



**Battlement Mesa Metropolitan District**  
SERVING THE COMMUNITY



**Financial Statements**  
**December 31, 2014**

**Battlement Mesa Metropolitan District  
Financial Report  
December 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Battlement Mesa Metropolitan District  
Battlement Mesa, Colorado**

### ***Report on the Financial Statements***

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, 2014, 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, and each major fund of the Battlement Mesa Metropolitan District as of December 31, 2014, 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.

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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.**  
**June 15, 2015**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Battlement Mesa Metropolitan District

Management's Discussion and Analysis  
December 31, 2014

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, 2014.

## 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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, public works, and a recreation center.

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, public works, and a recreation center.

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 actual 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	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 7,700	7,587	2,598,254	2,263,571	2,605,954	2,271,158
Capital assets	-	-	6,500,816	6,458,065	6,500,816	6,458,065
<b>Total Assets</b>	<b>7,700</b>	<b>7,587</b>	<b>9,099,070</b>	<b>8,721,636</b>	<b>9,106,770</b>	<b>8,729,223</b>
<b>Liabilities:</b>						
Short-term liabilities	-	-	421,088	443,345	421,088	443,345
Long-term liabilities	-	-	21,128	19,894	21,128	19,894
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>442,216</b>	<b>463,239</b>	<b>442,216</b>	<b>463,239</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>36,012</b>	<b>31,169</b>	<b>36,012</b>	<b>31,169</b>
<b>Net Position:</b>						
Net invested in capital assets	-	-	6,500,816	6,458,065	6,500,816	6,458,065
Unrestricted Net Position	7,700	7,587	2,120,026	1,769,163	2,127,726	1,776,750
<b>Total Net Position</b>	<b>\$ 7,700</b>	<b>7,587</b>	<b>8,620,842</b>	<b>8,227,228</b>	<b>8,628,542</b>	<b>8,234,815</b>

## 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 recreation 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 73% of its total assets. These assets are not an available source for payment of future spending.

The District's net position increased to \$8,628,542 in 2014. The increase is the result of an excess of revenue over expenditures in the business-type activities of \$393,727.

### Battlement Mesa Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	-	3,118,748	2,642,568	3,118,748	2,642,568
Grants and contributions	10,113	11,120	280,810	453,388	290,923	464,508
General revenues:						
Other income	-	-	29,284	9,878	29,284	9,878
Interest	-	-	864	836	864	836
<b>Total Revenues</b>	<b>10,113</b>	<b>11,120</b>	<b>3,429,706</b>	<b>3,106,670</b>	<b>3,439,819</b>	<b>3,117,790</b>
<b>Expenses:</b>						
Water and sewer	-	-	2,192,386	2,024,015	2,192,386	2,024,015
Recreation center	-	-	749,172	633,126	749,172	633,126
Public works	-	-	25,151	32,134	25,151	32,134
Association management	-	-	79,383	75,689	79,383	75,689
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>3,046,092</b>	<b>2,764,964</b>	<b>3,046,092</b>	<b>2,689,275</b>
<b>Change in Net Position before Transfers</b>	<b>10,113</b>	<b>11,120</b>	<b>383,614</b>	<b>341,706</b>	<b>393,727</b>	<b>428,515</b>
<b>Transfers</b>	<b>(10,000)</b>	<b>(11,120)</b>	<b>10,000</b>	<b>11,120</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>113</b>	<b>-</b>	<b>393,614</b>	<b>352,826</b>	<b>393,727</b>	<b>428,515</b>
<b>Net Position - Beginning</b>	<b>7,587</b>	<b>7,587</b>	<b>8,227,228</b>	<b>7,874,402</b>	<b>8,234,815</b>	<b>7,881,989</b>
<b>Net Position - Ending</b>	<b>\$ 7,700</b>	<b>7,587</b>	<b>8,620,842</b>	<b>8,227,228</b>	<b>8,628,542</b>	<b>8,234,815</b>

#### Governmental activities:

There governmental fund net position increased by \$113.

#### Business-type activities:

**Water and Sewer Fund:** The Water and Sewer Fund's change in net position was an increase of \$293,879. The Water and Sewer Fund's operating revenues increased \$467,374 over 2013, while operating expenses increased \$172,066. The increase in operating revenues was primarily due to bulk water sales, and operating expenses was primarily due to water easements and repairs/maintenance. Non-operating revenues and contributions decreased by \$130,598 from 2013 due to a decrease in tap fees and development fees.



