

Durango West Metropolitan District No. 1

Annual Financial Report

December 31, 2016

**Durango West Metropolitan District No. 1**  
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*Independent Auditor's Report*

The Governing Body  
Durango West Metropolitan District No.1

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Durango West Metropolitan District No. 1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Durango West Metropolitan District No. 1's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the wastewater fund, which represent 30.4 percent, 33.5 percent, and 18.7 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Durango West Metropolitan District No. 1, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durango West Metropolitan District No. 1, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

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

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

*rfarmer, llc*

April 2, 2019

## 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, 2016.

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, 2016. 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 \$2,067,119
2. Operating expenses of \$649,203 were more than program revenues of \$551,126 by \$98,077.
3. General revenues total \$168,218.

### 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 two enterprise funds is improving or deteriorating.

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

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

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

## **FINANCIAL POLICY PRIORITIES**

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

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

### ***Day-to-Day Operational Control of the District***

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

The General Fund is used to account for roads, fees, trash and general administration. The major sources of revenue are monies collected for snow removal, fees, trash removal, property taxes, and specific ownership taxes. In 2016, the General Fund's revenues from user fees was \$153,622. In 2016, principal and interest paid by the General Fund on the outstanding bonds was \$82,914.

At December 31, 2016, the La Plata County Treasurer was holding \$93,030 for prior collected tax assessments. Funds will be released when past due audits are submitted to the state.

The Lottery Fund is designated to receive and hold state lottery funds which can only be used for parks and recreation projects. At December 31, 2017, \$6,456 was being held.

The District operates its water and sewer funds as self-supporting enterprises. Revenues received from user fees are expected to be sufficient to cover the day-to-day operating expenses of these funds; for 2016, the District had \$397,504 in user fees, and expenses of \$446,971 for water, sewer and wastewater operations.

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

The following tables present condensed 2016 and 2015 financial information for the District.

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

Table B shows revenues, expenses, and changes in net assets for 2015 and 2016.

Table A shows that the District's net position has increased. Total restricted net position of \$9,005 is restricted for Tabor. Unrestricted net position increased from \$663,640 in 2015 to 702,071. This unrestricted net position is available for future appropriations. Net position invested in capital assets decreased by \$28,824 from 2015. 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 decrease is primarily due to depreciation of the District's fixed assets.

Table B shows an operating loss of \$73,165 for 2016. This is a decrease of \$25,831 from 2015. This decrease is primarily due to the fact that in 2016, the District's decreased investment in fixed assets.

General revenues are used to retire debt service, purchase capital assets, and may be used to supplement operating revenues. General revenues increased by \$26,097 in 2016. This is primarily due to the wastewater plant upgrade fees in the amount of \$29,880.

An examination of Table B shows that the District's change in net position in the governmental activities decreased by \$33,028 from 2015 to 2016. This decrease is due to the fact that in 2016, the District did not receive grant funds, and user fees decreased slightly due to the loss of mobile homes in process of being replaced with newly constructed housing, and 2016 operating expenses increased to begin building homes.

TABLE A  
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 573,319	\$ 617,261	\$ 234,888	\$ 243,931	\$ 808,207	\$ 861,192
Internal balances	(347,923)	(321,346)	347,923	321,346	-	-
Non-current assets				14,824	-	14,824
Capital assets, net of accumulated depreciation	754,712	737,699	601,331	626,927	1,356,043	1,364,626
Total Assets	980,108	1,033,614	1,184,142	1,207,028	2,164,250	2,240,642
Current liabilities	16,632	8,812	35,499	18,245	52,131	27,057
Notes payable	45,000	80,280	-	-	45,000	80,280
Total Liabilities	61,632	89,092	35,499	18,245	97,131	107,337
Deferred property taxes		85,321			-	85,321
Net position:						
Invest in capital assets	754,712	737,699	601,331	626,927	1,356,043	1,364,626
Restricted	9,005	19,718	-	-	9,005	19,718
Unrestricted	154,759	101,784	547,312	561,856	702,071	663,640
Total net position	\$ 918,476	\$ 859,201	\$ 1,148,643	\$ 1,188,783	\$ 2,067,119	\$ 2,047,984

TABLE B  
CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenue						
Charges for Services	\$ 153,622	\$ 147,589	\$ 397,504	\$ 360,422	\$ 551,126	\$ 508,011
Grants and contributions	15,582	14,405	9,330	19,087	24,912	33,492
Total program revenue	169,204	161,994	406,834	379,509	576,038	541,503
Total operating expenses	202,232	202,928	446,971	437,571	649,203	640,499
Operating income (loss)	(33,028)	(40,934)	(40,934)	(40,934)	(73,165)	(98,996)
General revenues						
Property taxes	97,925	86,795			97,925	86,795
Earnings on investments	323	99		170	323	269
Transfers in	-	-		402,637	-	402,637
Total general revenues	98,248	86,894	-	402,807	98,248	489,701
Change in net position	65,220	45,960	(40,137)	344,745	25,083	390,705
Beginning net position	853,256	813,241	1,188,780	844,038	2,042,036	1,657,279
Ending net position	\$ 918,476	\$ 859,201	\$ 1,148,643	\$ 1,188,783	\$ 2,067,119	\$ 2,047,984

The change in net position in the business-type activities decreased by \$40,137 from 2015 to 2016.

