

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2015**

**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
TABLE OF CONTENTS**

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	<u>Page Number</u>
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b> .....	i – ii
<b>Management's Discussion and Analysis</b> .....	iii - xi
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position.....	1
Statement of Activities .....	2
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	4
Statement of Revenues, Expenditures and Changes in Fund Balances .....	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	6
<b>Proprietary Funds</b>	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Fund Net Position .....	8
Statement of Cash Flows .....	9 - 10
<b>Notes to Basic Financial Statements</b> .....	11 - 24
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Budgetary Comparison Schedule</b>	
General Fund .....	25
Special Revenue Fund.....	26
Notes to Required Supplementary Information.....	27
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>Schedule of Revenues and Expenses, Budget to Actual</b>	
Enterprise Fund – Water Fund .....	28
<b>Schedule of Revenues and Expenses, Budget to Actual</b>	
Enterprise Fund – Sewer Fund.....	29
<b>Schedule of Revenues and Expenses, Budget to Actual</b>	
Enterprise Fund – Wastewater Fund.....	30

# CLARK, WHITE, & ASSOCIATES, INC.

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Karla K. Clark, CPA

Frankie White, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Durango West Metropolitan District No. 1  
Durango, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Durango West Metropolitan District No. 1 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 principles 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.

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Durango West Metropolitan District No. 1 as of December 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii – xi and 25 through 27 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 Durango West Metropolitan District No. 1's basic financial statements. The budgetary comparison schedules on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules on pages 28 through 30 are the responsibility of management and were derived from and relate 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 budgetary comparison schedules on pages 28 through 30 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Clark, White & Associates, Inc.*

**Clark, White & Associates, Inc.**

Durango, Colorado

January 9, 2018

## 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, 2015.

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, 2015. 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 \$2,047,984
2. Operating expenses of \$640,499 were more than program revenues of \$541,503 by \$98,996.
3. General revenues total \$489,701.

### 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. The District considers both of these funds important to financial statement uses and has presented them as major funds.

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

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

## **FINANCIAL POLICY PRIORITIES**

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

1. Growth pays its own way
2. Debt service is funded from property taxes
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 2015, the General Fund's revenues from user fees was \$144,757. In 2015, principal and interest paid by the General Fund on the outstanding bonds was \$77,224.

At December 31, 2014, the La Plata County Treasurer was holding \$418,878 for 2010 through 2014 due to late submission of audits from 2009 to 2014. In March of 2015, the audits had all been filed, and the funds being held were released.

The District is now late in submitting its audited financial statements for 2015 and 2016 to the State of Colorado. At November 30, 2017, tax revenues for 2015 and 2016 in the amount of \$93,960 are being held by La Plata County. These taxes along with any other taxes subsequently collected, will be held until all required audited financial statements have been submitted to the State of Colorado. Additional future tax revenues may be withheld if timely submittals of required reports are not made to the State of Colorado.

The Lottery Fund is designated to receive and hold state lottery funds which can only be used for parks and recreation projects. In 2015, lottery funds received were \$6,850 and no expenditures were paid out. The Department of Local Affairs began holding lottery funds in 2014 due to non-receipt of the audits for 2012, 2013 and 2014. At December 31, 2014, \$4,797 in lottery funds was being held until the audits were received. When the audits were filed in March of 2015, these funds were released. However, since the 2015 and 2016 audits are now late, the Department of Local Affairs is once again holding lottery funds. At November 30, 2017, \$5,683 was being held.

The District operates its water, sewer and wastewater 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 2015, the District had \$353,813 in user fees, and expenses of \$437,571 for water, sewer and wastewater operations.

### ***Government-wide Financial Analysis***

The following tables present condensed 2015 and 2014 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 A  
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$617,261	\$639,220	\$243,931	\$57,777	\$861,192	\$696,997
Internal balances	(321,346)	(339,343)	321,346	339,343		
Non-current assets			14,824		14,824	
Capital assets, net of accumulated depreciation	737,699	750,182	626,927	454,488	1,364,626	1,204,670
<b>Total assets</b>	<b>1,033,614</b>	<b>1,050,059</b>	<b>1,207,028</b>	<b>851,608</b>	<b>2,240,642</b>	<b>1,901,667</b>
Current liabilities	8,812	5,881	18,245	18,728	27,057	24,609
Notes payable	80,280	151,407			80,280	151,407
<b>Total liabilities</b>	<b>89,092</b>	<b>157,288</b>	<b>18,245</b>	<b>18,728</b>	<b>107,337</b>	<b>176,016</b>
Deferred Inflows						
Unearned property taxes	85,321	79,530			85,321	79,530
Net position:						
Invested in capital assets	737,699	598,772	626,927	454,488	1,364,626	1,053,260
Restricted	19,718	6,041			19,718	6,041
Unrestricted	101,784	208,428	561,856	389,550	663,640	597,978
<b>Total net position</b>	<b>\$859,201</b>	<b>\$813,241</b>	<b>\$1,188,783</b>	<b>\$844,038</b>	<b>\$2,047,984</b>	<b>\$1,657,279</b>

TABLE B  
CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenue						
Charges for services	\$147,589	\$156,283	\$360,422	\$311,507	\$508,011	\$467,790
Grants and contributions	14,405	58,877	19,087	17,000	33,492	75,877
<b>Total program revenue</b>	<b>161,994</b>	<b>215,160</b>	<b>379,509</b>	<b>328,507</b>	<b>541,503</b>	<b>543,667</b>
<b>Total operating expenses</b>	<b>202,928</b>	<b>185,243</b>	<b>437,571</b>	<b>305,625</b>	<b>640,499</b>	<b>490,868</b>
<b>Operating income (loss)</b>	<b>(40,934)</b>	<b>29,917</b>	<b>(58,062)</b>	<b>22,882</b>	<b>(98,996)</b>	<b>52,799</b>
General revenues						
Property taxes	86,795	87,206			86,795	87,206
Earnings on investments	99	61	170		269	61
Transfers in			402,637		402,637	
<b>Total general revenues</b>	<b>86,894</b>	<b>87,267</b>	<b>402,807</b>	<b>0</b>	<b>489,701</b>	<b>87,267</b>
<b>Change in net position</b>	<b>45,960</b>	<b>117,184</b>	<b>344,745</b>	<b>22,882</b>	<b>390,705</b>	<b>140,066</b>
<b>Beginning net position</b>	<b>813,241</b>	<b>696,057</b>	<b>844,038</b>	<b>821,156</b>	<b>1,657,279</b>	<b>1,517,213</b>
<b>Ending net position</b>	<b>\$859,201</b>	<b>\$813,241</b>	<b>\$1,188,783</b>	<b>\$844,038</b>	<b>\$2,047,984</b>	<b>\$1,657,279</b>



Table B shows revenues, expenses, and changes in net assets for 2015 and 2014.

