

DURANGO WEST METROPOLITAN DISTRICT NO. 2

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2023

**DURANGO WEST METROPOLITAN DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023**

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Durango West Metropolitan District No. 2
Durango, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of Durango West Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Durango West Metropolitan District No. 2 as of December 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv, the budgetary comparison schedule on pages 27 through 28 and the condition rating of transportation network on page 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedules on pages 30 through 33 but does not include the basic financial statements and our auditors' report thereon. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules on pages 30 through 33 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McPherson, Goodrich, Paulsen & Mitchell, P.C.

May 5, 2024

Durango West Metropolitan District No. 2
Management's Discussion and Analysis
December 31, 2023

This management's discussion and analysis of the Durango West Metropolitan District No. 2's financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,662,503 (net position). The composition of net position for the most recent fiscal year was comprised of the carrying amount of capital assets net of capital debt obligations of \$3,398,800 (net investment in capital assets), restricted for TABOR of \$18,000, restricted for parks projects of \$32,601, and unrestricted net position of \$1,213,102.
- The District's total net position increased by \$225,055 during the year ended December 31, 2023.
- As of the close of the current fiscal year, the District's governmental funds (general fund and special revenue fund) reported an ending fund balance of \$366,025 which is an increase of \$88,415 for the year ended December 31, 2023.
- At the end of the current fiscal year, the unassigned fund balance of the general fund is \$311,912.
- During the current fiscal year, the District's total debt was reduced by \$30,000. No new debt obligations were incurred.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – not the District as a whole. The District has two governmental funds, the General Fund and the Conservation Trust Fund (Special Revenue Fund). The District has three enterprise or business funds, consisting of the Water Fund, Sewer Fund and Wastewater Fund. Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the District rather than the District as a whole. Each specific fund has been established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

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

The District as a Whole

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net assets for the fiscal years 2022 and 2023.

	Governmental Activities		Business-type Activities		Government-wide	
	2022	2023	2022	2023	2022	2023
Current and other assets	302,392	369,714	775,031	914,799	1,077,423	1,284,513
Capital assets	2,786,663	2,780,064	939,660	903,736	3,726,323	3,683,800
Total assets	3,089,055	3,149,778	1,714,691	1,818,535	4,803,746	4,968,313
Current liabilities	24,782	3,689	56,516	44,621	81,298	48,310
Noncurrent liabilities	0	0	285,000	257,500	285,000	257,500
Total liabilities	24,782	3,689	341,516	302,121	366,298	305,810
Net position:						
Net investment in capital assets	2,786,663	2,780,064	624,660	618,736	3,411,323	3,398,800
Restricted for emergencies	18,000	18,000	0	0	18,000	18,000
Restricted for parks projects	25,699	32,601	0	0	25,699	32,601
Restricted for capital projects	0	0	0	0	0	0
Unrestricted	233,911	315,424	748,515	897,678	982,426	1,213,102
Total net position	3,064,273	3,146,089	1,373,175	1,516,414	4,437,448	4,662,503

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The statement of activities reflects the cost of operations and the charges for services, and receipt of grants and contributions offsetting those services. The following detail reflects the total cost of services supported by operating revenues, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2022 and 2023.

	Governmental Activities		Business-type Activities		Government-wide	
	2022	2023	2022	2023	2022	2023
REVENUES:						
Operating revenues:						
Charges for services	207,167	207,331	482,949	502,687	690,116	710,018
Grants and contributions	5,551	6,116	0	0	5,551	6,116
Current revenues:						
Taxes	20,850	20,851	0	0	20,850	20,851
Interest and other revenue	7,282	16,872	924	21,775	8,206	38,647
Total revenues	240,850	251,170	483,873	524,462	724,723	775,632
EXPENSES:						
General Government	46,432	50,927	0	0	46,432	50,927
Public Works	219,938	118,427	399,745	381,223	619,683	499,650
Parks and Recreation	510	0	0	0	510	0
Total expenses	266,880	169,354	399,745	381,223	666,625	550,577
Change in net position	(26,030)	81,816	84,128	143,239	58,098	225,055
Net position January 1	3,090,303	3,064,273	1,289,047	1,373,175	4,379,350	4,437,448
Net position December 31	3,064,273	3,146,089	1,373,175	1,516,414	4,437,448	4,662,503

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

The District's Funds

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

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

The Wastewater Fund accounts for one-half of the operations of the wastewater treatment facility, with the remaining one-half accounted for by Durango West Metropolitan District No. 1 (DWMD#1). This sharing arrangement was the result of the approval of an intergovernmental agreement and service contract between the District and DWMD#1.

