

Durango West Metropolitan District No. 1

Annual Financial Report

December 31, 2018

**Durango West Metropolitan District No. 1
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For The Year Ended December 31, 2018**

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***r*farmer, llc**
a certified public accounting and consulting firm

Independent Auditor's Report

The Governing Body
Durango West Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durango West Metropolitan District No. 1 ("the District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the wastewater fund, which represent 46.0 percent, 31.0 percent, and 12.0 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison schedules on pages iii-vii and on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

rfarmer, llc

January 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Durango West Metropolitan District No. 1 (the District) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended December 31, 2018.

This section provides a summary of the District's financial performance. It contains an overview and analysis of the District's financial activities for the year ended December 31, 2018. The financial statements are an integral part of this analysis and are contained within this document.

FINANCIAL HIGHLIGHTS

1. The District's net position totals \$1,763,483
2. Operating expenses of \$960,399 were more than program revenues of \$733,983 by \$226,416.
3. General revenues total \$201,959.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of four parts: management's discussion and analysis, basic financial statements, required supplementary information and other supplementary information.

BASIC FINANCIAL STATEMENTS

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

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

The statement of net position (see page 1) presents information on all of the District's assets, liabilities, and deferred inflows with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities (see page 2) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Durango West Metropolitan District No. 1 has two governmental funds: The General Fund and the Lottery Fund.

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

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

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

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

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

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

FINANCIAL POLICY PRIORITIES

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

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

Day-to-Day Operational Control of the District

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

The General Fund is used to account for roads, fees, trash and general administration. The major sources of revenue are monies collected for snow removal, fees, trash removal, property taxes, and specific ownership taxes. In 2018, the General Fund's revenues from user fees was \$185,460.

At December 31, 2018, the La Plata County Treasurer was holding \$93,960 for prior collected tax assessments. Funds will be released when past due audits are submitted to the state.

The Lottery Fund is designated to receive and hold state lottery funds which can only be used for parks and recreation projects. At December 31, 2018, \$9,281 was being held.

The District operates its water and sewer funds as self-supporting enterprises. Revenues received from user fees are expected to be sufficient to cover the day-to-day operating expenses of these funds; for 2018, the District had \$505,443 in user fees, and expenses of \$635,798 for water, sewer and wastewater operations.

Government-wide Financial Analysis

The following tables present condensed 2017 and 2018 financial information for the District.

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

Table B shows revenues, expenses, and changes in net assets for 2017 and 2018.

Table A shows that the District's net position has decreased. Total restricted net position of \$9,112 is restricted for Tabor. Unrestricted net position decreased from \$1,956,669 in 2017 to \$1,763,214. This unrestricted net position is available for future appropriations. Net position invested in capital assets increased by \$134,821 from 2017. Net position invested in capital assets indicates net position that is not available for future appropriations. This increase is primarily due to the District's additional investments in fixed assets.

Table B shows an operating loss of \$226,416 for 2018. This is an increase of \$73,393 from 2017. This increase is primarily due to the fact that in 2018, the District's increased investment in fixed assets.

An examination of Table B shows that the District's change in net position in the governmental activities decreased by \$76,909 from 2017 to 2018. This decrease is due to the fact that in 2018, the District did not receive grant funds, and user fees decreased slightly due to the loss of mobile homes in process of being replaced with newly constructed housing, and 2018 operating expenses increased to begin building homes.

The change in net position in the business-type activities decreased by \$115,028 from 2017 to 2018.

See next page for Tables A and B

TABLE A
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 452,459	\$ 540,766	\$ 277,326	\$ 601,669	\$ 729,785	\$ 1,142,435
Internal balances	\$ (274,371)	\$ (288,833)	\$ 274,371	\$ 288,833	\$ -	\$ -
Non-current assets					\$ -	\$ -
Capital assets, net of accumulated depreciation	\$ 642,850	\$ 691,690	\$ 859,091	\$ 675,430	\$ 1,501,941	\$ 1,367,120
Total Assets	\$ 820,938	\$ 943,623	\$ 1,410,788	\$ 1,565,932	\$ 2,231,726	\$ 2,509,555
Current liabilities	\$ 16,363	\$ 12,139	\$ 33,274	\$ 33,758	\$ 49,637	\$ 45,897
Notes payable	\$ -	\$ 50,000	\$ -		\$ -	\$ 50,000
Current Bonds			\$ 25,000	\$ 32,500		
Accrued Interest			\$ 1,106	\$ 6,989		
Long Term Bonds	\$ -	\$ -	\$ 392,500	\$ 417,500	\$ -	\$ -
Total Liabilities	\$ 16,363	\$ 62,139	\$ 451,880	\$ 490,747	\$ 49,637	\$ 95,897
Deferred property taxes					\$ -	\$ -
Net position:						
Invest in capital assets	\$ 642,850	\$ 691,690	\$ 441,590	\$ 215,292	\$ 1,084,440	\$ 906,982
Restricted	\$ 9,112	\$ 6,486	\$ -		\$ 9,112	\$ 6,486
Unrestricted	\$ 152,613	\$ 183,308	\$ 517,318	\$ 859,893	\$ 669,931	\$ 1,043,201
Total net position	\$ 804,575	\$ 881,484	\$ 958,908	\$ 1,075,185	\$ 1,763,483	\$ 1,956,669