Table A shows that the District's net position has increased. Total restricted net position of \$19,718 is restricted for Tabor. Unrestricted net position increased from \$597,978 in 2014 to 663,640. This unrestricted net position is available for future appropriations. Net position invested in capital assets increased by \$311,366 from 2014. A general obligation bond series for \$600,000 was issued in 2006 to improve the District's roads. This entire amount has now been spent. Net position invested in capital assets indicates net position that is not available for future appropriations. This increase is primarily due to the acquisition of the wastewater treatment plant. On May 28, 2015, the District entered into an intergovernmental agreement and service contract with Durango West Metropolitan District No. 2 and 50% of the assets and cash were transferred into Durango West Metropolitan District No. 1.

Table B shows an operating loss of \$98,996 for 2015. This is a decrease of \$151,795 from 2014. This decrease is primarily due to the fact that in 2015, the District's grant revenues decreased and operating expenses increased.

General revenues are used to retire debt service, purchase capital assets, and may be used to supplement operating revenues. General revenues increased by \$402,434 in 2015. This is primarily due to the transfer in of wastewater cash and assets in the amount of \$402,637.

An examination of Table B shows that the District's change in net position in the governmental activities decreased by \$71,224 from 2014 to 2015. This decrease is due to the fact that in 2015, the District did not receive lottery grant funds, user fees decreased and 2015 operating expenses increased.

The change in net position in the business-type activities increased by \$321,863 from 2014 to 2015. This increase was to the transfer in of the wastewater assets and cash as discussed above.

## **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 \$252,972 and actually spent \$261,573. This may be a violation of state statutes. The Lottery Fund budgeted to spend \$47,000 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 \$230,615 and spent \$194,963; The Sewer Fund budgeted to spend \$167,025 and spent \$141,168. The Wastewater Fund did not prepare a budget for 2015 and spent \$75,483. This over expenditure may be a violation of state statutes.

## **DEBT ACTIVITIES**

At the end of 2015, the District had outstanding General Obligation Bond debt of \$79,000. This bond issue was used to fund major road repairs and resurfacing.

Although future property tax revenues would have been sufficient to pay the scheduled debt service amounts, the District has had to use other revenues to pay debt service amounts, because the property taxes have been held by the La Plata County treasurer pending receipt of past due audits.

## **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 held, but unfortunately, one corner section of the tennis courts experienced a major soil shift in 2016 and caused the court to begin sinking on one side. The District's insurance stated an exclusion for soils failures. According to geotechnical experts the District hired to assess for recommendations, the damage was caused by two exceptionally wet spring in years 2015 and 2016. There are several unstable areas of soils due to clay and there is a swath of area that affected the tennis courts. The sinking has exceeded 30 feet in depth and extends in length for 50 yards beyond the court. The District did perform the recommended mitigations that were within our budgetary limits. A full mitigation would have been \$500,000 to \$1,000,000 per the geotechnical expert. The geotechnical engineer recommended a 12-foot deep solid retaining wall with extra strong rebar and fabric may hold the court stable, but short of major soils replacements and multiple as well as much larger retaining walls, this was the recommended affordable fix. This only economically feasible fix failed within 8 months. The District performed most of the work in house but it was still extremely disappointing as it was overbuilt with rebar and very thick solid concrete walls, along with compaction and new soils, even exceeding recommended specs. The engineer was clear to point out that there were no guarantees and that the ground could stop shifting as is and we could be fine for years, or it could continue to fail and widen the ravine, which it did. He explained the soil fault was as deep as 50-100 feet and the pressures cause multiple layers of different types of soils to separate with expansion and contraction. Presently the District can save the basketball court, all the fencing, and most of the tiles on the tennis courts, but will end up abandoning the idea or rebuilding the tennis court in a different location away from the affected soils that are continuing to fail. The District has not undertaken moving the tennis courts as of this date. It plans to remove and salvage what is possible during summer 2018 with additional maintenance labor planned. The budget and priorities did not allow more mitigation or rebuilding in the 2017 season. It is extremely unfortunate as the courts were very nice and something the District waited many years to complete as budgeted and grant funds became available. A portion of the housing improvement funds will be used to rebuild what is possible financially without raising fees. Due to water, sewer, and roads being the top priorities, adding recreation has been a financial struggle since the District's formation. This is an unfortunate reality for the residents but they do not want to pay higher fees, understandably. Instead of full size tennis courts it is possible the District will build a smaller singles court that can be added to later. A pavilion and barbeque area would be well used, and is an affordable and doable project in 2018.

Additional capital improvements planned include snow plow equipment and attachments for street sweeping. The District needs new sanders and one heavy duty plow truck. The sanders will be purchased new but the District will look for a used heavy duty 2-4-ton truck to handle larger plows and heavy storms. The budget for a truck is approximately \$20,000-\$35,000. Sanders will cost approximately \$6,500.

Minor improvements are scheduled for the small children's playground. Minor repairs and maintenance are needed on the climbing equipment and a larger adult sized swing set has been requested.

**Wastewater Treatment:** Improvements have begun for the wastewater treatment plant that is shared with Durango West Metropolitan District No. 2 (District No. 2). The Districts are required to lower ammonia and improve discharge levels. District No. 2 officially transferred ½ ownership to District No. 1 in 2015, per the terms of an Intergovernmental Agreement stating both Districts would jointly own the plant once the debt service was paid. The debt was paid in 2011 but a new Agreement was not settled and signed until 2015. District No. 2 applied for a grant with Department of Local Affairs in 2015. The grant was awarded in 2015, largely based on need factors. The economic factors in District No. 1 qualified the project for partial

