EDGEMONT RANCH METROPOLITAN DISTRICT

ANNUAL FINANCIAL STATEMENTS
And Independent Auditors' Report

DECEMBER 31, 2025

Table of Contents

Board of Directors and Management
Edgemont Ranch Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Edgemont Ranch Metropolitan District for the year ended December 31, 2025 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, the business-type activities, and each major fund of Edgemont Ranch Metropolitan District, as of December 31, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 these 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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

1221 West Mineral Avenue, Ste. 202, Littleton, CO 80120 303-734-4800 HaynieCPAs.com

intentional omissions, misrepresentations, or the override of internal control. Misstatementsare 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, and General Fund budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgemont Ranch Metropolitan District's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Sincerely,

Littleton, Colorado
September 14, 2026

Edgemont Ranch Metropolitan District
Management's Discussion and Analysis

As management of the 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, 2025, with comparative information presented for the year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

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.

Government-wide Financial Statements:

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 and decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

The ***Statement of Activities*** presents the changes that have occurred during the year to the District's Net Position. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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, and roads. The business-type activities of the District are water and sewer utility services.

The government-wide financial statements can be found on pages 1 and 2 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

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 3 – 5 of this report.

Proprietary funds:
The District's has two proprietary funds found on the statements on pages 6-8. The two proprietary funds maintained by the District are the Water Utility Fund and the Sewer Utility Fund.

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 23.

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 9 through 22 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 24 through 26 of this report.

Edgemont Ranch Metropolitan District
Management's Discussion and Analysis

Government-Wide Financial Analysis

The following table provides condensed financial information derived from the government-wide financial statements for the years ended December 31, 2025 and 2024 to show the changing net position of the District. The District's net position at the end of 2025 is $20,867,439 (page 1).

	Governmental Net Position		Business-Type Net Position		Total	
Assets	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Current assets	$ 2,455,468	$ 1,423,887	$ 1,984,586	$ 1,643,032	$ 4,440,054	$ 3,066,919
Capital assets, net	6,826,954	7,031,240	17,670,316	18,057,872	24,497,270	25,089,112
Total assets	9,282,422	8,455,127	19,654,902	19,700,904	28,937,324	28,156,031
Liabilities						
Current liabilities	18,519	17,385	256,020	276,173	274,539	293,558
Long-term liabilities	5,457	6,352	6,683,180	6,914,466	6,688,637	6,920,818
Total liabilities	23,976	23,737	6,939,200	7,190,639	6,963,176	7,214,376
Deferred Inflows of Resources						
Deferred property tax revenue	424,273	355,251	-	-	424,273	355,251
Deferred inflows related to leases	682,436	-	-	-	682,436	-
Total deferred inflows of resources	1,106,709	355,251	-	-	1,106,709	355,251
Net Position						
Net investments in capital assets	6,826,954	7,031,240	10,781,258	10,953,219	17,608,212	17,984,459
Restricted for emergencies	17,482	13,944	-	-	17,482	13,944
Restricted for road maintenance	193,984	149,960	-	-	193,984	149,960
Unrestricted	1,113,317	880,995	1,934,444	1,557,046	3,047,761	2,438,041
Total net position	$ 8,151,737	$ 8,076,139	$ 12,715,702	$ 12,510,265	$ 20,867,439	$ 20,586,404

Note that 74% 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 90% 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 $75,598 and increased by $205,437 in business-type activities, for a total increase of $281,035. The increase in governmental activities comes mainly from tax revenue and fees to maintain roads.

Edgemont Ranch Metropolitan District
Management's Discussion and Analysis

The table below compares the District's Activities for 2025 and 2024 and summarizes the District's net position.

