



Battlement Mesa Metropolitan District
SERVING THE COMMUNITY



Financial Report
December 31, 2018

**Battlement Mesa Metropolitan District
Financial Report
December 31, 2018**

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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, 2018, 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, 2018, 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.
July 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battlement Mesa Metropolitan District

Management's Discussion and Analysis
December 31, 2018

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, 2018.

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 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 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 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	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 6,160	20,457	3,580,401	3,432,238	3,586,561	3,452,695
Capital assets	-	-	4,505,681	4,750,135	4,505,681	4,750,135
Total Assets	6,160	20,457	8,086,082	8,182,373	8,092,242	8,202,830
Liabilities:						
Short-term liabilities	-	-	135,102	513,602	135,102	513,602
Long-term liabilities	-	-	18,311	17,607	18,311	17,607
Total liabilities	-	-	153,413	531,209	153,413	531,209
Net Position:						
Net invested in capital assets	-	-	4,505,681	4,750,135	4,505,681	4,750,135
Unrestricted Net Position	6,160	20,457	3,426,988	2,901,029	3,433,148	2,921,486
Total Net Position	\$ 6,160	20,457	7,932,669	7,651,164	7,938,829	7,671,621

Government-wide Financial Analysis (continued)

Traditionally, the largest portion of any district's investments is in its capital assets. Water and sewer systems are necessary in order to deliver and/or provide services to the District's residents. The District's capital assets account for 56% of its total assets. These assets are not an available source for payment of future spending.

The District's net position increased to \$7,938,829 in 2018. The increase is mainly the result of an excess of revenue over expenses in the business-type activities of \$281,505.

Battlement Mesa Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ -	-	2,826,537	2,485,510	2,826,537	2,485,510
Grants and contributions	10,703	10,373	4,500	-	15,203	10,373
General revenues:						
Other income	-	-	2,439	1,176	2,439	1,176
Investment earnings	-	-	19,364	4,341	19,364	4,341
Total Revenues	10,703	10,373	2,852,840	2,491,027	2,863,543	2,501,400
Expenses:						
Water and sewer	-	-	2,493,636	2,360,461	2,493,636	2,360,461
Public works	-	-	15,966	11,431	15,966	11,431
Association management	-	-	111,173	124,093	111,173	124,093
Culture and recreation	25,000	1,500	-	-	25,000	1,500
Total Expenses	25,000	1,500	2,620,775	2,495,985	2,620,775	2,495,985
Change in Net Position Before Special Items	(14,297)	8,873	232,065	(4,958)	242,768	5,415
Special/extraordinary items	-	-	49,440	-	49,440	-
Change in Net Position	(14,297)	8,873	281,505	(4,958)	292,208	5,415
Net Position - Beginning	20,457	11,584	7,651,164	7,656,122	7,671,621	7,667,706
Net Position - Ending	\$ 6,160	20,457	7,932,669	7,651,164	7,938,829	7,671,621

Governmental activities:

The governmental activities net position decreased by \$14,297, because recreation projects undertaken exceeded lottery distribution revenue in 2018.

Business-type activities:

Water and Sewer Fund: The Water and Sewer Fund's change in net position was an increase of \$273,471. The Water and Sewer Fund's operating revenues increased \$341,027 over 2017, while operating expenses also increased \$120,255. The increase in operating revenues was primarily due to bulk water sales, and the increase in operating expenses was primarily due to an increase in water easement expense resulting from the increase in bulk water sales. Non-operating revenues increased by \$65,726 from 2017 due to an increase in investment income and debt forgiveness.

Government-wide Financial Analysis (continued)

Business-type activities (continued):

Public Works Fund: The Public Works Fund change in net position was an increase of \$8,034. Operating revenues did not change from 2017 and operating expenses increased \$4,535 from 2017. The increase in operating expenses was primarily due to salaries and benefits and insurance.

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 \$6,160. 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 public works 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 \$3,426,988 and is broken down as follows: Water and Sewer Fund, \$3,356,168 and Public Works Fund, \$70,820. The net unrestricted assets are available for spending at the District's discretion.

