Durango West Metropolitan District No. 1

Annual Financial Report

December 31, 2025

Durango West Metropolitan District No. 1
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For The Year Ended December 31, 2025

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Independent Auditor's Report

Board of Directors
Durango West Metropolitan District No. 1

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durango West Metropolitan District No. 1, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Durango West Metropolitan District No. 1's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durango West Metropolitan District No. 1, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Durango West Metropolitan District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Durango West Metropolitan District No. 1's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Durango West Metropolitan District

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No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Durango West Metropolitan District No. 1'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 Durango West Metropolitan District No. 1'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 budgetary comparison information on pages 27 – 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,

and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The management's discussion and analysis, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has elected to omit the management's discussion and analysis. The omission of this information does not affect our opinion on the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Durango West Metropolitan District No. 1's basic financial statements. The accompanying supplemental information on pages 29 – 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying 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. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

October 6, 2026

Basic Financial Statements

Durango West Metropolitan District No. 1
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 141,300	$ 355,553	$ 496,853
Receivables	35,922	82,112	118,034
Internal Balances	(324,421)	324,421	-
Due from other governmental agencies	7,252	-	7,252
Inventories	226,280	-	226,280
Prepaids	-	2,901	2,901
Capital Assets:			
Collection, treatment, transmission and distribution	106,300	2,057,056	2,163,356
Land and buildings	312,052	47,140	359,192
General equipment	239,612	-	239,612
Vehicles	-	53,043	53,043
Roads and other improvements	1,337,773	-	1,337,773
Construction in progress	-	3,634	3,634
Less: Accumulated depreciation	(1,613,749)	(1,550,067)	(3,163,816)
Total Capital Assets	381,988	610,806	992,794
Total Assets	468,321	1,375,793	1,844,114
LIABILITIES			
Accounts payable and accrued expenses	22,008	36,714	58,722
Long-term liabilities:			
Due within one year:			
Note payable line of credit	30,299	-	30,299
Bonds payable	-	35,000	35,000
Accrued interest	-	695	695
Due in more than one year:			
Bonds payable	-	187,500	187,500
Total liabilities	52,307	259,909	312,216
NET POSITION			
Net investment in capital assets	354,554	388,306	742,860
Restricted for:			
TABOR	8,000	-	8,000
Unrestricted	53,460	727,578	781,038
Total net position	$ 416,014	$ 1,115,884	$ 1,531,898

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, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government						
Governmental Activities						
General Government	$ 280,168	$ 198,343	$ 14,439	$ (67,386)	$ -	$ (67,386)
Culture and Recreation	-	-	3,960	3,960	-	3,960
Total governmental activities	280,168	198,343	18,399	(63,426)	-	(63,426)
Business-type activities:						
Water Fund	267,329	295,406	-	-	28,077	28,077
Sewer Fund	204,515	199,122	-	-	(5,393)	(5,393)
Wastewater Fund	100,741	102,069	-	-	1,328	1,328
Total business-type activities	572,585	596,597	-	-	24,012	24,012
Total primary government	852,753	794,940	18,399	(63,426)	24,012	(39,414)
General revenues:						
Unrestricted interest earnings				9,966	10,786	20,752
Total general revenues				9,966	10,786	20,752
Change in net position				(53,460)	34,798	(18,662)
Net position - beginning				469,474	1,081,086	1,550,560
Net position - ending				$ 416,014	$ 1,115,884	$ 1,531,898

The accompanying notes to financial statements
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Durango West Metropolitan District No. 1
Balance Sheet
Governmental Funds
December 31, 2025

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 138,151	$ 3,150	$ 141,301
Accounts receivable	35,922	-	35,922
Receivable from other governments	7,252	-	7,252
Inventories	226,280	-	226,280
Total assets	407,605	3,150	410,755
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	18,726	-	18,726
Due to other funds	314,473	9,948	324,421
Note payable line of credit	30,299	-	30,299
Other accrued expenses	3,282	-	3,282
Total liabilities	366,780	9,948	376,728
Fund balances:			
Non -spendable inventories	226,280	-	226,280
Restricted for:			
TABOR	8,000	-	8,000
Unassigned	(193,455)	(6,798)	(200,253)
Total fund balances	40,825	(6,798)	34,027
Total liabilities and fund balances	$ 407,605	$ 3,150	$ 410,755