## Government-wide Financial Analysis (continued)

### Business-type activities (continued):

**Recreation Center Fund:** The Recreation Center Fund change in net position was \$109,886, after depreciation expense of \$58,285, which was mitigated by a transfer of \$10,000 from the Conservation Trust Fund and grant revenues of \$201,138. Operating expenses increased \$116,045 from 2013. Recreation assessments accounted for 77% of the Activity Center Fund's operating revenues while user and program fees accounted for 22%. Personnel and administrative expenses accounted for 66% of Activity Center Fund expenses. Repairs and maintenance and direct program expenses accounted for about 26% of Activity Center Fund expenses.

**Public Works Fund:** The Public Works Fund change in net position was a decrease of \$10,151 after depreciation expense of \$13,343. Operating revenues remained equal to 2013. Operating expenses decreased \$6,983 from 2013.

### 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 \$7,700. 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, public works 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 \$2,120,026 and is broken down as follows: Water and Sewer Fund, \$1,902,138; Activity Center Fund, \$180,720 and Public Works Fund, \$37,168. 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 and Final Budget Variance Positive (Negative)	Reason
<b>Water &amp; Sewer Fund</b>		
<b>Revenues:</b>		
Water sales	\$ 511,116	Due to increase in bulk sales
Other income	20,254	Due to insurance refund
Grant revenue	15,922	Due to grant being carried over to 2014
System development fees	15,000	Due to unexpected tap fees sale
Tap fees	18,750	Due to unexpected tap fees sale
<b>Expenditures:</b>		
Salaries, benefits and taxes	47,507	Due to reimbursement from BMSA
Temporary easement	(143,688)	Due to increase in bulk water sales
Capital outlay	175,483	Due to projects being delayed to 2015
<b>Recreation Center Fund</b>		
<b>Revenues:</b>		
User fees and other	(7,963)	Due to fewer out-of-district users
Grant revenue	(8,862)	Project costs were less than anticipated
<b>Expenditures:</b>		
Office lease and utilities	(6,350)	Due to higher costs than anticipated
Salaries and benefits	21,109	Due to one less full-time employee
Repairs and maintenance	7,931	Due to fewer repairs than anticipated
<b>Public Works Fund</b>		
<b>Expenditures:</b>		
Repairs and maintenance	2,332	Due to fewer needed repairs than anticipated

**Capital assets:** The District's capital assets increased by \$42,752 due to more capital additions over depreciation expense. 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 \$4,040 as a result of increases in customer deposits and 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 2014, and significant capital projects for manhole/vault repair/replacement, water pre-treatment equipment, meter reading equipment and vehicle replacement are planned. Water rates are budgeted for a five percent increase for 2015, while sewer rates will increase by \$1.

