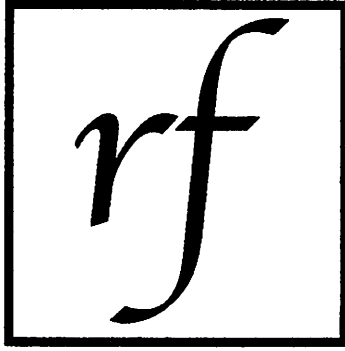




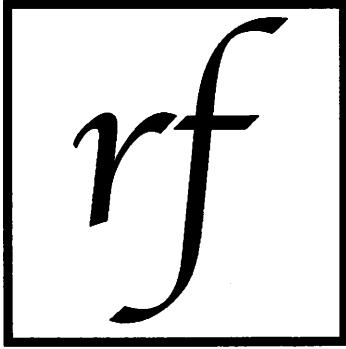
Durango West Metropolitan District No. 2

Annual Financial Report

December 31, 2025

Durango West Metropolitan District No. 2
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December 31, 2025

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Independent Auditor's Report

Board of Directors
Durango West Metropolitan District No. 2

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. 2, 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. 2's basic financial statements as listed in the table of contents.

In our opinion, 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. 2, 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. 2, 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. 2'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.

rfarmer, llc

¹
a certified public accounting and consulting firm

po box 1173 122 north main street lamar, colorado 81052 719.336.7428 719.336.2982

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 No. 2'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. 2'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. 2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages ii-v and pages 25-27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Durango West Metropolitan District No. 2's basic financial statements. The accompanying supplemental information on pages 28-33 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

June 15, 2026

Durango West Metropolitan District No. 2
Management's Discussion and Analysis
December 31, 2025

This management's discussion and analysis of the Durango West Metropolitan District No. 2's financial statements provide an overview of the District's financial activities for the fiscal year ended December 31, 2025.

The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

Using the Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – not the District as a whole. The District has two governmental funds, the General Fund and the Conservation Trust Fund (Special Revenue Fund). The District has three enterprise or business funds, consisting of the Water Fund,

Sewer Fund and Wastewater Fund. Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the District rather than the District as a whole. Each specific fund has been established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

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

The District as a Whole

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net assets for the fiscal years 2024 and 2025.

	Governmental Activities		Business-Type Activities		Government-Wide	
	2025	2024	2025	2024	2025	2024
Assets:						
Cash and other current assets	532,597	338,253	968,089	1,094,548	1,500,686	1,432,801
Capital assets	2,786,730	2,793,591	943,591	876,937	3,730,321	3,670,528
Total assets	3,319,327	3,131,844	1,911,680	1,971,485	5,231,007	5,103,329
Liabilities:						
Current liabilities	1,807	1,146	72,105	56,110	73,912	57,256
Non-current liabilities	-	-	190,000	222,500	190,000	222,500
Total liabilities	1,807	1,146	262,105	278,610	263,912	279,756
Net Position:						
Net investment in capital assets	2,786,730	2,793,591	721,091	619,437	3,507,821	3,413,028
Parks and recreation	36,758	36,758	-	-	36,758	36,758
TABOR	6,300	18,000	-	-	6,300	18,000
Unrestricted	487,732	282,349	928,484	1,073,438	1,416,216	1,355,787
Total net position	3,317,520	3,130,698	1,649,575	1,692,875	4,967,095	4,823,573

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The statement of activities reflects the cost of operations and the charges for services, and receipt of grants and contributions offsetting those services. The following detail reflects the total cost of services supported by operating revenues and general property taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2024 and 2025.

	Governmental Activities		Business-Type Activities		Government-Wide	
	2025	2024	2025	2024	2025	2024
REVENUES:						
Operating revenues:						
Charges for services	205,382	206,332	532,228	522,208	737,610	728,540
Grants and contributions	23,808	5,290	1,562	-	25,370	5,290
Current revenues:						
Interest	15,816	22,850	30,466	41,732	46,282	64,582
Miscellaneous revenues	7,415	25,556	5,438	-	12,853	25,556
Total revenues	252,421	260,028	569,694	563,940	822,115	823,968
EXPENSES:						
General Government	47,886	43,564	-	-	47,886	43,564
Public Works	162,171	222,797	462,994	387,479	625,165	610,276
Parks and Recreation	5,542	9,058	-	-	5,542	9,058
Total expenses	215,599	275,419	462,994	387,479	678,593	662,898
Transfers in (out)	150,000	-	(150,000)	-	-	-
Change in net position	186,822	(15,391)	(43,300)	176,461	143,522	161,070
Beginning net position	3,130,698	3,146,089	1,692,875	1,516,414	4,823,573	4,662,503
Ending net position	3,317,520	3,130,698	1,649,575	1,692,875	4,967,095	4,823,573

The District's primary source of revenue is from user fees. These revenues are used to pay the operating expenses of the water, sewer, road, and recreational functions of the District.

