

Purgatory Metropolitan District
Financial Statements
December 31, 2021

**Purgatory Metropolitan District
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December 31, 2021**

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Independent Auditor's Report

Board of Directors
Purgatory Metropolitan District
Durango, CO 81302

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Purgatory Metropolitan District (the "District"), as of and for the year ended December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 and the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

rfarmer, llc

July 28, 2022

Management's Discussion and Analysis

The management of Purgatory Metropolitan District (the District) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended December 31, 2021.

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, 2021. 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 \$9,185,846.
2. Total revenues of \$1,788,243 exceeded total expenses of \$1,236,570 by \$551,673.
3. General revenues totaled \$940,750 in 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis, basic financial statements including the notes to the financial statements and other supplementary information

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Purgatory Metropolitan District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 funds and the business-type activities.

The Statement of Net Position (see page 3) presents information on all of the District's assets, liabilities, and deferred inflows of resources with the difference 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 4) 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 ensure and 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.

Proprietary Fund. Proprietary fund accounting uses the same basis of accounting as private-sector business enterprises. The District has one enterprise fund: the Utility Fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The proprietary fund basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The Statement of Net Position presents information on the assets and liabilities of the District's enterprise fund, with the difference between the two 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's enterprise fund is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Position reports the operating revenues and expenses and non-operating revenues and expenses of the District's enterprise fund for the year with the difference—the net income or loss—being combined with any capital contributions to determine the net change in net position for the fiscal year. That change combined with the net position at the end of the previous year total to the net position at the end of the current fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities of the enterprise fund for the fiscal year resulting from operating activities, capital and related financing activities, noncapital 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.

The District adopts an annual appropriated budget for each of its funds. Budgetary comparison statements have been provided for the General Fund as part of the basic financial statements; the budgetary comparison statements for the Utility Fund and the Park and Recreation Funds are presented in the supplementary information in the audited financial statements to demonstrate compliance with those budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 24 of this report.

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. Administration and operations are funded from user fees, property taxes and specific ownership taxes
3. Adequate reserves are maintained

The District Board reviews long term capital and operating plans at least annually to insure that District financial goals are being met and obligations can be met.

Day-to-Day Operational Control of the District

For operational control, the District has segmented its budget into 3 categories: the General Fund, the Capital Projects Fund and the Utility Fund. This allows the District to easily track revenues and expenditures.

The General Fund provides for the administration of the District. The major sources of revenue are monies collected for property taxes and specific ownership taxes. The General Fund collected \$933,726 and \$956,267 in property and specific ownership taxes during 2021 and 2020, respectively.

The Capital Projects Fund is used to record the infrastructure development and other capital purchases of the District. During 2021 no funds were transferred to the Capital Projects Fund.

The District operates its Utility Fund as a self-supporting enterprise. Revenues received from user fees and other sources are sufficient to cover the day-to-day operating expenses of this fund, as well as assist in the funding of capital improvements.

Capital projects, including infrastructure and equipment purchases, are funded with operating revenues. The District, operating under a "pay-as-you-go" philosophy, is consciously building reserves sufficient to handle anticipated infrastructure expenses to be incurred over the twenty +/- years.

The District's day-to-day operational control involves many levels of planning, forecasting, and budgeting. Revenues and expenses are allocated to specific functions of the District. The staff presents monthly financial reports to the board of directors. The reports contain revenues and expenditures compared to the adopted budget. It is an essential tool that is critical to the District's internal control structure and continuing financial analysis.