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, 2025

Total fund balance, governmental funds	$	34,027
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.		381,987
Net Position of Governmental Activities in the Statement of Net Position	$	416,014

The accompanying notes to financial statements
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Durango West Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental	$ 14,439	$ 3,960	$ 18,399
Charges for services	197,326	-	197,326
Investment earnings	9,661	305	9,966
Miscellaneous	1,017	-	1,017
Total revenues	222,443	4,265	226,708
EXPENDITURES			
Current:			
General government	79,775	-	79,775
Public safety	8,490	-	8,490
Personnel and benefits	135,474	-	135,474
Capital outlay	83,862	-	83,862
Total Expenditures	307,601	-	307,601
Excess (deficiency) of revenues over expenditures	(85,158)	4,265	(80,893)
Net change in fund balances	(85,158)	4,265	(80,893)
Fund balances - beginning	125,983	(11,063)	114,920
Fund balances - ending	$ 40,825	$ (6,798)	$ 34,027

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
For the Year Ended December 31, 2025

Net change in fund balances - total governmental funds:	$	(80,893)
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 $83,862 was more than depreciation of $56,429 in the current period.		27,433
Change in net position of governmental activities	$	(53,460)

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, 2025

	Water Fund	Sewer Fund	Wastewater Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ -	$ 355,556	$ 355,556
Accounts Receivable, net	45,710	31,374	5,026	82,110
Due from other funds	-	444,579	-	444,579
Prepaid Expenses	-	-	2,901	2,901
Total current assets	45,710	475,953	363,483	885,146
Non-current assets:				
Capital Assets:				
Land	-	-	47,140	47,140
Infrastructure	73,640	94,875	-	168,515
Utility System	770,430	275,676	842,435	1,888,541
Construction in progress	-	-	3,634	3,634
Vehicles	26,521	26,522	-	53,043
Less Accumulated depreciation	(721,936)	(320,680)	(507,450)	(1,550,066)
Total non-current assets	148,655	76,393	385,759	610,807
Total assets	194,365	552,346	749,242	1,495,953
LIABILITIES				
Current Liabilities:				
Accounts payable	22,232	1,381	6,502	30,115
Salaries payable	3,205	3,205	-	6,410
Accrued interest payable	-	-	695	695
Due to other funds	120,158	-	-	120,158
Other accrued expenses	95	95	-	190
Bonds payable	-	-	35,000	35,000
Total current liabilities	145,690	4,681	42,197	192,568
Non-current liabilities:				
Bonds, notes and loans payable	-	-	187,500	187,500
Total non-current liabilities	-	-	187,500	187,500
Total liabilities	145,690	4,681	229,697	380,068
NET POSITION				
Net Investment in capital assets	148,655	76,393	163,259	388,307
Unrestricted	(99,980)	471,272	356,282	727,574
Total net position	$ 48,675	$ 547,665	$ 519,541	$ 1,115,881

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, 2025

	Water Fund	Sewer Fund	Wastewater	Total
REVENUES				
Charges for services	$ 286,201	$ 199,122	$ 102,069	$ 587,392
Lease income	9,205	-	-	9,205
Total operating revenues	295,406	199,122	102,069	596,597
OPERATING EXPENSES				
Personnel services	72,961	72,961	15,331	161,253
Contractual services	16,763	16,763	22,516	56,042
Utilities	10,939	-	17,058	27,997
Repairs and maintenance	8,473	9,044	9,257	26,774
Other supplies and expenses	1,899	91,293	1,757	94,949
Miscellaneous expenses	7,807	1,893	5,513	15,213
Insurance claims and expenses	5,702	5,702	1,861	13,265
Water purchases	129,652	-	-	129,652
Depreciation	13,135	6,859	19,677	39,671
Total Operating Expenses	267,331	204,515	92,970	564,816
Operating income (loss)	28,075	(5,393)	9,099	31,781
NON-OPERATING REVENUES				
Interest income	-	-	10,786	10,786
Interest expense	-	-	(7,771)	(7,771)
Total non-operating revenue (expenses)	-	-	3,015	3,015
Income (loss) before contributions and transfers	28,075	(5,393)	12,114	34,796
Change in net position	28,075	(5,393)	12,114	34,796
Total net position - beginning	20,600	553,058	507,427	1,081,085
Total net position - ending	$ 48,675	$ 547,665	$ 519,541	$ 1,115,881