	Governmental Net Position		Business-Type Net Position		Total	
Revenue	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Program Revenues						
General government	$ 34,539	$ 33,638	$ -	$ -	$ 34,539	$ 33,638
Roads	100,408	102,899	-	-	100,408	102,899
Water	-	-	773,462	678,398	773,462	678,398
Sewer	-	-	990,873	951,048	990,873	951,048
General Revenues						
Taxes	387,756	413,723	-	-	387,756	413,723
Miscellaneous	785	6,071	3,224	-	4,009	6,071
Gain (loss) on disposition of capital assets		(4,475)	-	(151,092)	-	(155,567)
Interest Income	59,236	42,115	51,367	68,767	110,603	110,882
Total revenue	582,724	593,971	1,818,926	1,547,121	2,401,650	2,141,092
Expenses						
General government	154,345	173,997	-	-	154,345	173,997
Roads	352,781	338,992	-	-	352,781	338,992
Interest	-	368	-	-	-	368
Water	-	-	659,068	691,699	659,068	691,699
Sewer	-	-	954,421	963,115	954,421	963,115
Total expenses	507,126	513,357	1,613,489	1,654,814	2,120,615	2,168,171
Change in Net Position	75,598	80,614	205,437	(107,693)	281,035	(27,079)
Net Position - beginning of year	8,076,139	7,995,525	12,510,265	12,617,958	20,586,404	20,613,483
Net Position - end of year	$ 8,151,737	$ 8,076,139	$ 12,715,702	$ 12,510,265	$ 20,867,439	$ 20,586,404

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 fund reported an ending fund balance of $1,330,240, an increase of $278,989 from the prior year (page 3). Of the fund balance, $11,953 is non-spendable because it consists of prepaid expenses. Restricted fund balance is $17,482, 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, $193,984 is restricted for future road maintenance. The remaining $1,106,821 is unassigned and is available for spending in future years.

Proprietary funds:

The net position of the proprietary funds totaled $12,715,702 at the end of 2025 as compared to $12,510,265 at the end of 2024. As of December 31, 2025, $10,774,852 of this balance was invested in capital assets net of related debt and $1,940,850 was available for spending at the District's discretion.

Capital assets

The District invested $106,090 in capital asset additions during 2025, of which $84,013 were for proprietary funds. These additions include a dump truck and loader bucket for the General Fund. The Sewer Fund acquired a truck and gates. The Water Fund invested in an air compressor and water pump. Depreciation expense of $697,932 was recognized in 2025. 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 18 and 19 of this report.

Long-term obligations

The District reduced its long-term obligations by $220,072, bringing the 2025 year-end balances to $6,910,884 in Business-type Activities. Additional information can be found in the Notes to the Financial Statements on page 19-21 of this report.

Budget Variances

Details of the budget variances can be seen on page 23 for the general fund, 24 for the debt service fund, and pages 25-26 for the proprietary funds.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained 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

Basic Financial Statements

Edgemont Ranch Metropolitan District
Statement of Net Position
Government-Wide
As of December 31, 2025

Assets	**Governmental Activities**	**Business-Type Activities**	**Total**
Current assets:			
Cash and cash equivalents	$ 1,300,787	$ 1,805,816	$ 3,106,603
Due from County Treasurer	2,289	-	2,289
Property taxes receivable	424,273	-	424,273
Lease receivable	708,975	-	708,975
Other receivables, net	7,191	130,959	138,150
Prepaid expenses	11,953	47,811	59,764
Total current assets	2,455,468	1,984,586	4,440,054
Non-current assets:			
Capital assets			
Capital assets, not being depreciated	62,609	170,575	233,184
Capital assets, depreciated, net (Note 4)	6,764,345	17,499,741	24,264,086
Total non-current assets	6,826,954	17,670,316	24,497,270
Total assets	$ 9,282,422	$ 19,654,902	$ 28,937,324
Liabilities			
Current liabilities:			
Accounts payable	$ 13,648	$ 5,098	$ 18,746
Accrued payroll & benefits	4,871	16,812	21,683
Accrued interest payable	-	6,406	6,406
Accrued compensated absences due in one year (Note 5)	1,364	5,456	6,820
Long-term liabilities due in one year (Note 5)	-	222,248	222,248
Noncurrent liabilities:			
Accrued compensated absences due in more than one year (Note 5)	4,093	16,370	20,463
Long-term liabilities due in more than one year (Note 5)	-	6,666,810	6,666,810
Total liabilities	23,976	6,939,200	6,963,176
Deferred Inflows of Resources			
Deferred property tax revenue	424,273	-	424,273
Deferred inflows related to leases	682,436	-	682,436
Total deferred inflows of resources	1,106,709	-	1,106,709
Net Position			
Net investment in capital assets	6,826,954	10,781,258	17,608,212
Restricted for:			
Emergencies	17,482	-	17,482
Road maintenance	193,984	-	193,984
Unrestricted	1,113,317	1,934,444	3,047,761
Total net position	8,151,737	12,715,702	20,867,439
Total liabilities, deferred inflows of resources, and net position	$ 9,282,422	$ 19,654,902	$ 28,937,324