The District's Funds

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

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

The Wastewater Fund accounts for one-half of the operations of the wastewater treatment facility, with the remaining one-half accounted for by Durango West Metropolitan District #1 (DWMD#1). This sharing

arrangement was the result of the approval of an Intergovernmental Agreement and service contract between the District and DWMD#1.

Capital Assets

At the end of 2025, the District had a total of \$2,786,730, net of depreciation, invested in capital assets of governmental activities. The District has elected to use the Modified Approach for reporting infrastructure assets whereby the roads of the District are maintained at certain levels rather than depreciated in the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our residents, customers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

Durango West Metropolitan District No. 2
P.O. Box 1092
Durango, CO 81302
Tel: (970) 259-3946
Fax: (970) 385-1850

Basic Financial Statements

Durango West Metropolitan District No 2
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 510,737	\$ 920,119	\$ 1,430,856
Receivables	17,301	38,849	56,150
Prepays	4,559	9,121	13,680
Capital Assets:			
Capital assets not being depreciated	2,736,318	71,572	2,807,890
Capital assets being depreciated, net	50,412	872,019	922,431
Total Capital Assets	<u>2,786,730</u>	<u>943,591</u>	<u>3,730,321</u>
Total Assets	<u>3,319,327</u>	<u>1,911,680</u>	<u>5,231,007</u>
LIABILITIES			
Accounts payable and accrued expenses	1,807	38,910	40,717
Long-term liabilities:			
Due within one year:			
Bonds payable	-	32,500	32,500
Accrued interest	-	695	695
Due in more than one year:			
Bonds payable	<u>-</u>	<u>190,000</u>	<u>190,000</u>
Total liabilities	<u>1,807</u>	<u>262,105</u>	<u>263,912</u>
NET POSITION			
Net investment in capital assets	2,786,730	721,091	3,507,821
Restricted for:			
Parks and recreation	36,758	-	36,758
TABOR	6,300	-	6,300
Unrestricted	<u>487,732</u>	<u>928,484</u>	<u>1,416,216</u>
Total net position	<u>\$ 3,317,520</u>	<u>\$ 1,649,575</u>	<u>\$ 4,967,095</u>

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

Durango West Metropolitan District No 2
Statement of Activities
For the Year Ended December 31, 2025

		Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
Functions/Programs	Expenses			Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
General Government	\$ 47,886	\$ -	\$ 18,708	\$ (29,178)	\$ -	\$ (29,178)
Public Works	162,171	205,382	-	43,211	-	43,211
Culture and Recreation	5,542	-	5,100	(442)	-	(442)
Total governmental activities	<u>215,599</u>	<u>205,382</u>	<u>23,808</u>	<u>13,591</u>	<u>-</u>	<u>13,591</u>
Business-type activities:						
Water Fund	336,341	395,571	1,562	-	60,792	60,792
Sewer Fund	25,911	34,588	-	-	8,677	8,677
Wastewater Fund	100,742	102,069	-	-	1,327	1,327
Total business-type activities	<u>462,994</u>	<u>532,228</u>	<u>1,562</u>	<u>-</u>	<u>70,796</u>	<u>70,796</u>
Total primary government	<u>\$ 678,593</u>	<u>\$ 737,610</u>	<u>\$ 25,370</u>	<u>13,591</u>	<u>70,796</u>	<u>84,387</u>
General revenues:						
Unrestricted investment earnings				15,816	30,466	46,282
Miscellaneous				7,415	5,438	12,853
Transfer				150,000	(150,000)	-
Total general revenues, special items, and transfers				<u>173,231</u>	<u>(114,096)</u>	<u>59,135</u>
Change in net position				186,822	(43,300)	143,522
Net position - beginning				3,130,698	1,692,875	4,823,573
Net position - ending				<u>\$ 3,317,520</u>	<u>\$ 1,649,575</u>	<u>\$ 4,967,095</u>

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

Durango West Metropolitan District No 2
Balance Sheet
Governmental Funds
December 31, 2025

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 467,629	\$ 43,108	\$ 510,737
Accounts receivable	17,301	-	17,301
Prepaid expenses	4,559	-	4,559
Total assets	<u>489,489</u>	<u>43,108</u>	<u>532,597</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,807	-	1,807
Total liabilities	<u>1,807</u>	<u>-</u>	<u>1,807</u>
 Fund balances:			
Nonspendable Prepaid expenses	4,559	-	4,559
Restricted Parks and recreation	-	43,108	43,108
Restricted TABOR	6,300	-	6,300
Unassigned	476,823	-	476,823
Total fund balances	<u>487,682</u>	<u>43,108</u>	<u>530,790</u>
Total liabilities and fund balances	<u>\$ 489,489</u>	<u>\$ 43,108</u>	<u>\$ 532,597</u>

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

Durango West Metropolitan District No 2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2025

Total fund balance, governmental funds	\$ 530,790
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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.

