



Purgatory Metropolitan District  
Financial Statements  
December 31, 2023

**Purgatory Metropolitan District  
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December 31, 2023**

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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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

### ***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 on 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*

November 21, 2024

## 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, 2023.

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, 2023. 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 \$10,731,256.
2. Total revenues of \$3,092,000 exceeded total expenses of \$1,817,143 by \$1,274.857
3. General revenues totaled \$1,766,952 in 2023.

### 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 \$1,085,483 and \$999,739 in property and specific ownership taxes during 2023 and 2022, respectively. New in 2023 the General Fund also collected \$429,797 in sales taxes.

The Capital Projects Fund is used to record the infrastructure development and other capital purchases of the District. During 2023 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	
	2023	2022	2023	2022	2023	2022
Current assets	\$6,448,573	\$5,535,617	\$11,361,878	\$12,575,106	\$17,810,451	\$18,110,723
Capital assets (net of accumulated depreciation)	4,599,229	4,432,909	7,240,246	5,897,839	11,839,475	10,330,748
<b>Total assets</b>	<b>11,047,802</b>	<b>9,968,526</b>	<b>18,602,124</b>	<b>18,472,945</b>	<b>29,649,926</b>	<b>28,441,471</b>
Accounts payable	47,798	26,988	23,214	88,760	71,012	115,748
Other liabilities	2,425	2,425		13,100,901	2,425	13,103,326
Noncurrent liabilities	2,358,919	2,015,304	15,375,459	2,435,925	17,734,378	4,451,229
<b>Total liabilities</b>	<b>2,409,142</b>	<b>2,044,717</b>	<b>15,398,673</b>	<b>15,625,586</b>	<b>17,807,815</b>	<b>17,670,303</b>
Deferred Inflows						
Unearned property taxes	1,110,855	971,154			1,110,855	971,154
Net position:						
Net investment in capital assets	2,240,310	2,015,304	4,955,637	3,461,914	7,195,947	5,477,218
Restricted	213,856	13,200			213,856	13,200
Unrestricted	5,073,639	4,924,151	(1,752,186)	(614,555)	3,321,453	4,309,596
<b>Total net position</b>	<b>\$7,527,805</b>	<b>\$6,952,655</b>	<b>\$3,203,451</b>	<b>\$2,847,359</b>	<b>\$10,731,256</b>	<b>\$9,800,014</b>

The above table shows that the District finances are stable. Governmental restricted net position of \$213,856, in 2023 and \$13,200 in 2022, and net investment in capital assets of \$2,240,310 and \$2,015,304 in 2023 and 2022, respectively, represent the amount of net position not available for future appropriations. Whereas, unrestricted funds of \$5,073,639 and \$4,924,151 in 2023 and 2022 respectively are available for future use.

Business-type activities unrestricted net position, at December 31, 2023 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 \$4,955,637 and \$3,461,914 in 2023 and 2022, respectively 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 2023 and 2022.

TABLE B  
CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Charges for services	\$76,745	\$64,272	\$903,535	\$825,351	\$980,280	\$889,623
Operating grants	1,153	1,049		\$1,055	1,153	2,104
Capital grants	343,615				343,615	
Total operating expenses	<u>1,240,118</u>	<u>770,255</u>	<u>1,019,993</u>	<u>716,214</u>	<u>2,260,111</u>	<u>1,486,469</u>
Operating income (loss)	(818,605)	(704,934)	(116,458)	110,192	(935,063)	(594,742)
General revenues						
Property taxes	1,085,483	999,738			1,085,483	999,738
Sales tax	429,797				429,797	
Interest	213,263	54,088	29,581	3,563	242,844	57,651
Other	8,828	750	442,968	150,773	451,796	151,523
Total general revenues	<u>1,737,371</u>	<u>1,054,576</u>	<u>472,549</u>	<u>154,336</u>	<u>2,209,920</u>	<u>1,208,912</u>
Change in net position	<u>918,766</u>	<u>349,642</u>	<u>356,091</u>	<u>264,528</u>	<u>1,274,857</u>	<u>614,170</u>
Beginning net position	<u>6,609,039</u>	<u>6,603,013</u>	<u>2,847,360</u>	<u>2,582,831</u>	<u>9,456,399</u>	<u>9,185,844</u>
Ending net position	<u><u>\$7,527,805</u></u>	<u><u>\$6,952,655</u></u>	<u><u>\$3,203,451</u></u>	<u><u>\$2,847,359</u></u>	<u><u>\$10,731,256</u></u>	<u><u>\$9,800,014</u></u>

An examination of Table B for 2023 and 2022 shows that net position in the business-type activities increased by \$356,091 in 2023 and by \$264,528 in 2022. Administrative and general expense of \$472,735 was the largest expense in the utility fund in 2023. Depreciation expense of \$266,501 was the largest expense in the utility fund in 2022.

