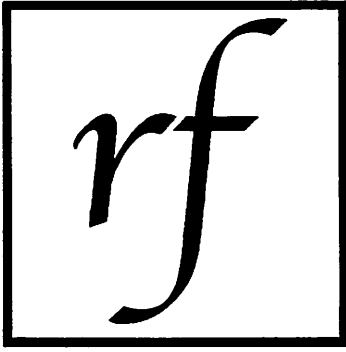


Purgatory Metropolitan District
Financial Statements
December 31, 2024

**Purgatory Metropolitan District
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December 31, 2024**

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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, 2024, 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, 2024, 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

July 28, 2025

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, 2024.

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, 2024. 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 \$12,055,122.
2. Total revenues of \$3,068,064 exceeded total expenses of \$1,744,196 by \$1,323,868
3. General revenues totaled \$2,174,303 in 2024.

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 4) 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 5) 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 26 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 \$1,286,091 and \$1,085,484 in property and specific ownership taxes during 2024 and 2023, respectively. The General Fund also collected \$648,889 and \$429,797 in sales taxes during 2024 and 2023, respectively.

The Capital Projects Fund is used to record the infrastructure development and other capital purchases of the District. During 2024 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	
	2024	2023	2024	2023	2024	2023
Current assets	\$7,389,128	\$6,448,573	\$7,399,913	\$11,361,878	\$14,789,041	\$17,810,451
Capital assets (net of accumulated depreciation)	4,421,399	4,599,229	11,943,603	7,240,246	16,365,002	11,839,475
Total assets	11,810,527	11,047,802	19,343,516	18,602,124	31,154,043	29,649,926
Accounts payable	44,416	47,798	103,080	23,215	147,496	71,013
Other liabilities	2,425	2,425	299,142	-	301,567	2,425
Noncurrent liabilities	2,419,223	2,358,919	15,098,672	15,375,459	17,517,895	17,734,378
Total liabilities	2,466,064	2,409,142	15,500,894	15,398,674	17,966,958	17,807,816
Deferred Inflows						
Unearned property taxes	1,131,963	1,110,855	-	-	1,131,963	1,110,855
Net position:						
Net investment in capital assets	2,043,741	2,240,310	3,029,650	4,955,637	5,073,391	7,195,947
Restricted	692,265	213,856	-	-	692,265	213,856
Unrestricted	5,476,494	5,073,639	812,972	(1,752,187)	6,289,466	3,321,452
Total net position	\$8,212,500	\$7,527,805	\$3,842,622	\$3,203,450	\$12,055,122	\$10,731,255

The above table shows that the District finances are stable. Governmental restricted net position of \$692,265, in 2024 and \$213,856 in 2023, and net investment in capital assets of \$2,043,741 and \$2,240,310 in 2024 and 2023, respectively, represent the amount of net position not available for future appropriations. Whereas, unrestricted funds of \$5,476,494 and \$5,073,639 in 2024 and 2023 respectively are available for future use.

Business-type activities unrestricted net position on December 31, 2024 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 \$3,029,650 and \$4,955,637 in 2024 and 2023, 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 2024 and 2023.

