

HAMILTON CREEK METROPOLITAN DISTRICT

2012 Debt Service Fund Budget

	2010 Actual	2011 Budget	10 Months YTD	2 Month Estimate	2011 Projected	2012 Budget
BEGINNING FUND BALANCE	(73,741)	(50,588)	(50,588)		(50,588)	7,972
REVENUES						
Property tax	378,915	387,629	387,629	(0)	387,629	318,405
Specific ownership tax	11,832	14,000	11,358	2,300	13,658	14,000
Development fees	0	0	0	0	0	0
Water tap fees	0	6,000	0	0	0	0
Water project loan / grant	27,750	2,000,000	0	0	0	500,000
TOTAL REVENUES	418,497	2,407,629	398,987	2,300	401,287	832,405
EXPENDITURES						
Treasurer fees	19,006	19,381	19,417	(35)	19,381	15,920
Bond administration	0	0	0	0	0	0
Bond attorney	0	0	0	0	0	0
Bond miscellaneous	0	0	0	0	0	0
Transfer to general fund	376,338	2,357,150	273,971	49,375	323,346	816,150
SUBTOTAL	395,344	2,376,531	293,388	49,340	342,728	832,070
INCREASE (DECREASE) RESERVE	23,154	31,098			58,559	335
INCREASE (DECREASE) EMERGENCY	0	0			0	0
ACCUMULATED RESERVES	(53,988)	(22,890)			4,572	4,907
ACCUMULATED EMERGENCY	3,400	3,400			0	0
ENDING FUND BALANCE	(50,588)	(19,490)			7,972	8,307

This document is a true and accurate copy of the budget for the Hamilton Creek Metropolitan District adopted for 2012 by the Board of Directors on November 16, 2011.

HAMILTON CREEK METROPOLITAN DISTRICT

SEAL

Thomas N. Hand, President

HAMILTON CREEK METROPOLITAN DISTRICT

2012 General Fund Budget

	2010	2011	10	2	2011	2012
	Actual	Budget	Months	Month	Projected	Budget
			YTD	Estimate		
BEGINNING FUND BALANCE	0	0			0	0
REVENUES						
User fees	56,328	52,000	51,579	0	51,579	63,000
Interest	1,290	500	914	100	1,014	500
Miscellaneous	0	0	0	0	0	0
Transfer from debt fund	376,338	2,357,150	273,971	49,375	323,346	816,150
TOTAL REVENUES	433,956	2,409,650	326,464	49,475	375,939	879,650
EXPENDITURES						
Road maintenance	59,199	75,000	52,823	7,000	59,823	55,000
Water system maintenance	66,017	90,000	88,723	8,000	96,723	75,000
Forest maintenance	57,984	25,000	20,397	0	20,397	25,000
Utilities	4,831	5,000	3,397	800	4,197	5,000
Septic system cleaning	14,335	15,000	13,345	0	13,345	15,000
Administration	36,000	36,000	30,000	6,000	36,000	36,000
Audit	6,000	6,500	0	6,500	6,500	6,500
Director fees	1,900	2,000	1,400	300	1,700	2,000
Insurance	2,976	3,000	2,692	0	2,692	3,000
Legal	2,234	1,000	1,397	0	1,397	1,000
Office supplies and postage	2,259	2,250	1,748	400	2,148	2,250
Membership dues	853	1,000	819	0	819	1,000
Telephone	2,042	2,400	1,714	400	2,114	2,400
Miscellaneous	490	500	693	75	768	500
Loan repayment / interest	68,504	145,000	31,867	0	31,867	0
Capital - road	0	0	0	0	0	0
Capital - water system	108,332	2,000,000	75,448	20,000	95,448	650,000
Capital - other	0	0	0	0	0	0
TOTAL EXPENDITURES	433,956	2,409,650	326,464	49,475	375,939	879,650
NET INCOME	0	0	0	0	0	0
ENDING FUND BALANCE	0	0			0	0

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HAMILTON CREEK METROPOLITAN DISTRICT

SEAL

Thomas N. Hand, President

HAMILTON CREEK METROPOLITAN DISTRICT

2012 Budget Message

The Hamilton Creek Metropolitan District operates under a court approved bankruptcy plan agreed to by all bondholders in January 1990 and effective on February 1, 1990. Under the Plan, all revenues collected from ad valorem taxes, water taps, user fees, development fees and interest income go toward the payment of interest on the "New Bonds" after the District has first paid its operating expenses, bond principal and contribution to capital reserves. The principal on the Bonds was paid off December 1, 2005. There are no interest payment dates after December 1, 2005.

The District takes the position that the Tabor Amendment is a retrospective law and is not retroactive on the District's Amended Plan for Adjustment of Debt. It is the District's understanding that the spirit and intent of the Tabor Amendment is to prevent governmental entities from unnecessarily raising taxes and creating excessive and unwarranted burdens upon taxpayers. The District shares this philosophy. The District wishes to continue to provide service to its taxpayers in the most efficient and cost effective way possible without placing an unnecessary burden on them. The only viable means of promoting the health and welfare of the District is to proceed under the terms of the Plan.