TABLE B
CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenue						
Charges for Services	\$ 185,460	\$ 146,329	\$ 506,387	\$ 435,021	\$ 691,847	\$ 581,350
Grants and contributions	\$ 16,499	\$ 14,915	\$ 25,637	\$ 7,414	\$ 42,136	\$ 22,329
Total program revenue	\$ 201,959	\$ 161,244	\$ 532,024	\$ 442,435	\$ 733,983	\$ 603,679
Total operating expenses	\$ 310,849	\$ 240,808	\$ 649,550	\$ 515,894	\$ 960,399	\$ 756,702
Operating income (loss)	\$ (108,890)	\$ (79,564)	\$ (117,526)	\$ (73,459)	\$ (226,416)	\$ (153,023)
General revenues						
Sale of Assets	\$ 23,372	\$ 42,394			\$ 23,372	\$ 42,394
Earnings on investments	\$ 340	\$ 177	\$ 1,249		\$ 1,589	\$ 177
Adjustment to Fixed Assets	\$ 8,269	\$ -	\$ -	\$ -	\$ 8,269	\$ -
Total general revenues	\$ 31,981	\$ 42,571	\$ 1,249	\$ -	\$ 33,230	\$ 42,571
Change in net position	\$ (76,909)	\$ (36,993)	\$ (116,277)	\$ (73,459)	\$ (193,186)	\$ (110,452)
Beginning net position	\$ 881,484	\$ 918,477	\$ 1,075,185	\$ 1,148,644	\$ 1,956,669	\$ 2,067,121
Ending net position	\$ 804,575	\$ 881,484	\$ 960,157	\$ 1,075,185	\$ 1,796,713	\$ 1,956,669

BUDGETARY HIGHLIGHTS

The budgetary comparison schedules for the General Fund and the Lottery Fund are included in the required supplementary information. The General Fund budgeted to spend \$247,350 and actually spent \$303,740. \$50,000 of this variance was to pay off the construction loan from 2017. The Lottery Fund budgeted to spend \$0 and spent \$0.

The budgets for the proprietary funds, the Water Fund, the Sewer Fund and the Wastewater Fund, are in other supplementary information. The Water Fund budgeted to spend \$280,240 and spent \$246,361; The Sewer Fund budgeted to spend \$210,628 and spent \$194,060. The Wastewater Fund budgeted \$424,127 for 2018 and spent \$470,849.

DEBT ACTIVITIES

At the end of 2017, the District had outstanding General Obligation debt of \$50,000 for construction of 130 Forest. The debt was paid in full and retired in 2018. The District has an operating line of credit in the amount of \$50,000. The outstanding balance at the end of 2018 was \$0.

Wastewater Treatment Bonds. A new 15-year revenue bond loan for \$900,000.00 from a local bank was approved by the Districts and secured at a fixed interest rate. District No. 2 is the signer on the debt which is paid with monthly user fees, but the Districts split the plant revenues, expenditures, and liabilities, so District 1 began with a \$450,000 principal balance for the revenue bond loan in 2017. An Intergovernmental Agreement between District 1 and District 2 for the jointly owned wastewater plant governs the terms, under which both Districts approved increasing fees charged to each user. The joint fund covers debt payments, ongoing wastewater plant improvements, daily operations, and also included an increase in budgeted operational expenses to maintain the plant at higher standards. At the end of 2018 there was a current bond balance of \$25,000 and a long-term bond balance of \$392,500.

FUTURE CAPITAL IMPROVEMENTS

Recreation: As noted in previous years the District built a full-size doubles tennis court and college/professional sized basketball court that can also be split for two smaller ½ court games. The basketball court has been a success, but unfortunately, one corner section of the tennis courts experienced a major soil shift in 2016, causing the tennis court to begin sinking on one side and end. The District's insurance stated an exclusion for soils failures. Per geotechnical experts, soil failures were caused by two exceptionally wet spring in years 2015 and 2016 causing separation of layers of soil at deep levels. The sinking hole exceeds 30 feet in depth and extends in length for 50 yards beyond the court construction. The District performed mitigation construction of a 12' deep retaining wall as the most economical recommendation to try. The District did not go further to repour the damaged concrete until allowing time to assess soil stability. There are no guarantees on any of the mitigation options, but the process most likely to be successful in the long term requires costs that could exceed \$500,000, much higher than the District's financial abilities. Department of Local Affairs (DOLA) planned a site visit in 2018, but this was postponed until spring, 2019. When DOLA visited they indicated there is a good chance financial assistance options can be available to assist with repairs/redesign. DOLA requested the District go back to the engineering firm who designed & oversaw construction originally and to add current soil sampling for a combined report from civil & geotechnical experts for recommendations.

The District purchased a new sander in 2018 and looked for additional snow plowing equipment but was not successful in finding what we wanted within our budget. Plowing equipment will be needed in 2019.

Future capital purchases will likely include a vehicle, a new plow, and hopefully will include building homes on district owned property by 2020.

Wastewater Treatment: The wastewater treatment plant was in process of major improvements during 2017 and 2018. The 900,000-revenue bond loan was used to make improvements to meet stricter ammonia discharge standards. The majority of funds were spent on sludge removal due to years of build-up. District 2 manages the plant and handles daily operations. District 1 was provided some minimal information regarding the budget and setting of monthly fees each year, but the Districts had not maintained strong involvement with joint decision-making processes. After the 2015 Intergovernmental Agreement was in place the Districts formed a special committee to handle the majority of wastewater decisions. Management, operators, and one member from each District now hold regular discussions to mutually agree on expenditures and capital improvements. The Districts have agreed to adhere to better monitoring and regular maintenance to ensure sludge removal is done earlier as needed, and maintenance items are not deferred. We do not anticipate capital expenditures in the wastewater fund. The District will undertake sewer line cleaning as maintenance and will work on infrastructure mapping. These costs will be coded as operational expenditures unless large dollars need to be invested in GIS or engineering services we are not anticipating at this time.

