



REGULAR MEETING OF THE BOARD OF DIRECTORS
October 16, 2018
AGENDA

9:00 AM OWNERS OPEN FORUM

9:15 AM CALL TO ORDER

DISCLOSURE OF CONFLICTS

KIRBY WYNN- GARFIELD COUNTY OIL & GAS LIAISON

APPROVAL OF MINUTES

- September 18, 2018

APPROVAL OF FINANCIAL REPORTS

- September 2018

COMMITTEE REPORTS

- Finance Committee
- Architectural Committee
- Covenant Control Report
- Oil & Gas Committee
- Parks, Open Space & Trails Committee
- Associated Governments of Northwest Colorado
- Energy Advisory Board

MANAGER REPORT

- October 16, 2018

DECLARANT REPORT

NEW BUSINESS

- Approval of BMSA Meeting Dates for 2019
- 2019 Preliminary Budget

UNRESOLVED/WORKING ITEMS

OLD BUSINESS

OTHER BUSINESS

- 2017 Final Audit

11:00 AM ADJOURN

HEARINGS-

- 203 Limberpine

The Colorado Dream

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APPROVED
10-16-18



**BATTLEMENT MESA SERVICE ASSOCIATION
REGULAR MEETING OF THE BOARD OF DIRECTORS
SEPTEMBER 18, 2018**

Present:	Laurel Koning Bob Arrington John Shepherd Brad Gates John Constine Joel Toomey Amy Provstgaard John Keller	President, Battlement Creek Village Vice President, Willow Creek Village Sec/Treasurer, Canyon View Village Director, Fairway Villas Director, Mesa Ridge Townhomes Director, Stone Ridge Village Director, Tamarisk Village Director, The Reserve
Absent Board Members:	Al Reuter Bert Hyman Robert Gross Dianna Arnett Brad Hoy	Director, First Eagle's Point Director, Princeton Management Properties Director, RHP Properties Director, Tamarisk Meadows Director, Valley View Village
By Proxy:	Eric Schmela	Declarant, Battlement Mesa Partners
Also Present:	Steve Rippy Brenda Locker	Association Manager Association Accounting Manager
Community Members Present:	Delores Walter	

OWNERS OPEN FORUM

Delores Walter from 129 Bent Creek Circle is concerned about the properties that RHP Properties purchased in Saddleback Village, Saddleback Creek and Saddleback RV park. Ms. Walter reported that since RHP Properties purchased the properties there has been two (2) lot space increases, the grass areas are horribly dry and there are weeds everywhere. Ms. Walter is concerned that people will start leaving their houses like they did when Battlement Mesa Company raised their rent.

CALL TO ORDER

Director Koning called the meeting to order at 9:03 am.

DISCLOSURE OF CONFLICT

None

KIRBY WYNN-GARFIELD COUNTY OIL & GAS LIAISON

Mr. Wynn did not attend the meeting.

JULY 17, 2018 MEETING MINUTES

A motion was made by Director Constine and seconded by Director Toomey to approve the July 17, 2018 regular meeting minutes as presented. The motion carried unanimously.

AUGUST 21, 2018 MEETING MINUTES

A motion was made by Director Provstgaard and seconded by Director Shepherd to approve the August 21, 2018 regular meeting minutes as presented. The motion carried unanimously.



FINANCIAL REPORTS

A motion was made by Director Arrington and seconded by Director Gates to approve the July 2018 and August 2018 financial statements; subject to audit. The motion carried unanimously.

COMMITTEE REPORTS

Finance Committee-See attached written report.

Architectural Committee-See attached written reports.

Covenant Control Committee-See attached written reports.

Oil & Gas Committee-No written report.

Parks, Open Space & Trails Committee-No written report.

Associated Governments of Northwest Colorado-See attached reports.

Energy Advisory Board-No written report.

MANAGER REPORT

See attached written report.

Mr. Rippe reported that he is still waiting to receive the building permit from Garfield County to construct the picnic shelter at Turkey Trail Park. Mr. Rippe also reported that he received a bid proposal from a local contractor to install the structure, and a concrete pad under the structure, at a cost of \$38,735. This amount was significantly higher than anticipated so a second bid was solicited from Lush Green Landscapes. Lush Green provided a proposal of \$16,500 to install the structure, including the concrete pad. The Board of Directors directed Mr. Rippe to accept the proposal from Lush Green Landscapes.

DEVELOPER REPORT

None

NEW BUSINESS

2017 Preliminary Audit

A motion was made by Director Arrington and seconded by Director Shephard to accept the 2017 preliminary audit. The motion carried unanimously.

Donation Request from Grand River Hospital Grand Wine Affair

A motion was made by Director Shephard and seconded by Director Provstgaard to donate \$250 to the Grand River Hospital District for the Grand Wine Affair. The motion carried unanimously.

Appointment to the Architectural Committee

A motion was made by Director Koning and seconded by Director Keller to appoint Brad Gates to the architectural committee. The motion carried unanimously.

OTHER BUSINESS

Director Keller asked Mr. Rippe to provide information related to an email sent to Board Members from community member Garry Evenson. Mr. Rippe explained that Mr. Evenson has previously requested that the Board consider installing a fence along Stone Quarry Road to deter individuals from riding their motorized vehicles (ATV's & dirt bikes) in the BMSA open space. The BMSA covenants prohibit motorized vehicles in the open spaces in Battlement Mesa. Mr. Evenson and other residents in the Tamarisk Meadows and Tamarisk Village areas walk their dogs in this open space and the motorized vehicles pose a conflict.



In addition, the ATV's and dirt bikes have created ruts on the slopes in the area which poses erosion problems as well as concerns for the potential of starting a grass fire. Mr. Rippy reported that he has installed "Motorized Vehicles Prohibited" signage along the boundary of the property adjacent to Stone Quarry Road, but the individuals riding these vehicles have ignored the signs and continue to ride them in the area. Mr. Rippy explained that he had solicited a cost proposal to install a split rail fence along the property boundary last year and the cost of installation ranges from \$26,000 to \$30,000. Director Koning asked that the issue of installing a fence be discussed at the October meeting of the Battlement Mesa Neighborhood Improvement Organization. Mr. Rippy stated that in addition he would contact the Garfield County Sheriff's office again about possible trespass enforcement.

Director Koning asked that a committee of Board members be assembled to discuss the BMSA 2019 budget. Directors Gates, Provstgaard and Constine agreed to serve on the committee and to meet with the Finance Committee on October 2nd at 10:00 am at the BMMD office.

UNRESOLVED/WORKING ITEMS

Director Koning reviewed the unresolved/working items report.

ADJOURNMENT FOR THE HEARING PROCESS

The meeting adjourned at 11:00 am to go into the hearing process.

RE-ADJOURN AFTER THE HEARING PROCESS

The meeting was re-adjourned at 11:05 am after the hearing process.

A motion was made by Director Keller and seconded by Director Provstgaard to allow the owner until September 30, 2018 to mow the yard and remove all the weeds or BMSA will hire a contractor to go onto the property at 17 Mineral Springs Circle to complete the items, double all costs incurred and charge them back to the account. The motion carried unanimously.

ADJOURNMENT

The meeting adjourned at 11:15 am.