Governmental activities experienced an increase in revenues in 2023 of \$682,795. Operating expenses in 2023 were higher than 2022 by \$469,863. Capital outlay due to the construction costs of the new wastewater treatment plant are the primary reason for the increased expenses in 2023.

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 27. For 2023, the General Fund budgeted to spend \$6,313,284 and actually spent \$983,081. The district included in its 2023 budget appropriation \$5,680,589 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 28.

## **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 2024 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 increased 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 progress, has required the District to obtain long-term debt financing for a substantial portion of the construction cost. Funding has been secured and construction began 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 \$31,391,610. 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 a 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 Victoria Lopez, Finance Manager of Purgatory Metropolitan District at P.O. Box 2501, Durango, Colorado 81302 or (720) 738-7364.

## **Basic Financial Statements**

**Purgatory Metropolitan District  
Statement of Net Position  
December 31, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Equivalents	3,185,166	\$ 2,768,489	\$ 5,953,655
Receivables	1,116,008	10,704,649	11,820,657
Internal Balances	2,135,168	(2,135,168)	-
Prepaid expenses	12,231	23,908	36,139
Capital Assets			
Land and improvements	1,211,553	3,651	1,215,204
Construction in progress	2,700	3,450,087	3,452,787
Building and treatments facilities	6,907,388	9,558,765	16,466,153
Less accumulated depreciation	(3,522,412)	(5,772,257)	(9,294,669)
Total capital assets	<u>4,599,229</u>	<u>7,240,246</u>	<u>11,839,475</u>
Total assets	<u>11,047,802</u>	<u>18,602,124</u>	<u>29,649,926</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	47,798	23,214	71,012
Other liabilities	2,425	-	2,425
Long-term liabilities			
Due in more than one year			
Note payable	-	13,090,850	13,090,850
Amounts due to developer	2,358,919	2,284,609	4,643,528
Total liabilities	<u>2,409,142</u>	<u>15,398,673</u>	<u>17,807,815</u>
Deferred Inflows of Resources			
Deferred property taxes	1,110,855	-	1,110,855
Total	<u>3,519,997</u>	<u>15,398,673</u>	<u>18,918,670</u>
<b>NET POSITION</b>			
Net investment in Capital Assets	2,240,310	4,955,637	7,195,947
Restricted for: Emergencies	29,500	-	29,500
Maintenance	184,356	-	184,356
Unrestricted	5,073,639	(1,752,186)	3,321,453
Total net position	<u>\$ 7,527,805</u>	<u>\$ 3,203,451</u>	<u>\$ 10,731,256</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, 2023**

<b>Functions/Programs</b>	<b>Program Revenue</b>				<b>Net (Expense) Revenue and Changes in Net Position Primary Government</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government</b>							
Governmental Activities							
General government	\$ 585,142	\$ 76,745	\$ 1,153	\$ 343,615	\$ (163,629)	\$ -	\$ (163,629)
Road operations	212,008	-	-	-	(212,008)	-	(212,008)
Total governmental activities	<u>797,150</u>	<u>76,745</u>	<u>1,153</u>	<u>343,615</u>	<u>(375,637)</u>	<u>-</u>	<u>(375,637)</u>
Business-type activities:							
Utility fund	1,019,993	903,535	-	-	-	(116,458)	(116,458)
Total business-type activities	<u>1,019,993</u>	<u>903,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,458)</u>	<u>(116,458)</u>
Total primary government	<u>\$ 1,817,143</u>	<u>\$ 980,280</u>	<u>\$ 1,153</u>	<u>\$ 343,615</u>	<u>\$ (375,637)</u>	<u>(116,458)</u>	<u>(492,095)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					986,426	-	986,426
Sales taxes					429,797	-	429,797
Specific ownership					99,057	-	99,057
Unrestricted investment earnings					213,263	29,581	242,844
Miscellaneous					2,940	-	2,940
<i>Special item</i> - gain (loss) on disposition of assets					5,888	-	5,888
Transfers					(442,968)	442,968	-
Total general revenues, special items, and transfers					<u>1,294,403</u>	<u>472,549</u>	<u>1,766,952</u>
Change in net position					918,766	356,091	1,274,857
Net position - beginning, as restated					6,609,039	2,847,360	9,456,399
Net position - ending					<u>\$ 7,527,805</u>	<u>\$ 3,203,451</u>	<u>\$ 10,731,256</u>