2,786,730

Net Position of Governmental Activities in the Statement of Net Position
--

\$ 3,317,520

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

Durango West Metropolitan District No 2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 18,708	\$ 5,100	\$ 23,808
Charges for services	205,382	-	205,382
Investment earnings	14,566	1,250	15,816
Miscellaneous	7,415	-	7,415
Total revenues	<u>246,071</u>	<u>6,350</u>	<u>252,421</u>
EXPENDITURES			
Current:			
General government	115,772	-	115,772
Public safety	3,767	-	3,767
Public works	42,632	-	42,632
Personal and benefits	46,567	-	46,567
Total Expenditures	<u>208,738</u>	<u>-</u>	<u>208,738</u>
Excess (deficiency) of revenues over expenditures	<u>37,333</u>	<u>6,350</u>	<u>43,683</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	-	150,000
Total other financing sources and uses	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Net change in fund balances	187,333	6,350	193,683
Fund balances - beginning	300,349	36,758	337,107
Fund balances - ending	<u>\$ 487,682</u>	<u>\$ 43,108</u>	<u>\$ 530,790</u>

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

Durango West Metropolitan District No 2
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, 2025

Net change in fund balances - total governmental funds: \$ 193,683

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 \$0 was less than depreciation of \$6,861 in the current period.

(6,861)

Change in net position of governmental activities

\$ 186,822

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

Durango West Metropolitan District No 2
Statement of Net Position
Proprietary Funds
December 31, 2025

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 426,841	\$ 137,726	\$ 355,554	\$ 920,121
Accounts Receivable, net	30,967	2,856	5,026	38,849
Prepaid Expenses	4,562	1,658	2,901	9,121
Total current assets	<u>462,370</u>	<u>142,240</u>	<u>363,481</u>	<u>968,091</u>
Non-current assets:				
Capital Assets:				
Assets not being depreciated	18,972	5,460	47,140	71,572
Assets being depreciated	1,336,390	295,610	846,069	2,478,069
Less Accumulated depreciation	<u>(833,474)</u>	<u>(265,126)</u>	<u>(507,450)</u>	<u>(1,606,050)</u>
Total non-current assets	<u>521,888</u>	<u>35,944</u>	<u>385,759</u>	<u>943,591</u>
Total assets	<u>984,258</u>	<u>178,184</u>	<u>749,240</u>	<u>1,911,682</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	32,058	350	6,503	38,911
Accrued interest payable	-	-	695	695
Bonds payable	-	-	32,500	32,500
Total current liabilities	<u>32,058</u>	<u>350</u>	<u>39,698</u>	<u>72,106</u>
Non-current liabilities:				
Bonds payable	-	-	190,000	190,000
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>190,000</u>	<u>190,000</u>
Total liabilities	<u>32,058</u>	<u>350</u>	<u>229,698</u>	<u>262,106</u>
NET POSITION				
Net Investment in capital assets	521,888	35,944	163,259	721,091
Unrestricted	<u>430,312</u>	<u>141,889</u>	<u>356,283</u>	<u>928,484</u>
Total net position	<u>\$ 952,200</u>	<u>\$ 177,833</u>	<u>\$ 519,542</u>	<u>\$ 1,649,575</u>

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

Durango West Metropolitan District No 2
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Water Fund	Sewer Fund	Wastewater Fund	Total
REVENUES				
Charges for services	\$ 395,571	\$ 34,588	\$ 102,069	\$ 532,228
Operating grants and contributions	1,562	-	-	1,562
Total operating revenues	<u>397,133</u>	<u>34,588</u>	<u>102,069</u>	<u>533,790</u>
OPERATING EXPENSES				
Personal services	225,391	-	-	225,391
Contractual services	20,222	37	34,587	54,846
Repairs and maintenance	42,631	14,364	27,018	84,013
Other supplies and expenses	4,551	5,748	11,688	21,987
Depreciation	43,546	5,762	19,677	68,985
Total Operating Expenses	<u>336,341</u>	<u>25,911</u>	<u>92,970</u>	<u>455,222</u>
Operating income (loss)	<u>60,792</u>	<u>8,677</u>	<u>9,099</u>	<u>78,568</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	15,522	4,158	10,786	30,466
Miscellaneous revenue	5,438	-	-	5,438
Interest expense	-	-	(7,771)	(7,771)
Total non-operating revenue (expenses)	<u>20,960</u>	<u>4,158</u>	<u>3,015</u>	<u>28,133</u>
Income (loss) before contributions and transfers	<u>81,752</u>	<u>12,835</u>	<u>12,114</u>	<u>106,701</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(150,000)	-	-	(150,000)
Change in net position	(68,248)	12,835	12,114	(43,299)
Total net position - beginning	<u>1,020,448</u>	<u>164,998</u>	<u>507,428</u>	<u>1,692,874</u>
Total net position - ending	<u>\$ 952,200</u>	<u>\$ 177,833</u>	<u>\$ 519,542</u>	<u>\$ 1,649,575</u>

