

**PURGATORY METROPOLITAN DISTRICT/
LA PLATA SAN JUAN SUBDISTRICT
BUDGET FOR 2024**

CLARK, WHITE, & ASSOCIATES, INC.

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P. O. Box 2501
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Management is responsible for the accompanying 2024 calendar year budget of Purgatory Metropolitan District and the Purgatory Metropolitan District-La Plata San Juan Sub District, and the related budget message and assumptions, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Purgatory Metropolitan District and the Purgatory Metropolitan District-La Plata San Juan Sub District.

Clark, White & Associates, Inc.

Clark, White & Associates, Inc.
January 9, 2024

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**PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
BUDGETED STATEMENT OF RESOURCES AND EXPENDITURES - CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2024**

Governmental funds

	Actual 2022	Projected Actual For 2023	Annual Budget For 2024
Beginning Reserve Balance	\$ 3,930,687	\$ 4,537,749	\$ 5,592,147
ESTIMATED RESOURCES			
Property Tax Revenue	933,725	1,085,482	1,110,855
Back Fill Taxes			84,250
Sales Tax Revenue		429,797	500,000
Developer Loans	1,223,568		
Interest Income	4,454	213,263	200,000
Transfer in			
Other Revenues	12,041	35,320	20,000
Park/Rec/ Admin Impact Fee	54,142	71,018	12,000
Total Available Resources	<u>6,158,617</u>	<u>6,372,629</u>	<u>7,519,252</u>
ESTIMATED EXPENDITURES			
Park Building - R & M	4,854	2,317	5,000
Park Electric	8,084	5,000	9,000
Roads /Street Lights R & M	45,318	29,436	200,000
Snow Plowing & Removal	89,895	58,504	125,000
Other Operating Expense	9,017	7,546	10,000
Staff	117,682	101,388	188,292
Accounting Services	40,098	37,345	40,000
Legal Services	14,050	16,782	20,000
Audit Expense	12,000	12,360	12,360
Professional Services	3,825	14,808	15,000
County Treasurer Fees	25,146	26,248	25,000
Insurance	9,935	9,135	10,000
Park - other	3,000	4,023	5,000
Park Land Repairs	3,400	5,542	5,000
Office Supplies	2,336	566	8,000
Vehicle Expense	8,660	6,494	8,000
Contingency			
Capital outlay park			
Capital Outlay	1,223,568		
Total Operating Expenditures	<u>1,620,868</u>	<u>337,494</u>	<u>685,652</u>
Transfer Out		442,988	730,658
Total Expenditures	<u>1,620,868</u>	<u>780,482</u>	<u>1,416,310</u>
Excess of Revenues and Reserve Balance Over Expenditures	<u>\$ 4,537,749</u>	<u>\$ 5,592,147</u>	<u>\$ 6,102,942</u>

See Accountants' Report and Budget Assumptions.

PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
 BUDGETED STATEMENT OF RESOURCES AND EXPENSES - CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2024
 UTILITY FUND

	Actual 2022	Projected Actual For 2023	Annual Budget For 2024
Beginning Reserve Balance	\$2,366,783	\$2,847,360	\$4,200,554
ESTIMATED RESOURCES			
System Development Fees	315,081	327,660	47,262
Service Revenues	470,260	483,396	765,160
Interest Income	101	2,591	3,000
Other Income	3,231	23,352	25,000
Transfer In		442,988	730,658
Loan Funds		1,687,861	10,000,000
Total Available Resources	3,155,456	5,815,208	15,771,634
ESTIMATED EXPENDITURES			
Inspection & Testing	8,151	6,115	10,000
Chemicals	3,399	3,281	4,000
Maintenance & Repair	23,789	25,954	25,000
Utilities	37,132	33,624	40,000
Other Operating Expense	6,831	3,701	8,000
Accounting Services	9,484	9,254	10,000
Legal Expense	7,093	2,810	5,000
Staff	188,990	169,776	183,298
Professional Services		15,000	10,000
Insurance	16,074	15,776	17,000
Loan Payment		150,773	730,658
Special Fees & Permits	7,153	7,886	8,000
Capital Outlay		1,170,704	10,365,000
Contingency			
Total Operating Expenditures	308,096	1,614,654	11,415,956
Interest Expense	0	0	0
	0	0	0
		0	0
Total Expenditures	308,096	1,614,654	11,415,956
Excess of Revenues and Reserve Balance Over Expenditures	\$2,847,360	\$4,200,554	\$4,355,678

See Accountants' Report and Budget Assumptions.

PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
BUDGETED STATEMENT OF RESOURCES AND EXPENDITURES - CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2024
CAPITAL PROJECTS FUND

	Actual 2022	Projected Actual For 2023	Annual Budget For 2024
Beginning Reserve Balance	\$638,000	\$638,386	\$648,662
ESTIMATED RESOURCES			
Interest Income	386	10,276	10,000
Operating Transfer			
Total Available Resources	<u>638,386</u>	<u>648,662</u>	<u>658,662</u>
ESTIMATED EXPENDITURES			
Water Assets	0		
Wastewater plant design	0		
Green Project Reserve	0		
Phase II park planning			
Infiltration			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Reserve Balance Over Expenditures	<u><u>\$638,386</u></u>	<u><u>\$648,662</u></u>	<u><u>\$658,662</u></u>

See Accountants' Report and Budget Assumptions.

PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
 BUDGETED STATEMENT OF RESOURCES AND EXPENDITURES - CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2024
 COMBINED FUNDS

	Actual 2022	Projected Actual For 2023	Annual Budget For 2024
Beginning Reserve Balance	\$ 6,935,470	\$ 8,023,495	\$ 10,441,363
ESTIMATED RESOURCES			
Property Taxes	933,725	1,085,482	1,110,855
Backfill tax revenue			84,250
Loan Funds	1,223,568	1,687,861	10,000,000
System Development Fees	369,223	398,678	59,262
Service Revenues	470,260	483,396	765,160
Interest Income	4,941	226,130	213,000
Sales Tax Revenue	0	429,797	500,000
Operating Transfer	0	0	730,658
Other Revenue	15,272	501,660	45,000
Total Available Resources	<u>9,952,459</u>	<u>12,836,499</u>	<u>23,949,548</u>
ESTIMATED EXPENDITURES			
Inspection & Testing	8,151	6,115	10,000
Chemicals	3,399	3,281	4,000
Park building R & M	4,854	2,317	5,000
Park Electric	8,084	5,000	9,000
Park Land Repairs	3,400	5,542	5,000
Park - Other	3,000	4,023	5,000
Maintenance & Repair	23,789	25,954	25,000
Roads & Street lights R & M	45,318	29,436	200,000
Snow Plowing & Removal	89,895	58,504	125,000
Electricity	37,132	33,624	40,000
Other Operating Expense	15,848	11,247	18,000
Accounting Services	49,582	46,599	50,000
Staff	306,672	271,164	371,590
Legal Expense	21,143	19,592	25,000
Audit Fee	12,000	12,360	12,360
Professional Services	3,825	29,808	25,000
County Treasurer Fees	25,146	26,248	25,000
Insurance	26,009	24,911	27,000
Office Supplies	2,336	566	8,000
Special Fees & Permits	7,153	7,886	8,000
Vehicle Expense	8,660	6,494	8,000
Loan Payment	0	150,773	730,658
Capital Outlay Park	0	0	0
Capital Outlay	1,223,568	1,170,704	10,365,000
Total Operating Expenditures	1,928,964	1,952,148	12,101,608
Transfer Out	0	442,988	730,658
Total Expenditures	<u>1,928,964</u>	<u>2,395,136</u>	<u>12,832,266</u>
Excess of Revenues and Reserve Balance Over Expenditures	<u>\$8,023,495</u>	<u>\$10,441,363</u>	<u>\$11,117,282</u>

See Accountants' Report and Budget Assumptions.

PURGATORY METROPOLITAN DISTRICT 2024 BUDGET MESSAGE AND ASSUMPTIONS

The 2024 budget was prepared on the cash basis of accounting. This basis of accounting involves budgeting for debt principal and all other cash expenditures, and excluding non-cash items such as depreciation and amortization. The 2022 actual amounts are from the audited financial statements, and 2023 estimated amounts are based on the financial statements at October 31, 2023 with projected amounts for the remaining two months of the calendar year, both of which were prepared on the accrual or modified accrual basis of accounting as appropriate.

The District's total assessed valuation for 2024 increased by \$3,863,340 the sub district valuation increased by \$2,276,900. This budget does not include an increase in mill levy.

The budget for 2024 includes an estimated carryover balance as required by the governmental budget law. An emergency reserve as required by the TABOR amendment is budgeted for in the 2024 budget. All carryover balances are reserved for future expenditures. Expenditures in the proprietary fund are estimated based upon historical amounts spent and management's estimates of what conditions will be for the year. Capital expenditures budgeted are estimated from management's plan for the District.

Because events and circumstances do not occur as expected, actual results will usually differ from budgeted results. The differences may be material. The district is allowed to amend the budget. This budget is prepared to meet the requirements of the Colorado Local Government Budget Law, Section 29-1-101 et seq., C.R.S., and to be used by the board in managing the activities of the District. Because of the difficulties involved in forecasting future events, the budget is limited in its usefulness.

During 2000, the taxpayers of the District approved a ballot issue exempting the District from the statutory mill levy limitation as well as the TABOR limitations. In 2001 the taxpayers of the District approved a ballot issue allowing the District to keep the current debt service mill levy after the debt service was paid off in 2002. The taxpayers approved using the mill levy for capital improvements to the existing infrastructure.