**TABLE B
CONDENSED STATEMENT OF ACTIVITIES**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Charges for services	\$ 19,288	\$76,745	\$873,722	\$903,535	\$893,010	\$980,280
Operating grants	751	1,153	-	-	751	1,153
Capital grants	-	343,615	-	-	-	343,615
Total operating expenses	<u>1,464,198</u>	<u>1,240,118</u>	<u>1,012,781</u>	<u>1,019,994</u>	<u>2,476,979</u>	<u>2,260,112</u>
Operating income (loss)	(1,444,159)	(818,605)	(139,060)	(116,459)	(1,583,218)	(935,064)
General revenues						
Property taxes	1,286,090	1,085,483	-	-	1,286,090	1,085,483
Sales tax	648,889	429,797	-	-	648,889	429,797
Interest	226,602	213,263	45,449	29,581	272,051	242,844
Other	<u>(32,727)</u>	<u>8,828</u>	<u>732,783</u>	<u>442,968</u>	<u>700,056</u>	<u>451,796</u>
Total general revenues	<u>2,128,854</u>	<u>1,737,371</u>	<u>778,232</u>	<u>472,549</u>	<u>2,907,086</u>	<u>2,209,920</u>
Change in net position	<u>684,695</u>	<u>918,766</u>	<u>639,173</u>	<u>356,090</u>	<u>1,323,868</u>	<u>1,274,856</u>
Beginning net position	<u>7,527,805</u>	<u>6,609,039</u>	<u>3,203,449</u>	<u>2,847,360</u>	<u>10,731,254</u>	<u>9,456,399</u>
Ending net position	<u><u>\$8,212,500</u></u>	<u><u>\$7,527,805</u></u>	<u><u>\$3,842,622</u></u>	<u><u>\$3,203,450</u></u>	<u><u>\$12,055,122</u></u>	<u><u>\$10,731,255</u></u>

An examination of Table B for 2024 and 2023 shows that net position in the business-type activities increased by \$639,173 in 2024 and by \$356,090 in 2023. Administrative and general expense of \$540,160 and \$472,735 were the largest expense in the utility fund in 2024 and 2023, respectively.

Governmental activities experienced an increase in revenues in 2024 of \$391,483. Operating expenses in 2024 were higher than 2023 by \$224,080. Capital outlay due to the construction costs of the new wastewater treatment plant are the primary reason for the increased expenses in 2024.

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 2024, the General Fund budgeted to spend \$7,438,831 and actually spent \$595,152. The district included in its 2024

budget appropriation \$6,753,179 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
- Road repairs and improvements

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.

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 \$32,026,910. 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 (970) 799-0573.

Basic Financial Statements

Purgatory Metropolitan District
Statement of Net Position
December 31, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	\$ 3,358,068	\$ 3,684,977	\$ 7,043,045
Receivables	1,139,421	6,569,190	7,708,611
Internal Balances	2,877,592	(2,877,592)	-
Prepaid expenses	14,047	23,338	37,385
Capital Assets:			
Land and improvements	1,211,553	3,651	1,215,204
Construction in progress	2,425	8,013,313	8,015,738
Building and treatment facilities	6,926,402	9,876,771	16,803,173
Less accumulated depreciation	(3,718,981)	(5,950,132)	(9,669,113)
Total capital assets	<u>4,421,399</u>	<u>11,943,603</u>	<u>16,365,002</u>
Total assets	<u>11,810,527</u>	<u>19,343,516</u>	<u>31,154,043</u>
LIABILITIES			
Accounts payable and accrued expenses	44,416	103,080	147,496
Other liabilities	2,425	-	2,425
Long-term liabilities:			
Due within one year:			
Note payable	-	299,142	299,142
Due in more than one year:			
Note payable	-	12,550,438	12,550,438
Amounts due to developer	2,419,223	2,548,234	4,967,457
Total liabilities	<u>2,466,064</u>	<u>15,500,894</u>	<u>17,966,958</u>
Deferred Inflows of Resources			
Deferred property taxes	1,131,963	-	1,131,963
Total	<u>3,598,027</u>	<u>15,500,894</u>	<u>19,098,921</u>
NET POSITION			
Net investment in Capital Assets	2,043,741	3,029,651	5,073,392
Restricted for: Emergencies	29,500	-	29,500
Maintenance	662,765	-	662,765
Unrestricted	5,476,494	812,972	6,289,466
Total net position	<u>\$ 8,212,500</u>	<u>\$ 3,842,622</u>	<u>\$ 12,055,122</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, 2024**

