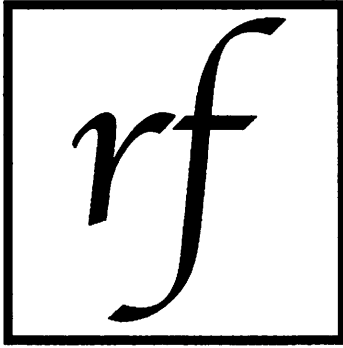


Purgatory Metropolitan District  
Financial Statements  
December 31, 2022

**Purgatory Metropolitan District  
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December 31, 2022**

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*Independent Auditor's Report*

Board of Directors  
Purgatory Metropolitan District  
Durango CO 81032

***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, 2022, 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, and each major fund of the District as of December 31, 2022, 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***

The District's 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*r farmer, llc*

*a certified public accounting and consulting firm*

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*po box 1173 203 east oak street lamar, colorado 81052 719.336.7428 719.336.2982*

## ***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 required supplementary information including the management's discussion and analysis and 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 the District's basic financial statements. The budget and actual information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budget and actual 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 budget and actual information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***rfarmer, llc***

September 18, 2023

## 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, 2022.

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, 2022. 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 \$9,800,014.
2. Total revenues of \$1,956,995 exceeded total expenses of \$1,342,824 by \$614,171.
3. General revenues totaled \$910,932 in 2022.

### 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 25 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	
	2022	2021	2022	2021	2022	2021
Current assets	\$5,535,617	\$4,974,974	\$12,575,106	\$457,849	\$18,110,723	\$5,432,823
Capital assets (net of accumulated depreciation)	4,432,909	4,680,491	5,897,839	4,845,457	10,330,748	9,525,948
<b>Total assets</b>	<b>9,968,526</b>	<b>9,655,465</b>	<b>18,472,945</b>	<b>5,303,306</b>	<b>28,441,471</b>	<b>14,958,771</b>
Accounts payable	26,988	76,511	88,760	115,192	115,748	191,703
Other liabilities	2,425	2,425	13,100,901		13,103,326	2,425
Noncurrent liabilities	2,015,304	2,086,198	2,435,925	2,605,281	4,451,229	4,691,479
<b>Total liabilities</b>	<b>2,044,717</b>	<b>2,165,134</b>	<b>15,625,586</b>	<b>2,720,473</b>	<b>17,670,303</b>	<b>4,885,607</b>
Deferred Inflows						
Unearned property taxes	971,154	887,318			971,154	887,318
Net position:						
Net investment						
in capital assets	2,015,304	2,594,293	3,461,914	2,240,176	5,477,218	4,834,469
Restricted	13,200	48,600			13,200	48,600
Unrestricted	4,924,151	3,960,120	(614,555)	342,657	4,309,596	4,302,777
<b>Total net position</b>	<b>\$6,952,655</b>	<b>\$6,603,013</b>	<b>\$2,847,359</b>	<b>\$2,582,833</b>	<b>\$9,800,014</b>	<b>\$9,185,846</b>

The above table shows that the District finances are stable. Governmental restricted net position of \$13,200, in 2022 and \$48,600 in 2021, and net investment in capital assets of \$2,015,304 and \$2,594,293 in 2022 and 2021, respectively, represent the amount of net position not available for future appropriations. Whereas, unrestricted funds of \$4,924,151 and \$3,960,120 in 2022 and 2021 respectively are available for future use.

Business-type activities unrestricted net position, at December 31, 2022 is negative. This is due to the construction costs for the new wastewater plant and the debt for the construction. The District expects this to be a negative until the plant is constructed, and then to go back into the positive. Business type net position, net investment in capital assets of \$3,461,914 and \$2,240,176 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 2022 and 2021.

TABLE B  
CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Charges for services	\$64,272	\$63,376	\$825,351	\$783,779	\$889,623	\$847,155
Operating grants	1,049	237	\$1,055		2,104	237
Total operating expenses	<u>770,255</u>	<u>649,573</u>	<u>716,214</u>	<u>586,790</u>	<u>1,486,469</u>	<u>1,236,363</u>
Operating income (loss)	(704,934)	(585,960)	110,192	196,989	(594,742)	(388,971)
General revenues						
Property taxes	999,738	933,726			999,738	933,726
Interest	54,088	4,454	3,563	101	57,651	4,555
Other	<u>750</u>	<u>2,570</u>	<u>150,773</u>	<u>(207)</u>	<u>151,523</u>	<u>2,363</u>
Total general revenues	<u>1,054,576</u>	<u>940,750</u>	<u>154,336</u>	<u>(106)</u>	<u>1,208,912</u>	<u>940,644</u>
Change in net position	<u>349,642</u>	<u>354,790</u>	<u>264,528</u>	<u>196,883</u>	<u>614,170</u>	<u>551,673</u>
Beginning net position	<u>6,603,013</u>	<u>6,248,223</u>	<u>2,582,831</u>	<u>2,385,950</u>	<u>9,185,844</u>	<u>8,634,173</u>
Ending net position	<u>\$6,952,655</u>	<u>\$6,603,013</u>	<u>\$2,847,359</u>	<u>\$2,582,833</u>	<u>\$9,800,014</u>	<u>\$9,185,846</u>

