

Edgemont Ranch Metropolitan District

Financial Statements

Year Ended December 31, 2024

Edgemont Ranch Metropolitan District

Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities.....	9
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	11
Statement of Net Position - Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	13
Statement of Cash Flows - Proprietary Funds	14
Notes to the Financial Statements	15
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund - Budget and Actual	28
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund - Budget and Actual.....	29
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Water Fund - Budget and Actual.....	30
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Sewer Fund - Budget and Actual	31



www.mbecpa.com

Independent Auditor's Report

To the Board of Directors of
Edgemont Ranch Metropolitan District
Durango, CO

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Edgemont Ranch Metropolitan District (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Edgemont Ranch Metropolitan 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, the business-type activities, each major fund, and the aggregate remaining fund information of Edgemont Ranch Metropolitan District, as of December 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Edgemont Ranch Metropolitan District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Edgemont Ranch Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 opinion. 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, and *Government 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited) and schedule of revenues, expenditures and changes in fund balance – budget and actual information for each fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise Edgemont Ranch Metropolitan District's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actual for the debt service fund, for the water fund, and for the sewer fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Supplementary Information (continued)

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

MBE CPAs, LLP

Durango, CO
October 14, 2025

**Edgemont Ranch Metropolitan District
Management's Discussion and Analysis (Unaudited)
December 31, 2024**

Introduction

As management of Edgemont Ranch 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 year ended December 31, 2024. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The MD&A is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

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 statement consists of three components: 1) the government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the District as a Whole

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 of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, roads, and interest on long-term debt. The business-type activities of the District are water, wastewater and sewer utility services.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements:

A fund is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

**Edgemont Ranch Metropolitan District
Management’s Discussion and Analysis (Unaudited)
December 31, 2024**

Reporting the District as a Whole (continued)

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements and commitment of spendable resources for the near-term. The two governmental funds maintained by the District are the General Fund and the Debt Service Fund.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The basic governmental fund financial statements are found on pages 10 – 11 of this report.

The District adopts an annual appropriated budget for each fund as required by Colorado statutes. Budgetary comparison statements have been provided to demonstrate compliance with these budgets. A General Fund comparison of budget to actual is on page 28.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 27 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information consisting of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Debt Service Fund, Water Fund and Sewer Fund, which can be found on pages 29 through 31 of this report.

Government-Wide Financial Analysis

The following table provides condensed financial information derived from the government-wide financial statements for the years ended December 31, 2024 and 2023 to show the changing net position of the District. The District’s net position at the end of 2024 is \$20,586,404 (page 8).

**Edgemont Ranch Metropolitan District
Management's Discussion and Analysis (Unaudited)
December 31, 2024**

Government-Wide Financial Analysis (continued)

	Governmental Net Position				Business-Type Net Position				Total	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change	2024	2023
Assets										
Current and other assets	\$ 1,423,887	\$ 1,317,458	\$ 106,429	8%	\$ 1,643,032	\$ 1,871,689	\$ (228,657)	-12%	\$ 3,066,919	\$ 3,189,147
Capital assets	7,031,240	7,082,614	(51,374)	-1%	18,057,872	18,175,511	(117,639)	-1%	25,089,112	25,258,125
Total Assets	8,455,127	8,400,072	55,055	1%	19,700,904	20,047,200	(346,296)	-2%	28,156,031	28,447,272
Liabilities										
Current and other liabilities	17,385	39,650	(22,265)	-56%	276,173	324,589	(48,416)	-15%	293,558	364,239
Long-term liabilities	6,352	-	6,352	100%	6,914,466	7,104,653	(190,187)	100%	6,920,818	7,104,653
Total Liabilities	23,737	39,650	(15,913)	-40%	7,190,639	7,429,242	(238,603)	-3%	7,214,376	7,468,892
Deferred Inflows of Resources										
Deferred property tax revenue	355,251	364,897	(9,646)	-3%	-	-	-	0%	355,251	364,897
Total Deferred Inflows of Resources	355,251	364,897	(9,646)	-3%	-	-	-	0%	355,251	364,897
Net Position										
Net investment in capital assets	7,031,240	7,057,275	(26,035)	0%	10,953,219	10,811,275	141,944	1%	17,984,459	17,868,550
Restricted for declared emergencies	13,944	13,446	498	4%	-	-	-	0%	13,944	13,446
Restricted for road maintenance	149,960	272,917	(122,957)	-45%	-	-	-	0%	149,960	272,917
Unrestricted	880,995	651,887	229,108	35%	1,557,046	1,806,683	(249,637)	-14%	2,438,041	2,458,570
Total Net Position	\$ 8,076,139	\$ 7,995,525	\$ 80,614	1%	\$ 12,510,265	\$ 12,617,958	\$ (107,693)	-1%	\$ 20,586,404	\$ 20,613,483

Note that 83% of the governmental funds total assets are tied up in capital assets, comprised mainly of roads and equipment to maintain them. The business-type funds have 92% of total assets tied up in capital assets. These capital assets are comprised mainly of water / sewer infrastructure and treatment plants to serve residents.

The District has maintained a positive balance in all funds. Net position in governmental activities increased by \$80,614 and decreased by \$107,693 in business-type activities, for a total decrease of \$27,079. The increase in governmental activities comes mainly from tax revenue and fees to maintain roads. In 2024 arrangements for developer donated assets expired which led to a decrease in net assets year over year when compared to 2023.

The table below compares the District's Activities for 2024 and 2023 and summarizes the District's net position.