Fire Safety: The District has implemented performing more annual fire mitigation for approximately the past 10-15 years as drought conditions have increased in our area. The District would very much like to invest in a burner unit of some type as removal of fire fuel is the most expensive portion of performing mitigation. Downed oak brush and smaller trees can be chipped; however, there are still large amounts of leaves, pine needles, and smaller stick fire fuel that would be safest if we could burn a few times each year. The District took on beetle kill inspections in the year 2018 and performed a bulk project to help the District and individual homeowners remove dead or dying trees for less financial outlay. The residents participated in helping to keep the neighborhood safer and were allowed to reimburse the District for their portions of costs. Portable burn units are preferable to the District at this time rather than trench burners due to storage ability, the scrubbers used are likely easier on the air quality, and the man/labor personnel needed to supervise trench burning & immediate access to a water supply.

Water Distribution Facilities: No major work is planned on the water infrastructure system except for valve cleaning and mapping services. The District needs to install a few meters outside into pits, and several valves need to be replaced to be fully operational. Funds are not available to perform all the work we desire, but these projects are more tied to deferred maintenance and would not likely be considered capital improvements. The District is open to looking at a water maintenance schedule and a full engineering assessment on conditions of assets to begin dealing with aging infrastructure.

Road System: The District spent approximately \$80,000 on road repairs and maintenance. The roads are in fair condition, but must be maintained. Drainage issues need to be addressed which will require concrete curb and gutter work and some overlay work to re-establish adequate slope. This is a large scope project and unlikely would be handled at one time. It is possible the voters may wish to authorize a future bond to pay for major road work. Each year the District assesses road conditions and performs maintenance within our budget. Keeping moisture out is a continual battle due to the mountain terrains and freeze/thaw cycles we experience much of the year with cold nights. The District's last road bond was paid off in 2016; it was a 10 year general obligation bond.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The board of directors and the management of Durango West Metropolitan District No. 1 consider many factors when they set the budget for 2018 projected user fees, and growth, were all evaluated and considered before a final budget was adopted. Initial estimates show increases and decreases as follows for the 2019 budget year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETED EXPENDITURES

	2019 Budget	2018 Budget	Increase (Decrease)
General Fund	\$300,100	\$267,818	32,282
Lottery Fund	0	15,000	(15,000)
Water Fund	282,220	224,230	57,990
Sewer Fund	205,268	145,050	60,218
Wastewater Fund	140,746	193,588	(52,842)

The above variances in the general fund are due to increased labor costs and administrative costs. Maintenance positions were in transition and a new employee began training. Outside accounting services were added to help with bookkeeping and separation of duties. Administration costs also increased due to accounting work to catch up two years of audits in 2018 and 2019. The District is now up to date with audit filings as of the submittal of this 2018 calendar year audit. The District has engaged with a CPA firm to perform the 2019 audit, and anticipates the 2019 audit will be filed earlier than the required deadline of June 30, 2020.

The water fund increased expenditures due to increased costs of purchased water, and increased allocations of labor as employee positions are allocated among the three main funds.

The sewer fund also increased the expenditures budget to cover anticipated capital expenses that were not fully realized. The sewer fund also received allocations for additional administrative and labor costs as did the water fund.

The wastewater fund is expected to stabilize now that the capital projects are mostly completed. The budget will now cover operational costs and will allow reserve funds to build for future sludge removal. District did not file supplemental amended budgets for the wastewater fund in 2018 as it had in 2016 and 2017. Those supplemental budgets from prior years were required due to delays in contractors being able to complete capital improvements at the wastewater plant.

CONTACTING THE DISTRICT'S MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with the general overview of the District's finances and demonstrates the District's accountability for the money it receives. If you have any questions concerning this report or need additional information please contact Janet Anderson, Manager of the Durango West Metropolitan District No. 1, 119 Holly Hock Trail, Durango, Colorado, (970) 259-4267, dw1@mydurango.net.

Durango West Metropolitan District No. 1
Statement of Net Position
December 31, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 265,461	\$ 215,462	\$ 480,923
Receivables	33,905	60,129	94,034
Internal Balances	(274,371)	274,371	-
Due from other governmental agencies	12,370	-	12,370
Inventories	140,723	-	140,723
Prepays	-	1,735	1,735
Capital Assets:			
Collection, treatment, transmission, and distribution	106,300	2,012,711	2,119,011
Land and buildings	283,281	47,140	330,421
General equipment	123,138	-	123,138
Vehicles	-	35,720	35,720
Roads	1,337,773	-	1,337,773
Less: Accumulated depreciation	<u>(1,207,642)</u>	<u>(1,236,480)</u>	<u>(2,444,122)</u>
Total Capital Assets	<u>642,850</u>	<u>859,091</u>	<u>1,501,941</u>
Total Assets	<u>820,938</u>	<u>1,410,788</u>	<u>2,231,726</u>
LIABILITIES			
Accounts payable and accrued expenses	16,363	33,274	49,637
Long-term liabilities			
Due within one year			
Bonds payable	-	25,000	25,000
Accrued interest	-	1,106	1,106
Due in more than one year			
Bonds payable	<u>-</u>	<u>392,500</u>	<u>392,500</u>
Total liabilities	<u>16,363</u>	<u>451,880</u>	<u>468,243</u>
NET POSITION			
Net investment in capital assets	642,850	441,590	1,084,440
Restricted for:			
TABOR	9,112	-	9,112
Unrestricted	<u>152,613</u>	<u>517,318</u>	<u>669,931</u>
Total net position	<u>\$ 804,575</u>	<u>\$ 958,908</u>	<u>\$ 1,763,483</u>

