

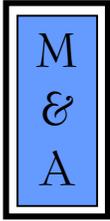
**Hamilton Creek Metropolitan District**

**Financial Statements  
December 31, 2015**

**Hamilton Creek Metropolitan District  
Financial Statements  
December 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors Hamilton Creek Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the general fund of the Hamilton Creek Metropolitan District (the "District"), as of and for the year ended December 31, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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 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 involves 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 purpose 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 have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Hamilton Creek Metropolitan District as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Member: American Institute of Certified Public Accountants*

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**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with 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.

The budgetary comparison information in section E 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**McMahan and Associates, L.L.C.  
July 28, 2016**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **HAMILTON CREEK METROPOLITAN DISTRICT**

Management's Discussion and Analysis  
December 31, 2015

As management of the Hamilton Creek Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2015.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's general purpose financial statements. The District's general purpose financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

### **Financial Statements**

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities and deferred inflows (both short-term and long-term), with the difference between the two reported as fund balance or net position. The General Fund column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities shows how the government's fund balance and net positions changed during the most recent fiscal year. Again, the General Fund column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's financial statements can be found on pages C1 through C2 of this report.

### **Notes to the Financial Statements**

The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The notes to the financial statements can be found on pages D1 through D10 of this report.

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### Financial Analysis of the District

	<b>2015</b>	<b>2014</b>
<b>Assets:</b>		
Current and other assets	\$ 477,546	409,385
Capital assets	1,278,218	1,768,111
	1,755,764	2,177,496
<b>Liabilities and Deferred Inflows:</b>		
Current liabilities	140,823	116,311
Long-term liabilities	224,915	328,740
<b>Total Liabilities</b>	365,738	445,051
<b>Deferred Inflows:</b>		
Unavailable property taxes	333,450	305,385
<b>Net Position:</b>		
Restricted for emergency	13,892	13,892
Net investment in capital assets	949,578	1,341,153
Unrestricted	93,106	72,015
<b>Total Net Position</b>	\$ 1,056,576	1,427,060

Approximately 121% of the District's net position reflects its investment in capital assets, which includes road and water system infrastructure.

Overall, the District's net position increased \$79,022 from the prior year due to property taxes levied at a rate adequate to meeting current annual expenses. The District also recognized a prior period adjustment of \$453,304 to record accumulated depreciation on its road system.

### Hamilton Creek Metropolitan District

	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>		
Taxes	\$ 321,719	321,963
Tap fees	10,000	-
User fees	64,560	67,366
Development fees	-	5,000
Interest income	447	579
<b>Total Revenues</b>	396,726	394,908
<b>Expenses:</b>		
Administration expenses	72,429	96,893
Operating expenses	245,275	182,409
<b>Total Expenses</b>	317,704	279,302
<b>Change in Net Position</b>	79,022	115,606
<b>Net Position - January 1 (restated)</b>	977,554	1,311,454
<b>Net Position - December 31</b>	\$ 1,056,576	1,427,060

Taxes were the most significant sources of revenues, accounting for 81% of total revenues. Depreciation of \$59,379 accounted for approximately 19% and bad debt expense of \$68,018 account for approximately 22% of total District expenses in 2015.

## **Budget Variances in the General Fund**

The District expenditures generally showed favorable variances compared to budget except for two unfavorable variances for bad debt expense and the homeowner's loan principal payment. Detail of the budget variances can be found on page E1 of this report.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The District's investment in capital assets decreased \$489,893 in 2015 due primarily to the prior period adjustment to capital assets discussed in Note V of the financial statements. Additional information as well as a detailed classification of the District's net capital assets can be found in the notes to the financial statements on page D9.

### **Long-term Debts**

During 2015, the District paid \$98,318 in principal on its homeowners' loans, reducing the balance due on the promissory notes from \$426,958 to \$328,640.

Additional information on long term debt can be found on page D9.