	Governmental Activities				Business-Type Activities				Total	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change	2024	2023
Revenues										
Program revenues:										
General government	\$ 33,638	\$ 32,944	\$ 694	2%	\$ -	\$ -	\$ -	0%	\$ 33,638	\$ 32,944
Roads	102,899	67,544	35,355	52%	-	-	-	0%	102,899	67,544
Water	-	-	-	0%	678,398	667,001	11,397	2%	678,398	667,001
Sewer	-	-	-	0%	951,048	924,584	26,464	3%	951,048	924,584
General revenues:										
Property taxes	413,723	370,603	43,120	12%	-	-	-	0%	413,723	370,603
Miscellaneous	6,071	10,736	(4,665)	-43%	-	980	(980)	-100%	6,071	11,716
Developer donated assets	-	502,898	(502,898)	-100%	-	424,584	(424,584)	-100%	-	927,482
Interest income	42,115	28,960	13,155	45%	68,767	51,747	17,020	33%	110,882	80,707
Gain (loss) on disposition of capital assets	(4,475)	-	(4,475)	-100%	(151,092)	-	(151,092)	-100%	(155,567)	-
Total Revenues	593,971	1,013,685	(419,714)	-41%	1,547,121	2,068,896	(521,775)	-25%	2,141,092	3,082,581
Expenses										
General government	173,997	150,409	23,588	16%	-	-	-	0%	173,997	150,409
Roads	338,992	349,857	(10,865)	-3%	-	-	-	0%	338,992	349,857
Interest	368	2,189	(1,821)	-83%	-	-	-	0%	368	2,189
Water	-	-	-	0%	691,699	624,284	67,415	11%	691,699	624,284
Sewer	-	-	-	0%	963,115	973,701	(10,586)	-1%	963,115	973,701
Total Expenses	513,357	502,455	10,902	2%	1,654,814	1,597,985	56,829	4%	2,168,171	2,100,440
Change in Net Position	80,614	511,230	(430,616)	-84%	(107,693)	470,911	(578,604)	-123%	(27,079)	982,141
Net Position - Beginning	7,995,525	7,484,295	511,230	7%	12,617,958	12,147,047	470,911	4%	20,613,483	19,631,342
Net Position - Ending	\$ 8,076,139	\$ 7,995,525	\$ 80,614	1%	\$ 12,510,265	\$ 12,617,958	\$ (107,693)	-1%	\$ 20,586,404	\$ 20,613,483

**Edgemont Ranch Metropolitan District
Management's Discussion and Analysis (Unaudited)
December 31, 2024**

Government-Wide Financial Analysis (continued)

Governmental Fund Balances:

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,051,251, an increase of \$107,935 from the prior year (page 11). Of the fund balance, \$10,372 is non-spendable because it consists of prepaid expenses. Restricted fund balance is \$13,944, meaning it is not available for new spending because it has already been committed for emergencies under the Taxpayers' Bill of Rights (TABOR). In addition, \$149,960 is restricted for future road maintenance and \$100,310 is restricted for debt service. The remaining \$776,665 is unassigned and is available for spending in future years.

Proprietary funds:

The District's proprietary fund statements (pages 12-14) provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the proprietary funds totaled \$12,510,265 at the end of 2024 as compared to \$12,617,958 at the end of 2023. As of December 31, 2024, \$10,953,219 of this balance was invested in capital assets net of related debt and \$1,557,046 was available for spending at the District's discretion.

Capital assets

The District invested \$686,789 in capital asset additions during 2024, of which \$510,663 were for proprietary funds. These additions include a new trailer, which was funded equally by all three funds. Additionally, the Sewer and Water Fund jointly funded a utility locator. The Sewer Fund acquired a headworks enclosure and a dump trailer. The water fund invested \$423,913 in equipment for the water treatment plant and the general fund invested \$159,090 for road replacement. Depreciation expense of \$700,236 was recognized in 2024. Additional information, as well as a detailed classification of the District's net capital assets, can be found in the Notes to the Financial Statements on pages 24 and 25 of this report.

Long-term debt

The District reduced its long-term debt obligations by \$284,922, bringing the 2024 year-end balances to \$0 in Governmental Activities and \$7,104,653 in Business-type Activities. Additional information can be found in the Notes to the Financial Statements on page 25 and 26 of this report.

Budget Variances

Details of the budget variances can be seen on page 29 for the debt service fund and pages 30-31 for the proprietary funds.

