

**Battlement Mesa Metropolitan District
Battlement Mesa, Colorado**

**Financial Statements
December 31, 2012**

**Battlement Mesa Metropolitan District
Financial Report
December 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors Battlement Mesa Metropolitan District Battlement Mesa, Colorado

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Battlement Mesa Metropolitan District (the "District"), as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Battlement Mesa Metropolitan District as of December 31, 2012, 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..

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
Board of Directors
Battlement Mesa Metropolitan District
Battlement Mesa, Colorado

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, 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 Management's Discussion and Analysis in Section B 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparisons found in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons found in Section F are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
April 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battlement Mesa Metropolitan District

Management's Discussion and Analysis
December 31, 2012

As management of the Battlement Mesa Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of 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 Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflow of resources, with the difference between the three 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 presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported 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 (e.g. uncollected receivables).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the District is culture and recreation. The business-type activities of the District include the water and sewer systems, an activity center, and public works.

The government-wide financial statements can be found in Section C of this report.

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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The District's governmental fund is the Conservation Trust Fund.

Overview of the Financial Statements (continued)

Governmental funds (continued): 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.

The District adopts an annual appropriated budget for all its funds. The District does not have a General Fund and therefore no budgetary comparisons are presented for the General Fund.

The basic governmental fund financial statements can be found in Section C of this report.

Proprietary funds: The District maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water and sewer systems, an activity center and public works.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the District, each of which is considered to be a major fund of the District.

The basic proprietary fund financial statements can be found in Section C of this report.

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 at Section D of this report.

Other information: The budgetary schedules found in Sections E and F provide a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's proprietary funds were not adopted in a manner consistent with generally accepted accounting principles ("GAAP"), those schedules are presented on a Non-GAAP basis with reconciliation to GAAP basis.

Government-wide Financial Analysis

	Battlement Mesa Metropolitan District's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 7,587	7,587	2,202,683	1,836,222	2,210,270	1,843,809
Capital assets	-	-	6,434,752	6,624,493	6,434,752	6,624,493
Total Assets	7,587	7,587	8,637,435	8,460,715	8,645,022	8,468,302
Liabilities:						
Short-term liabilities	-	-	678,094	662,601	678,094	662,601
Long-term liabilities	-	-	51,404	16,573	51,404	16,573
Total liabilities	-	-	729,498	679,174	729,498	679,174
Deferred Inflows of Resources	-	-	33,535	33,928	33,535	33,928
Net Position:						
Net invested in capital assets	-	-	6,434,752	6,624,493	6,434,752	6,624,493
Unrestricted Net Position	7,587	7,587	1,439,650	1,123,121	1,447,237	1,130,708
Total Net Position	\$ 7,587	7,587	7,874,402	7,747,614	7,881,989	7,755,201

Government-wide Financial Analysis (continued)

Traditionally, the largest portion of any district's investments is in its capital assets. Water and sewer systems and the activity center are necessary in order to deliver and/or provide services to the District's residents and visitors. The District's capital assets account for 76% of its total assets. These assets are not an available source for payment of future spending.

The District's net position increased to \$7,881,989 in 2012. The increase is the result of an excess of revenue over expenditures in the business-type activities of \$126,789.

Battlement Mesa Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ -	-	2,611,569	2,431,046	2,611,569	2,431,046
Grants and contributions	10,265	9,781	220,063	132,879	230,328	142,660
General revenues:						
Other income	-	-	9,576	8,243	9,576	8,243
Interest	-	-	1,527	7,458	1,527	7,458
Total Revenues	10,265	9,781	2,842,735	2,579,626	2,853,000	2,589,407
Expenses:						
Water and sewer	-	-	1,946,986	1,825,319	1,946,986	1,825,319
Activity center	-	-	673,879	646,031	673,879	646,031
Public works	-	-	29,418	41,863	29,418	41,863
Association management	-	-	75,927	62,596	75,927	62,596
Total Expenses	-	-	2,726,210	2,575,809	2,650,283	2,513,213
Change in Net Position before Transfers	10,265	9,781	116,525	3,817	202,717	76,194
Transfers	(10,265)	(9,781)	10,265	9,781	-	-
Change in Net Position	-	-	126,790	13,598	202,717	76,194
Net Position - Beginning	7,587	7,587	7,747,612	7,734,015	7,755,199	7,741,602
Net Position - Ending	\$ 7,587	7,587	7,874,402	7,747,613	7,881,989	7,755,200

Governmental activities:

There was no change in governmental fund net position.

Business-type activities:

Water and Sewer Fund: The Water and Sewer Fund's change in net position was an increase of \$3,260. The Water and Sewer Fund's operating revenues increased \$174,423 over 2011, while operating expenses increased \$134,995. The increase in operating revenues was primarily due to water sales and sewer service charges and operating expenses was primarily due to salaries, benefits and taxes, and repairs and maintenance. Non-operating revenues decreased by \$138,534 from 2011 due to a decrease in grant revenue. Also, there was significant increase in tap fees from 2011.