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

**Purgatory Metropolitan District  
Balance Sheet  
Governmental Funds  
December 31, 2023**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,185,169
Taxes receivable, net	1,110,855
Due from other funds	2,135,168
Other receivables	5,153
Work in progress	2,700
Prepaid expenses	12,231
Total assets	6,451,276
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	47,799
Other liabilities	2,425
Total liabilities	50,224
Deferred Inflow of Resources:	
Deferred property taxes	1,110,855
Fund balances:	
Reserved for:	
Work in progress	2,700
Non-spendable - prepaid expenses	12,231
Committed - contractual	2,358,919
Restricted for - Emergencies	29,500
Maintenance	184,356
Unassigned	2,702,491
Total fund balances	5,290,197
Total liabilities and fund balances	\$ 6,451,276

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, 2023**

Total fund balance, governmental funds	\$ 5,290,197
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.	4,596,529
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.	<u>(2,358,921)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 7,527,805</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, 2023**

	<b>General</b>
<b>REVENUES</b>	
Property Taxes	\$ 986,427
SO Tax	99,057
Sales and miscellaneous taxes	429,797
Intergovernmental	1,153
Charges for services	76,745
Investment earnings	213,263
Miscellaneous	2,940
Total revenues	1,809,382
<b>EXPENDITURES</b>	
Current:	
General government	292,569
Road operations	253,973
Park and recreation	38,599
Capital outlay:	
Capital outlay	397,940
Total Expenditures	983,081
Excess (deficiency) of revenues over expenditures	826,301
<b>OTHER FINANCING SOURCES (USES)</b>	
Other source	343,615
Transfers in (out)	(442,968)
Total other financing sources and uses	(99,353)
<b>SPECIAL ITEM</b>	
Proceeds from sale of assets	25,500
Net change in fund balances	752,448
Fund balances - beginning	4,537,749
Fund balances - ending	\$ 5,290,197

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, 2023**

Net change in fund balances - total governmental funds: \$ 752,448

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 \$397,940 is more than depreciation of \$212,008 in the current period. 185,932

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the proceeds received and the gain or loss on the assets sold.

25,500

Change in net position of governmental activities: \$ 918,766

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

**Purgatory Metropolitan District  
Statement of Net Position  
Proprietary Fund  
December 31, 2023**

	<b>Utility Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,768,489
Accounts receivable, net	4,376
Other receivables	10,700,273
Prepaid expenses	23,908
Total current assets	13,497,046
Non-current assets:	
Capital assets:	
Non-depreciable	3,651
Depreciable	9,558,765
Construction in Progress	3,450,087
Less accumulated depreciation	(5,772,257)
Total non-current assets	7,240,246
Total assets	20,737,292
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	23,214
Due to other funds	2,135,168
Total current liabilities	2,158,382
Non-current liabilities:	
Amounts due to developer	2,284,609
Notes payable	13,090,850
Total non-current liabilities	15,375,459
Total liabilities	17,533,841
 <b>NET POSITION</b>	
Net Investment in capital assets	4,955,637
Unrestricted	(1,752,186)
Total net position	\$ 3,203,451

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, 2023**

	<b>Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 516,874
Other operating income	386,661
Total operating revenues	903,535
<b>OPERATING EXPENSES</b>	
Salaries	142,058
Administrative and general	472,735
Utilities	37,861
Repairs and maintenance	118,611
Employee benefits	32,015
Supplies	4,687
Depreciation	212,026
Total Operating Expenses	1,019,993
Operating income (loss)	(116,458)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest earnings	29,581
Total non-operating revenue (expenses)	29,581
Income (loss) before contributions and transfers	(86,877)
Transfers in	442,968
Change in net position	356,091
Total net position - beginning	2,847,360
Total net position - ending	\$ 3,203,451

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, 2023**

	<b>Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from charges for services	\$ 898,166
Cash payments to suppliers for goods & services	(712,194)
Cash payments for salaries & benefits	(178,024)
Net cash provided by operating activities	7,948
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers In	442,968
Net cash provided in noncapital and related financing activities	442,968
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>	
Due to other funds	1,339,541
Due to developer	(151,316)
Payments (Advances made on advances from developer)	(151,316)
Decrease in construction note receivable	1,687,862
Decrease in construction note payable	(10,051)
Purchase of fixed assets including increase in work in progress	(1,554,434)
Net cash (used) in capital and related financing activities	1,160,286
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	29,581
Net cash provided from investing activities	29,581
Net increase (decrease) in cash and cash equivalents	1,640,783
<b>CASH &amp; CASH EQUIVALENTS:</b>	
Beginning of Year	1,127,706
End of Year	2,768,489
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating (loss)	(116,458)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	212,026
Change in assets and liabilities:	
(Increase) decrease in receivables	(5,369)
(Increase) decrease in prepaid expenses	(16,704)
Increase (decrease) in accrued payroll	(3,951)
Increase (decrease) in accounts payable	(61,596)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 7,948</b>