Services to be delivered. The Hamilton Creek Metropolitan District is organized as a special district. The 2012 budget includes funding to provide water service, septic system pumping, forest management, road maintenance and snow plowing.

System of accounting. The District utilizes a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual, i.e., both measurable and available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable.

Fund accounting. The District uses Fund Accounting to segregate monies based on designated uses. The funds are the General Fund for operations, the Debt Fund for bond principal and interest payments, and the Capital Fund for capital improvements as authorized by the bankruptcy ruling. Primary revenues for the General Fund and Capital Fund are transferred as needed to pay operation costs from the Debt Fund.

Presentation of the budget consolidates the General and Capital Funds to a single page to provide a better overall view of the District operations.

Property taxes. The mill levy for 2012 is 40 mills, the amount set by the 1990 bankruptcy ruling. The District is unsure at this time regarding how long the mill levy imposed by the ruling will apply as the principal of the bonds has been paid off and the documentation (bonds) returned by the holders.

The assessed valuation of the District is \$7,960,130. Based on the mill levy this will realize \$318,405 in tax revenue. The Summit County Treasurer collection fee of 5% will be \$15,920.

Development fees. A fee of \$5,000 is collected on the original sale of property from the developer. A \$5,000 fee is also collected on any property on which an assessory unit (as defined and/or approved by Summit County) is built. There currently is one remaining lot to be sold by the developer.

Water tap fees. Tap fees are collected prior to authorizing a building permit. Tap fees for 2012 are \$10,000. The District has 99 improved lots. There currently is no new construction. There are 20 unimproved lots. The District cannot assume all of these properties will be built on as owners may abandon lot lines (subject to approval by Summit County Government), or not build on lots to provide more open space around their property. There were no water tap fees sold in 2011.

Bond interest and principal. The District has no outstanding bond principal after the principal payment on December 1, 2004. The principal payment was funded by US Treasury Strips purchased in 1985 from proceeds from the original bond. The 1990 bankruptcy ruling allowed the District to first pay operating expenses, bond principal and reserve a capital fund amount prior to any interest payment. Interest not paid to the bondholders is referred to as accrued interest and is paid prior to any current interest payments. As the 1990 bankruptcy ruling allows the District to operate on a “cash flow” basis, the 10th Circuit Court of Appeals held the District would never be in default as long as it operated in accordance with the plan. Language in the opinion stated the debt was perpetually escapable from contingencies in the Plan. The District no longer accrues or reflects accrued interest as a payable per the legal interpretation of the court rulings.

User fees. District customers in 2012 will be billed in arrears. The quarterly rates per residence are:

Base rate	\$ 125	
Usage from 0 to 15,000 gallons	\$ 3	per 1,000 gallons
Usage from 15,001 to 25,000 gallons	\$ 5	per 1,000 gallons
Usage from 25,001 to 40,000 gallons	\$ 10	per 1,000 gallons
Usage over 40,000 gallons	\$ 15	per 1,000 gallons

The District will provide service to 99 homes that is projected to realize \$63,000 in user fees for 2012.

Interest. All District funds are held in interest bearing accounts. Funds are transferred to a non-interest-bearing checking account as payment checks are issued.

Road maintenance. The District contracts for snow removal on the roads and paved driveways within the District. The contract for the upcoming winter season is based on an hourly rate of \$125 per hour. A minimum of \$1,000 per month is payable from November through April 15th. There is an additional fee for any sand used on the roads. In 2005 the District began annual crack filling of the roadways that is expected to extend the life of the roadway prior to resurfacing by 10 or more years. The basis of the road maintenance budget is:

Snow removal	\$ 30,000
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Road repairs	<u>25,000</u>
TOTAL	\$ 55,000

Water maintenance. The District contracts operation of the water system to a licensed water operator. The contract includes routine water testing as required by the State of Colorado and overall supervision of the operation of the District's wells, water tank and distribution system. Specialized water testing, semi-annual operations maintenance, line inspections and maintenance requests from the District are billed separately. The District has used surface water from Hamilton Creek as the exclusive source of water since August 2003. Allocation of the water maintenance budget is:

Operations contract	\$ 30,000
Routine maintenance & repair labor	24,000
Chemicals, testing and supplies	6,000
System repairs	<u>15,000</u>
TOTAL	75,000

Forest Maintenance. Substantial portions of the area served by the Metropolitan District are forested. The values of property within the District would be strongly affected by the loss of forested areas. The District charter directs forest management as part of the activities to be provided. In recent years the District has removed pine beetle infected trees and done protective spraying. Forest work also included removal of dead trees not deemed to be for fire mitigation, but the removal improved the appearance of the area. The 2012 budget reflects a reduction of forest management to reflect more limited maintenance required.

Utilities. The utility billing is for the cost of electricity to run the well pump and heat the pump house. The cost will fluctuate based on the water volume used by the District and the season.

Septic pumping. The District is following a schedule of pumping individual septic systems on a three-year cycle. It is anticipated this schedule may be modified in the future to reflect the year round occupancy of some District residents. A total of 34 septic systems were pumped in 2011. There are 28 systems scheduled for pumping in 2012.