### **Request 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 information should be addressed to: Hamilton Creek Metropolitan District, Attn: Tom Oberheide, District Administrator, PO Box 4765 Dillon, Colorado 80435.

## **FINANCIAL STATEMENTS**

**Hamilton Creek Metropolitan District**  
**Balance Sheet/**  
**Statement of Net Position**  
**December 31, 2015**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets:</b>			
Cash and Cash Equivalents	129,844	-	129,844
Property Tax Receivable	335,107	-	335,107
Receivables, Other	12,595	-	12,595
Capital Assets, Net of Accumulated Depreciation	-	1,278,218	1,278,218
<b>Total Assets</b>	<b>477,546</b>	<b>1,278,218</b>	<b>1,755,764</b>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	23,059	-	23,059
Construction Deposits	5,000	-	5,000
Interest Payable	-	9,039	9,039
Notes Payable, Current	-	103,725	103,725
<b>Total Current Liabilities</b>	<b>28,059</b>	<b>112,764</b>	<b>140,823</b>
<b>Noncurrent Liabilities:</b>			
Notes Payable, Noncurrent	-	224,915	224,915
<b>Total Liabilities</b>	<b>28,059</b>	<b>337,679</b>	<b>365,738</b>
<b>Deferred Inflow of Resources:</b>			
Unavailable Tax Revenues	333,450	-	333,450
<b>Fund Balance/Net Assets:</b>			
<b>Fund Balance:</b>			
Restricted for Emergencies	13,892	(13,892)	-
Unassigned	102,145	(102,145)	-
<b>Total Fund Balance</b>	<b>116,037</b>	<b>(116,037)</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>477,546</b>	<b>(3,273)</b>	<b>-</b>
<b>Net Position:</b>			
Restricted for Emergencies		13,892	13,892
Net invested in Capital Assets		949,578	949,578
Unrestricted		93,106	93,106
<b>Total Net Position</b>		<b>1,056,576</b>	<b>1,056,576</b>

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

**Hamilton Creek Metropolitan District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance/**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Taxes	321,719	-	321,719
Tap Fees	10,000	-	10,000
User Fees	64,560	-	64,560
Interest Income	447	-	447
<b>Total Revenues</b>	<u>396,726</u>	<u>-</u>	<u>396,726</u>
<b>Expenditures/Expenses:</b>			
Administration	172,603	(100,174)	72,429
Operations	185,896	59,379	245,275
Capital Outlay	22,790	(22,790)	-
<b>Total Expenditures/Expenses</b>	<u>381,289</u>	<u>(63,585)</u>	<u>317,704</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	15,437	(15,437)	
<b>Change in Net Position</b>		79,022	79,022
<b>Fund Balance/Net Position:</b>			
Beginning (as restated)	<u>100,600</u>	876,954	<u>977,554</u>
Ending	<u>116,037</u>		<u>1,056,576</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Hamilton Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2015**

**I. Summary of Significant Accounting Policies**

Hamilton Creek Metropolitan District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in Section 32-1-101 of the C.R.S. The District was organized on 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 services within its boundaries.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government (i.e., the District), and (b) organizations for which the District is financially accountable or the organization's primary purpose is to benefit the District. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The District is not financially accountable for any entity based on the above criteria nor is the District a component unit of any other entity.

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

**1. Government-wide Financial Statements**

In the Statement of Net Position, the District's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net invested in capital assets; restricted; and unrestricted.

The focus of the Statement of Net Position and the Statement of Activities is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports only a General Fund. The General Fund is the District's operating fund and accounts for all financial resources of the District.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

**1. Long-term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days of December 31) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

**2. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**3. Capital Assets**

Capital assets, which include land, buildings, infrastructure, and vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life of at least 3 years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the asset.

Infrastructure assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Water System	5-50
Road System	5-30

**4. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which is unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**5. Use of Estimates**

The preparation of financial statements in conformity with U.S. 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.