### 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, 401 Arroyo Drive, Parachute, Colorado 81635.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Battlement Mesa Metropolitan District**  
**Statement of Net Position**  
**December 31, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	-	464,065	464,065
Investments	-	2,006,143	2,006,143
Receivables, net:			
Service fees	-	109,348	109,348
Internal balances	7,700	(7,700)	-
Prepaid expenses	-	26,398	26,398
Property, plant and equipment, net of accumulated depreciation	-	6,500,816	6,500,816
<b>Total Assets</b>	<u>7,700</u>	<u>9,099,070</u>	<u>9,106,770</u>
<b>Liabilities:</b>			
Accounts payable	-	7,142	7,142
Accrued payroll	-	256	256
Unearned revenues	-	2,110	2,110
Prepaid tap fees	-	360,440	360,440
Accrued compensated absences:			
Due within one year	-	51,140	51,140
Due in more than one year	-	17,047	17,047
Customer deposits	-	4,081	4,081
<b>Total Liabilities</b>	<u>-</u>	<u>442,216</u>	<u>442,216</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable recreation assessments	-	36,012	36,012
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>36,012</u>	<u>36,012</u>
<b>Net Position:</b>			
Net invested in capital assets	-	6,500,816	6,500,816
Unrestricted	7,700	2,120,026	2,127,726
<b>Total Net Position</b>	<u>7,700</u>	<u>8,620,842</u>	<u>8,628,542</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, 2014**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs:</b>						
<b>Governmental Activities:</b>						
Culture and recreation	-	-	10,113	10,113	-	10,113
<b>Total Governmental     Activities</b>	<b>-</b>	<b>-</b>	<b>10,113</b>	<b>10,113</b>	<b>-</b>	<b>10,113</b>
<b>Business-type Activities:</b>						
Water and sewer	2,192,386	2,358,878	79,672	-	246,164	246,164
Activity center	749,172	641,248	201,138	-	93,214	93,214
Public works	25,151	15,000	-	-	(10,151)	(10,151)
Association management	79,383	103,622	-	-	24,239	24,239
<b>Total Business-type     Activities</b>	<b>3,046,092</b>	<b>3,118,748</b>	<b>280,810</b>	<b>-</b>	<b>353,466</b>	<b>353,466</b>
<b>Total</b>	<b>3,046,092</b>	<b>3,118,748</b>	<b>290,923</b>	<b>10,113</b>	<b>353,466</b>	<b>363,579</b>
<b>General Revenues:</b>						
Investment earnings				-	864	864
Other income				-	29,284	29,284
<b>Transfers in (out)</b>				<b>(10,000)</b>	<b>10,000</b>	<b>-</b>
<b>Total General Revenues and transfers</b>				<b>(10,000)</b>	<b>40,148</b>	<b>30,148</b>
<b>Change in Net Position</b>				<b>113</b>	<b>393,614</b>	<b>393,727</b>
<b>Net Position - Beginning</b>				<b>7,587</b>	<b>8,227,228</b>	<b>8,234,815</b>
<b>Net Position - Ending</b>				<b>7,700</b>	<b>8,620,842</b>	<b>8,628,542</b>

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

## **FUND FINANCIAL STATEMENTS**

**Battlement Mesa Metropolitan District  
Balance Sheet  
Governmental Fund - Conservation Trust Fund  
December 31, 2014**

<b>Assets:</b>	
Due from other funds	7,700
<b>Total Assets</b>	<u>7,700</u>
<b>Fund Balance:</b>	
Restricted	7,700
<b>Total Fund Balance</b>	<u>7,700</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, 2014**

<b>Revenues:</b>	
Lottery distributions	10,113
<b>Total Revenues</b>	<u>10,113</u>
<b>Expenditures:</b>	
Parks and recreation	-
<b>Total Revenues</b>	<u>-</u>
<b>Excess of Revenues over Expenditures</b>	<u>10,113</u>
<b>Other Financing Sources (Uses)</b>	
Transfers out	<u>(10,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(10,000)</u>
<b>Net Change in Fund Balance</b>	113
<b>Fund Balance - Beginning</b>	<u>7,587</u>
<b>Fund Balance - Ending</b>	<u><u>7,700</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, 2014**  
**(With Comparative Actual Amounts for 2013)**

