

Hamilton Creek Metropolitan District

2017 Budget

Adopted November 9, 2016

EXHIBIT A
Hamilton Creek Metropolitan District
2017 General Fund Budget

| | 2015 Actual | 2016 Budget | 9 Months YTD | 3 Month Estimate | 2016 Projected | 2016 Projected to Budget Variance | 2017 Budget |
|-------------------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-----------------------------------|-------------------|
| Ordinary Income/Expense | | | | | | | |
| Income | | | | | | | |
| Property Tax Income | 305,386.98 | 333,450.00 | 333,451.30 | 0.00 | 333,451.30 | 1.30 | 331,222.00 |
| Specific Ownership Tax Income | 14,737.00 | 15,000.00 | 14,777.00 | 0.00 | 14,777.00 | (223.00) | 15,000.00 |
| Tap Fees | 10,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| User Fees | 64,560.18 | 65,000.00 | 51,824.37 | 15,000.00 | 66,824.37 | 1,824.37 | 65,000.00 |
| Total Income | 394,684.16 | 413,450.00 | 398,772.67 | 15,000.00 | 415,052.67 | 1,602.67 | 411,222.00 |
| Expense | | | | | | | |
| Administration Expense | | | | | | | |
| Administration | | | | | | | |
| Bookkeeping | 4,421.25 | 8,100.00 | 4,250.50 | 3,124.50 | 7,375.00 | (725.00) | 6,000.00 |
| Manager | 14,170.00 | 25,500.00 | 19,125.00 | 6,375.00 | 25,500.00 | 0.00 | 25,500.00 |
| Other Admin | 786.70 | 0.00 | 710.13 | 0.00 | 710.13 | 710.13 | 0.00 |
| Total Administration | 19,377.95 | 33,600.00 | 24,085.63 | 9,499.50 | 33,585.13 | (14.87) | 31,500.00 |
| Bank Fees | 111.30 | 140.00 | 52.20 | 98.00 | 140.00 | 0.00 | 140.00 |
| Loan Principal Expense | 98,218.00 | 103,731.00 | 93,755.00 | 9,976.00 | 103,731.00 | 0.00 | 109,435.00 |
| Loan Interest Expense | 23,485.00 | 18,078.00 | 16,340.00 | 1,738.00 | 18,078.00 | 0.00 | 12,368.00 |
| Director Fees | 1,700.00 | 2,000.00 | 1,500.00 | 500.00 | 2,000.00 | 0.00 | 2,000.00 |
| Insurance Expense | | | | | | | |
| Liability | 4,494.41 | 4,200.00 | 0.00 | 4,500.00 | 4,500.00 | 300.00 | 4,500.00 |
| Workers Comp | 190.12 | 0.00 | 196.00 | 0.00 | 196.00 | 196.00 | 200.00 |
| Total Insurance Expense | 4,684.53 | 4,200.00 | 196.00 | 4,500.00 | 4,696.00 | 496.00 | 4,700.00 |
| Membership Dues | 1,343.17 | 1,000.00 | 333.63 | 600.00 | 933.63 | (66.37) | 1,000.00 |
| Miscellaneous | 0.00 | 500.00 | (450.00) | 0.00 | (450.00) | (950.00) | 500.00 |
| Office Supplies | 0.00 | 1,000.00 | 0.00 | 1,000.00 | 1,000.00 | 0.00 | 1,000.00 |
| Professional Fees | | | | | | | |
| Audit | 6,500.00 | 10,000.00 | 5,800.00 | 5,500.00 | 5,500.00 | (4,500.00) | 6,500.00 |
| Legal | 2,461.50 | 10,000.00 | 8,675.57 | 1,324.43 | 10,000.00 | 0.00 | 10,000.00 |
| Total Professional Fees | 8,961.50 | 20,000.00 | 14,475.57 | 6,824.43 | 15,500.00 | (4,500.00) | 16,500.00 |
| Summit Co Treasurer Fees | 15,284.54 | 16,673.00 | 16,676.63 | (3.63) | 16,673.00 | 0.00 | 16,561.00 |
| Total Administration Expense | 173,165.99 | 200,922.00 | 73,209.66 | 34,732.30 | 195,886.76 | (5,035.24) | 195,704.00 |
| Operations Expense | | | | | | | |
| Forest Maintenance | 350.53 | 500.00 | 141.59 | 0.00 | 141.59 | (358.41) | 500.00 |
| Road Maintenance | 14,865.00 | 50,000.00 | 41,930.07 | 0.00 | 41,930.07 | (8,069.93) | 50,000.00 |
| Septic System Cleaning | 10,575.00 | 15,000.00 | 13,950.00 | 0.00 | 13,950.00 | (1,050.00) | 15,000.00 |
| Snow Removal | 20,920.00 | 35,000.00 | 25,195.00 | 9,805.00 | 35,000.00 | 0.00 | 35,000.00 |
| Utilities | | | | | | | |
| Internet | 1,519.10 | 1,500.00 | 1,178.24 | 321.76 | 1,500.00 | 0.00 | 1,600.00 |
| Utilities | 8,715.69 | 9,000.00 | 6,359.87 | 2,640.13 | 9,000.00 | 0.00 | 9,000.00 |
| Total Utilities | 10,234.79 | 10,500.00 | 7,538.11 | 2,961.89 | 10,500.00 | 0.00 | 10,600.00 |
| Operations Manager | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 48,000.00 |
| Water System Maintenance | 67,332.47 | 66,000.00 | 49,053.76 | 16,946.24 | 66,000.00 | 0.00 | 18,000.00 |
| Total Operations Expense | 124,277.79 | 177,000.00 | 137,808.53 | 29,713.13 | 167,521.66 | (9,478.34) | 177,100.00 |
| Payroll Expenses | (226.74) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Expense | 297,217.04 | 377,922.00 | 211,018.19 | 64,445.43 | 363,408.42 | (14,513.58) | 372,804.00 |
| Net Ordinary Income | 97,467.12 | 35,528.00 | 187,754.48 | (49,445.43) | 51,644.25 | 16,116.25 | 38,418.00 |
| Other Income/Expense | | | | | | | |
| Other Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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Hamilton Creek Metropolitan District
2017 General Fund Budget

