

**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

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**DECEMBER 31, 2007**

HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hamilton Creek Metropolitan District  
Silverthorne, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hamilton Creek Metropolitan District (the District), Silverthorne, Colorado, as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District, as of December 31, 2007, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through iii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hiratsuka & Schmitt, LLP*

Denver, Colorado  
March 25, 2009

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**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2007**

As management of the Hamilton Creek 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 year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our annual audited financial statements.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent year by \$1,777,993. Of this amount, \$1,881,938 is invested in capital assets of the District and may not be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$47,669 as District revenues continue to exceed expenditures.

**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 financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information that provides comparisons of budget to actual on the non – US GAAP (Accounting Principles Generally Accepted in the United States of America) budgetary basis.

**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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 District's net assets changed during the most recent year. All changes in net assets 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.

The government-wide financial statements distinguish functions of District revenues that are generated by taxes, user and tap fees. The government-wide financial statements can be found on pages 1 and 2 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. The District adopts an annual appropriated budget for its remaining fund as required by State Statute. The budgetary comparison statement is provided to demonstrate compliance with this budget. .

**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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements for governmental-type activities.

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 governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**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 financial statements.

**Comparative Statements of Net Assets**

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 515,962	\$ 393,585
Capital assets	1,881,938	1,898,200
Total assets	<u>2,397,900</u>	<u>2,291,785</u>
Long-term liabilities		
outstanding	-	-
Other liabilities	619,915	561,468
Total liabilities	<u>619,915</u>	<u>561,468</u>
Net assets:		
Invested in capital assets, net of related debt	1,881,938	1,898,200
Restricted for TABOR	12,334	11,024
Unrestricted (deficit)	(116,279)	(178,907)
Total net assets (deficit)	<u>\$ 1,777,993</u>	<u>\$ 1,730,324</u>

**Comparative Statements of Activities**

	<u>2007</u>	<u>2006</u>
Revenue	\$ 418,3676	\$ 366,924
Expenditures:		
Current	355,382	294,493
Debt service	15,316	32,908
Total expenditures	<u>370,698</u>	<u>327,400</u>
Change in net assets	47,669	39,524
Net assets – beginning	1,730,324	1,690,800
Net assets – ending	<u>\$ 1,777,993</u>	<u>\$ 1,7330,324</u>

A significant change occurred in 2006 as District legal counsel concluded that the District is no longer required to report the liability for interest and matured interest on the 1985 general obligation bonds as the principal on those bonds were repaid in 2004. The District stopped accruing interest on the bonds in 2005. The total interest liability in 2005 was reported as \$7,514,391, which was closed to net assets in 2006. The beginning net assets were changed to \$1,690,800 as the interest liability was removed from the District balance sheet.

## **FUTURE PLANS:**

- Encourage conservation of water through the use of escalating water rates.
- Install electronic read water meters with internet access to allow quick identification of water leaks or excess usage.
- Continue negotiations with Angler Mountain Ranch and the Town of Silverthorne to provide Silverthorne water for additional fire protection and as an emergency backup water, a sewer connection for future water treatment facilities, and an alternate road access to the subdivision.
- Forest management would continue to focus on the best practices for fire mitigation and removal of beetle kill trees to improve the appearance of the area.
- Road maintenance will include annual asphalt crack filling to extend the life of the roads and selective asphalt patching.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

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**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
General Fund - Balance Sheet/Statement of Net Assets  
December 31, 2007**