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

<u>Account</u>	<u>Original Budget Variance Positive (Negative)</u>	<u>Reason</u>
Water & Sewer Fund		
Revenues:		
Water sales	\$ 122,548	Vacancy rates for residential units decreased contributing to an increase in water sales for in-house use and outside irrigation
Sewer service charges	33,567	Vacancy rates for residential units decreased contributing to an increase in sewer service fees
Expenditures:		
Tap fees	(300,000)	Payoff of prepaid tap fees
Utilities	46,089	A conservative (high) budget projection for utilities due to potential large volume of water production related to bulk water sales and unpredictable utility cost savings related to solar power
Capital outlay	57,933	Aeration basin upgrade and emergency water flow valve projects did not occur as previously planned

Financial Analysis of the District's Funds (continued)

Budget variance in the proprietary funds (continued):

<u>Account</u>	<u>Original Budget Variance Positive (Negative)</u>	<u>Reason</u>
Public Works Fund		
<i>Revenues:</i>		
Charges for services	\$ 8,000	Due to unanticipated Garfield County request for services
Conservation Trust Fund		
<i>Expenditures:</i>		
Parks and recreation	(14,000)	Awarded a grant request to the Park & Recreation District for construction of trail/sidewalk in Battlement Mesa. Grant request was not anticipated at time of budget adoption

Capital assets: The District's capital assets decreased by \$244,454 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 \$704 as a result of an 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 increase moderately compared to 2018, with the addition of a fulltime employee within the water and sewer utility operations; and capital improvements which include security fencing, water control valves, SCADA improvements and the acquisition of a utility pickup. Minimum water rates will increase by \$1.00 per month to \$17.00.

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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	-	2,030,580	2,030,580
Investments	-	1,415,232	1,415,232
Receivables, net:			
Service fees	-	112,894	112,894
Internal balances	6,160	(6,160)	-
Prepaid expenses	-	27,855	27,855
Property, plant and equipment, net of accumulated depreciation	-	4,505,681	4,505,681
Total Assets	<u>6,160</u>	<u>8,086,082</u>	<u>8,092,242</u>
Liabilities:			
Accounts payable	-	49,970	49,970
Accrued payroll	-	30,198	30,198
Accrued compensated absences:			
Due within one year	-	54,934	54,934
Due in more than one year	-	18,311	18,311
Total Liabilities	<u>-</u>	<u>153,413</u>	<u>153,413</u>
Net Position:			
Net invested in capital assets	-	4,505,681	4,505,681
Unrestricted	6,160	3,426,988	3,433,148
Total Net Position	<u>6,160</u>	<u>7,932,669</u>	<u>7,938,829</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, 2018**

	<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>
Functions/Programs:						
Governmental Activities:						
Culture and recreation	25,000	-	10,703	(14,297)	-	(14,297)
Total Governmental Activities	<u>25,000</u>	<u>-</u>	<u>10,703</u>	<u>(14,297)</u>	<u>-</u>	<u>(14,297)</u>
Business-type Activities:						
Water and sewer	2,493,636	2,659,039	4,500	-	169,903	169,903
Public works	15,966	24,000	-	-	8,034	8,034
Association management	111,173	143,498	-	-	32,325	32,325
Total Business-type Activities	<u>2,620,775</u>	<u>2,826,537</u>	<u>4,500</u>	<u>-</u>	<u>210,262</u>	<u>210,262</u>
Total	<u><u>2,645,775</u></u>	<u><u>2,826,537</u></u>	<u><u>15,203</u></u>	<u><u>(14,297)</u></u>	<u><u>210,262</u></u>	<u><u>195,965</u></u>
General Revenues:						
Investment earnings				-	19,364	19,364
Other income				-	2,439	2,439
Total General Revenues				<u>-</u>	<u>21,803</u>	<u>21,803</u>
Transfers in (out)				-	-	-
Special items:						
Debt forgiveness				-	49,440	49,440
Total Special items				<u>-</u>	<u>49,440</u>	<u>49,440</u>
Change in Net Position				(14,297)	281,505	267,208
Net Position - Beginning				20,457	7,651,164	7,671,621
Net Position - Ending				<u><u>6,160</u></u>	<u><u>7,932,669</u></u>	<u><u>7,938,829</u></u>

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, 2018**

Assets:	
Due from other funds	6,160
Total Assets	<u>6,160</u>
Fund Balance:	
Restricted	6,160
Total Fund Balance	<u>6,160</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, 2018**