Financial Analysis

Net Position

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

TABLE A
Statement of Net Position

TABLE A
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$4,974,974	\$4,645,143	\$457,849	\$415,628	\$5,432,823	\$5,060,771
Capital assets (net of accumulated depreciation)	4,680,491	3,709,198	4,845,457	3,078,156	9,525,948	6,787,354
Total assets	9,655,465	8,354,341	5,303,306	3,493,784	14,958,771	11,848,125
Accounts payable	76,511	24,626	115,192	27,858	191,703	52,484
Other liabilities	2,425	6,147			2,425	6,147
Noncurrent liabilities	2,086,198	1,236,787	2,605,281	1,079,973	4,691,479	2,316,760
Total liabilities	2,165,134	1,267,560	2,720,473	1,107,831	4,885,607	2,375,391
Deferred Inflows						
Unearned property taxes	887,318	838,559			887,318	838,559
Net position:						
Net investment						
in capital assets	2,594,293	2,472,411	2,240,176	1,998,184	4,834,469	4,470,595
Restricted	48,600	9,042			48,600	9,042
Unrestricted	3,960,120	3,766,769	342,657	387,769	4,302,777	4,154,538
Total net position	\$6,603,013	\$6,248,222	\$2,582,833	\$2,385,953	\$9,185,846	\$8,634,175

The above table shows that the District finances are stable. Governmental restricted net position of \$48,600 in 2021 and \$9,042 in 2020, and net investment in capital assets of \$2,594,293 and \$2,472,411 in 2021 and 2020, respectively, represent the amount of net position not available for future appropriations. Whereas, unrestricted funds of \$3,960,120 and \$3,766,769 in 2021 and 2020 respectively are available for future use.

Business-type activities unrestricted net position, of \$551,485 in 2021, and \$372,300 in 2020 are available for future appropriations. Business type net position, net investment in capital assets of \$2,240,176 and \$1,998,184 are not available for future appropriations. Table A

demonstrates that the District's immediate and long-range financial needs are being monitored and managed and can be reasonably expected to be met.

Table B shows the revenues, expenditures, and changes in net position for 2021 and 2020.

TABLE B
CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Charges for services	\$63,376	\$43,405	\$783,779	\$616,942	\$847,155	\$660,347
Operating grants	237	201			237	201
Total operating expenses	<u>649,573</u>	<u>528,519</u>	<u>586,790</u>	<u>543,022</u>	<u>1,236,363</u>	<u>1,071,541</u>
Operating income (loss)	(585,960)	(484,913)	196,989	73,920	(388,971)	(410,993)
General revenues						
Property taxes	933,726	956,267			933,726	956,267
Interest	4,454	22,853	101	1,476	4,555	24,329
Other	<u>2,570</u>	<u>1,600</u>	<u>(207)</u>	<u>(228)</u>	<u>2,363</u>	<u>1,372</u>
Total general revenues	<u>940,750</u>	<u>980,720</u>	<u>(106)</u>	<u>1,248</u>	<u>940,644</u>	<u>981,968</u>
Change in net position	<u>354,790</u>	<u>495,807</u>	<u>196,883</u>	<u>75,168</u>	<u>551,673</u>	<u>570,975</u>
Beginning net position	<u>6,248,223</u>	<u>5,752,416</u>	<u>2,385,950</u>	<u>2,310,782</u>	<u>8,634,173</u>	<u>8,063,200</u>
Ending net position	<u>\$6,603,013</u>	<u>\$6,248,223</u>	<u>\$2,582,833</u>	<u>\$2,385,950</u>	<u>\$9,185,846</u>	<u>\$8,634,175</u>

An examination of Table B for 2021 and 2020 shows that net position in the business-type activities increased by \$176,883 in 2021 and by \$75,168 in 2020. Depreciation expense remains the largest expense in the utility fund. Depreciation expense was \$286,698 and \$257,450 in 2021 and 2020 respectively.

Governmental activities experienced an increase in revenues in 2021 of \$19,971. Expenses in 2021 were higher than 2020 by \$121,054. Snow removal during calendar year 2021 was the primary expense difference between years, with 2021 incurring approximately \$63,053 more for snow removal in 2021 over 2020.

On a year-to-year basis the District plans to operate within its policies. Operations are expected to produce sufficient income to allow the District to implement its long range plans.