	2014			2013	
	Water and Sewer Fund	Recreation Center Fund	Public Works Fund	Totals	Totals
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	463,740	325	-	464,065	366,698
Cash and cash equivalents designated for capital projects	-	-	-	-	12,750
Investments	2,006,143	-	-	2,006,143	1,655,305
Receivables:					
Service fees and other	91,626	17,722	-	109,348	108,471
Due from other governments	-	-	-	-	111,741
Due from other funds	-	217,951	37,168	255,119	162,987
Prepaid expenses	26,398	-	-	26,398	16,195
<b>Total Current Assets</b>	<u>2,587,907</u>	<u>235,998</u>	<u>37,168</u>	<u>2,861,073</u>	<u>2,434,147</u>
<b>Non-Current Assets:</b>					
Construction in process	-	-	-	-	187,081
Water system	4,771,713	-	-	4,771,713	4,752,057
Sewer system	5,486,070	-	-	5,486,070	5,154,438
Buildings	1,087,833	1,348,158	104,648	2,540,639	2,329,159
Parking lots	-	262,051	-	262,051	198,345
Equipment	857,074	200,400	107,275	1,164,749	1,136,980
Accumulated depreciation	(6,947,164)	(655,579)	(121,663)	(7,724,406)	(7,299,996)
<b>Total Non-Current Assets</b>	<u>5,255,526</u>	<u>1,155,030</u>	<u>90,260</u>	<u>6,500,816</u>	<u>6,458,064</u>
<b>Total Assets</b>	<u>7,843,433</u>	<u>1,391,028</u>	<u>127,428</u>	<u>9,361,889</u>	<u>8,892,211</u>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts payable	7,358	39	-	7,397	14,027
Unearned revenues	-	2,110	-	2,110	1,795
Due to other funds	262,819	-	-	262,819	170,574
Compensated absences	38,303	12,838	-	51,141	48,334
Prepaid tap fees	360,440	-	-	360,440	379,190
<b>Total Current Liabilities</b>	<u>668,920</u>	<u>14,987</u>	<u>-</u>	<u>683,907</u>	<u>613,920</u>
<b>Non-Current Liabilities:</b>					
Customer deposits	4,081	-	-	4,081	3,783
Compensated absences	12,768	4,279	-	17,047	16,111
<b>Total Non-Current Liabilities</b>	<u>16,849</u>	<u>4,279</u>	<u>-</u>	<u>21,128</u>	<u>19,894</u>
<b>Total Liabilities</b>	<u>685,769</u>	<u>19,266</u>	<u>-</u>	<u>705,035</u>	<u>633,814</u>
<b>Deferred Inflows of Resource:</b>					
Unavailable recreation assessments	-	36,012	-	36,012	31,169
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>36,012</u>	<u>-</u>	<u>36,012</u>	<u>31,169</u>
<b>Net Position:</b>					
Net invested in capital assets	5,255,526	1,155,030	90,260	6,500,816	6,458,064
Unrestricted	1,902,138	180,720	37,168	2,120,026	1,769,164
<b>Total Net Position</b>	<u>7,157,664</u>	<u>1,335,750</u>	<u>127,428</u>	<u>8,620,842</u>	<u>8,227,228</u>

**Battlement Mesa Metropolitan District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**All Proprietary Funds**  
**For the Year Ended December 31, 2014**  
**(With Comparative Actual Amounts for 2013)**

	2014			2013	
	Water and Sewer Fund	Recreation Center Fund	Public Works Fund	Totals	Totals
<b>Operating Revenues:</b>					
User and program fees	-	144,351	-	144,351	135,502
Water sales	1,586,116	-	-	1,586,116	1,126,476
Sewer service charges	749,413	-	-	749,413	749,285
Service charges	23,349	-	15,000	38,349	37,486
Recreation assessments	-	495,641	-	495,641	494,975
Sale of goods	-	7,100	-	7,100	8,696
Association management fees	103,622	-	-	103,622	96,879
<b>Total Operating Revenues</b>	<u>2,462,500</u>	<u>647,092</u>	<u>15,000</u>	<u>3,124,592</u>	<u>2,649,299</u>
<b>Operating Expenses:</b>					
Administration	968,410	494,244	8,640	1,471,294	1,410,065
Water and sewer	871,194	-	-	871,194	746,579
Activity Center	-	196,643	-	196,643	120,134
Public works	-	-	3,168	3,168	4,100
Association management	79,383	-	-	79,383	75,689
Depreciation	352,782	58,285	13,343	424,410	408,397
<b>Total Operating Expenses</b>	<u>2,271,769</u>	<u>749,172</u>	<u>25,151</u>	<u>3,046,092</u>	<u>2,764,964</u>
<b>Operating Income (loss)</b>	<u>190,731</u>	<u>(102,080)</u>	<u>(10,151)</u>	<u>78,500</u>	<u>(115,665)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest income	722	142	-	864	836
Grant revenue	45,922	201,138	-	247,060	237,388
Other income	22,754	686	-	23,440	3,147
<b>Total Non-Operating Revenues (Expenses)</b>	<u>69,398</u>	<u>201,966</u>	<u>-</u>	<u>271,364</u>	<u>241,371</u>
<b>Income Before Contributions &amp; Transfers</b>	260,129	99,886	(10,151)	349,864	125,706
System development fees	15,000	-	-	15,000	96,000
Tap fees	18,750	-	-	18,750	120,000
Interfund transfers in (out)	-	10,000	-	10,000	11,120
<b>Change in Net Position</b>	293,879	109,886	(10,151)	393,614	352,826
<b>Net Position - Beginning</b>	<u>6,863,785</u>	<u>1,225,864</u>	<u>137,579</u>	<u>8,227,228</u>	<u>7,874,402</u>
<b>Net Position - Ending</b>	<u>7,157,664</u>	<u>1,335,750</u>	<u>127,428</u>	<u>8,620,842</u>	<u>8,227,228</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, 2014**  
**(With Comparative Actual Amounts for 2013)**

