

Durango West Metropolitan District No. 1

Annual Financial Report

December 31, 2020

**Durango West Metropolitan District No. 1
Table of Contents
For The Year Ended December 31, 2020**

Independent Auditor's Report	1
Management's Discussion and Analysis	ii
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Fund Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	13
Required Supplementary Information Other Than MD&A:	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Major Funds:	
General Fund	27
Notes to Required Supplementary Information	28
Other Supplementary Information:	
Statements of Non-major Governmental Funds:	
Balance Sheet	29
Statements of Revenues, Expenditures and Changes in Fund Balances	30
Schedules of Revenues, Expenses and Changes in Net Position - Budget and Actual Special Revenue Funds:	
Lottery Fund	31
Enterprise Fund:	
Water Fund	32
Sewer Fund	33
Wastewater Fund	34

Independent Auditor's Report

Board of Directors
Durango West Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Durango West Metropolitan District No. 1 (the "District"), as of December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wastewater Fund, Durango West Metropolitan District Number Two. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, 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 remaining fund information of the

District, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The balance sheet, statements of revenues, expenditures and changes in fund balances and budgetary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such 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 by us and the other auditors. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

rfarmer, llc
July 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Durango West Metropolitan District No. 1 (the District) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended December 31, 2020.

Management's analysis provides a summary of the District's financial position and shares additional information on the District's activities for the year ended December 31, 2020. The financial statements are an integral part of this analysis and are contained within this document.

FINANCIAL HIGHLIGHTS

1. The District's net position totals \$1,634,909
2. Operating expenses of \$794,293 were more than program revenues of \$694,343 by \$99,950
3. General revenues total \$184,817.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of four parts: 1) management's discussion and analysis, 2) basic financial statements, 3) required supplementary information 4) other supplementary information potentially helpful to readers **BASIC FINANCIAL STATEMENTS**

This discussion and analysis are included as an introduction to the Durango West Metropolitan District No. 1's basic financial statements. The District's basic financial statements are comprised of two components: 1) government-wide financial statements, 2) fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements present information for the governmental activities and the business-type activities.

The statement of net position (see page 3) presents information on the District's assets, liabilities, and deferred inflows with the difference between the three reported as net position. Over time, annual increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities (see page 4) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis by recording as of the date the underlying event gave rise to the change in assets or liabilities, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the government-wide statements for some items that will only result in cash flows in future fiscal periods. Looking at financial statements to compare annual activities for approximately 3-years will usually provide the most accurate assessment of financial stability.

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

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The financial statements presented for the governmental funds are the balance sheet and the statement of revenues, expenditures and changes in fund balances.

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 governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Durango West Metropolitan District No. 1 has two governmental funds: the General Fund and the Conservancy Trust (Lottery) Fund. The District considers both of these funds important to financial statement uses.

Proprietary Funds: Proprietary fund accounting uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred in both the proprietary funds financial statements and government-wide funds financial statements. The District has three enterprise funds: the Water Fund, the Sewer Fund and the Wastewater Fund which use proprietary fund accounting.

The proprietary fund basic financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows.

The statement of net position presents information on the assets, liabilities and net position of the District's proprietary funds. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the two enterprise funds is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position reports the operating revenues and expenses and non-operating revenues and expenses of the District's two enterprise funds for the year; the operating income (loss) is combined with any capital contributions and transfers to determine the change in net position for the fiscal year.

The statement of cash flows reports cash and cash equivalent activities of the two enterprise funds for the fiscal year resulting from operating activities, non-capital and related financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current year.

Other Information: The District adopts an annual appropriated budget for each of its funds. Budgetary comparison schedules have been provided for the General Fund and the Lottery Fund as required supplementary information in the financial statements. The schedules of revenues and expenses, budget to actual for the Water Fund, Sewer Fund and Wastewater Fund are presented as supplementary information.

FINANCIAL POLICY PRIORITIES

The financial goal of the District is to operate in a cost-efficient manner that is similar to the practices of private enterprise. The District annually reviews its financial policies to assess their impact upon financial activities. Policies that affected financial activities are:

1. Growth pays its own way
2. Debt service is funded from property taxes, special assessments, user fees
3. Administration and operations are funded from user fees.

Day-to-Day Operational Control of the District

For operational control, the District has segmented its budget into 5 categories: General Fund, Conservancy Trust (Lottery) Fund, Water Fund, Sewer Fund and Wastewater Fund. This allows the District to easily track its operations.

The General Fund is used to account for roads, fees, trash and general administration. The major sources of revenue are monies collected for administrative, roads, and common area fees. In 2020, the General Fund's revenue from user fees was \$170,020.

The Lottery Fund (Conservancy Trust) is designated to receive and hold state lottery funds which can only be used for parks and recreation projects. Lottery fund revenue for 2020 was \$3,503

The District operates its water and sewer funds as self-supporting enterprises. Revenues received from user fees are lower than expected the day-to-day operating expenses in the water fund, which has been supplemented from sewer and general funds. The total revenues of enterprise funds covered most of the expenses in 2020. During 2020, the District received \$509,526 in user fees against expenses of \$529,323 for water, sewer and wastewater enterprise operations. Water charges were adjusted in 2020 and again in 2021 to cover revenue shortfalls in the water fund.

Government-wide Financial Analysis

The following tables present condensed 2019 and 2020 financial information for the District.

Table A is a summary of the statement of net position. The District's position (the difference between assets, liabilities and deferred inflows) are one way to measure the financial health of the District. Increases or decreases in the District's net position are indicators of improving or deteriorating financial health. This, coupled with factors such as population growth, legislative changes or policy changes, provide an integrated assessment of the District's health.

Table B shows revenues, expenses, and changes in net assets for 2019 and 2020.

Table A shows that the District's net position has decreased. Total restricted net position of \$7,015 is restricted for Tabor. Unrestricted net position decreased from \$688,807 in 2019 to \$567,802. This unrestricted net position is available for future appropriations. Net position invested in capital assets increased by \$14,867 from 2019. Net position invested in capital assets indicates net position that is not available for future appropriations. This increase is primarily due to costs of repairs to basketball and tennis courts and recreational park area assets.

The other primary factors causing a net decrease in position are depreciation of the District's fixed assets.

Table B shows an operating loss of \$99,950 for 2020. This is an increase of \$74,730 from 2019. This increase is primarily due to the fact that in 2020, the District's increased investment in fixed

assets and property inventory. Approximately \$44,389 was invested into the recreational area in 2020. An additional \$16,100 was invested in the wastewater plant.