An examination of Table B for 2022 and 2021 shows that net position in the business-type activities increased by \$264,528 in 2022 and by \$186,883 in 2021. Depreciation expense remains the largest expense in the utility fund. Depreciation expense was \$266,501 and \$286,698 in 2022 and 2021 respectively.

Governmental activities experienced an increase in revenues in 2022 of \$113,826. Expenses in 2022 were higher than 2021 by \$120,682. Transfer out to the utility fund of property taxes earmarked for the utility fund of \$150,773 is the primary reason for the increased expenses in 2022.

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 26. For 2022, the General Fund budgeted to spend \$5,413,360 and actually spent \$442,797. The district included in its 2022 budget appropriation \$4,184,292 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 27.

## **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 2023 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-2023. 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 bid stage, has required the District to 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, beginning in 2023. Funding has been secured with construction expected to begin late in 2023.

The District is currently in the planning phase for the replacement of aging infrastructure related to the Shoel St. watermain, the line is reaching the end of its useful life cycle and will require replacement. This project will also require long term debt financing.

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 \$27,527,270. 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, 2022**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Equivalents	3,611,160	\$ 1,127,706	\$ 4,738,866
Receivables	976,307	12,387,141	13,363,448
Internal Balances	946,945	(946,945)	-
Prepaid expenses	1,205	7,204	8,409
Capital Assets			
Land and improvements	1,211,553	3,651	1,215,204
Construction in progress	2,700	2,213,118	2,215,818
Building and treatments facilities	6,550,738	9,241,301	15,792,039
Less accumulated depreciation	(3,332,082)	(5,560,231)	(8,892,313)
Total capital assets	<u>4,432,909</u>	<u>5,897,839</u>	<u>10,330,748</u>
Total assets	<u>9,968,526</u>	<u>18,472,945</u>	<u>28,441,471</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	26,988	88,760	115,748
Other liabilities	2,425	-	2,425
Long-term liabilities			
Due in more than one year			
Note payable	-	13,100,901	13,100,901
Amounts due to developer	2,015,304	2,435,925	4,451,229
Total liabilities	<u>2,044,717</u>	<u>15,625,586</u>	<u>17,670,303</u>
Deferred Inflows of Resources			
Deferred property taxes	971,154	-	971,154
Total	<u>3,015,871</u>	<u>15,625,586</u>	<u>18,641,457</u>
<b>NET POSITION</b>			
Net investment in Capital Assets	2,015,304	3,461,914	5,477,218
Restricted for emergencies	13,200	-	13,200
Unrestricted	4,924,151	(614,555)	4,309,596
Total net position	<u>\$ 6,952,655</u>	<u>\$ 2,847,359</u>	<u>\$ 9,800,014</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, 2022**

Functions/Programs	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>					
Governmental Activities					
General government	\$ 371,900	\$ 1,049	\$ (306,579)	\$ -	\$ (306,579)
Road operations	247,582	-	(247,582)	-	(247,582)
Total governmental activities	619,482	1,049	(554,161)	-	(554,161)
<b>Business-type activities:</b>					
Utility fund	716,214	1,055	-	110,192	110,192
Total business-type activities	716,214	1,055	-	110,192	110,192
Total primary government	\$ 1,335,696	\$ 2,104	\$ (554,161)	110,192	(443,969)
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes			901,561	-	901,561
Specific ownership			98,178	-	98,178
Unrestricted investment earnings			54,088	3,563	57,651
Miscellaneous			750	-	750
Transfers			(150,773)	150,773	-
Total general revenues, special items, and transfers			903,804	154,336	1,058,140
Change in net position			349,643	264,528	614,171
Net position - beginning			6,603,012	2,582,831	9,185,843
Net position - ending			\$ 6,952,655	\$ 2,847,359	\$ 9,800,014