Government-wide Financial Analysis (continued)

Business-type activities (continued):

Activity Center Fund: The Activity Center Fund change in net position was \$137,047, after depreciation expense of \$24,352, which was mitigated by a transfer of \$10,265 from the Conservation Trust Fund. The Activity Center Fund experienced an increase of user and program fees from 2011. Operating expenses increased \$27,848 from 2011. Recreation assessments accounted for 73% of the Activity Center Fund's operating revenues while user and program fees accounted for 25%. Personnel and administrative expenses accounted for 70% of Activity Center Fund expenses. Repairs and maintenance and direct program expenses accounted for about 23% of Activity Center Fund expenses.

Public Works Fund: The Public Works Fund experienced a decrease in net position of \$13,518. The Public Works Fund experienced a decrease in service charges of \$5,305 from 2011. Operating expenses also decrease from 2011 by \$12,445.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$7,587. The governmental fund of the District accounts for the lottery proceeds received from the State of Colorado. These funds are to be used for recreational purposes. The District does not have a General Fund, as its operations are primarily water and sewer services and recreational activities reported in the business-type activities.

Proprietary funds: The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for the proprietary funds combined at the end of the current fiscal year is \$1,439,650 and is broken down as follows: Water and Sewer Fund, \$1,183,760; Activity Center Fund, \$228,851; and Public Works Fund, \$27,039. The net unrestricted assets are available for spending at the District's discretion.

Financial Analysis of the District's Funds (continued)

Budget variance in the proprietary funds: The District had the following significant budget variances and is detailed as follows:

Account	Original Budget Variance Positive (Negative)	Reason
Water & Sewer Fund		
Revenues:		
Water sales	76,556	Increased irrigation water sales caused by extreme dry weather
Sewer service charges	(40,501)	Lower flow caused by increased vacancies in the motel and apartment rental industries
Tap fees	99,956	Unexpected construction of large office complex in the Town of Parachute
Expenditures:		
Salaries, benefits and taxes	51,705	Admin wages charged to Activity Center
Capital outlay	81,868	Under Original Budget as certain projects were postponed
Activity Center Fund		
Revenues:		
User fees and other	9,150	Room rentals higher than anticipated
Grant revenue	120,107	Grant award for pool roof replacement
Expenditures:		
Office lease and utilities	23,971	Utility rates lower than anticipated
Salaries and benefits	16,913	Lower premiums obtained at renewal and the elimination of a full-time position with insurance benefits
Repairs and maintenance	25,024	Due to fewer need repairs than anticipated, and replacement of equipment in the previous year and roof replacement
Capital outlay	(156,593)	Grant award for pool roof replacement
Public Works Fund		
Expenditures:		
Salaries and benefits	5,653	Wages reclassified to BMSA maintenance employee costs

Capital assets: The District's capital assets decreased by \$189,740 due to more depreciation expense over capital additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement in Section D of this report.

Long-term liabilities: The District's long-term liabilities increased \$1,297 as a result of increase in accrued compensated absences. Additional information as well as a detailed classification of the District's total long-term liabilities can be found in the Notes to the Financial Statements at Section D.

Next year's budget and rates: Operating activity is expected to remain similar to 2012, and a significant capital project for the repair and replacement of manholes is planned. Water and sewer rates are budgeted for a five percent increase for 2013.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Battlement Mesa Metropolitan District, P.O. Box 6116, Battlement Mesa, Colorado 81636.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Battlement Mesa Metropolitan District
Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	-	283,936	283,936
Cash and cash equivalents designated for capital projects	-	12,850	12,850
Investments	-	1,654,487	1,654,487
Receivables, net:			
Service fees	-	104,641	104,641
Intergovernmental	-	120,107	120,107
Other	-	18,462	18,462
Internal balances	7,587	(7,587)	-
Prepaid expenses	-	15,787	15,787
Property, plant and equipment, net of accumulated depreciation	-	6,434,752	6,434,752
Total Assets	<u>7,587</u>	<u>8,637,435</u>	<u>8,645,022</u>
Liabilities:			
Accounts payable	-	70,797	70,797
Unearned revenues	-	2,630	2,630
Prepaid tap fees	-	595,190	595,190
Accrued compensated absences:			
Due within one year	-	43,011	43,011
Due in more than one year	-	14,337	14,337
Customer deposits	-	3,533	3,533
Total Liabilities	<u>-</u>	<u>729,498</u>	<u>729,498</u>
Deferred Inflows of Resources:			
Unavailable recreation assessments	-	33,535	33,535
Total Deferred Inflows of Resources	<u>-</u>	<u>33,535</u>	<u>33,535</u>
Net Position:			
Net invested in capital assets	-	6,434,752	6,434,752
Unrestricted	7,587	1,439,650	1,447,237
Total Net Position	<u>7,587</u>	<u>7,874,402</u>	<u>7,881,989</u>