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, 2025

Functions/Program Activities	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Change in Net Position: Governmental Activities	Net (Expense) Revenue and Change in Net Position: Business-Type Activities	Total
Governmental activities					
General government	$ 154,345	$ 34,539	$ (119,806)	$ -	$ (119,806)
Road	352,781	100,408	(252,373)	-	(252,373)
Total governmental activities	$ 507,126	$ 134,947	$ (372,179)	$ -	$ (372,179)
Business-type activities					
Water utility	$ 659,068	$ 773,462	$ -	$ 114,394	$ 114,394
Sewer utility	954,421	990,873	-	36,452	36,452
Total business-type activities	$ 1,613,489	$ 1,764,335	$ -	$ 150,846	$ 150,846
Total primary government	$ 2,120,615	$ 1,899,282	$ (372,179)	$ 150,846	$ (221,333)
General revenues:					
Property taxes			355,251	-	355,251
Specific ownership taxes			32,505	-	32,505
Investment income			59,236	51,367	110,603
Other income (expense)			785	3,224	4,009
Change in net position			75,598	205,437	281,035
Net position - beginning of year			8,076,139	12,510,265	20,586,404
Net position - end of year			$ 8,151,737	$ 12,715,702	$ 20,867,439

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

Edgemont Ranch Metropolitan District
Balance Sheet and Reconciliation of the Governmental Fund Balance Sheet with the Government-wide Statement of Net Position
As of December 31, 2025

	General Fund
Assets	
Cash and cash equivalents	$ 1,300,787
Receivables	
Due from County Treasurer	2,289
Property taxes receivable	424,273
Lease receivable	708,975
Other receivables, net	7,191
Prepaid expenses	11,953
Total assets	2,455,468
Liabilities	
Accounts payable	13,648
Accrued payroll & benefits	4,871
Total liabilities	18,519
Deferred Inflows of Resources	
Deferred property tax revenue	424,273
Deferred inflows related to leases	682,436
Total deferred inflows of resources	1,106,709
Fund Balance	
Nonspendable	11,953
Restricted for:	
Emergency reserve	17,482
Road maintenance	193,984
Unassigned	1,106,821
Total fund balance	1,330,240
Total liabilities, deferred inflows of resources and fund balance	$ 2,455,468

Fund Balance - Total Governmental Fund	$ 1,330,240
Amounts reported for governmental activities in the statement of net position are excluded from the governmental fund balance because:	
Capital assets used in governmental activities are not current financial resources and are excluded from the funds.	
Governmental capital assets	9,982,139
Less accumulated depreciation	(3,155,185)
Long-term liabilities, such as accrued compensated absences are not due and payable in the current period and therefore are not included in the fund financial statements.	
Accrued compensated absences	(5,457)
Net position of governmental activities	$ 8,151,737

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

Edgemont Ranch Metropolitan District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the year ended December 31, 2025

	General Fund	Debt-Service Fund	Total Governmental Funds
Revenues			
Property taxes	$ 355,251	$ -	$ 355,251
Specific ownership taxes	32,505	-	32,505
Fees	100,408	-	100,408
Lease	34,539	-	34,539
Miscellaneous	785	-	785
Interest income	59,236	-	59,236
Total Revenues	582,724	-	582,724
Expenditures			
General governmental administrative	176,567	-	176,567
Roads	127,168	-	127,168
Total Expenditures	303,735	-	303,735
Excess of Revenues over Expenditures	278,989	-	278,989
Other Financing Sources (Uses)			
Transfer in (out)	100,310	(100,310)	-
Total Other Financing Sources (Uses)	100,310	(100,310)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	379,299	(100,310)	278,989
Fund balance:			
Beginning of the year	950,941	100,310	1,051,251
End of the year	$ 1,330,240	$ -	$ 1,330,240

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

Edgemont Ranch Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-wide Statement of Activities
For the year ended December 31, 2025

