BMMD

Financial Report

December 31, 2025

Battlement Mesa Metropolitan District
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McMahan and Associates, L.L.C.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Battlement Mesa Metropolitan District
Battlement Mesa, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2025, 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 ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP 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 U.S. GAAS, 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 U.S. GAAP. 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Supplementary Information

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 U.S. GAAS. 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.
Avon, Colorado
August 3, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

Battlement Mesa Metropolitan District
Management's Discussion and Analysis
December 31, 2025

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, 2025.

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	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	96,273	81,277	1,881,330	2,195,449	1,977,603	2,276,726
Capital assets	-	-	6,814,381	6,233,878	6,814,381	6,233,878
Total Assets	96,273	81,277	8,695,711	8,429,327	8,791,984	8,510,604
Liabilities:						
Current liabilities	-	-	408,839	303,162	408,839	303,162
Non-current liabilities	-	-	22,408	12,418	22,408	12,418
Total liabilities	-	-	431,247	315,580	431,247	315,580
Net Position:						
Net investment in capital assets	-	-	6,814,381	6,233,878	6,814,381	6,233,878
Restricted	96,273	81,277	-	-	96,273	81,277
Unrestricted Net Position	-	-	1,450,083	1,879,869	1,450,083	1,879,869
Total Net Position	96,273	81,277	8,264,464	8,113,747	8,360,737	8,195,024

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 78% of its total assets. These assets are not an available source for payment of future spending.

The District's total net position at December 31, 2025 was $8,360,737, a $165,713 increase from December 31, 2024.

Battlement Mesa Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	-	-	3,146,903	2,815,826	3,146,903	2,815,826
Operating grants and contributions	-	-	3,452	1,775	3,452	1,775
Capital grants and contributions	14,996	15,339	775,398	248,832	790,394	264,171
General revenues:						
Gain on sale of capital assets	-	-	4,500	-	4,500	-
Investment earnings	-	-	55,351	125,453	55,351	125,453
Total Revenues	14,996	15,339	3,985,604	3,191,886	4,000,600	3,207,225
Expenses:						
Water and sewer	-	-	3,817,600	3,163,466	3,817,600	3,163,466
Public works	-	-	17,287	31,390	17,287	31,390
Total Expenses	-	-	3,834,887	3,194,856	3,834,887	3,194,856
Change in Net Position	14,996	15,339	150,717	(2,970)	165,713	12,369
Net Position - Beginning	81,277	65,938	8,113,747	8,116,717	8,195,024	8,182,655
Net Position - Ending	96,273	81,277	8,264,464	8,113,747	8,360,737	8,195,024

Governmental activities: The governmental activities net position increased $14,996 as the result of lottery funding received, and no expenses.

Business-type activities: The total change in net position for business-type activities was $211,396, which is explained in the District's analysis of individual funds, below.

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 $96,273. 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.

Financial Analysis of the District's Funds (continued)

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

- The Water and Sewer Fund's change in net position was a positive $147,229. Operating revenues grew $336,479, or 12%, from 2024, mostly as a result of a 10% and 5% increase in the base water and sewer rates, respectively, effective January 1, 2025. Operating expenses increased $654,134, or 12% from 2024. An increase in insurance rates, utility costs, and unexpected repairs and maintenance were the leading causes.

- The Public Works Fund saw a $3,488 increase in net position during the year, due to repairs and maintenance expenses coming in under budget.

Unrestricted net position for the proprietary funds combined at the end of the current fiscal year is $1,450,083 and is broken down as follows: Water and Sewer Fund, $1,380,567 and Public Works Fund, $69,516. The net unrestricted net position is available for spending at the District's discretion.

Budget Variances: The District had the following significant budget variances and is detailed as follows:

Account	Final Budget Variance Positive (Negative)	Reason
Water & Sewer Fund		
Revenues:		
Water user fees	$ 164,751	Increased rates and usage due to drought conditions.
Grants and contributions awarded	188,000	Received an unexpected $95,000 from Garfield County Mineral Lease District for paving of the shop parking lot.
Tap fees	342,398	Expected developments did not start in 2025.
Investment income	(59,649)	Decline in average carrying balance of cash.
Expenses:		
Repairs and maintenance	(220,816)	Deferred maintenance and system upgrades pushed more costs to 2025 than expected.
Utilities	(72,886)	Increase in utility rates in area, with increased usage.
Capital outlay	(131,745)	Unexpected projects.
Conservation Trust Fund		
Expenditures:		
Parks and recreation	25,000	Conservative budget; no expenditures in current year.