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

Durango West Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 310,849	\$ 185,460	\$ 14,024	\$ -	\$ (111,365)	\$ -	\$ (111,365)
Culture and Recreation	-	-	2,475	-	2,475	-	2,475
Total governmental activities	310,849	185,460	16,499	-	(108,890)	-	(108,890)
Business-type activities:							
Water Fund	246,361	201,401	-	-	-	(44,960)	(44,960)
Sewer Fund	194,059	185,774	-	-	-	(8,285)	(8,285)
Wastewater Fund	209,130	119,212	25,637	-	-	(64,281)	(64,281)
Total business-type activities	649,550	506,387	25,637	-	-	(117,526)	(117,526)
Total primary government	960,399	691,847	42,136	-	(108,890)	(117,526)	(226,416)
General revenues:							
Taxes:							
Unrestricted investment earnings					340	-	340
Miscellaneous					-	1,249	1,249
<i>Special item</i> - gain on disposition of assets					23,372	-	23,372
Adjustment to fixed assets					8,269	-	8,269
Total general revenues, special items, and transfers					31,981	1,249	33,230
Change in net position					(76,909)	(116,277)	(193,186)
Net position - beginning					881,484	1,075,185	1,956,669
Net position - ending					\$ 804,575	\$ 958,908	\$ 1,763,483

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

Durango West Metropolitan District No. 1
Balance Sheet
Governmental Funds
December 31, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 264,101	\$ 1,360	\$ 265,461
Accounts receivable	33,905	-	33,905
Due from other funds	105,070	-	105,070
Receivable from other governments	3,089	9,281	12,370
Inventories	140,723	-	140,723
Total assets	546,888	10,641	557,529
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	14,643	-	14,643
Due to other funds	348,115	31,326	379,441
Other accrued expenses	1,720	-	1,720
Total liabilities	364,478	31,326	395,804
 Fund balances:			
Reserved for:			
Other purposes--TABOR	9,112	-	9,112
Unassigned	173,298	-	173,298
Assigned	-	(20,685)	(20,685)
Total fund balances	182,410	(20,685)	161,725
Total liabilities and fund balances	\$ 546,888	\$ 10,641	\$ 557,529

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, 2018

Total fund balance, governmental funds \$ 161,725

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. 642,850

\$ 804,575

Net Assets of Governmental Activities in the Statement of Net Position

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

Durango West Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 14,024	\$ 2,475	\$ 16,499
Charges for services	165,132	-	165,132
Investment earnings	339	1	340
Miscellaneous	20,329	-	20,329
Total revenues	<u>199,824</u>	<u>2,476</u>	<u>202,300</u>
EXPENDITURES			
Current:			
General government	140,116	-	140,116
Public safety	16,553	-	16,553
Personal and benefits	87,110	-	87,110
Principal	50,000	-	50,000
Capital outlay	9,961	-	9,961
Total Expenditures	<u>303,740</u>	<u>-</u>	<u>303,740</u>
Excess (deficiency) of revenues over expenditures	<u>(103,916)</u>	<u>2,476</u>	<u>(101,440)</u>
SPECIAL ITEM			
Proceeds from sale of assets	<u>23,372</u>	<u>-</u>	<u>23,372</u>
Net change in fund balances	(80,544)	2,476	(78,068)
Fund balances - beginning	<u>262,954</u>	<u>(23,161)</u>	<u>239,793</u>
Fund balances - ending	<u>\$ 182,410</u>	<u>\$ (20,685)</u>	<u>\$ 161,725</u>

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

Durango West Metropolitan District No. 1
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds: \$ (78,068)

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 \$9,961 was less than depreciation of \$67,070 in the current period. (57,109)

Adjustment to general fixed assets 8,269

Governmental funds report debt proceeds, including lease purchase agreements, as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments was more than proceeds. 50,000

Rounding (1)

Change in net assets of governmental activities \$ (76,909)

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, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 215,461	\$ 215,461
Accounts Receivable, net	29,893	28,903	-	58,796
Due from other funds	-	434,123	-	434,123
Other receivables	1,331	-	-	1,331
Prepaid Expenses	-	-	1,735	1,735
Total current assets	<u>31,224</u>	<u>463,026</u>	<u>217,196</u>	<u>711,446</u>
Non-current assets:				
Capital Assets:				
Land	-	-	47,140	47,140
Infrastructure	73,640	94,875	-	168,515
Utility System	770,430	275,676	798,090	1,844,196
Vehicles	17,859	17,860	-	35,719
Less Accumulated depreciation	(625,992)	(264,172)	(346,316)	(1,236,480)
Total non-current assets	<u>235,937</u>	<u>124,239</u>	<u>498,914</u>	<u>859,090</u>
Total assets	<u>267,161</u>	<u>587,265</u>	<u>716,110</u>	<u>1,570,536</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	16,344	10,292	3,197	29,833
Salaries payable	1,720	1,720	-	3,440
Accrued interest payable	-	-	1,106	1,106
Due to other funds	159,752	-	-	159,752
Bonds payable	-	-	25,000	25,000
Total current liabilities	<u>177,816</u>	<u>12,012</u>	<u>29,303</u>	<u>219,131</u>
Non-current liabilities:				
Bonds, notes and loans payable	-	-	392,500	392,500
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>392,500</u>	<u>392,500</u>
Total liabilities	<u>177,816</u>	<u>12,012</u>	<u>421,803</u>	<u>611,631</u>
NET POSITION				
Net Investment in capital assets	235,937	124,239	81,414	441,590
Unrestricted	(146,592)	451,014	212,893	517,315
Total net position	<u>\$ 89,345</u>	<u>\$ 575,253</u>	<u>\$ 294,307</u>	<u>\$ 958,905</u>