### **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 \$723,835 and actually spent \$712,065. The Lottery Fund budgeted to spend \$15,000 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 \$254,230 and spent \$218,243; The Sewer Fund budgeted to spend \$180,050 and spent \$165,355. The Wastewater Fund budgeted \$193,588 for 2016 and spent \$76,845.

### **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. The Bond was paid in full and retired in October, 2016.

### **FUTURE CAPITAL IMPROVEMENTS**

Recreation: As noted in previous years the District built a full-size doubles tennis court and college/professional sized basketball court that can also be split for two smaller ½ court games. The basketball court has been a success, but unfortunately, one corner section of the tennis courts experienced a major soil shift in 2016 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 10-12-foot deep solid retaining wall with reinforcements of rebar and fabric matting, which may hold the court stable, but short of major soils replacements in extensive lifts, combined with multiple deeper and wider 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 with inspections from a soils engineering firm during the project, but it is extremely disappointing after extra efforts were made to over-build retaining walls, new soils were trucked in, and good compaction was achieved. The engineer was clear to point out that there were no guarantees and that the ground could stop shifting as is, the soils could be fine for many years, or the ravine could continue to widen, which it did. It was explained the soil fault was likely 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. It is possible to keep some of the tennis courts by reducing the size or building on to the width to salvage the project. The District has been in contact with Department of Local Affairs (DOLA) and a site visit is planned. DOLA indicates there are options for assistance in these types of situations and they may have resources to help rebuild and relocate the tennis court portions affected by the ravine. The District waited many years to save enough funds to build a much-desired park area. Phase I was completed with partial grant assistance. 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 there is resistance to raising fees, understandably. The tennis courts will likely be able to be made into a singles court that can be added to later. A pavilion and barbeque/picnic area are planned for Phase II. The District will meet with DOLA on site along with engineers to assess possibilities prior to continuing to Phase II.

Additional capital improvements planned include snow plow equipment and attachments for street sweeping. The District needs a new street sander and one heavy duty plow truck. The sanders will be purchased new but the District will look for a used heavy duty 2-ton truck to handle plowing storms. The budget for a truck is approximately 20,000-35,000. Sanders are estimated to cost approximately \$6,000.00. A V-plow was purchased for the District's front-end loader and plow truck. Although the plow truck is still serving the District well, an additional plow truck is necessary to ensure back up equipment is available when needed during winter storms.

Minor improvements are planned for the small children's playground. Some maintenance is needed and some smaller well-loved but well-used bouncy toys will be replaced.

Wastewater Treatment: In 2015 the District entered into an Intergovernmental Agreement (IGA) with Durango West Metropolitan District No. 2 to honor the original intentions of both Districts since they were formed, which was joint ownership of the wastewater treatment facility. Durango West No. 1 has experienced some frustration with timing and delays for improvements to the plant that were recommended several years ago. When new ammonia standards were announced by the Department of Health, District No. 2 began planning for an improvement design that would be able to meet new discharge requirements. In 2015 the original engineer who designed the plant in 1990/1991 was hired to examine alternatives to reduce the amount of capital improvement expenditures the Districts originally thought were inevitable. The Districts were extremely fortunate the engineer was successful in working with the Colorado Health Department to approve a variance and allow alternative improvements that will increase the efficiency of operations. This design was supposed to save substantial amounts of capital outlay over the next few years. 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 due to District No. 1's financial demographics. District No. 1 qualified the project for partial assistance of approximately \$158,000. The total improvement plans approved by the state were estimated at \$406,000. District No. 1 was informed the reserves and the grant funds should cover the improvements needed.

District No. 2 did not immediately proceed with construction improvements due to several reasons District No. 1 is fully aware of, and a few extensions were applied for and received from the health department. The improvement project primarily consisted of sludge removal, cell liner replacements, covers, aerators, storage buildings, and overall improvements to assist with temperatures and operational efficiencies. District No. 2 stated completion was expected in 2017.

Improvements are now nearly complete at the end of 2018. An additional grant of approximately \$80,000 was secured in 2016 after the \$158,000. Due to lack of sludge removal over the prior 15 years and delays in beginning the project, choices of sludge removal contractors were eliminated as an option due to the merger of companies. This caused the bid for the improvements to increase to nearly double the expense. Because Durango is remotely located without a large city in close proximity, and because of increased health/environmental standards of how sludge may be disposed of, the cost of the project more than doubled. This was due to increased pricing for sludge hauling removal and the lack of an option previously available to spread the sludge on farmland. The price increases were not known to District No. 2 until 2017, 3 months prior to needing funding to proceed with the project, which was already under a time extension. A new 15-year loan for \$900,000.00 from a local bank was approved by the Districts and secured at a fixed interest rate. District No. 2 secured the debt based on an increase in monthly user fees. Fees were increased by both Districts to cover the debt payments, ongoing wastewater plant improvements, and also increases in operational expenses for both Districts. District No. 1 has requested numerous times to be included in management and financial decisions with District No. 2; however, there had been resistance to allowing Durango No. 1 to gain an equal voice in management decisions for many years. Recently the Districts formed a new committee in the spirit of jointly working together and the working relationship has improved. The Districts moved forward to complete the wastewater improvements in 2018. The project was completed with better efficiency primarily due to Durango No. 2 agreeing to hire a qualified operator. The Districts are highly reliant on qualified staff especially when dealing with treatment and operations details due to board members' limited knowledge of running wastewater treatment facilities. Maintaining an experienced and honest operator is critical to overseeing construction improvements as well as keeping