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**6. Fund Balance**

The District classifies governmental fund balances as follows:

*Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

**7. Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**II. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position**

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital Assets	\$ 1,278,218
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Interest Payable	\$ 9,039
Notes Payable, Current	103,725
Notes Payable, Noncurrent	224,915

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

**B. Explanation of differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Administration	\$ (100,174)
Operations	59,379
Capital Outlay	(22,790)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The adjustment of \$59,379 is depreciation expense. The adjustment of \$22,790 is capitalized costs.

Similarly, debt principal payments are expended in governmental funds when paid. However, in the Statement of Activities, the cost is capitalized and amortized over the life of the corresponding debt. Interest on the long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. The adjustment of \$100,174 is a change in accrued interest of \$1,856 and a principal payment of \$98,318.

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**III. Stewardship, Compliance, and Accountability**

**A. Budgets and Budgetary Accounting**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds and the fiduciary fund are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

- (1) For the 2015 budget, prior to August 25, 2014, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2014 only once by a single notification to the District.
- (2) On or before October 15, 2014, the District's management submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (4) For the 2015 budget, prior to December 15, 2014 the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes as computed in the proposed budget.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.
- (6) All appropriations lapse at a year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2014 were collected in 2015 and taxes certified in 2015 will be collected in 2016. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

The District exceeded appropriations by \$100,096 in the general fund. This may be a violation of the state budget law.

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment - Revenue and Spending Limitation Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2015, year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$13,892 which is the approximate required reserve at December 31, 2015.

The initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In accordance with the bankruptcy court order dated January 5, 1990, the District is to levy a maximum of 40 mills for debt service starting in 1995 and thereafter.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

The District had invested \$77,232 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

A summary of cash and cash equivalents is as follows:

<u>Description</u>	<u>Rating</u>	<u>Carrying Amount</u>
Checking and money market		\$ 52,612
Colotrust	AAAm	77,232
		<u>\$ 129,844</u>

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**IV. Detailed Notes on All Funds**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Capital assets, being depreciated:</b>				
Water System	\$ 1,219,638	9,755	-	1,229,393
Road System	971,366	13,035	-	984,401
<b>Total capital assets being depreciated</b>	<u>2,191,004</u>	<u>22,790</u>	<u>-</u>	<u>2,213,794</u>
<b>Less accumulated depreciate for:</b>				
Water System	(422,893)	(24,393)	-	(447,286)
Road System	(453,304)	(34,986)	-	(488,290)
<b>Total accumulated depreciation</b>	<u>(876,197)</u>	<u>(59,379)</u>	<u>-</u>	<u>(935,576)</u>
<b>Total capital assets, being depreciated, net</b>	<u>1,314,807</u>	<u>(36,589)</u>	<u>-</u>	<u>1,278,218</u>
<b>Total capital assets, net</b>	<u>\$ 1,314,807</u>	<u>(36,589)</u>	<u>-</u>	<u>1,278,218</u>

Depreciation expense of \$59,379 was charged to operations.

**C. Long-term Debts**

In July 2012, the District issued Promissory Notes in the amount of \$550,000 to construct a new water treatment facility. Amortized annual payments are made on the loans with the final payment in 2018. Interest is payable annually at 5.5% of the principal balance outstanding through July 1, 2013. Payments of \$110,095 are payable annually from July 1, 2013 to July 1, 2018, which will include interest at 5.5% with the remaining payment applied to principal.

In November 2013, the District issued additional Promissory Notes in the amount of \$50,000 to fund the construction of the water treatment facility. Interest is payable annually at 5.5% of the principal balance outstanding through November 15, 2014. Payments of \$11,708 are payable annually from November 15, 2014 to November 15, 2018, which will include interest at 5.5% with the remaining payment applied to principal.

As of December 31, 2015, the district had received \$600,000 loan proceeds and paid \$271,360 of principal and \$82,350 of interest.