BUDGETARY HIGHLIGHTS

The schedule of revenues and expenses, actual compared to final budget, for the General Fund is included in the required supplementary information on page 25. For 2021, the General Fund budgeted to spend \$1,217,414 and actually spent \$1,620,866. The district included in its 2021 budget appropriation \$3,416,201 as a contingency. This contingency amount was available to be used for capital outlay and other expenses as needed. This is not expected to have a negative impact on future budgets or operations.

The budget comparison schedule for the proprietary type fund, the Utility Fund is included in other supplementary information on page 26.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The board of directors and management of Purgatory Metropolitan District consider many factors when they set the annual budget. Projected Ad Valorem tax revenues, user fees, and growth are all evaluated and considered before a final budget is adopted. In addition to normal operations, the District also allocates significant funding to capital projects as necessary. Capital projects scheduled for 2021 are as follows:

- Wastewater treatment plant construction
- Refining wastewater treatment plant process design

The District conducted a water and sewer rate study during 2018. The intent was to determine what rate adjustments may be appropriate in the future. Based on that study, rates will increase in mid-2022. A follow up rate study will be completed as part of the wastewater treatment plant design.

As a part of refining the treatment process for the new plant, the District is conducting additional lab testing now in order to train staff on lab procedures and to build data on the condition of the District influent waste flow seasonally.

Construction of a new Wastewater Treatment Plant, which is currently in the planning stage, will most certainly require that the District obtain long-term debt financing for a substantial portion of the construction cost. The debt service on this obligation will be incorporated into future budgets, likely beginning in 2022. Funding has been secured with construction expected to begin early in 2023.

In addition, the assessed value of property within the district has been increasing steadily since 2015, from that value of \$18,693,460 to the value today of \$23,898,610. The District has not increased its mill levy, but due to increased values is receiving additional property tax revenues.

CONTACTING THE DISTRICT'S FINANCE 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 Frankie White, Finance Manager of Purgatory Metropolitan District at P.O. Box 2501, Durango, Colorado 81302 or (970) 247-3954.

Government-Wide Financial Statements

Purgatory Metropolitan District
Statement of Net Position
December 31, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Equivalents	\$ 4,081,994	\$ 445,783	\$ 4,527,777
Receivables	892,171	4,267	896,438
Prepaid expenses	809	7,799	8,608
Capital Assets			
Land and improvements	1,211,553	3,651	1,215,204
Construction in progress	2,700	1,046,881	1,049,581
Building and treatments facilities	6,550,738	9,088,655	15,639,393
Less accumulated depreciation	<u>(3,084,500)</u>	<u>(5,293,730)</u>	<u>(8,378,230)</u>
Total capital assets	<u>4,680,491</u>	<u>4,845,457</u>	<u>9,525,948</u>
Total assets	<u>9,655,465</u>	<u>5,303,306</u>	<u>14,958,771</u>
LIABILITIES			
Accounts payable and accrued expenses	76,511	115,192	191,703
Other liabilities	2,425	-	2,425
Amounts due to developer	<u>2,086,198</u>	<u>2,605,281</u>	<u>4,691,479</u>
Total liabilities	2,165,134	2,720,473	4,885,607
Deferred Inflows of Resources			
Deferred property taxes	<u>887,318</u>	-	<u>887,318</u>
Total	<u>3,052,452</u>	<u>2,720,473</u>	<u>5,772,925</u>
NET POSITION			
Net investment in Capital Assets	2,594,293	2,240,176	4,834,469
Restricted for emergencies	48,600	-	48,600
Unrestricted	<u>3,960,120</u>	<u>342,657</u>	<u>4,302,777</u>
Total net position	<u>\$ 6,603,013</u>	<u>\$ 2,582,833</u>	<u>\$ 9,185,846</u>