maintenance items current, which will save money for both districts in the future. The plant should not need capital improvements for several years provided the Districts are diligent in ensuring future effluent tests reflect optimal operational duties are being performed.

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 District has increased formal training of maintenance staff specifically for fire mitigation safety purposes. The District has consulted with fire mitigation specialists annually to provide recommendations and helping to prioritize highest risk areas. 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 progress has definitely been made. Resident awareness has also been increased since within the past few years due to local fires and more drought awareness. 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 recorded as capital improvements. Additional water storage is no longer a capital need as Lake Durango has been able to provide reliable service. Current tank storage, pumping rates/pressures, locations of fire hydrants, and Lake Durango being in close proximity has been determined as 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 has not been seriously considered for budgeting. 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. It may be a consideration to fully study more well water supplementation, especially for outdoor use, 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 specifically pay for the new water line from Nighthorse as it is estimated to be paid for with new growth and some grant funds. Lake Durango's budgets indicate the District may need to re-evaluate water rates and/or look closely at a rate study to determine if charges to the District are equitable and fair.

Road System: The District's bonded indebtedness was paid off in 2016. 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 project was deferred until 2018. Funds were budgeted for road work in 2018. Road improvements will always be a continuing need. It is likely capital investment into the road system will be needed within 5-6 years, which may be partially funded either with tax or revenue bonds, as it is unlikely the District will have adequate reserves to fully cover major road improvements. However, the District does not plan a large debt load as it appears most of the roads are holding up reasonably well and should not need complete reconstruction 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. Paving two roads with concrete during the 1995 road improvement project has proven to be a financially wise decision due to very limited maintenance required over the past 20+ years.

## 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 2017 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 2017 budget year.

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

	2017 Budget	2016 Budget	Increase (Decrease)
General Fund	\$411,250	\$683,835	(\$272,585)
Lottery Fund	0	15,000	(15,000)
Water Fund	263,290	224,230	39,060
Sewer Fund	166,100	145,050	21,050
Wastewater Fund	561,775	193,588	368,187

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 filed supplemental amended budgets for the wastewater fund in 2016 and 2017.

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### 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, [dwl@mydurango.net](mailto:dwl@mydurango.net).

**Durango West Metropolitan District No. 1**  
**Statement of Net Position**  
**December 31, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 130,158	\$ 186,648	\$ 316,806
Receivables	23,307	48,240	71,547
Internal Balances	(347,923)	347,923	-
Due from other governmental agencies	6,894	-	6,894
Inventories	412,246	-	412,246
Prepays	714	-	714
Capital Assets:			
Collection, treatment, transmission, and distribution	106,300	1,678,472	1,784,772
Land	68,629	47,140	115,769
Buildings	86,573	-	86,573
Vehicles	-	33,467	33,467
Other Capital Assets	1,568,841	-	1,568,841
Less: Accumulated depreciation	<u>(1,075,631)</u>	<u>(1,157,748)</u>	<u>(2,233,379)</u>
Total Capital Assets	<u>754,712</u>	<u>601,331</u>	<u>1,356,043</u>
Total Assets	<u>980,108</u>	<u>1,184,142</u>	<u>2,164,250</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	<u>61,632</u>	<u>35,499</u>	<u>97,131</u>
Total liabilities	<u>61,632</u>	<u>35,499</u>	<u>97,131</u>
<b>NET POSITION</b>			
Net investment in capital assets	754,712	601,331	1,356,043
Restricted for:			
TABOR	9,005	-	9,005
Unrestricted	<u>154,759</u>	<u>547,312</u>	<u>702,071</u>
Total net position	<u>\$ 918,476</u>	<u>\$ 1,148,643</u>	<u>\$ 2,067,119</u>