An examination of Table B shows that the District's change in net position in the governmental activities decreased by \$83,006 from 2019 to 2020. This decrease is due to the fact that in 2020, the District did not receive grant funds. User fees decreased slightly due to the loss of monthly fees for now undeveloped lots that are planned to be replaced with newly constructed housing when building options can be secured to prudently invest in new housing. The District uses a conservative approach with new development in order to minimize investment risks with public funds. In 2020, operating expenses increased to pay for additional auditing fees to bring the audits current.

The change in net position in the business-type activities increased by \$22,216 from 2019 to 2020.

TABLE A
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 273,539	\$ 341,992	\$ 395,413	\$ 381,575	\$ 668,952	\$ 723,567
Internal balances	\$ (182,866)	\$ (189,837)	\$ 182,866	\$ 189,839	\$ -	\$ 2
Non-current assets					\$ -	\$ -
Capital assets, net of					\$ -	\$ -
Accumulated depreciation	\$ 593,134	\$ 593,134	\$ 852,937	\$ 852,937	\$ 1,446,071	\$ 1,446,071
Total Assets	\$ 683,807	\$ 745,289	\$ 1,431,216	\$ 1,424,351	\$ 2,115,023	\$ 2,169,640
Current liabilities	\$ 16,383	\$ 25,982	\$ 20,002	\$ 9,956	\$ 36,385	\$ 35,938
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Bonds			\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Accrued Interest			\$ -	\$ 1,071	\$ -	\$ 1,071
Long Term Bonds	\$ -	\$ -	\$ 342,500	\$ 367,500	\$ 342,500	\$ 367,500
Total Liabilities	\$ 16,383	\$ 25,982	\$ 387,502	\$ 403,527	\$ 403,885	\$ 429,509
Deferred property taxes					\$ -	\$ -
Net position:						
Invest in capital assets	\$ 593,134	\$ 593,134	\$ 466,778	\$ 451,911	\$ 1,059,912	\$ 1,045,045
Restricted	\$ 7,015	\$ 6,279	\$ -	\$ -	\$ 7,015	\$ 6,279
Unrestricted	\$ 36,152	\$ 119,894	\$ 531,830	\$ 568,913	\$ 567,982	\$ 688,807
Total net position	\$ 636,301	\$ 719,307	\$ 998,608	\$ 1,020,824	\$ 1,634,909	\$ 1,740,131

TABLE B

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenue						
Charges for Services	\$ 170,020	\$ 155,691	\$ 509,526	\$ 500,966	\$ 679,546	\$ 656,657
Grants and contributions	\$ 14,797	\$ 17,667	\$ -	\$ 57,424	\$ 14,797	\$ 75,091
Total program revenue	\$ 184,817	\$ 173,358	\$ 509,526	\$ 558,390	\$ 694,343	\$ 731,748
Total operating expenses	\$ 264,970	\$ 259,014	\$ 529,323	\$ 497,954	\$ 794,293	\$ 756,968
Operating income (loss)	\$ (80,153)	\$ (85,656)	\$ (19,797)	\$ 60,436	\$ (99,950)	\$ (25,220)
General revenues						
Sale of Assets	\$ -	\$ -			\$ -	\$ -
Earnings on investments	\$ 126	\$ 388	\$ 951	\$ 1,477	\$ 1,077	\$ 1,865
Adjustment to Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total general revenues	\$ 126	\$ 388	\$ 951	\$ 1,477	\$ 1,077	\$ 1,865
Change in net position	\$ (80,027)	\$ (85,268)	\$ (18,846)	\$ 61,913	\$ (98,873)	\$ (23,355)
Beginning net position	\$ 716,328	\$ 804,575	\$ 1,017,457	\$ 958,914	\$ 1,733,785	\$ 1,763,489
Ending net position	\$ 636,301	\$ 719,307	\$ 998,608	\$ 1,020,824	\$ 1,634,909	\$ 1,741,999

BUDGETARY HIGHLIGHTS

The budgetary comparison schedules for the General Fund and the Lottery Fund are included in the required supplementary information. The General Fund budgeted to spend \$306,250 and actually spent \$233,846. This variance is due primarily to the budget for construction of housing units in 2020 that were not built. The Lottery Fund budgeted to spend \$0 and spent \$0.

The budgets for the proprietary funds, the Water Fund, the Sewer Fund and the Wastewater Fund, are in other supplementary information. The Water Fund budgeted to spend \$263,320 and spent \$249,359. The Sewer Fund budgeted to spend \$214,768 and spent \$192,582. The Wastewater Fund budgeted \$100,575 for 2020 and spent \$104,001. Budgeted expenses in the water and sewer funds included an allowance for unanticipated expenses.

DEBT ACTIVITIES

Wastewater Treatment Bonds. In 2017, a 15-year revenue bond was approved by both Metro District #1 and Metro District #2 for \$900,000.00 from a local bank, secured at a fixed interest rate. District # 2 is the primary responsible party on the debt, which is paid with monthly user fees from customers of each District. The Districts equally split joint fund wastewater treatment plant revenues, expenditures, and liabilities. This placed District 1 with a beginning debt amount of one-half of the \$900,000, the amount of \$450,000 in principal balance of the total revenue bond loan. An Intergovernmental Agreement between District 1 and District 2 governs the terms for the jointly owned wastewater plant fund. Both Districts approved fee increases to cover debt beginning in 2017. The joint wastewater fund pays for debt, ongoing wastewater plant improvements, and daily operations. A portion of the 2017 fee increases is being used for better qualified personnel in order to maintain the plant at higher standards. At the end of 2020, current debt service was \$27,500, and the long-term bond balance was \$340,000.

FUTURE CAPITAL IMPROVEMENTS

Recreation: As noted in previous years the District built a full-size doubles tennis court and college/professional sized basketball court that can also be split for two smaller ½ court games. The basketball court has been a success, but unfortunately, one corner section of the tennis courts experienced a major soil shift in 2016, causing the tennis court to begin sinking on one side and end. The District performed repairs to reduce the court size to accommodate pickle ball and replaced fencing as needed to make the area fully functional. So far, repairs have held up and residents enjoy using the area. The recreational area is an ongoing project with plans to add a gazebo or shade structure along with BBQ grills and more seating. Infrastructure for a community garden was also constructed with room for expansion. Irrigation improvements for automatic watering and drip systems began in 2020 and should be completed in 2021-2022.