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, 2025

	Water Fund	Sewer Fund	Wastewater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Charges for Services	$ 289,156	$ 198,278	$ 102,411	$ 589,845
Cash Payments to Suppliers for Goods & Services	(169,045)	(124,163)	(57,771)	(350,979)
Cash Payments for Salaries & Benefits	(69,756)	(69,756)	(15,331)	(154,843)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	50,355	4,359	29,309	84,023
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
(Increase) Decrease in Due From Other Funds	(50,353)	(4,358)	-	(54,711)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(50,353)	(4,358)	-	(54,711)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:				
Interest paid	-	-	(7,768)	(7,768)
Principal paid on bonds	-	-	(35,000)	(35,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(42,768)	(42,768)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received on Investment	-	-	10,786	10,786
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-	10,786	10,786
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	2	1	(2,673)	(2,670)
Cash & Cash Equivalents:				
Beginning of Year	-	-	358,229	358,229
End of Year	$ 2	$ 1	$ 355,556	$ 355,559

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, 2025
(continued)

	Water Fund	Sewer Fund	Wastewater Fund	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 28,075	$ (5,393)	$ 9,099	$ 31,781
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Depreciation	13,135	6,859	19,677	39,671
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivables	(6,248)	(843)	342	(6,749)
(Increase) Decrease in Prepaid expenses	-	-	(647)	(647)
Increase (Decrease) in Salaries Payable	3,205	3,205	-	6,410
Increase (Decrease) in Accounts Payable	12,188	531	838	13,557
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 50,355	$ 4,359	$ 29,309	$ 84,023
Analysis of cash:				
Cash and Cash Equivalents	$ -	$ -	$ 355,556	$ 355,556
TOTAL	$ -	$ -	$ 355,556	$ 355,556

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

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 finds are reported in separate columns. The government-wide focus is more on the sustainability of the district as an entity and the change in 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 assets 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. DWMD#2 performs all of the accounting, budgeting, and other financial statement work including billing and collecting.

Cash and Cash Equivalents

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 may, from time to time, buy property within the District for development. Such property is recorded as inventory held for sale and is recorded at original cost plus the cost of any improvements.

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 repairs 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, 2025.

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

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:

CASH, CASH EQUIVALENTS AND INVESTMENTS	
Demand Deposits – Unrestricted	$ 374,443
COLOTRUST – Unrestricted	113,659
COLOTRUST – Restricted	8,751
Total	496,853
Amount per Statement of Net Position	(496,853)
Difference	$ -

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, 2025, the carrying amount of the District's deposits was $374,443. Of the bank balance, $374,443 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, banker's 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, 2025, 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 $122,410.

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, 2025, the District's investment in COLOTRUST is rated AAAm by Standard and Poor's.

Note 4 Receivables

Receivables at December 31, 2025 consist of the following:

	Governmental Activities
RECEIVABLES	General Fund
Customer Accounts, Current, Net of Allowance	$ 35,355
Highway Users Trust Fund	7,252
Other Receivables	567
Total Receivables	$ 43,174

	Business-Type Activities			
	Water Fund	Sewer Fund	Wastewater Fund	Total
Customer Accounts, Current	$ 50,789	$ 34,860	$ 5,026	$ 90,675
Allowance for Credit Losses	(5,079)	(3,486)	-	(8,565)
	$ 45,710	$ 31,374	$ 5,026	$ 82,110

Note 5 Interfund Receivables/Payables and Transfers

The following interfund receivables and payables are included in the individual fund financial statements at December 31, 2025:

	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	$ -	$ (9,948)	$ (120,158)	$ 444,579	$ 314,473
Lottery Fund	-	-	-	-	-
Water Fund	(314,473)	-	-	-	(314,473)
Total	$ (314,473)	$ (9,948)	$ (120,158)	$ 444,579	$ -

