

EDGEMONT RANCH METROPOLITAN DISTRICT  
FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

December 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

May 4, 2022

Board of Directors  
Edgemont Ranch Metropolitan District

### *Opinions*

We have audited the 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, 2021, 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, 2021, 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.

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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 GAAS 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 GAAS, 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

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Edgemont Ranch Metropolitan District  
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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.

 Beckstead & Co., LLC

# Edgemont Ranch Metropolitan District

## Management's Discussion and Analysis December 31, 2021

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, 2021.

### **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 – 12 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, 2021, the District is providing water and sewer services to 668 residences, an increase of 41 residences from December 31, 2020. There are also 156 unimproved lots yet to be built on, with an additional 24 unimproved lots to be added to the District in 2022. 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 - 27 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, 2021 and 2020 to show the changing net position of the District. The District's net position at the end of 2021 is \$17,973,070 (page 8).

	Governmental				Business-type				TOTAL	
	Net Position				Net Position					
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change	2021	2020
<b>Assets:</b>										
Current and other assets	\$ 1,159,165	\$ 1,008,353	\$ 150,812	15%	\$ 2,405,852	\$ 5,426,804	\$ (3,020,952)	-56%	\$ 3,565,017	\$ 6,435,157
Capital assets	6,254,335	5,869,002	385,333	7%	14,653,416	9,277,268	5,376,148	58%	\$ 20,907,751	\$ 15,146,270
<b>Total Assets</b>	<b>7,413,500</b>	<b>6,877,355</b>	<b>536,145</b>	<b>8%</b>	<b>17,059,268</b>	<b>14,704,072</b>	<b>2,355,196</b>	<b>16%</b>	<b>\$ 24,472,768</b>	<b>\$ 21,581,427</b>
<b>Liabilities:</b>										
Current and other liabilities	78,170	73,673	4,497	6%	772,080	353,279	418,801	119%	\$ 850,250	\$ 426,952
Long-term liabilities	84,544	141,544	(57,000)	-40%	5,244,999	4,019,289	1,225,710	30%	\$ 5,329,543	\$ 4,160,833
<b>Total Liabilities</b>	<b>162,714</b>	<b>215,217</b>	<b>(52,503)</b>	<b>-24%</b>	<b>6,017,079</b>	<b>4,372,568</b>	<b>1,644,511</b>	<b>38%</b>	<b>\$ 6,179,793</b>	<b>\$ 4,587,785</b>
<b>Deferred Inflows of Resources:</b>										
Deferred property tax revenue	319,905	302,893	17,012	6%	-	-	-	0%	\$ 319,905	\$ 302,893
<b>Net Position:</b>										
Net investment in capital assets	6,112,791	5,672,581	440,210	8%	9,225,282	9,444,846	(219,564)	-2%	\$ 15,338,073	\$ 15,117,427
Restricted for emergencies	7,948	6,641	1,307	20%	-	-	-		\$ 7,948	\$ 6,641
Restricted for road mntnc.	263,752	259,817	3,935	2%	-	-	-		\$ 263,752	\$ 259,817
Unrestricted (deficit)	546,390	420,206	126,184	30%	1,816,907	886,658	930,249	105%	\$ 2,363,297	\$ 1,306,864
<b>Total Net Position</b>	<b>\$ 6,930,881</b>	<b>\$ 6,359,245</b>	<b>\$ 571,636</b>	<b>9%</b>	<b>\$ 11,042,189</b>	<b>\$ 10,331,504</b>	<b>\$ 710,685</b>	<b>7%</b>	<b>\$ 17,973,070</b>	<b>\$ 16,690,749</b>

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 86% 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 \$571,636 and \$710,685 respectively, for a total increase of \$1,282,321. The increase in governmental activities comes mainly from tax revenue, fees to maintain roads and developer donated assets. The increase in business-type activities are due to water / sewer revenues and developer donated assets. The developer donated assets are a reflection of the acceptance of 42 lots in Meadows 2B including all the road, water and sewer infrastructure.

The table below compares the District's Activities for 2021 and 2020 and summarizes the District's net position.