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

Durango West Metropolitan District No 2
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	\$ 399,549	\$ 34,783	\$ 102,411	\$ 536,743
Cash Payments to Suppliers for Goods & Services	(61,850)	(20,395)	(73,102)	(155,347)
Cash Payments for Salaries & Benefits	(225,391)	-	-	(225,391)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>112,308</u>	<u>14,388</u>	<u>29,309</u>	<u>156,005</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous Revenues	5,438	-	-	5,438
Transfer out	(150,000)	-	-	(150,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(144,562)</u>	<u>-</u>	<u>-</u>	<u>(144,562)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:				
Capital expenditures	(124,677)	-	-	(124,677)
Interest paid	-	-	(7,772)	(7,772)
Principal paid on bonds	-	-	(35,000)	(35,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(124,677)</u>	<u>-</u>	<u>(42,772)</u>	<u>(167,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received on Investment	15,522	4,158	10,786	30,466
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>15,522</u>	<u>4,158</u>	<u>10,786</u>	<u>30,466</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(141,409)	18,546	(2,677)	(125,540)
Cash & Cash Equivalents:				
Beginning of Year	568,250	119,180	358,231	1,045,661
End of Year	<u>\$ 426,841</u>	<u>\$ 137,726</u>	<u>\$ 355,554</u>	<u>\$ 920,121</u>

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

Durango West Metropolitan District No 2
Statement of Cash Flows
All Proprietary Funds
For the year ended December 31, 2025
(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)	\$ 60,792	\$ 8,677	\$ 9,099	\$ 78,568
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Depreciation	43,546	5,762	19,677	68,985
Change in Assets and Liabilities:				
Decrease in Accounts Receivables	2,416	195	342	2,953
(Increase) in Prepaid expenses	(1,018)	(370)	(647)	(2,035)
Increase (Decrease) in Accounts Payable	6,572	124	838	7,534
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 112,308</u></u>	<u><u>\$ 14,388</u></u>	<u><u>\$ 29,309</u></u>	<u><u>\$ 156,005</u></u>
 Analysis of cash:				
Cash and Cash Equivalents	<u>\$ 426,841</u>	<u>\$ 137,726</u>	<u>\$ 355,554</u>	<u>\$ 920,121</u>
TOTAL	<u><u>\$ 426,841</u></u>	<u><u>\$ 137,726</u></u>	<u><u>\$ 355,554</u></u>	<u><u>\$ 920,121</u></u>

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

Durango West Metropolitan District No. 2
Notes to the Financial Statements
December 31, 2025

Note 1 Reporting Entity

Durango West Metropolitan District No. 2 (the District) operates as a special district under the laws of the state of Colorado and is governed by a five-member board of directors. The District was created in July 1979 and provides street improvement services, water and sewage services, parks and recreation services and administrative services as allowed for special districts.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government 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.

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 this 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

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, if applicable, (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, specific ownership taxes or other unrestricted revenues, if received.

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 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.

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 are recorded only when the liability has matured and payment is due. General capital asset 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, specific ownership 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 that time. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance and, as such, 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 balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 utility, sewer utility and wastewater utility 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 nonoperating 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. The major revenue source includes charges for services. Primary expenditures are for streets, roads and administration.

Proprietary Fund Types

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

- The water fund accounts for the operations of the District's water utility. Activities of the fund include administration, operation and maintenance of the water system, along with accumulation of resources for the payment of principal and interest on long-term debt when applicable. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary.
- The sewer fund accounts for the operations of the District's sewer collection and transmission system. Activities of the fund include administration, operation and maintenance of the system, along with accumulation of resources for the payment of principal and interest on long-term debt when applicable. All costs are financed through charges to users with rates reviewed regularly and adjusted if necessary.
- Beginning May 28, 2015, the wastewater fund reports ½ of the operations of the wastewater facility, with the remaining ½ reported by Durango West Metropolitan District No. 1 (DWMD#1). This sharing arrangement was the result of the approval of an intergovernmental agreement and service contract between the District and DWMD#1. As part of the issuance of the 2017 series wastewater treatment bonds, the intergovernmental agreement and service contract as described above was amended to provide priority to the District to establish rates, fees, tolls and charges which the District determines are necessary to comply with all terms, conditions and covenants required by the 2017 series bonds. The amendment to the intergovernmental agreement and service contract was dated June 14, 2017. Activities of the fund include administration, operation and maintenance of the system, along with accumulation of resources for the payment of principal and interest on long-term debt when applicable. All costs are financed through charges to users with rates reviewed regularly and adjusted if necessary.