Future Development: Future capital expenditures are planned for building homes on district owned property to then sell to individual homeowners. The District has a very high demand for affordable housing due to the very low inventory available for modest homes and first time homeowners. Covid and labor shortages have delayed the development District-owned lots.

Wastewater Treatment: The wastewater treatment plant fund performed wastewater plant improvements during years 2017 through 2020. No major capital improvements are anticipated during calendar year 2021. A large sag in the main sewer line leading to the treatment plant was repaired in 2020. The District has been successful with annual cleaning and camera work where needed. Infrastructure replacements are needed in a few isolated areas in the collection system. These replacements/repairs may be scheduled to begin in 2021, with a 2-3 year completion estimate.

Fire Safety: The District has provided annual fire mitigation for many years as drought conditions have increased in our area. A burn unit remains on the capital expenditures wish list. Annual cleanup days have been popular and successful at maintaining mitigation efforts. Fire mitigation was performed on a large area near the front entrance in 2021. Capital improvements related to fire mitigation are planned for future equipment purchases.

Water Distribution Facilities: No major work is planned on water infrastructure except for valve cleaning and mapping services. The District still needs to install a few meters outside into pits, and several valves need to be replaced to be fully operational. Mapping has been an ongoing project and in 2021 the District plans to begin transferring data to GIS and electronic format.

Road System: The District spent approximately \$23,000 on road repairs and maintenance in fiscal year 2020. The roads are in fair condition, but must be maintained. Drainage issues need to be addressed which will require concrete curb and gutter work and some overlay work. This is a large scope project and unlikely can be handled at one time unless a new bond were issued due to the high costs of curb replacements and drainage designs. A tax bond or revenue bond will be needed to perform higher level maintenance to the road system and is planned for 2022 or 2023.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The board of directors and the management of Durango West Metropolitan District No. 1 consider many factors when they set the budget for 2020. User fees and growth, were evaluated and considered before a final budget was adopted. Initial estimates show increases and decreases as follows for the 2021 budget year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETED EXPENDITURES

	2020 Budget	2021 Budget	Increase (Decrease)
General Fund	\$306,250	\$311,850	5,600
Lottery Fund	0	0	0
Water Fund	263,320	262,120	(1,205)
Sewer Fund	214,768	202,768	(12,000)
Wastewater Fund	100,575	98,139	(2,436)

Because the board did not budget to build a house in 2021, it is possible the budget for 2021 will be amended if development for housing improvements moves forward. Outside accounting services were added to help with bookkeeping and separation of duties. The District is current with audit filings and is keeping up with current accounting needs.

The water fund decreased expenditures due to a reduction in capital expenditures. Allocations of payroll expenses are generally allocated equally among the three main funds.

The sewer fund also decreased the expenditures budget. The water and sewer enterprise funds received allocations for sharing administrative and labor expenses.

The wastewater fund stabilized since capital projects from the 2017 revenue bond were completed. The budget covers normal operational costs and includes funding to build reserve amounts needed for regularly scheduled sludge removal.

CONTACTING THE DISTRICT'S MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with the general overview of the District's finances. The annual audits demonstrate the District's accountability for the monies it receives and spends. If you have any questions concerning this report, or if you have inquiries for additional information, please contact Janet Anderson, District Manager of the Durango West Metropolitan District No. 1. The mailing address for the District is 119 Holly Hock Trail, Durango, Colorado 81303. The District Manager may also be reached at (970) 259-4267, (970) 946-2310, dw1@mydurango.net

Durango West Metropolitan District No. 1
Statement of Net Position
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 90,192	\$ 308,140	\$ 398,332
Receivables	38,616	85,472	124,088
Internal Balances	(182,866)	182,866	-
Due from other governmental agencies	3,096	-	3,096
Inventories	141,635	-	141,635
Prepays	-	1,801	1,801
Capital Assets:			
Collection, treatment, transmission, and distribution	106,300	2,045,819	2,152,119
Land and buildings	283,281	47,140	330,421
General equipment	132,307	-	132,307
Vehicles	8,661	53,043	61,704
Roads	1,375,836	-	1,375,836
Less: Accumulated depreciation	<u>(1,344,374)</u>	<u>(1,337,178)</u>	<u>(2,681,552)</u>
Total Capital Assets	<u>562,011</u>	<u>808,824</u>	<u>1,370,835</u>
Total Assets	<u>652,684</u>	<u>1,387,103</u>	<u>2,039,787</u>
LIABILITIES			
Accounts payable and accrued expenses	16,383	20,002	36,385
Long-term liabilities			
Due within one year			
Bonds payable	-	25,000	25,000
Due in more than one year			
Bonds payable	<u>-</u>	<u>342,500</u>	<u>342,500</u>
Total liabilities	<u>16,383</u>	<u>387,502</u>	<u>403,885</u>
NET POSITION			
Net investment in capital assets	593,134	466,778	1,059,912
Restricted for:			
TABOR	7,015	-	7,015
Unrestricted	<u>36,152</u>	<u>531,830</u>	<u>567,982</u>
Total net position	<u>\$ 636,301</u>	<u>\$ 998,608</u>	<u>\$ 1,634,909</u>

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

**Durango West Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2020**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
General Government	\$ 264,970	\$ 170,020	\$ 11,294	\$ (83,656)	\$ -	\$ (83,656)
Culture and Recreation	-	-	3,503	3,503	-	3,503
Total governmental activities	264,970	170,020	14,797	(80,153)	-	(80,153)
Business-type activities:						
Water Fund	249,359	205,606	-	-	(43,753)	(43,753)
Sewer Fund	192,584	186,744	-	-	(5,840)	(5,840)
Wastewater Fund	87,380	117,176	-	-	29,796	29,796
Total business-type activities	529,323	509,526	-	-	(19,797)	(19,797)
Total primary government	794,293	679,546	14,797	(80,153)	(19,797)	(99,950)
General revenues:						
Taxes:						
Unrestricted investment earnings				126	951	1,077
Total general revenues, special items, and transfers				126	951	1,077
Change in net position				(80,027)	(18,846)	(98,873)
Net position - beginning				716,328	1,017,457	1,733,785
Net position - ending				\$ 636,301	\$ 998,608	\$ 1,634,909