assistance of approximately \$158,000. An additional grant of approximately \$80,000 was secured after the \$158,000. Due to limited choices of sludge removal contractors, Durango being remotely located without a large city in close proximity, and increasing health/environmental standards how sludge may be disposed of, the cost of the project more than doubled, which was a complete surprise to District No. 1. District No. 2 met with District No. 1 in April, 2017, to inform the costs were updated to slightly over \$800,000 to complete the sewer plant improvements. A new 15-year loan for \$900,000 from a local bank was secured at a fixed interest rate. Monthly fees were raised to cover the debt payments and ongoing wastewater plant improvements. The District has requested numerous times to be included in management and financial decisions; however, the two districts have not been able to come to terms yet as District No. 2 wishes to maintain full control over the operations and hiring decisions. District No. 1 wishes to jointly manage the plant and will work towards ownership involvement with an equal voice regarding operations and decisions. A wastewater fund committee has been formed and will begin meeting regularly in 2018. District 1 believes a smaller committee with knowledgeable staff members will help the Districts form a closer partnership regarding the wastewater plant future operations as well as to become more informed and involved for the remainder of the plant improvements. Changes are needed and the Districts should be able to increase efficiencies by using more experienced staff to ensure the ammonia levels can be maintained at a much lower level, and to prepare for increasingly stringent discharge standards in the future. District No. 1 will work towards ensuring the capital improvements will bring the plant facilities to cleaner and updated standards. The loan investment into upgrading the wastewater plant is a substantial improvement that also includes deferred maintenance costs. The Districts are in agreement future maintenance costs can be minimized by prioritizing regular maintenance on an ongoing basis. The wastewater committee should help to utilize the capital improvements funds as efficiently as possible, ensure discharge is able to meet state levels, and to maintain regular maintenance schedules once the plant is brought up to higher standards.

Fire Safety: The District invested in an extra heavy duty Peco brand brush hog a few years ago. This equipment is truly a beast and has been very effective since the purchase. The District also owns heavy excavating equipment that is helpful with fire mitigation in less sloped terrain. The board would like to increase formal training of maintenance staff specifically for fire mitigation safety purposes to increase knowledge of proper techniques for tree felling and using heavy equipment in sloped and overgrown terrain. The District hired a fire mitigation specialist for a couple of seasons to provide some training, help, and a written ongoing plan for prioritizing areas posing the highest risk. Vegetation has been thinned substantially in several areas but is also a constant maintenance item to keep up as it grows back quickly. There is a limit to what the District can do given the natural terrain of heavy forest and thick ground fuels, but improvements have been made. Resident awareness has also been increased since within the past few years the District has spent a few seasons focusing more heavily on mitigation efforts and education. No capital improvement funds are budgeted for this season, nor planned in the near future. Ongoing clearing of dead or dying trees is performed due to beetle kill, drought, development stress, and winter road salting. Fire mitigation is performed, but is not reported as a capital improvement.

Water Distribution Facilities: The District performed a tank inspection in 2015. Maintenance work was completed in 2015 and again in 2017. The tank is in good shape and an electric mixer was added to improve water quality. The mixer and electrical upgrades to the tank buildings were capital improvements. Additional water storage is no longer a capital need as Lake Durango can provide reliable service. Current storage, pumping rates/pressures, and lake Durango being in very close proximity is considered adequate for fire-fighting. Water line inspections would be prudent to consider; however, with a closed system it is difficult to isolate small enough areas for camera work without high risks of breakage and valve malfunctions. The infrastructure is now 40 years old in most of the subdivision.

The District maintains ownership and an investment in maintaining well water. The District supplements Lake Durango treated water purchases with Well #3, which was upgraded with capital improvements of new casing and pump a few years ago. Consideration of making capital improvements to Wells #7 and #9 has been discussed, but was not budgeted in 2017 or 2018. Because Lake Durango has recently made very large capital improvements by installing a water line from Lake Nighthorse, the District is watching the rates and water availability to determine if future investment in wells would be prudent or not. Ideally the District would like to have well water separated from the potable water system for seasonal irrigation. A feasibility study has not been done but will likely be considered in 2019 or 2020 once the full impact of the Lake Durango investment is financially known to the District. At this time existing customers of Lake Durango are not being asked to pay for the new water line as it was funded largely with grant funds. Lake Durango's financial plans state remaining costs will be paid by new growth.

Road System: The District's bonded indebtedness was paid off in 2016. This is the first time the District has not had bonded debt and a tax mill levy. The District has not authorized additional bond debt and has no immediate plan to request voters to authorize adding bond debt. The roads needed work in 2017 but this was deferred until 2018. A light snow year in 2017 should enable the District to perform more road repairs & maintenance in 2018. Road improvements will always be a continuing need. It is likely capital investment into the road system will be needed within 5 years, which may be partially funded either with tax or revenue bonds, as it is unlikely the District will have enough reserves to fully cover the needs. However, the District does not plan a large debt load as it appears most of the roads are holding up well enough not to need rebuilding in the near future. Crack fills and overlay maintenance may be adequate on all but a few sections of the road system to maintain structurally sound conditions. There are a few growing potholes and some heavier cracking in areas that need to be addressed very soon.

**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 2016 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 2016 budget year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETED EXPENDITURES**

	2016 Budget	2015 Budget	Increase (Decrease)
General Fund	\$267,818	\$252,972	\$14,846
Lottery Fund	15,000	47,000	(32,000)
Water Fund	224,230	230,615	(6,385)
Sewer Fund	145,050	167,025	(21,975)
Wastewater Fund	0	0	

The above variances are due to increased maintenance and operational costs in the general fund in the year 2016. Maintenance work was needed on heavy equipment along with a new snow plow. Administration costs increased to cover additional accounting costs for auditing and additional staff services. The lottery fund spent its cash reserves building the courts a few years ago and therefore was not budgeted to perform much work in 2016. Customer numbers have dropped as the District is in transition with mobile homes that have reached their useful life. As these homes have become unlivable they have been removed from the lots and therefore the District is collecting less in fees until the lots are developed with permanent housing and are

sold. The District is not growing with additional platted lots; however, the assessed values are rising due to the market in general as well as the addition of approximately 10 new site built homes within the past 10 years. Sewer line inspections were increased in 2015 to cover more of the subdivision with camera work and minor line repair work. The 2016 budget did not need to spend as much on camera, inspections, and cleaning work. The District has tried hard to minimize expenses when possible as we are always on a tight budget. The District failed to budget for the Wastewater Fund when ownership was transferred because District 2 did not determine how the ownership split was going to be structured until the end of November, 2015. The District should have filed a supplemental amended budget for the wastewater fund in 2016.