Other Fund Types

The District also reports the following fund type:

- Special revenue funds are used to account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects. The District's special revenue fund is the conservation trust fund. The conservation trust fund is not reported as a major fund.

Cash and Cash Equivalents

Cash and cash equivalents consist of interest and non-interest bearing bank deposits.

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

Capital Assets

Capital assets, which include land and rights of way, streets and roads, improvements, treatment plants, source of supply, collection and transmission systems, equipment and construction in progress are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. The District has not established a capitalization level, and capital assets are defined as those capital assets that are considered significant by management with a useful life greater than one year. The District has elected to use the Modified Approach for reporting infrastructure assets whereby roads of the District are maintained at certain levels rather than depreciated in financial statements. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated 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 not included as part of the capitalized value of the assets constructed.

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

	Governmental Activities	Business-Type Activities
Land improvements	20	20
Buildings	30	-
Equipment	5-10	5-10
Treatment plants	-	5-50
Source of supply	-	5-50
Collection, transmission and distribution	-	5-50

Long Term Liabilities

In the government-wide statement of net position and the fund financial statements for the proprietary funds, long-term debt and other similar long-term obligations, if any, are reported as liabilities in the applicable statement of net position. Deferred amounts on refunding, if any, are reported as deferred outflows of resources and amortized over the life of the related obligation in accordance with generally accepted accounting principles.

In the governmental fund financial statements, bond premium and discounts, if any, 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 in 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 circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

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.”

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

Budgetary Principles

The District adheres to the following procedures in establishing its budgets.

On or before October 15 of each year, the district manager submits to the Board of Directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. The District adopts budgets for all funds, and the District uses the current financial measurement focus and the modified accrual basis of accounting in preparing the budgets for all funds. In addition, appropriations lapse at the end of the year.

Expenditure estimates in the annual budgets are enacted into law through the passage of an appropriation resolution. The Board of Directors may amend the original adopted budget during the year by passing a new resolution to reflect current needs. This District did amend its budget for 2025.

For each legally adopted annual operating budget, budgetary control exists at the total fund level. That is to say, total expenditures for each fund cannot legally exceed total appropriations for that fund.

GASB Statements No. 103 & 104

The Governmental Accounting Standards Board (GASB) issued two statements effective for fiscal years ending June 30, 2026 and December 31, 2026, that may have a significant impact on governments' financial reporting. *GASB Statement No. 103, Financial Reporting Model Improvements* and *GASB Statement No. 104, Disclosure of Certain Capital Assets*, are both effective for your fiscal years ending on or after June 30, 2026.

GASB Statement No. 103, Financial Reporting Model Improvements

This statement is a significant update to the financial reporting model, including enhanced guidance for the management's discussion and analysis (MD&A) and required changes in subtotals for operating income/loss in proprietary fund statements. It also requires budgetary comparison schedules to be presented as required supplementary information.

GASB Statement No. 104, Disclosure of Certain Capital Assets

This standard aims to improve transparency by requiring separate disclosure of lease assets and intangibles right-to-use assets recognized under GASB Statement No. 87 – Leases, GASB Statement No. 96 – Subscription Based Information Technology Arrangements, and GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements by major asset class, as well as additional disclosures for capital assets held for sale.

The District will implement the standards effective December 31, 2026.

Note 3 Cash, Cash Equivalents and Certificates of Deposit

A cash pool is available for use by all funds, as applicable. Each fund's portion of this pool is displayed as "equity in pooled cash" and "equity in pooled cash (restricted)."

The District's deposits at December 31, 2025 consist of the following:

Demand Deposit	<u>\$ 1,430,855</u>
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Custodial Credit Risk

At December 31, 2025, the carrying amount of the District's deposits was \$1,430,854 and the bank balance was \$786,409. Of the carrying amount of deposits \$355,555 was contributed by Durango West Metro District #1 and deposits it received in regard to the Wastewater fund. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,286,409 was collateralized in two financial institution collateral pools maintained by the individual financial institutions that hold these deposits. 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 it. The District does not have a policy for custodial credit risk. At December 31, 2025, deposits with a bank balance of \$1,286,409 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the District's name.