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 to 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 for 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, 2025 was as follows:

	Governmental Activities			
	Beginning Balance	Additions	Deletions	Ending Balance
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	243,423	-	-	243,423
Roads	1,337,773	-	-	1,337,773
Utility Infrastructure	106,300	-	-	106,300
General Equipment	155,749	78,344	-	234,093
Total	1,843,245	78,344	-	1,921,589
Less Accumulated Depreciation	(1,557,320)	(56,429)	-	(1,613,749)
Net Capital Assets Being Depreciated	285,925	21,915	-	307,840
Net General Fixed Assets	$ 354,554	$ 21,915	$ -	$ 376,469

Depreciation was charged to functions/programs as follows:

Public Services	$ 56,429

	Business-Type Activities			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 47,140	$ -	$ -	$ 47,140
Construction in progress	3,634	-	-	3,634
Total	50,774	-	-	50,774
Depreciable Assets				
Water Utility Plant – Source of Supply	168,515	-	-	168,515
Water Transmission & Distribution	563,598	-	-	563,598
Sewer Collection and Treatment	370,551	-	-	370,551
Wastewater Treatment Plant and Equipment	954,394	-	-	954,394
Vehicles	53,043	-	-	53,043
Total	2,110,101	-	-	2,110,101
Less Accumulated Depreciation	(1,510,027)	(39,671)	-	(1,549,698)
Net Capital Assets Being Depreciated	600,074	(39,671)	-	560,403
Net Capital Assets	$ 650,848	$ (39,671)	$ -	$ 611,177

Depreciation was charged to functions/programs as follows:

Water	$ 13,135
Sewer	6,859
Wastewater	19,677
Total	$ 39,671

Note 8 Long Term Liabilities

	Business-Type Activities				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable					
Series 2017 Wastewater Bonds	$ 257,500	$ -	$ 35,000	$ 222,500	$ 32,500

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
2026	$ 32,500	$ 6,698	$ 39,198
2027	30,000	5,685	35,685
2028	35,000	4,671	39,671
2029	32,500	3,578	36,078
2030	35,000	2,504	37,504
2031-2032	57,500	1,471	58,971
Total	$ 222,500	$ 24,607	$ 247,107

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, 2025 for governmental activities is $8,000 which has been restricted for TABOR. This represents approximately 3% of the District's 2025 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. The District 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 exceed 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; errors 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 outlines 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. 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.

During 2025, the District purchased three separate properties at a total cost of $226,280. The Board's intent is to develop the property for resale. The total cost is reflected as inventory. In order to finance the purchase and development, the Board, in December, 2025, authorized a line of credit with a local bank. The line of credit cannot exceed $300,000. The interest rate will be 1.25% over the JP Morgan Chase Bank prime rate and can be adjusted daily. The interest rate will not be less than 6%. Collateral for the line of credit will be the current office building owned by the District. As of December 31, 2025, the District had advanced $30,299 against the line of credit.

The Conservation Trust Fund budgeted a deficient fund balance which may be a violation of Colorado Revised Statutes.

Required Supplementary Information

Durango West Metropolitan District No. 1
Budget and Actual
General
For the year ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts, Budgetary Basis
REVENUES		
Intergovernmental	$ 13,000	$ 14,439
Charges for services	178,576	197,326
Investment earnings	5,000	9,661
Miscellaneous	1,000	1,017
Total revenues	197,576	222,443
EXPENDITURES		
Current:		
General government	89,350	79,775
Public Safety	21,500	8,490
Personnel and benefits	138,912	135,474
Capital Outlay	-	83,862
Contingency	25,000	-
Total Expenditures	274,762	307,601
Excess (deficiency) of revenues over expenditures	(77,186)	(85,158)
Net change in fund balances	(77,186)	(85,158)
Fund balances - beginning	60,483	125,983
Fund balances - ending	$ (16,703)	$ 40,825

Durango West Metropolitan District No. 1
Notes to Required Supplementary Information
December 31, 2025

Note 1 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 2025.

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) 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, 2025.

Budget appropriations lapse at the end of each year.

The General Fund overspent its 2025 budget. The over expenditure may be a violation of Colorado Revised Statutes.