Budgetary Highlights

For the fiscal year ended December 31, 2023, the District did not amend the original budget. Generally, budget amendments fall into one of two categories: 1) amendments made to adjust the estimates that are used to prepare the original budget resolution once exact information is available; 2) increase in appropriations that become necessary to maintain services.

Capital Assets

At the end of 2023, the District had a total of \$2,780,064 invested in capital assets of governmental activities. The District has elected to use the Modified Approach for reporting infrastructure assets whereby the roads of the District are maintained at certain levels rather than depreciated in the financial statements. Capital assets of the District's business-type activities, net of depreciation, at December 31, 2023 consist of the following:

Land and rights of way	\$ 67,938
Treatment plant	381,634
Source of supply	151,648
Collection, transmission and distribution system	290,457
Equipment	<u>12,059</u>
	<u>\$903,736</u>

Debt Administration

At the end of 2023, the District had outstanding bonds payable of \$285,000 of which \$27,500 will mature in 2024. This debt is collateralized by an irrevocable lien but not necessarily an exclusive lien on the net revenue of the wastewater system. Additional information can be found in the notes to the financial statements following the basic financial statements.

Contacting the District's Financial Management

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

Durango West Metropolitan District No. 2
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DURANGO WEST METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Equity in pooled cash	\$ 343,815	\$ 868,785	\$ 1,212,600
Prepaid expenses	3,512	6,899	10,411
Receivables	22,387	39,115	61,502
Capital assets not being depreciated	2,736,318	67,938	2,804,256
Capital assets being depreciated, net	<u>43,746</u>	<u>835,798</u>	<u>879,544</u>
TOTAL ASSETS	<u>3,149,778</u>	<u>1,818,535</u>	<u>4,968,313</u>
LIABILITIES			
Accounts payable	3,689	16,352	20,041
Accrued expenses	-	769	769
Noncurrent liabilities			
Due within one year	-	27,500	27,500
Due in more than one year	<u>-</u>	<u>257,500</u>	<u>257,500</u>
TOTAL LIABILITIES	<u>3,689</u>	<u>302,121</u>	<u>305,810</u>
NET POSITION			
Net investment in capital assets	2,780,064	618,736	3,398,800
Restricted -			
Tabor	18,000	-	18,000
Parks projects	32,601	-	32,601
Unrestricted	<u>315,424</u>	<u>897,678</u>	<u>1,213,102</u>
TOTAL NET POSITION	<u>\$ 3,146,089</u>	<u>\$ 1,516,414</u>	<u>\$ 4,662,503</u>

The accompanying notes are an integral part of this statement.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
DECEMBER 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES			
General government	\$ 50,927	\$ -	\$ -
Public works	118,427	207,331	-
Parks and recreation	-	-	6,116
TOTAL GOVERNMENTAL ACTIVITIES	169,354	207,331	6,116
BUSINESS-TYPE ACTIVITIES			
Water	261,112	363,733	-
Sewer	30,366	35,154	-
Wastewater	89,745	103,800	-
TOTAL BUSINESS-TYPE ACTIVITIES	381,223	502,687	-
TOTAL	\$ 550,577	\$ 710,018	\$ 6,116

General revenues -
Highway users tax
Unrestricted interest earnings
Other

Total general revenues

Change in net position

Net position, January 1

Net position, December 31

The accompanying notes are an integral part of this statement.