Note 4 Receivables

Receivables at December 31, 2025 consist of the following:

		Governmental Activities		
		General Fund	Conservation Trust Fund	Total
Customer Accounts		\$ 17,301	\$ -	\$ 17,301

		Business-Type Activities			
		Water Fund	Sewer Fund	Wastewater Fund	Total
Customer Accounts		\$ 30,967	\$ 2,856	\$ 5,026	\$ 38,849

Note 5 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:				
Land	\$ 1,633,673	\$ -	\$ -	\$ 1,633,673
Roads	1,102,645	-	-	1,102,645
Total Capital Assets Not Being Depreciated	2,736,318	-	-	2,736,318
Capital Assets Being Depreciated:				
Land Improvements	172,541	-	-	172,541
Buildings	18,875	-	-	18,875
Equipment	11,252	-	-	11,252
Total Capital Assets Being Depreciated	202,668	-	-	202,668
Less Accumulated Depreciation:				
Land Improvements	(123,240)	(5,542)	-	(128,782)
Buildings	(16,442)	(365)	-	(16,807)
Equipment	(5,713)	(954)	-	(6,667)
Total Accumulated Depreciation	(145,395)	(6,861)	-	(152,256)
Net Capital Assets Being Depreciated	57,273	(6,861)	-	50,412
Net Capital Assets	\$ 2,793,591	\$ (6,861)	\$ -	\$ 2,786,730

Depreciation was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 1,319
Parks & Recreation	5,542
Total	<u>\$ 6,861</u>

	Business-Type Activities:			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land and right of way	\$ 67,938	\$ -	\$ -	\$ 67,938
Construction in progress	3,634	-	-	3,634
Total Capital Assets Not Being Depreciated	71,572	-	-	71,572
Capital Assets Being Depreciated:				
Treatment plant	874,995	-	-	874,995
Sources of supply	364,241	-	-	364,241
Collection, transmission and distribution	1,074,994	124,676	-	1,199,670
Equipment	28,329	-	-	28,329
Total Capital Assets Being Depreciated	2,342,559	124,676	-	2,467,235
Less Accumulated Depreciation:				
Treatment plant	(514,751)	(19,677)	-	(534,428)
Sources of supply	(209,549)	(21,734)	-	(231,283)
Collection, transmission and distribution	(795,593)	(24,561)	-	(820,154)
Equipment	(17,301)	(3,013)	-	(20,314)
Total Accumulated Depreciation	(1,537,194)	(68,985)	-	(1,606,179)
Net Capital Assets Being Depreciated	805,365	55,691	-	861,056
Net Capital Assets	\$ 876,937	\$ 55,691	\$ -	\$ 932,628

Depreciation was charged to functions/programs as follows:

Business-Type Activities:	
Water	\$ 43,546
Sewer	5,762
Wastewater	19,677
Total	\$ 68,985

Note 6 Long Term Liabilities

	Business-Type Activities:				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable					
Series 2017, Wastewater					
Revenue Bonds	\$ 257,500	\$ -	\$ (39,000)	\$ 222,500	\$ 32,500

The above described obligation is serviced by the District's wastewater fund.

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 \$7,047 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:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 222,500</u>	<u>\$ 24,607</u>	<u>\$ 247,107</u>

The bank is showing a current balance of \$460,00 as of November 14, 2025. There is a principal payment of \$15,000 and an interest payment of \$3,657 due December 1, 2025. After making the total payment of \$18,567, the total principal would be \$445,000 or \$222,500 each for District's #1 and #2.

Note 7

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 as follows:

TABOR	\$ 6,300
Parks project	36,758
Total	<u>\$ 43,058</u>

Restricted for TABOR

This represents an amount in excess of 3% of the District's 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 account.

Colorado voters previously 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, 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. The District has made certain interpretations of the amendment's language in order to determine its compliance.

Restricted for Parks Projects

This represents the fund balance of the District's conservation trust special revenue fund that is restricted for parks projects under state law.

Note 8**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District is covered by a blanket bond for its directors and a \$5,000 bond for its treasurer. The District also has coverage with the Colorado Special Districts Property and Liability Pool (CSDPLP) for public officials, property and general liability coverage. CSDPLP is a public entity risk pool operating as a common risk management and insurance program for member entities. The District pays an annual contribution to CSDPLP for its property and casualty insurance coverage. The intergovernmental agreement creating CSDPLP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. Settlement claims for each of the last three years did not exceed insurance coverage amounts in areas where commercial insurance is used to cover the risk of loss.

Note 9**Undivided Interest**

In May, 2015, the District and Durango West Metropolitan District No. 1 entered into an intergovernmental agreement and service contract relating to the District's wastewater facility. The purpose of this intergovernmental agreement and service contract was to clarify the ownership, operation and maintenance of the District's wastewater plant and terminate the previous 1991 intergovernmental agreement and service contract. The adopted intergovernmental agreement and service contract provides that ownership of the wastewater plant shall be vested equally between the District and Durango West Metropolitan District No. 1 and the District will operate the wastewater plant to provide service for both the District and Durango West Metropolitan District No. 1. Based on the terms outlined in the intergovernmental agreement and service contract, the District has accounted for this agreement as an "undivided interest" in accordance with generally accepted accounting principles. As such, the District has reported its share (50%) of the assets, liabilities, revenues and expenses associated with the wastewater facility beginning May 28, 2015 and continuing as of and for the year ended December 31, 2025.