	2014			2013	
	Water and Sewer Fund	Recreation Center Fund	Public Works Fund	Totals	Totals
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers	2,354,976	655,259	15,000	3,025,235	2,564,935
Cash received from others	103,622	-	-	103,622	96,879
Cash payments for goods and services	(1,028,304)	(456,700)	(7,560)	(1,492,564)	(1,317,484)
Cash payments for salaries and benefits	(816,148)	(318,194)	(7,440)	(1,141,782)	(1,089,997)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>614,146</u>	<u>(119,635)</u>	<u>-</u>	<u>494,511</u>	<u>254,333</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>					
Transfer from other funds	-	10,000	-	10,000	11,120
Miscellaneous	22,754	686	-	23,440	3,147
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>22,754</u>	<u>10,686</u>	<u>-</u>	<u>33,440</u>	<u>14,267</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Grants	60,000	298,801	-	358,801	245,754
Tap fees	-	-	-	-	(96,000)
System development fees	15,000	-	-	15,000	96,000
Capital outlay	(264,517)	(202,644)	-	(467,161)	(431,710)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(189,517)</u>	<u>96,157</u>	<u>-</u>	<u>(93,360)</u>	<u>(185,956)</u>
<b>Cash Flows From Investing Activities:</b>					
Purchase of investments	(2,155,612)	-	-	(2,155,612)	(1,654,828)
Redemption of investments	1,805,612	-	-	1,805,612	1,654,828
Interest income	(116)	142	-	26	18
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(350,116)</u>	<u>142</u>	<u>-</u>	<u>(349,974)</u>	<u>18</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>97,267</u>	<u>(12,650)</u>	<u>-</u>	<u>84,617</u>	<u>82,662</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>366,473</u>	<u>12,975</u>	<u>-</u>	<u>379,448</u>	<u>296,786</u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u>463,740</u></u>	<u><u>325</u></u>	<u><u>-</u></u>	<u><u>464,065</u></u>	<u><u>379,448</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	190,731	(102,080)	(10,151)	78,500	(115,665)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>					
Depreciation	352,782	58,285	13,343	424,410	408,397
(Increase) decrease in accounts receivable - service fees	(4,200)	3,323	-	(877)	14,632
(Increase) decrease in due to/from other funds	92,245	(88,939)	(3,192)	114	(1)
(Increase) decrease in prepaid expenses	(10,203)	-	-	(10,203)	(408)
Increase (decrease) in compensated absences	(855)	4,597	-	3,742	7,097
Increase (decrease) in accounts payable	(6,652)	21	-	(6,631)	(56,768)
Increase (decrease) in unearned revenue	-	315	-	315	(835)
Increase (decrease) in customer deposits	298	-	-	298	250
Increase (decrease) in unavailable recreation assessments	-	4,843	-	4,843	(2,366)
<b>Total Adjustments</b>	<u>423,415</u>	<u>(17,555)</u>	<u>10,151</u>	<u>416,011</u>	<u>369,998</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>614,146</u></u>	<u><u>(119,635)</u></u>	<u><u>-</u></u>	<u><u>494,511</u></u>	<u><u>254,333</u></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, 2014**

**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, recreation center, public works, and association management are classified as business-type activities.

**Battlement Mesa Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2014**  
**(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 *Recreation Center Fund* accounts for the operations of the recreation 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, 2014**  
**(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, 2014**  
**(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, 2014, 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, 2014**  
**(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, 2014**  
**(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, 2014**  
**(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 District'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.