Request for Information

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

Edgemont Ranch Metropolitan District
Statement of Net Position
Government-Wide
As of December 31, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,042,594	\$ 1,370,222	\$ 2,412,816
Due from County Treasurer	2,761	-	2,761
Property taxes receivable	355,251	-	355,251
Other receivables, net	12,909	231,323	244,232
Prepaid expenses	10,372	41,487	51,859
Total Current Assets	1,423,887	1,643,032	3,066,919
Non-current Assets			
Capital assets			
Capital assets, not being depreciated	62,609	204,973	267,582
Capital assets, depreciated, net of accumulated depreciation	6,968,631	17,852,899	24,821,530
Total Non-current Assets	7,031,240	18,057,872	25,089,112
Total Assets	\$ 8,455,127	\$ 19,700,904	\$ 28,156,031
Liabilities			
Current Liabilities			
Accounts payable	\$ 11,626	\$ 24,966	\$ 36,592
Accrued payroll and benefits	5,759	20,108	25,867
Accrued interest payable	-	7,105	7,105
Unearned revenue	-	8,399	8,399
Current portion of long-term obligations	-	215,595	215,595
Total Current Liabilities	17,385	276,173	293,558
Non-Current Liabilities			
Accrued compensated absences	6,352	25,408	31,760
Long-term obligations, net of current portion	-	6,889,058	6,889,058
Total Non-Current Liabilities	6,352	6,914,466	6,920,818
Total Liabilities	23,737	7,190,639	7,214,376
Deferred Inflows of Resources			
Deferred property tax revenue	355,251	-	355,251
Total Deferred Inflows of Resources	355,251	-	355,251
Net Position			
Net investment in capital assets	7,031,240	10,953,219	17,984,459
Restricted for:			
Declared emergencies - TABOR amendment	13,944	-	13,944
Road maintenance	149,960	-	149,960
Debt service	100,310	-	100,310
Unrestricted	780,685	1,557,046	2,337,731
Total Net Position	8,076,139	12,510,265	20,586,404
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 8,455,127	\$ 19,700,904	\$ 28,156,031

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

Edgemont Ranch Metropolitan District
Statement of Activities
Government-Wide
For the Year Ended December 31, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges For Services</u>	<u>Net (Expense) Revenue and Change in Net Position</u>		
			<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental activities:					
General government	\$ 173,997	\$ 33,638	\$ (140,359)	\$ -	\$ (140,359)
Roads	338,992	102,899	(236,093)	-	(236,093)
Interest	368	-	(368)	-	(368)
Total governmental activities	<u>513,357</u>	<u>136,537</u>	<u>(376,820)</u>	<u>-</u>	<u>(376,820)</u>
Business-type activities:					
Water utility	691,699	678,398	-	(13,301)	(13,301)
Sewer utility	963,115	947,438	-	(15,677)	(15,677)
Total business-type activities	<u>1,654,814</u>	<u>1,625,836</u>	<u>-</u>	<u>(28,978)</u>	<u>(28,978)</u>
Total primary government	<u>\$ 2,168,171</u>	<u>\$ 1,762,373</u>	<u>(376,820)</u>	<u>(28,978)</u>	<u>(405,798)</u>
General revenues:					
Property taxes			365,629	-	365,629
Specific ownership taxes			33,387	-	33,387
State reimbursement SB22-238			14,707	-	14,707
Other expense rebates			-	3,610	3,610
Interest income			42,115	68,767	110,882
Miscellaneous			6,071	-	6,071
Gain (loss) on disposition of capital assets			(4,475)	(151,092)	(155,567)
Total general revenues:			<u>457,434</u>	<u>(78,715)</u>	<u>378,719</u>
Change in Net Position			80,614	(107,693)	(27,079)
Net Position - Beginning of Year			<u>7,995,525</u>	<u>12,617,958</u>	<u>20,613,483</u>
Net Position - End of Year			<u>\$ 8,076,139</u>	<u>\$ 12,510,265</u>	<u>\$ 20,586,404</u>

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

Edgemont Ranch Metropolitan District
Balance Sheet - Governmental Funds
As of December 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 942,653	\$ 99,941	\$ 1,042,594
Receivables			
Due from County Treasurer	2,392	369	2,761
Property taxes receivable	355,251	-	355,251
Other receivables, net	12,909	-	12,909
Prepaid expenses	10,372	-	10,372
Total Assets	<u>\$ 1,323,577</u>	<u>\$ 100,310</u>	<u>\$ 1,423,887</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	\$ 11,626	\$ -	\$ 11,626
Accrued payroll and benefits	5,759	-	5,759
Total Liabilities	<u>17,385</u>	<u>-</u>	<u>17,385</u>
Deferred Inflows of Resources			
Deferred property tax revenue	355,251	-	355,251
Total Deferred Inflows of Resources	<u>355,251</u>	<u>-</u>	<u>355,251</u>
Fund Balance			
Nonspendable - prepaid expenses	10,372	-	10,372
Restricted			
Declared emergencies - TABOR amendments	13,944	-	13,944
Road maintenance	149,960	-	149,960
Debt service	-	100,310	100,310
Unassigned	776,665	-	776,665
Total Fund Balance	<u>950,941</u>	<u>100,310</u>	<u>1,051,251</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,323,577</u>	<u>\$ 100,310</u>	<u>\$ 1,423,887</u>
Total Fund Balance (Above)			\$ 1,051,251
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets are not financial resources and are therefore not reported in the funds			7,031,240
Long-term obligations are not payable in the current period and are therefore not reported in the funds			<u>(6,352)</u>
Net Position of Governmental Activities			<u>\$ 8,076,139</u>

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

**Edgemont Ranch Metropolitan District
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2024**

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 339,208	\$ 26,421	\$ 365,629
Specific ownership taxes	30,707	2,680	33,387
State reimbursement SB22-238	14,707	-	14,707
Fees	102,899	-	102,899
Lease	33,638	-	33,638
Miscellaneous	6,071	-	6,071
Interest income	42,115	-	42,115
Total Revenues	<u>569,345</u>	<u>29,101</u>	<u>598,446</u>
Expenditures			
Personnel	136,214	-	136,214
General governmental administrative	34,965	782	35,747
Roads	292,842	-	292,842
Debt Service	-	25,708	25,708
Total Expenditures	<u>464,021</u>	<u>26,490</u>	<u>490,511</u>
Net Change in Fund Balance	105,324	2,611	107,935
Fund Balance - Beginning of Year	<u>845,617</u>	<u>97,699</u>	<u>943,316</u>
Fund Balance - End of Year	<u>\$ 950,941</u>	<u>\$ 100,310</u>	<u>\$ 1,051,251</u>
Net Change in Fund Balance (Above)			\$ 107,935
Amounts reported for governmental activities in the statement of activities are different because:			
Principal payments of long-term obligations consumes current financial resources but do not affect net position			25,340
Changes in compensated absences does not consume current financial resources but affects net position			(1,286)
Revenues in the statement of activities that do not provide available current financial resources are not reported as revenues in the fund			(4,475)
Depreciation of capital assets does not consume current financial resources but affects net position			(223,026)
Capital assets acquired during the period consumes current financial resources but do not affect net position			176,126
Change in Net Position of Governmental Activities			<u>\$ 80,614</u>