### Edgemont Ranch Metropolitan District's Change in Net Position

	Governmental				Business-type				Total			
	Activities			%	Activities			%	Total			%
	2021	2020	\$ Change		2021	2020	\$ Change		2021	2020	\$ Change	
<b>Revenues:</b>												
Program revenues:												
General government	\$ 30,504	\$ 27,172	\$ 3,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,504	\$ 27,172	\$ 3,332	\$ -
Roads	79,310	71,685	7,625	11%	-	-	-	-	79,310	71,685	7,625	11%
Water	-	-	-		628,300	609,945	18,355	3%	628,300	609,945	18,355	3%
Sewer	-	-	-		860,670	819,953	40,717	5%	860,670	819,953	40,717	5%
General revenues:												
Property taxes	336,990	329,094	7,896	2%	-	-	-	-	336,990	329,094	7,896	2%
Miscellaneous	10,934	10,534	400	4%	-	-	-	-	10,934	10,534	400	4%
Developer donated assets	556,410	756,555	(200,145)	-26%	438,118	504,871	(66,753)	-13%	994,528	1,261,426	(266,898)	-21%
Interest					3,146	6,727	(3,581)	-53%	3,146	6,727	(3,581)	-53%
Change accounting estima	-	-	-		-	74,305	(74,305)		-	74,305	(74,305)	
<b>Total Revenues</b>	<b>1,014,148</b>	<b>1,195,040</b>	<b>(180,892)</b>	<b>-15%</b>	<b>1,930,234</b>	<b>2,015,801</b>	<b>(85,567)</b>	<b>-4%</b>	<b>2,944,382</b>	<b>3,210,841</b>	<b>(266,459)</b>	<b>-8%</b>
<b>Expenses:</b>												
General government	128,238	113,571	14,667	13%	-	-	-		128,238	113,571	14,667	13%
Roads	307,757	251,195	56,562	23%	-	-	-		307,757	251,195	56,562	23%
Interest	6,517	8,561	(2,044)	-24%	-	-	-		6,517	8,561	(2,044)	-24%
Water	-	-	-		625,370	567,781	57,589	10%	625,370	567,781	57,589	10%
Sewer	-	-	-		594,179	539,746	54,433	10%	594,179	539,746	54,433	10%
<b>Total Expenses</b>	<b>442,512</b>	<b>373,327</b>	<b>69,185</b>	<b>19%</b>	<b>1,219,549</b>	<b>1,107,527</b>	<b>112,022</b>	<b>10%</b>	<b>1,662,061</b>	<b>1,480,854</b>	<b>181,207</b>	<b>12%</b>
<b>Change in Net Position</b>	<b>571,636</b>	<b>821,713</b>	<b>(250,077)</b>	<b>-30%</b>	<b>710,685</b>	<b>908,274</b>	<b>(197,589)</b>	<b>-22%</b>	<b>1,282,321</b>	<b>1,729,987</b>	<b>(447,666)</b>	<b>-26%</b>
<b>Net Position - Beginning</b>	<b>6,359,245</b>	<b>5,537,532</b>	<b>821,713</b>	<b>15%</b>	<b>10,331,504</b>	<b>9,423,230</b>	<b>908,274</b>	<b>10%</b>	<b>16,690,749</b>	<b>14,960,762</b>	<b>1,729,987</b>	<b>12%</b>
<b>Net Position - Ending</b>	<b>\$6,930,881</b>	<b>\$ 6,359,245</b>	<b>\$ 571,636</b>	<b>9%</b>	<b>\$11,042,189</b>	<b>\$10,331,504</b>	<b>\$ 710,685</b>	<b>7%</b>	<b>\$17,973,070</b>	<b>\$16,690,749</b>	<b>\$1,282,321</b>	<b>8%</b>

**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 \$818,090, an increase of \$131,426 from the prior year (page 10 & 11). Of the fund balance, \$6,136 is non-spendable because it consists of prepaid expenses. \$7,948 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 \$263,752 is restricted for future road maintenance. \$84,758 is assigned for debt service. The remaining \$455,496 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 \$11,042,189 at the end of 2021 as compared to \$10,331,504 at the end of 2020. As of December 31, 2021, \$9,225,282 of this balance was invested in capital assets net of related debt and \$1,816,907 was available for spending at the District's discretion.

**Budget variances:** Details of the budget variances can be seen on page 28 for the debt service fund and pages 29-30 for the proprietary funds.