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

Durango West Metropolitan District No. 1
Balance Sheet
Governmental Funds
December 31, 2020

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 73,519	\$ 16,672	\$ 90,191
Accounts receivable	38,616	-	38,616
Due from other funds	31,168	-	31,168
Receivable from other governments	3,096	-	3,096
Inventories	141,635	-	141,635
Total assets	288,034	16,672	304,706
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	14,487	-	14,487
Due to other funds	182,706	31,326	214,032
Other accrued expenses	1,896	-	1,896
Total liabilities	199,089	31,326	230,415
 Fund balances:			
Reserved for:			
Other purposes--TABOR	7,015	-	7,015
Unassigned	81,930	(14,654)	67,276
Total fund balances	88,945	(14,654)	74,291
Total liabilities and fund balances	\$ 288,034	\$ 16,672	\$ 304,706

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

Durango West Metropolitan District No. 1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total fund balance, governmental funds	\$	74,291
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	<u>562,010</u>
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>636,301</u>
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The accompanying notes to financial statements
are an integral part of these statements.

Durango West Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 11,294	\$ 3,503	\$ 14,797
Charges for services	147,263	-	147,263
Investment earnings	125	1	126
Miscellaneous	22,757	-	22,757
Total revenues	<u>181,439</u>	<u>3,504</u>	<u>184,943</u>
EXPENDITURES			
Current:			
General government	98,930	-	98,930
Public safety	5,720	-	5,720
Personal and benefits	91,133	-	91,133
Capital outlay	38,063	-	38,063
Total Expenditures	<u>233,846</u>	<u>-</u>	<u>233,846</u>
Excess (deficiency) of revenues over expenditures	<u>(52,407)</u>	<u>3,504</u>	<u>(48,903)</u>
Net change in fund balances	(52,407)	3,504	(48,903)
Fund balances - beginning	141,352	(18,158)	123,194
Fund balances - ending	<u>\$ 88,945</u>	<u>\$ (14,654)</u>	<u>\$ 74,291</u>

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

Durango West Metropolitan District No. 1
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds: \$ (48,903)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$38,063 was less than depreciation of \$69,186 in the current period.

(31,123)

Rounding

(1)

Change in net position of governmental activities

\$ (80,027)

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

Durango West Metropolitan District No. 1
Statement of Net Position
Proprietary Funds
December 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 308,140	\$ 308,140
Accounts Receivable, net	40,341	36,641	5,835	82,817
Due from other funds	-	416,340	-	416,340
Other receivables	1,331	1,331	-	2,662
Prepaid Expenses	-	-	1,801	1,801
Total current assets	<u>41,672</u>	<u>454,312</u>	<u>315,776</u>	<u>811,760</u>
Non-current assets:				
Capital Assets:				
Land	-	-	47,140	47,140
Infrastructure	73,640	94,875	-	168,515
Utility System	770,430	275,676	831,198	1,877,304
Vehicles	26,521	26,522	-	53,043
Less Accumulated depreciation	<u>(656,053)</u>	<u>(283,577)</u>	<u>(397,548)</u>	<u>(1,337,178)</u>
Total non-current assets	<u>214,538</u>	<u>113,496</u>	<u>480,790</u>	<u>808,824</u>
Total assets	<u>256,210</u>	<u>567,808</u>	<u>796,566</u>	<u>1,620,584</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	11,131	975	4,107	16,213
Salaries payable	1,896	1,896	-	3,792
Accrued interest payable	-	-	992	992
Due to other funds	233,476	-	-	233,476
Bonds payable	-	-	27,500	27,500
Total current liabilities	<u>246,503</u>	<u>2,871</u>	<u>32,599</u>	<u>281,973</u>
Non-current liabilities:				
Bonds, notes and loans payable	-	-	340,000	340,000
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>340,000</u>	<u>340,000</u>
Total liabilities	<u>246,503</u>	<u>2,871</u>	<u>372,599</u>	<u>621,973</u>
NET POSITION				
Net Investment in capital assets	229,928	123,560	113,290	466,778
Unrestricted	<u>(220,221)</u>	<u>441,377</u>	<u>310,677</u>	<u>531,833</u>
Total net position	<u>\$ 9,707</u>	<u>\$ 564,937</u>	<u>\$ 423,967</u>	<u>\$ 998,611</u>

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

Durango West Metropolitan District No. 1
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
REVENUES				
Charges for services	\$ 197,452	\$ 186,744	\$ 117,176	\$ 501,372
Lease income	8,154	-	-	8,154
Total operating revenues	<u>205,606</u>	<u>186,744</u>	<u>117,176</u>	<u>509,526</u>
OPERATING EXPENSES				
Personal services	55,406	55,405	-	110,811
Contractual services	14,496	14,496	-	28,992
Utilities	9,301	-	-	9,301
Repairs and maintenance	17,748	11,143	4,978	33,869
Other supplies and expenses	2,922	95,823	44,427	143,172
Miscellaneous expenses	13,149	-	-	13,149
Insurance claims and expenses	5,652	5,652	-	11,304
Water purchases	115,293	-	-	115,293
Depreciation	15,392	10,063	25,857	51,312
Total Operating Expenses	<u>249,359</u>	<u>192,582</u>	<u>75,262</u>	<u>517,203</u>
Operating income (loss)	<u>(43,753)</u>	<u>(5,838)</u>	<u>41,914</u>	<u>(7,677)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	-	951	951
Interest expense	-	-	(12,116)	(12,116)
Total non-operating revenue (expenses)	<u>-</u>	<u>-</u>	<u>(11,165)</u>	<u>(11,165)</u>
Income (loss) before contributions and transfers	<u>(43,753)</u>	<u>(5,838)</u>	<u>30,749</u>	<u>(18,842)</u>
Change in net position	<u>(43,753)</u>	<u>(5,838)</u>	<u>30,749</u>	<u>(18,842)</u>
Total net position - beginning	<u>53,460</u>	<u>570,775</u>	<u>393,218</u>	<u>1,017,453</u>
Total net position - ending	<u>\$ 9,707</u>	<u>\$ 564,937</u>	<u>\$ 423,967</u>	<u>\$ 998,611</u>

