



Battlement Mesa Metropolitan District
SERVING THE COMMUNITY



Financial Report
December 31, 2019

**Battlement Mesa Metropolitan District
Financial Report
December 31, 2019**

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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, 2019, 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, 2019, 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.

McMahan and Associates, L.L.C.
August 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battlement Mesa Metropolitan District

Management's Discussion and Analysis
December 31, 2019

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, 2019.

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	
	2019	2018	2019	(Restated) 2018	2019	(Restated) 2018
Assets:						
Current and other assets	\$ 18,220	6,160	3,742,498	3,580,401	3,760,718	3,586,561
Capital assets	-	-	4,385,135	4,505,681	4,385,135	4,505,681
Total Assets	18,220	6,160	8,127,633	8,086,082	8,145,853	8,092,242
Liabilities:						
Short-term liabilities	-	-	209,702	191,698	209,702	191,698
Long-term liabilities	-	-	17,883	18,311	17,883	18,311
Total liabilities	-	-	227,585	210,009	227,585	210,009
Net Position:						
Net invested in capital assets	-	-	4,385,135	4,505,681	4,385,135	4,505,681
Unrestricted Net Position	18,220	6,160	3,514,913	3,370,392	3,533,133	3,376,552
Total Net Position	\$ 18,220	6,160	7,900,048	7,876,073	7,918,268	7,882,233

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 \$7,918,268 in 2019. The increase is mainly the result of an excess of revenue over expenses in the business-type activities of \$23,975.

Battlement Mesa Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	(Restated) 2018	2019	(Restated) 2018
Revenues:						
Program revenues:						
Charges for services	\$ -	-	2,328,136	2,826,537	2,328,136	2,826,537
Grants and contributions	12,060	10,703	87,230	4,500	99,290	15,203
General revenues:						
Other income	-	-	701	2,439	701	2,439
Investment earnings	-	-	48,409	19,364	48,409	19,364
Total Revenues	12,060	10,703	2,464,476	2,852,840	2,476,536	2,863,543
Expenses:						
Water and sewer	-	-	2,318,772	2,539,911	2,318,772	2,539,911
Public works	-	-	22,670	15,966	22,670	15,966
Association management	-	-	99,059	111,173	99,059	111,173
Culture and recreation	-	25,000	-	-	-	25,000
Total Expenses	-	25,000	2,440,501	2,667,050	2,440,501	2,692,050
Change in Net Position Before Special Items	12,060	(14,297)	23,975	185,790	36,035	171,493
Special/extraordinary items	-	-	-	49,440	-	49,440
Change in Net Position	12,060	(14,297)	23,975	235,230	36,035	220,933
Net Position - Beginning	6,160	20,457	7,876,073	7,640,843	7,882,233	7,661,300
Net Position - Ending	\$ 18,220	6,160	7,900,048	7,876,073	7,918,268	7,882,233

Governmental activities:

The governmental activities net position increased by \$12,060, because no recreation projects were undertaken in 2019.

Business-type activities:

Water and Sewer Fund: The Water and Sewer Fund's change in net position was an increase of \$22,645. The Water and Sewer Fund's operating revenues decreased \$498,401 over 2018, while operating expenses also decreased \$186,978. The decrease in operating revenues was primarily due to bulk water sales, and the decrease in operating expenses was primarily due to a decrease in water easement expense resulting from the decrease in bulk water sales. Non-operating revenues increased by \$17,694 from 2018 due to an increase in investment income and grant revenue and offset by a decrease in 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 \$1,330. Operating revenues did not change from 2018 and operating expenses increased \$6,704 from 2018. The increase in operating expenses was primarily due to salaries and benefits and repairs and maintenance.