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

Edgemont Ranch Metropolitan District
Statement of Net Position - Proprietary Funds
As of December 31, 2024

	Enterprise Funds		Total Enterprise Funds
	Water Utility	Sewer Utility	
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 1,370,222	\$ 1,370,222
Due from water fund	-	13,918	13,918
Accounts receivables (net)	93,637	137,686	231,323
Prepaid expenses and deposits	20,743	20,744	41,487
Total Current Assets	<u>114,380</u>	<u>1,542,570</u>	<u>1,656,950</u>
Capital Assets			
Sewer system	-	13,245,628	13,245,628
Water system	8,250,867	-	8,250,867
Water rights	170,575	-	170,575
Building	37,801	46,232	84,033
Equipment and vehicles	212,644	552,015	764,659
Construction in Progress	-	34,398	34,398
Accumulated depreciation	<u>(2,547,826)</u>	<u>(1,944,462)</u>	<u>(4,492,288)</u>
Total Capital Assets	<u>6,124,061</u>	<u>11,933,811</u>	<u>18,057,872</u>
Total Assets	<u>\$ 6,238,441</u>	<u>\$ 13,476,381</u>	<u>\$ 19,714,822</u>
Liabilities and Net Position			
Liabilities			
Current Liabilities			
Accounts payable	\$ 18,172	\$ 6,794	\$ 24,966
Accrued payroll and benefits	10,054	10,054	20,108
Accrued interest payable	-	7,105	7,105
Due to sewer fund	13,918	-	13,918
Long-term debt, current portion	-	215,595	215,595
Unearned revenue	3,383	5,016	8,399
Total Current Liabilities	<u>45,527</u>	<u>244,564</u>	<u>290,091</u>
Non-current Liabilities			
Compensated absences	12,704	12,704	25,408
Long-term debt	-	6,889,058	6,889,058
Total Non-current Liabilities	<u>12,704</u>	<u>6,901,762</u>	<u>6,914,466</u>
Total Liabilities	58,231	7,146,326	7,204,557
Net Position			
Net investment in capital assets	6,124,061	4,829,158	10,953,219
Unrestricted	56,149	1,500,897	1,557,046
Total Net Position	<u>6,180,210</u>	<u>6,330,055</u>	<u>12,510,265</u>
Total Liabilities and Net Position	<u>\$ 6,238,441</u>	<u>\$ 13,476,381</u>	<u>\$ 19,714,822</u>

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

**Edgemont Ranch Metropolitan District
Statement of Revenues, Expenses, and
Changes in Fund Net Position - Proprietary Funds
For the Year Ended December 31, 2024**

	Enterprise Funds		
	Water Utility	Sewer Utility	Total Enterprise Funds
Operating Revenues			
Sales and services	\$ 425,617	\$ 688,074	\$ 1,113,691
Maintenance fees	252,781	259,364	512,145
Total Operating Revenues	<u>678,398</u>	<u>947,438</u>	<u>1,625,836</u>
Operating Expenditures			
Treatment	196,327	115,025	311,352
Personnel	275,000	275,000	550,000
Depreciation	176,437	300,773	477,210
Administrative costs	43,700	45,532	89,232
Total Operating Expenditures	<u>691,464</u>	<u>736,330</u>	<u>1,427,794</u>
Operating Income (Loss)	(13,066)	211,108	198,042
Non-Operating Revenues (Expenses)			
Other expense rebates	-	3,610	3,610
Interest income	9,849	58,918	68,767
Gain (loss) on sale of assets	(7,059)	(144,033)	(151,092)
Interest expense	(235)	(226,785)	(227,020)
Total Non-Operating Revenues (Expenses)	<u>2,555</u>	<u>(308,290)</u>	<u>(305,735)</u>
Change in Net Position	(10,511)	(97,182)	(107,693)
Net Position - Beginning of Year	<u>6,190,721</u>	<u>6,427,237</u>	<u>12,617,958</u>
Net Position - End of Year	<u>\$ 6,180,210</u>	<u>\$ 6,330,055</u>	<u>\$ 12,510,265</u>