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
\$ -	\$ (50,927)	\$ -	\$ (50,927)
-	88,904	-	88,904
-	6,116	-	6,116
-	44,093	-	44,093
-	-	102,621	102,621
-	-	4,788	4,788
-	-	14,055	14,055
-	-	121,464	121,464
<u>\$ -</u>	<u>44,093</u>	<u>121,464</u>	<u>165,557</u>
	20,851	-	20,851
	7,837	21,775	29,612
	9,035	-	9,035
	<u>37,723</u>	<u>21,775</u>	<u>59,498</u>
	81,816	143,239	225,055
	<u>3,064,273</u>	<u>1,373,175</u>	<u>4,437,448</u>
<u>\$ -</u>	<u>\$ 3,146,089</u>	<u>\$ 1,516,414</u>	<u>\$ 4,662,503</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in pooled cash	\$ 311,214	\$ 32,601	\$ 343,815
Prepaid items	3,512	-	3,512
Receivables -			
Accounts	17,136	-	17,136
Other governments	<u>5,251</u>	<u>-</u>	<u>5,251</u>
TOTAL ASSETS	<u><u>\$ 337,113</u></u>	<u><u>\$ 32,601</u></u>	<u><u>\$ 369,714</u></u>
 LIABILITIES AND FUND BALANCES			
Liabilities -			
Accounts payable	<u>\$ 3,689</u>	<u>\$ -</u>	<u>\$ 3,689</u>
Total Liabilities	<u>3,689</u>	<u>-</u>	<u>3,689</u>
Fund balances -			
Nonspendable	3,512	-	3,512
Restricted	18,000	32,601	50,601
Assigned	-	-	-
Unassigned	<u>311,912</u>	<u>-</u>	<u>311,912</u>
Total Fund Balances	<u>333,424</u>	<u>32,601</u>	<u>366,025</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 337,113</u></u>	<u><u>\$ 32,601</u></u>	<u><u>\$ 369,714</u></u>

The accompanying notes are an integral part of this statement.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Amounts reported for governmental activities are different because:

Total fund balances - governmental funds	\$	366,025
Capital assets used in governmental activities are not current financial resources and are not reported in governmental funds.		
The cost of capital assets is	\$	2,918,186
Accumulated depreciation is	<u>(138,122)</u>	<u>2,780,064</u>
Total net position - governmental activities	\$	<u>3,146,089</u>

The accompanying notes are an integral part of this statement.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Highway users tax	\$ 20,851	\$ -	\$ 20,851
Charges for services	207,331	-	207,331
Intergovernmental	-	6,116	6,116
Interest	7,051	786	7,837
Other	9,035	-	9,035
TOTAL REVENUES	<u>244,268</u>	<u>6,902</u>	<u>251,170</u>
EXPENDITURES			
Current -			
Road operations	74,244	-	74,244
Security light operation	3,622	-	3,622
Common area maintenance	40,561	-	40,561
Administration	44,328	-	44,328
TOTAL EXPENDITURES	<u>162,755</u>	<u>-</u>	<u>162,755</u>
NET CHANGE IN FUND BALANCES	81,513	6,902	88,415
FUND BALANCES, January 1	<u>251,911</u>	<u>25,699</u>	<u>277,610</u>
FUND BALANCES, December 31	<u>\$ 333,424</u>	<u>\$ 32,601</u>	<u>\$ 366,025</u>

The accompanying notes are an integral part of this statement.

**DURANGO WEST METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2023**

Amounts reported for governmental activities are different because:

Total net change in fund balances - governmental funds	\$	88,415
<p>Capital outlays, if any, are reported in governmental funds as expenditures. However, for governmental activities, these costs are reported in the statement of net position and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense</p>		
Depreciation expense	\$	(6,599)
Capital outlay	-	(6,599)
Change in net position - governmental activities	\$	81,816

The accompanying notes are an integral part of this statement.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Wastewater Fund	Total
ASSETS				
CURRENT ASSETS				
Equity in pooled cash	\$ 415,399	\$ 100,332	\$ 353,054	\$ 868,785
Prepaid expenses	3,513	1,254	2,132	6,899
Accounts receivable	31,233	2,856	5,026	39,115
TOTAL CURRENT ASSETS	450,145	104,442	360,212	914,799
NONCURRENT ASSETS				
Capital assets -				
Land and rights of way	20,798	-	47,140	67,938
Treatment plant	48,429	-	826,565	874,994
Source of supply	348,864	-	-	348,864
Collection, transmission and distribution system	769,374	297,245	-	1,066,619
Equipment	8,505	3,954	15,229	27,688
Accumulated depreciation	(760,912)	(253,731)	(467,724)	(1,482,367)
Total capital assets	435,058	47,468	421,210	903,736
TOTAL NONCURRENT ASSETS	435,058	47,468	421,210	903,736
TOTAL ASSETS	\$ 885,203	\$ 151,910	\$ 781,422	\$ 1,818,535

The accompanying notes are an integral part of this statement.