**Capital assets:** The District invested \$5,218,447 in capital asset additions during 2021. These investments included a security fence and gate, water distribution booster pump, 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 \$994,528. Depreciation expense of \$451,493 was recognized in 2021. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 23 of this report.

**Long-term debt:** The District increased its outstanding long-term debt balance by \$1,119,757, bringing the 2021 year-end balances to \$141,544 in Governmental Activities and \$5,428,134 in Business-type Activities. Additional information can be found in the Notes to the Financial Statements on pages 24 and 25 of this report.

### **Request for Information**

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

Edgemont Ranch Metropolitan District

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Equity in pooled cash and investments	\$ 819,198	\$ 2,194,160	\$ 3,013,358
Cash held by treasurer	2,198	-	2,198
Property taxes receivable	319,905	-	319,905
Other receivables	11,728	187,148	198,876
Prepaid expenses	6,136	24,544	30,680
Total Current Assets	<u>1,159,165</u>	<u>2,405,852</u>	<u>3,565,017</u>
Capital assets, non-depreciable	62,609	170,575	233,184
Capital assets, depreciable (net)	6,191,726	14,482,841	20,674,567
Total Assets	<u>\$ 7,413,500</u>	<u>\$ 17,059,268</u>	<u>\$ 24,472,768</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts and other payables	\$ 13,776	\$ 539,373	\$ 553,149
Accrued liabilities	7,394	29,572	36,966
Unearned revenue	-	20,000	20,000
Current portion of long-term obligations	57,000	183,135	240,135
Total Current Liabilities	<u>78,170</u>	<u>772,080</u>	<u>850,250</u>
Long-term obligations, net of current portion	84,544	5,244,999	5,329,543
Total Liabilities	<u>162,714</u>	<u>6,017,079</u>	<u>6,179,793</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	319,905	-	319,905
<b>NET POSITION</b>			
Net investment in capital assets	6,112,791	9,225,282	15,338,073
Restricted for emergencies	7,948	-	7,948
Restricted for road maintenance	263,752	-	263,752
Unrestricted	546,390	1,816,907	2,363,297
Total Net Position	<u>\$ 6,930,881</u>	<u>\$ 11,042,189</u>	<u>\$ 17,973,070</u>

The accompanying notes are an integral part of this statement.

Edgemont Ranch Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Position		Total
			Governmental Activities	Business- Type Activities	
<b>Governmental Activities</b>					
General government	\$ 128,238	\$ 30,504	\$ (97,734)		\$ (97,734)
Roads	307,757	79,310	(228,447)		(228,447)
Interest	6,517	-	(6,517)		(6,517)
Total governmental	<u>442,512</u>	<u>109,814</u>	<u>(332,698)</u>		<u>(332,698)</u>
<b>Business-type Activities</b>					
Water	625,370	628,300		\$ 2,930	2,930
Sewer	594,179	860,670		266,491	266,491
Total business-type	<u>1,219,549</u>	<u>1,488,970</u>		<u>269,421</u>	<u>269,421</u>
Total	<u>\$ 1,662,061</u>	<u>\$ 1,598,784</u>	<u>(332,698)</u>	<u>269,421</u>	<u>(63,277)</u>
<b>General revenues</b>					
Taxes			336,990	-	336,990
Interest income			-	3,146	3,146
Miscellaneous			10,934	-	10,934
Developer donated assets			556,410	438,118	994,528
Total general revenues and transfers			<u>904,334</u>	<u>441,264</u>	<u>1,345,598</u>
Change in net position			571,636	710,685	1,282,321
Net position, Jan 1			<u>6,359,245</u>	<u>10,331,504</u>	<u>16,690,749</u>
Net position, Dec 31			<u>\$ 6,930,881</u>	<u>\$ 11,042,189</u>	<u>\$ 17,973,070</u>

The accompanying notes are an integral part of this statement.