	General Fund	Adjustments (Note 5)	Statement of Net Assets
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,805	\$ -	\$ 6,805
Investments	2,146	-	2,146
Accounts receivable:			
Customer	4,057	-	4,057
Taxes - current	4,473	-	4,473
Homeowners	73,708	-	73,708
Taxes - assessed	334,773	-	334,773
County Wildfire grant	40,310	-	40,310
Prepaid expense	49,690	-	49,690
Capital assets, net of accumulated depreciation where applicable:			
Road system	-	971,366	971,366
Water system	-	910,572	910,572
<b>Total assets</b>	<b>\$ 515,962</b>	<b>1,881,938</b>	<b>2,397,900</b>
<b>Liabilities:</b>			
Accounts payable	136,456	-	136,456
Construction deposits	27,000	-	27,000
Deferred tax revenues	334,773	-	334,773
Accrued interest	4,178	-	4,178
Notes payable - homeowners	-	117,500	117,500
<b>Total liabilities</b>	<b>502,407</b>	<b>117,500</b>	<b>619,907</b>
<b>Fund balance/Net assets (deficit)</b>			
Fund balances:			
Reserved for:			
Tabor	12,334	(12,334)	-
Unreserved	1,221	(1,221)	-
<b>Total fund balance</b>	<b>13,555</b>	<b>(13,555)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 515,962</b>		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		1,881,938	1,881,938
Restricted for:			
TABOR		12,334	12,334
Unrestricted (deficit)		(116,279)	(116,279)
<b>Total net assets</b>		<b>\$ 1,777,993</b>	<b>\$ 1,777,993</b>

The accompanying notes are an integral part of this financial statement

**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
Governmental Funds - Statement of Revenues, Expenditures and Changes in  
Fund Balance/Statement of Activities  
For the year ended December 31, 2007**

	General Fund	Adjustments (Note 5)	Statement of Activities
<b>Revenues:</b>			
Property taxes	\$ 290,532	\$ -	\$ 290,532
Specific ownership taxes	21,252	-	21,252
County grant	40,310	-	40,310
Interest	974	-	974
User fees	53,299	-	53,299
Water tap fees	12,000	-	12,000
<b>Total revenues</b>	<b>418,367</b>	<b>-</b>	<b>418,367</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Administration	33,000	-	33,000
Legal and audit fees	11,477	-	11,477
Director's expense	1,600	-	1,600
Insurance	1,699	-	1,699
Road maintenance	66,445	-	66,445
Water system maintenance	72,164	-	72,164
Forest maintenance	115,819	-	115,819
Utility operations	4,257	-	4,257
Septic maintenance	13,688	-	13,688
Office supplies and postage	1,585	-	1,585
Membership dues	778	-	778
Telephone	1,915	-	1,915
Miscellaneous	148	-	148
Discount	25	-	25
County Treasurer fees	14,521	-	14,521
Depreciation	-	16,261	16,261
<b>Debt service:</b>			
Principal	67,500	(67,500)	-
Interest	6,816	-	6,816
Bond administration	8,500	-	8,500
<b>Total expenditures</b>	<b>421,937</b>	<b>(51,239)</b>	<b>370,698</b>
<b>Excess of revenues over expenditures</b>	<b>(3,570)</b>	<b>3,570</b>	<b>-</b>
<b>Change in net assets</b>		<b>47,669</b>	<b>47,669</b>
Fund balance/net assets- beginning of year , restated	17,117	1,713,207	1,730,324
<b>Fund balance/net assets - end of year</b>	<b>\$ 13,547</b>	<b>\$ 1,764,446</b>	<b>\$ 1,777,993</b>

The accompanying notes are an integral part of this statement



**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
General Fund - Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budgetary Basis and Actual  
For the year ended December 31, 2007**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 290,594	\$ 290,532	\$ (62)
Specific ownership taxes	17,000	21,252	4,252
County grant	-	40,310	40,310
Interest	1,000	974	(26)
User fees	50,000	53,299	3,299
Water tap fees	5,500	12,000	6,500
<b>Total revenues</b>	<b>364,094</b>	<b>418,367</b>	<b>54,273</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Administration	33,000	33,000	-
Legal and audit fees	4,500	11,477	(6,977)
Director's expense	1,500	1,600	(100)
Insurance	2,000	1,699	301
Road maintenance	50,000	66,445	(16,445)
Water system maintenance	60,000	72,164	(12,164)
Forest maintenance	50,000	115,819	(65,819)
Utility operations	4,500	4,257	243
Septic maintenance	15,000	13,688	1,312
Office supplies and postage	2,250	1,585	665
Membership dues	1,000	778	222
Telephone	1,000	1,915	(915)
Miscellaneous	500	148	352
Discount	-	25	(25)
County treasurer's fees	14,530	14,521	9
Other	25,000	-	25,000
<b>Debt service:</b>			
Principal	90,000	67,500	22,500
Interest	5,200	6,816	(1,616)
Bond administration	-	8,500	(8,500)
<b>Total expenditures</b>	<b>359,980</b>	<b>421,937</b>	<b>(61,957)</b>
<b>Excess of revenue over (under) expenditures</b>	<b>\$ 4,114</b>	<b>(3,570)</b>	<b>\$ (7,684)</b>
Fund balance - beginning of year		17,117	
<b>Fund balance - end of year</b>		<b>\$ 13,547</b>	