The owners of undeveloped land within and surrounding the District have continued the process of developing this land. They have approached the District requesting service for the proposed development. Studies have been completed to determine the impact both operationally and fiscally on the District. This development will significantly increase the number of customers served by the District, it will increase the miles of roads maintained by the District and the volume of water provided and wastewater treated by the District. The master developer is required to donate land to the District for parks. The first phase of the park was completed in 2016, and plans for the next dedication began in 2017.

PURGATORY METROPOLITAN DISTRICT 2024 BUDGET MESSAGE AND ASSUMPTIONS

(Continued)

The District has calculated a tap fee for water and wastewater that includes a “buy in” to the existing infrastructure as well as a future system component. The District intends to put aside the future system component in order to save funds for anticipated future system needs. The District collects these tap fees to pay for existing infrastructure through a master repayment agreement with the Master Developer. These amounts are included in tap fees within this budget, as the budget is calculated on the cash basis of accounting. The District has also instituted a parks/recreation/administration fee as a means of accumulating funds for the park and administrative infrastructure that will be needed as park land is received by the District. This fee is \$3,113.80 for the year 2024 and increases yearly by 3%.

Following are the budget assumptions, revenue and expenditures, for each fund.

GENERAL FUND

Revenues in the General Fund come from property taxes, which are levied on the District property and collected by the County treasurer. The mill levy for general operating expenses cannot be increased without an election. The board allocated the retired debt service property taxes to the general fund for repairs needed to the existing roads. Expenditures in the General Fund relate to administration of the District and to road maintenance. Amounts budgeted for administration of the District come from contractual obligations, such as the contracts with local professionals for management and other services.

The District has identified roads and ditches that will be repaired in 2024, as part of the planned maintenance of roads and roadways in the district. Because of the unpredictable nature of weather, it is difficult to budget for snow removal and other weather related maintenance problems on roads. By continually monitoring costs, the Board expects to remain within the budgeted amounts. In November 2022 taxpayers of the District voted to approve the collection of a sales tax of 2.5% on retail sales within the District boundaries. These funds can only be used for street improvements, maintenance, safety and transportation services. Sales tax monies will be held in a bank account separate from other District funds.

The General Fund also accounts for activities, income and expenditures related to the Districts park and community center. Park and Recreation land was donated to the District in 2012. The District and landowner have started the process of identifying the land that will be donated for the second phase of the park with plans to see that dedication process continue in 2024. Expenditures will include maintenance and upkeep of the existing structures, plus costs associated with easement and acceptance of the new land.

PURGATORY METROPOLITAN DISTRICT 2024 BUDGET MESSAGE AND ASSUMPTIONS

(Continued)

UTILITY FUND

Revenues in the Utility Fund come from water and wastewater charges to users. User fees are a set amount per equivalent residential unit, and therefore do not fluctuate monthly unless a new account is set up. While the District is continually selling taps, the resulting increase in service fees are not seen until the homes are built, therefore the increase in service fee income is anticipated to be recognized in small increments. The District conducted a rate study in 2018 and plans a small increase in water user charges for mid-year 2024.

Expenditures in the Utility Fund are incurred in the operation and maintenance of the collection and distribution lines and the sewer and water treatment processes. Budgeted figures are based on amounts spent in the past, with known increases or decreases included. The Board and District personnel monitor costs closely in order to keep costs down and within budget.

The District is in the process of planning, engineering, and selecting bids for the construction of a new wastewater facility. Construction is scheduled to begin in 2024. The District has secured a revolving fund loan from the Colorado Water Resources and Power Development Authority in the amount of \$13,110,952 to finance this facility. The loan is being amortized over a 30-year period. The debt service for 2024 is included in this budget in the utility fund.

Bids for the construction of the new facility were received and opened on August, 31st 2023. We received two bids for construction each came in higher than our engineering cost estimate and projected budget for the project. This reflects the current construction market and volatility in the supply and materials markets. Most of the cost overages are in materials and equipment that is vital to the project. In order to complete the project, the District has secured additional funding in the amount of \$5,000,000.00 to cover the additional cost of construction. These funds will be available in 2024.

DEBT SERVICE FUND

The Debt Service Fund historically got revenues from property taxes levied on the property in the District, which was collected by the County treasurer. The Debt Service Fund was not utilized in 2023, and is not expected to be used in 2024.

The District paid off its debt during 2002. The District held an election in November 2001 asking the taxpayers to allow the district to keep the debt service mill levy to enable the district to perform repairs to the water and sewer infrastructure. The ballot question passed. The Debt Service Fund is utilized for debt incurred by the General fund if any. At this time the General Fund does not have any debt, so the Debt Service Fund is not being utilized.

CAPITAL PROJECTS FUND

Revenues in the Capital Projects Fund are from transfers from internal funds. Expenditures in the Capital Projects Fund are determined yearly based on the needs of the District and the taxpayers and include payment for infrastructure from the developer. Budgeted expenditures are based on management's plan for the District.