Edgemont Ranch Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General	Debt Service	Total Government
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 734,440	\$ 84,758	\$ 819,198
Cash with Treasurer	2,198	-	2,198
Property taxes receivable	257,008	62,897	319,905
Other receivables	11,728	-	11,728
Prepaid expenses	6,136	-	6,136
Total Assets	<u>\$ 1,011,510</u>	<u>\$ 147,655</u>	<u>\$ 1,159,165</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable	\$ 13,776	\$ -	\$ 13,776
Accrued liabilities	7,394	-	7,394
Total Liabilities	<u>21,170</u>	<u>-</u>	<u>21,170</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	257,008	62,897	319,905
<b>FUND BALANCE</b>			
Nonspendable	6,136	-	6,136
Restricted for emergencies	7,948	-	7,948
Restricted for road maintenance	263,752	-	263,752
Assigned for debt service	-	84,758	84,758
Unassigned	455,496	-	455,496
Total Fund Balances	<u>733,332</u>	<u>84,758</u>	<u>818,090</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,011,510</u>	<u>\$ 147,655</u>	<u>\$ 1,159,165</u>
Fund balances (as reported above)			\$ 818,090
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets are not financial resources and are therefore not reported in the funds			6,254,335
Long-term obligations are not payable in the current period and are therefore not reported in the funds			(141,544)
Net position of governmental activities			<u>\$ 6,930,881</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, 2021

	General	Debt Service	Total
Revenues			
Taxes	\$ 266,975	\$ 70,015	\$ 336,990
Fees	79,310	-	79,310
Lease	30,504	-	30,504
Miscellaneous	10,934	-	10,934
Total Revenues	<u>387,723</u>	<u>70,015</u>	<u>457,738</u>
Expenditures			
Personnel	85,503	-	85,503
General governmental administrative	40,109	1,876	41,985
Roads	137,430	-	137,430
Debt Service	-	61,394	61,394
Total Expenditures	<u>263,042</u>	<u>63,270</u>	<u>326,312</u>
Net Change in Fund Balances	124,681	6,745	131,426
Fund Balance, January 1	<u>608,651</u>	<u>78,013</u>	<u>686,664</u>
Fund Balance, December 31	<u>\$ 733,332</u>	<u>\$ 84,758</u>	<u>\$ 818,090</u>

Net change in fund balance (above) 131,426

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	556,410
Principal payments of long-term obligations consumes current financial resources but do not affect net position	54,877
Depreciation of capital assets does not consume current financial resources but affects net position	(179,348)
Capital assets acquired during the period consumes current financial resources but do not affect net position	8,271
Change in net position of governmental activities	<u>\$ 571,636</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, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 258,226	\$ 258,226	\$ 266,975	\$ 8,749
Fees	67,740	67,740	79,310	11,570
Lease	29,904	29,904	30,504	600
Miscellaneous	13,070	13,070	10,934	(2,136)
Total Revenues	<u>368,940</u>	<u>368,940</u>	<u>387,723</u>	<u>18,783</u>
Expenditures				
Administrative	44,308	44,308	40,109	(4,199)
Personnel	89,149	89,149	85,503	(3,646)
Roads	153,155	153,155	137,430	(15,725)
Total Expenditures	<u>286,612</u>	<u>286,612</u>	<u>263,042</u>	<u>(23,570)</u>
Net Change in Fund Balances	82,328	82,328	124,681	42,353
Fund Balance, January 1	<u>608,651</u>	<u>608,651</u>	<u>608,651</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 690,979</u>	<u>\$ 690,979</u>	<u>\$ 733,332</u>	<u>\$ 42,353</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, 2021

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
Current Assets			
Equity in pooled cash and investments	\$ 277,457	\$ 1,916,703	\$ 2,194,160
Accounts receivables (net)	76,100	111,048	187,148
Prepaid expenses and deposits	12,272	12,272	24,544
Total Current Assets	365,829	2,040,023	2,405,852
Capital assets			
Sewer system	-	10,226,797	10,226,797
Water system	6,996,126	-	6,996,126
Water rights	170,575	-	170,575
Building	37,801	50,021	87,822
Equipment and vehicles	200,256	521,486	721,742
Accumulated depreciation	(2,068,961)	(1,480,685)	(3,549,646)
Capital Assets	5,335,797	9,317,619	14,653,416
Total Assets	\$ 5,701,626	\$ 11,357,642	\$ 17,059,268
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 13,866	\$ 525,507	\$ 539,373
Accrued liabilities	14,786	14,786	29,572
Long-term debt, current portion	113,469	69,666	183,135
Unearned revenue	-	20,000	20,000
Total Current Liabilities	142,121	629,959	772,080
Noncurrent liabilities			
Long-term debt	168,303	5,076,696	5,244,999
Total Liabilities	310,424	5,706,655	6,017,079
<b>NET POSITION</b>			
Net investment in capital assets	5,054,025	4,171,257	9,225,282
Unrestricted	337,177	1,479,730	1,816,907
Total Net Position	\$ 5,391,202	\$ 5,650,987	\$ 11,042,189