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

Durango West Metropolitan District No. 1
Statement of Cash Flows
All Proprietary Funds
For the year ended December 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Charges for Services	\$ 209,088	\$ 193,123	\$ 117,783	\$ 519,994
Cash Payments to Suppliers for Goods & Services	(179,151)	(119,542)	(40,298)	(338,991)
Cash Payments for Salaries & Benefits	(54,582)	(54,579)	(9,057)	(118,218)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(24,645)</u>	<u>19,002</u>	<u>68,428</u>	<u>62,785</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
(Increase) Decrease in Due From Other Funds	24,645	(19,002)	-	5,643
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>24,645</u>	<u>(19,002)</u>	<u>-</u>	<u>5,643</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:				
Capital expenditures	-	-	(17,480)	(17,480)
Interest paid	-	-	(12,164)	(12,164)
Principal paid on bonds	-	-	(25,000)	(25,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(54,644)</u>	<u>(54,644)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received on Investment	-	-	951	951
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>951</u>	<u>951</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	-	-	14,735	14,735
Cash & Cash Equivalents:				
Beginning of Year	-	-	293,405	293,405
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,140</u>	<u>\$ 308,140</u>

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

Durango West Metropolitan District No. 1
Statement of Cash Flows
All Proprietary Funds
For the year ended December 31, 2020
(continued)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (43,753)	\$ (5,838)	\$ 41,914	\$ (7,677)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Depreciation	15,392	10,063	25,857	51,312
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivables	3,482	6,379	608	10,469
(Increase) Decrease in Prepaid expenses	-	-	(1,731)	(1,731)
Increase (Decrease) in Salaries Payable	824	826	-	1,650
Increase (Decrease) in Accounts Payable	(590)	7,572	1,780	8,762
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (24,645)</u>	<u>\$ 19,002</u>	<u>\$ 68,428</u>	<u>\$ 62,785</u>
 Analysis of cash:				
Cash and Cash Equivalents	\$ -	\$ -	\$ 308,140	\$ 308,140
TOTAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,140</u>	<u>\$ 308,140</u>

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

Durango West Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2020

Note 1 **Definition of Reporting Entity**

The Durango West Metropolitan District No. 1 (the District) was created on July 20, 1978, pursuant to the provisions of the Colorado Revised Statutes as applicable to special districts. As such, the District's board of directors is the governing authority and the District provides a complete water and sewage system for its constituents, along with road maintenance and snow removal.

The reporting entity consists of the District and, if applicable, 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 or impose specific financial burdens on the District. Consideration is also given to including other organizations in the reporting entity if they are considered fiscally dependent or exclusion from the District's financial statements would render those financial statements misleading.

Based on these criteria, no potential component units have been included in the District's reporting entity, nor is the District a component unit of another entity.

Note 2 **Summary of Significant Accounting Policies**

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

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. 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 activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost by function or business-type activity is normally covered by general revenue such as property taxes or other unrestricted revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns. The government-wide focus is more on the sustainability of the district as an entity and the change is aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fund financial statements for the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied, while grants and similar items are recognized as revenue when all eligibility requirements are met. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when the liability has matured and payment is due. General capital asset and acquisitions are reported as expenditures in governmental funds while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, grant and entitlement revenues, interest and charges for services are considered revenues susceptible to accrual. Contributions and miscellaneous revenue are recorded as revenues when received in cash because they are not generally measurable until received in cash. In applying the susceptible to accrual concept to intergovernmental

revenues, the legal and contractual requirements of the individual programs are used as guidance. Generally, entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met.

Business-type activities and all proprietary funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's water, sewer and wastewater funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds

The District reports the following major governmental funds:

- The general fund is the primary operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources of the District except those required to be accounted for in a separate fund. Major revenue sources include property taxes, along with charges for services. Primary expenditures include general government and public services.

Proprietary Fund Types

The following is a description of the major proprietary funds of the District:

- The water fund accounts for the operation of the District's water system. Activities of the fund include operation and maintenance of the water system. Costs are financed
- The sewer fund accounts for the operation of the District's sewer system. Activities of the fund include operation and maintenance of the system. Costs are financed through charges for services to users and rates are reviewed regularly and adjusted as necessary.
- The wastewater fund is the newest fund for the District. On May 28, 2015, Durango West Metropolitan District No. 1 signed an intergovernmental agreement and service contract with Durango West Metropolitan District No. 2 (DWMD#2). The two districts each own 50% of the wastewater treatment plant and effective May 28, 2015, each district accounts for 50% of the operations on their respective financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consists of interest and non-interest bearing demand deposits and Colorado Local Government Liquid Asset Trust (COLOTRUST) investment pool. The District's investments in the COLOTRUST investment pool are not reported at amortized cost because COLOTRUST is an external investment pool that is not registered with the SEC as an investment company, but has a policy that it will and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value in computing share prices if certain conditions are met. The regulatory oversight for the COLOTRUST pool rests with the Colorado Securities Commission and the fair value of the District's investments in the COLOTRUST investment pool is the same as the value of the pool shares.

For purposes of the statement of cash flows, all highly liquid investments, if any, with a maturity of three months or less when purchased are considered cash equivalents.

Inventories

The District, over the years, has allowed mobile homes to be set on various lots. Over time, some of the mobile homes have deteriorated to the point that the current owner will not incur the costs to upgrade the property. The District will purchase the lot and mobile home with the intent of removing the mobile home and building houses for resale. During 2016, the District purchased three lots, removed the mobile homes, and began building three new homes.

As of December 31, 2016, one of the homes was virtually completed with the other two homes still under construction.

One of the homes was sold during 2018. The remaining homes are recorded as inventory in the general fund.

Property Taxes

The District will not have a mill for 2016 and future years, so no property tax accruals will be reflected on the financial statements.

Capital Assets

Capital assets, which include land, roads, infrastructure, utility plant wells and tanks, transmission and distribution systems and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District's basic policy for capitalization includes a minimum useful life of three years and a dollar threshold of \$2,500. The criteria for capitalization also includes (1) increasing the capacity or operating efficiency or (2) extending the useful life of the asset. These levels and criteria were set so as to maintain a balance between accountability and managing the costs of recording and tracking these assets. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair value at the time received.

Normal maintenance and repair that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when material. No interest was capitalized in relation to capital assets and improvements during the year ended December 31, 2020.

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

	Governmental Activities	Business-Type Activities
Buildings	10-25	-
Roads	10-25	-
Infrastructure	40	50
Utility Plant Wells and Tanks	-	15-50
Transmission and Distribution	-	10-50
Equipment	10	10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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/expenditure) until then. The District has no amounts that qualify as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the statement of net position.