Business-Type Activities - Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 13,907	\$ 226	\$ 2,219	\$ 16,352
Accrued interest payable	-	-	769	769
Bonds payable	-	-	27,500	27,500
TOTAL CURRENT LIABILITIES	<u>13,907</u>	<u>226</u>	<u>30,488</u>	<u>44,621</u>
NONCURRENT LIABILITIES				
Bonds payable	-	-	257,500	257,500
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>257,500</u>	<u>257,500</u>
TOTAL LIABILITIES	<u>13,907</u>	<u>226</u>	<u>287,988</u>	<u>302,121</u>
NET POSITION				
Net investment in capital assets	435,058	47,468	136,210	618,736
Unrestricted	436,239	104,215	357,224	897,678
TOTAL NET POSITION	<u>\$ 871,297</u>	<u>\$ 151,683</u>	<u>\$ 493,434</u>	<u>\$ 1,516,414</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 363,733	\$ 35,154	\$ 103,800	\$ 502,687
TOTAL OPERATING REVENUES	<u>363,733</u>	<u>35,154</u>	<u>103,800</u>	<u>502,687</u>
OPERATING EXPENSES				
Source of supply	164,915	-	-	164,915
Treatment	21,011	-	27,925	48,936
Transmission and distribution	3,536	10,444	3,743	17,723
Administration	45,468	14,158	28,478	88,104
Depreciation	26,182	5,764	20,040	51,986
TOTAL OPERATING EXPENSES	<u>261,112</u>	<u>30,366</u>	<u>80,186</u>	<u>371,664</u>
OPERATING INCOME (LOSS)	<u>102,621</u>	<u>4,788</u>	<u>23,614</u>	<u>131,023</u>
NONOPERATING REVENUES (EXPENSES)				
Interest expense	-	-	(9,559)	(9,559)
Interest revenue	9,511	2,653	9,611	21,775
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,511</u>	<u>2,653</u>	<u>52</u>	<u>12,216</u>
CHANGES IN NET POSITION	112,132	7,441	23,666	143,239
TOTAL NET POSITION, January 1	<u>759,166</u>	<u>144,241</u>	<u>469,768</u>	<u>1,373,175</u>
TOTAL NET POSITION, December 31	<u>\$ 871,298</u>	<u>\$ 151,682</u>	<u>\$ 493,434</u>	<u>\$ 1,516,414</u>

The accompanying notes are an integral part of this statement.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-Type Activities - Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Wastewater</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 360,210	\$ 35,154	\$ 103,082	\$ 498,446
Cash paid to employees	(17,283)	(6,285)	(10,999)	(34,567)
Cash paid for goods and services	(223,520)	(20,386)	(50,932)	(294,838)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>119,407</u>	<u>8,483</u>	<u>41,151</u>	<u>169,041</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES				
Principal paid on bonds	-	-	(30,000)	(30,000)
Interest paid	-	-	(9,639)	(9,639)
Capital expenditures	(15,000)	-	(1,063)	(16,063)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(15,000)</u>	<u>-</u>	<u>(40,702)</u>	<u>(55,702)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	9,511	2,653	9,611	21,775
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,511</u>	<u>2,653</u>	<u>9,611</u>	<u>21,775</u>

The accompanying notes are an integral part of this statement.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
STATEMENT OF CASH FLOWS (Cont'd.)
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Wastewater Fund	Total
NET INCREASE IN CASH AND CASH EQUIVALENTS	113,918	11,136	10,060	135,114
CASH AND CASH EQUIVALENTS, January 1	301,481	89,196	342,994	733,671
CASH AND CASH EQUIVALENTS, December 31	415,399	100,332	353,054	868,785
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	102,621	4,788	23,614	131,023
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation	26,182	5,763	20,040	51,985
Change in assets and liabilities -				
Prepays	(211)	(75)	(127)	(413)
Accounts receivable	(3,523)	-	(718)	(4,241)
Accounts payable	(5,662)	(1,993)	(1,658)	(9,313)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 119,407	\$ 8,483	\$ 41,151	\$ 169,041

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fund financial statements for the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied, while grants and similar items are recognized as revenue when all eligibility requirements are met.

