



EDWARDS
COLORADO

Metropolitan District

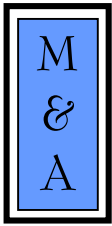
Financial Statements

December 31, 2023

**Edwards Metropolitan District
Financial Statements
December 31, 2023**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Edwards Metropolitan District
Edwards, Colorado**

Report on the Audit of the Financial Statements

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Edwards Metropolitan District

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 U.S. 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 U.S. 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 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 in Section B 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.

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Edwards Metropolitan District**

Required Supplementary Information (continued)

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
June 20, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

EDWARDS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023

This management’s discussion and analysis of the Edwards Metropolitan District’s (“The District”) financial statements provides an overview of the District’s financial activities for the fiscal year ended December 31, 2023. The intent of this discussion and analysis is to look at the District’s financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader’s understanding of the District’s overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the District government, reporting the District’s operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader’s understanding of the financial statements.

Government-wide Statements

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District’s *net position* and changes in them. The District’s net position– the difference between assets, deferred outflows, liabilities and deferred inflows– is one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District’s property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant funds – not the District as a whole. The District’s major governmental funds include the General Fund and the Debt Service Fund. Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

EDWARDS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023

Governmental funds – The District’s activity is reported as a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term view* of the District’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements.

THE DISTRICT AS A WHOLE

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 2023 and 2022.

	2023	2022
Assets:		
Current and other assets	6,333,210	5,921,195
Capital assets, net	2,610,237	1,131,886
Total Assets	8,943,447	7,053,081
Liabilities:		
Current liabilities	189,359	71,609
Deferred Inflow of Resources:		
Property tax revenue	338,156	336,299
Net Position:		
Net investment in capital assets	2,610,237	1,131,886
Restricted for emergencies	73,776	64,196
Restricted for streets, safety, and transportation	1,814,859	1,888,182
Unrestricted	3,917,060	3,560,909
Total Net Position	8,415,932	6,645,173

The District’s primary assets are cash, investments, and capital assets which have been financed with sales tax revenues. Net position of the District increased by \$1,770,759 in 2023, due to increased sales tax revenue and interest income, coupled with expenditures being lower than budgeted across both the General Fund and Sales Tax fund.

EDWARDS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023

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 and general property taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2023 and 2022.

	<u>2023</u>	<u>2022</u>
General Revenues:		
Property taxes	334,587	358,725
Sales tax	1,795,359	1,702,518
Specific ownership tax	19,279	-
Interest income	260,141	78,641
Operating grants and contributions	49,838	11,583
Total Revenues	<u>2,459,204</u>	<u>2,151,467</u>
Expenses:		
General government	237,793	371,002
Public works	384,179	92,356
Culture and recreation	66,473	82,745
Total Expenses	<u>688,445</u>	<u>546,103</u>
Change in net position	1,770,759	1,605,364
Net Position- Beginning	6,645,173	5,039,809
Net Position- Ending	<u>8,415,932</u>	<u>6,645,173</u>

The District's primary source of revenues is sales taxes. The District implemented a 1.0% sales tax on January 1, 2017, on sales of tangible personal property at retail and on the furnishing of services that are subject to Colorado State sales taxes. These revenues are used to pay the cost of financing, constructing, operating, and maintaining streets, transportation, landscaping and safety protection improvements. The District operated at a surplus in 2023 and 2022.

THE DISTRICT'S FUNDS

The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The fund level financial statements are reported on the modified accrual basis of accounting.

At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, inflows from operating loans are presented as a revenue item while outflows for capital outlay and debt service payments are presented as an expenditure item, as these items represent current period financial resources and uses.

The General Fund ending fund balance increased by \$365,731 from December 31, 2022 to December 31, 2023. This is mainly due to operating at a surplus for the year resulting from higher than expected interest income and the District not needing to spend funds budgeted for contingencies.

The Sales Tax Fund ending fund balance decreased by \$73,323 from December 31, 2022 to December 31, 2023. This is mainly due to significant capital projects during the year.

EDWARDS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget comparison is reflected on page E1 of this report. It shows that during 2023 the District's General Fund earned \$68,781 more in revenues than budgeted, mostly due to increased yields on cash and investments. The District expended \$57,724 less than budgeted. This is mostly due to the District budgeting significant amount for election expenses in 2023 that went unspent due to an uncontested election.

