

EDWARDS METROPOLITAN DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

C O N T E N T S

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	6
STATEMENT OF ACTIVITIES	7
BALANCE SHEET – GOVERNMENTAL FUNDS.....	8
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	11
NOTES TO FINANCIAL STATEMENTS.....	12
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND.....	24
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – SALES TAX REVENUE FUND	25



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Edwards Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Edwards Metropolitan District (the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund Edwards Metropolitan District, as of December 31, 2021, and the respective changes in financial position 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. 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 the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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



Board of Directors
Edwards Metropolitan District
Page Two

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
July 12, 2022

Edwards Metropolitan District

Management's Discussion and Analysis December 31, 2021

As management of Edwards Metropolitan District (the "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 are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the 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, liabilities and deferred inflows of resources, with the difference 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.

The governmental activity of the District is primarily financing the construction, operation, and maintenance of the basic public infrastructure within Edwards. There are no business-type activities within the District.

The government-wide financial statements can be found on pages 6 and 7 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. The District currently has two funds, the General Fund and Sales Tax Revenue Fund, which are governmental fund types.

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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities. The fund financial statements are contained on pages 9 and 11 of the 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 12 through 23 of this report.

Government-wide Financial Analysis

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for the fiscal years 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 4,266,561	\$ 2,838,092
Capital assets, net	1,149,491	1,167,096
Total Assets	<u>\$ 5,416,052</u>	<u>\$ 4,005,188</u>
Liabilities:		
Current liabilities	<u>\$ 36,160</u>	<u>\$ 26,708</u>
Deferred Inflows:		
Property taxes	<u>\$ 340,083</u>	<u>\$ 308,878</u>
Net Position:		
Net Investment in capital assets	\$ 1,149,491	\$ 1,167,096
Restricted for emergencies	49,845	45,995
Restricted for streets/transportation	1,203,937	662,401
Unrestricted	<u>2,636,536</u>	<u>1,794,110</u>
Total Net Position	<u><u>\$ 5,039,809</u></u>	<u><u>\$ 3,669,602</u></u>

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting the cost of the services. The following detail reflects the total cost of services supported by program revenues, sales tax revenues and general property taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2021 and 2020.

	<u>2021</u>	<u>2020</u>
General Revenues:		
Property & Sales taxes	\$ 1,642,577	\$ 1,512,698
Interest Income	18,919	19,957
Reimbursements & Miscellaneous	<u>11,461</u>	<u>11,611</u>
Total Revenues	<u>\$ 1,672,957</u>	<u>\$ 1,544,266</u>
Expenses:		
General government	\$ 138,477	\$ 171,298
Highways and streets	128,203	160,052
Culture & Recreation	<u>36,068</u>	<u>35,464</u>
Total Expenses	<u>\$ 302,750</u>	<u>\$ 366,814</u>
Change in net position	\$ 1,370,207	\$ 1,177,452
Net Position- Beginning	<u>3,669,602</u>	<u>2,492,150</u>
Net Position- Ending	<u><u>\$ 5,039,809</u></u>	<u><u>\$ 3,669,602</u></u>

Government-wide Financial Analysis. The District's overall financial position, as measured by net position, increased by \$1,370,207 due primarily to a surplus of property and sales taxes collected over expenses incurred. Sales and property taxes are continuing to be collected and retained in reserve for future projects. The sales tax funds are being collected, spent, and held in reserve for constructing, operating and maintaining streets, transportation, landscaping and safety protection improvements, including vehicular, bicycle, and pedestrian improvements to Edwards Access Road and Highway 6 within Edwards.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable 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 an ending fund balance of \$3,890,318 which reflects an increase of \$1,387,812. This increase is primarily the result of continued collection of sales and property taxes which are being held in reserve, primarily for future capital projects.

Budget variances in the General Fund. The District's actual total general fund expenditures were \$175,837 less than budget. The majority of this variance is attributable to capital outlays which have been deferred to future years. Additional details for the general and sales tax fund budget variances can be seen on Pages 23 and 24 of the financial statements.

Capital assets. The District's total capital assets before depreciation remained flat at \$1,260,516 while accumulated depreciation increased from \$93,420 to \$111,025. Additional information related to the capital assets is reflected in Note C on Page 19 of the financial statements.