APPROVED

10-16-18

BATTLEMENT MESA SERVICE ASSOC
BALANCE SHEET
SEPTEMBER 30, 2018

BMSA OPERATING FUND

ASSETS

1-1010 ALPINE BANK -- CHECKING	73,578.56	
1-1060 ALPINE - ARCHITECTURAL ESCROW	18,494.26	
1-1080 PETTY CASH	50.00	
1-1150 ACCOUNTS RECEIVABLE - ASSESS	91,051.58	
1-1151 ACCOUNTS RECEIVABLE	2,028.05	
1-1155 A/R -- TAMARISK VILLAGE	4,852.88	
1-1156 TAMARISK VILLAGE OVER/UNDER	(7,904.40)	
1-1165 ACCOUNTS RECEIVABLE - NSF	961.89	
1-1166 ALLOWANCE FOR DOUBTFUL ACCTS	(26,287.69)	
1-1170 A/R INCOME TAX	68.00	
1-1550 LAND	100.00	
	<hr/>	
TOTAL ASSETS		156,993.13

LIABILITIES AND EQUITY

LIABILITIES

1-2059 ACCTS PAYABLE TO RESERVE FUND	10,133.95	
1-2060 CONSTRUCTION DEPOSITS	18,940.00	
1-2220 PREPAID ASSESSMENTS	72,366.02	
	<hr/>	
TOTAL LIABILITIES		101,439.97

OWNER EQUITY

1-2800 ACCUMULATED EQUITY (DEFICIT)	8,794.10	
UNAPPROPRIATED FUND BALANCE: REVENUE/EXPENDITURE - YTD	46,759.06	
	<hr/>	
BALANCE - CURRENT DATE	46,759.06	
	<hr/>	
TOTAL OWNER EQUITY		55,553.16
TOTAL LIABILITIES AND EQUITY		156,993.13

BATTLEMENT MESA SERVICE ASSOC
BALANCE SHEET
SEPTEMBER 30, 2018

BMSA RESERVE FUND

ASSETS

2-1020	EDWARD JONES -- CD 1	400,000.00	
2-1030	EDWARD JONES -- MM 1	118,606.16	
2-1031	EJ BOOK TO MARKET ADJUSTMENT 1	843.30	
2-1550	ACCTS RECEIVABLE FROM OP FUND	24,213.95	
2-1570	LAND 8935 C.R. 300	49,214.82	
		<hr/>	
	TOTAL ASSETS		592,878.23
			<hr/> <hr/>

LIABILITIES AND EQUITY

LIABILITIES

2-2050	ACCOUNTS PAYABLE	15,085.24	
		<hr/>	
	TOTAL LIABILITIES		15,085.24

OWNER EQUITY

2-2800	ACCUMULATED EQUITY (DEFICIT)	(237,331.80)	
2-2850	GENERAL RESERVE - REPLACEMENT	451,021.00	
2-2860	GENERAL RESERVE - CAPITAL	422,952.83	
	UNAPPROPRIATED FUND BALANCE: REVENUE/EXPENDITURE - YTD	(58,849.04)	
		<hr/>	
	BALANCE - CURRENT DATE	(58,849.04)	
		<hr/>	
	TOTAL OWNER EQUITY		577,792.99
	TOTAL LIABILITIES AND EQUITY		592,878.23
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APPROVED

10-16-18

BATTLEMENT MESA SERVICE ASSOC
REVENUES AND EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 9 MONTHS ENDING SEPTEMBER 30, 2018

BMSA OPERATING FUND

	PERIOD ACTUAL	PERIOD BUDGET	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	YTD VARIANCE	ANNUAL BUDGET
OPERATING REVENUE							
1-31-3100 COMMON ASSESSMENT	30,376.16	55,623.00	511,805.59	500,607.00	(11,198.59)	(2.2)	667,480.00
1-31-3120 TAM VILL FRONT LAWN ASSESSMEN	.00	.00	29,750.76	29,250.00	(500.76)	(1.7)	39,000.00
1-31-3130 TRASH ASSESSMENT	.00	.00	113,412.13	111,000.00	(2,412.13)	(2.2)	148,000.00
1-31-3510 FINES & ATTORNEY FEES	3,311.50	2,300.00	22,727.96	21,100.00	(1,627.96)	(7.7)	28,000.00
1-31-3520 LATE FEES	661.06	750.00	6,047.16	6,750.00	702.84	10.4	9,000.00
1-31-6500 INTEREST	1.61	2.00	22.99	15.00	(7.99)	(53.3)	20.00
1-31-6550 COMCAST FRANCHISE FEE	.00	2,500.00	5,796.00	7,000.00	1,204.00	17.2	9,000.00
1-31-7000 MISCELLANEOUS REVENUES	520.00	150.00	5,466.84	1,550.00	(3,916.84)	(252.7)	2,000.00
TOTAL OPERATING REVENUE	34,870.33	61,325.00	695,029.43	677,272.00	(17,757.43)	(2.6)	902,500.00
TOTAL FUND REVENUE	34,870.33	61,325.00	695,029.43	677,272.00	(17,757.43)	(2.6)	902,500.00