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 \$18,220. 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 \$3,514,913 and is broken down as follows: Water and Sewer Fund, \$3,453,725 and Public Works Fund, \$61,188. 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:

Account	Original Budget Variance Positive (Negative)	Reason
Water & Sewer Fund		
Revenues:		
Water sales	\$ (283,092)	Decrease in bulk water sales to oil and gas companies
Sewer service charges	40,165	Conservative budgeting based on historical data, unexpected rise in services related increase in occupancy of a renovated residential complex, rentals, and hotels
Interest income	30,409	Increased investments in Colotrust earning a higher yield
Grant revenue	39,827	Unanticipated grant, for street improvements, at time of budget adoption
Tap fees	47,403	Unanticipated development at time of budget adoption
Expenditures:		
Salaries, benefits and taxes	145,660	Change in health insurance providers for better insurance rates
Utilities	40,399	Budget based on historic data, reduction in solar costs associated with electric power provided by vendors
Temporary easement	66,175	Decrease in bulk water sales to oil and gas companies
Salaries, benefits and taxes	41,250	Change in health insurance providers for better insurance rates

Financial Analysis of the District's Funds (continued)

Budget variance in the proprietary funds (continued):

Account	Original Budget Variance Positive (Negative)	Reason
Public Works Fund		
Expenditures:		
Repairs and maintenance	\$ (15,766)	Unexpected repairs were required on the street sweeper
Conservation Trust Fund		
Expenditures:		
Parks and recreation	11,000	No projects undertaken in 2019

Capital assets: The District's capital assets decreased by \$120,546 due to more depreciation expense over capital additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement in Section D of this report.

Long-term liabilities: The District's long-term liabilities increased \$1,713 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: The budget does not propose an increase in water or sewer rates. The combined funds operating revenues are budgeted 8% lower than the 2019 adopted budget as a result of a significant reduction in bulk water sales related to suspended operations activity by URSA. Combined funds operating expenditures are budgeted 1.5% lower than the 2019 adopted budget. This is primarily a result of reduced costs associated with BMP easements for providing bulk water and reduced health insurance costs. The budget includes a 3% average wage increase for BMMD staff. Also included is funding for a new assistant manager position. The Capital fund revenues have been increased significantly over 2019 budget. The budget proposes to include grant funds from the Garfield County Federal Mineral Lease District in the amount of \$300,000 for water service line replacement in Monument Creek Village and new electric backup generators for the water and sewer facilities. Interest revenues on capital funds have also been increased to reflect earnings associated with COLOTRUST investments. Capital expenditures reflect a significant increase primarily associated with the proposed electric backup generators at the water and sewer facilities. Additional proposed capital improvements include water service line replacement, lift station, wastewater clarifier and SCADA system upgrades along with plant security systems.

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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	-	456,440	456,440
Investments	-	3,181,650	3,181,650
Receivables, net:			
Service fees	-	122,361	122,361
Other	-	267	267
Internal balances	18,220	(18,220)	-
Property, plant and equipment, net of accumulated depreciation	-	4,385,135	4,385,135
Total Assets	<u>18,220</u>	<u>8,127,633</u>	<u>8,145,853</u>
Liabilities:			
Accounts payable	-	124,424	124,424
Accrued payroll	-	31,628	31,628
Accrued compensated absences:			
Due within one year	-	53,650	53,650
Due in more than one year	-	17,883	17,883
Total Liabilities	<u>-</u>	<u>227,585</u>	<u>227,585</u>
Net Position:			
Net invested in capital assets	-	4,385,135	4,385,135
Unrestricted	18,220	3,514,913	3,533,133
Total Net Position	<u>18,220</u>	<u>7,900,048</u>	<u>7,918,268</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, 2019**

	<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	-	-	12,060	12,060	-	12,060
Total Governmental Activities	-	-	12,060	12,060	-	12,060
Business-type Activities:						
Water and sewer	2,318,772	2,146,588	87,230	-	(84,954)	(84,954)
Public works	22,670	24,000	-	-	1,330	1,330
Association management	99,059	157,548	-	-	58,489	58,489
Total Business-type Activities	2,440,501	2,328,136	87,230	-	(25,135)	(25,135)
Total	2,440,501	2,328,136	99,290	12,060	(25,135)	(13,075)
General Revenues:						
Investment earnings				-	48,409	48,409
Other income				-	701	701
Total General Revenues				-	49,110	49,110
Change in Net Position				12,060	23,975	36,035
Net Position - Beginning (restated)				6,160	7,876,073	7,882,233
Net Position - Ending				18,220	7,900,048	7,918,268