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental Activities:							
General government	\$ 534,847	\$ 19,288	\$ 751	\$ -	\$ (514,808)	\$ -	\$ (514,808)
Road operations	196,568	-	-	-	(196,568)	-	(196,568)
Total governmental activities	<u>731,415</u>	<u>19,288</u>	<u>751</u>	<u>-</u>	<u>(711,376)</u>	<u>-</u>	<u>(711,376)</u>
Business-type activities:							
Utility fund	1,012,781	873,722	-	-	-	(139,059)	(139,059)
Total business-type activities	<u>1,012,781</u>	<u>873,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,059)</u>	<u>(139,059)</u>
Total primary government	<u>\$ 1,744,196</u>	<u>\$ 893,010</u>	<u>\$ 751</u>	<u>\$ -</u>	<u>\$ (711,376)</u>	<u>(139,059)</u>	<u>(850,435)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,183,902	-	1,183,902
Sales taxes					648,889	-	648,889
Specific ownership					102,188	-	102,188
Unrestricted investment earnings					226,602	45,449	272,051
Miscellaneous Income (Expense)					(32,727)	-	(32,727)
Transfers					(732,783)	732,783	-
Total general revenues, special items, and transfers					<u>1,396,071</u>	<u>778,232</u>	<u>2,174,303</u>
Change in net position					684,695	639,173	1,323,868
Net position - beginning					7,527,805	3,203,449	10,731,254
Net position - ending					<u>\$ 8,212,500</u>	<u>\$ 3,842,622</u>	<u>\$12,055,122</u>

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

**Purgatory Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2024**

	General
ASSETS	
Cash and cash equivalents	\$ 3,358,068
Taxes receivable, net	1,131,963
Due from other funds	2,877,592
Other receivables	7,458
Prepaid expenses	14,047
Total assets	\$ 7,389,128
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 44,416
Other liabilities	2,425
Total liabilities	46,841
Deferred Inflow of Resources:	
Deferred property taxes	1,131,963
Fund balances:	
Reserved for:	
Work in progress	2,700
Non-spendable - prepaid expenses	14,047
Committed - contractual	2,419,223
Restricted for - Emergencies	29,500
Maintenance	662,765
Unassigned	3,082,089
Total fund balances	6,210,324
Total liabilities and fund balances	\$ 7,389,128

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, 2024

Total fund balance, governmental funds	\$ 6,210,324
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.	4,421,399
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>(2,419,223)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 8,212,500</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, 2024

	General
REVENUES	
Property Taxes	\$ 1,183,903
SO Tax	102,188
Sales and miscellaneous taxes	648,889
Intergovernmental	751
Charges for services	19,288
Investment earnings	226,602
Miscellaneous	6,138
Total revenues	2,187,759
 EXPENDITURES	
Current:	
General government	284,545
Road operations	177,955
Park and recreation	72,348
Capital outlay	60,304
Total Expenditures	595,152
Excess (deficiency) of revenues over expenditures	1,592,607
 OTHER FINANCING SOURCES (USES)	
Other source	60,304
Transfers in (out)	(732,783)
Total other financing sources and uses	(672,479)
Net change in fund balances	920,128
Fund balances - beginning	5,290,196
Fund balances - ending	\$ 6,210,324

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, 2024

Net change in fund balances - total governmental funds: \$ 920,128

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 \$60,304 is less than depreciation of \$196,568 in the current period. (136,264)

Governmental funds report seller financed acquisitions as current financial resources. In contrast, the Statement of Activities treats such activity of debt as a liability. Governmental funds report repayments as an expenditure, In contrast, the Statement of Activity treats such repayment as a reduction in a liability. (99,169)

Change in net position of governmental activities: \$ 684,695

**Purgatory Metropolitan District
Statement of Net Position
Proprietary Fund
December 31, 2024**

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,684,977
Accounts receivable, net	85,328
Other receivables	6,483,862
Prepaid expenses	23,338
Total current assets	10,277,505
Non-current assets:	
Capital assets:	
Non-depreciable	3,651
Depreciable	9,876,771
Construction in Progress	8,013,313
Less accumulated depreciation	(5,950,132)
Total non-current assets	11,943,603
Total assets	22,221,108
 LIABILITIES	
Current liabilities:	
Accounts payable	103,080
Due to other funds	2,877,592
Notes payable current portion	299,142
Total current liabilities	3,279,814
Non-current liabilities:	
Amounts due to developer	2,548,234
Notes payable	12,550,438
Total non-current liabilities	15,098,672
Total liabilities	18,378,486
 NET POSITION	
Net Investment in capital assets	3,029,651
Unrestricted	812,971
Total net position	\$ 3,842,622