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

Battlement Mesa Metropolitan District
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:					
Governmental Activities:					
Culture and recreation	-	10,265	10,265	-	10,265
Total Governmental Activities	-	10,265	10,265	-	10,265
Business-type Activities:					
Water and sewer	1,946,986	99,956	-	(13,085)	(13,085)
Activity center	673,879	120,107	-	120,082	120,082
Public works	29,418	-	-	(13,518)	(13,518)
Association management	75,927	-	-	11,943	11,943
Total Business-type Activities	2,726,210	220,063	-	105,422	105,422
Total	<u>2,726,210</u>	<u>230,328</u>	<u>10,265</u>	<u>105,422</u>	<u>115,687</u>

General Revenues:	
Investment earnings	1,527
Other income	9,576
Transfers in (out)	<u>10,265</u>
Total General Revenues and transfers	<u>21,368</u>
Change in Net Position	<u>126,790</u>
Net Position - Beginning	<u>7,747,612</u>
Net Position - Ending	<u>7,874,402</u>

The accompanying notes are an integral part of these financial statements.
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FUND FINANCIAL STATEMENTS

Battlement Mesa Metropolitan District
Balance Sheet
Governmental Fund - Conservation Trust Fund
December 31, 2012

Assets:	
Due from other funds	<u>7,587</u>
Total Assets	<u><u>7,587</u></u>
Fund Balance:	
Restricted	<u>7,587</u>
Total Fund Balance	<u><u>7,587</u></u>

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

**Battlement Mesa Metropolitan District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund - Conservation Trust Fund
December 31, 2012**

Revenues:	
Lottery distributions	10,265
Total Revenues	<u>10,265</u>
Expenditures:	
Parks and recreation	-
Total Revenues	<u>-</u>
Excess of Revenues over Expenditures	<u>10,265</u>
Other Financing (Uses)	
Transfers out	<u>(10,265)</u>
Total Other Financing (Uses)	<u>(10,265)</u>
Net Change in Fund Balance	-
Fund Balance - Beginning	<u>7,587</u>
Fund Balance - Ending	<u><u>7,587</u></u>

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

Battlement Mesa Metropolitan District
Statement of Net Position
All Proprietary Funds
December 31, 2012
(With Comparative Actual Amounts for 2011)

	2012			2011	
	Water and Sewer Fund	Activity Center Fund	Public Works Fund	Totals	Totals
Assets:					
Current Assets:					
Cash and cash equivalents	283,711	225	-	283,936	252,234
Cash and cash equivalents designated for capital projects	-	12,850	-	12,850	20,000
Investments	1,654,487	-	-	1,654,487	1,452,981
Receivables:					
Service fees and other	89,831	33,272	-	123,103	81,504
Due from other governments	-	120,107	-	120,107	23,400
Due from other funds	-	109,309	27,039	136,348	206,234
Prepaid expenses	15,787	-	-	15,787	13,690
Total Current Assets	2,043,816	275,763	27,039	2,346,618	2,050,043
Non-Current Assets:					
Construction in process	86,850	100,000	-	186,850	11,808
Water system	4,752,057	-	-	4,752,057	4,752,057
Sewer system	5,040,702	-	-	5,040,702	5,040,702
Buildings	1,087,833	871,396	104,648	2,063,877	2,063,877
Parking lots	-	174,793	-	174,793	174,793
Equipment	868,563	173,383	107,275	1,149,221	1,122,633
Accumulated depreciation	(6,285,149)	(563,350)	(84,249)	(6,932,748)	(6,541,378)
Total Non-Current Assets	5,550,856	756,222	127,674	6,434,752	6,624,492
Total Assets	7,594,672	1,031,985	154,713	8,781,370	8,674,535
Liabilities:					
Current Liabilities:					
Accounts payable	70,797	-	-	70,797	6,517
Unearned revenues	-	2,630	-	2,630	3,244
Due to other funds	143,935	-	-	143,935	213,820
Compensated absences	34,951	8,060	-	43,011	43,250
Prepaid tap fees	595,190	-	-	595,190	609,590
Total Current Liabilities	844,873	10,690	-	855,563	876,421
Non-Current Liabilities:					
Customer deposits	3,533	-	-	3,533	3,669
Compensated absences	11,650	2,687	-	14,337	12,904
Total Non-Current Liabilities	15,183	2,687	-	17,870	16,573
Total Liabilities	860,056	13,377	-	873,433	892,994
Deferred Inflows of Resource:					
Unavailable recreation assessments	-	33,535	-	33,535	33,928
Total Deferred Inflows of Resources	-	33,535	-	33,535	33,928
Net Position:					
Net invested in capital assets	5,550,856	756,222	127,674	6,434,752	6,624,492
Unrestricted	1,183,760	228,851	27,039	1,439,650	1,123,121
Total Net Position	6,734,616	985,073	154,713	7,874,402	7,747,613

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

Battlement Mesa Metropolitan District
Statement of Revenues, Expenses and Changes in Fund Net Position
All Proprietary Funds
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for 2011)