#### **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](mailto:dw1@mydurango.net).

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2015**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$483,346	\$166,610	\$649,956
Cash and cash equivalents - restricted	19,064		19,064
Receivables, net of bad debt allowance	24,948	66,558	91,506
Internal balances	(321,346)	321,346	
Taxes receivable, current	86,138		86,138
Due from Department of Local Affairs	637		637
Due from county treasurer	3,057		3,057
Prepaid expenses	71	10,763	10,834
Lot inventory		14,824	14,824
Capital assets, net of accumulated depreciation	737,699	626,927	1,364,626
<b>Total Assets</b>	<u>1,033,614</u>	<u>1,207,028</u>	<u>2,240,642</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	8,812	15,705	24,517
Accrued interest	1,280		1,280
Deferred revenues		2,540	2,540
Bonds payable	79,000		79,000
<b>Total Liabilities</b>	<u>89,092</u>	<u>18,245</u>	<u>107,337</u>
<b>Deferred Inflows</b>			
Unearned property tax revenues	85,321		85,321
<b>Net Position</b>			
Invested in capital assets	737,699	626,927	1,364,626
Restricted	19,718		19,718
Unrestricted	101,784	561,856	663,640
<b>Total Net Position</b>	<u>\$859,201</u>	<u>\$1,188,783</u>	<u>\$2,047,984</u>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2015**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government							
Administrative services	\$105,515	\$147,589	\$14,405	\$0	\$56,479	\$0	\$56,479
Public services	91,316				(91,316)		(91,316)
Interest on long term debt	6,097				(6,097)		(6,097)
<b>Total Governmental Activities</b>	<b>202,928</b>	<b>147,589</b>	<b>14,405</b>	<b>0</b>	<b>(40,934)</b>	<b>0</b>	<b>(40,934)</b>
<b>Business-Type Activities:</b>							
Water	208,645	192,944				(15,701)	(15,701)
Sewer	144,298	126,958				(17,340)	(17,340)
Wastewater	84,628	\$40,520	19,087			(25,021)	(25,021)
<b>Total Business-Type Activities</b>	<b>437,571</b>	<b>360,422</b>	<b>19,087</b>		<b>0</b>	<b>(58,062)</b>	<b>(58,062)</b>
<b>Total Primary Government</b>	<b>\$640,499</b>	<b>\$508,011</b>	<b>\$33,492</b>		<b>(40,934)</b>	<b>(58,062)</b>	<b>(98,996)</b>
<b>General revenues:</b>							
Property taxes					86,795		86,795
Interest income					99	170	269
Transfers in						402,637	402,637
<b>Total General Revenues</b>					<b>86,894</b>	<b>402,807</b>	<b>489,701</b>
<b>Change in Net Position</b>					<b>45,960</b>	<b>344,745</b>	<b>390,705</b>
<b>Net Position, Beginning</b>					<b>813,241</b>	<b>844,038</b>	<b>1,657,279</b>
<b>Net Position, Ending</b>					<b>\$859,201</b>	<b>\$1,188,783</b>	<b>\$2,047,984</b>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2015**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents - unrestricted	\$483,346	\$0	\$483,346
Cash and cash equivalents - restricted	11,205	7,859	19,064
Receivables			
Customers (net of bad debt allowance)	24,948		24,948
Taxes receivable, current	86,138		86,138
Due from Department of Local Affairs		637	637
Due from county treasurer	3,057		3,057
Prepaid expenses	71		71
Advances to other governmental funds	37,475		37,475
	<u>37,475</u>	<u>        </u>	<u>37,475</u>
<b>Total Assets</b>	<u><u>\$646,240</u></u>	<u><u>\$8,496</u></u>	<u><u>\$654,736</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$7,905	\$0	\$7,905
Accrued liabilities	907		907
Advances from proprietary funds	321,346		321,346
Advances from other governmental funds		37,475	37,475
	<u>321,346</u>	<u>37,475</u>	<u>321,346</u>
<b>Total Liabilities</b>	<u><u>330,158</u></u>	<u><u>37,475</u></u>	<u><u>367,633</u></u>
<b>Deferred Inflows</b>			
Deferred revenues	90,628	637	91,265
	<u>90,628</u>	<u>637</u>	<u>91,265</u>
<b>Fund balances</b>			
Restricted	19,718		19,718
Unassigned	205,736	(29,616)	176,120
	<u>205,736</u>	<u>(29,616)</u>	<u>176,120</u>
<b>Total Fund Balances</b>	<u><u>225,454</u></u>	<u><u>(29,616)</u></u>	<u><u>195,838</u></u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u><u>\$646,240</u></u>	<u><u>\$8,496</u></u>	<u><u>\$654,736</u></u>

The accompanying notes are an integral part of this statement.



**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2015**

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<b>Total Fund Balances - Governmental Funds</b>		<b>\$195,838</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Capital assets	\$1,748,870	
Less accumulated depreciation	<u>(1,011,171)</u>	737,699
Certain revenues were earned and accrued in the Statement of Net Position but not recognized in the governmental funds		
Property tax revenues		5,307
Lottery funds		637
Long-term liabilities including bonds and interest payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Accrued interest payable		(1,280)
Bonds payable		<u>(79,000)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$859,201</u></u></b>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2015**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
District fees	\$81,083	\$0	\$81,083
Snow removal and roads	63,674		63,674
Highway user funds	11,714		11,714
Property taxes	510,748		510,748
State lottery funds		6,850	6,850
Interest income	97	2	99
Miscellaneous income	2,832		2,832
<b>Total Revenues</b>	<b>670,148</b>	<b>6,852</b>	<b>677,000</b>
<b>Expenditures</b>			
General government	105,515		105,515
Public services	29,202		29,202
Capital outlay	49,632		49,632
Debt service			
Principal	70,000		70,000
Interest and other charges	7,224		7,224
<b>Total Expenditures</b>	<b>261,573</b>	<b>0</b>	<b>261,573</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>408,575</b>	<b>6,852</b>	<b>415,427</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>408,575</b>	<b>6,852</b>	<b>415,427</b>
Fund Balances - Beginning	(183,121)	(36,468)	(219,589)
Fund Balances - Ending	<u>\$225,454</u>	<u>(\$29,616)</u>	<u>\$195,838</u>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2015**

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**Total Net Change in Fund Balances - governmental funds** **\$415,427**

Amounts reported for governmental activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the statement of activities and the costs of those assets are allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceed depreciation is as follows:

The cost of capital assets included in expenses	\$48,270	
Less current year depreciation	<u>(60,752)</u>	(12,482)

Governmental funds recognize revenues when measurable and available, in contract, such revenues are reported in the Statement of Activities when earned

Property tax revenues	(423,953)
Charges for services	
Lottery funds	(4,159)

Governmental funds report the repayment of principal on bonds and other obligations as an expenditure. Also interest expense in the Statement of Activities includes accrued interest and amortization of debt issue costs. The net effect of these differences in the treatment of bonds is as follows:

Principal payments	70,000	
Accrued interest adjustment	<u>1,127</u>	<u>71,127</u>

**Change in Net Position - Governmental Activities** **\$45,960**

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2015**

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Wastewater Fund	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$0	\$0	\$166,610	\$166,610
Accounts receivables (net of allowance for bad debts)	28,714	18,757	19,087	66,558
Prepaid expenses	442	10,231	90	10,763
Total Current Assets	<u>29,156</u>	<u>28,988</u>	<u>185,787</u>	<u>243,931</u>
<b>Capital Assets</b>				
Source of supply				
Collection, treatment, transmission and distribution system	280,471			280,471
	563,598	370,551	495,617	1,429,766
Vehicles	16,733	16,734		33,467
Less accumulated depreciation	(581,276)	(237,198)	(298,303)	(1,116,777)
Net Capital Assets	<u>279,526</u>	<u>150,087</u>	<u>197,314</u>	<u>626,927</u>
<b>Other Assets</b>				
Lot inventory	7,412	7,412		14,824
Advances to General Fund	86,245	235,101		321,346
Advances to Water Fund		191,062		191,062
Total Other Assets	<u>93,657</u>	<u>433,575</u>	<u>0</u>	<u>527,232</u>
<b>Total Assets</b>	<u><u>\$402,339</u></u>	<u><u>\$612,650</u></u>	<u><u>\$383,101</u></u>	<u><u>\$1,398,090</u></u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$10,693	\$424	\$2,775	\$13,892
Unearned revenues			2,540	2,540
Accrued liabilities	906	907		1,813
Total Current Liabilities	<u>11,599</u>	<u>1,331</u>	<u>5,315</u>	<u>18,245</u>
<b>Noncurrent Liabilities</b>				
Advance from Sewer Fund	191,062			191,062
Total Noncurrent Liabilities	<u>191,062</u>	<u>0</u>	<u>0</u>	<u>191,062</u>
<b>Total Liabilities</b>	<u>202,661</u>	<u>1,331</u>	<u>5,315</u>	<u>209,307</u>
<b>Net Position</b>				
Invested in capital assets	279,526	150,087	197,314	626,927
Unrestricted and undesignated	(79,848)	461,232	180,472	561,856
Total Net Position	<u>199,678</u>	<u>611,319</u>	<u>377,786</u>	<u>1,188,783</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$402,339</u></u>	<u><u>\$612,650</u></u>	<u><u>\$383,101</u></u>	<u><u>\$1,398,090</u></u>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2015**

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Wastewater Fund	
<b>Operating Revenues</b>				
Charges for services	\$186,335	\$126,958	\$40,520	\$353,813
Interest income			170	170
Grant revenues			19,087	19,087
Miscellaneous income	6,609		0	6,609
Total Operating Revenues	<u>192,944</u>	<u>126,958</u>	<u>59,777</u>	<u>379,679</u>
<b>Operating Expenses</b>				
Personnel services	45,907	38,861	8,393	93,161
Source of supply	117,289			117,289
Treatment	4,131	60,960	61,379	126,470
Collection, transmission and distribution	2,230	16,388	0	18,618
Administrative	17,808	19,160	5,711	42,679
Depreciation	21,280	8,929	9,145	39,354
Total Operating Expenses	<u>208,645</u>	<u>144,298</u>	<u>84,628</u>	<u>437,571</u>
<b>Operating (Loss)</b>	<u>(15,701)</u>	<u>(17,340)</u>	<u>(24,851)</u>	<u>(57,892)</u>
<b>Non-Operating Revenues</b>				
Transfer in from IGA and Service Contract			402,637	402,637
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>402,637</u>	<u>402,637</u>
<b>Change in Net Position</b>	(15,701)	(17,340)	377,786	344,745
<b>Net Position - Beginning</b>	<u>215,379</u>	<u>628,659</u>	<u>0</u>	<u>844,038</u>
<b>Net Position - Ending</b>	<u>\$199,678</u>	<u>\$611,319</u>	<u>\$377,786</u>	<u>\$1,188,783</u>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended December 31, 2015**

Page 1 of 2

	Business-Type Activities Enterprise Funds			Totals
	Water Fund	Sewer Fund	Wastewater Fund	
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$201,278	\$131,826	\$43,230	\$376,334
Cash paid to suppliers	(149,626)	(107,434)	(64,405)	(321,465)
Cash paid for personnel costs	(46,044)	(38,997)	(8,393)	(93,434)
Net Cash Flows from Operating Activities	<u>5,608</u>	<u>(14,605)</u>	<u>(29,568)</u>	<u>(38,565)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Advances from General Fund	(1,108)	19,105		17,997
Net Cash Flows from Non-Capital Financing Activities	<u>(1,108)</u>	<u>19,105</u>		<u>17,997</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
IGA and Service Contract Transfer from Durango West Metropolitan District No. 2			196,178	196,178
Acquisition of capital assets	(2,667)	(2,667)		(5,334)
Net Cash Flows from Capital and Related Financing Activities	<u>(2,667)</u>	<u>(2,667)</u>	<u>196,178</u>	<u>190,844</u>
<b>Cash Flows From Investing Activities</b>				
Investment in lots	(1,833)	(1,833)		(3,666)
Net Cash Flows from Investing Activities	<u>(1,833)</u>	<u>(1,833)</u>		<u>(3,666)</u>
<b>Net Change in Cash and Cash Equivalents</b>	0	0	166,610	166,610
<b>Cash and Cash Equivalents</b>				
Beginning of Year	0	0	0	0
End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$166,610</u>	<u>\$166,610</u>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended December 31, 2015**

Page 2 of 2

	Business-Type Activities Enterprise Funds			Totals
	Water Fund	Sewer Fund	Wastewater Fund	
<b>Reconciliation of Operating Income (Loss)</b>				
<b>to Net Cash Flows from Operating Activities</b>				
Operating Income (Loss)	<u>(\$15,701)</u>	<u>(\$17,340)</u>	<u>(\$24,851)</u>	<u>(\$57,892)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	21,280	8,929	9,145	39,354
Allowance for bad debts	(4,931)	(3,132)		(8,063)
(Increase) decrease in				-
Accounts receivable	8,334	4,868	(19,087)	(5,885)
Prepaid expenses	(355)	(5,151)	(90)	(5,596)
Increase (decrease) in				-
Accounts payable	(2,882)	(2,643)	2,775	(2,750)
Accrued liabilities	(137)	(136)		(273)
Unearned revenues			2,540	2,540
Total Adjustments	<u>21,309</u>	<u>2,735</u>	<u>(4,717)</u>	<u>19,327</u>
<b>Net Cash Flows from Operating Activities</b>	<u><u>\$5,608</u></u>	<u><u>(\$14,605)</u></u>	<u><u>(\$29,568)</u></u>	<u><u>(\$38,565)</u></u>

**Schedule of Noncash Investing  
Capital and Financing Activities**

Capital assets transferred in from  
Durango West Metropolitan District  
No. 2 based on IGA and Service  
Contract Agreement

\$206,458      \$206,458

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**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.