BATTLEMENT MESA SERVICE ASSOC
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 9 MONTHS ENDING SEPTEMBER 30, 2018

BMSA OPERATING FUND

	PERIOD ACTUAL	PERIOD BUDGET	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	YTD VARIANCE	YTD VARIANCE	ANNUAL BUDGET
OPERATING EXPENDITURES								
1-50-4040	.00	11,600.00	.00	11,600.00	11,600.00	100.0	11,600.00	11,600.00
1-50-4050	8,583.00	8,583.00	68,664.00	77,247.00	8,583.00	11.1	8,583.00	103,000.00
1-50-4060	583.00	583.00	4,664.00	5,247.00	583.00	11.1	583.00	7,000.00
1-50-4070	1,665.00	1,665.00	13,320.00	14,985.00	1,665.00	11.1	1,665.00	20,000.00
1-50-4075	240.00	8.00	960.00	76.00	(884.00)	(1163.2)	(884.00)	100.00
1-50-4090	250.00	625.00	5,924.14	5,625.00	(299.14)	(5.3)	(299.14)	7,500.00
1-50-4100	400.00	500.00	3,744.95	4,500.00	755.05	16.8	755.05	6,000.00
1-50-4110	.00	592.00	4,169.00	5,328.00	1,159.00	21.8	1,159.00	7,100.00
1-50-4280	.00	.00	.00	.00	.00	.0	.00	12,200.00
1-50-4281	.00	.00	.00	.00	.00	.0	.00	2,200.00
1-50-4300	3,141.62	2,300.00	24,086.11	20,600.00	(3,486.11)	(16.9)	(3,486.11)	27,500.00
1-50-4350	.00	.00	1,250.00	1,300.00	50.00	3.9	50.00	1,300.00
1-50-4360	52.36	400.00	1,994.64	3,750.00	1,755.36	46.8	1,755.36	5,000.00
1-50-4410	135.00	200.00	1,153.50	2,000.00	846.50	42.3	846.50	2,600.00
1-50-4420	388.59	83.00	772.77	749.00	(23.77)	(3.2)	(23.77)	1,000.00
1-50-4450	188.00	750.00	3,736.45	6,750.00	3,013.55	44.7	3,013.55	9,000.00
1-50-4510	.00	.00	1,264.71	.00	(1,264.71)	.0	(1,264.71)	.00
1-50-4600	27,221.43	27,230.00	136,107.15	163,380.00	27,272.85	16.7	27,272.85	190,600.00
1-50-4601	641.28	650.00	3,206.40	3,875.00	668.60	17.3	668.60	4,500.00
1-50-4604	.00	.00	.00	500.00	500.00	100.0	500.00	500.00
1-50-4605	375.00	3,600.00	16,287.00	21,500.00	5,213.00	24.3	5,213.00	25,000.00
1-50-4606	120.00	1,400.00	8,605.00	7,000.00	(1,605.00)	(22.9)	(1,605.00)	7,000.00
1-50-4608	.00	.00	5,356.00	10,350.00	4,994.00	48.3	4,994.00	15,500.00
1-50-4610	323.07	2,000.00	2,858.07	8,650.00	5,791.93	67.0	5,791.93	11,000.00
1-50-4620	183.18	600.00	5,648.08	3,900.00	(1,748.08)	(44.8)	(1,748.08)	5,000.00
1-50-4630	.00	700.00	842.76	3,950.00	3,107.24	78.7	3,107.24	4,500.00
1-50-4640	.00	.00	135.00	1,000.00	865.00	86.5	865.00	1,000.00
1-50-4650	555.00	625.00	4,365.32	5,625.00	1,239.68	22.0	1,239.68	7,500.00
1-50-4660	106.75	1,200.00	3,138.80	10,600.00	7,461.20	70.4	7,461.20	14,000.00
1-50-4665	56.55	800.00	2,550.35	7,600.00	5,049.65	66.4	5,049.65	10,000.00
1-50-4670	51.36	400.00	1,236.61	3,800.00	2,563.39	67.5	2,563.39	5,000.00
1-50-4680	1,628.70	1,000.00	6,364.01	9,900.00	3,535.99	35.7	3,535.99	11,000.00
1-50-4700	33,693.28	21,800.00	110,291.64	109,200.00	(1,091.64)	(1.0)	(1,091.64)	110,000.00
1-50-4710	7,191.36	3,000.00	22,903.68	18,000.00	(4,903.68)	(27.2)	(4,903.68)	19,000.00
1-50-4720	12,576.00	11,800.00	113,184.00	106,600.00	(6,584.00)	(6.2)	(6,584.00)	142,000.00
1-50-4730	1,600.00	1,800.00	16,750.00	16,600.00	(150.00)	(.9)	(150.00)	22,000.00

BATTLEMENT MESA SERVICE ASSOC
 EXPENDITURES WITH COMPARISON TO BUDGET
 FOR THE 9 MONTHS ENDING SEPTEMBER 30, 2018

BMSA OPERATING FUND

	PERIOD ACTUAL	PERIOD BUDGET	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	YTD VARIANCE	YTD VARIANCE	ANNUAL BUDGET
1-50-4740 TRASH DUMPSTER	95.40	250.00	2,263.78	2,250.00	(13.78)	(13.78)	(.6)	3,000.00
1-50-4750 STREET LIGHT ELECTRICITY	2,208.35	2,000.00	17,957.01	22,000.00	4,042.99	4,042.99	18.4	28,000.00
1-50-4760 TELEPHONE	94.44	90.00	739.94	830.00	90.06	90.06	10.9	1,100.00
1-50-4810 STREET SWEEPING	.00	.00	15,000.00	15,000.00	.00	.00	.0	15,000.00
1-50-4835 TRAILS SNOW REMOVAL	.00	.00	2,400.00	2,500.00	100.00	100.00	4.0	5,000.00
1-50-4840 STREET LITTER PICKUP	1,040.00	1,040.00	9,485.00	9,370.00	(115.00)	(115.00)	(1.2)	12,500.00
1-50-4845 TRAILS LITTER PICKUP	125.00	300.00	2,120.50	3,100.00	979.50	979.50	31.6	4,000.00
1-50-7400 INCOME TAX	.00	400.00	2,750.00	1,200.00	(1,550.00)	(1,550.00)	(129.2)	1,600.00
1-50-7500 BAD DEBTS - WRITE OFF	.00	300.00	.00	3,100.00	3,100.00	3,100.00	100.0	4,000.00
1-50-9999 MISC OPERATING EXPENSE	.00	8.00	.00	76.00	76.00	76.00	100.0	100.00
TOTAL OPERATING EXPENDITURES	105,512.72	110,882.00	648,270.37	731,213.00	82,942.63	82,942.63	11.3	902,500.00
TOTAL FUND EXPENDITURES	105,512.72	110,882.00	648,270.37	731,213.00	82,942.63	82,942.63	11.3	902,500.00
NET REVENUE OVER EXPENDITURES	(70,642.39)	(49,557.00)	46,759.06	53,941.00	(100,700.06)	(100,700.06)	(186.7)	.00

BATTLEMENT MESA SERVICE ASSOC
 REVENUES AND EXPENDITURES WITH COMPARISON TO BUDGET
 FOR THE 9 MONTHS ENDING SEPTEMBER 30, 2018

BMSA RESERVE FUND

	PERIOD ACTUAL	PERIOD BUDGET	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	YTD VARIANCE	ANNUAL BUDGET
<u>RESERVE FUND REVENUE</u>							
2-33-3100 COMMUNITY RESERVE ASSESSMEN	.00	13,135.00	26,270.00	39,405.00	13,135.00	33.3	52,540.00
2-33-3520 INTEREST	843.30	200.00	6,019.98	2,200.00	(3,819.98)	(173.6)	2,800.00
TOTAL RESERVE FUND REVENUE	843.30	13,335.00	32,289.98	41,605.00	9,315.02	22.4	55,340.00
TOTAL FUND REVENUE	843.30	13,335.00	32,289.98	41,605.00	9,315.02	22.4	55,340.00

BATTLEMENT MESA SERVICE ASSOC
 EXPENDITURES WITH COMPARISON TO BUDGET
 FOR THE 9 MONTHS ENDING SEPTEMBER 30, 2018

BMSA RESERVE FUND

	PERIOD ACTUAL	PERIOD BUDGET	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	YTD VARIANCE	YTD VARIANCE	ANNUAL BUDGET
<u>RESERVE FUND EXPENDITURES</u>								
2-83-4610	.00	8,600.00	.00	51,500.00	51,500.00	100.0		60,000.00
2-83-4640	.00	.00	34,166.00	30,000.00	(4,166.00)	(13.9)		30,000.00
2-83-4675	287.14	3,500.00	15,610.14	22,000.00	6,389.86	29.0		22,000.00
2-83-4950	.00	6,500.00	2,562.88	52,000.00	49,437.12	95.1		65,000.00
2-83-4960	.00	.00	38,800.00	.00	(38,800.00)	.0		.00
TOTAL RESERVE FUND EXPENDITUR	287.14	18,600.00	91,139.02	155,500.00	64,360.98	41.4		177,000.00
TOTAL FUND EXPENDITURES	287.14	18,600.00	91,139.02	155,500.00	64,360.98	41.4		177,000.00
NET REVENUE OVER EXPENDITURES	556.16	(5,265.00)	(58,849.04)	(113,895.00)	(55,045.96)	(48.3)		(121,660.00)