	2012			2011	
	Water and Sewer Fund	Activity Center Fund	Public Works Fund	Totals	Totals
Operating Revenues:					
User and program fees	-	171,805	-	171,805	161,667
Water sales	1,096,556	-	-	1,096,556	953,583
Sewer service charges	717,499	-	-	717,499	693,146
Service charges	19,889	-	15,900	35,789	46,168
Recreation assessments	-	494,975	-	494,975	494,975
Sale of goods	-	13,305	-	13,305	11,452
Association management fees	87,870	-	-	87,870	75,699
Total Operating Revenues	<u>1,921,814</u>	<u>680,085</u>	<u>15,900</u>	<u>2,617,799</u>	<u>2,436,690</u>
Operating Expenses:					
Administration	925,050	472,353	3,348	1,400,751	1,373,776
Water and sewer	678,989	-	-	678,989	607,649
Activity Center	-	177,174	-	177,174	120,003
Public works	-	-	1,999	1,999	9,879
Association management	75,927	-	-	75,927	62,596
Depreciation	342,947	24,352	24,071	391,370	401,908
Total Operating Expenses	<u>2,022,913</u>	<u>673,879</u>	<u>29,418</u>	<u>2,726,210</u>	<u>2,575,811</u>
Operating Income (loss)	<u>(101,099)</u>	<u>6,206</u>	<u>(13,518)</u>	<u>(108,411)</u>	<u>(139,121)</u>
Non-Operating Revenues (Expenses)					
Interest income	1,403	124	-	1,527	7,458
Grant revenue	-	120,107	-	120,107	132,879
Other income	3,000	345	-	3,345	2,600
Total Non-Operating Revenues (Expenses)	<u>4,403</u>	<u>120,576</u>	<u>-</u>	<u>124,979</u>	<u>142,937</u>
Income Before Contributions & Transfers	<u>(96,696)</u>	<u>126,782</u>	<u>(13,518)</u>	<u>16,568</u>	<u>3,816</u>
Tap fees	99,956	-	-	99,956	-
Interfund transfers in (out)	-	10,265	-	10,265	9,781
Change In Net Position	<u>3,260</u>	<u>137,047</u>	<u>(13,518)</u>	<u>126,789</u>	<u>13,597</u>
Net Position - Beginning	<u>6,731,356</u>	<u>848,026</u>	<u>168,231</u>	<u>7,747,613</u>	<u>7,734,016</u>
Net Position - Ending	<u>6,734,616</u>	<u>985,073</u>	<u>154,713</u>	<u>7,874,402</u>	<u>7,747,613</u>

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

Battlement Mesa Metropolitan District
Statement of Cash Flows
All Proprietary Funds
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for 2011)

	2012			2011	
	Water and Sewer Fund	Activity Center Fund	Public Works Fund	Totals	Totals
Cash Flows From Operating Activities:					
Cash received from customers	1,820,810	651,092	15,900	2,487,802	2,415,374
Cash received from others	87,870	-	-	87,870	75,699
Cash payments for goods and services	(932,374)	(260,315)	(13,553)	(1,206,242)	(1,231,625)
Cash payments for salaries and benefits	(754,827)	(308,661)	(2,347)	(1,065,835)	(1,021,791)
Net Cash Provided (Used) by Operating Activities	<u>221,479</u>	<u>82,116</u>	<u>-</u>	<u>303,595</u>	<u>237,657</u>
Cash Flows From Non-Capital Financing Activities:					
Transfer from other funds	-	10,265	-	10,265	9,781
Miscellaneous	3,000	345	-	3,345	2,600
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,000</u>	<u>10,610</u>	<u>-</u>	<u>13,610</u>	<u>12,381</u>
Cash Flows From Capital and Related Financing Activities:					
Grants	23,400	-	-	23,400	147,787
Tap fees	85,556	-	-	85,556	-
Capital outlay	(101,630)	(100,000)	-	(201,630)	(910,739)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>7,326</u>	<u>(100,000)</u>	<u>-</u>	<u>(92,674)</u>	<u>(762,952)</u>
Cash Flows From Investing Activities:					
Purchase of investments	(1,741,694)	-	-	(1,741,694)	(1,450,000)
Redemption of investments	1,541,694	-	-	1,541,694	2,050,000
Interest income	(103)	124	-	21	12,918
Net Cash Provided (Used) by Investing Activities	<u>(200,103)</u>	<u>124</u>	<u>-</u>	<u>(199,979)</u>	<u>612,918</u>
Net Change in Cash and Cash Equivalents	31,702	(7,150)	-	24,552	100,004
Cash and Cash Equivalents - Beginning	252,009	20,225	-	272,234	172,230
Cash and Cash Equivalents - Ending	<u>283,711</u>	<u>13,075</u>	<u>-</u>	<u>296,786</u>	<u>272,234</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	(101,099)	6,206	(13,518)	(108,411)	(139,121)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	342,948	24,352	24,071	391,371	401,908
(Increase) decrease in accounts receivable - service fees	(12,999)	(28,600)	-	(41,599)	71,069
(Increase) decrease in due to/from other funds	(69,886)	80,439	(10,553)	-	-
(Increase) decrease in prepaid expenses	(2,097)	-	-	(2,097)	2,547
Increase (decrease) in compensated absences	468	726	-	1,194	4,603
Increase (decrease) in accounts payable	64,280	-	-	64,280	(86,663)
Increase (decrease) in unearned revenue	-	(614)	-	(614)	-
Increase (decrease) in customer deposits	(136)	-	-	(136)	(862)
Increase (decrease) in unavailable recreation assessments	-	(393)	-	(393)	(15,824)
Total Adjustments	<u>322,578</u>	<u>75,910</u>	<u>13,518</u>	<u>412,006</u>	<u>376,778</u>
Net Cash Provided (Used) by Operating Activities	<u>221,479</u>	<u>82,116</u>	<u>-</u>	<u>303,595</u>	<u>237,657</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012