**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:

	<b>Water and Sewer Fund</b>	<b>Recreation Center Fund</b>	<b>Public Works Fund</b>
Excess (deficiency) of revenues over expenditures	\$ 363,394	(45,685)	3,192
Reconciliation to GAAP basis:			
Capital outlay	264,517	213,856	-
Depreciation	(352,782)	(58,285)	(13,343)
Debt payments	18,750	-	-
Change in net position - GAAP basis	<u>\$ 293,879</u>	<u>109,886</u>	<u>(10,151)</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, 2014**  
**(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 2014.

1. For the 2014 budget year, prior to August 25, 2013, 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 2014.
3. Prior to December 15, 2013, 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, 2014**  
**(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	\$ 625	625	-
Checking	Not Rated	260,848	260,848	-
Money market	Not Rated	202,592	202,592	-
<i>Investments:</i>				
Certificates of Deposits	Not Rated	2,006,143	2,006,143	-
		<u>\$ 2,470,208</u>	<u>2,470,208</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, 2014**  
**(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:

	<b>Water and Sewer</b>	<b>Recreation Center</b>	<b>Total</b>
Receivables:			
Service fees	\$ 91,626	17,722	109,348
Gross receivables	91,626	17,722	109,348
Less: allowance for uncollectibles	-	-	-
Net receivables	<u>\$ 91,626</u>	<u>17,722</u>	<u>109,348</u>

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2014 was as follows:

	<b>Beginning Balance 1/1/2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2014</b>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 187,081	246,211	(433,292)	-
Total Capital Assets, Not Being Depreciated	<u>187,081</u>	<u>246,211</u>	<u>(433,292)</u>	<u>-</u>
Capital assets, being depreciated:				
Sewer system	5,154,438	331,632	-	5,486,070
Water system	4,752,057	19,656	-	4,771,713
Building	2,329,159	211,480	-	2,540,639
Parking lot	198,345	63,706	-	262,051
Equipment and vehicles	1,136,980	27,769	-	1,164,749
Total Capital Assets Being Depreciated	<u>13,570,979</u>	<u>654,243</u>	<u>-</u>	<u>14,225,222</u>
Less Accumulated Depreciation for:				
Sewer system	(2,961,477)	(178,285)	-	(3,139,762)
Water system	(3,543,984)	(147,301)	-	(3,691,285)
Activity center	(597,294)	(58,284)	-	(655,579)
Building	(100,693)	(29,812)	-	(130,505)
Equipment and vehicles	(96,548)	(10,727)	-	(107,275)
Total Accumulated Depreciation	<u>(7,299,996)</u>	<u>(424,409)</u>	<u>-</u>	<u>(7,724,406)</u>
Total Capital Assets Being Depreciated, Net	<u>6,270,983</u>	<u>229,834</u>	<u>-</u>	<u>6,500,816</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 6,458,064</u>	<u>476,045</u>	<u>(433,292)</u>	<u>6,500,816</u>

**Battlement Mesa Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2014**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**D. Interfund Receivables, Payables, and Transfers**

Interfund receivables and payables as of December 31, 2014 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Public Works Fund	\$ 37,168	-
Conservation Trust Fund	7,700	-
Recreation Center Fund	217,951	-
Water and Sewer Fund	-	262,819
<b>Total</b>	<u>\$ 262,819</u>	<u>262,819</u>

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 2014 were as follows:

<u>Transferred to:</u>	<u>Transferred from:</u>	<u>Amount</u>	<u>Purpose</u>
Recreation Center	Conservation Trust	\$ 10,000	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 an 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 1/1/2014</u>	<u>Additions (Deletions)</u>	<u>Ending Balance 12/31/2014</u>
Prepaid water taps	\$ 198,390	(11,250)	187,140
Prepaid sewer taps	180,800	(7,500)	173,300
<b>Total Liabilities</b>	<u>\$ 379,190</u>	<u>(18,750)</u>	<u>360,440</u>

**Battlement Mesa Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2014**  
**(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:

	<b>Beginning Balance 1/1/2014</b>	<b>Additions (Deletions)</b>	<b>Ending Balance 12/31/2014</b>	<b>Due Within One Year</b>
Customer deposits	\$ 3,783	298	4,081	-
Compensated absences	64,445	3,742	68,187	51,140
<b>Total Liabilities</b>	<b>\$ 68,228</b>	<b>4,040</b>	<b>72,268</b>	<b>51,140</b>

**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 2014, the District recognized sewer charges and tap fees from the Town in the amount of \$145,222.