Capital Assets and Long-Term Liabilities

Capital Assets: The District's capital assets increased by a net $580,503 due to capital asset additions exceeding depreciation expense. Some of the larger projects undertaken during the year were water line replacements, water and wastewater clarifier rebuilds, aeration basin blower replacements, SCADA system upgrades, headworks upgrades, fire hydrant rebuilds, and the purchase of an electric generator, tank mixer, various pumps for the water plant, and truck.

Additional information as well as a detailed classification of the District's net capital assets can be found in Section D of this report.

Long-term liabilities: The District only reports accrued compensated absences as long-term liabilities.

Additional information on the District's long-term liabilities can be found in Section D of this report.

Next Year's Budgets and Rates:

The 2026 budget reflects the following:

- An increase in the base water rate (up to 5,000 gallons) from $22 to $26, an increase from $4.20 to $5.10 for water used in excess of 5,000 gallons, and an increase from $4.84 to $5.60 for water used in excess of 20,000 gallons.

- An increase in the monthly minimum sewer rate from $33 to $45 per month (per EQR). In addition, the monthly sewer service charge to the Town of Parachute has been increased from $4.20 to $4.50 per 1,000 gallons of treatment

- The Public Works portion of the 2026 budget reflects $0 in revenue, as the District no longer holds contracts with the Battlement Mesa Service Association or Garfield County. The related payroll/benefits and other administrative costs will be absorbed by the Water and Sewer Fund.

- 2026 operating expenses for the Water and Sewer Fund are budgeted at $1,270,150, a 23.2% increase above the 2025 adopted budget. Primary factors for the increase in expenditures are increases in employee wages, and related employee insurance and benefit costs. Contributing factors also include increases in property insurance, utility rates, chemical supplies, repairs and maintenance, SCADA repairs and maintenance, tools and equipment, and water testing.

- Projected net incomes (losses) for the fiscal year 2026 by Fund:
    - Water and Sewer Fund – ($1,134,380)
    - Public Works Fund - $0 (see note, above)
    - Conservation Trust Fund – ($7,980)

- The 2026 capital expenses for the water and sewer funds are budgeted at $2,170,230. Improvement projects include continued work on water and sewer line replacements, rehabbing old fire hydrants, partial water meter relocation in the mobile home community, rehabbing clarifiers at the water and sewer plants, new ultraviolet treatment at the sewer plant, and upgrades to the sewer SCADA systems. As well as new proposed improvement projects such as reservoir dredging, upgrading the HVAC air control system in the Headworks Building for the sewer plant and multiple equipment purchases.

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, 2025

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	-	1,423,394	1,423,394
Receivables, net:			
Water and sewer user fees	-	160,847	160,847
Other	-	227,384	227,384
Internal balances	96,273	(96,273)	-
Property, plant and equipment, net of accumulated depreciation	-	6,814,381	6,814,381
Total Assets	96,273	8,529,733	8,626,006
Liabilities:			
Accounts payable	-	80,440	80,440
Accrued payroll	-	95,088	95,088
Customer deposits	-	111	111
Accrued compensated absences	-	89,630	89,630
Total Liabilities	-	265,269	265,269
Net Position:			
Net invested in capital assets	-	6,814,381	6,814,381
Restricted	96,273	-	96,273
Unrestricted	-	1,450,083	1,450,083
Total Net Position	96,273	8,264,464	8,360,737

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

Battlement Mesa Metropolitan District
Statement of Activities
For the Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental Activities:							
Culture and recreation	-	-	-	14,996	14,996	-	14,996
Total Governmental Activities	-	-	-	14,996	14,996	-	14,996
Business-type Activities:							
Water and sewer	3,817,600	3,126,128	3,452	775,398	-	87,378	87,378
Public works	17,287	20,775	-	-	-	3,488	3,488
Total Business-type Activities	3,834,887	3,146,903	3,452	775,398	-	90,866	90,866
Total	3,834,887	3,146,903	3,452	790,394	14,996	90,866	105,862
General Revenues:							
Investment earnings					-	55,351	55,351
Gain on disposal of capital assets					-	4,500	4,500
Total General Revenues					-	59,851	59,851
Change in Net Position					14,996	150,717	165,713
Net Position - Beginning of Year					81,277	8,113,747	8,195,024
Net Position - End of Year					96,273	8,264,464	8,360,737