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

**Purgatory Metropolitan District  
Notes to the Financial Statements  
December 31, 2023**

**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, 2023, the Sub-District received \$222,573 in property tax revenue and \$22,190 of specific ownership tax. The Sub-District had no fund balance or net position as of December 31, 2023.

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, 2023, 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, 2024, which are levied to finance year 2024. 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 or restricted by the District's voters.
- 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, 2023, the District's cash deposits had a carrying value of \$1,931,223 and a corresponding bank balance of \$1,958,905 of which \$250,000 was FDIC insured and \$1,708,905 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, 2023 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, 2023, the District had \$4,739,710 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, 2023, is as follows:

	Governmental Activities			Ending Balance
	Beginning Balance	Additions	Deletions	
<b>Governmental Activities:</b>				
<b>Non-depreciable:</b>				
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
<b>Depreciable:</b>				
Road and park improvements	5,344,023	356,650	-	5,700,673
Buildings	920,150	-	-	920,150
Equipment	286,565	-	(41,290)	245,275
Total depreciable assets	6,550,738	356,650	(41,290)	6,866,098
Total capital assets	7,764,991	356,650	(41,290)	8,080,351
<b>Less accumulated depreciation:</b>				
Road and park improvements	(2,932,514)	(156,719)	-	(3,089,233)
Buildings	(270,242)	(48,263)	-	(318,505)
Equipment	(129,326)	(7,026)	21,678	(114,674)
Total accumulated depreciation	(3,332,082)	(212,008)	21,678	(3,522,412)
<b>Governmental Activities</b>				
Capital assets, net	\$ 4,432,909	\$ 144,642	\$ (19,612)	\$ 4,557,939

Capital asset activity for business-type activities for the year ended December 31, 2023 is as follows:

	Business-Type Activities			
	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities:</b>				
<b>Non-depreciable:</b>				
Land and water rights	\$ 3,651	\$ -	\$ -	\$ 3,651
Construction in progress	2,213,118	1,236,969	-	2,213,118
Total non-depreciable assets	2,213,118	1,236,969	-	2,213,118
<b>Depreciable:</b>				
Water treatment facilities	4,880,844	226,015	-	4,880,844
Wastewater treatment facilities	3,845,961	79,534	-	3,845,961
Machinery and equipment	514,496	11,915	-	514,496
Total depreciable assets	9,241,301	317,464	-	9,241,301
Total capital assets	11,458,070	1,554,433	-	11,458,070
<b>Less accumulated depreciation:</b>				
Water treatment facilities	(2,886,109)	(71,580)	-	(2,886,109)
Wastewater treatment facilities	(2,382,707)	(140,446)	-	(2,382,707)
Machinery and equipment	(295,720)	-	4,305	(295,720)
Total accumulated depreciation	(5,564,536)	(212,026)	4,305	(5,564,536)
<b>Business-type Activities</b>				
Capital assets, net	\$ 5,893,534	\$ 1,342,407	\$ 4,305	\$ 5,893,534

Business-type activities depreciation expense by function:

Utility fund	<u>\$ 212,026</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 \$8,540,682 in both the general fund and utility fund. Payments totaling

\$3,897,154 have been made to the Developer per the agreement for this infrastructure leaving a balance due of \$4,643,527. 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 2023, there were not any assets transferred from the developer to the District.

During 2023, the general fund 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, 2023. 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*

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
\$ 13,100,901	\$ -	\$ 10,051	\$ 13,090,850	\$ 291,270

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.

