

**PURGATORY METROPOLITAN DISTRICT/
LA PLATA SAN JUAN SUBDISTRICT
BUDGET FOR 2019**

CLARK, WHITE, & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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P. O. Box 2501
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Management is responsible for the accompanying 2019 calendar year budget of 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/La Plata San Juan Sub District.

Clark, White & Associates, Inc.

Clark, White & Associates, Inc.
December 11, 2018

PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
 BUDGETED STATEMENT OF RESOURCES AND EXPENDITURES - CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2019
 GENERAL FUND

	Actual 2017	Projected Actual For 2018	Annual Budget For 2019
Beginning Reserve Balance	\$ 1,461,244	\$ 1,892,559	\$ 1,904,542
ESTIMATED RESOURCES			
Property Tax Revenue	747,859	808,391	838,118
Specific Ownership taxes	78,085	80,653	80,000
Interest Income	24,186	41,674	40,000
Transfer in			
Other Revenues	5,492	11,811	2,000
Park/Rec/ Admin Impact Fee		2,608	2,686
Total Available Resources	2,316,866	2,837,696	2,867,346
ESTIMATED EXPENDITURES			
Park Building - R & M	2,375	733	2,300
Park Electric	3,657	3,112	3,500
Roads /Street Lights R & M	14,168	7,659	21,600
Snow Plowing & Removal	117,649	20,917	100,000
Other Operating Expense	8,900	5,882	8,900
Staff	67,449	71,208	80,000
Accounting Services	35,479	33,181	35,000
Legal Services	13,700	14,626	15,000
Audit Expense	12,500	12,000	12,000
Professional Services	2,450	925	2,500
County Treasurer Fees	22,429	24,194	25,000
Insurance	3,458	5,570	5,500
Park - other	1,789	1,437	2,500
Park Land Repairs	3,835	4,780	6,000
Office Supplies	828	2,830	2,500
Vehicle Expense	3,517	4,183	6,000
Contingency			
Capital outlay park	3,358	5,967	13,000
Capital Outlay	106,766	63,950	
Total Operating Expenditures	424,307	283,154	341,300
Transfer Out		650,000	525,000
Total Expenditures	424,307	933,154	866,300
Excess of Revenues and Reserve Balance Over Expenditures	\$ 1,892,559	\$ 1,904,542	\$ 2,001,046

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, 2019
 UTILITY FUND

	Actual 2017	Projected Actual For 2018	Annual Budget For 2019
Beginning Reserve Balance	\$754,633	\$852,718	\$1,023,394
ESTIMATED RESOURCES			
System Development Fees		15,754	15,754
Service Revenues	361,324	363,521	356,024
Interest Income	2,150	3,911	4,000
Other Income	8,533	5,241	5,000
Transfer In			
Penalty Charges	1,087	1,862	1,000
Total Available Resources	1,127,727	1,243,007	1,405,172
ESTIMATED EXPENDITURES			
Inspection & Testing	8,269	10,469	11,000
Chemicals	2,468	2,847	2,500
Maintenance & Repair	31,102	3,364	25,000
Utilities	49,208	47,116	48,000
Other Operating Expense	4,892	3,038	5,000
Accounting Services	8,870	8,920	9,000
Legal Expense	1,871		2,000
Staff	108,723	112,926	120,000
Professional Services	24,780	2,585	2,500
Insurance	15,147	18,556	19,000
Special Fees & Permits	9,155	9,792	10,000
Contingency	10,524		
Total Operating Expenditures	275,009	219,613	254,000
Interest Expense	0	0	0
Transfer Out	0	0	
		0	0
Total Expenditures	275,009	219,613	254,000
Excess of Revenues and Reserve Balance Over Expenditures	\$852,718	\$1,023,394	\$1,151,172

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, 2019
 CAPITAL PROJECTS FUND