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, 2024

	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 781,458
Other operating income	92,263
Total operating revenues	873,721
OPERATING EXPENSES	
Salaries	187,734
Administrative and general	540,160
Utilities	36,529
Repairs and maintenance	32,689
Employee benefits	34,826
Supplies	2,968
Depreciation	177,875
Total Operating Expenses	1,012,781
Operating income (loss)	(139,060)
NON-OPERATING REVENUES (EXPENSES)	
Interest earnings	45,449
Total non-operating revenue (expenses)	45,449
Income (loss) before contributions and transfers	(93,611)
Transfers in	732,783
Change in net position	639,172
Total net position - beginning	3,203,450
Total net position - ending	\$ 3,842,622

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, 2024

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 792,769
Cash payments to suppliers for goods & services	(533,910)
Cash payments for salaries & benefits	(222,560)
Net cash provided by operating activities	36,299
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers In	732,783
Net cash provided in noncapital and related financing activities	732,783
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:	
Increase in due to other funds	742,423
Cash inflow from construction note	50,000
Payments (advances made on advances from developer)	263,626
Cash inflow from construction note receivable	4,216,411
Payment on construction note payable	(291,270)
Purchase of fixed assets	(318,006)
Increase in construction progress	(4,561,227)
Net cash (used) in capital and related financing activities	101,957
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	45,449
Net cash provided from investing activities	45,449
Net increase (decrease) in cash and cash equivalents	916,488
CASH & CASH EQUIVALENTS:	
Beginning of Year	2,768,489
End of Year	\$ 3,684,977
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating (loss)	\$ (139,060)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	177,875
Change in assets and liabilities:	
(Increase) decrease in receivables	(80,952)
(Increase) decrease in prepaid expenses	(1,430)
Increase (decrease) in accounts payable	79,866
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 36,299

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

**Purgatory Metropolitan District
Notes to the Financial Statements
December 31, 2024**

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, 2024, the Sub-District received \$251,552 in property tax revenue and \$23,278 of specific ownership tax. The Sub-District had no fund balance or net position as of December 31, 2024.

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, 2024, 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, 2025, which are levied to finance year 2025. 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, 2024, the District's cash deposits had a carrying value of \$2,802,267 and a corresponding bank balance of \$2,802,263 of which \$260,000 was FDIC insured and \$2,542,263 was collateralized by securities held by the pledging financial institution's trust department or agent in the District's name.

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depositary insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (e.g. deposits insured by the Public Deposit Protection Act (PDPA)). Accordingly, none of the District's deposits at December 31, 2024 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, 2024, the District had \$4,240,779 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, 2024, is as follows:

	Governmental Activities			Ending Balance
	Beginning Balance	Additions	Deletions	
Non-depreciable:				
Land and improvements	\$ 1,211,553	\$ -	\$ -	\$ 1,211,553
Construction in progress	2,425	-	-	2,425
Total non-depreciable assets	<u>1,213,978</u>	<u>-</u>	<u>-</u>	<u>1,213,978</u>
Depreciable:				
Road and park improvements	5,700,673	60,304	-	5,760,977
Buildings	920,150	-	-	920,150
Equipment	245,275	-	-	245,275
Total depreciable assets	<u>6,866,098</u>	<u>60,304</u>	<u>-</u>	<u>6,926,402</u>
Total capital assets	<u>8,080,076</u>	<u>60,304</u>	<u>-</u>	<u>8,140,380</u>
Less accumulated depreciation:				
Road and park improvements	(3,089,233)	(140,247)	-	(3,229,480)
Buildings	(318,505)	(47,398)	-	(365,903)
Equipment	(114,674)	(8,923)	-	(123,598)
Total accumulated depreciation	<u>(3,522,412)</u>	<u>(196,568)</u>	<u>-</u>	<u>(3,718,981)</u>
Governmental Activities				
Capital assets, net	<u>\$ 4,557,663</u>	<u>\$ (136,264)</u>	<u>\$ -</u>	<u>\$ 4,421,399</u>