In June, 2017, the District and Durango West Metropolitan District No. 1 amended the aforementioned intergovernmental agreement and service contract due to the issuance by the District of its wastewater revenue bonds, series 2017 in the amount of \$900,000. The issuance proceeds are to be used to upgrade the wastewater facility so as to meet the compliance requirements for the discharge permit. The issuance proceeds of \$900,000 represented the entirety of the bond proceeds and the District has reflected its 50% share of this obligation as a liability of the wastewater fund as required under generally accepted accounting principles.

Required Supplementary Information

Durango West Metropolitan District No 2
Budget and Actual
General
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 21,000	\$ 21,000	\$ 18,708
Charges for services	206,432	206,432	205,382
Investment earnings	11,400	11,400	14,566
Miscellaneous	4,600	4,600	7,415
Total revenues	<u>243,432</u>	<u>243,432</u>	<u>246,071</u>
EXPENDITURES			
Current:			
General government	173,486	173,486	115,772
Public Safety	5,500	5,500	3,767
Highways and roads	66,260	66,260	42,632
Personal and benefits	50,718	50,718	46,567
Total Expenditures	<u>295,964</u>	<u>295,964</u>	<u>208,738</u>
Excess (deficiency) of revenues over expenditures	<u>(52,532)</u>	<u>(52,532)</u>	<u>37,333</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	150,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>150,000</u>
Net change in fund balances	(52,532)	(52,532)	187,333
Fund balances - beginning	274,394	274,394	300,349
Fund balances - ending	<u>\$ 221,862</u>	<u>\$ 221,862</u>	<u>\$ 487,682</u>

Durango West Metropolitan District No. 2
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. Reconciliations, if necessary, between the budget basis and generally accepted accounting principles (GAAP) are presented on the face of the budget comparison schedules.

Durango West Metropolitan District No. 2 (the District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the district manager submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The District adopts budgets for all funds. The general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budget and appropriations lapse at the end of the year.

Expenditure estimates in the annual budget are enacted into law by the passage of an appropriation resolution. Budgetary control exists at the total fund level and encumbrance accounting is not employed as part of the budgetary process. The District may amend the original adopted budget during the year by passing a new resolution to reflect current needs. The District did amend its budget for 2025.

Durango West Metropolitan District No. 2
Condition Rating of Transportation Network
December 31, 2025

The transportation network of the District consists of roads and streets (4.45 miles). Information regarding conditions and needed and actual maintenance costs is presented below.

Percentage of Lane Miles In Good or Better Condition			
<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
89%	88%	81%	88%

The system uses a measurement scale that is based on a condition assessment ranging from poor condition to excellent condition. The condition assessments of the roads, all of which are constructed with asphalt paving, are based on the integrity of the asphalt with regard to cracking and alligating, as well as the integrity of the structural subgrade fill material. The condition assessment is also determined by other safety criteria including road signs. The following represent the definitions of the condition assessments:

<u>Rating</u>	<u>Description</u>
Excellent	Asphalt is in a like-new condition with no cracking and reflective traffic and street signs are installed.
Good	Asphalt contains minimal cracking and little or no crack fill maintenance is needed with reflective traffic, and street signs are installed.
Fair	Asphalt has more extensive cracking and alligating, but no damage exists to subgrade structural fill material. Crack fill and/or seal coating is necessary to maintain the integrity of the roads and protect subgrade fill material with reflective traffic and street signs installed.
Poor	Asphalt is alligating and cracking to such an extent that the structural fill material is beginning deteriorate. Crack fill and sealing are no longer viable maintenance options and a full fabric overlay is required.

The District strives to maintain 75% of its road mileage in fair condition or better.