GL Period	Check Issue Date	Check Number	Payee	Check Amount	
09/18	09/10/2018	123	Keith Sheppelman	240.00	M
09/18	09/05/2018	1094	Battlement Mesa Metro District	287.14	M
09/18	09/05/2018	7783	Town of Parachute	57.95-	V
09/18	09/11/2018	7878	Battlement Mesa Metro District	53,079.84	
09/18	09/11/2018	7879	G.V. Recreation Center	135.00	
09/18	09/11/2018	7880	HindmanSanchez, P.C.	3,141.62	
09/18	09/11/2018	7881	Holy Cross Energy	2,015.75	
09/18	09/11/2018	7882	Kenneth G. Locker	1,165.00	
09/18	09/11/2018	7883	Lush Green Landscapes	27,862.71	
09/18	09/11/2018	7884	Town of Parachute	111.75	
09/18	09/11/2018	7885	UNCC	56.55	
09/18	09/11/2018	7886	VistaWorks	400.00	
09/18	09/11/2018	7887	Waste Management - Carbondal	95.40	
09/18	09/25/2018	7888	Amy Provstgaard	388.59	
09/18	09/25/2018	7889	CenturyLink	94.44	
09/18	09/25/2018	7890	Dependable Waste Services Inc	14,176.00	
09/18	09/25/2018	7891	Holy Cross Energy	2,198.91	
09/18	09/25/2018	7892	Walker Electric, Inc.	106.75	
09/18	09/26/2018	7893	Grand River Hosp. Dist. Volunteer	250.00	
Grand Totals:				105,747.50	

Architectural Committee- Sept 2018

Monument Creek	27 Aspen Way	Paint House	Approved	9-19-18
Tamarisk Meadows	27 Baker	Fence	Approved	9-19-18
Monument Creek	11 Columbine	Shingles	Approved	9-19-18
Battlement Creek	318 Meadow Ck	Fence	Approved	9-19-18
Battlement Creek	410 Meadow Ck	New House	Approved	9-19-18
Willow Creek	11 River View	Landscape	Approved	9-19-18
Battlement Creek	192 Roan Ck	Playset	Approved	9-19-18
Tamarisk Village	14 Tamarisk Trl	Sales Office	Approved	9-19-18

Covenant Violation Report/September 2018

Village	Trashcan	Maintenance of Property	Parking	Animal Complaint	Inoperable/ Abandoned Vehicle	Other	Total	Percent of Violations
Battlement Creek	0	1	1	0	0	0	2	3.61%
Canyon View	0	0	0	1	0	4	5	8.77%
Eagle's Point	0	1	0	0	0	0	1	1.65%
Fairways	0	0	0	0	0	0	0	0.00%
Mesa Ridge	0	0	0	0	0	0	0	0.00%
Monument Creek	0	15	8	1	0	0	24	42.10%
Stone Ridge	0	2	0	0	0	0	2	3.61%
Reserve	0	1	0	0	0	0	1	1.65%
Tamarisk Meadows	0	12	0	0	0	0	12	21.05%
Tamarisk Village	0	7	0	0	0	0	7	12.30%
Valley View	0	1	0	0	0	0	1	1.65%
Willow Creek	0	1	1	0	0	0	2	3.61%
Total	0	41	10	2	0	4	57	
	0.00%	71.90%	17.50%	3.60%	0.00%	7.00%		



Manager Report

Date: October 16, 2018
To: Board of Directors, Battlement Mesa Service Association
From: Steve Rippy, Association Manager

Common Area Irrigation & Waterfall: The irrigation systems and waterfall have been winterized or in the process of being winterized for the season.

2017 BMSA Financial Audit: The 2017 audit is now completed and requires the Board to take action to approve the document. As you may recall the preliminary audit was presented to the board for review at the September 18th meeting and to date no changes or directions have been suggested. Due to the volume of paperwork associated with the audit I have not included the entire document in the packet. I will have a few copies on hand at the meeting should Board members wish to review.

BMSA 2019 Preliminary Budget: Included in your packet is the 2019 Preliminary budget. Board Members Brad Gates, Joel Toomey, Bob Arrington, Laurel Koning, John Shepherd and John Constine met with Association Manager, Steve Rippy, On October 2nd to review and provide recommendations. The preliminary budget proposes a \$1.00 increase in the monthly trash service assessment from \$15 per month to \$16. On January 1, 2018 the Contractor, Dependable Waste, increased the monthly fee charged to the BMSA by \$1.00 and the BMSA absorbed this increase without increasing the 2018 assessment with the knowledge that the assessment would have to be increased in 2019 to offset the expense. The Common Assessment is proposed to be increased \$4.00 (1.3%) from \$296.00 to \$300.00 to cover increasing operation costs. The common assessment has not been increased in approximately 10 years. The overall proposed operating budget for expenses is \$938,900 an increase of \$36,400 (4%) compared to the 2018 budget. The primary contributing factors in the increase to operating expenses are; Trash Services \$18,000, Irrigation Water \$13,000, Management Services \$5,000 and Open Space and Right-of-Way Maintenance \$3,000. The proposed Reserve Fund budget includes the transfer of \$32,140 in common assessments, \$6,000 in interest earning on Reserve Fund revenues and expenditures totaling \$45,000. The Reserve Fund expenditures include \$35,000 to modify the community fences along Stone Quarry Road in the Tamarisk and Saddleback Village areas (Irrigation modification, Weed barrier, Landscape gravel, Fence staining) and \$10,000 to replace trees in the common areas. The annual assessments would increase from \$481.00 (\$185 Trash / \$296 Common) to \$497.00 (\$197 Trash / \$300 Common).

The Colorado Dream

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BATTLEMENT MESA SERVICE ASSOCIATION
BOARD OF DIRECTORS
2019 MEETING DATES
9:00 AM

All meetings will be held at the
Grand Valley Recreation Center

January 15

February 19

March 19

April 16

May 21

June 18

July 16

August 20

September 17

October 15

November 19

December 17

**Battlement Mesa Service Association
2019 Preliminary Budget**

Operating Fund

	2017		2018		2018		2019	
	Actual	Budget	Actual / 09	Year End	Budget	Budget	Budget	
Operating Revenues								
Common Assessment	\$ 677,589	\$ 667,480	\$ 511,806	\$ 663,770	\$ 687,860	\$ 687,860	+\$4.00	
Tamarisk Village Front Lawn Assessment	\$ 38,793	\$ 39,000	\$ 29,751	\$ 39,000	\$ 39,000	\$ 39,000		
Fines / Attorney Fees	\$ 49,164	\$ 28,000	\$ 22,728	\$ 30,000	\$ 30,000	\$ 30,000		
Late Fees	\$ 9,812	\$ 9,000	\$ 6,047	\$ 9,000	\$ 9,000	\$ 9,000		
Trash Assessment	\$ 148,411	\$ 148,000	\$ 113,412	\$ 148,500	\$ 158,000	\$ 158,000	+\$1.00	
Comcast Franchise Fee	\$ 8,385	\$ 9,000	\$ 5,796	\$ 10,000	\$ 10,000	\$ 10,000		
Interest	\$ 22	\$ 20	\$ 23	\$ 30	\$ 40	\$ 40		
Miscellaneous Revenues	\$ 7,572	\$ 2,000	\$ 5,467	\$ 6,000	\$ 5,000	\$ 5,000		
Total Operating Revenues	\$ 939,748	\$ 902,500	\$ 695,030	\$ 906,300	\$ 938,900	\$ 938,900		