Economic Factors and Next Year's Budget It is anticipated that COVID-19 will continue to have impacts on the economy as a whole which will include financial impacts to the District, however the extent of such impact continues to be unknown at this time.

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 Marchetti & Weaver, LLC 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

Edwards Metropolitan District
STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,684,665
Receivables	
Due from county treasurer	1,426
Property taxes receivable	340,083
Sales tax receivable	230,945
Interest receivable	4,310
Prepaid expenses	5,132
Capital assets	
Land	501,875
Water rights	207,781
Buildings, net	360,332
Road improvements, net	79,503
Total Assets	5,416,052
LIABILITIES	
Accounts payable	36,160
Total Liabilities	36,160
DEFERRED INFLOWS OF RESOURCES	
Property taxes	
Total Deferred Inflows of Resources	340,083
Total Liabilities and Deferred Inflows of Resources	376,243
NET POSITION	
Net investment in capital assets	1,149,491
Restricted for emergencies	49,845
Restricted for streets, safety protection, and transportation	1,203,937
Unrestricted	2,636,536
Total Net Position	\$ 5,039,809

The accompanying notes are an integral part of this statement.

Edwards Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Function/Programs	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 138,479	\$ -	\$ 11,461	\$ -	\$ (127,018)
Public works	128,203	-	-	-	(128,203)
Culture and recreation	36,068	-	-	-	(36,068)
Total governmental activities	<u>\$ 302,750</u>	<u>\$ -</u>	<u>\$ 11,461</u>	<u>\$ -</u>	<u>(291,289)</u>
General revenues:					
Property taxes					325,979
Sales tax					1,316,598
Interest income					18,919
Total general revenues					<u>1,661,496</u>
Change in net position					<u>1,370,207</u>
Net position - beginning					3,669,602
Net position - ending					<u>\$ 5,039,809</u>

The accompanying notes are an integral part of this statement.

Edwards Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General	Sales Tax Revenue	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,711,673	\$ 972,992	\$ 3,684,665
Receivables			
Due from county treasurer	1,426	-	1,426
Property taxes receivable	340,083	-	340,083
Sales tax receivable	-	230,945	230,945
Interest and other receivable	4,310	-	4,310
Prepaid expenses	5,132	-	5,132
Total Assets	<u>3,062,624</u>	<u>1,203,937</u>	<u>4,266,561</u>
LIABILITIES			
Accounts payable	36,160	-	36,160
Total Liabilities	<u>36,160</u>	<u>-</u>	<u>36,160</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	340,083	-	340,083
Total Deferred Inflows of Resources	<u>340,083</u>	<u>-</u>	<u>340,083</u>
Total Liabilities and Deferred Inflows of Resources	<u>376,243</u>	<u>-</u>	<u>376,243</u>
FUND EQUITY			
Nonspendable - prepaid expenses	5,132	-	5,132
Restricted for emergencies	49,845	-	49,845
Restricted for streets, safety protection, and transportation	-	1,203,937	1,203,937
Unassigned	2,631,404	-	2,631,404
Total Fund Equity	<u>\$ 2,686,381</u>	<u>\$ 1,203,937</u>	<u>\$ 3,890,318</u>

The accompanying notes are an integral part of this statement.

Edwards Metropolitan District

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$ 3,890,318
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>1,149,491</u>
Net Position of Governmental Activities	<u><u>\$ 5,039,809</u></u>

The accompanying notes are an integral part of this statement.

Edwards Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2021

	General	Sales Tax Revenue	Total Governmental Funds
Revenues			
Property and specific ownership taxes	\$ 325,977	\$ -	\$ 325,977
Sales tax	-	1,316,598	1,316,598
Reimbursements	11,443	-	11,443
Interest income	14,773	4,146	18,919
Miscellaneous income	18	-	18
Total revenues	<u>352,211</u>	<u>1,320,744</u>	<u>1,672,955</u>
Expenditures			
Current			
General government	75,785	62,692	138,477
Public works	-	84,400	84,400
Culture and recreation	20,735	-	20,735
Capital outlay	9,415	32,116	41,531
Total expenditures	<u>105,935</u>	<u>179,208</u>	<u>285,143</u>
Excess of Revenues Over (Under) Expenditures	246,276	1,141,536	1,387,812
Other financing sources (uses)			
Transfers in (out)	600,000	(600,000)	-
Total other financing sources (uses)	<u>600,000</u>	<u>(600,000)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	846,276	541,536	1,387,812
Fund Balance - January 1	<u>1,840,105</u>	<u>662,401</u>	<u>2,502,506</u>
Fund Balance - December 31	<u>\$ 2,686,381</u>	<u>\$ 1,203,937</u>	<u>\$ 3,890,318</u>

The accompanying notes are an integral part of this statement.