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

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

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

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

GOVERNMENTAL FUNDS

The District reports the following major governmental fund:

- The general fund is the primary operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources of the District except those required to be accounted for in a separate fund. The major revenue source includes charges for services. Primary expenditures include streets and roads and administration.

PROPRIETARY FUNDS

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

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

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

OTHER FUND TYPES

The District also reports the following fund type:

- Special revenue funds are used to account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects. The District's special revenue fund is the conservation trust fund.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of interest-bearing demand deposits.

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

E. PROPERTY TAXES

Inasmuch as all general debt obligations of the District were completely retired during 2013, the District did not authorize a mill levy for 2023 property taxes.

F. CAPITAL ASSETS

Capital assets, which include land and rights of way, streets and roads, improvements, treatment plants, source of supply, collection and transmission systems, equipment and construction in progress are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. The District has not established a capitalization level and capital assets are defined as those capital assets that are considered significant by management with a useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at acquired value at the time received. Normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

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

G. LONG-TERM LIABILITIES

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

In the governmental fund financial statements, bond premium and discounts, if any, as well as bond issue costs, are recognized during the current period. The face amount of the debt issue, along with the related discount or premium, if any, is reported as other financing sources while debt issue costs are reported as debt service expenditures.

H. FUND EQUITY

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

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

- Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District’s manager to which the assigned amounts are to be used for specific purposes as outlined by the board of directors’ approval of a resolution. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget.
- Unassigned – this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

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

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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

I. 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. There were no interfund transfers during the year ended December 31, 2023.

J. 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.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY PRINCIPLES

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

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

Expenditure estimates in the annual budgets are enacted into law through the passage of an appropriation resolution. The Board of Directors may amend the original adopted budget during the year by passing a new resolution to reflect current needs. This District did not amend its budget for 2023.

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

III. DETAILED NOTES FOR ALL FUNDS

A. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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

DEPOSITS

The District's deposits at December 31, 2023 consist of the following:

Demand deposits	<u>\$1,212,600</u>
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DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

III. DETAILED NOTES FOR ALL FUNDS (Cont'd.)

At December 31, 2023, the carrying amount of the District's deposits was \$1,212,600 and the bank balance was \$1,559,462. Of the bank balance, \$650,483 was covered by federal depository insurance and \$908,979 was collateralized in two financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must be equal to at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. At December 31, 2023, deposits with a bank balance of \$908,979 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the District's name.

B. RECEIVABLES

Receivables at December 31, 2023, consist of the following:

	Governmental Activities			<u>Total</u>
	<u>General Fund</u>	<u>Conservation Trust Fund</u>		
Accounts	\$ 17,136	\$ -		\$ 17,136
Other governments	<u>5,251</u>	<u>-</u>		<u>5,251</u>
	<u>\$ 22,387</u>	<u>\$ -</u>		<u>\$ 22,387</u>
		Business-Type Activities		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Accounts	<u>\$ 31,233</u>	<u>\$ 2,856</u>	<u>\$ 5,026</u>	<u>\$ 39,115</u>
	<u>\$ 31,233</u>	<u>\$ 2,856</u>	<u>\$ 5,026</u>	<u>\$ 39,115</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