I. Summary of Significant Accounting Policies

The Battlement Mesa Metropolitan District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was organized under the provisions of the Colorado Revised Statutes ("CRS"), 32-1-101 to 1307, as amended. The present District is a consolidation of the former Battlement Mesa Metropolitan District and Consolidated Metropolitan District. The former Battlement Mesa Metropolitan District was a consolidation of Battlement Mesa Water and Sanitation District and Saddleback Metropolitan District. The purposes of the District are to provide metropolitan district facilities, programs and services for parks and recreation, streets, mosquito control, safety and fire protection, through provision and maintenance of fire hydrants, and water and sanitation services to the residents of the District. The management of the District is primarily through an elected Board of Directors which oversees administration, operations, and maintenance functions.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Culture and recreation are classified as governmental activities. The District's water and sewer utilities, activity center, public works, and association management are classified as business-type activities.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (culture and recreation, utilities, etc.). The functions are also supported by general government revenues (investment earnings). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The District reports the following governmental fund:

The *Conservation Trust Fund* accounts for lottery proceeds required to be expended solely on park and recreation improvements.

The District reports the following proprietary or business-type funds:

The *Water and Sewer Fund* accounts for the operations of the water and sewer plants and association management.

The *Activity Center Fund* accounts for the operations of the activity center.

The *Public Works Fund* accounts for the operations of street sweeping.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less. The District has a policy of central cash management for all funds.

2. Designated Cash and Cash Equivalents

The District's Board of Directors has designated a cash balance for future capital projects.

3. Investments

Investments are stated at fair market value with original maturities of greater than three months.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

4. Receivables

Receivables are reported net of an allowance for uncollectible accounts. All service revenues become a lien on property if not paid. No allowance is recorded at December 31, 2012, as all accounts are considered to be collectible.

5. Interfund Receivables and Payables

Balances at year-end between funds are reported as "due to / from other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the government-wide financial statements.

6. Capital Assets

Capital assets, which include the water system, sewer collection system, activity center and the related improvements and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed.

Capital assets are depreciated using the straight-line method over estimated useful lives of 3 to 40 years.

7. Compensated Absences

The District has adopted a policy regarding compensated absences. It is the policy of the District to provide paid leave time for vacation, sick time, and holiday pay. To be eligible, the employee must be a full-time, permanent employee who has completed a six month probationary period. Qualified employees accumulate paid leave at a rate of 192 hours a year. Qualified employees can also accumulate longevity pay at the rate of 8 hours per year for the first ten years of service and 4 hours a year for each year of service from eleven to thirty years. Paid leave time may accumulate up to 240 hours. Any hours in excess of 240 can be disposed of by: 1) using it as vacation, 2) converting it to retirement at 80%, 3) being paid for the excess at a rate of 80%, or 4) being paid a maximum accumulation on termination of 100% up to 240 hours.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

8. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of the governmental fund. The remaining portion of such obligations is reported in the governmental activities column of the government-wide financial statements. Long-term obligations for proprietary funds are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

9. 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 does not have any items that qualify for reporting in this category

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 District has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable recreation assessments, is reported in the statement of net position. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Categories and Classification of Fund Balance

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

10. Categories and Classification of Fund Balance (continued)

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is Board of Directors. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the Board of Directors platform to review, and/or make changes to each department's budget. Before year end, a budgetary committee will meet again with each department for final review and approval of preliminary budget. The Budget is then formally presented to Board of Directors via an advertised public process for their review, revisions and final approval by year end. All subsequent budget requests made during the year, after Board of Directors approval, must be presented via a public process and again approval by Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Directors or its management designee.

Unassigned – includes residual positive fund balance within a general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. The District does not have a formal minimum fund balance policy.