Edwards Metropolitan District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Governmental Funds	\$ 1,387,812
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was more than capitalized outlays in the current period (\$17,605 - \$0).	<u>(17,605)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,370,207</u></u>

The accompanying notes are an integral part of this statement.

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Edwards Metropolitan District (the “District”) is a quasi-municipal corporation formed in 1980 to provide water, street improvements, safety protection, transportation services and fire protection services within its boundaries. The District is governed by a five-member Board of Directors elected by the property owners and residents. Fire protection services are provided by Eagle River Fire Protection District and water services are provided by Upper Eagle Regional Water Authority.

The financial statements of the District have been prepared in accordance 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 only governmental activities.

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, deferred outflows of resources as well as long-term debt, obligations and deferred inflows of resources. The District's net position is reported in three parts: net investment in capital assets; various restricted net position; and unrestricted net position.

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

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. At this time the District only uses governmental 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Sales Tax Revenue Fund – This fund is used to account for sales tax revenue that is restricted for the use of streets, safety protection, and transportation.

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 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 within 60 days of year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

6. Government-wide Net Position

- *Net investment in capital assets*—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- *Restricted net position*—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (those who may donate to the District less related liabilities and deferred inflows of resources).

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- *Unrestricted*—all other net position is reported in this category.

7. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

8. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

9. Property Taxes

Property taxes are not due and payable until after the assessment year has ended, and are not included in the budget or Statement of Revenues, Expenditures, and Changes in Fund Balance of the assessment year. Property taxes are recorded as deferred revenue in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected. Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Sales Tax

The District imposed a sales tax, beginning January 1, 2017, of 1% on the sale of tangible personal property at retail and on the furnishing of services that are subject to Colorado State sales taxes. Sales taxes are collected on behalf of the District by the State in the month following the initial collection of sales taxes from the consumer. The sales taxes are remitted to the District the month following collection by the State.

11. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair 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 assets' lives are not capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5,000.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Estimated lives	
Road improvements	40 years
Buildings	30 years

Costs related to the construction of assets including engineering, legal, surveying and landscaping that are incurred from the beginning of construction until the assets are substantially complete are capitalized.

12. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

13. Use of Estimates

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

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. 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 budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (“GAAP”).

As required by the Colorado statutes, the District followed by the following timetable in approving and enacting a budget for the ensuing years:

- (1) For the 2021 budget year, prior to August 25, 2020, the County Assessor sent the District the assessed valuation of all taxable property within the District’s boundaries.
- (2) On or before October 15, 2020, the District’s accountant submitted 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 held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2021 budget, prior to December 15, 2020, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2021 budget, the final budget and appropriating resolution was adopted prior to December 31, 2020.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end. No supplemental appropriations were made during 2021.

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2021, the District had cash deposits of \$1,428,675 all of which was covered by federal depository insurance.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agency, 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 its name, or in custody of a third party on behalf of the local government.

As of December 31, 2021, the District had \$2,256,201 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor’s AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. Colotrust operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

The composition, including level under the GASB Statement No. 72 fair value hierarchy, where applicable, of all cash and investments held by the District as of December 31, 2021 is as follows:

	<u>Amounts</u>	<u>Maturities</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
Checking	\$ 39,350		
Money market	164,114		
Colotrust	2,256,201		
Certificates of deposit (Level 1)	<u>1,225,000</u>	245,000	980,000
	<u>\$ 3,684,665</u>		

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – CASH AND INVESTMENTS – CONTINUED

Cash and investments as of December 31, 2021 are as follows:

Cash and cash equivalents	\$ 203,464
Investments	<u>3,481,201</u>
	<u>\$ 3,684,665</u>