The accompanying notes are an integral of this financial statement.

**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
Notes to Financial Statements  
December 31, 2007**

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**1. Summary of significant accounting policies**

The accounting policies of the Hamilton Creek Metropolitan District (the District), Silverthorne, Colorado conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The following is a summary of the more significant policies consistently applied in the preparation of the financial statements.

**Reporting entity**

The District was organized May 1, 1985, and is governed by a five-member elected Board of Directors. The District currently provides water, septic tank pumping, street maintenance, snow removal, and forest maintenance (parks) services to the geographical area organized as the Hamilton Creek Metropolitan District. The District provides metered water for a fixed quarterly rate, charging additional fees for excessive usage.

The District has no component units as defined by the Governmental Accounting Standards Board (GASB), Statement No 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

**Basis of presentation**

The accompanying financial statements are presented in accordance with GASB Statement No. 34, Sp 20 Special Purpose Governments.

The government-wide financial statements (i.e. the statement of net assets and the statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on the *governmental-type activities* of the District, which rely to a significant extent on taxes and user fees for support. The statement of activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by taxes, user and tap fees.

**Measurement focus, basis of accounting and financial statement presentation**

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**District Plan of Reorganization**

On May 31, 1989, the District filed for Reorganization under Chapter 9 of the Bankruptcy Laws in the United States Bankruptcy Court for the District of Colorado. On February 1, 1990, the Court accepted the Plan of Reorganization (the Plan). The District is currently operating under the terms of the Plan, see also footnote 4 'Litigation' for additional information related to the reorganization.

**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
Notes to Financial Statements  
December 31, 2007**

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**1. Summary of significant accounting policies (continued)**

**Measurement focus, basis of accounting and financial statement presentation  
(continued)**

**Fund accounting**

The District has one governmental fund, which accounts for the financial resources of the District.

Governmental funds include the following fund types:

**General Fund** - accounts for all financial resources of the general government, except those required to be accounted for in another fund. The fund currently reports amounts expended for maintaining the District's water system, as the current levels of activity do not warrant the use of a separate proprietary fund to report utility activities.

**Assets, liabilities and net assets**

**Fair value of financial instruments**

The District's financial instruments include cash and cash equivalents, investments, accounts receivable, prepaid expenses, accounts payable and notes payable. Due to the short maturity of these instruments, the District estimates that the fair value of all financial instruments at December 31, 2007 does not differ materially from the aggregate carrying values recorded in the accompanying balance sheet.

**Estimates**

The preparation of financial statements in conformity with US GAAP requires District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property taxes**

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15 if paid in installments, or April 30 if paid with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods a lien will be sold at public auction. Summit County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed fully collectible.

**Capital assets**

All purchased capital assets of the road, and water systems equipment are recorded at historical cost. The water system is depreciated over its estimated useful life of 75 years using the straight-line method. The road system is not being depreciated.

1. **Summary of significant accounting policies (continued)**

**Assets, liabilities and net assets (continued)**

**Construction deposits**

The District collects deposits from developers that will be refunded net of any District expenditures to repair developer damage to the infrastructure.