	Actual 2017	Projected Actual For 2018	Annual Budget For 2019
Beginning Reserve Balance		\$0	\$125,722
ESTIMATED RESOURCES			
System Development Fees			
Operating Transfer		650,000	525,000
Total Available Resources	0	650,000	650,722
ESTIMATED EXPENDITURES			
Well 6 Upgrades	0	362,339	
Wastewater plant design	0	161,939	315,910
Pilot Plant	0	0	100,000
Lagoon Rehab Plan			100,000
Total Expenditures	0	524,278	515,910
Excess of Revenues and Reserve Balance Over Expenditures	\$0	\$125,722	\$134,812

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, 2019
COMBINED FUNDS**

	Actual 2017	Projected Actual For 2018	Annual Budget For 2019
Beginning Reserve Balance	\$ 2,215,877	\$ 2,745,277	\$ 3,053,658
ESTIMATED RESOURCES			
Property Taxes	747,859	808,391	838,118
Specific Ownership Taxes	78,085	80,653	80,000
System Development Fees	0	18,362	18,440
Service Revenues	361,324	363,521	356,024
Interest Income	26,336	45,585	44,000
Penalty Charges	1,087	1,862	1,000
Operating Transfer	0	650,000	525,000
Other Revenue	14,025	17,052	7,000
Total Available Resources	3,444,593	4,730,703	4,923,240
ESTIMATED EXPENDITURES			
Inspection & Testing	8,269	10,469	11,000
Chemicals	2,468	2,847	2,500
Park building R & M	2,375	733	2,300
Park Electric	3,657	3,112	3,500
Park Land Repairs	3,835	4,780	6,000
Park - Other	1,789	1,437	2,500
Maintenance & Repair	31,102	3,364	25,000
Roads & Street lights R & M	14,168	7,659	21,600
Snow Plowing & Removal	117,649	20,917	100,000
Electricity	49,208	47,116	48,000
Other Operating Expense	13,792	8,920	13,900
Accounting Services	44,349	42,101	44,000
Staff	176,172	184,134	200,000
Legal Expense	15,571	14,626	17,000
Audit Fee	12,500	12,000	12,000
Professional Services	27,230	3,510	5,000
County Treasurer Fees	22,429	24,194	25,000
Insurance	18,605	24,126	24,500
Office Supplies	828	2,830	2,500
Special Fees & Permits	9,155	9,792	10,000
Vehicle Expense	3,517	4,183	6,000
Capital Outlay Park	3,358	5,967	13,000
Capital Outlay	106,766	588,228	515,910
Contingency	10,524	0	0
Total Operating Expenditures	699,316	1,027,045	1,111,210
Transfer Out	0	650,000	525,000
Total Expenditures	699,316	1,677,045	1,636,210
Excess of Revenues and Reserve Balance Over Expenditures	\$2,745,277	\$3,053,658	\$3,287,030

See Accountants' Report and Budget Assumptions.

**PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
2019 BUDGET MESSAGE AND ASSUMPTIONS**

The 2019 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 2017 actual amounts are from the audited financial statements, and 2018 estimated amounts are based on the financial statements at October 31, 2018 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 2019 increased by \$427,630, the sub district valuation increased by \$418,010. This budget does not include an increase in mill levy.

The budget for 2019 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 2019 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 owner of land surrounding the District has begun the process of developing this land. The developer has 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 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 have begun during 2017. 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. 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 \$2,686 for the year 2019 and is set to increase yearly.

**PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
2019 BUDGET MESSAGE AND ASSUMPTIONS**

(Continued)

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 2019, 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.

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 land owner 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 in 2019. Expenditures will include maintenance and upkeep of the existing structures, plus costs associated with easement and acceptance of the new land.

UTILITY FUND

Revenues in the Utility Fund come from 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 user charges for mid-year 2019.

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 beginning the work necessary to prepare for a new advanced mechanical wastewater treatment plant. During 2019 the District plans to bring in a pilot plant to determine what type of mechanical system is feasible for our location. The District continues to identify

**PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
2019 BUDGET MESSAGE AND ASSUMPTIONS**

(Continued)

and repair infiltration into the current system to better design a new plant in 2019. In 2018 the District completed the connection of the new water well to the existing system.

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 2018 and will not be used in 2019.

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.

CAPITAL PROJECTS FUND

Revenues in the Capital Projects Fund are from the sales of system development fees and 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.