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, 2025

Assets:	
Due from other funds	96,273
Total Assets	96,273
Fund Balance:	
Restricted	96,273
Total Fund Balance	96,273

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, 2025

Revenues:	
Lottery distributions	14,996
Total Revenues	14,996
Expenditures:	
Parks and recreation	-
Total Expenditures	-
Net Change in Fund Balance	14,996
Fund Balance - Beginning	81,277
Fund Balance - Ending	96,273

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

Battlement Mesa Metropolitan District
Statement of Net Position
All Proprietary Funds
December 31, 2025
(With Comparative Actual Amounts for 2024)

	2025			2024
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Assets:				
Current assets:				
Cash and investments	1,423,394	-	1,423,394	1,977,092
Receivables:				
Water and sewer user fees	160,847	-	160,847	136,205
Other	227,384	-	227,384	20,170
Due from other funds	-	69,705	69,705	61,982
Total - Current assets	1,811,625	69,705	1,881,330	2,195,449
Non-current assets:				
Land	150,000	-	150,000	150,000
Land Improvements	183,563	-	183,563	183,563
Construction in process	284,528	-	284,528	288,172
Water system	5,793,633	-	5,793,633	5,665,333
Sewer system	6,786,976	-	6,786,976	6,786,976
Buildings	1,209,895	104,648	1,314,543	1,267,711
Equipment and vehicles	3,687,757	121,568	3,809,325	2,827,314
Accumulated depreciation	(11,348,456)	(159,731)	(11,508,187)	(10,935,191)
Total - Non-current assets	6,747,896	66,485	6,814,381	6,233,878
Total Assets	8,559,521	136,190	8,695,711	8,429,327
Liabilities:				
Current liabilities:				
Accounts payable	80,440	-	80,440	105,622
Accrued payroll	94,899	189	95,088	16,918
Customer deposits	111	-	111	111
Due to other funds	165,978	-	165,978	143,259
Accrued compensated absences	67,222	-	67,222	37,252
Total - Current liabilities	408,650	189	408,839	303,162
Non-current liabilities:				
Accrued compensated absences	22,408	-	22,408	12,418
Total - Non-current liabilities	22,408	-	22,408	12,418
Total Liabilities	431,058	189	431,247	315,580
Net Position:				
Net investment in capital assets	6,747,896	66,485	6,814,381	6,233,878
Unrestricted	1,380,567	69,516	1,450,083	1,879,869
Total Net Position	8,128,463	136,001	8,264,464	8,113,747

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, 2025
(With Comparative Actual Amounts for 2024)

	2025			2024
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Operating Revenues:				
Charges for services:				
Water user fees	1,827,751	-	1,827,751	1,520,697
Sewer user fees	1,126,226	-	1,126,226	1,088,138
Transfer, on-site service, penalties, and NSF fees	10,420	-	10,420	26,949
Contract sweeping	-	20,775	20,775	24,500
Association management fees	161,731	-	161,731	155,542
Miscellaneous	3,452	-	3,452	1,775
Total Operating Revenues	3,129,580	20,775	3,150,355	2,817,601
Operating Expenses:				
Administration	1,785,123	7,153	1,792,276	1,440,252
Water and sewer plants	1,180,858	-	1,180,858	936,998
Public works	-	6,088	6,088	20,579
Association management	134,423	-	134,423	123,560
Depreciation	597,244	4,046	601,290	538,049
Capital outlay	119,952	-	119,952	135,418
Total Operating Expenses	3,817,600	17,287	3,834,887	3,194,856
Income (Loss) from Operations	(688,020)	3,488	(684,532)	(377,255)
Non-Operating Revenues (Expenses):				
Grants and contributions awarded	338,000	-	338,000	248,832
Interest income	55,351	-	55,351	125,453
Gain (loss) on disposal of capital assets	4,500	-	4,500	-
Total Non-Operating Revenues (Expenses)	397,851	-	397,851	374,285
Income (Loss) before Contributions and Transfers	(290,169)	3,488	(286,681)	(2,970)
Capital contributions - Tap fees	437,398		437,398	-
Total Contributions and Transfers	437,398	-	437,398	-
Change in Net Position	147,229	3,488	150,717	(2,970)
Net Position - Beginning of Year	7,981,234	132,513	8,113,747	8,116,717
Net Position - End of Year	8,128,463	136,001	8,264,464	8,113,747