Revenues:	
Lottery distributions	10,703
Total Revenues	<u>10,703</u>
Expenditures:	
Parks and recreation	25,000
Total Expenditures	<u>25,000</u>
Net Change in Fund Balance	(14,297)
Fund Balance - Beginning	<u>20,457</u>
Fund Balance - Ending	<u><u>6,160</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, 2018
(With Comparative Actual Amounts for 2017)

	2018		2017	
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Assets:				
Current Assets:				
Cash and cash equivalents	2,030,580	-	2,030,580	623,498
Investments	1,415,232	-	1,415,232	2,614,944
Receivables:				
Service fees and other	112,894	-	112,894	214,253
Due from other funds	-	70,820	70,820	60,206
Prepaid expenses	27,855	-	27,855	-
Total Current Assets	<u>3,586,561</u>	<u>70,820</u>	<u>3,657,381</u>	<u>3,512,901</u>
Non-Current Assets:				
Construction in process	31,347	-	31,347	-
Water system	4,884,813	-	4,884,813	4,884,813
Sewer system	5,544,423	-	5,544,423	5,544,423
Buildings	1,087,833	104,648	1,192,481	1,192,481
Equipment	1,287,433	107,275	1,394,708	1,288,988
Accumulated depreciation	(8,409,964)	(132,127)	(8,542,091)	(8,160,570)
Total Non-Current Assets	<u>4,425,885</u>	<u>79,796</u>	<u>4,505,681</u>	<u>4,750,135</u>
Total Assets	<u>8,012,446</u>	<u>150,616</u>	<u>8,163,062</u>	<u>8,263,036</u>
Liabilities:				
Current Liabilities:				
Accounts payable	80,168	-	80,168	120,814
Due to other funds	76,980	-	76,980	80,663
Compensated absences	54,934	-	54,934	43,348
Prepaid tap fees	-	-	-	349,440
Total Current Liabilities	<u>212,082</u>	<u>-</u>	<u>212,082</u>	<u>594,265</u>
Non-Current Liabilities:				
Customer deposits	-	-	-	3,158
Compensated absences	18,311	-	18,311	14,449
Total Non-Current Liabilities	<u>18,311</u>	<u>-</u>	<u>18,311</u>	<u>17,607</u>
Total Liabilities	<u>230,393</u>	<u>-</u>	<u>230,393</u>	<u>611,872</u>
Net Position:				
Net invested in capital assets	4,425,885	79,796	4,505,681	4,750,135
Unrestricted	3,356,168	70,820	3,426,988	2,901,029
Total Net Position	<u>7,782,053</u>	<u>150,616</u>	<u>7,932,669</u>	<u>7,651,164</u>

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, 2018
(With Comparative Actual Amounts for 2017)

	2018		2017	
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Operating Revenues:				
Water sales	1,802,548	-	1,802,548	1,526,107
Sewer service charges	833,567	-	833,567	781,441
Service charges	22,924	24,000	46,924	44,993
Association management fees	143,498	-	143,498	132,969
Total Operating Revenues	<u>2,802,537</u>	<u>24,000</u>	<u>2,826,537</u>	<u>2,485,510</u>
Operating Expenses:				
Administration	1,231,260	7,574	1,238,834	1,183,754
Water and sewer	883,470	-	883,470	803,565
Public works	-	5,776	5,776	5,855
Association management	111,173	-	111,173	124,093
Depreciation	378,906	2,616	381,522	378,718
Total Operating Expenses	<u>2,604,809</u>	<u>15,966</u>	<u>2,620,775</u>	<u>2,495,985</u>
Operating Income (loss)	<u>197,728</u>	<u>8,034</u>	<u>205,762</u>	<u>(10,475)</u>
Non-Operating Revenues (Expenses)				
Interest income	19,364	-	19,364	4,341
Other income	2,439	-	2,439	1,176
Debt forgiveness	49,440	-	49,440	-
Total Non-Operating Revenues (Expenses)	<u>71,243</u>	<u>-</u>	<u>71,243</u>	<u>5,517</u>
Income Before Contributions & Transfers	268,971	8,034	277,005	(4,958)
Tap fees	4,500	-	4,500	-
Total Contributions & Transfers	<u>4,500</u>	<u>-</u>	<u>4,500</u>	<u>-</u>
Change in Net Position	273,471	8,034	281,505	(4,958)
Net Position - Beginning	<u>7,508,582</u>	<u>142,582</u>	<u>7,651,164</u>	<u>7,656,122</u>
Net Position - Ending	<u><u>7,782,053</u></u>	<u><u>150,616</u></u>	<u><u>7,932,669</u></u>	<u><u>7,651,164</u></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, 2018
(With Comparative Actual Amounts for 2017)