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, 2019**

Assets:	
Due from other funds	<u>18,220</u>
Total Assets	<u><u>18,220</u></u>
Fund Balance:	
Restricted	<u>18,220</u>
Total Fund Balance	<u><u>18,220</u></u>

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

**Battlement Mesa Metropolitan District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund - Conservation Trust Fund
December 31, 2019**

Revenues:	
Lottery distributions	12,060
Total Revenues	<u>12,060</u>
Expenditures:	
Parks and recreation	-
Total Expenditures	<u>-</u>
Net Change in Fund Balance	12,060
Fund Balance - Beginning	<u>6,160</u>
Fund Balance - Ending	<u><u>18,220</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, 2019
(With Comparative Actual Amounts for 2018)

	2019		(Restated) 2018	
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Assets:				
Current Assets:				
Cash and cash equivalents	456,440	-	456,440	512,550
Investments	3,181,650	-	3,181,650	2,933,262
Receivables:				
Service fees and other	122,628	-	122,628	112,894
Due from other funds	-	61,188	61,188	70,820
Prepaid expenses	-	-	-	27,855
Total Current Assets	3,760,718	61,188	3,821,906	3,657,381
Non-Current Assets:				
Construction in process	6,306	-	6,306	31,347
Water system	5,020,141	-	5,020,141	4,884,813
Sewer system	5,594,034	-	5,594,034	5,544,423
Buildings	1,087,833	104,648	1,192,481	1,192,481
Equipment	1,372,398	121,568	1,493,966	1,394,708
Accumulated depreciation	(8,786,335)	(135,458)	(8,921,793)	(8,542,091)
Total Non-Current Assets	4,294,377	90,758	4,385,135	4,505,681
Total Assets	8,055,095	151,946	8,207,041	8,163,062
Liabilities:				
Current Liabilities:				
Accounts payable	156,051	-	156,051	136,764
Due to other funds	79,409	-	79,409	76,980
Compensated absences	53,650	-	53,650	54,934
Total Current Liabilities	289,110	-	289,110	268,678
Non-Current Liabilities:				
Customer deposits	-	-	-	-
Compensated absences	17,883	-	17,883	18,311
Total Non-Current Liabilities	17,883	-	17,883	18,311
Total Liabilities	306,993	-	306,993	286,989
Net Position:				
Net invested in capital assets	4,294,377	90,758	4,385,135	4,505,681
Unrestricted	3,453,725	61,188	3,514,913	3,370,392
Total Net Position	7,748,102	151,946	7,900,048	7,876,073

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, 2019
(With Comparative Actual Amounts for 2018)

	2019		(Restated) 2018	
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Operating Revenues:				
Water sales	1,251,908	-	1,251,908	1,802,548
Sewer service charges	872,165	-	872,165	833,567
Service charges	22,515	24,000	46,515	46,924
Association management fees	157,548	-	157,548	143,498
Total Operating Revenues	<u>2,304,136</u>	<u>24,000</u>	<u>2,328,136</u>	<u>2,826,537</u>
Operating Expenses:				
Administration	1,208,357	12,166	1,220,523	1,238,834
Water and sewer	734,043	-	734,043	929,745
Public works	-	7,173	7,173	5,776
Association management	99,059	-	99,059	111,173
Depreciation	376,372	3,331	379,703	381,522
Total Operating Expenses	<u>2,417,831</u>	<u>22,670</u>	<u>2,440,501</u>	<u>2,667,050</u>
Operating Income (loss)	<u>(113,695)</u>	<u>1,330</u>	<u>(112,365)</u>	<u>159,487</u>
Non-Operating Revenues (Expenses)				
Interest income	48,409	-	48,409	19,364
Grant revenue	39,827	-	39,827	-
Other income	701	-	701	2,439
Debt forgiveness	-	-	-	49,440
Total Non-Operating Revenues (Expenses)	<u>88,937</u>	<u>-</u>	<u>88,937</u>	<u>71,243</u>
Income Before Contributions & Transfers	(24,758)	1,330	(23,428)	230,730
Tap fees	47,403	-	47,403	4,500
Total Contributions & Transfers	<u>47,403</u>	<u>-</u>	<u>47,403</u>	<u>4,500</u>
Change in Net Position	22,645	1,330	23,975	235,230
Net Position - Beginning	<u>7,725,457</u>	<u>150,616</u>	<u>7,876,073</u>	<u>7,640,843</u>
Net Position - Ending	<u><u>7,748,102</u></u>	<u><u>151,946</u></u>	<u><u>7,900,048</u></u>	<u><u>7,876,073</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, 2019
(With Comparative Actual Amounts for 2018)