III. DETAILED NOTES FOR ALL FUNDS (Cont'd.)

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance January 1, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2023</u>
Governmental activities –				
Capital assets not being depreciated –				
Land	\$ 1,633,673	\$ -	\$ -	\$ 1,633,673
Roads	<u>1,102,645</u>	<u>-</u>	<u>-</u>	<u>1,102,645</u>
Total capital assets not being depreciated	<u>2,736,318</u>	<u>-</u>	<u>-</u>	<u>2,736,318</u>
Capital assets being depreciated –				
Land improvements	151,741	-	-	151,741
Buildings	18,875	-	-	18,875
Equipment	<u>11,252</u>	<u>-</u>	<u>-</u>	<u>11,252</u>
	<u>181,868</u>	<u>-</u>	<u>-</u>	<u>181,868</u>
Less: accumulated depreciation for –				
Land improvements	(112,006)	(5,281)	-	(117,287)
Buildings	(15,711)	(365)	-	(16,076)
Equipment	<u>(3,806)</u>	<u>(953)</u>	<u>-</u>	<u>(4,759)</u>
Total accumulated depreciation	<u>(131,523)</u>	<u>(6,599)</u>	<u>-</u>	<u>(138,122)</u>
Capital assets being depreciated, net	<u>50,345</u>	<u>(6,599)</u>	<u>-</u>	<u>43,746</u>
Total governmental activities capital assets, net	<u>\$ 2,786,663</u>	<u>\$ (6,599)</u>	<u>\$ -</u>	<u>\$ 2,780,064</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

III. DETAILED NOTES FOR ALL FUNDS (Cont'd.)

Business-type activities –

Capital assets not being depreciated

Land and rights of way	\$ 67,938	\$ -	\$ -	\$ 67,938
Total capital assets not being depreciated	67,938	-	-	67,938

Capital assets being depreciated –

Treatment plant	874,994	-	-	874,994
Source of supply	333,865	15,000	-	348,865
Collection, transmission and distribution	1,066,619	-	-	1,066,619
Equipment	26,626	1,063	-	27,689
Total capital assets being depreciated	2,302,104	16,063	-	2,318,167

Less: accumulated depreciation for –

Treatment plant	(471,973)	(21,390)	-	(493,363)
Source of supply	(187,534)	(9,684)	-	(197,218)
Collection, transmission and distribution	(756,912)	(19,248)	-	(776,160)
Equipment	(13,963)	(1,665)	-	(15,628)
Total accumulated depreciation	(1,430,382)	(51,987)	-	(1,482,369)

Capital assets being depreciated, net 871,722 (35,924) - 835,798

Total business-type activities capital assets, net \$ 939,660 \$ (35,924) \$ - \$ 903,736

Depreciation expense for governmental activities totaling \$6,599 was charged to the general government function.

Depreciation expense for business-type activities was charged as follows:

Water fund	\$ 26,182
Sewer fund	5,764
Wastewater fund	20,041
	\$ 51,987

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

III. DETAILED NOTES FOR ALL FUNDS (Cont'd.)

D. LONG-TERM LIABILITIES

	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>	Due Within One <u>Year</u>
Business-type activities					
Bonds payable					
Series 2017, wastewater revenue bonds	\$ <u>315,000</u>	\$ _____ -	\$ <u>(30,000)</u>	\$ <u>285,000</u>	\$ <u>27,500</u>
 Total business-type activities	 \$ <u>315,000</u>	 \$ _____ -	 \$ <u>(30,000)</u>	 \$ <u>285,000</u>	 \$ <u>27,500</u>

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

The following is a description of the series 2017 wastewater revenue bond:

\$450,000 series 2017 wastewater revenue bond; interest rate of 3.18%; due in quarterly principal and interest payments ranging from \$7,047 to \$35,379 beginning June 2018 through June 2032; collateralized by an irrevocable lien but not necessarily an exclusive lien on the net revenue of the wastewater system.

\$ 285,000

The debt service requirements for the series 2017 wastewater revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	27,500	8,705	36,205
2025	35,000	7,771	42,771
2026	32,500	6,698	39,198
2027	30,000	5,684	35,684
2028	35,000	4,671	39,671
2029-2032	<u>125,000</u>	<u>6,936</u>	<u>131,936</u>
	<u>\$ 285,000</u>	<u>\$ 40,465</u>	<u>\$ 325,465</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

III. DETAILED NOTES FOR ALL FUNDS (Cont'd.)

E. 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, 2023 for governmental activities is as follows:

Tabor	\$ 18,000
Parks projects	<u>32,601</u>
	<u>\$ 50,601</u>

Restricted for tabor – This represents an amount in excess of 3% of the District’s fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District’s net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this account.