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

Durango West Metropolitan District No. 1
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
REVENUES				
Charges for services	\$ 193.663	\$ 185.774	\$ 117.665	\$ 497.102
Lease income	7.737	604	-	8.341
Total operating revenues	<u>201.400</u>	<u>186.378</u>	<u>117.665</u>	<u>505.443</u>
OPERATING EXPENSES				
Personal services	61.314	58.043	9.451	128.808
Contractual services	10.729	15.579	14.211	40.519
Utilities	5.972	-	10.204	16.176
Repairs and maintenance	14.720	14.552	139.528	168.800
Other supplies and expenses	5.224	96.815	2.461	104.500
Miscellaneous expenses	12.034	-	1.395	13.429
Insurance claims and expenses	4.850	-	1.747	6.597
Water purchases	115.456	-	-	115.456
Depreciation	16.062	9.071	16.380	41.513
Total Operating Expenses	<u>246.361</u>	<u>194.060</u>	<u>195.377</u>	<u>635.798</u>
Operating income (loss)	<u>(44.961)</u>	<u>(7.682)</u>	<u>(77.712)</u>	<u>(130.355)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	-	1.547	1.547
Grant income	-	-	25.637	25.637
Miscellaneous revenue	644	-	-	644
Interest expense	-	-	(13.753)	(13.753)
Total non-operating revenue (expenses)	<u>644</u>	<u>-</u>	<u>13.431</u>	<u>14.075</u>
Income (loss) before contributions and transfers	<u>(44.317)</u>	<u>(7.682)</u>	<u>(64.281)</u>	<u>(116.280)</u>
Change in net position	<u>(44.317)</u>	<u>(7.682)</u>	<u>(64.281)</u>	<u>(116.280)</u>
Total net position - beginning	<u>133.662</u>	<u>582.935</u>	<u>358.588</u>	<u>1,075.185</u>
Total net position - ending	<u>\$ 89.345</u>	<u>\$ 575.253</u>	<u>\$ 294.307</u>	<u>\$ 958.905</u>

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

Durango West Metropolitan District No. 1
Statement of Cash Flows
All Proprietary Funds
For the year ended December 31, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Charges for Services	\$ 205,477	\$ 184,446	\$ 117,665	\$ 507,588
Cash Payments to Suppliers for Goods & Services	(167,906)	(121,168)	(8,755)	(297,829)
Cash Payments for Salaries & Benefits	(60,971)	(57,700)	(180,005)	(298,676)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(23,400)</u>	<u>5,578</u>	<u>(71,095)</u>	<u>(88,917)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous Revenues	644	-	-	644
(Increase) Decrease in Due From Other Funds	22,756	(5,578)	-	17,178
Grant received	-	-	25,637	25,637
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>23,400</u>	<u>(5,578)</u>	<u>25,637</u>	<u>43,459</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:				
Acquisition of Property, Plant, & Equipment	-	-	(229,219)	(229,219)
Fiscal charges paid	-	-	(19,637)	(19,637)
Principal paid on bonds	-	-	(32,500)	(32,500)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(281,356)</u>	<u>(281,356)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received on Investment	-	-	1,547	1,547
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>1,547</u>	<u>1,547</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	-	-	(325,267)	(325,267)
Cash & Cash Equivalents:				
Beginning of Year	-	-	540,727	540,727
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,460</u>	<u>\$ 215,460</u>

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

Durango West Metropolitan District No. 1
Statement of Cash Flows
All Proprietary Funds
For the year ended December 31, 2018
(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)	\$ (44,961)	\$ (7,682)	\$ (77,712)	\$ (130,355)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Depreciation	16,062	9,071	16,380	41,513
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivables	4,077	(1,932)	-	2,145
(Increase) Decrease in Prepaid expenses	-	-	(1,735)	(1,735)
Increase (Decrease) in Salaries Payable	343	343	-	686
Increase (Decrease) in Accounts Payable	1,079	5,778	(8,028)	(1,171)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (23,400)</u>	<u>\$ 5,578</u>	<u>\$ (71,095)</u>	<u>\$ (88,917)</u>
 Analysis of cash:				
Cash and Cash Equivalents	\$ -	\$ -	\$ 215,461	\$ 215,461
TOTAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,461</u>	<u>\$ 215,461</u>

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

Durango West Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2018

Note 1 **Definition of Reporting Entity**

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

The reporting entity consists of the District and, if applicable, organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the District. Consideration is also given to including other organizations in the reporting entity if they are considered fiscally dependent or exclusion from the District's financial statements would render those financial statements misleading.

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

Note 2 **Summary of Significant Accounting Policies**

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

Government-Wide and Fund Financial Statements

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost by function or business-type activity is normally covered by general revenue such as property taxes or other unrestricted revenues.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

Property taxes, grant and entitlement revenues, interest and charges for services are considered revenues susceptible to accrual. Contributions and miscellaneous revenue are recorded as revenues when received in cash because they are not generally measurable until received in cash. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Generally, entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met.

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

Governmental Funds

The District reports the following major governmental funds:

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

Proprietary Fund Types

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

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

and effective May 28, 2015, each district accounts for 50% of the operations on their respective financial statements.