Battlement Mesa Metropolitan District
Statement of Cash Flows
All Proprietary Funds
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for 2024)

	2025			2024
	Water and Sewer Fund	Public Works Fund	Totals	Totals
Cash Flows From Operating Activities:				
Cash received from customers	2,734,668	20,775	2,755,443	2,638,515
Cash payments to suppliers	(1,799,061)	(15,381)	(1,814,442)	(1,421,830)
Cash payments to employees	(1,305,817)	(5,394)	(1,311,211)	(1,169,021)
Cash received for association management services	159,604	-	159,604	153,624
Other cash receipts	3,452	-	3,452	1,775
Net Cash Provided (Used) by Operating Activities	(207,154)	-	(207,154)	203,063
Cash Flows From Capital and Related Financing Activities:				
Capital grants	338,000	-	338,000	248,832
Tap fees	437,398	-	437,398	-
Acquisition and construction of capital assets	(1,181,793)	-	(1,181,793)	(1,720,045)
Proceeds from sale of capital assets	4,500	-	4,500	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(401,895)	-	(401,895)	(1,471,213)
Cash Flows From Investing Activities:				
Interest income	55,351	-	55,351	125,453
Net Cash Provided (Used) by Investing Activities	55,351	-	55,351	125,453
Net Change in Cash and Cash Equivalents	(553,698)	-	(553,698)	(1,142,697)
Cash and Cash Equivalents - Beginning	1,977,092	-	1,977,092	3,119,789
Cash and Cash Equivalents - Ending	1,423,394	-	1,423,394	1,977,092
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:				
Income (loss) from operations	(688,020)	3,488	(684,532)	(377,255)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	597,244	4,046	601,290	538,049
(Increase) decrease in accounts receivable	(231,856)	-	(231,856)	(11,695)
(Increase) decrease in due to/from other funds	22,719	(7,723)	14,996	15,338
Increase (decrease) in accrued compensated absences	39,960	-	39,960	(5,067)
Increase (decrease) in accounts payable	(25,182)	-	(25,182)	52,763
Increase (decrease) in accrued payroll	77,981	189	78,170	2,922
Increase (decrease) in unearned revenue	-	-	-	(11,992)
Net Cash Provided (Used) by Operating Activities	(207,154)	-	(207,154)	203,063

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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 or net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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, 2025, 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 acquisition value.

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 expensed as incurred.

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

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.

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.

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.

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
Change in net position - Budget basis	(437,320)	7,534
Reconciliation to GAAP basis:		
Capitalized assets	1,181,793	-
Depreciation	(597,244)	(4,046)
Change in net position - GAAP basis	147,229	3,488

For the fiscal year ending December 31, 2025, the Water and Sewer Fund exceeded budgeted appropriations by $447,203, which may be a violation of State statutes.

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2025.

1. For the 2025 budget year, prior to August 25, 2024, 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 2025.

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

3. Prior to December 15, 2024, 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts in deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of collateral must be at least equal to the aggregate uninsured deposits.

III. Detailed Notes on All Funds

A. Deposits and Investments (continued)

Local Government Investment Pool – At December 31, 2025, the District had invested $1,154,354 in the Colorado Government Liquid Asset Trust ("COLOTRUST"). COLOTRUST is an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds for investment purposes, and is registered with the State Securities Commissioner. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment.

The majority of securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify investments owned by COLOTRUST. COLOTRUST's investments consist of U.S. Treasury and U.S. agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. agency securities. These investments are not categorized because the underlying securities cannot be determined. Of the investments held in COLOTRUST at December 31, 2025, the District had invested in COLOTRUST PLUS+, which operates similarly to money market funds and each share is equal in value to $1.

At December 31, 2025, the District had the following cash and investments with the following maturities:

			Maturities	
Type	**Rating**	**Carrying Amount**	**Less Than One Year**	**Less Than Five Years**
Deposits:				
Petty cash	Not Rated	300	300	-
Money market	Not Rated	268,740	268,740	-
Investments:				
COLOTRUST Investment Pool	AAAm	1,154,354	1,154,354	-
		1,423,394	1,423,394	-

The District measures and records its investments using fair value measurement guidelines established by GAAP. At December 31, 2025, the District had the following recurring fair value measurements:

Investments Measured at Net Asset Value	Total
COLOTRUST	1,154,354

COLOTRUST is a 2a7-like pool. 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 has invested primarily in COLOTRUST. Funds in COLOTRUST can be withdrawn without notice or penalty.