NOTE C – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Water rights	\$ 207,781	\$ —	\$ —	\$ 207,781
Land	<u>501,875</u>	<u>—</u>	<u>—</u>	<u>501,875</u>
Total capital assets not being depreciated	<u>709,656</u>	<u>—</u>	<u>—</u>	<u>709,656</u>
Capital assets being depreciated				
Buildings	459,997	—	—	459,997
Road improvements	<u>90,863</u>	<u>—</u>	<u>—</u>	<u>90,863</u>
Total capital assets being depreciated	<u>550,860</u>	<u>—</u>	<u>—</u>	<u>550,860</u>
Less accumulated depreciation for:				
Buildings	84,332	15,333	—	99,665
Road improvements	<u>9,088</u>	<u>2,272</u>	<u>—</u>	<u>11,360</u>
	<u>93,420</u>	<u>17,605</u>	<u>—</u>	<u>111,025</u>
Total capital assets being depreciated, net	<u>457,440</u>	<u>(17,605)</u>	<u>—</u>	<u>439,835</u>
Governmental activities capital assets, net	<u>\$ 1,167,096</u>	<u>\$ (17,605)</u>	<u>\$ —</u>	<u>\$ 1,149,491</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Highways and streets	\$ 2,272
Culture and recreation	<u>15,333</u>
Total depreciation expense – governmental activities	<u>\$ 17,605</u>

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D – 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, 2021 (latest information available) is as follows:

Assets	\$ <u>68,195,261</u>
Liabilities	\$ 46,165,251
Surplus	<u>22,030,010</u>
	\$ <u>68,195,261</u>
Revenue	\$ 24,889,624
Investment income and other	<u>482,027</u>
Total revenue	25,371,651
Expenses	<u>25,123,490</u>
Excess of revenues over (under) expenses	\$ <u>248,161</u>

NOTE E – 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 irrevocable and held for payments in future years.

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – TABOR AMENDMENT

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 \$49,845 was required.

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.

NOTE G – INTERGOVERNMENTAL AGREEMENTS

Upper Eagle Regional Water Authority:

The District is a participant in the Upper Eagle Regional Water Authority (the “Authority”). The Authority was formed pursuant to an establishing contract on September 18, 1984, by the following quasi-municipal corporations (“Districts”) and the Town of Avon (“Town”) located in Eagle County, Colorado (Contracting Parties):

Arrowhead Metropolitan District
Town of Avon
Beaver Creek Metropolitan District
Berry Creek Metropolitan District
Eagle-Vail Metropolitan District
Edwards Metropolitan District

The purposes of the Authority are to supply water for domestic and other public and private purposes; to provide all necessary water diversion works, reservoirs, treatment works and facilities, equipment and appurtenances incident thereto; to effect the development of water resources, systems or facilities, in whole or in part, for the use and benefit of the Contracting Parties, their inhabitants, and others; and to provide efficient, effective, and reliable water service.

The Authority is to remain in effect until it has no bonds, notes or other obligations outstanding and the Contracting Parties unanimously consent to its dissolution.

The term of the underlying Authority Agreement shall be ten (10) years ending on December 31, 2023, but such term shall be subject to automatic renewal and extension for successive ten (10) year terms thereafter unless all of the Contracting Parties unanimously approve changes to this Authority Agreement during any extended term, to be effective on the first day of the extended term, including provision for payment of all bonds, notes and other obligations outstanding in accordance with their terms. At December 31, 2021, the Authority had debt with maturities through the year 2042.

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – INTERGOVERNMENTAL AGREEMENTS – CONTINUED

Upper Eagle Regional Water Authority – Continued:

Dissolution of the Authority requires the unanimous consent of the Contracting Parties and provision for a successor entity that will continue to provide service to the water service customers. Any provision for dissolution shall provide either that all the Authority's financial obligations be paid in full or that funds sufficient for the payment of the Authority's obligations be placed in escrow.

Upon dissolution without conveyance of all water rights and assets to a successor entity, the interest in the net position of the Authority including interests in unallocated water rights shall be distributed to each contracting party in proportion to the average annual amount of treated water sold within the boundaries of each Contracting Party.

The Contracting Parties (including the District) and other parties served by contract have previously conveyed to the Authority their individual water systems, except for certain golf course water systems, raw water storage and raw water irrigation systems, subject to existing agreements between the Authority and any Contracting Party. The customers of the Contracting Parties thereby became water service customers of the Authority. The Authority shall make Rules and Regulations concerning the operation of the Authority's Water System. These water systems were accepted by the Authority in "as is" condition and (subject to any contract obligations) all future maintenance, repair and upgrade expenses became the obligations of the Authority, and not the obligations of the Contracting Parties or the third party served by contract. In connection therewith, on February 19, 2015 the District adopted a resolution terminating collection of any future water tap fees by the District.