Governmental activities depreciation expense by function:

General Government	<u>\$ 196,568</u>
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Capital asset activity for business-type activities for the year ended December 31, 2024 is as follows:

	Business-Type Activities			Ending Balance
	Beginning Balance	Additions	Deletions	
Non-depreciable:				
Land and water rights	\$ 3,651	\$ -	\$ -	\$ 3,651
Construction in progress	3,450,087	4,563,226	-	8,013,313
Total non-depreciable assets	3,453,738	4,563,226	-	8,016,964
Depreciable:				
Water treatment facilities	5,106,859	122,775	-	5,229,634
Wastewater treatment facilities	3,925,495	195,231	-	4,120,726
Machinery and equipment	526,411	-	-	526,411
Total depreciable assets	9,558,765	318,006	-	9,876,771
Total capital assets	13,012,503	4,881,232	-	17,893,735
Less accumulated depreciation:				
Water treatment facilities	(2,957,689)	(117,901)	-	(3,075,590)
Wastewater treatment facilities	(2,523,153)	(50,823)	-	(2,573,976)
Machinery and equipment	(291,415)	(9,151)	-	(300,566)
Total accumulated depreciation	(5,772,257)	(177,875)	-	(5,950,132)
Business-type Activities				
Capital assets, net	\$ 7,240,246	\$ 4,703,357	\$ -	\$ 11,943,603

Business-type activities depreciation expense by function:

Utility fund	<u>\$ 177,875</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 \$8,918,992 in both the general fund and utility fund. Payments totaling \$3,951,535 have been made to the Developer per the agreement for this infrastructure leaving a balance due of \$4,967,457. 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, \$2,548,234, is reflected as a long-term payable in the utility fund.

The general fund portion of the liability, \$2,419,223 is reflected as a long-term 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). 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
Colorado Water Resources	\$ 13,090,850	\$ -	\$ 291,270	\$ 12,799,580	\$ 299,142
NBH Bank	-	50,000	-	50,000	-
Total	\$ 13,090,850	\$ 50,000	\$ 291,270	\$ 12,849,580	\$ 299,142

During 2022, the LaPlata San Juan Sub-District entered into a loan agreement with the Colorado Water Resources Power Development Authority (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
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	341,320	285,500	104,887	731,075
2030-2034	1,866,766	1,266,000	524,435	3,657,201
2035-2039	2,149,855	982,000	524,435	3,656,290
2040-2044	2,452,778	681,750	524,435	3,658,963
2045-2049	2,764,235	381,000	511,324	3,656,559
2050-2052	1,967,122	83,000	144,220	2,194,342
	<u>\$ 12,799,580</u>	<u>\$ 4,921,250</u>	<u>\$ 2,753,284</u>	<u>\$ 20,474,114</u>

In February 2024, the District entered into a loan agreement with NBH Bank for a total amount of \$5,000,000. Terms of the loan call for advances to be made at various dates through June 2026 when the total amount of loan will be advanced to the District. During 2024, an advance of \$50,000 was made with interest of \$2,237 being paid during 2024. Interest will only be paid until June 2026 when the last advance is made. Starting December 2026, semi-annual payments of principal and interest will be made. The

interest rate for the loan term is 5.37%. Principal and interest payments are due June 1 and December 1 until the loan is paid in full. Collateral for the loan is Net Pledged Revenues as defined in the loan agreement.