Operating Expenditures

Audit & Tax Preparation	\$ 13,500	\$ 11,600	\$ 0	\$ 13,500	\$ 13,500	\$ 13,500
Management & Accounting	\$ 93,494	\$ 103,000	\$ 68,664	\$ 103,000	\$ 108,000	\$ 108,000
Management. & Accounting / Tam. Village	\$ 6,510	\$ 7,000	\$ 4,664	\$ 7,000	\$ 7,000	\$ 7,000
Covenant Enforcement	\$ 17,969	\$ 20,000	\$ 13,320	\$ 20,000	\$ 20,000	\$ 20,000
Community Relations	\$ 7,095	\$ 7,500	\$ 5,924	\$ 7,500	\$ 7,500	\$ 7,500
Website Management	\$ 5,895	\$ 6,000	\$ 3,745	\$ 6,000	\$ 6,000	\$ 6,000
Newsletter	\$ 7,696	\$ 7,100	\$ 4,169	\$ 7,600	\$ 7,600	\$ 7,600
Common Area Insurance	\$ 11,580	\$ 12,200	\$ 0	\$ 12,000	\$ 12,200	\$ 12,200
Directors & Officers Insurance	\$ 1,371	\$ 2,200	\$ 0	\$ 2,000	\$ 1,800	\$ 1,800
Legal Services	\$ 32,765	\$ 27,500	\$ 24,086	\$ 32,000	\$ 30,000	\$ 30,000
Membership Fees	\$ 1,250	\$ 1,300	\$ 1,250	\$ 1,300	\$ 1,300	\$ 1,300
Bank/Credit Card Fees	\$ 2,463	\$ 5,000	\$ 1,995	\$ 3,000	\$ 3,000	\$ 3,000
Meeting Expenses	\$ 2,667	\$ 2,600	\$ 1,154	\$ 2,600	\$ 2,600	\$ 2,600
Committee Expenses	\$ 882	\$ 1,000	\$ 773	\$ 1,000	\$ 1,000	\$ 1,000
Architectural Inspections	\$ 360	\$ 100	\$ 960	\$ 1,200	\$ 500	\$ 500
Copy/Postage/Office Supplies	\$ 6,339	\$ 9,000	\$ 3,736	\$ 6,000	\$ 7,500	\$ 7,500
Flags (Golf Course)	\$ 45	\$ 0	\$ 1,265	\$ 1,300	\$ 1,200	\$ 1,200
Telephone	\$ 889	\$ 1,100	\$ 740	\$ 900	\$ 1,000	\$ 1,000
Income Taxes	\$ 1,161	\$ 1,600	\$ 2,750	\$ 2,800	\$ 1,600	\$ 1,600

Operating Expenditures	2017	2018		2018	2018	2019
	Actual	Budget	Actual / 09	Year End	Budget	Budget
Bad Debts – Write Off	\$ 0	\$ 4,000	\$ 0	\$ 1,000	\$ 3,000	\$ 3,000
Miscellaneous Expenses	\$ 188	\$ 100	\$ 0	\$ 100	\$ 100	\$ 100
Administrative Total	\$ 214,670	\$ 229,900	\$ 139,195	\$ 231,800	\$ 236,400	\$ 236,400
Landscaping Maintenance	\$ 191,477	\$ 190,600	\$ 136,107	\$ 191,500	\$ 191,500	\$ 191,500
Landscaping Maintenance / Tam. Village	\$ 4,659	\$ 4,500	\$ 3,206	\$ 4,500	\$ 4,500	\$ 4,500
Foreclosure Property Maintenance	\$ 915	\$ 500	\$ 0	\$ 500	\$ 500	\$ 500
Right-of-Way/Open Space Maintenance	\$ 26,846	\$ 25,000	\$ 16,287	\$ 26,000	\$ 28,000	\$ 28,000
Tree Trimming/Maintenance	\$ 7,000	\$ 7,000	\$ 8,605	\$ 9,000	\$ 7,500	\$ 7,500
Weed Management	\$ 16,068	\$ 15,500	\$ 5,356	\$ 16,000	\$ 16,000	\$ 16,000
Sprinkler System Maintenance	\$ 6,890	\$ 11,000	\$ 2,858	\$ 8,000	\$ 10,000	\$ 10,000
Tamarisk Village Sprinkler Maintenance	\$ 3,900	\$ 5,000	\$ 5,648	\$ 6,000	\$ 5,000	\$ 5,000
Bench Maintenance	\$ 126	\$ 1,000	\$ 135	\$ 500	\$ 1,000	\$ 1,000
Fence Maintenance	\$ 4,455	\$ 7,500	\$ 4,385	\$ 6,000	\$ 8,000	\$ 8,000
Waterfall Maintenance	\$ 11,052	\$ 11,000	\$ 6,364	\$ 10,000	\$ 11,000	\$ 11,000
Irrigation Water	\$ 137,409	\$ 110,000	\$ 110,292	\$ 115,000	\$ 120,000	\$ 120,000
Tamarisk Village Irrigation Water	\$ 24,171	\$ 19,000	\$ 22,904	\$ 24,000	\$ 22,000	\$ 22,000
Landscaping Maintenance Total	\$ 434,968	\$ 407,600	\$ 322,147	\$ 417,000	\$ 425,000	\$ 425,000
Street Light Maintenance	\$ 25,772	\$ 14,000	\$ 3,139	\$ 10,000	\$ 14,000	\$ 14,000
Street Light – Utility Locates	\$ 5,825	\$ 10,000	\$ 2,550	\$ 6,000	\$ 8,000	\$ 8,000
Street Light Electricity	\$ 25,444	\$ 28,000	\$ 17,957	\$ 26,000	\$ 27,000	\$ 27,000
Street Sign Maintenance	\$ 2,166	\$ 5,000	\$ 1,237	\$ 2,000	\$ 4,000	\$ 4,000
Street Sweeping	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Street Litter Pickup	\$ 12,480	\$ 12,500	\$ 9,610	\$ 12,500	\$ 12,500	\$ 12,500
Trails – Litter Pickup	\$ 2,792	\$ 4,000	\$ 1,996	\$ 3,000	\$ 4,000	\$ 4,000
Trails – Snow Removal	\$ 4,000	\$ 5,000	\$ 2,400	\$ 5,000	\$ 5,000	\$ 5,000
Trails – Maintenance/Repairs	\$ 1,119	\$ 4,500	\$ 843	\$ 2,000	\$ 4,000	\$ 4,000
Street/Trail Maintenance Total	\$ 94,598	\$ 98,000	\$ 54,732	\$ 81,500	\$ 93,500	\$ 93,500
Trash Services	\$ 141,480	\$ 142,000	\$ 113,184	\$ 151,000	\$ 160,000	\$ 160,000
Trash Dumpster	\$ 3,233	\$ 3,000	\$ 2,264	\$ 3,000	\$ 1,500	\$ 1,500
Recycle Dumpster	\$ 18,600	\$ 22,000	\$ 16,750	\$ 22,000	\$ 22,500	\$ 22,500
Trash Services Total	\$ 163,313	\$ 167,000	\$ 132,198	\$ 176,000	\$ 184,000	\$ 184,000
Total Operating Expenditures	\$ 907,549	\$ 902,500	\$ 648,272	\$ 906,300	\$ 938,900	\$ 938,900
Operating Balance	\$ 32,199	\$ 0	\$ 46,758	\$ 0	\$ 0	\$ 0

