

**PURGATORY METROPOLITAN DISTRICT/
LA PLATA SAN JUAN SUBDISTRICT
BUDGET FOR 2021**

CLARK, WHITE, & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Purgatory Metropolitan District
P. O. Box 2501
Durango, Colorado 81302

Management is responsible for the accompanying 2021 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.
December 8, 2020

**PURGATORY METROPOLITAN DISTRICT/LA PLATA SAN JUAN SUB DISTRICT
BUDGETED STATEMENT OF RESOURCES AND EXPENDITURES - CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2021
GENERAL FUND**

	Actual 2019	Projected Actual For 2020	Annual Budget For 2021
Beginning Reserve Balance	\$ 2,526,339	\$ 3,052,900	\$ 3,173,039
ESTIMATED RESOURCES			
Property Tax Revenue	840,056	866,905	838,559
Specific Ownership taxes	90,734	78,916	85,000
Interest Income	49,331	26,258	30,635
Transfer in			
Other Revenues	6,297	14,722	15,000
Park/Rec/ Admin Impact Fee	10,744	27,666	17,098
Total Available Resources	3,523,501	4,067,367	4,159,331
ESTIMATED EXPENDITURES			
Park Building - R & M		1,493	4,000
Park Electric	4,030	3,269	4,100
Roads /Street Lights R & M	44,988	14,664	32,000
Snow Plowing & Removal	239,786	10,142	150,000
Other Operating Expense	8,087	5,953	7,000
Staff	71,345	97,950	102,848
Accounting Services	35,418	39,274	40,000
Legal Services	4,175	8,400	10,000
Audit Expense	12,000	12,000	12,000
Professional Services	5,165	5,861	5,000
County Treasurer Fees	25,196	27,913	26,000
Insurance	8,863	18,063	18,966
Park - other	4,473	3,000	5,000
Park Land Repairs	3,005	4,659	10,000
Office Supplies	839	714	800
Vehicle Expense	3,231	2,973	4,700
Contingency			
Capital outlay park			
Capital Outlay			
Total Operating Expenditures	470,601	256,328	432,414
Transfer Out		638,000	785,000
Total Expenditures	470,601	894,328	1,217,414
Excess of Revenues and Reserve Balance Over Expenditures	\$ 3,052,900	\$ 3,173,039	\$ 2,941,917

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, 2021
UTILITY FUND**

	Actual 2019	Projected Actual For 2020	Annual Budget For 2021
Beginning Reserve Balance	\$153,440	\$372,301	\$886,660
ESTIMATED RESOURCES			
System Development Fees	63,016	157,540	94,524
Service Revenues	400,465	437,408	452,204
Interest Income	4,662	1,718	2,005
Other Income	4,201	2,281	2,281
Other Internal Income		163,716	
Penalty Charges			
Total Available Resources	625,784	1,134,964	1,437,674
ESTIMATED EXPENDITURES			
Inspection & Testing	15,031	9,859	10,000
Chemicals	1,760	3,414	3,500
Maintenance & Repair	24,343	17,139	26,000
Utilities	47,043	30,221	40,000
Other Operating Expense	8,528	6,024	8,000
Accounting Services	8,854	6,545	10,000
Legal Expense			5,000
Staff	126,186	161,532	169,609
Professional Services			
Insurance	15,085	6,306	6,621
Special Fees & Permits	6,653	7,264	8,000
Contingency			
Total Operating Expenditures	253,483	248,304	286,730
Interest Expense	0	0	0
Transfer Out	0	0	0
		0	0
Total Expenditures	253,483	248,304	286,730
Excess of Revenues and Reserve Balance Over Expenditures	\$372,301	\$886,660	\$1,150,944

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, 2021
CAPITAL PROJECTS FUND**

	Actual 2019	Projected Actual For 2020	Annual Budget For 2021
Beginning Reserve Balance		\$0	\$474,284
ESTIMATED RESOURCES			
System Development Fees			
Operating Transfer		638,000	785,000
Total Available Resources	0	638,000	1,259,284
ESTIMATED EXPENDITURES			
Water Assets	0	46,233	10,000
Wastewater plant design	0	117,258	615,000
Green Project Reserve	0	225	
Phase II park planning			10,000
Infiltration			150,000
Total Expenditures	0	163,716	785,000
Excess of Revenues and Reserve Balance Over Expenditures	\$0	\$474,284	\$474,284

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, 2021
COMBINED FUNDS**

	Actual 2019	Projected Actual For 2020	Annual Budget For 2021
Beginning Reserve Balance	\$ 2,679,779	\$ 3,425,201	\$ 4,533,983
ESTIMATED RESOURCES			
Property Taxes	840,056	866,905	838,559
Specific Ownership Taxes	90,734	78,916	85,000
System Development Fees	73,760	185,206	111,622
Service Revenues	400,465	437,408	452,204
Interest Income	53,993	27,976	32,640
Penalty Charges	0	0	0
Operating Transfer	0	638,000	785,000
Other Revenue	10,498	180,719	17,281
Total Available Resources	4,149,285	5,840,331	6,856,289
ESTIMATED EXPENDITURES			
Inspection & Testing	15,031	9,859	10,000
Chemicals	1,760	3,414	3,500
Park building R & M	0	1,493	4,000
Park Electric	4,030	3,269	4,100
Park Land Repairs	3,005	4,659	10,000
Park - Other	4,473	3,000	5,000
Maintenance & Repair	24,343	17,139	26,000
Roads & Street lights R & M	44,988	14,664	32,000
Snow Plowing & Removal	239,786	10,142	150,000
Electricity	47,043	30,221	40,000
Other Operating Expense	16,615	11,977	15,000
Accounting Services	44,272	45,819	50,000
Staff	197,531	259,482	272,457
Legal Expense	4,175	8,400	15,000
Audit Fee	12,000	12,000	12,000
Professional Services	5,165	5,861	5,000
County Treasurer Fees	25,196	27,913	26,000
Insurance	23,948	24,369	25,587
Office Supplies	839	714	800
Special Fees & Permits	6,653	7,264	8,000
Vehicle Expense	3,231	2,973	4,700
Capital Outlay Park	0	0	0
Capital Outlay	0	163,716	785,000
Contingency	0	0	0
Total Operating Expenditures	724,084	668,348	1,504,144
Transfer Out	0	638,000	785,000
Total Expenditures	724,084	1,306,348	2,289,144
Excess of Revenues and Reserve Balance Over Expenditures	\$3,425,201	\$4,533,983	\$4,567,145

See Accountants' Report and Budget Assumptions.

PURGATORY METROPOLITAN DISTRICT 2021 BUDGET MESSAGE AND ASSUMPTIONS

The 2021 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 2019 actual amounts are from the audited financial statements, and 2020 estimated amounts are based on the financial statements at October 31, 2020 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 2021 decreased by \$697,120 the sub district valuation decreased by \$620,400. This budget does not include an increase in mill levy.

The budget for 2021 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 2021 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 began in 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 \$2,848 for the year 2021 and is set to increase yearly.

**PURGATORY METROPOLITAN DISTRICT
2021 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 2021, 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 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 finalize in 2021. 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 2021.

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 continuing design work for a new advanced mechanical wastewater treatment plant, and continuing efforts to identify and repair infiltration into the current system to better design a new plant in 2021.

**PURGATORY METROPOLITAN DISTRICT
2021 BUDGET MESSAGE AND ASSUMPTIONS**

(Continued)

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 2020 and will not be used in 2021.

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.