	Principal	Interest	Service Fee	Total
2024	\$ 291,270	\$ 334,500	\$ 104,887	\$ 730,657
2025	299,142	325,000	104,887	729,029
2026	309,232	315,500	104,887	729,619
2027	318,692	305,750	104,887	729,329
2028	330,438	295,750	104,887	731,075
2029-2033	1,815,124	1,320,500	524,435	3,660,059
2034-2038	2,089,537	1,040,250	524,435	3,654,222
2039-2043	2,392,230	742,500	524,435	3,659,165
2044-2048	2,690,289	440,250	524,435	3,654,974
2049-2052	2,554,896	135,750	235,996	2,926,642
	<u>\$ 13,090,850</u>	<u>\$ 5,255,750</u>	<u>\$ 2,858,171</u>	<u>\$ 21,204,771</u>

**Note 8 Sales Tax Revenue**

During the November 8, 2022 election, the Purgatory Metropolitan District proposed a sales tax of 2.5% to take effect January 1, 2023 with the proceeds of the sales tax being used for roads, safety protection, transportation and any other use authorized by law. The question passed and the sales tax took effect January 1, 2023.

Any unspent sales tax collected will be spent in a subsequent year.

Sales tax collected in 2023	\$ 429,797
Amount spent during 2023	<u>(245,491)</u>
Remaining sales tax collected	<u>\$ 184,356</u>

**Note 9**                      **Changes in Net Position**

During 2023, the District changed how it was recognizing fixed assets received from the developer and how it was recognizing any resulting debt. The change resulted in a restatement of the beginning net position of the general fund. The fund balance of the general fund was not affected.

Beginning Net Position, as originally reported	\$ 6,952,655
Amount of restatement	<u>(343,616)</u>
Beginning Net Position, as restated	<u>\$ 6,609,039</u>

## **Required Supplementary Information**

**Purgatory Metropolitan District  
Budget and Actual  
General  
For the year ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Property Taxes	\$ 1,016,154	\$ 1,016,154	\$ 986,427
SO Taxes	-	-	99,057
Sales and miscellaneous taxes	500,000	500,000	429,797
Intergovernmental	-	-	1,153
Charges for services	-	-	76,745
Investment earnings	47,000	47,000	213,263
Miscellaneous	12,000	12,000	2,940
Total revenues	<u>1,575,154</u>	<u>1,575,154</u>	<u>1,809,382</u>
<b>EXPENDITURES</b>			
Current:			
General government	275,695	275,695	292,569
Road operations	333,000	333,000	253,973
Park and recreation	24,000	24,000	38,599
Contingency	5,889,821	5,889,821	-
Capital outlay	-	-	397,940
Total Expenditures	<u>6,522,516</u>	<u>6,522,516</u>	<u>983,081</u>
Excess (deficiency) of revenues over expenditures	<u>(4,947,362)</u>	<u>(4,947,362)</u>	<u>826,301</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Other sources	-	-	343,615
Transfers in (out)	(449,430)	(449,430)	(442,968)
Total other financing sources and uses	<u>(449,430)</u>	<u>(449,430)</u>	<u>(99,353)</u>
<b>SPECIAL ITEM</b>			
Proceeds from sale capital assets	-	-	25,500
Net change in fund balances	<u>(5,396,792)</u>	<u>(5,396,792)</u>	<u>752,448</u>
Fund balances - beginning	5,396,792	5,396,792	4,537,749
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,290,197</u>

## **Other Supplementary Information**

**Purgatory Metropolitan District  
Budget and Actual  
Proprietary Fund  
For the year ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Charge for services	\$ 495,696	\$ 495,696	\$ 516,874
Investment earnings	3,000	3,000	29,581
Other operating income	72,262	72,262	386,661
Total revenues	<u>570,958</u>	<u>570,958</u>	<u>933,116</u>
<b>EXPENDITURES</b>			
Salaries and employee benefits	209,194	209,194	174,073
Administrative and general	509,689	509,689	472,735
Utilities	40,000	40,000	37,861
Repairs and maintenance	33,000	33,000	118,611
Supplies	4,000	4,000	4,687
Contingency	147,324	147,324	-
Capital outlay	10,365,000	10,365,000	1,554,434
Total operating expenses	<u>11,308,207</u>	<u>11,308,207</u>	<u>2,362,401</u>
Operating income (loss)	<u>(10,737,249)</u>	<u>(10,737,249)</u>	<u>(1,429,285)</u>
<b>RECONCILING ITEM TO GAAP FINANCIAL STATEMENTS</b>			
Depreciation	-	-	<u>(212,026)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long term debt	10,000,000	10,000,000	
Transfers in	449,430	449,430	442,968
Total other financing sources and use	<u>10,449,430</u>	<u>10,449,430</u>	<u>442,968</u>
<b>SPECIAL ITEM</b>			
Reconciling item--capital outlay	-	-	1,554,434
Net change in net position	<u>(287,819)</u>	<u>(287,819)</u>	356,091
Net position - beginning	287,819	287,819	2,847,360
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,203,451</u>