	Principal	Interest	Advances	Balance Due
2025	\$ -	\$ 63,555	\$ 3,877,526	3,927,526
2026	90,000	239,704	1,072,474	4,910,000
2027	185,000	261,251	-	4,725,000
2028	190,000	251,182	-	4,535,000
2029	200,000	240,845	-	4,335,000
2030	215,000	229,970	-	4,120,000
2031	225,000	218,291	-	3,895,000
2032	235,000	206,074	-	3,660,000
2033	250,000	193,320	-	3,410,000
2034	260,000	179,627	-	3,150,000
2035	290,000	165,262	-	2,860,000
2036	290,000	149,689	-	2,570,000
2037	305,000	133,982	-	2,265,000
2038	330,000	117,200	-	1,935,000
2039	345,000	99,479	-	1,590,000
2040	360,000	80,550	-	1,230,000
2041	390,000	60,815	-	840,000
2042	410,000	39,604	-	430,000
2043	430,000	17,318	-	-
	<u>\$ 5,000,000</u>	<u>\$ 2,949,953</u>	<u>\$ 5,000,000</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	(245,491)
Sales tax collected in 2024	648,888
Amount spent during 2024	<u>(170,429)</u>
Remaining sales tax collected	<u>\$ 662,765</u>

Required Supplementary Information

**Purgatory Metropolitan District
Budget and Actual
General
For the year ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 1,195,105	\$ 1,195,105	\$ 1,183,903
SO Taxes	-	-	102,188
Sales and miscellaneous taxes	500,000	500,000	648,889
Intergovernmental	-	-	751
Charges for services	12,000	12,000	19,288
Investment earnings	210,000	210,000	226,602
Miscellaneous	20,000	20,000	6,138
Total revenues	<u>1,937,105</u>	<u>1,937,105</u>	<u>2,187,759</u>
EXPENDITURES			
Current:			
General government	328,652	328,652	284,545
Road operations	333,000	333,000	177,955
Park and recreation	24,000	24,000	72,348
Contingency	6,753,179	6,753,179	-
Capital outlay	-	-	60,304
Total Expenditures	<u>7,438,831</u>	<u>7,438,831</u>	<u>595,152</u>
Excess (deficiency) of revenues over expenditures	<u>(5,501,726)</u>	<u>(5,501,726)</u>	<u>1,592,607</u>
OTHER FINANCING SOURCES (USES)			
Other source	-	-	60,304
Transfers in (out)	(730,658)	(730,658)	(732,783)
Total other financing sources and uses	<u>(730,658)</u>	<u>(730,658)</u>	<u>(672,479)</u>
Net change in fund balances	(6,232,384)	(6,232,384)	920,128
Fund balances - beginning	6,240,809	6,240,809	5,290,196
Fund balances - ending	<u>\$ 8,425</u>	<u>\$ 8,425</u>	<u>\$ 6,210,324</u>

Other Supplementary Information

**Purgatory Metropolitan District
Budget and Actual
Proprietary Fund
For the year ended December 31, 2024**

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charge for services	\$ 765,160	\$ 765,160	\$ 781,458
Investment earnings	3,000	3,000	45,449
Other operating income	72,262	72,262	92,263
Total revenues	<u>840,422</u>	<u>840,422</u>	<u>919,170</u>
EXPENDITURES			
Salaries and employee benefits	183,298	183,298	222,560
Administrative and general	60,000	60,000	540,160
Utilities	40,000	40,000	36,529
Repairs and maintenance	33,000	33,000	32,689
Supplies	4,000	4,000	2,968
Loan payment	730,658	730,658	-
Capital outlay	10,365,000	10,365,000	4,561,227
Contingency	4,355,678	4,355,678	-
Total operating expenses	<u>15,771,634</u>	<u>15,771,634</u>	<u>5,396,133</u>
Operating income (loss)	(14,931,212)	(14,931,212)	(4,476,963)
RECONCILING ITEM TO GAAP FINANCIAL STATEMENTS			
Reconciling item--capital outlay	-	-	4,561,227
Reconciling item--proceeds of long term debt			(4,266,411)
Depreciation	-	-	(177,875)
OTHER FINANCING SOURCES (USES)			
Proceeds from long term debt	10,000,000	10,000,000	4,266,411
Transfers in	730,658	730,658	732,783
Total other financing sources and uses	<u>10,730,658</u>	<u>10,730,658</u>	<u>4,999,194</u>
Net change in net position	(4,200,554)	(4,200,554)	639,172
Net position - beginning	4,200,554	4,200,554	3,203,450
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,842,622</u>