Net change in fund balances—total governmental funds	$	278,989
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Current year depreciation		(226,363)
Capital outlay - capitalized portion		22,077
Changes in long-term liabilities are reflected as income or expense on the statement of changes in fund balance but are not recorded as income or expenses on the statement of activities.		
Change in accrued compensated absences		895
Change in net position of governmental activities	$	75,598

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

Edgemont Ranch Metropolitan District
Statements of Net Position
Proprietary Funds
December 31, 2025

	Enterprise Funds		
	Water Utility	Sewer Utility	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	$ 260,784	$ 1,545,032	$ 1,805,816
Accounts receivable, net	54,495	76,464	130,959
Prepaid expenses and deposits	23,905	23,906	47,811
Total Current Assets	339,184	1,645,402	1,984,586
Non-current assets:			
Sewer system	-	13,280,026	13,280,026
Water system	8,281,249	-	8,281,249
Water rights	170,575	-	170,575
Building	37,801	63,946	101,747
Equipment and vehicles	223,611	576,965	800,576
Accumulated depreciation	(2,731,050)	(2,232,807)	(4,963,857)
Net Fixed Assets	5,982,186	11,688,130	17,670,316
Total Assets	$ 6,321,370	$ 13,333,532	$ 19,654,902
Liabilities			
Current liabilities:			
Accounts payable	$ 2,814	$ 2,284	$ 5,098
Accrued payroll and benefits	8,406	8,406	16,812
Accrued interest payable	-	6,406	6,406
Accrued compensated absences - current portion	2,728	2,728	5,456
Note payable - current portion	-	222,248	222,248
Total Current Liabilities	13,948	242,072	256,020
Non-current liabilities:			
Accrued compensated absences, net of current portion	8,185	8,185	16,370
Note payable, net of current portion	-	6,666,810	6,666,810
Total Long-term Liabilities	8,185	6,674,995	6,683,180
Total Liabilities	$ 22,133	$ 6,917,067	$ 6,939,200
Net Position			
Net investment in capital assets	5,982,186	4,799,072	10,781,258
Unrestricted	317,051	1,617,393	1,934,444
Total Net Position	6,299,237	6,416,465	12,715,702
Total Liabilities and Net Position	$ 6,321,370	$ 13,333,532	$ 19,654,902

The accompanying notes are an integral part of these statements.

Edgemont Ranch Metropolitan District
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Enterprise Funds		
	Water Utility	Sewer Utility	Total Enterprise Funds
Operating Revenues:			
Sales and services	$ 522,170	$ 733,100	$ 1,255,270
Maintenance fees	251,292	257,773	509,065
Total Operating Revenues	773,462	990,873	1,764,335
Operating Expenses:			
Treatment	149,118	127,060	276,178
Personnel	277,546	277,545	555,091
Depreciation	183,224	288,345	471,569
Administrative costs	49,180	48,944	98,124
Total Operating Expenses	659,068	741,894	1,400,962
Operating Income	114,394	248,979	363,373
Non-operating Revenues and Expenses:			
Other expense rebates	-	3,224	3,224
Interest income	4,633	46,734	51,367
Interest expense	-	(212,527)	(212,527)
Net Non-operating Revenues and (Expenses)	4,633	(162,569)	(157,936)
Change in Net Position	119,027	86,410	205,437
Net Position —beginning of year	6,180,210	6,330,055	12,510,265
Net Position —end of year	$ 6,299,237	$ 6,416,465	$12,715,702

The accompanying notes are an integral part of these statements.