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

**Durango West Metropolitan District No. 1**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 202,232	\$ 153,622	\$ 11,881	\$ -	\$ (36,729)	\$ -	\$ (36,729)
Culture and Recreation	-	-	3,701	-	3,701	-	3,701
Total governmental activities	202,232	153,622	15,582	-	(33,028)	-	(33,028)
Business-type activities:							
Water Fund	218,796	195,327	-	-	-	(23,469)	(23,469)
Sewer Fund	151,329	127,596	-	-	-	(23,733)	(23,733)
Wastewater Fund	76,846	74,581	9,330	-	-	7,065	7,065
Total business-type activities	446,971	397,504	9,330	-	-	(40,137)	(40,137)
Total primary government	649,203	551,126	24,912	-	(33,028)	(40,137)	(73,165)
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					\$ 97,925	\$ -	\$ 97,925
Unrestricted investment earnings					323	-	323
Total general revenues, special items, and transfers					98,248	-	98,248
Change in net position					65,220	(40,137)	25,083
Net position - beginning					833,256	1,188,780	2,042,036
Net position - ending					\$ 918,476	\$ 1,148,643	\$ 2,067,119

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

**Durango West Metropolitan District No. 1**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 122,298	\$ 7,858	\$ 130,156
Accounts receivable	23,307	-	23,307
Due from other funds	37,668	-	37,668
Receivable from other governments	3,193	3,701	6,894
Inventories	412,246	-	412,246
Prepaid expenses	714	-	714
Total assets	599,426	11,559	610,985
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	60,598	-	60,598
Due to other funds	348,115	37,475	385,590
Other accrued expenses	2,314	-	2,314
Total liabilities	411,027	37,475	448,502
 Fund balances:			
Reserved for:			
Other purposes--TABOR	9,005	-	9,005
Unassigned	180,674	-	180,674
Assigned	-	(25,916)	(25,916)
Total fund balances	189,679	(25,916)	163,763
Total liabilities and fund balances	\$ 600,706	\$ 11,559	\$ 612,265

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

**Durango West Metropolitan District No. 1**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2016**

Total fund balance, governmental funds \$ 163,763

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 754,712

Rounding 1

\$ 918,476

Net Assets of Governmental Activities in the Statement of Net Position

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

**Durango West Metropolitan District No. 1**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 97,925	\$ -	\$ 97,925
Intergovernmental	11,881	3,701	15,582
Charges for services	145,044	-	145,044
Investment earnings	322	1	323
Miscellaneous	8,578	-	8,578
Total revenues	<u>263,750</u>	<u>3,702</u>	<u>267,452</u>
<b>EXPENDITURES</b>			
Current:			
General government	67,667	-	67,667
Public safety	9,460	-	9,460
Personal and benefits	58,011	-	58,011
Principal	79,000	-	79,000
Interest and other charges	3,914	-	3,914
Capital outlay	81,473	-	81,473
Total Expenditures	<u>299,525</u>	<u>-</u>	<u>299,525</u>
Excess (deficiency) of revenues over expenditures	<u>(35,775)</u>	<u>3,702</u>	<u>(32,073)</u>
Net change in fund balances	(35,775)	3,702	(32,073)
Fund balances - beginning	225,454	(29,618)	195,836
Fund balances - ending	<u>\$ 189,679</u>	<u>\$ (25,916)</u>	<u>\$ 163,763</u>

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

**Durango West Metropolitan District No. 1**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2016**

Net change in fund balances - total governmental funds: \$ (32,073)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$81,473 was more than depreciation of \$64,460 in the current period. 17,013

Governmental funds report debt proceeds, including lease purchase agreements, as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 79,000

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:  
     Decrease in accrued interest payable 1,280

Change in net assets of governmental activities \$ 65,220

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

**Durango West Metropolitan District No. 1**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 186,650	\$ 186,650
Accounts Receivable, net	26,322	17,203	5,386	48,911
Due from other funds	-	443,901	-	443,901
Total current assets	<u>26,322</u>	<u>461,104</u>	<u>192,036</u>	<u>679,462</u>
Non-current assets:				
Capital Assets:				
Land	-	-	47,140	47,140
Infrastructure	73,640	94,875	-	168,515
Utility System	770,430	275,676	463,851	1,509,957
Vehicles	16,733	16,734	-	33,467
Less Accumulated depreciation	(597,445)	(246,282)	(314,021)	(1,157,748)
Total non-current assets	<u>263,358</u>	<u>141,003</u>	<u>196,970</u>	<u>601,331</u>
Total assets	<u>289,680</u>	<u>602,107</u>	<u>389,006</u>	<u>1,280,793</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	16,124	13,151	4,154	33,429
Salaries payable	1,034	1,034	-	2,068
Due to other funds	95,979	-	-	95,979
Other accrued expenses	336	336	-	672
Total current liabilities	<u>113,473</u>	<u>14,521</u>	<u>4,154</u>	<u>132,148</u>
Total liabilities	<u>113,473</u>	<u>14,521</u>	<u>4,154</u>	<u>132,148</u>
<b>NET POSITION</b>				
Net Investment in capital assets	263,358	141,003	196,970	601,331
Unrestricted	(87,151)	446,583	187,882	547,314
Total net position	<u>\$ 176,207</u>	<u>\$ 587,586</u>	<u>\$ 384,852</u>	<u>\$ 1,148,645</u>