Cash and Cash Equivalents

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

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

Inventories

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

As of year-end, one of the homes was virtually completed with the other two homes still under construction.

One of the homes was sold during 2018.

Property Taxes

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

Capital Assets

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

Contributed capital assets are recorded at estimated fair value at the time received. Normal maintenance and repair that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when material. No interest was capitalized in relation to capital assets and improvements during the year ended December 31, 2018.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no amounts that qualify as deferred outflows of resources.

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

Long Term Liabilities

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

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

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

Fund Balances/Net Position

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

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

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

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

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

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

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

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

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

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

Restricted Resources

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

Interfund Transactions

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

Estimates

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

Note 3 Cash, Cash Equivalents and Investments

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

Demand Deposits – Unrestricted	\$ 463,822
Demand Deposits – Restricted	1,361
COLOTRUST – Unrestricted	10,027
COLOTRUST – Restricted	<u>5,713</u>
	<u>\$ 480,923</u>

Restricted Cash and Investments

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

Custodial Credit Risk

At December 31, 2018, the carrying amount of the District’s deposits was \$265,461 and the bank balance was \$265,461. Of the bank balance, \$265,461 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. The above amount does not include the \$215,461 held by District No. 2.

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

Investments

The District is subject to Colorado Revised Statute 24-75-601 which is entitled “concerning investment in securities by public entities”. This statute, among other things, outlines the type of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period or other exceptions apply. At December 31, 2018, 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 \$15,740.

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, 2018, the District’s investment in COLOTRUST is rated AAAM by Standard and Poor’s.

Note 4

Receivables

Receivables at December 31, 2018 consist of the following:

Governmental Activities	General Fund	Lottery Fund	Total
Customer Accounts, Current			
Net of Allowance	\$ 33,302	\$ -	\$ 33,302
Highway User Funds	3,089	-	3,089
Department of Local Affairs	-	9,281	9,281
Total Receivables	\$ 36,391	\$ 9,281	\$ 45,672

	Business-Type Activities			Total
	Water Fund	Sewer Fund	Wastewater Fund	
Customer Accounts, Current Allowance for Uncollectibles	\$ 33,215 (3,321)	\$ 30,638 (3,064)	\$ - -	\$ 63,853 (6,385)
	<u>\$ 29,894</u>	<u>\$ 27,574</u>	<u>\$ -</u>	<u>\$ 57,468</u>

The receivable from the Department of Local Affairs represents lottery proceeds which are also being held until the District's audits are current.

Note 5 Interfund Receivables/Payables and Transfers

The following interfund receivables and payables are included in the individual fund financial statements at December 31, 2018:

	Advances To (From) General Fund	Advances To (From) Lottery Fund	Advances To (From) Water Fund	Advances To (From) Sewer Fund	Net Advances To (From) Funds
General Fund	\$ -	\$ (31,326)	\$ (159,752)	\$ 434,123	\$ 243,045
Lottery Fund	31,168	-			31,168
Water Fund	159,910		-		159,910
Sewer Fund	(434,123)			-	(434,123)
Total	<u>\$ (243,045)</u>	<u>\$ (31,326)</u>	<u>\$ (159,752)</u>	<u>\$ 434,123</u>	<u>\$ -</u>

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

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

Note 6 Tower Lease

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

Note 7 Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance Beginning Of Year	Governmental Activities		Balance End Of Year
		Additions\ Adjustments	Deletions\ Adjustments	
Capital Assets Not Being Depreciated				
Landscaping	\$ 2,430	\$ -	\$ -	\$ 2,430
Survey Fees	1,560	-	-	1,560
Office Lot	10,000	-	-	10,000
Park Dirt Work	54,639	-	-	54,639
Total	68,629	-	-	68,629
Depreciable Assets				
Buildings	105,250	11,656	-	116,906
Roads	1,337,773	-	-	1,337,773
Utility Infrastructure	106,300	-	-	106,300
Park	97,746	-	-	97,746
Equipment	118,438	4,700	-	123,138
Total	1,765,507	16,356	-	1,781,863
Accumulated Depreciation				
Buildings	(62,514)	(8,254)	-	(70,768)
Roads	(985,162)	(45,342)	1,873	(1,030,504)
Utility Infrastructure	(42,519)	(2,657)	-	(45,176)
Park	(6,794)	-	-	(6,794)
Equipment	(45,456)	(10,817)	-	(56,273)
Total	(1,142,145)	(67,070)	1,873	(1,207,642)
Net Capital Assets Being Depreciated	623,062	(50,714)	1,873	574,221
Net General Fixed Assets	\$ 691,691	\$ (50,714)	\$ 1,873	\$ 642,850

	Balance Beginning Of Year	Business-Type Activities		Balance End Of Year
		Additions	Deletions	
Capital Assets Not Being Depreciated				
Land	\$ 47,140	\$ -	\$ -	\$ 47,140
Depreciable Assets				
Water Utility Plant – source of supply	182,063	-	-	182,063
Water Well No. 9 – source of supply	30,000	-	-	30,000
Water Tank – source of supply	68,408	-	-	68,408
Total	280,471	-	-	280,471
Water Transmission & Distribution	563,598	-	-	563,598
Sewer Collection and Treatment	370,551	-	-	370,551
Wastewater Treatment Plant and Equipment	463,852	334,239	-	798,091
Construction in Progress	105,021	-	(105,021)	-
Vehicles	41,053	-	(5,333)	35,720
Total	1,824,546	34,239	(110,355)	2,048,431
Accumulated Depreciation				
Water Source of Supply	(172,425)	(4,370)	-	(176,795)
Water Transmission and Distribution	(426,496)	(8,369)	-	(434,865)
Sewer Collection and Treatment	(244,089)	(7,411)	-	(251,500)
Wastewater Treatment Plant and Equipment	(329,936)	(16,380)	-	(346,316)
Vehicles	(23,311)	(3,572)	(121)	(27,004)
Total	(1,196,257)	(40,102)	-	(1,236,480)
Net Capital Assets	\$ 675,429	\$ 74,098	\$ (110,476)	\$ 859,091