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, 2021

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues			
Sales and services	\$ 396,952	\$ 620,841	\$ 1,017,793
Maintenance fees	230,848	237,505	468,353
Total Operating Revenues	<u>627,800</u>	<u>858,346</u>	<u>1,486,146</u>
Operating Expenses			
Treatment	229,781	77,511	307,292
Personnel	194,772	194,773	389,545
Depreciation	153,649	118,496	272,145
Administrative costs	34,195	36,243	70,438
Total Operating Expenses	<u>612,397</u>	<u>427,023</u>	<u>1,039,420</u>
Operating Income	15,403	431,323	446,726
Non-Operating Revenue (Expenses)			
Other income	500	2,324	2,824
Interest income	-	3,146	3,146
Developer donated assets	247,238	190,880	438,118
Interest expense	(12,973)	(102,156)	(115,129)
Debt issuance costs	-	(65,000)	(65,000)
Total Non-Operating Revenue (Expenses)	<u>234,765</u>	<u>29,194</u>	<u>263,959</u>
Change in Net Position	250,168	460,517	710,685
Net Position - January 1	<u>5,141,034</u>	<u>5,190,470</u>	<u>10,331,504</u>
Net Position - December 31	<u>\$ 5,391,202</u>	<u>\$ 5,650,987</u>	<u>\$ 11,042,189</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, 2021

	Business Type Activities		
	Enterprise Funds		
	Water	Sewer	Totals
Cash Flows From Operating Activities			
Cash received from customers	\$ 633,137	\$ 864,171	\$ 1,497,308
Cash paid to employees	(189,284)	(189,285)	(378,569)
Cash paid to suppliers	(270,305)	7,491	(262,814)
Net Cash Provided (Used) By Operating Activities	173,548	682,377	855,925
Cash Flows From Capital and Related Financing Activities			
Purchase of fixed assets	(25,421)	(4,788,254)	(4,813,675)
Interest paid	(12,973)	(102,156)	(115,129)
Debt issuance costs paid	-	(65,000)	(65,000)
Proceeds from debt	-	5,146,362	5,146,362
Debt principal payments	(109,243)	(3,917,362)	(4,026,605)
Net Cash Provided (Used) By Capital and Related Financing Activities	(147,637)	(3,726,410)	(3,874,047)
Cash Flows From Investing Activities			
Interest income	-	3,146	3,146
Net Cash Provided (Used) By Investing Activities	-	3,146	3,146
Net Increase (Decrease) in Cash and Equivalents	25,911	(3,040,887)	(3,014,976)
Cash and Equivalents, Beginning	251,546	4,957,590	5,209,136
Cash and Equivalents, Ending	\$ 277,457	\$ 1,916,703	\$ 2,194,160
Reconciliation of Net Operating Income To Net Cash Provided (Used) By Operating Activities:			
Operating Income (Loss)	\$ 15,403	\$ 431,323	\$ 446,726
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	153,649	118,496	272,145
Other income	500	2,324	2,824
Change in accounts receivable	4,837	3,501	8,338
Change in prepaid expenses	(1,181)	(1,181)	(2,362)
Change in accounts payable, net of noncash capital activity	(5,148)	122,426	117,278
Change in accrued liabilities	5,488	5,488	10,976
Net Cash Provided (Used) By Operating Activities	\$ 173,548	\$ 682,377	\$ 855,925
Noncash Capital and Investing Activity:			
Developer donated assets	\$ 247,238	\$ 190,880	\$ 438,118
Accounts payable incurred for capital assets	-	396,500	396,500

The accompanying notes are an integral part of this statement.

Edgemont Ranch Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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**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, 2021

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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, 2021

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### 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, 2021

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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, 2021

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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 2021 were as follows: General Fund (\$286,612), Debt Service Fund (\$63,294), Water Fund (\$677,891), and Sewer Fund (\$4,646,357). The District made a supplemental appropriation for the Sewer Fund for 2021 increasing the amount appropriated to \$9,500,000.