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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.

Custodial Credit Risk. Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. The District holds all funds in COLOTRUST PLUS+. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAm by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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:	
Water and sewer user fees	160,847
Other	227,384
Gross receivables	388,231
Less: allowance for uncollectibles	-
Net receivables	388,231

III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance 1/1/2025	Increases	Decreases	Ending Balance 12/31/2025
Business-type Activities:				
Capital assets, not being depreciated:				
Land	150,000	-	-	150,000
Construction in progress	288,172	284,528	(288,172)	284,528
Total Capital Assets, Not Being Depreciated	438,172	284,528	(288,172)	434,528
Capital assets, being depreciated:				
Water system	5,665,333	128,300	-	5,793,633
Sewer system	6,786,976	-	-	6,786,976
Buildings	1,267,711	46,832	-	1,314,543
Equipment and vehicles	2,827,314	1,010,305	(28,294)	3,809,325
Land improvements	183,563	-	-	183,563
Total Capital Assets Being Depreciated	16,730,897	1,185,437	(28,294)	17,888,040
Less accumulated depreciation for:				
Sewer system	(4,500,220)	(170,494)	-	(4,670,714)
Water system	(4,551,034)	(138,533)	-	(4,689,567)
Buildings	(432,599)	(33,801)	-	(466,400)
Equipment and vehicles	(1,429,982)	(241,283)	28,294	(1,642,971)
Land improvements	(21,356)	(17,179)	-	(38,535)
Total Accumulated Depreciation	(10,935,191)	(601,290)	28,294	(11,508,187)
Total Capital Assets Being Depreciated, Net	5,795,706	584,147	-	6,379,853
Business-type Activities Capital Assets, Net	6,233,878	868,675	(288,172)	6,814,381

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables as of December 31, 2025 were as follows:

	Receivable	Payable
Conservation Trust Fund	96,273	-
Water and Sewer Fund	-	165,978
Public Works Fund	69,705	-
Total	165,978	165,978

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.

III. Detailed Notes on All Funds (continued)

E. Long-term Liabilities – Business-type Activities

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

	Beginning Balance 1/1/2025	Additions (Deletions)	Ending Balance 12/31/2025	Due Within One Year
Accrued compensated absences*	49,670	39,960	89,630	67,223

* The change in the accrued compensated absences liability is reported as a net change.

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 2025, the District recognized sewer charges and tap fees from the Town in the amount of $182,700.

B. Service Agreement – Street Sweeping

In 2025, 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.

C. Management Agreement

In 2025, the District entered into a management agreement with the Association with to manage the day-to-day operation of the Association. The agreement commenced on January 1, 2025, and ends on December 31, 2026

As part of the agreement, the District will receive $110,000 annually as the management fee, and $4,000 annually for the Tamarisk Village front yard maintenance. Other services such as maintenance and repairs, association mailings and notice of meetings, and attendance and preparation for meetings are billed at hourly rates as agreed upon in the agreement.

IV. Other Information (continued)

C. Management Agreement (continued)

Services provided to the Association resulted in the following revenues to the District during the fiscal year ending December 31, 2025:

Management and accounting fees	114,000
Water user fees	192,268
Postage, office supplies, copies	9,927
Street sweeping	15,000
Litter pickup	13,240
Covenant enforcement	23,000
Maintenance	3,067
Miscellaneous	677
Total	371,179

At December 31, 2025, the District was owed $16,215 for these services.

D. 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 2025 were $71,717 by employees and $42,587 by the District. As of December 31, 2025, there were no outstanding contribution liabilities.

E. 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 2024 to 2025 and settlements have not exceeded coverage in the past year.