Comparison of Needed to Actual Maintenance						
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Needed	\$ 101,986	\$ 124,346	\$ 26,500	\$ 150,000	\$ 40,970	\$ 62,311
Actual	<u>101,584</u>	<u>165,349</u>	<u>1,480</u>	<u>151,500</u>	<u>40,970</u>	<u>57,373</u>
Difference	<u>\$ (402)</u>	<u>\$ 41,003</u>	<u>\$ (25,020)</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ (4,938)</u>

Other Supplementary Information

Durango West Metropolitan District No 2
Balance Sheet
Other Governmental Funds
December 31, 2025

	<u>Conservation Trust</u>
ASSETS	
Cash and cash equivalents	<u>\$ 43,108</u>
Total assets	<u><u>43,108</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Total liabilities	<u>-</u>
Fund balances:	
Restsricted for:	
Parks and recreation	<u>43,108</u>
Total fund balances	<u>43,108</u>
Total liabilities and fund balances	<u><u>\$ 43,108</u></u>

Durango West Metropolitan District No 2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	Conservation Trust
REVENUES	
Intergovernmental	\$ 5,100
Investment earnings	1,250
Total revenues	<u>6,350</u>
EXPENDITURES	
General government	<u>-</u>
Total Expenditures	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,350</u>
Net change in fund balances	6,350
Fund balances - beginning	36,758
Fund balances - ending	<u><u>\$ 43,108</u></u>

Durango West Metropolitan District No 2
Budget and Actual
Conservation Trust
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 5,400	\$ 5,400	\$ 5,100
Investment earnings	1,000	1,000	1,250
Total revenues	6,400	6,400	6,350
EXPENDITURES			
General expenditures	10,000	10,000	-
Total Expenditures	10,000	10,000	-
Excess (deficiency) of revenues over expenditures	(3,600)	(3,600)	6,350
Net change in fund balances	(3,600)	(3,600)	6,350
Fund balances - beginning	36,757	36,757	36,758
Fund balances - ending	<u>\$ 33,157</u>	<u>\$ 33,157</u>	<u>\$ 43,108</u>

Durango West Metropolitan District No 2
Budget and Actual
Water Fund
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 372,720	\$ 372,720	\$ 395,571
Intergovernmental	-	-	1,562
Interest income	15,000	15,000	15,522
Miscellaneous	950	950	5,438
Total revenues	<u>388,670</u>	<u>388,670</u>	<u>418,093</u>
EXPENSES			
Personal services	213,325	213,325	225,391
Contractual services	22,315	22,315	20,222
Treatment	46,219	46,219	42,631
Administration	55,000	55,000	4,551
Capital Outlay	20,000	78,000	124,676
Total Expenditures	<u>356,859</u>	<u>414,859</u>	<u>417,471</u>
Excess (deficiency) of revenues over expenditures	<u>31,811</u>	<u>(26,189)</u>	<u>622</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(150,000)	(150,000)
Total other financing sources and uses	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Reconciling Items			
Depreciation	-	-	(43,546)
Capital outlay	-	-	124,676
Net change in net position	31,811	(176,189)	(68,248)
Net position - beginning	568,249	568,249	1,020,448
Net position - ending	<u>\$ 600,060</u>	<u>\$ 392,060</u>	<u>\$ 952,200</u>

Durango West Metropolitan District No 2
Budget and Actual
Sewer Fund
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 34,872	\$ 34,872	\$ 34,588
Investment earnings	3,600	3,600	4,158
Total revenues	<u>38,472</u>	<u>38,472</u>	<u>38,746</u>
EXPENSES			
Contractual services	2,438	2,438	37
Repairs and maintenance	16,346	16,346	14,364
Other supplies and expenses	17,500	17,500	5,748
Total Expenditures	<u>36,284</u>	<u>36,284</u>	<u>20,149</u>
Excess (deficiency) of revenues over expenditures	<u>2,188</u>	<u>2,188</u>	<u>18,597</u>
Reconciling Items			
Depreciation	-	-	(5,762)
Net change in net position	2,188	2,188	12,835
Net position - beginning	119,180	119,180	164,998
Net position - ending	<u>\$ 121,368</u>	<u>\$ 121,368</u>	<u>\$ 177,833</u>

Durango West Metropolitan District No 2
Budget and Actual
Wastewater Fund
For the year ended December 31, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 102,144	\$ 102,144	\$ 102,069
Investment earnings	21,000	21,000	10,786
Total revenues	<u>123,144</u>	<u>123,144</u>	<u>112,855</u>
EXPENSES			
Contractual services	15,000	15,000	34,587
Treatment	59,253	59,253	27,018
Administration	29,732	29,732	11,688
Interest expense	7,771	7,771	7,771
Bond principal	35,000	35,000	35,000
Capital Outlay	<u>77,500</u>	<u>77,500</u>	<u>-</u>
Total Expenditures	<u>224,256</u>	<u>224,256</u>	<u>116,064</u>
Excess (deficiency) of revenues over expenditures	(101,112)	(101,112)	(3,209)
Reconciling Items			
Depreciation	-	-	(19,677)
Bond principal	-	-	35,000
Net change in net position	<u>(101,112)</u>	<u>(101,112)</u>	<u>12,114</u>
Net position - beginning	<u>357,945</u>	<u>357,945</u>	<u>507,428</u>
Net position - ending	<u>\$ 256,833</u>	<u>\$ 256,833</u>	<u>\$ 519,542</u>