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 2021, collectible in 2022, were certified by the La Plata County Commissioners before December 31, 2021. Property taxes attached as an enforceable lien on January 1, 2022 and are due in total April 30, 2022 or in equal installments February 28, 2022 and June 15, 2022, at the option of the taxpayer. Property taxes for 2021, collectible in 2022, 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, 2021

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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, 2021

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**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 \$3,013,358 and the bank balance was \$3,021,147. 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, 2021, the District had no investments.

Edgemont Ranch Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**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	7,647,648	556,410	-	8,204,058
Buildings	50,036	8,271	-	58,307
Equipment and vehicles	300,767	-	-	300,767
Total depreciable capital assets	7,998,451	564,681	-	8,563,132
Less accumulated depreciation	2,192,058	179,348	-	2,371,406
Depreciable capital assets, net	5,806,393	385,333	-	6,191,726
Governmental activities capital assets, net	<u>\$ 5,869,002</u>	<u>\$ 385,333</u>	<u>\$ -</u>	<u>\$ 6,254,335</u>

Governmental activity depreciation expense is allocated as follows:

General government	\$ 750
Roads	178,598
	<u>\$ 179,348</u>

Business-type activities

Non-depreciable capital assets:				
Water Fund water rights	\$ 170,575	\$ -	\$ -	\$ 170,575
Depreciable capital assets:				
Water Fund				
Water system	6,731,738	264,388	-	6,996,126
Building	29,530	8,271	-	37,801
Vehicles and equipment	200,256	-	-	200,256
Sewer Fund				
Sewer system	4,859,434	5,367,363	-	10,226,797
Building	41,750	8,271	-	50,021
Vehicles and equipment	521,486	-	-	521,486
Total depreciable capital assets	12,384,194	5,648,293	-	18,032,487
Less accumulated depreciation	3,277,501	272,145	-	3,549,646
Depreciable capital assets, net	9,106,693	5,376,148	-	14,482,841
Business-type activities capital assets, net	<u>\$ 9,277,268</u>	<u>\$ 5,376,148</u>	<u>\$ -</u>	<u>\$ 14,653,416</u>

Edgemont Ranch Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**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	\$ 196,421	\$ -	\$ 54,877	\$ 141,544	\$ 57,000
Business-type Activities:					
2014 Water Revenue Loan	391,015	-	109,243	281,772	113,469
2017 Sewer Revenue Loan	3,917,362	-	3,917,362	-	-
2021 Sewer Revenue Loan	-	5,146,362	-	5,146,362	69,666
	<u>\$4,308,377</u>	<u>\$5,146,362</u>	<u>\$4,026,605</u>	<u>\$5,428,134</u>	<u>\$ 183,135</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.

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 \$25,924 are made monthly through May, 2027. A balloon payment is due June, 2027. The loan is secured by the net revenues of the sewer fund of the District. This loan was repaid with the issuance of the 2021 Sewer Revenue Loan.

2021 Sewer Revenue Loan in the face amount of up to \$7,500,000 was issued with a date of July 2, 2021. The interest rate is 3%. Principal and interest payments will be determined in July, 2022 after all draws required for the construction of the wastewater plant have been made. Estimated principal and interest payments based on the principal balance outstanding at December 31, 2021 of \$5,146,362 are reflected in the debt service requirements schedule on the following page. A balloon payment is due in 2032. The loan is secured by the net revenues of the sewer fund of the District.

Edgemont Ranch Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

Year	Principal	Interest	Total
2022	\$ 57,000	\$ 4,394	\$ 61,394
2023	59,205	2,189	61,394
2024	25,339	241	25,580
	<u>\$ 141,544</u>	<u>\$ 6,824</u>	<u>\$ 148,368</u>

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

Year	Principal	Interest	Total
2022	\$ 113,469	\$ 8,747	\$ 122,216
2023	117,860	4,356	122,216
2024	50,443	480	50,923
	<u>\$ 281,772</u>	<u>\$ 13,583</u>	<u>\$ 295,355</u>

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

Year	Principal	Interest	Total
2022	\$ 69,666	\$ 154,441	\$ 224,107
2023	142,504	150,352	292,856
2024	146,838	146,018	292,856
2025	151,304	141,551	292,855
2026	155,906	136,949	292,855
2027-2031	853,611	611,105	1,464,716
2032	3,626,533	53,820	3,680,353
	<u>\$5,146,362</u>	<u>\$1,394,236</u>	<u>\$6,540,598</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, 2021.