Edgemont Ranch Metropolitan District

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	Enterprise Funds		
	Water Utility	Sewer Utility	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	$ 809,221	$ 1,046,380	$1,855,601
Cash paid to suppliers for goods and services	(279,337)	(279,336)	(558,673)
Cash paid to employees for services	(218,466)	(185,324)	(403,790)
Net Cash from Operating Activities	311,418	581,720	893,138
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(41,349)	(42,664)	(84,013)
Due to/due from other funds	(13,918)	13,918	-
Principal paid on capital debt	-	(215,595)	(215,595)
Interest paid on capital debt	-	(212,527)	(212,527)
Net Cash from Capital and Related Financing Activities	(55,267)	(456,868)	(512,135)
Cash Flows from Investing Activities:			
Other expense rebates	-	3,224	3,224
Interest income received	4,633	46,734	51,367
Net Cash from Investing Activities	4,633	49,958	54,591
Net Change in Cash and Cash Equivalents	260,784	174,810	435,594
Cash and Cash Equivalents—beginning of year	-	1,370,222	1,370,222
Cash and Cash Equivalents—end of year	$ 260,784	$ 1,545,032	$1,805,816
Reconciliation of Net Operating Income to Net Cash From Operating Activities:			
Operating income	$ 114,394	$ 248,979	$ 363,373
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	183,224	288,345	471,569
Changes in assets and liabilities:			
Accounts receivable	39,142	61,222	100,364
Prepaid	(3,162)	(3,162)	(6,324)
Accounts payable	(15,358)	(4,510)	(19,868)
Accrued payroll & benefits	(1,648)	(2,347)	(3,995)
Unearned revenue	(3,383)	(5,016)	(8,399)
Accrued compensated absences	(1,791)	(1,791)	(3,582)
Total Adjustments	197,024	332,741	529,765
Net Cash From Operating Activities	$ 311,418	$ 581,720	$ 893,138

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

Edgemont Ranch Metropolitan District
Notes to Basic Financial Statements
December 31, 2025

1. Organization

Organization

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

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.

2. Significant Accounting Policies

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.

2. Summary of Significant Accounting Policies (continued)

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, and road maintenance; and unrestricted.

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

Fund Financial Statements- The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures/expenses. The fund focus is on current available resources and budget compliance.

<u>Fund Accounting</u>

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, which is a governmental fund, and a Water Fund and Sewer Fund, known as proprietary funds. During the year, the District closed down its Debt Service Fund, a governmental fund, as the associated debt was repaid during 2024.

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.

- 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 services resources and transactions of the District except those accounted for in the proprietary funds.

2. Summary of Significant Accounting Policies (continued)

- 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.

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 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.

2. Summary of Significant Accounting Policies (continued)

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 has recorded an allowance for doubtful accounts of $9,720 for the year ended December 31, 2025.

Prepaid Expenses
Payments made to vendors for services that will benefit periods beyond December 31, 2025, 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.

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:

Asset	Years
Road system	50
Street lights	20
Water system	50
Sewer system	50
Buildings	40
Equipment and vehicles	5-10

2. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position reports 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 accumulated vacation pay and sick leave expected to be used or paid. The maximum of twice an employees annual vacation earned may accrue for each employee at any given time. At December 31, 2025, the estimated value of compensated absences was $27,283.

Accrued Liabilities and Long-Term Obligations
All payables and accrued liabilities are reported in the government-wide financial statements. 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.

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.

2. Summary of Significant Accounting Policies (continued)

Fund Balance: 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 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, 2025 was $11,953.

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, 2025.

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, 2025.

Unassigned Fund Balance – This includes amounts that are available for any purpose. The General Fund reports a positive unassigned fund balance.

Use of Restricted/Unrestricted– The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

2. Summary of Significant Accounting Policies (continued)

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 2025, collectible in 2026, were certified by the La Plata County Commissioners in early January 2026. Property taxes attached as an enforceable lien on January 1, 2026 and are due in total April 30, 2026 or in equal installments February 28, 2026 and June 15, 2026, at the option of the taxpayer. Property taxes for 2025, collectible in 2026, 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.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

2. Summary of Significant Accounting Policies (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.

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

Tabor Amendment

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases.

2. Summary of Significant Accounting Policies (continued)

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, 2025, a reserve of $17,482 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.

3. Cash and Cash Equivalents

Custodial Credit Risk – Deposits

The Colorado Public Deposit Protection Act (PDPA) governs the District's deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking is 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, 2025, 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 carrying amount of the District's deposits was $3,106,603 as of December 31, 2025. The bank balance at year-end was $3,099,719.

3. Cash and Cash Equivalents (continued)

The District maintains cash balances at local financial institutions which are insured by the FDIC up to $250,000 per institution. At year-end $250,000 of the District's bank balance was covered by FDIC insurance and the remaining bank balance was covered by the PDPA.