**B. Service Agreement – Bulk Water**

In 2014, the District entered into multiple agreements with companies to provide water supplies to these companies. Based on the agreements each company shall pay a certain amount for each one thousand gallons of water supplied by the District. In addition, the District entered into temporary easements with BMP which grants the District to supply water to certain of these companies. The District must pay BMP \$2 for each one thousand gallons of water supplied to the certain companies. In 2014, the District received \$644,354 for supplying water under these agreements and paid \$148,688 in costs relating to the temporary easements.

**C. Service Agreement – Street Sweeping**

In 2014, 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 in accordance with the agreement for the services provided.



**Battlement Mesa Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2014**  
**(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 ended December 31, 2014. As part of the agreement the District received \$90,000 in management fees and \$13,622 for other services in 2014. In December 2014, the District entered into another management agreement with the Association to commence on January 1, 2015 and ends December 31, 2017.

**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 2014 were \$85,835 by the employees and \$28,944 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 2013 to 2014 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, 2014.

**H. Economic Dependency**

The District derived approximately 50% of its service revenues and its recreation assessment fees from billings to Battlement Mesa Partners during 2014.

**Battlement Mesa Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2014**  
**(Continued)**

**IV. Other Information (continued)**

**I. Sunforce Solutions International-I, Inc. Agreements**

In September 2014, the District entered into a power purchase agreement and land lease agreement with Sunforce Solutions International-I, Inc. ("Sunforce"), in which the District leases certain land for the installation, operation, maintenance, repair, replacement and improvement of solar energy facility to Sunforce and the District shall purchase energy from Sunforce under the terms of the agreements. The initial terms of the agreements are for 20 years and include the option of up to four extensions of five years.

**J. Subsequent Event**

In January 2015, the District entered into a prospective purchase of the Recreation Center with Parachute/Battlement Mesa Park & Recreation District. Under the terms of the prospective purchase, Parachute/Battlement Mesa Park & Recreation District will purchase the Recreation Center and associated land for \$1 with a December 1, 2015 closing date.

**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, 2014**  
**(With Comparative Actual Amounts for 2013)**

	2014		Variance Positive (Negative)	2013
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Lottery distributions	10,000	10,113	113	11,120
<b>Total Revenues</b>	10,000	10,113	113	11,120
<b>Other Financial Sources (Uses):</b>				
Interfund transfers	(10,000)	(10,000)	-	(11,120)
<b>Total Other Financial Sources (Uses):</b>	(10,000)	(10,000)	-	(11,120)
<b>Net Changes in Fund Balance</b>	-	113	113	-
<b>Fund Balance - Beginning</b>	-	7,587	7,587	7,587
<b>Fund Balance - Ending</b>	-	7,700	7,700	7,587

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2014**  
**(With Comparative Actual Amounts for 2013)**

	<u>2014</u>		<u>Variance Positive (Negative)</u>	<u>2013</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Water sales	1,075,000	1,586,116	511,116	1,126,476
Sewer service charges	755,000	749,413	(5,587)	749,285
Charges for service	22,000	23,349	1,349	22,486
Association management fees	104,000	103,622	(378)	96,879
Other income	2,500	22,754	20,254	2,897
Interest income	1,000	722	(278)	771
Grant revenue	30,000	45,922	15,922	14,078
System development fees	-	15,000	15,000	96,000
Tap fees	-	18,750	18,750	120,000
<b>Total Revenues</b>	<u>1,989,500</u>	<u>2,565,648</u>	<u>576,148</u>	<u>2,228,872</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Accounting and audit	11,600	11,792	(192)	10,700
Contract labor and administrative	17,000	10,281	6,719	10,252
Insurance	55,000	53,104	1,896	51,396
Legal	17,000	2,664	14,336	3,484
Landscaping	6,200	4,128	2,072	4,552
Repairs and maintenance	10,500	9,878	622	10,822
Office supplies, postage, and miscellaneous	92,300	61,269	31,031	59,417
Salaries, benefits and taxes	862,800	815,293	47,507	777,183
Tap fees	-	18,750	(18,750)	216,000
<b>Water &amp; Sewer Plants:</b>				
Repairs and maintenance	372,100	372,245	(145)	424,053
Utilities	278,000	311,303	(33,303)	286,283
Sewer processing charges	29,000	31,571	(2,571)	1,800
Water purchases	3,500	7,388	(3,888)	4,916
Temporary easement	5,000	148,688	(143,688)	29,527
<b>Association management:</b>				
Office supplies, postage, and miscellaneous	12,500	8,036	4,464	10,788
Salaries, benefits and taxes	72,000	71,347	653	64,901
<b>Capital outlay:</b>				
Capital outlay	440,000	264,517	175,483	142,564
<b>Total Expenditures</b>	<u>2,284,500</u>	<u>2,202,254</u>	<u>82,246</u>	<u>2,108,638</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	<u>(295,000)</u>	<u>363,394</u>	<u>658,394</u>	<u>120,234</u>
<b>Reconciliation to GAAP Basis:</b>				
Capital outlay		264,517		142,565
Depreciation		(352,782)		(349,630)
Prepaid tap fees paid to developer		18,750		216,000
<b>Change in Net Position - GAAP Basis</b>		<u>293,879</u>		<u>129,169</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**  
**Recreation Center Fund**  
**For the Year Ended December 31, 2014**  
**(With Comparative Actual Amounts for 2013)**