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

**Durango West Metropolitan District No. 1**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Charges for services	\$ 187,932	\$ 127,596	\$ 74,316	\$ 389,844
Lease income	7,345	-	-	7,345
Total operating revenues	<u>195,277</u>	<u>127,596</u>	<u>74,316</u>	<u>397,189</u>
<b>OPERATING EXPENSES</b>				
Personal services	40,480	40,243	4,809	85,532
Contractual services	15,017	15,017	19,161	49,195
Utilities	4,201	-	11,764	15,965
Repairs and maintenance	18,233	15,777	8,753	42,763
Other supplies and expenses	3,649	66,040	7,226	76,915
Miscellaneous expenses	8,310	390	7,220	15,920
Insurance claims and expenses	4,778	4,778	2,195	11,751
Water purchases	107,960	-	-	107,960
Depreciation	16,169	9,084	15,718	40,971
Total Operating Expenses	<u>218,797</u>	<u>151,329</u>	<u>76,846</u>	<u>446,972</u>
Operating income (loss)	<u>(23,520)</u>	<u>(23,733)</u>	<u>(2,530)</u>	<u>(49,783)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	-	-	265	265
Grant income	-	-	9,330	9,330
Miscellaneous revenue	50	-	-	50
Total non-operating revenue (expenses)	<u>50</u>	<u>-</u>	<u>9,595</u>	<u>9,645</u>
Income (loss) before contributions and transfers	<u>(23,470)</u>	<u>(23,733)</u>	<u>7,065</u>	<u>(40,138)</u>
Change in net position	<u>(23,470)</u>	<u>(23,733)</u>	<u>7,065</u>	<u>(40,138)</u>
Total net position - beginning	<u>199,677</u>	<u>611,319</u>	<u>377,787</u>	<u>1,188,783</u>
Total net position - ending	<u>\$ 176,207</u>	<u>\$ 587,586</u>	<u>\$ 384,852</u>	<u>\$ 1,148,645</u>

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

**Durango West Metropolitan District No. 1**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**For the year ended December 31, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Charges for Services	\$ 197,669	\$ 129,150	\$ 71,776	\$ 398,595
Cash Payments to Suppliers for Goods & Services	(156,275)	(78,917)	(4,448)	(239,640)
Cash Payments for Salaries & Benefits	(40,352)	(40,243)	(55,210)	(135,805)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,042</u>	<u>9,990</u>	<u>12,118</u>	<u>23,150</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Miscellaneous Revenues	50	-	-	50
Grant received			23,031	23,031
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>50</u>	<u>-</u>	<u>23,031</u>	<u>23,081</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>				
Acquisition of Property, Plant, & Equipment	-	-	(15,373)	(15,373)
(Increase) Decrease in Due From Other Funds	(1,092)	(9,990)	-	(11,082)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,092)</u>	<u>(9,990)</u>	<u>(15,373)</u>	<u>(26,455)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Maturity of certificates of deposit	-	-	131,695	131,695
Purchase of certificates of deposit	-	-	(180,139)	(180,139)
Interest Received on Investment	-	-	265	265
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(48,179)</u>	<u>(48,179)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	<u>-</u>	<u>-</u>	<u>(28,403)</u>	<u>(28,403)</u>
<b>Cash &amp; Cash Equivalents:</b>				
Beginning of Year	-	-	215,053	215,053
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,650</u>	<u>\$ 186,650</u>

**Bent County, Colorado**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**For the year ended December 31, 2016**  
**(continued)**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ (23,520)	\$ (23,733)	\$ (2,530)	\$ (49,783)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Depreciation	16,169	9,084	15,718	40,971
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivables	2,392	1,554	(5,386)	(1,440)
(Increase) Decrease in Prepaid expenses	442	10,231	90	10,763
Increase (Decrease) in Salaries Payable	128	127	-	255
Increase (Decrease) in Unearned revenues	-	-	(2,540)	(2,540)
Increase (Decrease) in Accounts Payable	5,431	12,727	1,380	19,538
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 1,042</u>	<u>\$ 9,990</u>	<u>\$ 6,732</u>	<u>\$ 17,764</u>
 Analysis of cash:				
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,650</u>	<u>\$ 186,650</u>
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,650</u>	<u>\$ 186,650</u>

**Durango West Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 1**            **Definition of Reporting Entity**

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

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

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

**Note 2**            **Summary of Significant Accounting Policies**

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

Government-Wide and Fund Financial Statements

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; (2)

grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost by function or business-type activity is normally covered by general revenue such as property taxes or other unrestricted revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns. The government-wide focus is more on the sustainability of the district as an entity and the change 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 and acquisitions are reported as expenditures in governmental funds while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

#### Governmental Funds

The District reports the following major governmental funds:

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

#### Proprietary Fund Types

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

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

and effective May 28, 2015, each district accounts for 50% of the operations on their respective financial statements. 2016 is the first full year of operations for the District.

### Cash and Cash Equivalents

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

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

### Inventories

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

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

One of the homes was sold during 2018.

### Property Taxes

Property taxes were levied on December 10, 2015, based on the assessed value of property as certified by the County Assessor by December 1, 2015. 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, 2015, reflect 2015 property taxes that will be collected in 2016 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, 2016, 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.