## 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

Edgemont Ranch Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2020 is as follows:

Assets	<u>\$ 59,612,386</u>
Liabilities	<u>\$ 37,710,994</u>
Surplus	<u>21,901,392</u>
	<u>\$ 59,612,386</u>
Revenues	\$ 23,853,329
Expenses	<u>23,825,575</u>
Net Income (Loss)	<u>\$ 27,754</u>

**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, 2021, a reserve of \$7,948 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.

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NOTES TO FINANCIAL STATEMENTS

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**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 2021 the District contributed \$16,672 and plan participants contributed \$5,674.

## 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, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 68,907	\$ 68,907	\$ 69,943	\$ 1,036
Interest	75	75	72	(3)
Total Revenues	68,982	68,982	70,015	1,033
Expenditures				
Administrative	1,900	1,900	1,876	(24)
Debt service	61,394	61,394	61,394	-
Total Expenditures	63,294	63,294	63,270	(24)
Excess of revenues over (under) expenditures	5,688	5,688	6,745	1,057
Fund Balance, January 1	78,013	78,013	78,013	-
Fund Balance, December 31	\$ 83,701	\$ 83,701	\$ 84,758	\$ 1,057

Edgemont Ranch Metropolitan District

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

Year ended December 31, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget
<b>Revenues</b>				
Sales and services	\$ 362,032	\$ 362,032	\$ 396,952	\$ 34,920
Maintenance fees	232,416	232,416	230,848	(1,568)
Miscellaneous	500	500	500	-
Total Revenues	594,948	594,948	628,300	33,352
<b>Expenditures</b>				
Administrative	35,245	35,245	34,195	(1,050)
Personnel	198,246	198,246	194,772	(3,474)
Water treatment	314,558	314,558	229,781	(84,777)
Debt payments	122,217	122,217	122,216	(1)
Capital outlay	7,625	7,625	25,421	17,796
Total Expenditures	677,891	677,891	606,385	(71,506)
Net change in fund balance	\$ (82,943)	\$ (82,943)	21,915	\$ 104,858
<b>Reconciliation to GAAP basis of accounting</b>				
Capital outlay capitalized			25,421	
Debt principal payments			109,243	
Developer donated assets			247,238	
Depreciation expense			(153,649)	
Change in Net Position			250,168	
Net Position, January 1			5,141,034	
Net Position, December 31			\$ 5,391,202	

Edgemont Ranch Metropolitan District

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

Year ended December 31, 2020

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Sales and services	\$ 617,525	\$ 617,525	\$ 620,841	\$ 3,316
Maintenance fees	238,500	238,500	237,505	(995)
Interest income	6,700	6,700	3,146	(3,554)
Other income	100	100	1,824	1,724
Miscellaneous	500	500	500	-
Total Revenues	<u>863,325</u>	<u>863,325</u>	<u>863,816</u>	<u>491</u>
<b>Expenditures</b>				
Administrative	34,265	34,265	36,243	1,978
Personnel	198,246	198,246	194,773	(3,473)
Sewer treatment	95,138	96,030	77,511	(18,519)
Debt payments	311,083	4,049,083	4,019,518	(29,565)
Debt issuance costs	-	-	65,000	65,000
Capital outlay	4,007,625	5,122,376	4,788,254	(334,122)
Total Expenditures	<u>4,646,357</u>	<u>9,500,000</u>	<u>9,181,299</u>	<u>(318,701)</u>
Net change in fund balance	<u>\$ (3,783,032)</u>	<u>\$ (8,636,675)</u>	<u>(8,317,483)</u>	<u>\$ 319,192</u>
<b>Reconciliation to GAAP basis of accounting</b>				
Capital outlay capitalized			4,788,254	
Debt principal payments			3,917,362	
Developer donated assets			190,880	
Depreciation expense			<u>(118,496)</u>	
Change in Net Position			460,517	
Net Position, January 1			<u>5,190,470</u>	
Net Position, December 31			<u>\$ 5,650,987</u>	