**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 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.

**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.



**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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(Note 2 continued)

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

**Measurement Focus, Basis of Accounting and Basis of Presentation:**

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

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

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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(Note 2 continued)

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.
- The lottery fund is a special revenue fund used to account for distributions from the Colorado Lottery. Expenditures generally consist of parks and recreation expenditures.

**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 through charges for services to users and rates are reviewed regularly and adjusted as necessary.
- 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 a new 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.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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(Note 2 continued)

The District's investments in the COLOTRUST investment pool are 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.

**Property Taxes:**

Property taxes were levied on December 10, 2014 based on the assessed value of property as certified by the County Assessor by December 1, 2014. Assessed values are a percentage of actual values. A reevaluation of all property must be made every two years. The last reevaluation date was January 1, 2014 for the 2012 base year specified by state law.

The taxes levied on December 10, 2014 reflect 2014 property taxes that will be collected in 2015 by the La Plata County Treasurer. Taxes collected by the Treasurer are expected to be remitted to the District on a monthly basis. These taxes are due January 2, 2015 and may be paid in two installments (February 28 and June 15) or they may be paid in full April 30. Taxes not paid in accordance with this schedule accrue interest and penalty charges and are subject to liens if not paid by November.

**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, 2015.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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(Note 2 continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
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. The governmental funds report unavailable revenues from property taxes for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2016. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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:

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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(Note 2 continued)

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 resolution. Assigned amounts include appropriations of existing fund balance to eliminate a projected 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”.

**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.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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(Note 2 continued)

**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.

**3. Cash, Cash Equivalents and Investments**

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

Demand deposits – unrestricted	\$610,491
Demand deposits – restricted	13,567
COLOTRUST - restricted	5,497
COLOTRUST - unrestricted	<u>39,465</u>
	<u><u>\$669,020</u></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, 2015, the carrying amount of the District's deposits was \$624,058 and the bank balance was \$621,258. Of the bank balance, \$420,026 was covered by federal deposit insurance and \$201,232 was collateralized in single 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 the District. The District does not have a policy for custodial credit risk. At December 31, 2015, deposits with a bank balance of \$201,232 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.

**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

**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

(Note 3 continued)

agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, Local government investment pool, 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, 2015, 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.

**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, 2015, the District's investment in COLOTRUST is rated AAAM by Standard and Poor's.

**4. Receivables**

Receivables at December 31, 2015 consist of the following:

	Government Activities		
	General Fund	Lottery Fund	Total
Customer accounts, current	\$23,937	\$0	\$23,937
Highway user funds	3,297		3,297
Property taxes	86,138		86,138
Department of Local Affairs		637	637
County Treasurer	3,057		3,057
	<u>116,429</u>	<u>637</u>	<u>117,066</u>
Total Receivables			
Allowance for uncollectibles	(2,286)		(2,286)
	<u>\$114,143</u>	<u>\$637</u>	<u>\$114,780</u>
Net Governmental Receivables			

**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

(Note 4 continued)

	Business-Type Activities			Total
	Water Fund	Sewer Fund	Wastewater Fund	
Customer accounts, current	\$31,812	\$20,748	\$0	\$52,560
Grant receivable			19,087	19,087
Allowance for uncollectibles	<u>(3,098)</u>	<u>(1,991)</u>		<u>(5,089)</u>
<b>Net Business-Type Receivables</b>	<u><u>\$28,714</u></u>	<u><u>\$18,757</u></u>	<u><u>\$19,087</u></u>	<u><u>\$66,558</u></u>

The property taxes receivable are reported as deferred inflows of resources because they represent taxes levied for a future period. The receivable from the county treasurer represents the 2015 property and specific ownership taxes that would normally have been remitted to the District in 2015; however, these taxes are being held by the treasurer until the District's audits are current.

The receivable from the Department of Local Affairs represents 2015 lottery proceeds which are also being held until the District's audits are current.

**5. Interfund Receivables/Payables and Transfers**

The following interfund receivables and payables are included in the governmental fund financial statements at December 31, 2015:

	Advances To (From) General Fund	Advances To (From) Lottery Fund	Advances To (From) Water Fund	Advances To (From) Sewer Fund	Net Advance To (From) Funds
General Fund	\$0	\$37,475	(\$86,246)	(\$235,100)	(\$283,871)
Lottery Fund	(37,475)				(37,475)
Water Fund	86,245			(191,062)	(104,817)
Sewer Fund	<u>235,101</u>		<u>191,062</u>		<u>426,163</u>
<b>Total</b>	<u><u>\$283,871</u></u>	<u><u>\$37,475</u></u>	<u><u>\$104,816</u></u>	<u><u>(\$426,162)</u></u>	<u><u>\$0</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.

There were no transfers included in the fund financial statements at December 31, 2015.



**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**6. Tower Lease**

On July 30, 2013, the District entered into a lease agreement with Atmos Energy Corporation (Atmos) to rent them tower and antenna space. The District will receive monthly rental income of \$500 which will be increased by 3% at the yearly anniversary of the commencement date as long as the lease and/or any renewal terms are in effect. In addition, there will be an electricity charge of \$75 per month. The lease is for a term of 60 months with renewal terms of three additional terms of 60 calendar months. The rental income received by the District in 2015 was \$6,609.