Depreciation was charged to functions/programs as follows:

Governmental Activities	
Public Services	<u>\$ 67,070</u>
Business-Type Activities	
Water	\$ 14,525
Sewer	9,197
Wastewater	16,380
Total	<u>\$ 40,102</u>

Note 8 Long Term Liabilities

	Balance January 1 2018	Increases	Decreases	Balance December 31 2018	Due Within One Year
Business-Type Activities Bonds Payable Series 2017 Waste Water Bonds	\$ 450,000	\$ -	\$ 32,500	\$ 417,500	\$ 25,000
Total Business-Type Activities	\$ 450,000	\$ -	\$ 32,500	\$ 417,500	\$ 25,000

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. \$ 450,000

The debt service requirements for the series 2018 wastewater revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 25,000	\$ 12,959	\$ 37,959
2020	25,000	12,163	37,163
2021	27,500	11,349	38,849
2022	25,000	10,494	35,494
2023-2027	155,000	76,996	231,996
2028-2032	160,000	24,407	184,407
Total	\$ 417,500	\$ 97,667	\$ 515,167

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, 2018 for governmental activities is \$9,112 which has been restricted for Tabor. This represents approximately 3% of the District’s 2018 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District’s net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this restricted account.

Note 10 Joint Venture

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

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

Note 11 Risk Management

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

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

In 1992, Colorado voters passed an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, which is commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. In November, 1997, the voters of the District approved the District's request to retain and spend all revenues and other funds collected from any source. As such, the fiscal year spending limitations 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 and during 2015, the District paid \$60,960 for treatment services. When the loan agreement with Colorado Water Resources and Power Development Authority was fully paid and satisfied in 2011, the intergovernmental agreement was amended to include a joint ownership provision of the wastewater plant; however the amended intergovernmental agreement had an expiration date of December 31, 2012. The two districts completed and approved a newly amended intergovernmental agreement on May 28, 2015. Each district now owns one-half of the treatment plant.

During 2018 the 2016 and 2017 audits were filed with the State Auditor’s Office. As a result, the property taxes and the Department of Local Affairs funds as of December 30, 2017 were released with the District receiving those dollars.

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

As of December 31, 2017, \$50,000 had been advanced against the line of credit. This advance was paid in full during 2018. Security consists of District property. The line of credit expires December 31, 2018. The current interest rate is 6.75%.

As of December 31, 2018, there was a new line of credit in the amount of \$150,000. As of December 31, 2018, no advances were made against the line. The interest rate is subject to change from time to time based on changes in an independent index. Collateral is a deed of trust of specific property.

The General and Wastewater Funds over spent their budgets.

Required Supplementary Information

Durango West Metropolitan District No. 1
Budget and Actual
General
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 12,600	\$ 12,600	\$ 14,024
Charges for services	143,614	143,614	165,132
Investment earnings	-	-	339
Miscellaneous	1,650	1,650	20,329
Total revenues	<u>157,864</u>	<u>157,864</u>	<u>199,824</u>
EXPENDITURES			
Current:			
General government	124,250	124,250	140,116
Public Safety	9,600	9,600	16,553
Personal and benefits	63,500	63,500	87,110
Debt Service:			
Principal	-	-	50,000
Capital Outlay	25,000	25,000	9,961
Contingency	25,000	25,000	-
Total Expenditures	<u>247,350</u>	<u>247,350</u>	<u>303,740</u>
Excess (deficiency) of revenues over expenditures	<u>(89,486)</u>	<u>(89,486)</u>	<u>(103,916)</u>
SPECIAL ITEM			
Proceeds from sale capital assets	<u>343,000</u>	<u>343,000</u>	<u>23,372</u>
Net change in fund balances	253,514	253,514	(80,544)
Fund balances - beginning	(147,583)	(147,583)	262,954
Fund balances - ending	<u>\$ 105,931</u>	<u>\$ 105,931</u>	<u>\$ 182,410</u>

Durango West Metropolitan District No. 1
Notes to Required Supplementary Information
December 31, 2018

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 2018.

On or before October 15 of each year, the District's budget officer must prepare and submit a proposed budget to the Board for the next fiscal year. Thereupon, notice must be published stating, among other things, that the budget is open to inspection by the public and that interested electors may file or register any objection to the budget. Subject to certain exceptions and exclusions discussed hereafter, the District must submit a request for property tax increases in excess of the statutory limitation to the Division of Local Government (if within TABOR limits, as described in Note 9) or submit the question of an increased levy directly to the electors of the District at a general or special election. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the withholding by the county treasurer of any property tax revenues that may be levied in the future by the District, pending compliance. The District timely filed the certified copy of its budget for the year ended December 31, 2018.

Budget appropriations lapse at the end of each year.