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

Edgemont Ranch Metropolitan District
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	Enterprise Funds		
	Water Utility	Sewer Utility	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 676,798	\$ 950,355	\$ 1,627,153
Cash paid to employees	(270,380)	(270,380)	(540,760)
Cash paid to suppliers	(235,462)	(166,741)	(402,203)
Net cash provided by (used in) operating activities	<u>170,956</u>	<u>513,234</u>	<u>684,190</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(443,837)	(66,826)	(510,663)
Due to Due From Other Funds	13,918	(13,918)	-
Interest paid	(235)	(219,680)	(219,915)
Debt principal payments	(50,443)	(209,140)	(259,583)
Net cash provided by (used in) capital and related financing activities	<u>(480,597)</u>	<u>(509,564)</u>	<u>(990,161)</u>
Cash flows from investing activities			
Interest income	9,849	58,918	68,767
Net cash provided by (used in) investing activities	<u>9,849</u>	<u>58,918</u>	<u>68,767</u>
Net increase (decrease) in cash and cash equivalents	(299,792)	62,588	(237,204)
Cash and cash equivalents, beginning of year	<u>299,792</u>	<u>1,307,634</u>	<u>1,607,426</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 1,370,222</u>	<u>\$ 1,370,222</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (13,066)	\$ 211,108	\$ 198,042
Add (deduct) items not affecting cash and cash equivalents			
Depreciation and amortization	176,437	300,773	477,210
Other expense rebates	-	3,610	3,610
(Increase) decrease in:			
Accounts receivable	277	2,189	2,466
Prepaid expenses	(5,506)	(5,507)	(11,013)
Increase (decrease) in:			
Accounts payable	10,071	(677)	9,394
Accrued payroll and benefits	2,048	2,048	4,096
Unearned revenue	(1,877)	(2,882)	(4,759)
Accrued compensated absences	2,572	2,572	5,144
Total changes from items not affecting cash and cash equivalents	<u>184,022</u>	<u>302,126</u>	<u>486,148</u>
Net cash provided by (used in) operating activities	<u>\$ 170,956</u>	<u>\$ 513,234</u>	<u>\$ 684,190</u>

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

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note A - Summary of Significant Accounting Policies

The Edgemont Ranch Metropolitan District (the “District”) was organized by judicial decree on July 13, 1983. The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized pursuant to the requirements of the Special District Act. The District was formed to provide certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within La Plata County, Colorado.

Reporting Entity

The governing body of the District is elected by the registered voters within the District and consists of a five-member board of directors. The governing body is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

Basis of Accounting and Presentation

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Government-Wide and Fund Financial Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Currently, the District has governmental and business-type activities.

Government-Wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debts and obligations. The District’s net position is reported as net investment in capital assets; restricted for emergencies, road maintenance, and debt; and unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note A - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues, and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has a General Fund and a Debt Service Fund, which are governmental funds, and a Water Fund and Sewer Fund, known as proprietary funds.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for debt service resources and transactions of the District except those accounted for in the proprietary funds.

Proprietary Funds – Proprietary funds account for operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the District has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Operating revenues and expenses for enterprise funds are those that result from providing services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major proprietary funds:

Water Fund – The Water Fund accounts for operations of the District's water treatment plant and distribution system.

Sewer Fund – The Sewer Fund accounts for the operations of the District's sewer treatment plant and collection system.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note A - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial resources focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted fund balances first.

The accrual basis of accounting is utilized in the proprietary fund type. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense and expenditures for property and equipment are shown as increases in assets.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value. The District follows the practice of pooling cash and cash equivalents of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in total cash.

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, when applicable. Management has reviewed factors relating to the collectability of the trade receivables at year end and have recorded an allowance for doubtful accounts of \$3,193 for the year ended December 31, 2024.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note A - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

<u>Asset</u>	<u>Years</u>
Road system	50
Street lights	20
Water system	50
Sewer system	50
Buildings	40
Equipment and vehicles	5 – 10

Deferred Outflows/Inflows of Resources

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

The government reports both deferred inflows, which arise under the full accrual and modified accrual basis of accounting. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unused paid time off (PTO), based on the employee's length and hours of service. The maximum of twice an employees annual vacation earned may accrue for each employee at any given time. At December 31, 2024, the estimated value of compensated absences was \$31,760.

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note A - Summary of Significant Accounting Policies (continued)

Net Position or Fund Balances

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

- Net Position: Net position is assets minus liabilities plus deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted.
- Fund Balance: Generally, fund balance reflects assets minus liabilities and deferred inflows of resources. Financial reporting standards establish criteria for classifying fund balance amounts into specifically defined categories to make the nature and extent of constraints on these amounts more useful and understandable. The categories comprise a hierarchy based on the extent to which constraints must be honored for a specified purpose and for which amounts can be spent. Fund balances of governmental funds may be categorized as nonspendable, restricted, committed, assigned, and unassigned.

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

- Nonspendable Fund Balance: This includes amounts that cannot be spent because it is either in nonspendable form or is legally or contractually required to be maintained intact. Examples include items not expected to be converted to cash such as inventories and prepaid expenses. Nonspendable fund balance as of December 31, 2024 was \$10,372.
- Restricted Fund Balance: This includes amounts restricted for specific purposes based on constraints externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Voters approved an increase in property taxes for the District that is to be used for road maintenance. The fund balance related to amounts not yet spent is reported as restricted.
- Committed Fund Balance: This includes amounts constrained for a specific purpose by formal action (resolution or ordinance) adopted by the District’s Board of Directors, does not lapse at year-end, and can be rescinded only through the same type of formal action used to establish the original commitment. Trustee actions require either an ordinance or resolution. Both are equally binding for their respective purposes and are mutually exclusive, not interchangeable with one another. The District does not have any committed fund balance at year end. It is the District’s policy to use committed fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available. There are no committed fund balances as of December 31, 2024.
- Assigned Fund Balance: This includes amounts constrained for specific purposes as determined by District management and the Board of Directors through the budget process. The Executive Director is the only employee authorized to assign fund balance. There are no assigned fund balances as of December 31, 2024.
- Unassigned Fund Balance – This includes amounts that are available for any purpose. The General Fund reports a positive unassigned fund balance.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note A - Summary of Significant Accounting Policies (continued)

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are considered to be reduced first, followed by assigned amounts and then unassigned amounts.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes for 2024, collectible in 2025, were certified by the La Plata County Commissioners in early January 2025. Property taxes attached as an enforceable lien on January 1, 2025 and are due in total April 30, 2025 or in equal installments February 28, 2025 and June 15, 2025, at the option of the taxpayer. Property taxes for 2024, collectible in 2025, are shown as property taxes receivable and deferred property tax revenue on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District. While the County did not certify the property taxes until after December 31, 2024, Management has decided to be consistent in treatment of property taxes receivables and deferred property tax revenue.