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

**Purgatory Metropolitan District  
Balance Sheet  
Governmental Funds  
December 31, 2022**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,611,160
Taxes receivable, net	971,154
Due from other funds	1,097,717
Other receivables	5,153
Work in progress	2,700
Prepaid expenses	1,205
Total assets	5,689,089
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	24,284
Accrued payroll	2,704
Other liabilities	2,425
Due to other funds	150,773
Total liabilities	180,186
Deferred Inflow of Resources:	
Deferred property taxes	971,154
Fund balances:	
Reserved for:	
Work in progress	2,700
Non-spendable - prepaid expenses	1,205
Committed - contractual	2,015,304
Restricted for - emergencies	13,200
Unassigned	2,505,340
Total fund balances	4,537,749
Total liabilities and fund balances	\$ 5,689,089

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, 2022**

Total fund balance, governmental funds	\$ 4,537,749
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.	4,430,209
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.	(2,015,304)
Rounding	<u>1</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 6,952,655</u></u>

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, 2022**

	<b>General</b>
<b>REVENUES</b>	
Property Taxes	\$ 901,562
SO Tax	98,178
Intergovernmental	1,049
Charges for services	64,272
Investment earnings	54,088
Miscellaneous	750
Total revenues	1,119,899
<b>EXPENDITURES</b>	
Current:	
General government	238,174
Road operations	116,714
Park and recreation	17,013
Debt Service:	
Principal	70,896
Total Expenditures	442,797
Excess (deficiency) of revenues over expenditures	677,102
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in (out)	(150,773)
Total other financing sources and uses	(150,773)
Net change in fund balances	526,329
Fund balances - beginning	4,011,420
Fund balances - ending	\$ 4,537,749

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, 2022**

Net change in fund balances - total governmental funds: \$ 526,329

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 \$0 is less than depreciation of \$247,582 in the current period. (247,582)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 70,896

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Change in net position of governmental activities: \$ 349,643

**Purgatory Metropolitan District  
Statement of Net Position  
Proprietary Fund  
December 31, 2022**

	<b>Utility Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,127,706
Accounts receivable, net	(993)
Due from other funds	150,773
Other receivables	12,388,135
Prepaid expenses	7,204
Total current assets	13,672,825
Non-current assets:	
Capital assets:	
Non-depreciable	3,651
Depreciable	9,241,301
Construction in Progress	2,213,118
Less accumulated depreciation	(5,560,231)
Total non-current assets	5,897,839
Total assets	19,570,664
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	84,810
Accrued payroll	3,951
Due to other funds	1,097,717
Total current liabilities	1,186,478
Non-current liabilities:	
Amounts due to developer	2,435,925
Bonds, notes and loans payable	13,100,901
Total non-current liabilities	15,536,826
Total liabilities	16,723,304
<b>NET POSITION</b>	
Net Investment in capital assets	3,461,914
Restricted for debt service	120,124
Unrestricted	(734,678)
Total net position	\$ 2,847,360

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, 2022**

	<b>Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 484,071
Operating grants and contributions	1,055
Other operating income	341,280
Total operating revenues	826,406
 <b>OPERATING EXPENSES</b>	
Salaries	131,198
Administrative and general	202,783
Utilities	37,735
Repairs and maintenance	41,593
Employee benefits	32,485
Supplies	3,920
Depreciation	266,501
Total Operating Expenses	716,215
Operating income (loss)	110,191
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest earnings	3,563
Total non-operating revenue (expenses)	3,563
Income (loss) before contributions and transfers	113,754
Transfers in	150,773
Change in net position	264,527
Total net position - beginning	2,582,833
Total net position - ending	\$ 2,847,360

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, 2022**

	<b>Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from charges for services	\$ 830,611
Cash Received from Other Grants	1,055
Cash payments to suppliers for goods & services	(312,132)
Cash payments for salaries & benefits	(163,418)
Net cash provided by operating activities	356,116
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers In	150,773
Net cash provided in noncapital and related financing activities	150,773
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>	
Due to other funds	954,072
Payments made on advances from developer	(169,356)
Increase in construction note payable	712,766
Purchase of fixed assets including increase in work in progress	(1,326,011)
Net cash (used) in capital and related financing activities	171,471
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	3,563
Net cash provided from investing activities	3,563
Net increase (decrease) in cash and cash equivalents	681,923
<b>CASH &amp; CASH EQUIVALENTS:</b>	
Beginning of Year	445,783
End of Year	1,127,706
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating (loss)	110,191
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	266,501
Change in assets and liabilities:	
(Increase) decrease in receivables	5,260
(Increase) decrease in prepaid expenses	595
Increase (decrease) in accrued payroll	265
Increase (decrease) in accounts payable	(26,696)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 356,116</b>

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

**Purgatory Metropolitan District  
Notes to the Financial Statements  
December 31, 2022**

**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, 2022, the Sub-District received \$192,511 in property tax revenue and \$21,095 of specific ownership tax. The Sub-District had no fund balance or net position as of December 31, 2022.