| | 2015 Actual | 2016 Budget | 9 Months YTD | 3 Month Estimate | 2016 Projected | 2016 Projected to Budget Variance | 2017 Budget |
|-----------------------|-------------|-------------|--------------|------------------|----------------|-----------------------------------|-------------|
| Interest Income | 447.47 | 400.00 | 537.68 | 0.00 | 537.68 | 137.68 | 400.00 |
| Total Other Income | 447.47 | 400.00 | 537.68 | 0.00 | 537.68 | 137.68 | 400.00 |
| Other Expense | | | | | | | |
| Capital Expense | | | | | | | |
| Water System Capital | 9,755.47 | 15,000.00 | 16,728.86 | 0.00 | 16,728.86 | 1,728.86 | 25,000.00 |
| Total Capital Expense | 9,755.47 | 15,000.00 | 16,728.86 | 0.00 | 16,728.86 | 1,728.86 | 25,000.00 |
| Total Other Expense | 9,755.47 | 15,000.00 | 16,728.86 | 0.00 | 16,728.86 | 1,728.86 | 25,000.00 |
| Net Other Income | (9,308.00) | (14,600.00) | (16,191.18) | 0.00 | (16,191.18) | (1,591.18) | (24,600.00) |
| Net Income | 88,159.12 | 20,928.00 | 171,563.30 | (49,445.43) | 35,453.07 | 14,525.07 | 13,818.00 |

This document is a true and accurate copy of the budget for the Hamilton Creek Metropolitan District adopted for 2017 by the Board of Directors on November 9, 2016.

SEAL

HAMILTON CREEK METROPOLITAN DISTRICT

Robert L. Bruno, President

HAMILTON CREEK METROPOLITAN DISTRICT

2017 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, 2004. There are no interest payment dates after December 1, 2004.