Long Term Liabilities

In the government-wide statement of net position and the fund financial statements for the proprietary funds, long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the obligation using the interest method. Bond issue costs are recognized in the period incurred.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issue costs, are recognized during the current period. The face amount of the debt

issue, along with the related discount or premium, if any, is reported as other financing sources, while debt issue costs are reported as debt service expenditures.

Fund Balances/Net Position

Governmental funds report fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for the District's governmental funds consists of the following:

Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable.

Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.

Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution.

Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's manager to which the assigned amounts are to be used for specific purposes as outlined by the board of directors' approval of a budgetary deficit in the subsequent year's budget.

Unassigned – this is the residual classification for the general fund.

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.

Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use unrestricted resources first and then use restricted resources as they are needed.

Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments shown on the books are summarized as follows:

Demand Deposits – Unrestricted	\$ 365,432
Demand Deposits – Restricted	16,672
COLOTRUST – Unrestricted	10,338
COLOTRUST – Restricted	<u>5,890</u>
	<u>\$ 398,332</u>

Restricted Cash and Investments

Restrictions on cash and investments include a restricted account established to hold Tabor reserves, an account that holds bond proceeds to be used for road improvement purposes and two accounts that hold Conservation Trust Fund proceeds in the Lottery Fund.

Custodial Credit Risk

At December 31, 2020, the carrying amount of the District's deposits was \$382,104 and the bank balance was \$382,104. Of the bank balance, \$382,104 was covered by federal deposit insurance. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must be equal to at

least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to the District. The District does not have a policy for custodial credit risk.

Investments

The District is subject to Colorado Revised Statute 24-75-601 which is entitled “concerning investment in securities by public entities”. This statute, among other things, outlines the type of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period or other exceptions apply. At December 31, 2020, the District’s investments consisted of its COLOTRUST holdings whose fair value approximates cost and whose investment maturity in years is less than one year. The year-end value was \$16,228.

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices more strictly than state law. As of December 31, 2020, the District’s investment in COLOTRUST is rated AAAM by Standard and Poor’s.

Note 4

Receivables

Receivables at December 31, 2020 consist of the following:

	<u>Governmental Activities</u>
	<u>General Fund</u>
Customer Accounts, Current Net of Allowance	\$ 38,409
Highway User Funds	207
Department of Local Affairs	-
	<hr/>
Total Receivables	<u>\$ 38,616</u>

	Business-Type Activities			
	Water Fund	Sewer Fund	Wastewater Fund	Total
Customer Accounts, Current Allowance for Uncollectibles	\$ 44,823 (4,482)	\$ 40,710 (4,071)	\$ 5,835 -	\$ 91,368 (8,553)
	\$ 40,341	\$ 36,639	\$ 5,835	\$ 82,815

Miscellaneous receivables total approximately \$3,657.

Note 5 Interfund Receivables/Payables and Transfers

The following interfund receivables and payables are included in the individual fund financial statements at December 31, 2020:

	Advances To (From) General Fund	Advances To (From) Lottery Fund	Advances To (From) Water Fund	Advances To (From) Sewer Fund	Net Advances To (From) Funds
General Fund	\$ -	\$ (31,326)	\$ (233,476)	\$ 416,339	\$ 151,537
Lottery Fund	31,169	-			31,169
Water Fund	215,961		-		215,961
Sewer Fund	(398,667)			-	(398,667)
Total	\$ (151,537)	\$ (31,326)	\$ (233,476)	\$ 416,339	\$ -

The amounts reported as due from other funds and due to other funds are reflective of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made. All amounts reflected as due from other funds are expected to be collected in the subsequent year.

The advances due the water and sewer funds were for operating subsidy support. It is expected that these advances will be repaid in more than one year.

Note 6 Tower Lease

On July 30, 2013, the District entered into a lease agreement with Atmos Energy Corporation (Atmos) to rent them tower and antenna space. The District will receive monthly rental income of \$500 which will be increased by 3% at the yearly anniversary of the commencement date as long as the lease and/or any renewal terms are in effect. In addition, there will be an electricity charge of \$75 per month. The lease is or a term of 60 months with renewal terms of three additional terms of 60 calendar months.

Note 7 Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2020 was as follows:

	Governmental Activities			Balance End Of Year
	Balance Beginning Of Year	Additions/ Adjustments	Deletions/ Adjustments	
Capital Assets Not Being Depreciated				
Landscaping	\$ 2,430	\$ -	\$ -	\$ 2,430
Survey Fees	1,560	-	-	1,560
Office Lot	10,000	-	-	10,000
Park Dirt Work	54,639	-	-	54,639
Total	68,629	-	-	68,629
Depreciable Assets				
Buildings	116,906	28,772	-	145,678
Roads	1,337,773	-	-	1,337,773
Utility Infrastructure	106,300	-	-	106,300
Park	97,746	9,291	-	107,037
Equipment	140,968	-	-	140,968
Total	1,799,693	38,063	-	1,837,756
Accumulated Depreciation				
Buildings	(79,154)	(8,961)	-	(88,115)
Roads	(1,073,973)	(45,342)	-	(1,119,315)
Utility Infrastructure	(47,833)	(2,657)	-	(50,490)
Park	(6,794)	-	-	(6,794)
Equipment	(67,434)	(12,226)	-	(79,660)
Total	(1,275,188)	(69,186)	-	(1,344,374)
Net Capital Assets Being Depreciated	524,505	(31,123)	-	493,382
Net General Fixed Assets	\$ 593,134	\$ (31,123)	\$ -	\$ 562,011

Depreciation was charged to functions/programs as follows:

Governmental Activities	
Public Services	<u>\$ 69,186</u>

	Business-Type Activities			Balance End Of Year
	Balance Beginning Of Year	Additions	Deletions	
Capital Assets Not Being Depreciated				
Land	\$ 47,140	\$ -	\$ -	\$ 47,140
Depreciable Assets				
Water Utility Plant – source of supply	182,063	-	(13,548)	168,515
Water Well No. 9 – source of supply	30,000	-	(30,000)	-
Water Tank – source of supply	68,408	-	(68,408)	-
Water Transmission & Distribution	563,598	-	-	563,598
Sewer Collection and Treatment	370,551	-	-	370,551
Wastewater Treatment Plant and Equipment	1,078,562	17,480	(152,887)	943,155
Vehicles	53,041	2	-	53,043
Total	2,346,223	17,482	(264,843)	2,098,862
Accumulated Depreciation				
Water Source of Supply	(181,164)	(4,369)	-	(185,533)
Water Transmission and Distribution	(443,236)	(8,371)	-	(451,607)
Sewer Collection and Treatment	(258,944)	(7,411)	-	(266,355)
Wastewater Treatment Plant and Equipment	(362,912)	(25,857)	(8,867)	(397,636)
Vehicles	(30,743)	(5,304)	-	(36,047)
Total	(1,276,999)	(51,312)	(8,867)	(1,337,178)
Net Capital Assets	\$ 1,116,364	\$ (33,830)	\$ (273,710)	\$ 808,824