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

Capital Assets

Capital assets, which include land, roads, infrastructure, utility plant wells and tanks, transmission and distribution systems and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District’s basic policy for capitalization includes a minimum useful life of three years and a dollar threshold of \$2,500. The criteria for capitalization also includes (1) increasing the capacity or operating efficiency or (2) extending the useful life of the asset. These levels and criteria were set so as to maintain a balance between accountability and managing the costs of recording and tracking these assets. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair value at the time received. Normal maintenance and repair that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when material. No interest was capitalized in relation to capital assets and improvements during the year ended December 31, 2016.

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only

under a full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the statement of net position. 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:

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

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

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

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

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

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

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

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

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

#### Restricted Resources

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

#### Interfund Transactions

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

#### Estimates

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

### **Note 3      Cash, Cash Equivalents and Investments**

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

Demand Deposits – Unrestricted	\$ 281,226
Demand Deposits – Restricted	20,337
COLOTRUST – Unrestricted	9,711
COLOTRUST – Restricted	5,532
	<u>\$ 316,806</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, 2016, the carrying amount of the District's deposits was \$14,913 and the bank balance was \$13,913. Of the bank balance, \$13,913 was covered by federal deposit insurance. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must be equal to at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

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

### Investments

The District is subject to Colorado Revised Statute 24-75-601 which is entitled "concerning investment in securities by public entities". This statute, among other things, outlines the type of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period or other exceptions apply. At December 31, 2016, 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, 2016, the District's investment in COLOTRUST is rated AAAM by Standard and Poor's.

**Note 4      Receivables**

Receivables at December 31, 2016 consist of the following:

Governmental Activities	General Fund	Lottery Fund	Total
Customer Accounts, Current			
Net of Allowance	\$ 22,717	\$ 0	\$ 22,717
Highway User Funds	3,193		3,193
Department of Local Affairs		3,701	3,701
Other	590		590
Net Governmental Receivables	<u>\$ 26,500</u>	<u>\$ 3,701</u>	<u>\$ 30,201</u>

  

	Business-Type Activities		
	Water Fund	Sewer Fund	Wastewater Fund
Customer Accounts, Current	\$ 29,246	\$ 19,114	\$ 5,386
Allowance for Uncollectibles	(2,924)	(1,911)	
Net Receivables	<u>\$ 26,322</u>	<u>\$ 17,203</u>	<u>\$ 5,386</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.

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

The following interfund receivables and payables are included in the individual fund financial statements at December 31, 2016:

	Advances To (From) General Fund	Advances To (From) Lottery Fund	Advances To (From) Water Fund	Advances To (From) Sewer Fund
General Fund	\$ 0	\$ 37,475	\$ 95,978	\$ (443,901)
Lottery Fund	(37,475)			
Water Fund	(95,978)			
Sewer Fund	443,901			
Total	<u>\$ 310,448</u>	<u>\$ 37,475</u>	<u>\$ 95,978</u>	<u>\$ (443,901)</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 for the year ended December 31, 2016.

**Note 6      Tower Lease**

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

**Note 7 Capital Assets and Depreciation**

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental Activities	Balance Beginning Of Year	Additions	Deletions	Balance End Of Year
<b>Capital Assets Not Being Depreciated</b>				
Landscaping	\$ 2,430	\$	\$	\$ 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>68,629</b>
<b>Depreciable Assets</b>				
Buildings	86,573	18,677		105,250
Roads	1,337,773			1,337,773
Utility Infrastructure	106,300			106,300
Park	44,610	53,136		97,746
Equipment	104,985	9,660		114,645
<b>Total Depreciable Capital Assets</b>	<b>1,680,241</b>	<b>81,473</b>		<b>1,761,714</b>
<b>Accumulated Depreciation</b>				
Buildings	(51,543)	(3,263)		(54,806)
Roads	(894,478)	(45,342)		(939,820)
Utility Infrastructure	(37,205)	(2,657)		(39,862)
Park	(3,574)	(3,220)		(6,794)
Equipment	(24,371)	(9,978)		(34,349)
<b>Total Accumulated Depreciation</b>	<b>(1,011,171)</b>	<b>(64,460)</b>		<b>(1,075,631)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>669,070</b>	<b>17,013</b>		<b>686,083</b>
<b>Net General Fixed Assets</b>	<b>\$ 737,699</b>	<b>\$ 17,013</b>	<b>\$</b>	<b>\$ 754,712</b>