**7. Capital Assets and Depreciation**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Governmental Activities			Balance End of Year
	Balance Beginning of Year	Additions	Deletions	
<b>Capital Assets Not Being Depreciated</b>				
Landscaping	\$2,430	\$0	\$0	\$2,430
Survey fees	1,560			1,560
Office lot	10,000			10,000
Park dirt work	54,639			54,639
<b>Total Capital Assets Not     Being Depreciated</b>	<b>68,629</b>	<b>0</b>	<b>0</b>	<b>68,629</b>
<b>Depreciable Assets</b>				
Buildings	86,573			86,573
Roads	1,337,773			1,337,773
Utility Infrastructure	106,300			106,300
Park	44,610			44,610
Equipment	56,717	48,268		104,985
<b>Total Depreciable     Capital Assets</b>	<b>1,631,973</b>	<b>48,268</b>	<b>0</b>	<b>1,680,241</b>
<b>Accumulated Depreciation</b>				
Buildings	(48,280)	(3,263)		(51,543)
Roads	(849,136)	(45,342)		(894,478)
Utility Infrastructure	(34,548)	(2,657)		(37,205)
Park	(600)	(2,974)		(3,574)
Equipment	(17,856)	(6,515)		(24,371)
<b>Total</b>	<b>(950,420)</b>	<b>(60,751)</b>	<b>0</b>	<b>(1,011,171)</b>
<b>Net Capital Assets     Being Depreciated</b>	<b>681,553</b>	<b>(12,483)</b>	<b>0</b>	<b>669,070</b>
<b>Net General Fixed Assets</b>	<b>\$750,182</b>	<b>(\$12,483)</b>	<b>\$0</b>	<b>\$737,699</b>

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

(Note 7 continued)

	Business-Type Activities			Balance End of Year
	Balance Beginning of Year	Additions	Deletions	
Capital Assets Not Being Depreciated				
Land	\$0	\$47,140	\$0	\$47,140
Capital Assets Being Depreciated				
Source of Supply				
Water utility plant	182,063			182,063
Water well No. 9	30,000			30,000
Water tank	68,408			68,408
Total Source of Supply	280,471			280,471
Water Transmission and Distribution System	563,598			563,598
Sewer Collection and Treatment System	370,551			370,551
Wastewater Treatment Plant and Equipment		495,617		495,617
Vehicles	28,133	5,334		33,467
Capital Assets	1,242,753	500,951	0	1,743,704
Accumulated Depreciation				
Source of Supply	(160,979)	(4,369)		(165,348)
Water Transmission and Distribution System	(392,605)	(15,393)		(407,998)
Sewer Collection and Treatment System	(221,857)	(7,411)		(229,268)
Wastewater Treatment Plant and Equipment		(298,303)		(298,303)
Vehicles	(12,824)	(3,036)		(15,860)
Total Accumulated Depreciation	(788,265)	(328,512)	0	(1,116,777)
Net Capital Assets				
Business-Type Activities	\$454,488	\$172,439	\$0	\$626,927

**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

(Note 7 continued)

Depreciation was charged to functions/programs as follows:

Governmental Activities		
Public Services		<u>\$60,752</u>
Business-Type Activities		
Water		\$21,280
Sewer		8,929
Wastewater		<u>9,145</u>
Total		<u>\$39,354</u>

**8. Long Term Liabilities**

The following is a summary of changes in long-term liabilities in the government-wide financial statements for the year ended December 31, 2015:

	<u>January 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2015</u>	<u>Due Within One Year</u>
General Obligation					
Bonds series 2006	<u>\$149,000</u>	<u>\$0</u>	<u>(\$70,000)</u>	<u>\$79,000</u>	<u>\$79,000</u>

Payments on the general obligation bonds are recorded in the general fund.

The bond issue was a \$600,000 general obligation bond series 2006 with an interest rate of 4.77%; due in annual installments, including interest ranging from \$76,972 to \$82,834 through September 1, 2016; debt is serviced by the general fund.

Principal and interest on the general obligation bonds mature as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2016	<u>\$79,000</u>	<u>\$3,834</u>	<u>\$82,834</u>
Total Long Term Debt	<u>\$79,000</u>	<u>\$3,834</u>	<u>\$82,834</u>

**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, 2015 for governmental activities is \$19,718 which has been restricted for Tabor. This represents approximately 3% of the District's 2015 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.

**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**10. Fund Balances**

At December 31, 2015, fund balances for governmental funds consist of the following:

	General Fund	Lottery Fund	Total
Restricted fund balances			
Tabor	\$19,718	\$0	\$19,718
Unassigned fund balances	205,736	(29,616)	176,120)
Total Fund Balances	<u>\$225,454</u>	<u>(\$29,616)</u>	<u>\$195,838</u>

**11. 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 coverages 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 exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area.

The joint venture summary audited financial information as of December 31, 2015, is as follows:

Admitted Assets	<u>\$44,054,744</u>
Liabilities	\$24,739,781
Surplus	19,314,963
Total Liabilities and Surplus	<u>\$44,054,744</u>
Revenues	\$16,561,452
Expenses	14,839,993
Net Income	<u>\$1,721,459</u>

**12. Risk Management**

The District is exposed to various risks of loss related to torts, thefts of, damages to or destruction of property; errors and 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

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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(Note 12 continued)

\$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.

**13. Tax Spending and Debt Limitations – Taxpayer’s Bill of Rights (TABOR)**

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

**14. 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.

The District is late in submitting its audited financial statements for 2015 to the State of Colorado. As a result of this late filing, tax revenues for 2015 in the amount of \$3,057 are being held by La Plata County. These taxes along with any other taxes subsequently collected, are being held until all required audited financial statements have been submitted to the State of Colorado. Additional future tax revenues are also being withheld, because the 2016 audited financial statements have also not been timely filed. In addition, Conservation Trust Fund distributions for 2015 in the amount of \$607, as well as any future distributions, are being held by the Department of Local Affairs.

The 2015 and the 2016 audits are now out of compliance because they have not been timely filed. As of November 30, 2017, La Plata County and The Department of Local Affairs were holding \$93,960 and \$5,683 respectively until these audits are filed with the State of Colorado.

For the year ended December 31, 2015, the District overspent its budget for the general fund and failed to appropriate a budget for the wastewater fund. This may be a violation of Colorado State Statues.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year Ended December 31, 2015**

	Original and Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues</b>			
Property taxes	\$78,850	\$510,748	\$431,898
District fees	86,200	81,083	(5,117)
Snow removal and roads	63,000	63,674	674
Highway user funds	9,500	11,714	2,214
Interest income	200	97	(103)
Grant income	1,500		(1,500)
Other income	1,500	2,832	1,332
	<u>240,750</u>	<u>670,148</u>	<u>429,398</u>
<b>Expenditures</b>			
Current			
Personnel services	61,950	55,866	6,084
Administrative	39,310	49,649	(10,339)
Security lights	7,000	6,900	100
Highways and streets	21,000	11,212	9,788
Trash removal	3,000	3,072	(72)
Common area	8,500	6,079	2,421
Fire mitigation expenses	5,000	1,939	3,061
Capital outlay	20,000	49,632	(29,632)
Debt service	77,212	77,224	(12)
Contingency allotment	10,000		10,000
	<u>252,972</u>	<u>261,573</u>	<u>(8,601)</u>
	<u>Excess (Deficiency) of Revenues</u>		
	<u>Over Expenditures</u>	408,575	<u>\$420,797</u>
Fund Balance - Beginning		(183,121)	
Fund Balance - Ending		<u>\$225,454</u>	