4. Capital Assets

A summary of changes in capital assets in 2025 is as follows:

Governmental Activities	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025
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	421,728	22,077	-	443,805
Infrastructure	9,417,418	-	-	9,417,418
Total capital assets, being depreciated	9,897,453	22,077	-	9,919,530
Less accumulated depreciation:	(2,928,822)	(226,363)	-	(3,155,185)
Total capital assets, being depreciated, net	6,968,631	(204,286)	-	6,764,345
Governmental activities capital assets, net	$ 7,031,240	$ (204,286)	$ -	$ 6,826,954

Government activity depreciation expense is allocated as follows:

General government	$ 750
Roads	225,613
	$ 226,363

Remainder of the page intentionally left blank

4. Capital Assets (continued)

Business-Type Activities	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025
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	204,973	(34,398)	-	170,575
Capital assets, being depreciated:				
Water Fund				
Building	37,801	-	-	37,801
Vehicles and equipment	212,644	10,966	-	223,610
Water system	8,250,867	30,383	-	8,281,250
Sewer Fund				
Building	46,232	17,714	-	63,946
Vehicles and equipment	552,015	24,950	-	576,965
Sewer system	13,245,628	34,398	-	13,280,026
Total capital assets, being depreciated	22,345,187	118,411	-	22,463,598
Less accumulated depreciation:	(4,492,288)	(471,569)	-	(4,963,857)
Total capital assets, being depreciated, net	17,852,899	(353,158)	-	17,499,741
Business-Type Activities Capital assets, net	$ 18,057,872	$ (387,556)	$ -	$ 17,670,316

Depreciation expense for the year ended December 31, 2025 was $471,569.

5. Long-Term Obligations

A summary of the District's long-term obligations in 2025 is as follows:

Governmental Activities	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025	Due Within One Year
Compensated Absences	$ 6,352	$ -	$ 895	$ 5,457	$ 1,364
Business-Type Activities					
2021 Sewer Revenue Loan	7,104,653	-	215,595	6,889,058	222,248
Compensated Absences- Water	12,704	-	1,791	10,913	2,728
Compensated Absences- Sewer	12,704	-	1,791	10,913	2,728
Business-Type Activities Long term obligations, net	7,130,061	-	219,177	6,910,884	227,704
Total Activity	$ 7,136,413	$ -	$ 220,072	$ 6,916,341	$ 229,068

5. Long-Term Obligations (continued)

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:

Year ended December 31,	Principal	Interest	Total
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
2030	250,980	177,840	428,820
Thereafter	5,707,080	100,178	5,807,258
	$ 6,889,058	$ 1,062,300	$ 7,951,358

The note payable to the governmental entity includes covenants which the District is required to meet. The District believes it is in compliance with the covenant requirements as of December 31, 2025.

The loan agreement contains events of default, including failure to perform obligations under the financing documents. Upon the occurrence and continuation of an event of default, the Bank may apply pledged net revenues to amounts outstanding under the loan and may exercise other remedies available under the financing documents or applicable law. The agreement does not permit acceleration of the outstanding principal balance as a remedy for an event of default.

6. Lessor Tenant Agreement

The District entered into a lease agreement to lease tower space in January 2024. The lease for space on the tower expires on January 31, 2055. The lease has six automatic, five-year renewal options, each subject to a 10% rent increase at the start of each renewal period.

The District used the future payment schedule to measure the lease receivable. In addition, the lease receivable was discounted to a net present value using a 3% interest rate.

6. Lessor Tenant Agreement (continued)

For the year ended December 31, 2025, the District received $34,539 in rent revenue and $21,000 in lease interest revenues. The average remaining term for all leases is 29.08.

Future lease payments due to the District are as follows for the years ending December 31:

	Principal	Interest
2026	$ 8,243	$ 20,757
2027	8,494	20,506
2028	8,752	20,248
2029	9,019	19,981
2030	12,274	19,626
2031-2035	70,480	92,210
2036-2040	99,621	79,338
Thereafter	492,093	108,124
	$ 708,975	$ 380,790

7. 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, 2025.

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.

8. 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 2025, the District contributed $19,033 and plan participants contributed $14,244.

9. Risk Management

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

10. Subsequent Events

The District has evaluated subsequent events through September 14, 2026 the date that the financial statements were available to be issued.