Business-Type Activities	Balance Beginning Of Year	Additions	Deletions	Balance End Of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 47,140	\$	\$	\$ 47,140
<b>Capital Assets Being Depreciated</b>				
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 & Distribution System	563,598			563,598
Sewer Collection and Treatment System	370,551			370,551
Wastewater Treatment Plant and Equipment	495,617		(31,765)	463,852
Vehicles	33,467			33,467
<b>Total Capital Assets Being Depreciated</b>	<b>1,743,704</b>		<b>(31,765)</b>	<b>1,711,939</b>
<b>Accumulated Depreciation</b>				
Source of Supply	(165,348)	(4,370)		(169,718)
Water Transmission and Distribution System	(407,998)	(10,126)		(418,124)
Sewer Collection and Treatment System	(229,268)	(7,411)		(236,679)
Wastewater Treatment Plant and Equipment	(298,303)	(15,718)		(314,021)
Vehicles	(15,860)	(3,346)		(19,206)
<b>Total Accumulated Depreciation</b>	<b>(1,116,777)</b>	<b>(40,971)</b>		<b>(1,157,748)</b>
<b>Net Capital Assets</b>	<b>\$ 674,067</b>	<b>\$ (40,971)</b>	<b>\$ (31,765)</b>	<b>\$ 601,331</b>

Depreciation was charged to functions/programs as follows:

Governmental Activities	
Public Services	<u>\$ 64,460</u>
Business-Type Activities	
Water	\$ 16,169
Sewer	9,084
Wastewater	<u>15,718</u>
Total	<u>\$ 40,971</u>

**Note 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, 2016:

	January 1 2016	Increases	Decreases	December 31 2016
General Obligation				
Bond Series 2006	<u>\$ 79,000</u>	<u>\$ 0</u>	<u>\$ (79,000)</u>	<u>\$ 0</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 services by the general fund.

**Note 9 Net Position**

Restricted net position represents net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2016 for governmental activities is \$9,005 which has been restricted for Tabor. This represents approximately 3% of the District's 2016 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District's net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this restricted account.

**Note 10 Fund Balances**

At December 31, 2016, fund balances for governmental funds consist of the following:

	General Fund	Lottery Fund	Total
Restricted Fund Balances			
Tabor	\$ 9,005	\$ 0	\$ 9,005
Unassigned Fund Balances	180,674	(25,916)	154,758
 Total Fund Balances	 \$ 189,679	 \$ (25,916)	 \$ 163,763

**Note 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 coverage to its members. Durango West Metropolitan District No. 1 has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

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

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

**Note 12      Risk Management**

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

**Note 13      Tax Spending and Debt Limitations – Taxpayers Bill of Rights (TABOR)**

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

**Note 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 2016 to the State of Colorado. As a result of this late filing, tax revenues for 2015 and 2016 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. 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 2016 and 2017 audits are now out of compliance because they have not been timely filed. As of December 31, 2018, La Plata County and the Department of Local Affairs were holding \$93,960 and \$3,701 respectively until these audits are filed with the State of Colorado.

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

## Required Supplementary Information

**Durango West Metropolitan District No. 1**  
**Budget and Actual**  
**General**  
**For the year ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Property Taxes	\$ 85,250	\$ 85,250	\$ 97,925
Intergovernmental	11,500	11,500	11,881
Charges for services	145,338	145,338	145,044
Investment earnings	250	250	322
Miscellaneous	500	500	8,578
Total revenues	<u>242,838</u>	<u>242,838</u>	<u>263,750</u>
<b>EXPENDITURES</b>			
Current:			
General government	96,350	96,350	67,667
Public Safety	10,000	10,000	9,460
Personal and benefits	62,450	62,450	58,011
Debt Service:			
Principal	79,000	79,000	79,000
Interest and other charges	3,768	3,768	3,914
Capital Outlay	431,017	431,017	81,473
Total Expenditures	<u>682,585</u>	<u>682,585</u>	<u>299,525</u>
Excess (deficiency) of revenues over expenditures	<u>(439,747)</u>	<u>(439,747)</u>	<u>(35,775)</u>
Net change in fund balances	(439,747)	(439,747)	(35,775)
Fund balances - beginning	(155,782)	(155,782)	225,454
Fund balances - ending	<u>\$ (595,529)</u>	<u>\$ (595,529)</u>	<u>\$ 189,679</u>

**Durango West Metropolitan District No. 1**  
**Notes to Required Supplementary Information**  
**December 31, 2016**

**Budgets and Budgetary Accounting**

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

Expenditures may not legally exceed appropriations at the fund level. After budget approval, the District's Board of Directors may approve supplemental appropriations if an occurrence, condition, or need exists that was not known at the time the budget was adopted. No supplemental appropriations were made for 2016.

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, 2016.

Budget appropriations lapse at the end of each year.

## Other Supplementary Information

**Durango West Metropolitan District No. 1**  
**Balance Sheet**  
**Other Governmental Funds**  
**December 31, 2016**

	<u>Lottery Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,858	\$ 7,858
Receivable from other governments	3,701	3,701
Total assets	<u>11,559</u>	<u>11,559</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Due to other funds	37,475	37,475
Total liabilities	<u>37,475</u>	<u>37,475</u>
 Fund balances:		
Assigned	(25,916)	(25,916)
Total fund balances	<u>(25,916)</u>	<u>(25,916)</u>
Total liabilities and fund balances	<u>\$ 11,559</u>	<u>\$ 11,559</u>