F. 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, 2025.

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, 2025
(With Comparative Actual Amounts for 2024)

	2025			2024
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Lottery distributions	17,000	14,996	(2,004)	15,339
Interest	32	-	(32)	-
Total Revenues	17,032	14,996	(2,036)	15,339
Expenditures:				
Parks and recreation	25,000	-	25,000	-
Total Expenditures	25,000	-	25,000	-
Net Change in Fund Balance	(7,968)	14,996	22,964	15,339
Fund Balance - Beginning	64,975	81,277	16,302	65,938
Fund Balance - Ending	57,007	96,273	39,266	81,277

SUPPLEMENTARY INFORMATION

Battlement Mesa Metropolitan District
Schedule of Revenues, Expenses and Change in Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
Water and Sewer Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for 2024)

	2025			2024
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Operating Revenues:				
Charges for services:				
Water user fees	1,663,000	1,827,751	164,751	1,520,697
Sewer user fees	1,118,000	1,126,226	8,226	1,088,138
Transfer, on-site service, penalties, and NSF fees	32,000	10,420	(21,580)	26,949
Association management fees	150,000	161,731	11,731	155,542
Miscellaneous	1,000	3,452	2,452	1,775
Total Operating Revenues	2,964,000	3,129,580	165,580	2,793,101
Operating Expenses:				
Administration:				
Accounting and audit	17,500	18,400	(900)	17,000
Contract labor and administrative	13,000	31,541	(18,541)	7,820
Insurance	128,000	145,038	(17,038)	117,648
Legal	6,000	10,822	(4,822)	4,865
Landscaping	9,000	11,557	(2,557)	9,146
Repairs and maintenance	9,000	8,272	728	8,806
Office supplies, postage, and miscellaneous	117,000	135,735	(18,735)	106,502
Salaries, benefits and taxes	1,389,000	1,423,758	(34,758)	1,161,700
Water and sewer plants:				
Repairs and maintenance	500,500	721,316	(220,816)	529,493
Utilities	367,000	439,886	(72,886)	376,705
Sewer processing charges	28,000	18,243	9,757	30,800
Water purchases	2,000	1,413	587	-
Association management expenses:				
Office supplies, postage, and miscellaneous	18,700	24,118	(5,418)	20,304
Salaries, benefits and taxes	118,000	110,305	7,695	103,256
Capital outlay	1,170,000	1,301,745	(131,745)	1,855,463
Total Operating Expenses	3,892,700	4,402,149	(509,449)	4,349,508
Operating Income (Loss) - Budget Basis	(928,700)	(1,272,569)	(343,869)	(1,556,407)
Non-Operating Revenues (Expenses):				
Grants and contributions awarded	150,000	338,000	188,000	248,832
Investment income	115,000	55,351	(59,649)	125,453
Gain (loss) on disposal of assets	-	4,500	4,500	-
Total Non-Operating Revenues (Expenses)	265,000	397,851	132,851	374,285
Income (Loss) before Contributions and Transfers	(663,700)	(874,718)	(211,018)	(1,182,122)
Capital contributions - Tap fees	95,000	437,398	342,398	-
Change in Net Position - Budget Basis	(568,700)	(437,320)	131,380	(1,182,122)
Reconciliation to GAAP Basis:				
Capitalized assets		1,181,793		1,720,045
Depreciation expense		(597,244)		(534,003)
Change in Net Position - GAAP Basis		147,229		3,920
Net Position - Beginning of Year		7,981,234		7,977,314
Net Position - End of Year		8,128,463		7,981,234

Battlement Mesa Metropolitan District
Schedule of Revenues, Expenses and Change in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Public Works Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for 2024)

	2025			2024
	Original and Final Budget	**Actual**	**Final Budget Variance Positive (Negative)**	**Actual**
Operating Revenues:				
Charges for services:				
Contract sweeping	25,000	20,775	(4,225)	24,500
Total Operating Revenues	25,000	20,775	(4,225)	24,500
Operating expenses:				
Administration:				
Insurance	1,400	1,400	-	1,400
Office supplies, postage, and miscellaneous	300	170	130	190
Salaries, benefits and taxes	5,300	5,583	(283)	5,175
Public works:				
Repairs and maintenance	12,200	6,088	6,112	20,579
Total Operating Expenses	19,200	13,241	5,959	27,344
Change in Net Position - Budget Basis	5,800	7,534	1,734	(2,844)
Reconciliation to GAAP Basis:				
Depreciation expense		(4,046)		(4,046)
Change in Net Position - GAAP Basis		3,488		(6,890)
Net Position - Beginning of Year		132,513		139,403
Net Position - End of Year		136,001		132,513