Required Supplementary Information

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures and Change in Fund Balance—Actual and Budget
General Fund
For the year ended December 31, 2025

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	$ 377,551	$ 387,756	$ 10,205
Fees	103,596	100,408	(3,188)
Lease	29,000	34,539	5,539
Miscellaneous	100	785	685
Interest income	36,000	59,236	23,236
Total Revenues	546,247	582,724	36,477
Expenditures			
Personnel	150,305	139,667	10,638
General governmental administrative	40,908	36,900	4,008
Roads	180,310	127,168	53,142
Total Expenditures	371,523	303,735	67,788
Excess (Deficiency) of Revenues Over Expenditures	174,724	278,989	104,265
Other Financing Sources (Uses)			
Interfund transfers	-	100,310	100,310
Total Other Financing Sources (Uses)	-	100,310	100,310
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	174,724	379,299	204,575
Fund Balance—Beginning of year	910,302	950,941	40,639
Fund Balance—End of Year	$ 1,085,026	$ 1,330,240	$ 245,214

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

Supplementary Information

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures
and Change in Fund Balance—Actual and Budget
Debt Service Fund
For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	$ -	$ -	$ -	$ -
Total Revenues	-	-	-	-
Expenditures				
Debt Service	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfer In (/Out)	-	(100,310)	(100,310)	-
Total Other Financing Sources (Uses)	-	(100,310)	(100,310)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	(100,310)	(100,310)	-
Fund Balance—Beginning of year	100,152	100,310	100,310	-
Fund Balance—End of Year	$ 100,152	$ -	$ -	$ -

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures and Change in Fund Balance—Actual and Budget
Water Utility Fund
For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales and services	$ 501,800	$ 501,800	$ 522,170	$ 20,370
Maintenance fees	251,712	251,712	251,292	(420)
Other income	9,520	9,520	-	(9,520)
Total Revenues	763,032	763,032	773,462	10,430
Expenditures				
Treatment	137,295	137,295	149,118	(11,823)
Personnel	300,610	300,610	277,546	23,064
Administrative costs	82,020	82,020	49,180	32,840
Capital outlay	-	5,075	41,350	(36,275)
Total Expenditures	519,925	525,000	517,194	7,806
Total Operating Income	243,107	238,032	256,268	18,236
Non-operating Revenues and Expenses:				
Interest income	4,500	4,500	4,633	133
Total Non-operating revenues	4,500	4,500	4,633	133
Change in Funds Available, Budgetary Basis	247,607	242,532	260,901	18,369
Reconciliation to GAAP basis of accounting				
Capital outlay capitalized			41,350	
Depreciation expense (not recognized on budgetary basis)			(183,224)	
Change in Net Position (GAAP)			119,027	
Funds Available—Beginning of year	26,213	26,213	6,180,210	6,153,997
Funds Available—End of Year	$ 273,820	$ 268,745	$ 6,299,237	$ 6,030,492

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

Edgemont Ranch Metropolitan District
Schedule of Revenues, Expenditures and Change in Fund Balance—Actual and Budget
Sewer Utility Fund
For the year ended December 31, 2025

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales and services	$ 730,356	$ 733,100	$ 2,744
Maintenance fees	258,600	257,773	(827)
Other income	600	-	(600)
Total Revenues	989,556	990,873	1,317
Expenditures			
Treatment	142,920	127,060	15,860
Personnel	300,610	277,545	23,065
Administrative costs	79,990	48,944	31,046
Debt payments	215,595	215,595	-
Capital outlay	90,000	22,076	67,924
Total Expenditures	829,115	691,220	137,895
Total Operating Income	160,441	299,653	139,212
Non-operating Revenues and Expenses:			
Other expense rebates	-	3,224	3,224
Interest income	49,500	46,734	(2,766)
Interest expense	(213,225)	(212,527)	698
Net Non-operating revenues (expense)	(163,725)	(162,569)	1,156
Change in Funds Available, Budgetary Basis	(3,284)	137,084	140,368
Reconciliation to GAAP basis of accounting			
Capital outlay capitalized		22,076	
Principal payments on long-term debt		215,595	
Depreciation expense (not recognized on budgetary basis)		(288,345)	
Change in Net Position (GAAP)		86,410	
Funds Available—Beginning of year	1,463,998	6,330,055	4,866,057
Funds Available—End of Year	$ 1,460,714	$ 6,416,465	$4,955,751

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