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.

### *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. As of December 31, 2022, there was not an allowance for uncollectible receivables.

*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, 2023, which are levied to finance year 2023. 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, 2022, the District's cash deposits had a carrying value of \$920,485 and a corresponding bank balance of \$1,151,449 of which \$250,000 was FDIC insured and \$901,449 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 depository 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, 2022 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, 2022, the District had \$3,804,461 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, 2022, is as follows:

	Governmental Activities			Balance 12/31/2022
	Balance 01/01/2022	Additions	Deletions	
<b>Governmental Activities</b>				
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	5,344,023	-	-	5,344,023
Buildings	920,150	-	-	920,150
Equipment	286,565	-	-	286,565
Total depreciable assets	6,550,738	-	-	6,550,738
Total capital assets	7,764,991	-	-	7,764,991
Less accumulated depreciation:				
Road and park improvements	(2,739,565)	(192,949)	-	(2,932,514)
Buildings	(222,974)	(47,268)	-	(270,242)
Equipment	(121,961)	(7,365)	-	(129,326)
Total accumulated depreciation	(3,804,500)	(247,582)	-	(3,332,082)
Governmental Activities Capital assets, net	\$ 4,680,491	\$ (247,582)	\$ -	\$ 4,432,909

Governmental activities depreciation expense by functions:

Road operations \$ 247,582

Capital asset activity for business-type activities for the year ended December 31, 2022 is as follows:

	Business-type Activities			Balance 12/31/2022
	Balance 01/01/2022	Additions	Deletions	
<b>Business-type Activities</b>				
Non-depreciable:				
Land and water rights	\$ 3,651	\$ -	\$ -	\$ 3,651
Construction in progress	1,046,880	1,166,238	-	2,213,118
Total non-depreciable assets	1,050,531	1,166,238	-	2,213,118
Depreciable:				
Water treatment facilities	4,880,844	-	-	4,880,844
Wastewater treatment facilities	3,845,961	-	-	3,845,961
Machinery and equipment	361,850	152,646	-	514,496
Total depreciable assets	9,088,655	152,646	-	9,241,301
Total capital assets	10,139,186	1,318,884	-	11,458,070
Less accumulated depreciation:				
Water treatment facilities	(2,717,620)	(168,489)	-	(2,886,109)
Wastewater treatment facilities	(2,284,695)	(98,012)	-	(2,382,707)
Machinery and equipment	(295,720)	-	-	(295,720)
Total accumulated depreciation	(5,298,035)	(266,501)	-	(5,564,536)
Business-type Activities Capital assets, net	\$ 4,841,151	\$ 1,052,383	\$ -	\$ 5,893,534

Business-type activities depreciation expense by function:

Utility fund	<u>\$ 266,501</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 2022, there were not any assets transferred from the developer to the District.

During 2022, the general made payments totaling \$70,894 which leaves a balance due of \$2,015,304. The amount is shown as a liability in the Statement of Net Position and is Committed-Contractual Fund Balance in the Balance Sheet.

**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, 2022. 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. The settled claims 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.

**Note 7 Long-Term Debt**

*Business-Type Activities*

Balance at 12/31/2021	Additions	Subtractions	Balance at 12/31/2022	Due Within One Year
\$ -	\$ 13,110,952	\$ 10,051	\$ 13,100,901	\$ 10,051

During 2022, the LaPlata San Juan Sub-District entered into a loan agreement with the CWRPDA for a principal amount of \$13,110,952. The loan is payable in semi-annual principal and interest payments starting August 1, 2022, with a maturity date of August 1, 2052. The loan bears interest at an average of 3.09%. The loan is secured by property taxes and service revenues as detailed in the Capital Pledge Agreement. Proceeds from the loan are providing financing for the construction of the new wastewater treatment facility. Loan interest averages 3.09%.