	2019		(Restated) 2018	
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Cash Flows From Operating Activities:				
Cash received from customers	2,136,855	24,000	2,160,855	2,781,239
Cash received from others	157,548	-	157,548	143,499
Cash payments for goods and services	(1,032,404)	31	(1,032,373)	(1,262,377)
Cash payments for salaries and benefits	(961,198)	(9,738)	(970,936)	(1,057,311)
Net Cash Provided (Used) by Operating Activities	<u>300,801</u>	<u>14,293</u>	<u>315,094</u>	<u>605,050</u>
Cash Flows From Non-Capital Financing Activities:				
Miscellaneous	701	-	701	2,439
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>701</u>	<u>-</u>	<u>701</u>	<u>2,439</u>
Cash Flows From Capital and Related Financing Activities:				
Grants	39,827	-	39,827	-
Tap fees	47,403	-	47,403	(295,500)
Capital outlay	(244,863)	(14,293)	(259,156)	(123,983)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(157,633)</u>	<u>(14,293)</u>	<u>(171,926)</u>	<u>(419,483)</u>
Cash Flows From Investing Activities:				
Purchase of investments	(1,615,232)	-	(1,615,232)	(3,614,932)
Redemption of investments	1,415,232	-	1,415,232	3,315,955
Interest income	21	-	21	23
Net Cash Provided (Used) by Investing Activities	<u>(199,979)</u>	<u>-</u>	<u>(199,979)</u>	<u>(298,954)</u>
Net Change in Cash and Cash Equivalents	(56,110)	-	(56,110)	(110,948)
Cash and Cash Equivalents - Beginning	512,550	-	512,550	623,498
Cash and Cash Equivalents - Ending	<u>456,440</u>	<u>-</u>	<u>456,440</u>	<u>512,550</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(113,695)	1,330	(112,365)	159,487
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	376,372	3,331	379,703	381,522
(Increase) decrease in accounts receivable - service fees	(9,734)	-	(9,734)	101,359
(Increase) decrease in due to/from other funds	2,429	9,632	12,061	(14,297)
(Increase) decrease in prepaid expenses	27,855	-	27,855	(27,855)
Increase (decrease) in compensated absences	(1,713)	-	(1,713)	15,448
Increase (decrease) in accounts payable	19,287	-	19,287	(7,456)
Increase (decrease) in customer deposits	-	-	-	(3,158)
Total Adjustments	<u>414,496</u>	<u>12,963</u>	<u>427,459</u>	<u>445,563</u>
Net Cash Provided (Used) by Operating Activities	<u>300,801</u>	<u>14,293</u>	<u>315,094</u>	<u>605,050</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, 2019

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, 2019
(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, 2019
(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, and Investments

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, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

1. Cash and Cash Equivalents, and Investments (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, 2019, 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, 2019
(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, 2019
(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, 2019
(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.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

	Water and Sewer Fund	Public Works Fund
Excess (deficiency) of revenues over expenditures	\$ 154,154	(9,632)
Reconciliation to GAAP basis:		
Capital outlay	244,863	14,293
Depreciation	(376,372)	(3,331)
Change in net position - GAAP basis	\$ 22,645	1,330

Annual appropriations are adopted for all funds. For 2019, the District's Public Works Fund had expenditures in excess of appropriations.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2019
(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 2019.