SALES TAX FUND BUDGETARY HIGHLIGHTS

The Sales Tax Fund budget comparison is reflected on page F1 of this report. It shows that during 2023 the District's Sales Tax Fund earned \$163,227 more in revenues than budgeted, due to increased interest income, higher than budgeted sales tax revenue, and unbudgeted contributions related to the District's Miller Ranch lighting project. The District expended \$1,290,237 less than budgeted. This is mostly due to the District budgeting a significant amount for repairs and maintenance that went unspent. This budget underage was partially offset by increases in capital expenditures.

CAPITAL ASSETS

At the beginning of 2023, the District had a total of \$1,260,516 invested in capital assets. During 2023, the District invested an additional \$1,507,618 in capital assets before accumulated depreciation, bringing the total to \$2,768,134. The District had no capital asset disposals during 2023. The detailed capital asset categories can be seen in *Note III (B), Capital Assets* on page D9 of this report.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the Edwards Metropolitan District Manager, c/o Marchetti & Weaver, LLC., 28 2nd St Unit 213, Edwards, CO 81632, Telephone (970) 926-6060, email: admin@mwcpaa.com.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Edwards Metropolitan District
Statement of Net Position
December 31, 2023**

Assets:

Cash and cash equivalents	5,687,716
Amounts due from Eagle County	1,407
Property taxes receivable	338,156
Sales tax receivable	286,658
Other receivables	13,180
Prepaid expenses	6,093
Capital assets, net	<u>2,610,237</u>
Total Assets	<u><u>8,943,447</u></u>

Liabilities:

Current liabilities due in less than one year:	
Accounts payable	<u>189,359</u>
Total Liabilities	<u><u>189,359</u></u>

Deferred Inflow of Resources:

Property tax revenue	<u>338,156</u>
Total Deferred Inflow of Resources	<u><u>338,156</u></u>

Net Position:

Net investment in capital assets	2,610,237
Restricted for emergencies	73,776
Restricted for streets, safety, and transportation	1,814,859
Unrestricted	<u>3,917,060</u>
Total Net Position	<u><u>8,415,932</u></u>

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

Edwards Metropolitan District
Statement of Activities
For the Year Ended December 31, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Governmental activities:				
General government	237,793	-	-	(237,793)
Public works	384,179	40,000	-	(344,179)
Culture and recreation	66,473	9,838	-	(56,635)
Total primary government	688,445	49,838	-	(638,607)
General revenues:				
Taxes:				
Property tax				334,587
Specific ownership tax				19,279
Sales tax				1,795,359
Interest income				260,141
Total General Revenues				<u>2,409,366</u>
Change in Net Position				<u>1,770,759</u>
Net Position - Beginning				<u>6,645,173</u>
Net Position - Ending				<u><u>8,415,932</u></u>

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

**Edwards Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Sales Tax</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	4,159,515	1,528,201	5,687,716
Amounts due from Eagle County	1,407	-	1,407
Property taxes receivable	338,156	-	338,156
Sales tax receivable	-	286,658	286,658
Other receivables	13,180	-	13,180
Prepaid expenses	6,093	-	6,093
Total Assets	<u>4,518,351</u>	<u>1,814,859</u>	<u>6,333,210</u>
Liabilities, Deferred Inflow of Resources, and			
Liabilities:			
Accounts payable	189,359	-	189,359
Total Liabilities	<u>189,359</u>	<u>-</u>	<u>189,359</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	338,156	-	338,156
Total Deferred Inflow of Resources	<u>338,156</u>	<u>-</u>	<u>338,156</u>
Fund Balances:			
Nonspendable	6,093	-	6,093
Restricted for streets, safety, and transportation	-	1,814,859	1,814,859
Restricted for emergencies	73,776	-	73,776
Unassigned	3,910,967	-	3,910,967
Total Fund Balances	<u>3,990,836</u>	<u>1,814,859</u>	<u>5,805,695</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>4,518,351</u>	<u>1,814,859</u>	<u>6,333,210</u>

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

**Edwards Metropolitan District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023**

Governmental Funds Total Fund Balance 5,805,695

Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds.