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

Purgatory Metropolitan District
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
General government	\$ 238,424	\$ 58,465	\$ 237	\$ (179,722)	\$ -	\$ (179,722)
Road operations	389,006	-	-	(389,006)	-	(389,006)
Park and recreation	22,143	4,911	-	(17,232)	-	(17,232)
Total governmental activities	<u>649,573</u>	<u>63,376</u>	<u>237</u>	<u>(585,960)</u>	<u>-</u>	<u>(585,960)</u>
Business-type activities:						
Utility fund	586,790	783,779	-	-	196,989	196,989
Total business-type activities	<u>586,790</u>	<u>783,779</u>	<u>-</u>	<u>-</u>	<u>196,989</u>	<u>196,989</u>
Total primary government	<u>\$ 1,236,363</u>	<u>\$ 847,155</u>	<u>\$ 237</u>	<u>\$ (585,960)</u>	<u>196,989</u>	<u>(388,971)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				840,406	-	840,406
Specific ownership				93,320	-	93,320
Unrestricted investment earnings				4,454	101	4,555
Miscellaneous				2,570	-	2,570
Special item - gain (loss) on disposition of assets				-	(207)	(207)
Total general revenues, special items, and transfers				<u>940,750</u>	<u>(106)</u>	<u>940,644</u>
Change in net position				354,790	196,883	551,673
Net position - beginning				6,248,223	2,385,950	8,634,173
Net position - ending				<u>\$ 6,603,013</u>	<u>\$ 2,582,833</u>	<u>\$ 9,185,846</u>

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

Fund Financial Statements

**Purgatory Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2021**

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,559,101	\$ 1,559,101
Taxes receivable, net	887,318	887,318
Due from other funds	2,522,893	2,522,893
Other receivables	4,853	4,853
Work in progress	2,700	2,700
Prepaid expenses	809	809
Total assets	4,977,674	4,977,674
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	74,008	74,008
Accrued payroll	2,503	2,503
Other liabilities	2,425	2,425
Total liabilities	78,936	78,936
Deferred Inflow of Resources:		
Deferred property taxes	887,318	887,318
Fund balances:		
Reserved for:		
Committed - contractual	2,086,198	2,086,198
Restricted for - emergencies	48,600	48,600
Unassigned	1,876,622	1,876,622
Total fund balances	4,011,420	4,011,420
Total liabilities and fund balances	\$ 4,977,674	\$ 4,977,674

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

Purgatory Metropolitan District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021

Total fund balance, governmental funds \$ 4,011,420

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. 4,680,491

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (2,088,898)

Net Position of Governmental Activities in the Statement of Net Position \$ 6,603,013

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

Purgatory Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	Total Governmental Funds
REVENUES		
Property Taxes	\$ 840,406	\$ 840,406
SO Tax	93,320	93,320
Intergovernmental	237	237
Charges for services	63,376	63,376
Investment earnings	4,454	4,454
Miscellaneous	2,570	2,570
Total revenues	1,004,363	1,004,363
EXPENDITURES		
Current:		
General government	238,424	238,424
Road operations	143,872	143,872
Park and recreation	15,002	15,002
Debt Service:		
Capital outlay	1,223,568	1,223,568
Total Expenditures	1,620,866	1,620,866
Excess (deficiency) of revenues over expenditures	(616,503)	(616,503)
Net change in fund balances	(616,503)	(616,503)
Fund balances - beginning	4,627,923	4,627,923
Fund balances - ending	\$ 4,011,420	\$ 4,011,420

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

Purgatory Metropolitan District
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, 2021

Net change in fund balances - total governmental funds: \$ (616,503)

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 \$1,223,568 is more than depreciation of \$252,275 in the current period.

971,293

Change in net position of governmental activities:

\$ 354,790

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

**Purgatory Metropolitan District
Statement of Net Position
Proprietary Fund
December 31, 2021**

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 445,783
Accounts receivable, net	4,267
Prepaid expenses	7,799
Total current assets	457,849
Non-current assets:	
Capital assets:	
Non-depreciable	3,651
Depreciable	9,088,655
Construction in Progress	1,046,881
Less accumulated depreciation	(5,293,730)
Total non-current assets	4,845,457
Total assets	5,303,306
 LIABILITIES	
Current liabilities:	
Accounts payable	111,506
Accrued payroll	3,686
Total current liabilities	115,192
Non-current liabilities:	
Amounts due to developer	2,605,281
Total non-current liabilities	2,605,281
Total liabilities	2,720,473
 NET POSITION	
Net Investment in capital assets	2,240,176
Unrestricted	342,657
Total net position	\$ 2,582,833