Reserve Fund

Reserve Revenues	2017	2018		2018		2019
	Actual	Budget	Actual / 09	Year End	Budget	Budget
Common Reserve Assessments	\$ 42,240	\$ 52,540	\$ 26,270	\$ 47,200	\$ 32,140	\$ 32,140
Book to Market Adjustment-EJ	\$ 173	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest on Reserves	\$ 4,903	\$ 2,800	\$ 6,020	\$ 7,500	\$ 6,000	\$ 6,000
Transfer from Operating Budget	\$ 1,260	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reserve Revenues Total	\$ 48,576	\$ 55,340	\$ 32,287	\$ 54,700	\$ 38,140	\$ 38,140

Reserve Expenditures	2017	2018		2018		2019
	Actual	Budget	Actual / 09	Year End	Budget	Budget
Capital Replacement / Fences	\$ 12,335	\$ 30,000	\$ 34,166	\$ 40,000	\$ 35,000	\$ 35,000
Capital Replacement / Village Signage	\$ 2,178	\$ 65,000	\$ 2,563	\$ 3,000	\$ 0	\$ 0
Capital Repair/Replacement / Street Lights	\$ 0	\$ 0	\$ 38,800	\$ 38,800	\$ 0	\$ 0
Capital Replacement / Common Area (Trees)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000	\$ 10,000
Capital Repair / Trails	\$ 13,374	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Repair / Waterfall	\$ 1,260	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Improvements (Turkey Trail Park)	\$ 144,223	\$ 22,000	\$ 15,610	\$ 32,500	\$ 0	\$ 0
Capital Improvements / Parkway Medians	\$ 99,748	\$ 60,000	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Expenses	\$ 3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Reserve Expenses	\$ 273,121	\$ 177,000	\$ 91,139	\$ 114,300	\$ 45,000	\$ 45,000
Reserve Balance	[\$ 224,545]	[\$ 121,660]	[\$ 58,852]	[\$ 59,600]	[\$ 6,860]	[\$ 6,860]

Year End Reserve Fund Balance	2017	2018		2018		2019
	Actual	Budget	Actual / 09	Year End	Budget	Budget
	\$ 605,508	\$ 433,590	\$ 519,449	\$ 518,700	\$ 511,840	\$ 511,840



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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**To the Board of Directors
Battlement Mesa Service Association
Battlement Mesa, Colorado**

We have audited the financial statements of Battlement Mesa Service Association (the "Association") for the year ended December 31, 2017. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in note 2 to the audited December 31, 2017 financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Estimating allowance for uncollectible receivables (an allowance of \$63,218 has been established at December 31, 2017), based on management's experience with owners, together with actual collections history since year-end.

We evaluated the key factors and assumptions used to develop this estimate and found them reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements prior to reporting the Association's year-end financial report. The following material adjustments, which were detected as a result of audit procedures, were corrected by management:

- To adjust allowance for uncollectible receivables at December 31, 2017 (\$34,853)
- To remove a check that was voided due to an incorrect charge from outstanding checks and record the correct payment owed as a liability at December 31, 2017 (\$52,621)

Member: American Institute of Certified Public Accountants

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

As is required in an audit engagement we have requested certain representations from management that are included in the management representation letter.

Recommendation

In planning and performing our audit of the Association's financial statements as of and for the year ended December 31, 2017, we noted the following opportunities for improvement of internal controls and day-to-day operations, which are presented for your consideration below.

Assessments

Based on our testing of assessments, we noted the Association was not billing for developer assessments as determined by the Association's original budget. For 2017, developer assessments were under budget by \$10,450. \$7,844 of the budget variance relates to developer properties that were transferred to the Parachute/Battlement Mesa Parks and Recreation District in January 2016. Management believes \$2,368 of the remaining variance may be related to the transfer of property from the developer to Battlement Mesa Metropolitan District in 2012 and has not been adjusted for from a budgeting prospective. Going forward, we recommend the Association bill units for assessments in accordance with the budgeted assessed amount.

Payment Receipt User Permissions

During discussions with front-desk staff, we noted that personnel handling payments have the ability to delete receipt transactions within the accounting software, prior to the end of day closing. There is no trace of the transaction in the accounting software once it has been deleted. A receipt transaction can be deleted up until the end of the day closing process occurs. After the daily receipts have been processed, then a receipt transaction cannot be deleted and only adjusted. We recommend that user for any employee who handles receipts be modified to restrict the ability to delete transactions.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
September 26, 2018



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Battlement Mesa Service Association
Battlement Mesa, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Battlement Mesa Service Association (the "Association"), a Colorado non-profit corporation, which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibilities

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 an opinion 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 includes 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 purposes 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Battlement Mesa Service Association
Battlement Mesa, Colorado**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Battlement Mesa Service Association as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on page 13, Operating Fund – Comparison of Budgeted and Actual Revenue and Expenses, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates 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 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, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that The Schedule of Future Major Repairs and Replacements on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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 required supplementary information 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.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
September 26, 2018**

Preliminary Draft



Financial Report

December 31, 2017

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Battlement Mesa Service Association
Battlement Mesa, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Battlement Mesa Service Association (the "Association"), a Colorado non-profit corporation, which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibilities

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 an opinion 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 includes 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 purposes 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Battlement Mesa Service Association
Battlement Mesa, Colorado**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Battlement Mesa Service Association as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on page 13, Operating Fund – Comparison of Budgeted and Actual Revenue and Expenses, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates 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 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, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that The Schedule of Future Major Repairs and Replacements on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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 required supplementary information 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.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2017
(With Comparative Totals For 2016)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Cash and cash equivalents	\$ 177,644	142,687	320,331	300,800
Investments	-	500,030	500,030	599,799
Assessments receivable, net	52,213	-	52,213	53,767
Other receivables	2,697	-	2,697	2,236
Prepaid expenses	-	-	-	1,000
Due (to) from other fund	(24,214)	24,214	-	-
Land	100	49,215	49,315	49,315
Total Assets	208,440	716,146	924,586	1,006,917
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	82,380	79,506	161,886	53,877
Other current liabilities	3,740	-	3,740	-
Deferred assessment revenue	113,527	-	113,527	108,612
Total Liabilities	199,647	79,506	279,153	162,489
Fund Equity:				
Fund balances	8,793	636,640	645,433	844,428
Total Fund Equity	8,793	636,640	645,433	844,428
Total Liabilities and Fund Equity	\$ 208,440	716,146	924,586	1,006,917