Depreciation was charged to functions/programs as follows:

Business-Type Activities	
Water	\$ 15,392
Sewer	10,063
Wastewater	25,857
Total	\$ 51,312

Note 8 Long Term Liabilities

	Business-Type Activities				
	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Due Within One Year
Bonds Payable Series 2017 Waste Water Bonds	\$ 392,500	\$ -	\$ 25,000	\$ 367,500	\$ 27,500

The above-described obligation is serviced by the District’s Wastewater Fund in conjunction with Durango West Metropolitan District No. 2.

The following is a description of the series 2017 wastewater revenue bond:

\$450,000 series 2017 wastewater revenue bond; interest rate of 3.18%; due in quarterly principal and interest payments ranging from \$7,957 to \$35,379 beginning June, 2018 through June, 2032; collateralized by an irrevocable lien but not necessarily an exclusive lien on the net revenue of the wastewater system.

The debt service requirements for the series 2017 wastewater revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2021	\$ 27,500	\$ 11,349	\$ 38,849
2022	25,000	10,494	35,494
2023	30,000	9,639	39,639
2024	27,500	8,705	36,205
2025-2029	165,000	28,401	193,401
2030-2033	92,500	3,359	95,859
Total	\$ 367,500	\$ 71,947	\$ 439,447

Note 9 Net Position

Restricted net position represents net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2020 for governmental activities is \$7,015 which has been restricted for TABOR. This represents approximately 3% of the District’s 2020 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District’s net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this restricted account.

Note 10 Joint Venture

The District's participation in the Colorado Special Districts' Property and Liability Pool (the Pool) is a joint venture between the Special District Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security, and boiler and machinery coverage to its members. Durango West Metropolitan District No. 1 has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at (303) 863-1733 in the Denver metropolitan area and (800) 866-1733 from outside the metropolitan area.

Note 11 Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damages to, or destruction of property; error or omissions; injuries to employees; or acts of God. Risks of loss from property and liability coverage are covered by the District's participation in the Colorado Special District's property and liability pool which is a separate independent governmental public entity risk pool formed through intergovernmental agreement by member special districts to provide defined liability and property coverage. The aggregate limit of losses paid by the pool for property claims is limited to \$1,000,000 with commercial company reinsurance covering any losses in excess of that amount up to \$3,000,000. All other risks of loss are handled by the purchase of commercial insurance. In addition, settled claims have not exceeded commercial insurance coverage in any of the three preceding years.

Note 12 Tax Spending and Debt Limitations – Taxpayers Bill of Rights (TABOR)

In 1992, Colorado voters passed an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, which is commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. In November, 1997, the voters of the District approved the District's request to retain and spend all revenues and other funds collected from any source. As such, the fiscal year spending limitations outlined in the amendment no longer apply to the District, but the District is subject to other provisions of the amendment.

Note 13**Contingencies and Commitments**

Previously, the District entered into an intergovernmental agreement with Durango West Metropolitan District No. 2 (District No. 2) to construct and operate a wastewater treatment plant for the residents of both districts. The District agreed to purchase all wastewater treatment services from District No. 2 and during 2015, the District paid \$60,960 for treatment services. When the loan agreement with Colorado Water Resources and Power Development Authority was fully paid and satisfied in 2011, the intergovernmental agreement was amended to include a joint ownership provision of the wastewater plant; however the amended intergovernmental agreement had an expiration date of December 31, 2012. The two districts completed and approved a newly amended intergovernmental agreement on May 28, 2015. Each district now owns one-half of the treatment plant.

Due to the amount of cash used to buy three lots, demolish the existing structures on those lots, and pay ordinary and necessary expenses, during November, 2016, it became apparent that the District would not be able to cash flow the operations and the additional costs of building three new homes. As a result, the Board, during their November meeting, authorized the Executive Director to obtain a line of credit with a local bank. The line cannot exceed \$200,000, is to be secured by real estate, with the interest rate to be determined. Subsequent to year-end, the Executive Director did obtain a line of credit.

As of December 31, 2020, there was a new line of credit in the amount of \$200,000. As of December 31, 2020, no advances were made against the line. The interest rate is subject to change from time to time based on changes in an independent index. Collateral is a deed of trust of specific property.

Required Supplementary Information

Durango West Metropolitan District No. 1
Budget and Actual
General
For the year ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 13,500	\$ 13,500	\$ 11,294
Charges for services	153,564	153,564	147,263
Investment earnings	250	250	125
Miscellaneous	27,000	27,000	22,757
Total revenues	<u>194,314</u>	<u>194,314</u>	<u>181,439</u>
EXPENDITURES			
Current:			
General government	201,250	201,250	98,930
Public Safety	5,000	5,000	5,720
Personal and benefits	25,000	25,000	91,133
Capital Outlay	50,000	50,000	38,063
Contingency	25,000	25,000	-
Total Expenditures	<u>306,250</u>	<u>306,250</u>	<u>233,846</u>
Excess (deficiency) of revenues over expenditures	<u>(111,936)</u>	<u>(111,936)</u>	<u>(52,407)</u>
Net change in fund balances	<u>(111,936)</u>	<u>(111,936)</u>	<u>(52,407)</u>
Fund balances - beginning	178,705	178,705	141,352
Fund balances - ending	<u>\$ 66,769</u>	<u>\$ 66,769</u>	<u>\$ 88,945</u>

Durango West Metropolitan District No. 1
Notes to Required Supplementary Information
December 31, 2020

Budgets and Budgetary Accounting

Annual budgets are established by the District as required by Colorado law. The budget has been prepared using the cash basis of accounting, which differs from the modified accrual basis used for financial statement preparation. Reconciliations, if necessary, between the budget basis and generally accepted accounting principles (GAAP) are presented on the face of the budget comparison schedules.