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

Purgatory Metropolitan District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2021

	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 457,461
Other operating income	326,318
Total operating revenues	783,779
 OPERATING EXPENSES	
Salaries	134,609
Administrative and general	53,533
Utilities	37,131
Repairs and maintenance	30,620
Employee benefits	43,801
Supplies	3,399
Depreciation	283,698
Total Operating Expenses	586,791
Operating income (loss)	196,988
 NON-OPERATING REVENUES (EXPENSES)	
Interest earnings	101
Total non-operating revenue (expenses)	101
Income (loss) before contributions and transfers	197,089
Special item - loss on disposition of assets	(207)
Change in net position	196,882
Total net position - beginning	2,385,951
Total net position - ending	\$ 2,582,833

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

**Purgatory Metropolitan District
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2021**

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 1,143,209
Cash payments to suppliers for goods & services	(24,959)
Cash payments for salaries & benefits	<u>(179,240)</u>
Net cash provided by operating activities	<u>939,010</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:	
Capital Grants	(365,526)
Purchase of fixed assets including increase in work in progress	<u>(525,898)</u>
Net cash (used) in capital and related financing activities	<u>(891,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>101</u>
Net cash provided from investing activities	<u>101</u>
Net increase (decrease) in cash and cash equivalents	47,687
CASH & CASH EQUIVALENTS:	
Beginning of Year	398,096
End of Year	<u><u>445,783</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating (loss)	196,988
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	283,698
Loss on donated assets	365,526
Change in assets and liabilities:	
(Increase) decrease in receivables	(6,096)
(Increase) decrease in prepaid expenses	11,559
Increase (decrease) in accrued payroll	(830)
Increase (decrease) in accounts payable	<u>88,165</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 939,010</u></u>

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

**Purgatory Metropolitan District
Notes to the Financial Statements
December 31, 2021**

Note 1 Principal Activity and Significant Accounting Policies

Principal Business Activity

Purgatory Water and Sanitation District (the “District”) was formed in 1969, under the laws of the State of Colorado, to provide water and sanitation services to its customers in the District. By resolution of the Board of Directors in 1982, the District was converted to a metropolitan district in order to provide, in addition to its water and sanitation services, street improvements; safety protection facilities; park and recreation facilities; mosquito control facilities; and services to the residents and property owners of the District.

In June, 2007, the Board of Directors approved the formation of the Purgatory Metropolitan District La Plata/San Juan Sub-District (the “Sub-District”) in accordance with C.R.S. 32-1-1101(1)(f). The Sub-District, a quasi-municipal corporation, was formed for the purpose of collecting an additional mill levy to fund new infrastructure or improvements required to service the area. The Sub-District is fully controlled by the District’s Board of Directors. The Sub-District, which began operations in 2008, is a blended component unit and reported as part of overall operations of the District. The Sub-District does not have separately issued audit reports. For the year ended December 31, 2021, the Sub-District received \$186,287 in property tax revenue and \$20,745 of specific ownership tax. The Sub-District had no fund balance or net position as of December 31, 2021.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as they relate to government entities. Following is a summary of the more significant policies.

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government.

The Statement of Net Position presents the financial condition of the governmental activities at year-end. The Statement of Activities presents a comparison between program expenses and the program revenues for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service program or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of program expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general District revenues.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds.

Fund Accounting

The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The categories of funds used by the District are governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows or resources and liabilities and deferred inflows or resources is reported as fund balance. The following are the district's governmental funds:

General Fund – The General Fund is the operating fund for the District and is used to account for all financial resources except those required to be accounted for in another fund.

Park and Recreation Fund – The Park and Recreation Fund was formed in 2009 to account for the activities related to the parks located within the District.