In addition to the above note disclosure, GASB 54 requires disclosure of the following fund definitions:

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

F. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

3. Comparative Data

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

Certain amounts in 2011 have been reclassified to conform to the 2012 presentation.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The proprietary funds were adopted on a non-GAAP budgetary basis and have been reconciled to a GAAP basis below:

	Water and Sewer Fund	Activity Center Fund	Public Works Fund
Excess (deficiency) of revenues over expenditures	\$ 244,577	61,399	10,553
Reconciliation to GAAP basis:			
Capital outlay	101,630	100,000	-
Depreciation	(342,947)	(24,352)	(24,071)
Change in net position - GAAP basis	<u>\$ 3,260</u>	<u>137,047</u>	<u>(13,518)</u>

Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2012.

1. For the 2012 budget year, prior to August 25, 2011, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The District did not certify a mill levy for the year 2012.
3. Prior to December 15, 2011, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

The District believes its enterprise funds also qualify as enterprises as defined in the amendment and are therefore exempt from the provisions of the amendment. The District also believes that as its governmental fund is a conservation trust fund, it is also exempt from the provisions of the amendment. The District's management believes that it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to judicial interpretation.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

III. Detailed Notes on All Funds

A. Deposits

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's interest-bearing deposits at each financial institution. Non-interest bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over \$250,000 are collateralized as required by PDPA. At year end, the District had the following investments and maturities:

<u>Type</u>	<u>Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 1,245	1,245	-
Checking	Not Rated	67,991	67,991	-
Money market	Not Rated	227,550	227,550	-
<i>Investments:</i>				
Certificates of Deposits	Not Rated	1,654,487	1,654,487	-
		<u>\$ 1,951,273</u>	<u>1,951,273</u>	<u>-</u>

Interest Rate Risk, As a means of limiting its exposure to interest rate risk, the District policy is to invest eligible investments and institutions to diversify its investments to match maturities with liquidity needs.

Credit Risk, State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and local government investment pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk, The District diversifies its investments by security type and institution.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

III. Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>Water and Sewer</u>	<u>Activity Center</u>	<u>Total</u>
Receivables:			
Service fees	\$ 82,044	22,597	104,641
Intergovernmental	-	120,107	120,107
Other	7,787	10,675	18,462
Gross receivables	<u>89,831</u>	<u>153,379</u>	<u>243,210</u>
Less: allowance for uncollectibles	-	-	-
Net receivables	<u>\$ 89,831</u>	<u>153,379</u>	<u>243,210</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance 1/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 12/31/2012</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 11,808	175,042	-	186,850
Total Capital Assets, Not Being Depreciated	<u>11,808</u>	<u>175,042</u>	<u>-</u>	<u>186,850</u>
Capital assets, being depreciated:				
Sewer system	5,040,702	-	-	5,040,702
Water system	4,752,057	-	-	4,752,057
Building	2,063,877	-	-	2,063,877
Parking lot	174,793	-	-	174,793
Equipment	1,122,634	26,587	-	1,149,221
Total Capital Assets Being Depreciated	<u>13,154,063</u>	<u>26,587</u>	<u>-</u>	<u>13,180,650</u>
Less Accumulated Depreciation for:				
Sewer system	(2,630,455)	(161,457)	-	(2,791,912)
Water system	(3,277,218)	(154,294)	-	(3,431,512)
Activity center	(538,998)	(24,352)	-	(563,350)
Building	(41,069)	(29,812)	-	(70,881)
Equipment	(53,638)	(21,455)	-	(75,093)
Total Accumulated Depreciation	<u>(6,541,378)</u>	<u>(391,370)</u>	<u>-</u>	<u>(6,932,748)</u>
Total Capital Assets Being Depreciated, Net	<u>6,612,685</u>	<u>(364,783)</u>	<u>-</u>	<u>6,247,902</u>
Business-type Activities Capital Assets, Net	<u>\$ 6,624,493</u>	<u>(189,741)</u>	<u>-</u>	<u>6,434,752</u>

**Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables as of December 31, 2012 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Public Works Fund	\$ 27,039	-
Conservation Trust Fund	7,587	-
Activity Center Fund	109,309	-
Water and Sewer Fund	-	143,935
Total	\$ 143,935	143,935

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers for 2012 were as follows:

<u>Transferred to:</u>	<u>Transferred from:</u>	<u>Amount</u>	<u>Purpose</u>
Activity Center	Conservation Trust	\$ 10,265	Recreation maintenance labor

E. Prepaid Tap Fees

As part of the Service Agreement with Metro the District has assumed a liability for prepaid tap fees.

Metro had entered into agreement with BMP by which Metro's Revenue Bonds were forgiven in exchange for a specified number of prepaid water and sewer tap equivalents at the value of the Water and Sewer Bonds at December 31, 2005 of \$1,566,956. The District acknowledges that it reviewed this agreement to the extent desired and that it shall honor and assume all obligations there under said agreement as successor to Metro.