Expenditures may not legally exceed appropriations at the fund level. After budget approval, the District's Board of Directors may approve supplemental appropriations if an occurrence, condition, or need exists that was not known at the time the budget was adopted. No supplemental appropriations were made for 2020.

On or before October 15 of each year, the District's budget officer must prepare and submit a proposed budget to the Board for the next fiscal year. Thereupon, notice must be published stating, among other things, that the budget is open to inspection by the public and that interested electors may file or register any objection to the budget. Subject to certain exceptions and exclusions discussed hereafter, the District must submit a request for property tax increases in excess of the statutory limitation to the Division of Local Government (if within TABOR limits, as described in Note 9) or submit the question of an increased levy directly to the electors of the District at a general or special election. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the withholding by the county treasurer of any property tax revenues that may be levied in the future by the District, pending compliance. The District timely filed the certified copy of its budget for the year ended December 31, 2020.

Budget appropriations lapse at the end of each year.

Other Supplementary Information

Durango West Metropolitan District No. 1
Balance Sheet
Other Governmental Funds
December 31, 2020

	<u>Lottery Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 16,672	\$ 16,672
Total assets	<u>16,672</u>	<u>16,672</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	31,326	31,326
Total liabilities	<u>31,326</u>	<u>31,326</u>
 Fund balances:		
Unassigned	(14,654)	(14,654)
Total fund balances	<u>(14,654)</u>	<u>(14,654)</u>
Total liabilities and fund balances	<u>\$ 16,672</u>	<u>\$ 16,672</u>

Durango West Metropolitan District No. 1
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	<u>Lottery Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES		
Intergovernmental	\$ 3,503	\$ 3,503
Investment earnings	1	1
Total revenues	<u>3,504</u>	<u>3,504</u>
EXPENDITURES		
Excess (deficiency) of revenues over expenditures	<u>3,504</u>	<u>3,504</u>
Net change in fund balances	3,504	3,504
Fund balances - beginning	(18,158)	(18,158)
Fund balances - ending	<u>\$ (14,654)</u>	<u>\$ (14,654)</u>

**Durango West Metropolitan District No. 1
Budget and Actual
Lottery Fund
For the year ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 2,800	\$ 2,800	\$ 3,503
Investment earnings	2	2	1
Total revenues	<u>2,802</u>	<u>2,802</u>	<u>3,504</u>
EXPENDITURES			
Excess (deficiency) of revenues over expenditures	<u>2,802</u>	<u>2,802</u>	<u>3,504</u>
Net change in fund balances	2,802	2,802	3,504
Fund balances - beginning	(7,909)	(7,909)	(18,158)
Fund balances - ending	<u>\$ (5,107)</u>	<u>\$ (5,107)</u>	<u>\$ (14,654)</u>

Durango West Metropolitan District No. 1
Budget and Actual
Water Fund
For the year ended December 31, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 201,720	\$ 201,720	\$ 197,452
Lease revenue	7,800	7,800	8,154
Total revenues	<u>209,520</u>	<u>209,520</u>	<u>205,606</u>
EXPENSES			
Personal services	60,000	60,000	55,406
Contractual services	8,400	8,400	14,496
Utilities	4,800	4,800	9,301
Repairs and maintenance	20,600	20,600	17,748
Other supplies and expenses	7,500	7,500	2,922
Miscellaneous expenses	23,000	23,000	13,149
Insurance claims and expenses	6,000	6,000	5,652
Water purchases	113,020	113,020	115,293
Depreciation	-	-	15,392
Capital Outlay	15,000	15,000	-
Contingency	5,000	5,000	-
Total Expenditures	<u>263,320</u>	<u>263,320</u>	<u>249,359</u>
Excess (deficiency) of revenues over expenditures	<u>(53,800)</u>	<u>(53,800)</u>	<u>(43,753)</u>
Reconciling Item			
Add capital outlay			-
Net change in net position	(53,800)	(53,800)	(43,753)
Net position - beginning	62,453	62,453	53,460
Net position - ending	<u>\$ 8,653</u>	<u>\$ 8,653</u>	<u>\$ 9,707</u>

Durango West Metropolitan District No. 1
Budget and Actual
Sewer Fund
For the year ended December 31, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 188,296	\$ 188,296	\$ 186,744
Total revenues	<u>188,296</u>	<u>188,296</u>	<u>186,744</u>
EXPENSES			
Personal services	60,000	60,000	55,405
Contractual services	17,000	17,000	14,496
Repairs and maintenance	10,000	10,000	11,143
Other supplies and expenses	96,768	96,768	95,823
Insurance claims and expenses	6,000	6,000	5,652
Depreciation	-	-	10,063
Contingency	10,000	10,000	-
Capital expenditures	15,000	15,000	-
Total Expenditures	<u>214,768</u>	<u>214,768</u>	<u>192,582</u>
Excess (deficiency) of revenues over expenditures	<u>(26,472)</u>	<u>(26,472)</u>	<u>(5,838)</u>
Reconciling Item			
Add capital outlay			-
Net change in net position	(26,472)	(26,472)	(5,838)
Net position - beginning	564,342	564,342	570,775
Net position - ending	<u>\$ 537,870</u>	<u>\$ 537,870</u>	<u>\$ 564,937</u>

Durango West Metropolitan District No. 1
Budget and Actual
Wastewater Fund
For the year ended December 31, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 99,306	\$ 99,306	\$ 117,176
Investment earnings	1,400	1,400	951
Total revenues	<u>100,706</u>	<u>100,706</u>	<u>118,127</u>
EXPENSES			
Treatment	33,725	33,725	4,978
Administration	34,766	34,766	44,427
Interest expense	12,084	12,084	12,116
Bond principal	20,000	20,000	25,000
Capital Outlay	-	-	17,480
Total Expenditures	<u>100,575</u>	<u>100,575</u>	<u>104,001</u>
Excess (deficiency) of revenues over expenditures	<u>131</u>	<u>131</u>	<u>14,126</u>
Reconciling Item			
Depreciation	-	-	(25,857)
Capital outlay	-	-	17,480
Bond principal	-	-	25,000
Net change in net position	<u>131</u>	<u>131</u>	<u>30,749</u>
Net position - beginning	<u>227,632</u>	<u>227,632</u>	<u>393,218</u>
Net position - ending	<u>\$ 227,763</u>	<u>\$ 227,763</u>	<u>\$ 423,967</u>