Details of these amounts are as follows:

Capital assets	2,768,134	
Accumulated depreciation	<u>(157,897)</u>	
		<u>2,610,237</u>

Net Position of Governmental Activities 8,415,932

**Edwards Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023**

	<u>General</u>	<u>Sales Tax</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	334,587	-	334,587
Specific ownership taxes	19,279	-	19,279
Sales tax	-	1,795,359	1,795,359
Reimbursements from others	-	40,000	40,000
Other income	9,838	-	9,838
Interest	178,413	81,728	260,141
Total Revenues	<u>542,117</u>	<u>1,917,087</u>	<u>2,459,204</u>
Expenditures:			
General government	109,913	98,613	208,526
Public works	-	178,643	178,643
Culture and recreation	21,710	-	21,710
Capital outlay	44,763	1,713,154	1,757,917
Total Expenditures	<u>176,386</u>	<u>1,990,410</u>	<u>2,166,796</u>
Excess (Deficiency) of Revenues over Expenditures	<u>365,731</u>	<u>(73,323)</u>	<u>292,408</u>
Fund Balances - Beginning	<u>3,625,105</u>	<u>1,888,182</u>	<u>5,513,287</u>
Fund Balances - Ending	<u><u>3,990,836</u></u>	<u><u>1,814,859</u></u>	<u><u>5,805,695</u></u>

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

**Edwards Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2023**

Net change in fund balances for total governmental funds 292,408

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Capital additions	1,507,618	
Depreciation expense	<u>(29,267)</u>	
		<u>1,478,351</u>

Change in Net Position of Governmental Activities 1,770,759

NOTES TO THE FINANCIAL STATEMENTS

**Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023**

I. Summary of Significant Accounting Policies

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, drinking water services are provided by Upper Eagle Regional Water Authority, and wastewater services are provided by Eagle River Water & Sanitation District.

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.

A. 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 appoint a voting majority of an organization's governing body and is either 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 discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

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

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. 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, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Sales Tax Fund* accounts for sales tax revenues approved by the District's electorate that are required to be used for streets, safety protection, and transportation.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. 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.

2. 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 soon enough thereafter (60 days) 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 general long-term debt, if any, is recognized when due.

Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2023.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

4. Sales Taxes

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.

5. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

**Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets (continued)

Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Roads and road improvements	40
Buildings	30
Equipment	5-15

6. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

7. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

**Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance (continued)

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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 Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2023:

- (1) For the 2023 budget year, prior to August 25, 2022, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2022, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2022, 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) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.

**Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)**

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (4) For the 2023 budget, prior to December 15, 2022, 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 2023 budget, the final budget and appropriating resolution was adopted prior to December 31, 2022.

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) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2022 were collected in 2023 and taxes certified in 2023 will be collected in 2024. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

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

B. 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 that 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 for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

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 debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$73,776, which is the approximate required reserve, at December 31, 2023.

Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

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.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$68,807 at year end.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and money market	Not rated	68,807	68,807	-
Certificates of deposit*	Not rated	735,000	-	735,000
<i>Investments:</i>				
Certificates of deposit**	Not rated	1,222,000	248,000	974,000
Investment pool	AAAm	<u>3,661,909</u>	<u>3,661,909</u>	<u>-</u>
		<u>5,687,716</u>	<u>3,978,716</u>	<u>1,709,000</u>

* *Non-negotiable*

** *Negotiable*

At December 31, 2023, the District had the following recurring fair value measurements.

Investments Measured at Fair Value	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of Deposit	1,222,000	-	1,222,000	-
Total	<u>1,222,000</u>	<u>-</u>	<u>1,222,000</u>	<u>-</u>

Investments Measured at Net Asset Value	Total
Colotrust	3,661,909
	<u>3,661,909</u>

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2023, the District's investments in COLOTRUST were 75% of the District's investment portfolio and certificates of deposit were 25% of the investment portfolio.