The Contracting Parties have leased and/or conveyed to the Authority all of the Contracting Parties' right, title and interests in and to the Contracting Parties' water rights, including the right to use all diversion ditches, pipelines, headgates and structures, reservoirs or other storage structures, pumps, casings, and other improvements and easements associated or used in connection with the water rights, for the Authority's use in carrying out its functions and providing water service.

A summary of audited financial information for the Authority as of and for the year ended December 31, 2020 (the latest information available) is as follows:

Assets:	
Current and other	\$ 46,635,412
Property and equipment	79,548,908
Deferred Outflows	<u>442,751</u>
Total Assets and Deferred Outflows	<u>\$126,627,071</u>

Edwards Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – INTERGOVERNMENTAL AGREEMENTS – CONTINUED

Upper Eagle Regional Water Authority – Continued:

Liabilities and Net Position:

Current and other	\$ 3,882,506
Long-term debt	59,439,496
Net position	<u>63,305,069</u>
Total Liabilities and Net Position	<u>\$ 126,627,071</u>

Operations:

Operating revenue	\$ 13,273,780
Operating expense	<u>14,735,970</u>
Operating (Loss)	(1,462,190)
Non-operating revenue (expense), net	<u>(708,391)</u>
Net Income (Loss)	(2,170,581)
Capital contributions	4,167,494
Net Position – Beginning	<u>61,308,156</u>
Net Position – Ending	<u>\$ 63,305,069</u>

REQUIRED SUPPLEMENTARY INFORMATION

Edwards Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 308,878	\$ 309,051	\$ 173
Specific ownership taxes	15,135	16,926	1,791
Reimbursements	11,443	11,443	-
Interest income	4,599	14,773	10,174
Miscellaneous income	-	18	18
Total revenues	<u>340,055</u>	<u>352,211</u>	<u>12,156</u>
Expenditures			
Current			
General government			
Insurance	4,345	4,178	167
Accounting and audit	80,631	74,684	5,947
Legal	15,300	3,711	11,589
Treasurer's fees	10,469	9,287	1,182
Administration	40,399	32,673	7,726
Maintenance	10,161	13,944	(3,783)
Overhead allocation	(75,571)	(62,692)	(12,879)
Culture and recreation	21,038	20,735	303
Contingency	40,000	-	40,000
Capital outlay	135,000	9,415	125,585
Total expenditures	<u>281,772</u>	<u>105,935</u>	<u>175,837</u>
	Excess of Revenues		
	Over (Under) Expenditures		58,283
	58,283	246,276	187,993
Other financing sources (uses)			
Transfers in	600,000	600,000	-
Total other financing sources (uses)	<u>600,000</u>	<u>600,000</u>	<u>-</u>
	Excess of Revenues and Other		
	Financing Sources Over (Under)		
	Expenditures and Other Financing Uses		658,283
	658,283	846,276	187,993
Fund Balance - January 1	1,838,961	1,840,105	1,144
Fund Balance - December 31	<u>\$2,497,244</u>	<u>\$2,686,381</u>	<u>\$ 189,137</u>

Edwards Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SALES TAX REVENUE FUND

Year ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales tax revenue	\$ 1,165,484	\$ 1,316,598	\$ 151,114
Interest income	2,925	4,146	1,221
Total revenues	<u>1,168,409</u>	<u>1,320,744</u>	<u>152,335</u>
Expenditures			
Current			
General government	75,571	62,692	12,879
Public works	98,003	84,400	13,603
Capital outlay	<u>405,000</u>	<u>32,116</u>	<u>372,884</u>
Total expenditures	<u>578,574</u>	<u>179,208</u>	<u>399,366</u>
Excess of Revenues Over (Under) Expenditures			
	589,835	1,141,536	551,701
Other financing sources (uses)			
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	(10,165)	541,536	551,701
Fund Balance - January 1	584,990	662,401	77,411
Fund Balance - December 31	<u>\$ 574,825</u>	<u>\$ 1,203,937</u>	<u>\$ 629,112</u>