The following are considered to be events of default under the loan agreement:

- (a) Failure by the District to pay or cause to be paid any amounts required to be paid when due, which failure shall continue for a period of ten days.
- (b) Failure by the District to make or cause to be made any required payments of principal of redemption premium if any interest on any bonds, notes or other obligations for borrowed money, after giving effect to the applicable grace period, the payments of which are secured by pledged property.
- (c) Failure by the District to pay or cause to be paid the Administrative Fee or any portion thereof when due or to observe and perform any duty covenant obligation or agreement on its part to be observed or performed under the loan agreement and other than a failure to comply with the provisions of the loan agreement, which failure shall continue for a period of thirty days after written notice specifying such failure and requesting that it be remedied is given to the District by the Trustee.
- (d) A petition is filed by or against the District under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of the loan agreement or thereafter enacted unless in the case of any such petition filed against the District such petition shall be dismissed within thirty days after such filing and such dismissal shall be final and not subject to appeal or the District shall become insolvent or bankrupt or make an

assignment for the benefit of its creditors or a custodian including without limitation a receiver liquidator or trustee of the District or any of its property shall be appointed by court order to take possession of the District or its property or assets if such order remains in effect or such possession continues for more than thirty days.

In the event of default, the lender may initiate legal proceedings to enforce their rights under the loan agreement.

*Operations and Maintenance Reserve Fund*

The loan agreement with the CWRPDA requires the sub-District wastewater fund to maintain an operations and maintenance reserve in an amount equal to three months of Operations and Maintenance Expenses excluding depreciation of the System as set forth in the annual budget for the current fiscal year but in no event greater than \$1,250,000. Said reserve may be in the form of unobligated fund balances or other unobligated cash or securities (i.e., capital reserves) or may be in a separate segregated fund and shall be maintained as a continuing reserve for payment of any lawful purpose relating to the System. If the operations and maintenance reserves fall below this requirement, the shortfall shall be made up in 24 substantially equal monthly installments beginning the second month after such shortfall or the date of delivery.

**Required Supplementary Information**

**Purgatory Metropolitan District  
Budget and Actual  
General  
For the year ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Property Taxes	\$ 887,318	\$ 887,318	\$ 901,562
SO Taxes	60,000	60,000	98,178
Intergovernmental	-	-	1,049
Charges for services	37,368	37,368	64,272
Investment earnings	5,000	5,000	54,088
Miscellaneous	2,000	2,000	750
Total revenues	<u>991,686</u>	<u>991,686</u>	<u>1,119,899</u>
<b>EXPENDITURES</b>			
Current:			
General government	298,704	298,704	238,174
Road operations	195,000	195,000	116,714
Park and recreation	97,000	97,000	17,013
Debt Service:			
Principal	-	-	70,896
Contingency	4,184,292	4,184,292	-
Capital outlay	638,364	638,364	-
Total Expenditures	<u>5,413,360</u>	<u>5,413,360</u>	<u>442,797</u>
Excess (deficiency) of revenues over expenditures	<u>(4,421,674)</u>	<u>(4,421,674)</u>	<u>677,102</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	(150,773)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(150,773)</u>
Net change in fund balances	(4,421,674)	(4,421,674)	526,329
Fund balances - beginning	4,421,674	4,421,674	4,011,420
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,537,749</u>

## **Other Supplementary Information**

**Purgatory Metropolitan District  
Budget and Actual  
Proprietary Fund  
For the year ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Charge for services	\$ 502,819	\$ 502,819	\$ 484,071
Investment earnings	2,000	2,000	3,563
Operating grants and contributions	-	-	1,055
Other operating income	197,548	197,548	341,280
Total revenues	<u>702,367</u>	<u>702,367</u>	<u>829,969</u>
<b>EXPENDITURES</b>			
Salaries and employee benefits	198,468	198,468	163,683
Administrative and general	52,000	52,000	202,783
Utilities	35,000	35,000	37,735
Repairs and maintenance	38,500	38,500	41,593
Supplies	4,000	4,000	3,920
Contingency	836,649	836,649	-
Capital outlay	681,000	681,000	1,318,883
Total operating expenses	<u>1,845,617</u>	<u>1,845,617</u>	<u>1,768,597</u>
Operating income (loss)	<u>(1,143,250)</u>	<u>(1,143,250)</u>	<u>(938,628)</u>
<b>RECONCILING ITEM TO GAAP FINANCIAL STATEMENTS</b>			
Depreciation	<u>-</u>	<u>-</u>	<u>(266,501)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>150,773</u>
Total other financing sources and use	<u>-</u>	<u>-</u>	<u>150,773</u>
<b>SPECIAL ITEM</b>			
Reconciling item--capital outlay	<u>-</u>	<u>-</u>	<u>1,318,883</u>
Net change in net position	<u>(1,143,250)</u>	<u>(1,143,250)</u>	<u>264,527</u>
Net position - beginning	<u>1,143,250</u>	<u>1,143,250</u>	<u>2,582,833</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,847,360</u>