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

F. FUND BALANCES

At December 31, 2023, fund balances for governmental funds consist of the following:

	Governmental Funds		
	General Fund	Conservation Trust Fund	Total
Nonspendable –			
Prepaid items	\$ 3,512	\$ -	\$ 3,512
Restricted –			
Tabor	18,000	-	18,000
Parks projects	-	32,601	32,601
Unassigned	<u>311,912</u>	<u>-</u>	<u>311,912</u>
Total fund balances	<u>\$ 333,424</u>	<u>\$ 32,601</u>	<u>\$ 366,025</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

IV. OTHER NOTE DISCLOSURES

A. RISK MANAGEMENT

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

B. UNDIVIDED INTEREST

In May, 2015, the District and Durango West Metropolitan District No. 1 entered into an intergovernmental agreement and service contract relating to the District's wastewater facility. The purpose of this intergovernmental agreement and service contract was to clarify the ownership, operation and maintenance of the District's wastewater plant and terminate the previous 1991 intergovernmental agreement and service contract. The adopted intergovernmental agreement and service contract provides that ownership of the wastewater plant shall be vested equally between the District and Durango West Metropolitan District No. 1 and the District will operate the wastewater plant to provide service for both the District and Durango West Metropolitan District No. 1. Based on the terms outlined in the intergovernmental agreement and service contract, the District has accounted for this agreement as an "undivided interest" in accordance with generally accepted accounting principles. As such, the District has reported its share (50%) of the assets, liabilities, revenues and expenses associated with the wastewater facility beginning May 28, 2015 and continuing as of and for the year ended December 31, 2023.

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

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

IV. OTHER NOTE DISCLOSURES (Cont'd.)

C. OTHER MATTERS

Colorado voters previously passed an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. The District has made certain interpretations of the amendment's language in order to determine its compliance.

D. EVALUATION OF SUBSEQUENT EVENTS

We have evaluated subsequent events through the date of the independent auditors' report, the day the financial statements were available to be issued, and have considered any relevant matters in the preparation of the financial statements and footnotes.

REQUIRED SUPPLEMENTARY INFORMATION

DURANGO WEST METROPLITAN DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Highway users tax	\$ 20,000	\$ 20,000	\$ 20,851	\$ 851
Charges for services	206,232	205,632	207,331	1,699
Interest	200	200	7,051	6,851
Other	6,300	6,900	9,035	2,135
TOTAL REVENUES	<u>232,732</u>	<u>232,732</u>	<u>244,268</u>	<u>11,536</u>
EXPENDITURES				
Current -				
Road operations	84,000	84,000	74,244	9,756
Security lights	5,500	5,500	3,622	1,878
Common area maintenance	68,500	68,500	40,561	27,939
Administration	44,930	44,930	44,328	602
Capital outlay	17,000	17,000	-	17,000
TOTAL EXPENDITURES	<u>219,930</u>	<u>219,930</u>	<u>162,755</u>	<u>57,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES				
	12,802	12,802	81,513	68,711
FUND BALANCE, January 1	<u>274,615</u>	<u>274,615</u>	<u>251,911</u>	<u>(22,704)</u>
FUND BALANCE, December 31	<u>\$ 287,417</u>	<u>\$ 287,417</u>	<u>\$ 333,424</u>	<u>\$ 46,007</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

BUDGETARY INFORMATION

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

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

Expenditure estimates in the annual budget are enacted into law by the passage of an appropriation resolution. Budgetary control exists at the total fund level and encumbrance accounting is not employed as part of the budgetary process. The District may amend the original adopted budget during the year by passing a new resolution to reflect current needs. The District did not amend its budget for 2023.