	2018		2017	
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Cash Flows From Operating Activities:				
Cash received from customers	2,757,239	24,000	2,781,239	2,252,814
Cash received from others	143,499	-	143,499	132,969
Cash payments for goods and services	(1,244,467)	(17,910)	(1,262,377)	(1,074,652)
Cash payments for salaries and benefits	(1,051,221)	(6,090)	(1,057,311)	(964,698)
Net Cash Provided (Used) by Operating Activities	605,050	-	605,050	346,433
Cash Flows From Non-Capital Financing Activities:				
Miscellaneous	2,439	-	2,439	1,176
Net Cash Provided (Used) by Non-Capital Financing Activities	2,439	-	2,439	1,176
Cash Flows From Capital and Related Financing Activities:				
Tap fees	(295,500)	-	(295,500)	-
Capital outlay	(123,983)	-	(123,983)	(242,047)
Net Cash Provided (Used) by Capital and Related Financing Activities	(419,483)	-	(419,483)	(242,047)
Cash Flows From Investing Activities:				
Purchase of investments	(2,114,932)	-	(2,114,932)	(2,613,528)
Redemption of investments	3,315,955	-	3,315,955	2,413,528
Interest income	18,053	-	18,053	38
Net Cash Provided (Used) by Investing Activities	1,219,076	-	1,219,076	(199,962)
Net Change in Cash and Cash Equivalents	1,407,082	-	1,407,082	(94,400)
Cash and Cash Equivalents - Beginning	623,498	-	623,498	717,898
Cash and Cash Equivalents - Ending	2,030,580	-	2,030,580	623,498
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	197,728	8,034	205,762	(10,475)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	378,906	2,616	381,522	378,718
(Increase) decrease in accounts receivable - service fees	101,359	-	101,359	(99,727)
(Increase) decrease in due to/from other funds	(3,683)	(10,614)	(14,297)	8,873
(Increase) decrease in prepaid expenses	(27,855)	-	(27,855)	18,757
Increase (decrease) in compensated absences	15,448	-	15,448	4,068
Increase (decrease) in accounts payable	(53,695)	(36)	(53,731)	46,219
Increase (decrease) in customer deposits	(3,158)	-	(3,158)	-
Total Adjustments	407,322	(8,034)	399,288	356,908
Net Cash Provided (Used) by Operating Activities	605,050	-	605,050	346,433

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, 2018

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

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(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 *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, 2018
(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 include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District. The District has a policy of central cash management for all funds.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

1. Cash and Cash Equivalents (continued)

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

2. 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, 2018, as all accounts are considered to be collectible.

3. 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.

4. Capital Assets

Capital assets, which include the water system, sewer collection system, 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.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

5. 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.

6. 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.

7. 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, 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

7. 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, 2018
(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:

	Water and Sewer Fund	Public Works Fund
	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	\$ 165,870	10,650
Reconciliation to GAAP basis:		
Capital outlay	137,067	-
Depreciation	(378,906)	(2,616)
Debt payments	300,000	-
Debt forgiveness	49,440	-
Change in net position - GAAP basis	<u>\$ 273,471</u>	<u>8,034</u>

Annual appropriations are adopted for all funds. For 2018, the District's Conservation Trust Fund had expenditures in excess of appropriations.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(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 2018.

1. For the 2018 budget year, prior to August 25, 2017, 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 2018.
3. Prior to December 15, 2017, 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, 2018
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

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 deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

At year end, the District had the following investments and maturities:

Type	Rating	Carrying Amount	Maturities	
			Less Than One Year	Less Than Five Years
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 300	300	-
Checking	Not Rated	308,758	308,758	-
Money market	Not Rated	203,492	203,492	-
<i>Investments:</i>				
Certificates of Deposits	Not Rated	1,415,232	1,415,232	-
COLOTRUST Investment Pool	AAAm	1,518,030	1,518,030	-
		<u>\$ 3,445,812</u>	<u>3,445,812</u>	<u>-</u>

The Investment Pool represents an investment in Colorado Liquid Asset Trust ("COLOTRUST"). The investment is measured at the net asset value, and the fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