Effective January 1, 2016, as a result of the Board's approval, this fund is to be reported as part of the General Fund.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the district's proprietary fund:

Utility Fund – The Utility Fund is used to account for the revenues generated from the charges for distribution of water and sanitary sewer services provided to the residential and commercial users of the District.

Measurement Focus:

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

Fund Financial Statements

All government funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues

Revenues resulting from exchange transactions, in which each party gives and receives essentially the same value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, typically within sixty days of realization.

Nonexchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year in which all eligibility

requirements have been satisfied. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets and Budgetary Accounting

The District Board follows these procedures in establishing the budgetary data reflected in the financial statements:

In accordance with the State Statute, prior to October 15, the District's manager submits to the Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures (expenses) and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding two years. State Statute requires that a detailed line-item budget be submitted in the summary form. In addition, detailed line-item budgets are included for administrative control at the fund level.

Public hearings are conducted to obtain taxpayer comment, and prior to December 31, the budget is legally enacted through passage of a budget resolution.

The District's manager is required to present a monthly report to the District's Board explaining any variance from the approved budget.

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Utility Fund.

The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Colorado State Statute requires the adoption of a budget for proprietary funds. The budget for the Utility Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that the District excludes depreciation and amortization and includes tap fees as revenue.

Appropriations lapse at the end of the calendar year.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers demand deposits at financial institutions and funds on deposit with COLOTRUST to be cash equivalents.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. All unpaid taxes levied December 31 become delinquent on June 16. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is provided for those accounts that management feels may be ultimately uncollectible.

Capital Assets

General capital assets are those assets not specifically related to activities reported in other funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund.

All capital assets are recorded at cost or estimated historical cost and are updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The District maintains a capitalization policy of \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and water rights are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Water and wastewater treatment facilities	20-50
Roads and improvements	12-20
Machinery and equipment	5-15

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 governmental funds report unavailable revenues from property taxes for which there is an enforceable legal claim as of January 1, 2021, which are levied to finance year 2021. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position, invested in capital assets, consists of capital assets, net of accumulated depreciation and any related debt. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The district applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net position are available.

Fund Balances

The district has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. Based on this statement, fund balances of governmental funds can be classified as follows:

- Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or it is legally or contractually required to be maintained intact.
- Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation. The District's restricted fund balance represents amounts reserved for emergencies under the Colorado State Constitution.
- Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the Board of Directors prior to the end of the fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors. The district has no committed fund balance.

- Assigned fund balance – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund. The district has no assigned fund balance.
- Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the general fund.

If both restricted and unrestricted amounts of fund balance are available for use when expenditure is made, it is the District’s policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and then unassigned.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

Capital Contributions

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap fees or from grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimated and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates.

Note 2 Cash and Cash Investments

Cash deposits

At December 31, 2021, the District’s cash deposits had a carrying value of \$2,765,434 and a corresponding bank balance of \$2,765,023 of which \$250,000 was FDIC insured and \$2,515,023 was collateralized by securities held by the pledging financial institution’s trust department or agent in the District’s name.

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover

deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depositary insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (e.g. deposits insured by the Public Deposit Protection Act (PDPA)). Accordingly, none of the District's deposits at December 31, 2021 are deemed to be exposed to custodial credit risk.

The Colorado Public Deposit Protection Act requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 103% of the uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets.

Investments

Colorado statute specifies investment instruments meeting defined rating and risk criteria in which special districts may invest, including:

- Obligations of the United States and certain United States government agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.

The District does not have custodial risk policies for investments.