The District had invested \$3,661,909 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

B. Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2023, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	501,875	-	-	501,875
Water rights	207,781	-	-	207,781
Construction in progress	-	862,764	-	862,764
Capital assets being depreciated:				
Buildings	459,997	-	-	459,997
Road improvements	90,863	-	-	90,863
Lighting	-	644,854	-	644,854
Total capital assets	<u>1,260,516</u>	<u>1,507,618</u>	<u>-</u>	<u>2,768,134</u>
Less accumulated depreciation for:				
Buildings	(114,998)	(15,333)	-	(130,331)
Road improvements	(13,632)	(2,272)	-	(15,904)
Lighting	-	(11,662)	-	(11,662)
Total accumulated depreciation	<u>(128,630)</u>	<u>(29,267)</u>	<u>-</u>	<u>(157,897)</u>
Net Capital Assets	<u><u>1,131,886</u></u>	<u><u>1,478,351</u></u>	<u><u>-</u></u>	<u><u>2,610,237</u></u>

**Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)**

III. Detailed Notes on all Funds (continued)

B. Capital Assets

Depreciation expense and capital outlay expenditures are classified by function as follows:

	Capital Outlay	Depreciation Expense
Culture and recreation	1,507,618	26,995
Public works	-	2,272
	1,507,618	29,267

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

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

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. Any excess funds, which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2023 is as follows:

Assets	81,143,798
Liabilities	58,670,068
Capital and surplus	22,473,730
Total	81,143,798
Revenue	29,593,851
Underwriting expenses	31,416,477
Underwriting gain (loss)	(1,822,626)
Other income	1,695,393
Net income (loss)	(127,233)

Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Other Information (continued)

B. 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 and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2023.

C. 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 does not provide wastewater collection and treatment services, those are provided by Eagle River Water and Sanitation District.

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, 2023, the Authority had debt with maturities through the year 2042.

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.

Edwards Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Other Information (continued)

C. Intergovernmental Agreements (continued)

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, 2022 is as follows:

Upper Eagle Regional Water Authority	
Assets:	
Current	18,923,522
Other	8,795,577
Property and equipment	97,933,909
Total Assets	125,653,008
Deferred Outflow of Resources	395,941
Total Assets and Deferred Outflow of Resources	126,048,949
Liabilities and Net Position:	
Current	7,186,569
Long-term debt	57,919,367
Net position	60,943,013
Total Liabilities and Net Position	126,048,949
 Operations:	
Operating revenue	15,684,126
Operating expense	17,642,069
Operating income	(1,957,943)
Other income	255,586
Other expense	(1,886,814)
Net (loss)	(3,589,171)
Capital contributions	3,603,236
Net Position - Beginning	60,928,948
Net Position - Ending	60,943,013

REQUIRED SUPPLEMENTARY INFORMATION

Edwards Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Property taxes	336,299	334,587	(1,712)
Specific ownership taxes	16,479	19,279	2,800
Other income	11,931	9,838	(2,093)
Interest	108,627	178,413	69,786
Total Revenues	473,336	542,117	68,781
Expenditures:			
General government:			
Accounting and auditing	113,346	124,566	(11,220)
Insurance	4,625	4,560	65
Legal	10,000	10,878	(878)
Maintenance	16,240	6,299	9,941
Treasurer's fees	11,289	10,051	1,238
Administration - Other	84,213	52,172	32,041
Indirect Cost Allocation	(109,236)	(98,613)	(10,623)
Culture and recreation	23,633	21,710	1,923
Contingency	20,000	-	20,000
Capital expenditures	60,000	44,763	15,237
Total General Government Expenditures	234,110	176,386	57,724
Net Change in Fund Balance	239,226	365,731	126,505
Fund Balance - Beginning	3,620,889	3,625,105	4,216
Fund Balance - Ending	3,860,115	3,990,836	130,721

Edwards Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Sales Tax Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Sales tax	1,700,000	1,795,359	95,359
Reimbursements from others	-	40,000	40,000
Interest	53,860	81,728	27,868
Total Revenues	<u>1,753,860</u>	<u>1,917,087</u>	<u>163,227</u>
Expenditures:			
General government:	109,236	98,613	10,623
Public works:			
Repairs and maintenance	2,121,411	178,643	1,942,768
Capital expenditures	1,050,000	1,713,154	(663,154)
Total General Government Expenditures	<u>3,280,647</u>	<u>1,990,410</u>	<u>1,290,237</u>
Net Change in Fund Balance	(1,526,787)	(73,323)	1,453,464
Fund Balance - Beginning	<u>1,795,337</u>	<u>1,888,182</u>	<u>92,845</u>
Fund Balance - Ending	<u><u>268,550</u></u>	<u><u>1,814,859</u></u>	<u><u>1,546,309</u></u>