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

Preliminary Draft

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2017
(With Comparative Totals For 2016)**

	2017			2016
	Operating Fund	Replacement Fund	Total	Total
Revenues:				
Assessments	\$ 857,017	42,300	899,317	893,016
Cable television franchise fee	8,203	-	8,203	8,990
Investment income	22	5,076	5,098	4,199
Other	90,800	-	90,800	68,347
Total Revenues	<u>956,042</u>	<u>47,376</u>	<u>1,003,418</u>	<u>974,552</u>
Expenses:				
Maintenance	350,352	-	350,352	352,503
Utilities	170,157	-	170,157	171,915
Sprinkler system	172,370	-	172,370	161,137
Management fees	100,004	-	100,004	96,000
Office expense	35,493	-	35,493	46,114
Insurance	12,951	-	12,951	12,941
Professional fees	41,655	-	41,655	47,792
Security	17,969	-	17,969	16,800
Income taxes	1,400	-	1,400	1,757
Bad debt	34,853	-	34,853	15,495
Miscellaneous	188	-	188	-
Replacement Fund expenses	-	265,021	265,021	68,134
Total Expenses	<u>937,392</u>	<u>265,021</u>	<u>1,202,413</u>	<u>990,588</u>
Excess (Deficiency) of Revenues Over Expenses	18,650	(217,645)	(198,995)	(16,036)
Fund Balances (Deficit) - Beginning of Year	<u>(9,857)</u>	<u>854,285</u>	<u>844,428</u>	<u>860,464</u>
Fund Balances - End of Year	<u>\$ 8,793</u>	<u>636,640</u>	<u>645,433</u>	<u>844,428</u>

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

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals For 2016)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities:				
Cash received from owners for assessments	\$ 828,633	42,300	870,933	891,236
Cash received for interest	22	4,845	4,867	3,676
Cash received from other sources	98,542	-	98,542	77,748
Cash (paid) to vendors	(859,796)	(193,615)	(1,053,411)	(916,916)
Income taxes paid	(1,400)	-	(1,400)	(1,757)
Transfers (to) from other funds	(1,200)	1,200	-	-
Net Cash Provided (Used) by Operating Activities	64,801	(145,270)	(80,469)	53,987
Cash Flows From Investing Activities:				
Cash paid to purchase investments	-	(600,000)	(600,000)	(600,000)
Cash received from matured investments	-	700,000	700,000	600,000
Net Cash Provided (Used) By Investing Activities	-	100,000	100,000	-
Net Increase (Decrease) In Cash	64,801	(45,270)	19,531	53,987
Cash at Beginning of Period	112,843	187,957	300,800	246,813
Cash at End of Period	177,644	142,687	320,331	300,800
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:				
Excess (Deficiency) of revenues over expenses	18,650	(217,645)	(198,995)	(16,036)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Unrealized gain (loss) on investments	-	(231)	(231)	(523)
Decrease (increase) in assessments receivable, net	1,554	-	1,554	27,548
Decrease (increase) in other accounts receivable	(461)	-	(461)	410
Decrease (increase) in prepaid expenses	1,000	-	1,000	3,000
Increase (decrease) in accounts payable	36,603	71,406	108,009	50,127
Increase (decrease) in deferred assessment revenue	4,915	-	4,915	(963)
Increase (decrease) in accrued expenses	3,740	-	3,740	(9,576)
Net change in interfund balances	(1,200)	1,200	-	-
Total Adjustments	46,151	72,375	118,526	70,023
Net Cash Provided (Used) By Operating Activities	\$ 64,801	(145,270)	(80,469)	53,987

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

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017**

1. Organization

Battlement Mesa Service Association (the "Association") was incorporated in the State of Colorado in 1982 as a non-profit corporation. The Association was established to provide for the community, civic, and social welfare of the homeowners and to maintain the fences, pedestrian paths, landscaped common areas and street lighting. As of December 31, 2017, the Association consisted of two thousand three hundred sixty-six (2,366) properties located on approximately one thousand, six hundred acres in Garfield County, Colorado.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The common expenses of the Association are paid by the Association for the members of the Association. The Board of Directors estimates the expenses and the Association's members are assessed for their pro-rata share of the estimated expenses.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds designated for future major repairs, replacements and additions be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the property manager. Disbursements from the Replacement Fund may be made only for designated purposes.

C. Recognition of Assets

The Association recognizes common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto, as an asset on its financial statements. This asset is recorded at cost and is not depreciated.

D. Cash and Cash Equivalents

Cash and cash equivalents for the statement of cash flows consist of cash in bank, cash on hand, and investments with maturities of three months or less.

E. Investments

The Association has invested certain excess funds in certificates of deposit. Because these investments are intended to fund expenditures in the Operating and Replacement Funds and may provide a ready source of cash when so required, these investments are classified as trading for financial statement purposes. Accordingly, investments are reported on these financial statements at fair value, and all realized and unrealized gains and losses are included in current period earnings.

Investment income is unrestricted unless the earnings are restricted, either as to purpose or time period, by the donor of the original contribution.

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(Continued)**

2. Summary of Significant Accounting Policies (continued)

E. Investments (continued)

U.S. generally accepted accounting principles require financial assets be valued at "fair value", determined through application of a three-tiered hierarchy of input levels. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based on the best information available in circumstances where markets are non-existent or illiquid.

F. Interest Allocation

The Board's policy is to record interest earned in the fund that holds the underlying investment.

G. Accounts Receivable

Accounts receivable at the balance sheet date represent assessment fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are in excess of \$500.

The Association uses the allowance method for recognizing potential uncollectible delinquent accounts receivable. At December 31, 2017, the Association has established an allowance for uncollectible owner's assessments receivable of \$63,218.

H. Deferred Assessment Revenues

Deferred assessment revenues consist of cash receipts collected in the current year for the subsequent year's assessments.

I. Common Assessments

Common assessments are the primary source of revenue for the Association. The Board, together with the Association's managing agent, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements.

On a quarterly basis, members of the Association are assessed for their share of these estimated expenses. Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to, or recovered from, the members in a subsequent year by reducing or increasing assessments, or, with the approval of the Board, transferred to the Replacement Fund.

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(Continued)**

2. Summary of Significant Accounting Policies (continued)

J. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are no longer subject to examination for tax years prior to 2014 by the Internal Revenue Service and for tax years prior to 2013 by the Colorado Department of Revenue.

K. Use of Estimates

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

L. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report.

M. Comparative Information

The financial statements include certain prior year comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2016, from which the comparative totals were derived.

3. Investments

	Operating Fund	Replacement Fund	Total
Certificates of deposit:			
Maturing within one year, interest at 1.15% - 1.40% p.a.	\$ -	500,030	500,030
Total	\$ -	500,030	500,030

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(Continued)**

3. Investments (continued)

The following schedule summarizes the investment income in the Statements of Revenues, Expenses and Changes in Fund Balances:

	Operating Fund	Replacement Fund	Total
Interest income	\$ 22	4,845	4,867
Net gains (loses)	-	231	231
Total	\$ 22	5,076	5,098

The fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)
Certificates of deposit	\$ 500,030	500,030
Total	\$ 500,030	500,030

4. Future Major Repairs and Replacement Reserve

The Association's governing documents allow for the accumulation of funds for future major repairs and replacements. Accumulated funds are held in a separate savings and investment account and generally not available for expenditures for normal operations.