Other Supplementary Information

Durango West Metropolitan District No. 1
Balance Sheet
Other Governmental Funds
December 31, 2018

	Lottery Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,360	\$ 1,360
Receivable from other governments	9,281	9,281
Total assets	10,641	10,641
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	31,326	31,326
Total liabilities	31,326	31,326
Fund balances:		
Assigned	(20,685)	(20,685)
Total fund balances	(20,685)	(20,685)
Total liabilities and fund balances	\$ 10,641	\$ 10,641

Durango West Metropolitan District No. 1
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	Lottery Fund	Total-Other Governmental Funds
REVENUES		
Intergovernmental	\$ 2,475	\$ 2,475
Investment earnings	1	1
Total revenues	2,476	2,476
EXPENDITURES		
Excess (deficiency) of revenues over expenditures	2,476	2,476
Net change in fund balances	2,476	2,476
Fund balances - beginning	(23,161)	(23,161)
Fund balances - ending	\$ (20,685)	\$ (20,685)

**Durango West Metropolitan District No. 1
Budget and Actual
Lottery Fund
For the year ended December 31, 2018**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Intergovernmental	\$ 3,298	\$ 3,298	\$ 2,475
Investment earnings	4	4	1
Total revenues	<u>3,302</u>	<u>3,302</u>	<u>2,476</u>
EXPENDITURES			
Current:			
Excess (deficiency) of revenues over expenditures	<u>3,302</u>	<u>3,302</u>	<u>2,476</u>
Net change in fund balances	3,302	3,302	2,476
Fund balances - beginning	<u>(19,211)</u>	<u>(19,211)</u>	<u>(23,161)</u>
Fund balances - ending	<u><u>\$ (15,909)</u></u>	<u><u>\$ (15,909)</u></u>	<u><u>\$ (20,685)</u></u>

Durango West Metropolitan District No. 1
Budget and Actual
Water Fund
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 202,500	\$ 202,500	\$ 193,663
Lease revenue	7,650	7,650	7,737
Miscellaneous	-	-	644
Total revenues	<u>210,150</u>	<u>210,150</u>	<u>202,044</u>
EXPENSES			
Personal services	47,000	47,000	61,314
Contractual services	11,000	11,000	10,729
Utilities	4,800	4,800	5,972
Repairs and maintenance	21,000	21,000	14,720
Other supplies and expenses	6,000	6,000	5,224
Miscellaneous expenses	27,400	27,400	12,034
Insurance claims and expenses	5,000	5,000	4,850
Water purchases	113,040	113,040	115,456
Depreciation	-	-	16,062
Contingency	45,000	45,000	-
Total Expenditures	<u>280,240</u>	<u>280,240</u>	<u>246,361</u>
Excess (deficiency) of revenues over expenditures	<u>(70,090)</u>	<u>(70,090)</u>	<u>(44,317)</u>
Net change in net position	(70,090)	(70,090)	(44,317)
Net position - beginning	<u>73,453</u>	<u>73,453</u>	<u>133,662</u>
Net position - ending	<u>\$ 3,363</u>	<u>\$ 3,363</u>	<u>\$ 89,345</u>

Durango West Metropolitan District No. 1
Budget and Actual
Sewer Fund
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Charges for services	\$ 204,220	\$ 204,220	\$ 185,774
Miscellaneous	-	-	604
Total revenues	<u>204,220</u>	<u>204,220</u>	<u>186,378</u>
EXPENSES			
Personal services	47,000	47,000	58,043
Contractual services	12,000	12,000	15,579
Miscellaneous	15,500	15,500	-
Repairs and maintenance	19,000	19,000	14,552
Other supplies and expenses	96,768	96,768	96,815
Insurance claims and expenses	5,000	5,000	-
Depreciation	-	-	9,071
Contingency	15,000	15,000	-
Total Expenditures	<u>210,268</u>	<u>210,268</u>	<u>194,060</u>
Excess (deficiency) of revenues over expenditures	<u>(6,048)</u>	<u>(6,048)</u>	<u>(7,682)</u>
Net change in net position	(6,048)	(6,048)	(7,682)
Net position - beginning	<u>554,301</u>	<u>554,301</u>	<u>582,895</u>
Net position - ending	<u>\$ 548,253</u>	<u>\$ 548,253</u>	<u>\$ 575,213</u>

Durango West Metropolitan District No. 1
Budget and Actual
Wastewater Fund
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for services	\$ 118,272	\$ 118,272	\$ 117,665
Investment earnings	300	300	1,547
Grant income	57,500	57,500	25,637
Total revenues	<u>176,072</u>	<u>176,072</u>	<u>144,849</u>
EXPENSES			
Personal services	9,362	9,362	9,451
Contractual services	18,770	18,770	14,211
Utilities	13,000	13,000	10,204
Repairs and maintenance	10,000	10,000	139,528
Other supplies and expenses	2,000	2,000	2,461
Miscellaneous	3,500	3,500	1,395
Insurance and claims	2,500	2,500	1,747
Interest expense	19,995	19,995	13,753
Bond principal	32,500	32,500	32,500
Depreciation	-	-	16,380
Capital Outlay	312,500	312,500	229,219
Total Expenditures	<u>424,127</u>	<u>424,127</u>	<u>470,849</u>
Excess (deficiency) of revenues over expenditures	<u>(248,055)</u>	<u>(248,055)</u>	<u>(326,000)</u>
RECONCILING ITEMS			
Bond principal	-	-	32,500
Capital outlay	-	-	229,219
Net change in net position	(248,055)	(248,055)	(64,281)
Net position - beginning	540,729	540,729	358,588
Net position - ending	<u>\$ 292,674</u>	<u>\$ 292,674</u>	<u>\$ 294,307</u>