Administration. Services provided by the administrator include billing, financial statements, financial management, budget preparation and the general supervision of District operations.

Audit. The CPA firm of Hiratsuka & Schmitt, L.L.P. is preparing the 2010 audit for the District. They are contracted for the 2011 audit. Hiratsuka & Schmitt specializes in governmental audits and are considered experts in government accounting.

Director fees. The District compensates directors \$100 for each board meeting attended. There are five directors and quarterly meetings.

Insurance. The District is a member of the Special District insurance pool that provides competitive rates on property, content, liability and public officer insurance.

Office supplies and postage. Costs are for billing, correspondence postage, Consumer Confidence Report preparation, web site maintenance and office supplies. All records of the District are being scanned and stored electronically. The District web site has public information available including budgets, board minutes and the annual audit.

Membership dues. The District belongs to the Special Districts Association of Colorado. The Association provides newsletters, seminars and lobbying efforts on behalf of special districts. Also, the insurance for the District is through a liability pool organized by the Special District Association. Membership cost is based on the District budget. The District also belongs to the Rural Water Association. This Association provides specialized information for small public water suppliers, training seminars and an annual trade show attended by representatives of the District.

Miscellaneous expenses. Bank fees and other minor expenses not allocated to other areas.

Capital fund. The District has been planning a permanent water treatment facility to meet current and future State water regulations. Plant designs considered over the last three years have ranged in cost from \$300,000 to \$2,000,000. The budget includes a reconstruction of the existing plant facility at a cost of \$650,000 with construction tentatively scheduled to begin in July 2012. The plant construction will be financed by existing reserves and \$500,000 in five year notes in \$25,000 increments offered to the residents. The interest rate will be 5.5%. There are no additional user fees for the repayment of the note.

HAMILTON CREEK METROPOLITAN DISTRICT
RESOLUTION TO ADOPT BUDGET AND APPROPRIATE REVENUES

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET FOR THE HAMILTON CREEK METROPOLITAN DISTRICT, COLORADO, SETTING THE MILL LEVY AND APPROPRIATING SUMS OF MONEY FOR THE 2012 CALENDAR YEAR.

WHEREAS, the Board of Directors of the Hamilton Creek Metropolitan District has appointed Bob Polich, District Administrator, to prepare and submit a proposed budget to the Board of Directors at the proper time; and;

WHEREAS, Mr. Polich has submitted a proposed budget to this Board on November 16, 2011, for its consideration, and;

WHEREAS, the 2011 valuation for assessment for the Hamilton Creek Metropolitan District as certified by the County Assessor is \$9,690,730 and;

WHEREAS, upon due and proper notice, published in accordance with the law, the proposed budget was open for inspection by the public at a public place, a public hearing was held on November 16, 2011, and interested taxpayers were given the opportunity to file or register any objections to the proposed budget.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HAMILTON CREEK METROPOLITAN DISTRICT, COLORADO:

Section 1. That the budget as submitted and attached as Exhibit A is approved and adopted as the budget of the Hamilton Creek Metropolitan District for 2012.

Section 2. That the budget approved and adopted shall be signed by the President of the District and made a part of the public records of the District.

Section 3. That for the purpose of meeting all bonds and interest of the Hamilton Creek Metropolitan District during the 2012 budget year, there is levied a tax of 40.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District.

Section 4. That the President is hereby authorized and directed to immediately certify to the County Commissioners of Summit County, Colorado, the above mill levies for the Hamilton Creek Metropolitan District.

Section 5. That the sums set forth in the budget are appropriated from the revenue of each fund, to each fund, for purposes stated.

Adopted November 16, 2011.

Thomas N. Hand, President

Attest:

HAMILTON CREEK METROPOLITAN DISTRICT

CERTIFICATION OF TAX LEVIES

To: County Commissioners of Summit County, Colorado

This is to certify that the tax levy to be assessed by you upon all property within the limits of the Hamilton Creek Metropolitan District, based on a total assessed valuation of \$7,960,130, as determined and fixed by the Board of Directors on November 16, 2011 is:

Hamilton Creek Metropolitan District General Obligation Bond Series 1985, 11.25%; Addendum Additional Provisions by the United States Bankruptcy Court; December 1, 2004.

Debt Service Fund	40.000 mills	\$ 318,405
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Pursuant to the Order of the United States Bankruptcy Court approving the District's Amended Plan for Adjustment of Debts, all ad valorem tax revenues, as well as any other sources of revenues, including developer's fees, users' fees and tap fees are to be deposited into the District's Debt Service or Capital Fund for the purposes of paying the new bond principal and interest. The District is allowed to transfer enough money from this fund to the General Operating Fund for the purpose of meeting operating expenses. The Order also sets the District's mill levy at 40.000 mills for 2012.

You are hereby authorized and directed to extend this levy upon your tax list.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Hamilton Creek Metropolitan District, this 16th day of November 2011.

HAMILTON CREEK METROPOLITAN DISTRICT

SEAL

Thomas N. Hand, President