1. For the 2019 budget year, prior to August 25, 2018, 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 2019.
3. Prior to December 15, 2018, 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, 2019
(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:

<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	\$ 300	300	-
Checking	Not Rated	252,808	252,808	-
Money market	Not Rated	203,332	203,332	-
<i>Investments:</i>				
Certificates of Deposits	Not Rated	415,592	415,592	-
COLOTRUST Investment Pool	AAAm	2,766,058	2,766,058	-
		<u>\$ 3,638,090</u>	<u>3,638,090</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, 2019
(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	\$ 122,361
Other	267
Gross receivables	122,628
Less: allowance for uncollectibles	-
Net receivables	\$ 122,628

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 31,347	14,380	(39,421)	6,306
Total Capital Assets, Not Being Depreciated	31,347	14,380	(39,421)	6,306
Capital assets, being depreciated:				
Water system	\$ 4,884,813	135,328	-	5,020,141
Sewer system	5,544,423	49,611	-	5,594,034
Building	1,192,481	-	-	1,192,481
Equipment and vehicles	1,394,708	99,258	-	1,493,966
Total Capital Assets Being Depreciated	13,016,425	284,197	-	13,300,622
Less Accumulated Depreciation for:				
Sewer system	(3,576,911)	(163,436)	-	(3,740,347)
Water system	(3,742,925)	(141,654)	-	(3,884,579)
Building	(249,753)	(29,811)	-	(279,564)
Equipment and vehicles	(972,502)	(44,801)	-	(1,017,303)
Total Accumulated Depreciation	(8,542,091)	(379,702)	-	(8,921,793)
Total Capital Assets Being Depreciated, Net	4,474,334	(95,505)	-	4,378,829
Business-type Activities Capital Assets, Net	\$ 4,505,681	(81,125)	(39,421)	4,385,135

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables as of December 31, 2019 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Public Works Fund	\$ 61,188	-
Conservation Trust Fund	18,220	-
Water and Sewer Fund	-	79,409
Total	<u>\$ 79,408</u>	<u>79,409</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. Long-term Liabilities – Business-type Activities

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

	<u>Beginning Balance 1/1/2019</u>	<u>Additions (Deletions)</u>	<u>Ending Balance 12/31/2019</u>	<u>Due Within One Year</u>
Compensated absences	\$ 73,246	(1,713)	71,533	53,650
Total Liabilities	<u>\$ 73,246</u>	<u>(1,713)</u>	<u>71,533</u>	<u>53,650</u>

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 2019, the District recognized sewer charges and tap fees from the Town in the amount of \$155,628.

B. Service Agreement – Bulk Water

In 2019, the District entered into an agreement with a company to provide water supplies to the company. Based on the agreement the company shall pay a certain amount for each one thousand gallons of water supplied by the District. In addition, the District entered into a temporary easement with BMP which grants the District to supply water to the company. The District must pay BMP \$3 for each one thousand gallons of water supplied to the company. In 2019, the District received \$6,854 for supplying water under the agreement and paid \$825 in costs relating to the temporary easement.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Other Information (continued)

C. Service Agreement – Street Sweeping

In 2019, 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 2019 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, 2019, and ended December 31, 2019. As part of the agreement the District received \$115,000 in management fees and \$42,548 for other services in 2019. The District entered into another management agreement with the Association to commence on January 1, 2020 and ends December 31, 2020.

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.

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 2019 were \$66,331 by the employees and \$26,772 by the District. As of December 31, 2019, 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 2018 to 2019 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, 2019.

Battlement Mesa Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Other Information (continued)

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 2019, the District incurred \$1,350 of expenses to Media Dynamics for website maintenance. Media Dynamics is a dba by a Board member of the District. At December 31, 2019, the District owed Media Dynamics \$125.

J. Restatement

The beginning net position, and certain 2018 amounts, for the Water and Sewer Fund has been decreased by a total of \$56,596 to reflect unrecorded utility services.