2. **Stewardship, compliance and accountability**

**Budgetary information**

In compliance with Colorado Revised Statutes, the District conforms to the following procedures, in establishing the budgetary data reflected in the financial statements:

Prior to October 15 of each year the District manager (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget for the funds includes proposed expenditures and the means of financing them.

Public hearings are held at the regular Board of Directors' meetings to obtain taxpayer input. Prior to December 15, the budget is legally enacted through passage of a budget resolution. The Board of Directors must approve revisions that change total expenditures of the fund.

For 2007 District expenditures exceeded revenues. A portion of the deficit was funded by an unbudgeted grant from Summit County. The remainder was funded by available resources.

3. **Detailed notes concerning the funds**

**Deposits and investments – Custodial Credit Risk**

**Deposits**

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 the collateral must be equal to 102% of the aggregate uninsured deposits.

As of December 31, 2007, all of the District's deposits were insured by the Federal Deposit Insurance Corporation and held in eligible public depositories as required by PDPA.

**HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
Notes to Financial Statements  
December 31, 2007**

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**3. Detailed notes concerning the funds (continued)**

**Deposits and investments – Custodial Credit Risk (continued)**

**Investments**

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include:

State regulated local government investment pools  
Obligations of the United States Government

The District invests in one Local Government Investment Pool, COLOTRUST. Investments in the pool are not categorized because the investments are not evidenced by securities that exist in physical or book entry form. As of December 31, 2007 District investments in the pool, carrying and fair value, were \$2,146. The Trust is rated AAAM by Standard & Poor's with an average maturity of 35 days.

**Capital assets**

The following is a summary of the District's capital assets at December 31, 2007:

Road system	\$	971,366
Water System		1,219,637
Less: accumulated depreciation – water system		(309,065)
<b>Total</b>	<b>\$</b>	<b>1,881,938</b>

During the year, the District had no additions to or deletions from capital assets.

**Long-term debt**

**Homeowner's loans**

The District received loans from the Hamilton Creek Homeowners Association and homeowners that totaled \$185,000 at December 31, 2006. The loans bear an interest rate of 8.5% including an origination fee of .5%.

During the year ended December 31, 2007, the District repaid homeowners loans in the amount of \$67,500 leaving a balance due of \$117,500.

The District paid interest of \$6,816 to the lenders in 2007. At December 31, 2007 accrued interest of \$4,178 was due.

**4. Other information**

**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 natural disasters, for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

**TABOR Amendment**

In November 1992, Colorado voters approved Amendment 1 to the State Constitution, which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The Amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "enterprise." The District does not qualify as an "enterprise" as property taxes are more than 10% of total revenue. The property tax levy relates to pre-TABOR debt that was incurred to retire the original general obligation bonds.

The Amendment defined the District's year-end, December 31, 1992, as the initial base year for purposes of defining compliance with the Amendment. The Amendment defines inflation and local growth. Future years' revenue, relative to prior years' revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the limit to the voters, unless the voters approve retention of the excess revenue.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's revenue. Conditions under which these reserves may be spent are severely limited.

The District believes that it complies with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

**Litigation**

In 2005, upon the advice to legal counsel the District ceased to accrue bond interest on the current and matured interest. Again, upon advice of legal counsel in 2006 the District ceased to recognize the current and matured interest liability, which resulted in a restatement of net assets.

As of December 31, 2007 the District has no knowledge of threatened or pending litigation involving the District

HAMILTON CREEK METROPOLITAN DISTRICT  
SILVERTHORNE, COLORADO  
Notes to Financial Statements  
December 31, 2007

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5. Reconciliation of government-wide financial statements and fund financial statements

The Governmental Funds Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have three elements: 1) capital assets used in government activities are not financial resources and, therefore are not reported in the funds; 2) long-term liabilities, including operating notes are not due and payable in the current period thus are not reported in the funds; 3) amounts reported as fund balance have been reclassified for inclusion in Net Assets.

The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities includes an adjustments column: 1) governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 2) the repayment of long-term debt consumes the financial resources of the fund, but has no effect on net assets.