**Durango West Metropolitan District No. 1**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>Lottery Fund</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>		
Intergovernmental	\$ 3,701	\$ 3,701
Investment earnings	1	1
Total revenues	<u>3,702</u>	<u>3,702</u>
<b>EXPENDITURES</b>		
Culture and recreation	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>3,702</u>	<u>3,702</u>
Net change in fund balances	<u>3,702</u>	<u>3,702</u>
Fund balances - beginning	<u>(29,618)</u>	<u>(29,618)</u>
Fund balances - ending	<u>\$ (25,916)</u>	<u>\$ (25,916)</u>

**Durango West Metropolitan District No. 1**  
**Budget and Actual**  
**Lottery Fund**  
**For the year ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 11,400	\$ 11,400	\$ 3,701
Investment earnings	2	2	1
Total revenues	<u>11,402</u>	<u>11,402</u>	<u>3,702</u>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(3,598)</u>	<u>(3,598)</u>	<u>3,702</u>
Net change in fund balances	(3,598)	(3,598)	3,702
Fund balances - beginning	<u>(33,857)</u>	<u>(33,857)</u>	<u>(29,618)</u>
Fund balances - ending	<u><u>\$ (37,455)</u></u>	<u><u>\$ (37,455)</u></u>	<u><u>\$ (25,916)</u></u>

**Durango West Metropolitan District No. 1**  
**Budget and Actual**  
**Water Fund**  
**For the year ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Charges for services	\$ 185,720	\$ 185,720	\$ 187,932
Lease revenue	7,335	7,335	7,345
Miscellaneous	-	-	50
Total revenues	<u>193,055</u>	<u>193,055</u>	<u>195,327</u>
<b>EXPENSES</b>			
Personal services	37,060	37,060	40,480
Contractual services	10,000	10,000	15,017
Utilities	4,600	4,600	4,201
Repairs and maintenance	15,200	15,200	18,233
Other supplies and expenses	5,300	5,300	3,649
Miscellaneous expenses	32,100	32,100	8,310
Insurance claims and expenses	4,500	4,500	4,778
Water purchases	115,470	115,470	107,960
Depreciation	-	-	16,169
Contingency	30,000	30,000	-
Total Expenditures	<u>254,230</u>	<u>254,230</u>	<u>218,797</u>
Excess (deficiency) of revenues over expenditures	<u>(61,175)</u>	<u>(61,175)</u>	<u>(23,470)</u>
Net change in net position	(61,175)	(61,175)	(23,470)
Net position - beginning	<u>182,670</u>	<u>182,670</u>	<u>199,677</u>
Net position - ending	<u>\$ 121,495</u>	<u>\$ 121,495</u>	<u>\$ 176,207</u>

**Durango West Metropolitan District No. 1**  
**Budget and Actual**  
**Sewer Fund**  
**For the year ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Charges for services	\$ 128,016	\$ 128,016	\$ 127,596
Total revenues	<u>128,016</u>	<u>128,016</u>	<u>127,596</u>
<b>EXPENSES</b>			
Personal services	34,190	34,190	40,243
Contractual services	10,800	10,800	15,017
Miscellaneous	600	600	390
Repairs and maintenance	14,000	14,000	15,777
Other supplies and expenses	60,960	60,960	66,040
Insurance claims and expenses	4,500	4,500	4,778
Depreciation	-	-	9,084
Contingency	35,000	35,000	-
Capital expenditures	20,000	20,000	-
Total Expenditures	<u>180,050</u>	<u>180,050</u>	<u>151,329</u>
Excess (deficiency) of revenues over expenditures	<u>(52,034)</u>	<u>(52,034)</u>	<u>(23,733)</u>
Net change in net position	(52,034)	(52,034)	(23,733)
Net position - beginning	593,096	593,096	611,319
Net position - ending	<u>\$ 541,062</u>	<u>\$ 541,062</u>	<u>\$ 587,586</u>

**Durango West Metropolitan District No. 1  
Budget and Actual  
Wastewater Fund  
For the year ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Charges for services	\$ 73,560	\$ 73,560	\$ 73,680
Investment earnings	250	250	265
Grant income	79,250	79,250	9,330
Miscellaneous	-	-	636
Total revenues	<u>153,060</u>	<u>153,060</u>	<u>83,911</u>
<b>EXPENSES</b>			
Personal services	4,100	4,100	4,809
Contractual services	20,150	20,150	19,161
Utilities	12,500	12,500	11,764
Repairs and maintenance	75,000	75,000	8,753
Other supplies and expenses	77,437	77,437	7,226
Miscellaneous	4,000	4,000	7,220
Insurance and claims	400	400	2,195
Depreciation	-	-	15,718
Total Expenditures	<u>193,587</u>	<u>193,587</u>	<u>76,846</u>
Excess (deficiency) of revenues over expenditures	<u>(40,527)</u>	<u>(40,527)</u>	<u>7,065</u>
Net change in net position	(40,527)	(40,527)	7,065
Net position - beginning	-	-	377,787
Net position - ending	<u>\$ (40,527)</u>	<u>\$ (40,527)</u>	<u>\$ 384,852</u>