**DURANGO WEST METROPOLITAN DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
Year Ended December 31, 2015**

	Original and Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues</b>			
State lottery funds	\$2,800	\$6,850	\$4,050
Grant funds	45,000	0	
Interest income	2	2	0
Total Revenues	<u>47,802</u>	<u>6,852</u>	<u>4,050</u>
<b>Expenditures</b>			
Parks and recreation	47,000	0	47,000
Total Expenditures	<u>47,000</u>	<u>0</u>	<u>47,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$802</u>	6,852	<u>\$51,050</u>
Fund Balance - Beginning		<u>(36,468)</u>	
Fund Balance - Ending		<u>(\$29,616)</u>	



**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2015**

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**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 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 2015.

For the year ended December 31, 2015, two funds, the general fund and the wastewater fund exceeded their appropriations. This may be a violation of Colorado State Statutes.

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, 2015.

Budget appropriations lapse at the end of each year.

**OTHER SUPPLEMENTARY INFORMATION**

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF REVENUES AND EXPENSES, BUDGET TO ACTUAL**  
**ENTERPRISE FUND - WATER FUND**  
**Year Ended December 31, 2015**

	Original and Final Budget	Actual Budget Basis	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues and Other Financing Sources</b>			
Water sales	\$140,000	\$127,433	(\$12,567)
Lake Durango acquisition charges	45,400	45,398	(2)
Water royalty revenue		13,504	13,504
Tap fees	5,100	0	(5,100)
Lease income	7,080	6,609	(471)
Total Revenues and Other Financing Sources	<u>197,580</u>	<u>192,944</u>	<u>(4,636)</u>
<b>Expenditures and Other Financing Uses</b>			
Personnel expenses	37,060	39,007	(1,947)
Contract labor	8,500	6,900	1,600
Audit fees	5,000	8,943	(3,943)
Legal fees	4,500	5,489	(989)
Testing/outside services	1,800	1,426	374
Water purchases	27,000	24,823	2,177
Lake Durango acquisition charges	47,520	47,385	135
Lake Durango royalty payments	12,900	10,902	1,998
Lake Durango minimum base fees	18,200	19,780	(1,580)
Treatment chemicals	450	0	450
Plant supplies	1,500	1,506	(6)
Repairs	10,600	12,449	(1,849)
Utilities, wells	760	495	265
Utilities, plant facility	5,200	4,131	1,069
Vehicle expenses	0	2,897	(2,897)
Insurance	4,500	4,864	(364)
Miscellaneous expenses	125	632	(507)
Contingency	20,000		20,000
Capital expenditures	25,000	3,334	21,666
Total Expenditures and Other Financing Uses	<u>230,615</u>	<u>194,963</u>	<u>35,652</u>
Change in Net Position (Budgetary Basis)	<u>(\$33,035)</u>	<u>(2,019)</u>	<u>\$31,016</u>
<b>Adjustment to GAAP Basis</b>			
Fixed assets capitalized		2,667	
Decrease in bad debt allowance		4,931	
Depreciation expense		<u>(21,280)</u>	
Change in Net Position (GAAP Basis)		<u>(\$15,701)</u>	

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF REVENUES AND EXPENSES, BUDGET TO ACTUAL**  
**ENTERPRISE FUND - SEWER FUND**  
**Year Ended December 31, 2015**

	Original and Final Budget	Actual Budget Basis	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues and Other Financing Sources</b>			
Sewage treatment	\$121,000	\$126,958	\$5,958
Tap fees		0	0
Total Revenues and Other Financing Sources	<u>121,000</u>	<u>126,958</u>	<u>5,958</u>
<b>Expenditures and Other Financing Uses</b>			
Personnel expenses	34,190	38,411	(4,221)
Treatment fees to Durango West Metropolitan District No. 2	61,035	60,960	75
Collection line maintenance	0	15,721	(15,721)
Contract labor	800	450	350
Vehicle expenses	7,000	2,896	4,104
Audit expense	5,000	8,943	(3,943)
Insurance	4,500	4,964	(464)
Legal fees	4,000	5,489	(1,489)
Contingency	25,000		25,000
Capital expenditures	25,000	3,334	21,666
Miscellaneous expenses	500		500
Total Expenditures and Other Financing Uses	<u>167,025</u>	<u>141,168</u>	<u>25,857</u>
 Change in Net Position (Budgetary Basis)	 <u>(\$46,025)</u>	 <u>(14,210)</u>	 <u>\$31,815</u>
<b>Adjustment to GAAP Basis</b>			
Depreciation expense		(8,929)	
Fixed asset expenditures		2,667	
Decrease in bad debt allowance		3,132	
Change in Net Position (GAAP Basis)		<u>(\$17,340)</u>	

**DURANGO WEST METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF REVENUES AND EXPENSES, BUDGET TO ACTUAL**  
**ENTERPRISE FUND - WASTEWATER FUND**  
**Year Ended December 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
<b>Revenues and Other Financing Sources</b>			
Charges for Services	\$0	\$40,520	\$40,520
Grant revenues		19,087	
Interest		170	170
Total Revenues and Other Financing Sources	<u>0</u>	<u>59,777</u>	<u>40,690</u>
<b>Expenditures and Other Financing Uses</b>			
Personnel expenses		2,854	(2,854)
Wastewater testing		2,804	(2,804)
Plant Electrical		9,271	(9,271)
Plant repairs and maintenance		46,611	(46,611)
Contract labor		5,539	(5,539)
Supplies		923	(923)
Accounting		2,954	(2,954)
Legal fees		1,834	(1,834)
Capital expenditures		2,693	(2,693)
Total Expenditures and Other Financing Uses	<u>0</u>	<u>75,483</u>	<u>(75,483)</u>
Change in Net Position (Budgetary Basis)	<u>\$0</u>	(15,706)	<u>(\$34,793)</u>
<b>Adjustment to GAAP Basis</b>			
Depreciation expense		(9,145)	
Transfers in from IGA and Service Contract		<u>402,637</u>	
Change in Net Position (GAAP Basis)		<u>\$377,786</u>	