

**HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2010

**HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO**

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Hiratsuka & Schmitt, L.L.P.
Certified Public Accountants & Consultants

Steven T. Hiratsuka, CPA
Don W. Gruenler, CPA

INDEPENDENT AUDITORS' 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, 2010, 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, 2010, 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

January 24, 2012 (except as to Note 6 to the financial statements that is dated March 29, 2012)
Denver, Colorado

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HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO
General Fund - Balance Sheet/Statement of Net Assets
December 31, 2010

	General Fund	Adjustments (Note 5)	Statement of Net Assets
Assets:			
Cash and cash equivalents	\$ 4,075	\$ -	\$ 4,075
Investments	2,203	-	2,203
Accounts receivable:			
Customer	10,074	-	10,074
Taxes - current	2,858	-	2,858
Homeowners - future construction	68,017	-	68,017
Taxes - assessed	340,252	-	340,252
Capital assets, net of accumulated depreciation where applicable:			
Road system	-	971,066	971,066
Water system	-	861,789	861,789
Total assets	427,479	1,832,855	2,260,334
Liabilities:			
Accounts payable	31,220	-	31,220
Deferred tax revenues	340,252	-	340,252
Accrued interest	1,867	-	1,867
Notes payable - homeowners	-	30,000	30,000
Total liabilities	373,339	30,000	403,339
Fund balance/Net assets			
Fund balances:			
Reserved for:			
Tabor	13,892	(13,892)	-
Unreserved - restated	40,248	(40,248)	-
Total fund balance	54,140	(54,140)	-
Total liabilities and fund balance	\$ 427,479		
Net assets:			
Invested in capital assets, net of related debt		1,832,855	1,832,855
Restricted for:			
TABOR		13,892	13,892
Unrestricted		10,248	10,248
Total net assets		\$ 1,856,995	\$ 1,856,995

The accompanying notes are an integral part of this financial statement

**HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO
General Fund - Statement of Revenues, Expenditures and Changes in
Fund Balance/Statement of Activities
For the year ended December 31, 2010**

	General Fund	Adjustments (Note 5)	Statement of Activities
Revenues:			
Property taxes	\$ 378,915	\$ -	\$ 378,915
Specific ownership taxes	11,832	-	11,832
Interest	1,290	-	1,290
User fees	56,328	-	56,328
Miscellaneous	27,750	-	27,750
Total revenues	476,115	-	476,115
Expenditures:			
Current:			
Operating expense:			
Road maintenance	59,199	-	59,199
Water system maintenance	66,018	-	66,018
Forest maintenance	57,983	-	57,983
Utilities	4,831	-	4,831
Septic maintenance	14,335	-	14,335
Expensed capital items	108,331	-	108,331
Depreciation	-	16,261	16,261
Administration expense:			
Administration	36,000	-	36,000
Audit fees	6,000	-	6,000
Director's expense	1,900	-	1,900
Insurance	2,976	-	2,976
Legal	2,234	-	2,234
Office supplies and postage	2,259	-	2,259
Membership dues	853	-	853
Telephone	2,041	-	2,041
Miscellaneous	464	-	464
County treasurer's fees	19,006	-	19,006
Discount	25	-	25
Debt service:			
Principal	62,500	(62,500)	-
Interest	5,504	-	5,504
Total expenditures	452,459	(46,239)	406,220
Excess of revenue over (under) expenditures	23,656	(23,656)	-
Change in net assets		69,895	69,895
Fund balance/net assets- beginning of year - restated	30,484	1,905,162	1,787,100
Fund balance/net assets - end of year	\$ 54,140	\$ 1,905,162	\$ 1,856,995