Changes to prepaid tap fees after assumption by the District are listed below:

	<u>Beginning Balance 1/1/2012</u>	<u>Additions (Deletions)</u>	<u>Ending Balance 12/31/2012</u>
Prepaid water taps	\$ 336,630	(8,640)	327,990
Prepaid sewer taps	272,960	(5,760)	267,200
Total Liabilities	\$ 609,590	(14,400)	595,190

**Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

III. Detailed Notes on All Funds (continued)

F. Long-term Liabilities – Business-type Activities

Changes in the District's long-term liabilities are as follows:

	Beginning Balance 1/1/2012	Additions (Deletions)	Ending Balance 12/31/2012	Due Within One Year
Customer deposits	\$ 3,669	(136)	3,533	-
Compensated absences	56,154	1,194	57,348	43,011
Total Liabilities	\$ 59,823	1,058	60,881	43,011

IV. Other Information

A. Service Agreement – Town of Parachute

In 2000, the former Battlement Mesa Metropolitan District entered into an agreement (the "Agreement") with the Town of Parachute ("Town") to provide the Town with water and sewer services until December 31, 2002. The Agreement also called for the Town to pay for tap fees to the former Battlement Mesa Metropolitan District. The Agreement included two annual renewal terms. In 2003 the Agreement was amended to extend the Agreement until December 31, 2005. Effective in 2007, the District entered into an agreement with the former Battlement Mesa Metropolitan District to assign the Agreement over to the District. The Agreement was amended again in 2007, between the District and the Town, to extend the term of the Agreement to five years, with an option of renewing the Agreement on an annual basis. In 2012, the District recognized sewer charges and tap fees from the Town in the amount of \$122,243 and \$85,556, respectively.

B. Service Agreement – Bulk Water

In 2012, the District entered into an agreement with Williams Land Development ("Williams") to provide water supplies. Williams shall pay \$11 for each one thousand gallons of water supplied by the District. In 2012, the District received \$12,404 for supplying water under this agreement.

C. Service Agreement – Street Sweeping

In 2012, the District entered into an agreement with the Association to provide the sweeping of gravel, dirt and debris from the streets located within the Association. The District charged a in accordance with the agreement for the services provided.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

IV. Other Information (continued)

D. Management Agreement

In 2011 the District entered into a management agreement with Battlement Mesa Service Association (the "Association") to manage the day-to-day operation of the Association. The agreement commenced on January 1, 2012 and ends December 31, 2014. As part of the agreement the District received \$72,000 in management fees and \$15,870 for other services in 2012.

E. Retirement Plan

District employees are eligible to participate in a deferred compensation plan created in accordance with Internal Revenue Code section 457 (the "Deferred Compensation Plan"). The Deferred Compensation Plan, which is administered by Lincoln Life, allows employees the opportunity to defer a portion of their salary until future years. All compensation deferred under the Deferred Compensation Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the participants and their beneficiaries. Amounts contributed to the Deferred Compensation Plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

Participants may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District matches up to the first 5% of employee contributions.

The contributions for 2012 were \$70,750 by the employees and \$28,462 by the District.

F. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and general liability. The District carries commercial coverage for these risks and does not expect claims to exceed their coverage. There have been no reductions in coverage from 2011 to 2012 and settlements have not exceeded coverage in the past year.

G. Contingencies - Claims

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2012.

H. Economic Dependency

The District derived approximately 50% of its service revenues and its recreation assessment fees from billings to Battlement Mesa Partners during 2012.

I. Subsequent Event

Effective January 1, 2013, the District changed the name of the Activity Center from Battlement Mesa Activity Center to Grand Valley Recreation Center.

REQUIRED SUPPLEMENTARY INFORMATION

Battlement Mesa Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Conservation Trust Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for 2011)

	2012			Final Budget Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Lottery distributions	10,000	10,300	10,265	(35)	9,781
Interest	50	-	-	-	-
Total Revenues	10,050	10,300	10,265	(35)	9,781
Other Financial Sources (Uses):					
Interfund transfers	(10,000)	(10,300)	(10,265)	35	(9,781)
Total Other Financial Sources (Uses):	(10,000)	(10,300)	(10,265)	35	(9,781)
Net Changes in Fund Balance	50	-	-	-	-
Fund Balance - Beginning	-	-	7,587	7,587	7,587
Fund Balance - Ending	50	-	7,587	7,587	7,587

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

SUPPLEMENTARY INFORMATION

Battlement Mesa Metropolitan District
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
Water and Sewer Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for 2011)