At December 31, 2021, the District had \$1,762,754 invested in Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for government entities in Colorado to pool surplus funds. As an investment pool, COLOTRUST operates under the Colorado revised Statutes (24-75-701) and is

overseen by the Colorado Securities Commissioner. The Trust invests in securities that are specified by the Colorado Revised Statutes (24-75-601). These assets are valued at net asset value per share as determined by the pool and are not subject to leveling as required by GASB Statement No. 72. Authorized securities include US Treasuries, US Agencies, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA). The Trust operates similar to a 2a7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. COLOTRUST is rated AAA by the Standard & Poor's Corporation. Designated custodial banks provide safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions of the Trusts. Substantially all securities owned by the Trusts are held by the Federal Reserve Bank in the account maintained for the custodial bank.

Note 3 Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2021, is as follows:

	Governmental Activities			Balance 12/31/2021
	Balance 01/01/2021	Additions	Deletions	
Governmental Activities				
Non-depreciable:				
Land and improvements	\$ 1,211,553	\$ -	\$ -	\$ 1,211,553
Construction in progress	2,700	-	-	2,700
Total non-depreciable assets	1,214,253	-	-	1,214,253
Depreciable:				
Road and park improvements	4,120,455	1,223,568	-	5,344,023
Buildings	920,150	-	-	920,150
Equipment	286,565	-	-	286,565
Total depreciable assets	5,327,170	1,223,568	-	6,550,738
Total capital assets	6,541,423	1,223,568	-	7,764,991
Less accumulated depreciation:				
Road and park improvements	(2,546,616)	(192,949)	-	(2,739,565)
Buildings	(171,013)	(51,961)	-	(222,974)
Equipment	(114,596)	(7,365)	-	(121,961)
Total accumulated depreciation	(2,832,225)	(252,275)	-	
Governmental Activities Capital assets, net	\$ 3,709,198	\$ 971,293	\$ -	\$ 4,680,491

Governmental activities depreciation expense by functions:

Road operations	\$ 229,648
Parks and recreation	<u>22,627</u>
Total depreciation expense	<u>\$ 252,275</u>

Capital asset activity for business-type activities for the year ended December 31, 2021 is as follows:

	Business-type Activities			
	Balance 01/01/2021	Additions	Deletions	Balance 12/31/2021
Business-type Activities				
Non-depreciable:				
Land and water rights	\$ 3,651	\$ -	\$ -	\$ 3,651
Construction in progress	530,735	516,145	-	1,046,880
Total non-depreciable assets	<u>534,386</u>	<u>516,145</u>	<u>-</u>	<u>1,050,531</u>
Depreciable:				
Water treatment facilities	4,133,269	747,575	-	4,880,844
Wastewater treatment facilities	3,068,228	777,733	-	3,845,961
Machinery and equipment	356,610	5,240	-	361,850
Total depreciable assets	<u>7,558,107</u>	<u>1,530,548</u>	<u>-</u>	<u>9,088,655</u>
Total capital assets	<u>8,092,493</u>	<u>2,046,693</u>	<u>-</u>	<u>10,139,186</u>
Less accumulated depreciation:				
Water treatment facilities	(2,549,779)	(167,841)	-	(2,717,620)
Wastewater treatment facilities	(2,178,368)	(106,327)	-	(2,284,695)
Machinery and equipment	(286,190)	(9,530)	-	(295,720)
Total accumulated depreciation	<u>(5,014,337)</u>	<u>(283,698)</u>	<u>-</u>	<u>(5,298,035)</u>
Business-type Activities Capital assets, net	<u>\$ 3,078,156</u>	<u>\$ 1,762,995</u>	<u>\$ -</u>	<u>\$ 4,841,151</u>

Business-type activities depreciation expense by function:

Utility fund	<u>\$ 283,698</u>
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Note 4 Developer Master Payment Agreement

The District has entered into a Master Payment Agreement for Dedicated and Accepted Infrastructure Costs (the agreement) with Durango Mountain Land Company, LLC (the Developer). As part of the agreement, the District has agreed to utilize system development fees, current and future, collected from property owners within the District to reimburse the Developer on behalf of the District for costs incurred by the Developer for newly constructed infrastructure dedicated to and accepted by the District that is permitted under the terms of the agreement.