Other Supplementary Information

Durango West Metropolitan District No. 1
Balance Sheet
Other Governmental Funds
December 31, 2025

	Lottery Fund
ASSETS	
Cash and cash equivalents	$ 3,150
Total assets	3,150
LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to other funds	9,948
Total liabilities	9,948
Fund balances:	
Restricted	(6,798)
Total fund balances	(6,798)
Total liabilities and fund balances	$ 3,150

Durango West Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	Lottery Fund
REVENUES	
Intergovernmental	$ 3,960
Investment earnings	305
Total revenues	4,265
EXPENDITURES	
General government	-
Total Expenditures	-
Excess (deficiency) of revenues over expenditures	4,265
Net change in fund balances	4,265
Fund balances - beginning	(11,063)
Fund balances - ending	$ (6,798)

Durango West Metropolitan District No. 1
Budget and Actual
Lottery Fund
For the year ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts, Budgetary Basis
REVENUES		
Intergovernmental	$ 3,300	$ 3,960
Investment earnings	1	305
Total revenues	3,301	4,265
EXPENDITURES		
Capital Outlay	4,800	-
Total Expenditures	4,800	-
Excess (deficiency) of revenues over expenditures	(1,499)	4,265
Net change in fund balances	(1,499)	4,265
Fund balances - beginning	934	(11,063)
Fund balances - ending	$ (565)	$ (6,798)

Durango West Metropolitan District No. 1
Budget and Actual
Water Fund
For the year ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts, Budgetary Basis
REVENUES		
Charges for services	$ 249,924	$ 286,201
Lease revenue	9,205	9,205
Total revenues	259,129	295,406
EXPENSES		
Personnel services	72,360	72,961
Contractual services	14,000	16,763
Utilities	11,105	10,939
Repairs and maintenance	35,200	8,473
Other supplies and expenses	2,800	1,899
Miscellaneous expenses	6,500	7,807
Insurance claims and expenses	7,000	5,702
Water purchases	120,670	129,652
Contingency	10,000	-
Total Expenditures	279,635	254,196
Excess (deficiency) of revenues over expenditures	(20,506)	41,210
Reconciling Items to GAAP		
Depreciation	-	(13,135)
Net change in net position	(20,506)	28,075
Net position - beginning	70,019	20,600
Net position - ending	$ 49,513	$ 48,675

Durango West Metropolitan District No. 1
Budget and Actual
Sewer Fund
For the year ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts, Budgetary Basis
REVENUES		
Charges for services	$ 198,792	$ 199,122
Total revenues	198,792	199,122
EXPENSES		
Personnel services	66,800	72,961
Contractual services	15,000	16,763
Miscellaneous	200	1,893
Repairs and maintenance	11,000	9,044
Other supplies and expenses	88,147	91,293
Insurance claims and expenses	7,000	5,702
Contingency	10,000	-
Capital expenditures	5,000	-
Total Expenditures	203,147	197,656
Excess (deficiency) of revenues over expenditures	(4,355)	1,466
Reconciling Items to GAAP		
Depreciation	-	(6,859)
Net change in net position	(4,355)	(5,393)
Net position - beginning	588,210	553,058
Net position - ending	$ 583,855	$ 547,665

Durango West Metropolitan District No. 1
Budget and Actual
Wastewater Fund
For the year ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts, Budgetary Basis
REVENUES		
Charges for services	$ 102,144	$ 102,069
Investment earnings	21,000	10,786
Total revenues	123,144	112,855
EXPENSES		
Personnel services	-	15,331
Contractual services	15,000	22,516
Utilities	-	17,058
Treatment	59,253	9,257
Administration	29,732	1,758
Miscellaneous	-	5,512
Insurance and claims	-	1,861
Interest expense	7,771	7,771
Bond principal	35,000	35,000
Capital Outlay	77,500	-
Total Expenditures	224,256	116,064
Excess (deficiency) of revenues over expenditures	(101,112)	(3,209)
Reconciling Items to GAAP		
Depreciation	-	(19,677)
Bond principal	-	35,000
Net change in net position	(101,112)	12,114
Net position - beginning	357,945	507,427
Net position - ending	$ 256,833	$ 519,541