Specific Ownership Taxes

Specific ownership taxes are collected by La Plata County for motor vehicles and other personal property registered in the District's assessment area. Specific ownership taxes are recorded as revenue when collected by La Plata County.

Estimates

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Date of Management's Review

Management has evaluated subsequent events through October 14, 2025, the date on which the financial statements were available to be issued.

Note B - Stewardship, Compliance, and Accountability

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary fund is adopted on the budgetary basis of accounting, which differs from the GAAP basis in that depreciation and amortization are excluded from expenditures, and outlays for the acquisition of capital assets and debt service principal are included as expenditures.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note B - Stewardship, Compliance, and Accountability (continued)

As required by Colorado statutes, the District followed the timetable below in approving and enacting the budgets for the ensuing year:

- 1) Prior to August 25, the County Assessor sends the District the assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation only once by a single notification to the District, on or before December 10.
- 2) On or before October 15, the District's accountant submits to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- 3) The Board holds a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- 4) Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derives the necessary property taxes as computed in the proposed budget.
- 5) Prior to December 31, the final budget and appropriating resolution is adopted.
- 6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

Amounts originally appropriated by the District for 2024 were as follows: General Fund (\$348,038), Debt Service Fund (\$26,550), Water Fund (\$1,025,000), and Sewer Fund (\$1,018,471).

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Tabor Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note B - Stewardship, Compliance, and Accountability (continued)

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, 2024, a reserve of \$13,944 was required for the General Fund.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Note C - Cash and Cash Equivalents

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's deposits are governed by Colorado statute. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2024, the District had no investments.

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position as "Cash and cash equivalents."

The composition of all cash held by the District at December 31, 2024 is as follows:

Cash on hand	\$ 979
Cash deposited with banks	<u>2,411,837</u>
	<u>\$ 2,412,816</u>

The District has accounts that are covered under Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2024, bank balances of the District's deposits totaled \$2,413,853 of which \$250,000 was insured by the FDIC and \$2,163,853 was collateralized under the PDPA.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note D – Interfund Balances

At December 31, 2024, the Water Fund had a pooled cash overdraft of \$13,918, which represents temporary borrowing from the Sewer Fund. The borrowing resulted from timing differences in disbursements and receipts of pooled funds and is expected to be repaid within the fiscal year.

Note E - Capital Assets

A summary of changes in capital assets during the year ended December 31, 2024 is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 62,609	\$ -	\$ -	\$ 62,609
Total capital assets not being depreciated	62,609	-	-	62,609
Capital assets being depreciated:				
Building	58,307	-	-	58,307
Equipment and vehicles	449,126	17,036	(44,434)	421,728
Infrastructure	9,275,455	159,090	(17,127)	9,417,418
Total depreciable capital assets	9,782,888	176,126	(61,561)	9,897,453
Less: Accumulated depreciation	(2,762,883)	(223,026)	57,087	(2,928,822)
Capital assets being depreciated, net	7,020,005	(46,900)	(4,474)	6,968,631
Governmental activities capital assets, net	<u>\$ 7,082,614</u>	<u>\$ (46,900)</u>	<u>\$ (4,474)</u>	<u>\$ 7,031,240</u>

Government activity depreciation expense is allocated as follows:

General government	\$ 750
Roads	222,276
	<u>\$ 223,026</u>

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note E - Capital Assets (continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Water fund water rights	\$ 170,575	\$ -	\$ -	\$ 170,575
Construction in progress	-	34,398	-	34,398
Total capital assets not being depreciated	170,575	34,398	-	204,973
Capital assets being depreciated:				
Water fund				
Building	37,801	-	-	37,801
Vehicles and equipment	222,792	19,924	(30,072)	212,644
Water system	7,827,534	423,913	(580)	8,250,867
Sewer fund				
Building	50,021	-	(3,789)	46,232
Equipment and vehicles	544,022	32,428	(24,435)	552,015
Sewer system	13,612,516	-	(366,888)	13,245,628
Total depreciable capital assets	22,294,686	476,265	(425,764)	22,345,187
Less: Accumulated depreciation	(4,289,750)	(477,210)	274,672	4,492,288
Capital assets being depreciated, net	18,004,936	(945)	(151,092)	17,852,899
Governmental activities capital assets, net	<u>\$ 18,175,511</u>	<u>\$ 33,453</u>	<u>\$ (151,092)</u>	<u>\$ 18,057,872</u>

Depreciation expense for the year ended December 31, 2024 was \$477,210.