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 (non-GAAP)
For the year ended December 31, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 380,174	\$ 378,915	\$ (1,259)
Specific ownership taxes	16,200	11,832	(4,368)
Interest	500	1,290	790
User fees	52,000	56,328	4,328
Water tap fees	6,000	-	(6,000)
Miscellaneous	28,500	27,750	(750)
Total revenues	483,374	476,115	(7,259)
Expenditures:			
Current:			
Operating expense:			
Road maintenance	75,000	59,199	15,801
Water system maintenance	90,000	66,018	23,982
Forest maintenance	109,000	57,983	51,017
Utilities	5,000	4,831	169
Septic maintenance	15,000	14,335	665
Expensed capital items	40,000	108,331	(68,331)
Administration expense:			
Administration	36,000	36,000	-
Audit fees	6,500	6,000	500
Director's expense	2,000	1,900	100
Insurance	3,000	2,976	24
Legal	1,000	2,234	(1,234)
Office supplies and postage	2,250	2,259	(9)
Membership dues	10,000	853	9,147
Telephone	2,400	2,041	359
Miscellaneous	500	464	36
County treasurer's fees	19,009	19,006	3
Discount	-	25	(25)
Debt service:			
Principle	35,000	62,500	(27,500)
Interest	5,000	5,504	(504)
Total expenditures	456,659	452,459	4,200
Excess of revenue over (under) expenditures non-GAAP budgetary basis	\$ 26,715	23,656	\$ (3,059)
Adjustments to GAAP basis			
Principle payment		62,500	
Depreciation expense		(16,261)	
Net income GAAP basis		69,895	
Fund balance - beginning of year - restated		<u>1,787,100</u>	
Fund balance - end of year		<u>\$ 1,856,995</u>	

The accompanying notes are an integral of this financial statement.

**HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010**

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, 2010. 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 \$1,848,239. Of this amount, \$1,832,855 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 \$69,889 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 single 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>2010</u>	<u>2009</u>
Current and other assets	\$ 427,470	\$ 483,782
Capital assets	1,832,855	1,849,415
Total assets	<u>2,260,334</u>	<u>2,333,197</u>
Long-term liabilities outstanding		
Other liabilities	403,339	551,816
Total liabilities	<u>403,339</u>	<u>551,816</u>
Net assets:		
Invested in capital assets, net of related debt	1,832,855	1,849,415
Restricted for TABOR	13,892	13,892
Unrestricted (deficit)	10,328	(81,927)
Total net assets	<u>\$ 1,856,995</u>	<u>\$ 1,781,380</u>

Comparative Statements of Activities

	<u>2010</u>	<u>2009</u>
Revenue	\$ 476,115	\$ 410,785
Expenditures:		
Current	395,212	387,408
Debt service	5,504	18,022
Total expenditures	<u>406,220</u>	<u>405,430</u>
Change in net assets		5,355
Net assets – beginning - restated	1,787,100	1,772,790
Net assets – ending	<u>\$ 1,856,995</u>	<u>\$ 1,778,345</u>

FUTURE PLANS:

The Hamilton Creek Metropolitan District has completed preliminary design work for improvements to the existing water treatment facility. Revisions to the existing facility were expected to cost \$650,000. The improvements were anticipated to meet the long term water treatment requirements of the District. Funding of the improvements would be from existing revenues, reserves, and \$500,000 in home owner loans. The owner loans would be repaid over five years. Development of a reliable emergency water connection is intended to be part of any facility upgrade. The earliest date the improvements would be constructed would be in the summer of 2012. Conservation of water in the District is encouraged through the use of electronic meters and an escalating water usage rate structure. The District will continue an approach of aggressive roadway maintenance including crack filling and patching to defer road resurfacing as long as possible. Forest management efforts have been successful in improving the condition of the forest and the effects of the pine beetle outbreak. The budget for future forest management is expected to continue to be lower than in the past.

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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 balance sheet/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.

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 type:

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, accounts 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, 2010 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)

Homeowners – future construction

The District has extended service lines into unimproved portions of the District lacking current homeowners, the expenditures will be repaid when homes are constructed and as the lots are sold..

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.

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, 2010, 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

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, 2010 District investments in the pool, carrying and fair value, were \$2,203. 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, 2010:

Road system	\$	971,366
Water System		1,219,637
Less: accumulated depreciation – water system		(358,148)
Total	\$	1,832,855

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, 2010, the District made total payments on the loans in the amount of \$62,500 leaving a balance due of \$30,000.

The District paid interest of \$5,504 to the lenders in 2010. At December 31, 2010 accrued interest of \$10,622 is 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.

4. Other information (continued)

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 bond 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. The bond principle had been paid in full.

As of December 31, 2010, the District has no knowledge of threatened or pending litigation involving the District

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 homeowner 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 do not report depreciation as expenditure. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 2) governmental funds report principal payments on debt as expenditures. However, the statement of activities does not report principle payment on debt as an expenditure.

**HAMILTON CREEK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

6. Restated fund balance/net assets

Fund balance/net assets have been increased in the amount of \$8,755. In prior years accrued interest was overstated by the same amount. This adjustment had no effect on 'net income GAAP basis'.