The Association commissioned a study in 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were prepared by reserve study engineers, based upon bids received from similar projects, past expenditures on similar work and cost estimating guides. In 2012, the Board formed a committee that adjusted the reserve study estimates established by the engineers to correspond with the Association's estimates. The table included in the unaudited Supplementary Information - Schedule of Future Major Repairs and Replacements is based on the study and subsequent Board adjustments.

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners when funds are needed or by anticipating costs over extended time periods, assessing owners for the anticipated costs, and accumulating funds in reserves to meet the future funding requirements.

Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board of Director's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Replacement Fund had a balance of \$636,640 at December 31, 2017.

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(Continued)**

5. Homeowners' Fees and Economic Dependence

As of December 31, 2017, 2 unimproved units and 123 developed units of the 2,432 total assessment units were still owned by Battlement Mesa Partners (the Declarant). The Declarant pays one-half of the assessment per lot on unimproved lots and full assessment on improved lots. The Declarant paid \$36,704 in assessments for the year ended December 31, 2017. This amount represents approximately 4% of the total assessments charged by the Association. In accordance with the Declaration of Covenants, the Declarant is responsible to pay the Association the amount of any shortage caused by an excess of common expenses over common assessments by its payment of its assessment at the 50% rate up to 100% of the assessment.

In addition, during 2017, a member of the Association owned 766.5 assessment units. The member paid \$226,884 in assessments for the year ended December 31, 2017. This amount represents approximately 25% of the total assessments charged by the Association. Another member of the Association owned 427 assessment units. The member paid \$126,392 in assessments for the year ended December 31, 2017. This amount represents approximately 14% of the total assessments charged by the Association.

6. Tamarisk Village Contingency Funds

The Association assesses an additional service assessment on residents of the Tamarisk Village area contained within the borders of the Association to pay for accounting fees and for irrigation, water and maintenance of front yard sprinkler systems required in that area. The residents of Tamarisk Village voted at an annual homeowners' meeting for that area to retain any excess funds collected for this purpose to be used as a contingency fund. The funds so designated can be used at the discretion of the Board of Directors to meet funding shortages for the irrigation, water and sprinkler system maintenance of Tamarisk Village. In the current year, expenses exceeded assessments by \$2,456. The net effect resulted in a decrease of an excess of the prior year's assessments in excess of expenses from Tamarisk Village. As of December 31, 2017, the contingency fund balance had cumulative assessments in excess of expenditures of \$7,904. When the contingency fund balance has cumulative assessments in excess of expenditures, it is the policy of the Association to allocate interest earned on these funds to the Tamarisk Village contingency fund.

7. Management Contract

In 2015 the Association entered into a management agreement with the Battlement Mesa Metropolitan District ("BMMD") to manage the day-to-day operations of the Association under the direction of the Association's Board of Directors. The agreement commenced on January 1, 2015 and expires December 31, 2017. In December 2017, the Association entered into another management agreement with BMMD to commence on January 1, 2018 and end on December 31, 2018.

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(Continued)**

7. Management Contract (continued)

Payments to BMMD for services provided under the management agreement during the year ended December 31, 2017 are included in these financial statements as follows:

Maintenance	\$ 9,952
Irrigation water	161,021
Management and accounting	100,004
Office expense	6,324
Street sweeping	15,000
Covenant enforcement	16,509
Replacement expenses	<u>997</u>
Total	<u>\$ 309,807</u>

As of December 31, 2017, the Association owed \$10,533 to BMMD.

8. Designation of Replacement Fund

The Association's Replacement Fund activities are designated between a General Fund Replacement Reserve and a General Fund Capital Reserve.

During the year ended December 31, 2017, activity was recorded in these categories of the Association's Replacement Fund as follows:

	<u>General Fund Replacement</u>	<u>General Fund Capital</u>	<u>Total</u>
Balances - Beginning of Year	\$ 503,174	351,111	854,285
Revenues:			
Assessments	33,840	8,460	42,300
Interest	3,876	969	4,845
Gain/(loss) on investments	185	46	231
Expenses	<u>(27,887)</u>	<u>(237,134)</u>	<u>(265,021)</u>
Balances - End of Year	<u>\$ 513,188</u>	<u>123,452</u>	<u>636,640</u>

9. Related Parties

A. Mountain Lawn LLC

The Association paid \$16,068 to Mountain Lawn LLC for weed management services during 2017. A portion of Mountain Lawn LLC is owned by a Board member of the Association.

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(Continued)**

9. Related Parties (continued)

B. Parkway Services

The Association paid \$13,980 to Parkway Services in accordance with a signed contract for street litter pickup services during 2017. Parkway Services is owned by a family member of the Association's accounting manager.

Preliminary Draft

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Operating Fund
Comparison of Budgeted and Actual Revenue and Expenses
For the Year Ended December 31, 2017
(With Comparative Totals For the Year Ended 2016)**

	2017		Variance Positive (Negative)	2016
	Amended Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments	\$ 865,100	857,017	(8,083)	834,540
Cable television franchise fee	8,500	8,203	(297)	8,990
Investment income	20	22	2	18
Other	67,000	90,800	23,800	68,347
Total Revenues	940,620	956,042	15,422	911,895
Expenses:				
Maintenance	352,100	350,352	1,748	352,503
Utilities	170,500	170,157	343	171,915
Sprinkler system	172,700	172,370	330	161,137
Management fees	100,100	100,004	96	96,000
Office expense	36,800	35,493	1,307	46,114
Insurance	13,000	12,951	49	12,941
Professional fees	46,900	41,655	5,245	47,792
Security	18,000	17,969	31	16,800
Income taxes	1,500	1,400	100	1,757
Bad debt	4,000	34,853	(30,853)	15,495
Miscellaneous	200	188	12	-
Total Expenses	\$ 915,800	937,392	(21,592)	922,454

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

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
December 31, 2017
(Unaudited)**

The Association commissioned a study in 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were prepared by reserve study engineers, based upon bids received from similar projects, past expenditures on similar work and cost estimating guides. In 2012, the Board formed a committee and adjusted the reserve study estimates established by the engineers to correspond with the Association's estimates.

The balance of the Replacement Fund has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance 2017</u>
Median improvements	0-5	\$ 250,000	-
Fences	0-13	221,000	-
Trails	0-13	70,000	-
Totals		<u>\$ 541,000</u>	<u>636,640</u>

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

WORK IN PROGRESS/UNRESOLVED/PENDING ITEMS

1. August 2017-Move sprinklers and stain fences along Monument Creek Trail. **In progress**
2. December 2017-Repair/replace club sign along W Battlement Parkway.
3. Landscape Improvements around Monument signage. **(Completed)**
4. Flagpoles Status (Lighting Repairs) **(Completed)**
5. Landscape Improvements at Tamarisk Village/Meadow Signs

WORK IN PROGRESS/UNRESOLVED/PENDING ITEMS

1. December 2017-Repair/replace club sign along W Battlement Parkway.
2. Landscape Improvements at Tamarisk Village/Meadow Signs