Note F - Long-Term Obligations

A summary of the District's long-term debt obligations is as follows for the period end December 31, 2024:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 12/31/2024</u>	<u>Current Portion</u>
Governmental Activities:					
2014 General Obligation Refunding Loan	\$ 25,339	\$ -	\$ 25,339	\$ -	\$ -
Business-Type Activities:					
2014 Water Revenue Loan	50,443	-	50,443	-	-
2021 Sewer Revenue Loan	7,313,793	-	209,140	7,104,653	215,595
Business-Type Activity Totals	7,364,236	-	259,583	7,104,653	215,595
Total Activity	<u>\$ 7,389,575</u>	<u>\$ -</u>	<u>\$ 284,922</u>	<u>\$ 7,104,653</u>	<u>\$ 215,595</u>

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note F - Long-Term Obligations (continued)

On May 1, 2014 the District entered into a debt arrangement, the 2014 General Obligation Refunding Loan, with a face value of \$510,000. The interest rate on the debt was 3.75% and required monthly principal and interest payments in the amount of \$5,116 from inception through May 2024. The loan was fully repaid during 2024.

In addition, the District entered into an additional debt arrangement on May 1, 2014, the 2014 Water Revenue Loan, with a face value of \$1,000,000. The agreement was amended on December 12, 2014. The interest rate was 3.75% and required monthly principal and interest payments of \$10,185 from inception through May 2024. The loan was secured by the net revenues sourced from the District's water fund. This loan was also fully repaid during 2024.

In July 2021, the District entered into a debt arrangement to borrow up to \$7,500,000, the 2021 Sewer Revenue Loan, for construction of the wastewater treatment plant. The debt borrowed through the construction phase of the project which concluded in 2022 was converted to a commercial loan. The interest rate is fixed at 3% computed on a 365/360 simple interest basis with monthly principal and interest payments of \$35,735 beginning in February 2023 with a balloon payment due in 2031. The loan is secured by the net revenues sourced from the District's sewer fund.

Aggregate cash flow requirements for the retirement of long-term principal and interest are as follows:

Business-Type Activities – 2021 Sewer Revenue Loan:

Year Ended December 31	Principal	Interest	Total
2025	\$ 215,595	\$ 213,225	\$ 428,820
2026	222,248	206,572	428,820
2027	229,107	199,713	428,820
2028	236,177	192,643	428,820
2029	243,466	185,354	428,820
Thereafter	5,958,060	263,870	6,221,930
Totals	<u>\$ 7,104,653</u>	<u>\$ 1,261,377</u>	<u>\$ 8,366,030</u>

Total interest expense on long-term debt during the year ended December 31, 2024 was \$227,020 consisting of \$368 for governmental activities and \$226,652 for business-type activities.

Note G – State Reimbursement Income

In May of 2022, the Colorado State Senate enacted State Bill 22-238 with the intent of reducing the property tax rates of certain classes of property for the 2023 and 2024 property tax years. Under this bill certain amounts projected to be refunded to qualifying government agencies were required to be paid. The District received \$14,707 of State Bill 22-238 funding during the year ended December 31, 2024.

Note H - Lease Income

The District leases tower space to tenants under operating leases with different terms. The lease for space on the Water Tower expired on January 31, 2025. The lease has six automatic, five-year renewal options, each subject to a 10% rent increase at the start of each renewal period.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note H - Lease Income (continued)

Lease income is included in the statement of activities as charges for services. The lease agreement commencing February 1, 2020 expires on January 31, 2025 and resets to current term of initial agreement with automatic term renewal of 5 years. Cash receipts from operating leases are classified as cash flows from operating activities. During 2024, the District received \$33,638 in total lease income from governmental activities.

Future minimum lease payments under the leases for each of the next five years and thereafter are as follows as of December 31:

<u>Year</u>	<u>Amount</u>
2025	\$ 29,387
2026	29,000
2027	29,000
2028	29,000
2029	29,000
Thereafter	976,180
Total lease payments	\$ 1,121,567

Note I - Commitments and Contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District believes that there are no material outstanding claims against the District at December 31, 2024.

In May 2024, the District entered into a solar service agreement with an independent third-party provider to design, install, monitor, and maintain a photovoltaic system over a 30-year term, commencing on the date the system is placed in service. The electricity generated by the system will be used exclusively by the District.

Payments under the agreement are based on a modeled amount of energy produced and represent an approximate 9.3% discount to the energy costs in year one, an increase to \$0.095/kWh based on initial production in year six and 1.5% escalation for the remainder of the term. The agreement also includes an option for the District to purchase the system at fair market value at any time after it has been in service for six years. Additionally, the agreement includes an embedded no-fee lease, under which the District leases a portion of its land for the system's installation for a 30-year period.

Note J - 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.

Edgemont Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

Note K - Risk Management (continued)

In order to maintain transparency of current financial stance, the Pool reports the following summary of audited statutory basis financial information for the year ended December 31, 2024:

Assets	<u>\$ 86,648,039</u>
Liabilities	\$ 57,746,885
Surplus	<u>28,901,154</u>
Total Liabilities and Surplus	<u>\$ 86,648,039</u>
Revenues	\$ 32,245,532
Expenses	<u>30,236,676</u>
Net Income (Loss)	<u>\$ 2,008,856</u>

Note L – 457b Deferred Compensation Plan

The District participates in the Edgemont Ranch Metropolitan District Lincoln Retirement 457(b) Governmental Deferred Compensation Plan administered by Lincoln National Life Insurance Company. The Plan is a single-employer defined contribution retirement plan covering all full-time employees of the District. The District's board authorizes the benefit terms of the plan and has the authority to amend those terms, subject to applicable regulations. The District contributes 5% of participant's compensation to the plan. Participants can contribute up to the maximum percentage allowed by the Internal Revenue Service. Participants are fully vested in all contributions. During 2024, the District contributed \$19,695 and plan participants contributed \$13,252.