	<u>2014</u>		<u>Variance Positive (Negative)</u>	<u>2013</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Recreation assessments	495,000	495,641	641	494,975
User fees and other	153,000	145,037	(7,963)	135,752
Interest income	100	142	42	65
Grant revenue	210,000	201,138	(8,862)	223,310
Sale of goods	11,000	7,100	(3,900)	8,696
Interfund transfer	10,000	10,000	-	11,120
<b>Total Revenues</b>	<u>879,100</u>	<u>859,058</u>	<u>(20,042)</u>	<u>873,918</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Accounting and audit	2,500	2,646	(146)	2,500
Contract labor and administrative	32,000	32,000	-	32,000
Insurance	15,800	15,060	740	14,727
Legal	2,500	2,518	(18)	1,661
Miscellaneous	1,000	1,140	(140)	771
Office lease and utilities	92,500	98,850	(6,350)	91,144
Office supplies, postage, and miscellaneous	26,700	19,240	7,460	18,285
Salaries and benefits	343,900	322,791	21,109	317,210
<b>Activity Center:</b>				
Cost of goods sold	6,000	2,438	3,562	3,301
Pool expense	12,000	11,443	557	8,820
Program expense	9,000	5,282	3,718	8,576
Repairs and maintenance	109,500	101,569	7,931	99,436
<b>Capital outlay:</b>				
Capital outlay	289,000	289,766	(766)	289,145
<b>Total Expenditures</b>	<u>942,400</u>	<u>904,743</u>	<u>37,657</u>	<u>887,576</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	<u>(63,300)</u>	<u>(45,685)</u>	<u>17,615</u>	<u>(13,658)</u>
<b>Reconciliation to GAAP Basis:</b>				
Capital outlay		213,856		100,000
Depreciation		(58,285)		(34,696)
<b>Change in Net Position - GAAP Basis</b>		<u>109,886</u>		<u>51,646</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 (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis**  
**Public Works Fund**  
**For the Year Ended December 31, 2014**  
**(With Comparative Actual Amounts for 2013)**

	<u>2014</u>		<b>Final Budget Variance Positive (Negative)</b>	<u>2013</u>
	<b>Original and Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
Charges for service	16,000	15,000	(1,000)	15,000
<b>Total Revenues</b>	<u>16,000</u>	<u>15,000</u>	<u>(1,000)</u>	<u>15,000</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Insurance	1,300	1,200	100	1,262
Office supplies, postage, and miscellaneous	100	-	100	-
Salaries and benefits	6,900	7,440	(540)	2,700
<b>Public Works:</b>				
Repairs and maintenance	5,500	3,168	2,332	4,100
<b>Total Expenditures</b>	<u>13,800</u>	<u>11,808</u>	<u>1,992</u>	<u>8,062</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,200</u>	<u>3,192</u>	<u>992</u>	<u>6,938</u>
<b>Reconciliation to GAAP Basis:</b>				
Depreciation		(13,343)		(24,071)
<b>Change in Net Position - GAAP Basis</b>		<u>(10,151)</u>		<u>(17,133)</u>

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