DURANGO WEST METROPOLITAN DISTRICT NO. 2
CONDITION RATING OF TRANSPORTATION NETWORK
DECEMBER 31, 2023

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

PERCENTAGE OF LANE MILES
 IN GOOD OR BETTER CONDITION

<u>2023</u>	<u>2022</u>	<u>2021</u>
81%	88%	85%

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

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

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

COMPARISON OF NEEDED TO ACTUAL MAINTENANCE

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Needed	\$ 26,500	\$ 150,000	\$ 40,970	\$ 62,311	\$ 72,000
Actual	<u>1,480</u>	<u>151,500</u>	<u>40,970</u>	<u>57,373</u>	<u>78,201</u>
Difference	<u>\$ 25,020</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ (4,938)</u>	<u>\$ 6,201</u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CONSERVATION TRUST FUND
DECEMBER 31, 2023

	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 3,200	\$ 6,116	\$ 2,916
Interest	15	786	771
TOTAL REVENUES	<u>3,215</u>	<u>6,902</u>	<u>3,687</u>
EXPENDITURES			
Project expenditures	<u>23,000</u>	-	<u>23,000</u>
TOTAL EXPENDITURES	<u>23,000</u>	<u>-</u>	<u>23,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,785)	6,902	26,687
FUND BALANCE, January 1	<u>18,829</u>	<u>25,699</u>	<u>6,870</u>
FUND BALANCE, December 31	<u><u>\$ (956)</u></u>	<u><u>\$ 32,601</u></u>	<u><u>\$ 33,557</u></u>

DURANGO WEST METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WATER FUND
DECEMBER 31, 2023

	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget</u>
REVENUES AND OTHER FINANCING SOURCES			
Charges for services	\$ 329,520	\$ 363,733	\$ 34,213
Interest	<u>80</u>	<u>9,511</u>	<u>9,431</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>329,600</u>	<u>373,244</u>	<u>43,644</u>
EXPENDITURES			
Current -			
Source of supply	197,500	164,915	32,585
Water treatment	21,815	21,011	804
Water transmission and distribution	55,000	3,536	51,464
Administration	40,930	45,468	(4,538)
Capital outlay	<u>35,500</u>	<u>15,000</u>	<u>20,500</u>
TOTAL EXPENDITURES	<u>350,745</u>	<u>249,930</u>	<u>100,815</u>
NET CHANGE IN FUND BALANCE	<u>\$ (21,145)</u>	123,314	<u>\$ 144,459</u>
GAAP ADJUSTMENTS			
Capital outlay		15,000	
Depreciation		<u>(26,182)</u>	
CHANGE IN NET POSITION		<u>\$ 112,132</u>	

DURANGO WEST METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEWER FUND
DECEMBER 31, 2023

	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget</u>
REVENUES			
Charges for services	\$ 34,872	\$ 35,154	\$ 282
Interest	160	2,653	2,493
TOTAL REVENUES	<u>35,032</u>	<u>37,807</u>	<u>2,775</u>
EXPENDITURES AND OTHER FINANCING USES			
Current -			
Sewer treatment	2,438	-	2,438
Sewer transmission and distribution	17,500	10,444	7,056
Administration	13,530	14,158	(628)
Capital outlay	-	2,219	(2,219)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>33,468</u>	<u>26,821</u>	<u>6,647</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,564</u>	<u>10,986</u>	<u>\$ 9,422</u>
GAAP ADJUSTMENTS			
Capital outlay		2,219	
Depreciation		(5,764)	
CHANGE IN NET POSITION		<u>\$ 7,441</u>	

DURANGO WEST METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WASTEWATER FUND
DECEMBER 31, 2023

	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget</u>
REVENUES AND OTHER FINANCING SOURCES			
Charges for services	\$ 102,144	\$ 103,800	\$ 1,656
Interest	1,000	9,611	8,611
TOTAL REVENUES	<u>103,144</u>	<u>113,411</u>	<u>10,267</u>
EXPENDITURES			
Current -			
Wastewater treatment	28,227	27,925	302
Wastewater transmission and distribution	7,300	3,743	3,557
Administration	33,501	28,478	5,023
Interest expense	9,639	9,559	80
Principle	30,000	30,000	-
Capital outlay	2,500	9,536	(7,036)
TOTAL EXPENDITURES	<u>111,167</u>	<u>109,241</u>	<u>1,926</u>
NET CHANGE IN FUND BALANCE	<u>\$ (8,023)</u>	4,170	<u>\$ 12,193</u>
GAAP ADJUSTMENTS			
Depreciation		(20,040)	
Principle		30,000	
Capital outlay		9,536	
CHANGE IN NET POSITION		<u>\$ 23,666</u>	