An estimated schedule of debt service to maturity is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	103,725	18,078	121,803
2017	109,435	12,368	121,803
2018	115,480	6,351	121,831
	<u>328,640</u>	<u>36,797</u>	<u>365,437</u>

A schedule of changes in long term debt is as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 426,958	-	(98,318)	328,640	103,725

**Hamilton Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2015**

**V. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts, theft of, damage to, and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

**B. Prior Period Adjustment**

The District's road system was capitalized prior to January 1, 2000; however, prior to 2015, the road system had not been depreciated as required under Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* effective for the District for the calendar year 2004. The District has recorded a prior period adjustment to recognize accumulated depreciation prior to 2015 as follows:

**Restatement of Fund Balance**

Fund balance, December 31, 2014, as previously stated	\$ 96,802
Add: Prepaid insurance accrual	3,798
	\$ 100,600

**Restatement of Net Position**

Net Position, December 31, 2014, as previously stated	\$ 1,427,060
Less: Accumulated depreciation on the road system through December 31, 2014	(453,304)
Add: Prepaid insurance accrual	3,798
Net Position, December 31, 2014	\$ 977,554

**REQUIRED SUPPLEMENTARY INFORMATION**

**Hamilton Creek Metropolitan District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2015**  
**With Comparative Amounts for the Year Ended December 31, 2014**

	2015		Final Budget Variance Positive (Negative)	2014
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Property Tax	305,385	305,387	2	305,865
Specific Ownership Tax	15,400	16,332	932	16,098
Tap Fees	10,000	10,000	-	5,000
User Fees	65,000	64,560	(440)	67,366
Interest Income	400	447	47	579
<b>Total Revenues</b>	<u>396,185</u>	<u>396,726</u>	<u>541</u>	<u>394,908</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Administration	39,000	18,591	20,409	39,000
Audit Fees	5,500	6,500	(1,000)	5,500
Director's Expense	2,000	1,700	300	1,700
Legal	1,000	2,462	(1,462)	983
Insurance	4,000	3,988	12	3,877
Office Supplies and Postage	-	-	-	1,333
Membership Dues	1,000	1,343	(343)	715
Telephone	-	-	-	1,451
Treasurer's Fees	15,269	15,285	(16)	15,320
Miscellaneous	2,300	931	1,369	786
Interest	23,483	23,485	(2)	28,606
Homeowners Loans - Principal	-	98,318	(98,318)	93,198
<b>Total Administration</b>	<u>93,552</u>	<u>172,603</u>	<u>(79,051)</u>	<u>192,469</u>
<b>Operations:</b>				
Road Maintenance	40,000	1,830	38,170	34,319
Water System Maintenance	66,000	67,332	(1,332)	64,150
Forest Maintenance	6,000	351	5,649	4,760
Snow Removal	35,000	27,555	7,445	40,010
Utilities	10,100	10,235	(135)	8,549
Septic Maintenance	15,000	10,575	4,425	14,360
Bad Debt	-	68,018	(68,018)	-
<b>Total Operations</b>	<u>172,100</u>	<u>185,896</u>	<u>(13,796)</u>	<u>166,148</u>
<b>Capital Outlay:</b>				
Water System Improvements	15,000	9,755	5,245	-
Road System Improvements	-	13,035	(13,035)	-
<b>Total Capital Outlay</b>	<u>15,000</u>	<u>22,790</u>	<u>(7,790)</u>	<u>-</u>
<b>Total Expenditures</b>	<u>280,652</u>	<u>381,289</u>	<u>(100,637)</u>	<u>358,617</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	115,533	15,437	(100,096)	36,291
<b>Fund Balance - Beginning (as restated)</b>	<u>-</u>	<u>100,600</u>	<u>100,600</u>	<u>60,511</u>
<b>Fund Balance - Ending</b>	<u>115,533</u>	<u>116,037</u>	<u>504</u>	<u>96,802</u>

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