Note M - Subsequent Event

On April 18, 2024, the District entered into an agreement with Shaw Construction to add solar panels to their infrastructure and forward cost savings to their customers. Construction on this project began during the first quarter 2025 with an expected completion date during 2025.

Required Supplementary Information

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended December 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2024 Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 361,001	\$ 361,001	\$ 384,622	\$ 23,621
Fees	101,904	101,904	102,899	995
Lease	33,638	33,638	33,638	-
Miscellaneous	9,070	9,070	6,071	(2,999)
Interest income	40,000	40,000	42,115	2,115
Total Revenues	<u>545,613</u>	<u>545,613</u>	<u>569,345</u>	<u>23,732</u>
Expenditures				
Personnel	141,122	141,122	136,214	(4,908)
General governmental administrative	44,106	44,106	34,965	(9,141)
Roads	162,810	162,810	292,842	130,032
Total Expenditures	<u>348,038</u>	<u>348,038</u>	<u>464,021</u>	<u>115,983</u>
Net Change in Fund Balance	197,575	197,575	105,324	(92,251)
Fund Balance - Beginning of Year	772,599	772,599	845,617	73,018
Fund Balance - End of Year	<u>\$ 970,174</u>	<u>\$ 970,174</u>	<u>\$ 950,941</u>	<u>\$ (19,233)</u>

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

Supplementary Information

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Debt Service Fund - Budget and Actual
For the Year Ended December 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2024 Actual</u>	Variance from Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 28,931	\$ 28,931	\$ 29,062	\$ 131
Interest income	-	-	39	39
Total Revenues	<u>28,931</u>	<u>28,931</u>	<u>29,101</u>	<u>170</u>
Expenditures				
County Treasurer's fee	800	800	782	(18)
Debt Service	25,750	25,750	25,708	(42)
Total Expenditures	<u>26,550</u>	<u>26,550</u>	<u>26,490</u>	<u>(60)</u>
Net Change in Fund Balance	2,381	2,381	2,611	230
Fund Balance - Beginning of Year	97,207	97,207	97,699	492
Fund Balance - End of Year	<u>\$ 99,588</u>	<u>\$ 99,588</u>	<u>\$ 100,310</u>	<u>\$ 722</u>

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

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Water Fund - Budget and Actual
For the Year Ended December 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2024 Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
Revenues				
Sales and services	\$ 411,812	\$ 411,812	\$ 425,617	\$ 13,805
Maintenance fees	248,112	248,112	252,781	4,669
Interest income	5,000	5,000	9,849	4,849
Gain (loss) on disposal of capital assets	-	-	(7,059)	(7,059)
Total Revenues	<u>664,924</u>	<u>664,924</u>	<u>681,188</u>	<u>16,264</u>
Expenditures				
Treatment	168,445	168,445	196,327	27,882
Personnel	282,244	282,244	275,000	(7,244)
Administrative costs	42,200	42,200	43,700	1,500
Debt payments	50,924	50,924	50,678	(246)
Capital outlay	481,187	481,187	443,837	(37,350)
Total Expenditures	<u>1,025,000</u>	<u>1,025,000</u>	<u>1,009,542</u>	<u>(15,458)</u>
Change in Net Position	<u>\$ (360,076)</u>	<u>\$ (360,076)</u>	(328,354)	<u>\$ 31,722</u>
Reconciliation to GAAP basis of accounting				
Capital outlay capitalized			443,837	
Principal payments on long-term debt			50,443	
Depreciation expense (not recognized on budgetary basis)			<u>(176,437)</u>	
Net adjustments			<u>(10,511)</u>	
Net Position - Beginning of Year			<u>6,190,721</u>	
Net Position - End of Year			<u>\$ 6,180,210</u>	

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

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Sewer Fund - Budget and Actual
For the Year Ended December 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2024 Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
Revenues				
Sales and services	\$ 678,455	\$ 678,455	\$ 688,074	\$ 9,619
Maintenance fees	254,850	254,850	259,364	4,514
Other expense rebates	100	100	3,610	3,510
Interest income	55,000	55,000	58,918	3,918
Gain (loss) on sale of assets	-	-	(144,033)	(144,033)
Total Revenues	<u>988,405</u>	<u>988,405</u>	<u>865,933</u>	<u>(122,472)</u>
Expenditures				
Treatment	197,528	197,528	115,025	(82,503)
Personnel	282,244	282,244	275,000	(7,244)
Administrative costs	45,690	45,690	45,532	(158)
Debt payments	428,821	428,821	435,925	7,104
Capital outlay	64,188	64,188	66,826	2,638
Total Expenditures	<u>1,018,471</u>	<u>1,018,471</u>	<u>938,308</u>	<u>(80,163)</u>
Change in Net Position	<u>\$ (30,066)</u>	<u>\$ (30,066)</u>	(72,375)	<u>\$ (42,309)</u>
Reconciliation to GAAP basis of accounting				
Capital outlay capitalized			66,826	
Principal payments on long-term debt			209,140	
Depreciation expense (not recognized on budgetary basis)			(300,773)	
Net adjustments			<u>(97,182)</u>	
Net Position - Beginning of Year			<u>6,427,237</u>	
Net Position - End of Year			<u>\$ 6,330,055</u>	

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