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. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(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:

	Water and Sewer
Receivables:	
Service fees	\$ 112,894
Gross receivables	112,894
Less: allowance for uncollectibles	-
Net receivables	\$ 112,894

C. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance 1/1/2018	Increases	Decreases	Ending Balance 12/31/2018
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	31,347	-	31,347
Total Capital Assets, Not Being Depreciated	-	31,347	-	31,347
Capital assets, being depreciated:				
Sewer system	\$ 5,544,423	-	-	5,544,423
Water system	4,884,813	-	-	4,884,813
Building	1,192,481	-	-	1,192,481
Equipment and vehicles	1,288,988	105,720	-	1,394,708
Total Capital Assets Being Depreciated	12,910,705	105,720	-	13,016,425
Less Accumulated Depreciation for:				
Sewer system	(3,415,059)	(161,852)	-	(3,576,911)
Water system	(3,604,997)	(137,928)	-	(3,743,470)
Building	(219,941)	(29,812)	-	(249,753)
Equipment and vehicles	(920,573)	(51,929)	-	(971,957)
Total Accumulated Depreciation	(8,160,570)	(381,521)	-	(8,542,091)
Total Capital Assets Being Depreciated, Net	4,750,135	(275,801)	-	4,474,334
Business-type Activities Capital Assets, Net	\$ 4,750,135	(244,454)	-	4,505,681

Certain beginning balance amounts have been reclassified to conform to the 2017 presentation

**Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(Continued)**

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables as of December 31, 2018 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Public Works Fund	\$ 70,820	-
Conservation Trust Fund	6,160	-
Water and Sewer Fund	-	76,980
Total	<u>\$ 76,980</u>	<u>76,980</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.

E. Prepaid Tap Fees

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

	<u>Beginning Balance 1/1/2018</u>	<u>Additions (Deletions)</u>	<u>Ending Balance 12/31/2018</u>
Prepaid water taps	\$ 178,140	(178,140)	-
Prepaid sewer taps	171,300	(171,300)	-
Total Liabilities	<u>\$ 349,440</u>	<u>(349,440)</u>	<u>-</u>

In 2018, the District reached an agreement with Battlement Mesa Partners to pay off all the remaining water and sewer taps owed for \$300,000 owed by the District. The District recognized a gain on debt forgiveness for \$49,440.

F. Long-term Liabilities – Business-type Activities

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

	<u>Beginning Balance 1/1/2018</u>	<u>Additions (Deletions)</u>	<u>Ending Balance 12/31/2018</u>	<u>Due Within One Year</u>
Customer deposits	\$ 3,158	(3,158)	-	-
Compensated absences	57,797	15,449	73,246	54,934
Total Liabilities	<u>\$ 60,955</u>	<u>12,291</u>	<u>73,246</u>	<u>54,934</u>

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(Continued)

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 2018, the District recognized sewer charges and tap fees from the Town in the amount of \$136,611.

B. Service Agreement – Bulk Water

In 2018, 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 \$3 for each one thousand gallons of water supplied to the certain companies. In 2018, the District received \$519,956 for supplying water under these agreements and paid \$168,141 in costs relating to the temporary easements.

C. Service Agreement – Street Sweeping

In 2018, the District entered into an agreement with Battlement Mesa Service Association (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.

D. Management Agreement

In 2017 the District entered into a management agreement the Association with to manage the day-to-day operation of the Association. The agreement commenced on January 1, 2018 and ended December 31, 2018. As part of the agreement the District received \$110,008 in management fees and \$33,490 for other services in 2018. The District entered into another management agreement with the Association to commence on January 1, 2019 and ends December 31, 2019.

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 the District, 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.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2018
(Continued)

IV. Other Information (continued)

E. Retirement Plan (continued)

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 2018 were \$64,198 by the employees and \$25,038 by the District. As of December 31, 2018, there were no outstanding contribution liabilities.

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 2017 to 2018 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, 2018.

H. 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.

I. Related Party

During 2018, the District incurred \$1,313 of expenses to Media Dynamics for website maintenance. Media Dynamics is a dba by a Board member of the District. At December 31, 2018, the District owed Media Dynamics \$206.