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 Colorado Special District. The 2017 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 2017 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 \$8,280,550. Based on the mill levy this will realize \$331,222 in tax revenue. The Summit County Treasurer collection fee of 5% will be \$16,561.

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 assessor unit (as defined and/or approved by Summit County) is built. The last developer lot was sold in 2014 and the development fee collected.

Water tap fees. Tap fees are collected prior to authorizing a building permit. Tap fees for 2017 are \$10,000. The District has 101 improved lots. One new home was completed in 2016. There are 19 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. The District does not anticipate any new tap fees for construction to be sold in 2017.

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 2017 will be billed in arrears. The quarterly rates per residence are:

| | | |
|-------------------------------------|--------|-------------------|
| Base rate | \$ 130 | |
| 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 101 homes that is projected to realize \$65,000 in user fees for 2017.

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. Interest is paid to the District from Summit County collection of past due property taxes.

Snow removal. 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 \$130 per hour. A minimum of \$1,200 per month is payable from November through April 30th. There is an additional fee for any sand used on the roads. The 2017 budget for snow removal is \$35,000.

Road maintenance. The District does annual maintenance on the roadways, including crack filling and patching to extend the life of the roadway prior to needing to resurface the roads. The basis of the road maintenance budget is:

| | |
|----------------------------|---------------|
| Crack filing | \$ 25,000 |
| Asphalt patches | 10,000 |
| Shoulder & drainage repair | <u>15,000</u> |
| TOTAL | \$ 50,000 |

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. Maintenance work required beyond the contracted services is an additional cost. 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 | \$ 48,000 |
| Other repairs and maintenance | 10,000 |
| Chemicals, testing and supplies | 4,000 |
| System upgrades | <u>4,000</u> |
| TOTAL | \$ 66,000 |

Forest Maintenance. Substantial portions of the area served by the Metropolitan District are forested. The District will rely on the County's chipping program for a majority of the chipping and removal of dead trees. The budget allocated \$500 for materials for weed control which is expected to be completed by volunteers.

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 33 septic systems were pumped in 2016. There are 36 systems scheduled for pumping in 2017.

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

Bookkeeping. Services provided by the bookkeeper include billing and financial statements.

Audit. The CPA firm of McMahan & Associates prepared the 2015 audit for the District. The District has engaged McMahan & Associates for the 2016 audit.

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 and Notes Payable. The District completed construction of a new water treatment facility in 2014. The facility utilizes microfiltration for water treatment. The facility was funded by existing reserves and \$600,000 in loans from residents. The loans from the residents are paid annually with a final payment in 2018.

The lower property valuations in Hamilton Creek have reduced District income by \$50,000 compared to 2011. The reduction does not affect annual operations, but extends the time for future water system and road improvements. The District expects to begin roadway improvements following the water loan payments. The plan may be a single improvement that is financed or annual improvements of specific areas based on capital funds available. Future water improvements include an emergency backup water source, water infrastructure improvements, and additional fire protection hydrants. The 2016 budget of \$25,000 would be used for water system improvements.

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 2017 CALENDAR YEAR.

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

WHEREAS, Mr. Oberheide has submitted a proposed budget to this Board on November 9, 2016, for its consideration, and;

WHEREAS, the 2016 valuation for assessment for the Hamilton Creek Metropolitan District as certified by the County Assessor, subject to a final certification adjustment by November 23, 2016, is \$8,280,550 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 9, 2016, 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 2017.

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 2017 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 9, 2016.

Robert Lee Bruno, 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 \$8,280,550 (updated by the County Assessor by November 23, 2016 to _____) as determined and fixed by the Board of Directors on November 9, 2016 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 | \$ 331,222 |
|-------------------|--------------|------------|

Updated and final _____

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 2017.

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 9th day of November 2016.

HAMILTON CREEK METROPOLITAN DISTRICT

SEAL

Robert Lee Bruno, President