\$ 304,942	\$ 376,696	\$ 71,754
Maintenance fees	174,816	174,816	175,851	1,035
Miscellaneous	-	-	500	500
Total Revenues	<u>479,758</u>	<u>479,758</u>	<u>553,047</u>	<u>73,289</u>
Expenditures				
Administrative	21,377	21,377	26,757	5,380
Personnel	124,134	124,134	120,080	(4,054)
Water treatment	126,962	142,962	136,997	(5,965)
Debt payments	202,440	202,440	205,412	2,972
Capital outlay	10,700	10,700	12,169	1,469
Total Expenditures	<u>485,613</u>	<u>501,613</u>	<u>501,415</u>	<u>(198)</u>
Net change in fund balance	<u>\$ (5,855)</u>	<u>\$ (21,855)</u>	51,632	<u>\$ 73,487</u>
Reconciliation to GAAP basis of accounting				
Capital outlay capitalized			12,169	
Debt principal payments			153,228	
Developer donated assets			556,028	
Depreciation expense			<u>(130,233)</u>	
Change in Net Position			642,824	
Net Position, January 1			<u>3,441,710</u>	
Net Position, December 31			<u>\$ 4,084,534</u>	

Edgemont Ranch Metropolitan District

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

Year ended December 31, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Sales and services	\$ 346,950	\$ 346,950	\$ 394,225	\$ 47,275
Maintenance fees	178,800	178,800	179,535	735
Interest income	-	-	3,350	3,350
Other income	100	100	490	390
Miscellaneous	-	-	500	500
Total Revenues	<u>525,850</u>	<u>525,850</u>	<u>578,100</u>	<u>52,250</u>
Expenditures				
Administrative	22,047	22,047	20,216	(1,831)
Personnel	144,041	144,041	139,484	(4,557)
Sewer treatment	256,895	256,895	72,766	(184,129)
Debt payments	47,113	216,424	218,173	1,749
Debt issuance costs	-	47,508	47,508	-
Capital outlay	43,770	77,200	137,232	60,032
Total Expenditures	<u>513,866</u>	<u>764,115</u>	<u>635,379</u>	<u>(128,736)</u>
Net change in fund balance	<u>\$ 11,984</u>	<u>\$ (238,265)</u>	<u>(57,279)</u>	<u>\$ 180,986</u>
Reconciliation to GAAP basis of accounting				
Capital outlay capitalized			137,232	
Debt principal payments			126,803	
Developer donated assets			398,960	
Depreciation expense			<u>(86,207)</u>	
Change in Net Position			519,509	
Net Position, January 1			<u>2,992,434</u>	
Net Position, December 31			<u>\$ 3,511,943</u>	