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, 2018
(With Comparative Actual Amounts for 2017)

	2018			Final Budget Variance Positive (Negative)	2017
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Lottery distributions	11,000	11,000	10,703	(297)	10,373
Total Revenues	<u>11,000</u>	<u>11,000</u>	<u>10,703</u>	<u>(297)</u>	<u>10,373</u>
Expenditures:					
Parks and recreation	11,000	25,000	25,000	-	1,500
Total Expenditures	<u>11,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>1,500</u>
Net Changes in Fund Balance	-	(14,000)	(14,297)	(297)	8,873
Fund Balance - Beginning	-	-	20,457	20,457	11,584
Fund Balance - Ending	<u>-</u>	<u>(14,000)</u>	<u>6,160</u>	<u>20,160</u>	<u>20,457</u>

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, 2018
(With Comparative Actual Amounts for 2017)

	2018			Final Budget Variance Positive (Negative)	2017
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Water sales	1,680,000	1,804,000	1,802,548	(1,452)	1,526,107
Sewer service charges	800,000	834,000	833,567	(433)	781,441
Charges for service	20,000	23,000	22,924	(76)	20,993
Association management fees	151,000	151,000	143,498	(7,502)	132,969
Other income	1,000	2,500	2,439	(61)	1,176
Interest income	4,500	19,400	19,364	(36)	4,341
Tap fees	-	4,500	4,500	-	-
Total Revenues	<u>2,656,500</u>	<u>2,838,400</u>	<u>2,828,840</u>	<u>(9,560)</u>	<u>2,467,027</u>
Expenditures:					
Administration:					
Accounting and audit	14,000	14,200	14,200	-	14,000
Contract labor and administrative	10,000	400	-	400	1,313
Insurance	80,000	76,000	75,622	378	75,952
Legal	8,000	7,000	6,834	166	3,502
Landscaping	4,000	8,900	8,502	398	17,600
Repairs and maintenance	7,000	3,800	3,357	443	9,398
Office supplies, postage, and miscellaneous	93,500	86,200	83,931	2,269	74,388
Salaries, benefits and taxes	1,047,000	1,040,600	1,038,814	1,786	984,641
Tap fees	-	300,000	300,000	-	-
Water & Sewer Plants:					
Repairs and maintenance	397,500	399,900	399,913	(13)	372,010
Utilities	333,000	290,000	286,911	3,089	304,082
Sewer processing charges	29,000	27,500	26,480	1,020	21,840
Water purchases	5,000	2,500	2,025	475	1,288
Temporary easement	165,000	170,000	168,141	1,859	75,960
Association management:					
Office supplies, postage, and miscellaneous	17,100	16,600	16,183	417	18,656
Salaries, benefits and taxes	132,300	95,400	94,990	410	105,437
Capital outlay:					
Capital outlay	195,000	130,000	137,067	(7,067)	270,432
Total Expenditures	<u>2,537,400</u>	<u>2,669,000</u>	<u>2,662,970</u>	<u>6,030</u>	<u>2,350,499</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>119,100</u>	<u>169,400</u>	<u>165,870</u>	<u>(3,530)</u>	<u>116,528</u>
Reconciliation to GAAP Basis:					
Capital outlay			137,067		242,047
Depreciation			(378,906)		(376,102)
Prepaid tap fees paid to developer			300,000		-
Debt forgiveness			49,440		-
Change in Net Position - GAAP Basis			<u>273,471</u>		<u>(17,527)</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, 2018
(With Comparative Actual Amounts for 2017)

	<u>2018</u>			Final Budget Variance Positive (Negative)	<u>2017</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Charges for service	16,000	24,000	24,000	-	24,000
Total Revenues	<u>16,000</u>	<u>24,000</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Expenditures:					
Administration:					
Insurance	1,400	1,400	1,400	-	-
Office supplies, postage, and miscellaneous	100	200	84	116	78
Salaries and benefits	7,300	6,300	6,090	210	2,882
Public Works:					
Repairs and maintenance	4,500	5,800	5,776	24	5,855
Total Expenditures	<u>13,300</u>	<u>13,700</u>	<u>13,350</u>	<u>350</u>	<u>8,815</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,700</u>	<u>10,300</u>	<u>10,650</u>	<u>350</u>	<u>15,185</u>
Reconciliation to GAAP Basis:					
Depreciation			(2,616)		(2,616)
Change in Net Position - GAAP Basis			<u>8,034</u>		<u>12,569</u>

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