	2012			Final Budget Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Water sales	1,020,000	1,097,500	1,096,556	(944)	953,583
Sewer service charges	758,000	717,600	717,499	(101)	693,146
Charges for service	30,000	20,000	19,889	(111)	24,963
Association management fees		88,100	87,870	(230)	75,699
Other income	-	3,000	3,000	-	2,600
Interest income	8,000	1,500	1,403	(97)	7,458
Grant revenue	-	-	-	-	132,879
Tap fees	-	85,600	99,956	14,356	-
Total Revenues	<u>1,816,000</u>	<u>2,013,300</u>	<u>2,026,173</u>	<u>12,873</u>	<u>1,890,328</u>
Expenditures:					
Administration:					
Accounting and audit	12,600	11,200	11,200	-	11,200
Contract labor and administrative	20,500	5,000	4,882	118	1,805
Insurance	52,000	49,600	49,525	75	48,000
Legal	21,000	6,400	6,338	62	5,853
Landscaping	10,000	4,200	4,150	50	6,584
Office lease	-	1,200	1,140	60	15,708
Repairs and maintenance	6,000	12,000	11,910	90	5,245
Office supplies, postage, and miscellaneous	93,300	76,700	75,816	884	81,761
Salaries, benefits and taxes	807,000	756,200	755,295	905	715,057
Water & Sewer Plants:					
Repairs and maintenance	391,300	382,100	381,155	945	312,595
Utilities	280,000	265,800	265,664	136	249,148
Sewer processing charges	26,000	28,200	28,124	76	27,185
Water purchases	4,000	2,400	2,338	62	3,350
Temporary easement		100	-	100	15,371
Association management:					
Office lease	-	-	-	-	5,625
Office supplies, postage, and miscellaneous	93,300	8,600	8,441	159	5,222
Salaries, benefits and taxes	807,000	67,500	67,486	14	51,749
Capital outlay:					
Capital outlay	190,000	108,300	108,132	168	916,569
Total Expenditures	<u>2,814,000</u>	<u>1,785,500</u>	<u>1,781,596</u>	<u>3,904</u>	<u>2,478,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(998,000)</u>	<u>227,800</u>	<u>244,577</u>	<u>16,777</u>	<u>(587,699)</u>
Reconciliation to GAAP Basis:					
Capital outlay			101,630		910,739
Depreciation			(342,947)		(320,630)
Change in Net Position - GAAP Basis			<u>3,260</u>		<u>2,410</u>

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

Battlement Mesa Metropolitan District
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Activity Center Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for 2011)

	<u>2012</u>			<u>2011</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u> <u>Actual</u>
Revenues:				
Recreation assessments	499,000	499,000	494,975	(4,025) 494,975
User fees and other	163,000	170,000	172,150	2,150 161,667
Interest income		200	124	(76) -
Grant revenue	-	120,200	120,107	(93) -
Sale of goods	10,000	13,400	13,305	(95) 11,452
Interfund transfer	10,000	10,300	10,265	(35) 9,781
Total Revenues	<u>682,000</u>	<u>813,100</u>	<u>810,926</u>	<u>(2,174)</u> <u>677,875</u>
Expenditures:				
Administration:				
Accounting and audit	2,500	2,500	2,500	- 2,500
Contract labor and administrative	31,000	31,000	31,000	- 33,960
Insurance	14,000	13,300	13,237	63 12,500
Legal	2,500	8,000	7,988	12 1,768
Miscellaneous	1,000	500	434	66 1,381
Office lease and utilities	111,000	87,100	87,029	71 89,040
Office supplies, postage, and miscellaneous	23,000	21,200	20,779	421 23,247
Salaries and benefits	326,300	309,600	309,387	213 304,424
Activity Center:				
Cost of goods sold	7,000	5,900	5,853	47 5,693
Pool expense	12,000	7,500	7,434	66 10,444
Program expense	10,000	6,900	6,817	83 7,027
Repairs and maintenance	125,500	102,900	100,476	2,424 92,920
Capital outlay:				
Capital outlay	-	154,400	156,593	(2,193) 3,919
Total Expenditures	<u>665,800</u>	<u>750,800</u>	<u>749,527</u>	<u>1,273</u> <u>588,823</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,200</u>	<u>62,300</u>	<u>61,399</u>	<u>(901)</u> <u>89,052</u>
Reconciliation to GAAP Basis:				
Capital outlay			100,000	-
Depreciation			(24,352)	(57,207)
Change in Net Position - GAAP Basis			<u>137,047</u>	<u>31,845</u>

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

Battlement Mesa Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Public Works Fund
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for 2011)

	<u>2012</u>			<u>Final Budget</u>	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>	
				<u>(Negative)</u>	
Revenues:					
Charges for service	16,000	16,500	15,900	(600)	21,205
Total Revenues	<u>16,000</u>	<u>16,500</u>	<u>15,900</u>	<u>(600)</u>	<u>21,205</u>
Expenditures:					
Administration:					
Insurance	1,200	1,000	1,001	(1)	1,000
Office supplies, postage, and miscellaneous	50	-	-	-	-
Salaries and benefits	8,000	2,500	2,347	153	6,913
Public Works:					
Repairs and maintenance	5,900	2,200	1,999	201	9,879
Total Expenditures	<u>15,150</u>	<u>5,700</u>	<u>5,347</u>	<u>353</u>	<u>17,792</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>850</u>	<u>10,800</u>	<u>10,553</u>	<u>(247)</u>	<u>3,413</u>
Reconciliation to GAAP Basis:					
Depreciation			(24,071)		(24,071)
Change in Net Position - GAAP Basis			<u>(13,518)</u>		<u>(20,658)</u>

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