From the inception of the agreement, the District has accepted infrastructure valued at \$7,891,518 in both the general fund and utility fund. Payments totaling \$3,200,039 have been made to the Developer per the agreement for this infrastructure leaving a balance due of \$4,691,479. According to the agreement, the District will set aside 100% of the system development fees collected from properties that are being developed in order to pay down this advance. The general fund portion was treated as a developer advance on the governmental statements upon inception, and a long-term developer payable on the government-wide statements. The utility fund portion of the liability, \$2,605,281 is reflected as a long-term payable in the utility fund.

During 2021, the District accepted assets totaling \$1,223,568 in the General Fund and amounts due to developer of \$1,223,568. The amounts are recorded as an increase in equity and capital outlay. In addition, the General Fund paid the developer \$374,157, which is shown as a reduction of equity.

The addition of \$1,223,568 and the repayment of \$374,157 are reflected as a net increase in the General Fund, committed-contractual fund balance with an ending balance of \$2,086,198 as of December 31, 2021.

On the Statement of Net Position-Governmental Activities, the \$1,223,568 is recorded as an increase in building and treatment facilities with an increase in amounts due to developer of the same amount. The payment of \$374,157 is recorded as a reduction in the amount due to developer, resulting in an ending balance of \$2,086,198.

Note 5 Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claim have not exceeded this coverage in the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for the purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 6**Tax, Spending and Debt Limitations**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserve. These reserves must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

In May 2000, an election was held whereby the voters in the District approved the authorization of the District to retain and spend all revenues and, as a result, is no longer subject to the property tax revenue limitations under C.R.S. 29-1-301.

Required Supplementary Information

**Purgatory Metropolitan District
Budget and Actual
General
For the year ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 838,559	\$ 838,559	\$ 840,406
SO Taxes	85,000	85,000	93,320
Intergovernmental	-	-	237
Charges for services	17,098	17,098	63,376
Investment earnings	30,635	30,635	4,454
Miscellaneous	15,000	15,000	2,570
Total revenues	<u>986,292</u>	<u>986,292</u>	<u>1,004,363</u>
EXPENDITURES			
Current:			
General government	220,614	220,614	238,424
Road operations	186,700	186,700	143,872
Park and recreation	25,100	25,100	15,002
Contingency	3,416,201	3,416,201	-
Capital outlay	785,000	785,000	1,223,568
Total Expenditures	<u>4,633,615</u>	<u>4,633,615</u>	<u>1,620,866</u>
Excess (deficiency) of revenues over expenditures	<u>(3,647,323)</u>	<u>(3,647,323)</u>	<u>(616,503)</u>
Net change in fund balances	(3,647,323)	(3,647,323)	(616,503)
Fund balances - beginning	<u>3,647,323</u>	<u>3,647,323</u>	<u>4,627,923</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,011,420</u>

Other Supplementary Information

**Purgatory Metropolitan District
Budget and Actual
Proprietary Fund
For the year ended December 31, 2021**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charge for services	\$ 546,728	\$ 546,728	\$ 457,461
Investment earnings	2,005	2,005	101
Other operating income	2,281	2,281	326,318
Total revenues	<u>551,014</u>	<u>551,014</u>	<u>783,880</u>
EXPENDITURES			
Salaries	169,609	169,609	134,609
Administrative and general	39,621	39,621	53,533
Utilities	40,000	40,000	37,131
Repairs and maintenance	34,000	34,000	30,620
Employee benefits	-	-	43,801
Supplies	3,500	3,500	3,399
Contingency	1,150,944	1,150,944	-
Total operating expenses	<u>1,437,674</u>	<u>1,437,674</u>	<u>303,093</u>
Operating income (loss)	(886,660)	(886,660)	480,787
RECONCILING ITEM TO GAAP FINANCIAL STATEMENTS			
Depreciation	-	-	(283,698)
SPECIAL ITEM			
Loss on disposition of assets	-	-	(207)
Net change in net position	(886,660)	(886,660)	196,882
Net position - beginning	886,660	886,660	2,582,833
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,779,715</u>