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, 2019
(With Comparative Actual Amounts for 2018)

	2019			Final Budget Variance Positive (Negative)	2018
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Lottery distributions	11,000	11,000	12,060	1,060	10,703
Total Revenues	11,000	11,000	12,060	1,060	10,703
Expenditures:					
Parks and recreation	11,000	11,000	-	11,000	25,000
Total Expenditures	11,000	11,000	-	11,000	25,000
Net Changes in Fund Balance	-	-	12,060	12,060	(14,297)
Fund Balance - Beginning	-	-	6,160	6,160	20,457
Fund Balance - Ending	-	-	18,220	18,220	6,160

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, 2019
(With Comparative Actual Amounts for 2018)

	2019			Final Budget Variance	(Restated) 2018
	Original Budget	Final Budget	Actual	Positive (Negative)	Actual
Revenues:					
Water sales	1,535,000	1,535,000	1,251,908	(283,092)	1,802,548
Sewer service charges	832,000	832,000	872,165	40,165	833,567
Charges for service	24,000	24,000	22,515	(1,485)	22,924
Association management fees	153,000	153,000	157,548	4,548	143,498
Other income	1,000	1,000	701	(299)	2,439
Interest income	18,000	18,000	48,409	30,409	19,364
Grant revenue	-	-	39,827	39,827	-
Tap fees	-	-	47,403	47,403	4,500
Total Revenues	<u>2,563,000</u>	<u>2,563,000</u>	<u>2,440,476</u>	<u>(122,524)</u>	<u>2,828,840</u>
Expenditures:					
Administration:					
Accounting and audit	14,700	14,700	14,042	658	14,200
Contract labor and administrative	10,000	10,000	-	10,000	-
Insurance	82,000	82,000	80,940	1,060	75,622
Legal	8,000	8,000	5,789	2,211	6,834
Landscaping	5,000	5,000	5,582	(582)	8,502
Repairs and maintenance	7,000	7,000	3,242	3,758	3,357
Office supplies, postage, and miscellaneous	89,500	89,500	111,422	(21,922)	83,931
Salaries, benefits and taxes	1,133,000	1,133,000	987,340	145,660	1,038,814
Tap fees	-	-	-	-	300,000
Water & Sewer Plants:					
Repairs and maintenance	406,000	406,000	421,611	(15,611)	399,913
Utilities	330,000	330,000	289,601	40,399	286,911
Sewer processing charges	28,000	28,000	20,268	7,732	26,480
Water purchases	4,000	4,000	1,738	2,262	2,025
Temporary easement	67,000	67,000	825	66,175	168,141
Association management:					
Office supplies, postage, and miscellaneous	17,700	17,700	12,909	4,791	16,183
Salaries, benefits and taxes	127,400	127,400	86,150	41,250	94,990
Capital outlay:					
Capital outlay	231,000	231,000	244,863	(13,863)	137,067
Total Expenditures	<u>2,560,300</u>	<u>2,560,300</u>	<u>2,286,322</u>	<u>273,978</u>	<u>2,662,970</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>2,700</u>	<u>2,700</u>	<u>154,154</u>	<u>151,454</u>	<u>165,870</u>
Reconciliation to GAAP Basis:					
Capitalized assets			244,863		137,067
Depreciation			(376,372)		(378,906)
Prepaid tap fees paid to developer			-		300,000
Debt forgiveness			-		49,440
Change in Net Position - GAAP Basis			<u>22,645</u>		<u>273,471</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, 2019
(With Comparative Actual Amounts for 2018)

	2019			Final Budget Variance Positive (Negative)	2018
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Charges for service	24,000	24,000	24,000	-	24,000
Total Revenues	24,000	24,000	24,000	-	24,000
Expenditures:					
Administration:					
Insurance	1,400	1,400	1,400	-	1,400
Office supplies, postage, and miscellaneous	200	200	1,028	(828)	84
Salaries and benefits	7,300	7,300	9,738	(2,438)	6,090
Public Works:					
Repairs and maintenance	5,700	5,700	21,466	(15,766)	5,776
Total Expenditures	14,600	14,600	33,632	(19,032)	13,350
Excess (Deficiency) of Revenues Over Expenditures	9,400	9,400	(9,632)	(19,032)	10,650
Reconciliation to GAAP Basis:					
Capitalized assets			14,293		-
Depreciation			(3,331)		(2,616)
Change in Net Position - GAAP Basis			1,330		8,034

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