

Hamilton Creek Metropolitan District

**Financial Statements
December 31, 2016**

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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, 2016, 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, 2016, 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.

**McMahan and Associates, L.L.C.
July 20, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

HAMILTON CREEK METROPOLITAN DISTRICT

Management's Discussion and Analysis
December 31, 2016

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, 2016.

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 D11 of this report.

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Financial Analysis of the District

	2016	2015
Assets:		
Current and other assets	\$ 538,690	\$ 477,546
Capital assets	1,247,749	1,278,218
	1,786,439	1,755,764
Liabilities and Deferred Inflows:		
Current liabilities	158,539	140,823
Long-term liabilities	115,480	224,915
Total Liabilities	274,019	365,738
Deferred Inflows:		
Unavailable property taxes	331,222	333,450
Net Position:		
Restricted for emergency	13,892	13,892
Net investment in capital assets	1,022,834	949,578
Unrestricted	144,472	93,106
Total Net Position	1,181,198	1,056,576

Approximately 87% 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 87% from the prior year primarily due to property taxes levied at a rate adequate to meeting current annual expenses and increased user fees offset by the reduction of bad debt expense.

	2016	2015
Revenues:		
Taxes	\$ 350,862	\$ 321,719
Tap fees	-	10,000
User fees	66,990	64,560
Interest income	749	447
Settlement income	23,500	-
Total Revenues	442,101	396,726
Expenses:		
Administration expenses	95,576	72,429
Operating expenses	221,903	245,275
Total Expenses	317,479	317,704
Change in Net Position	124,622	79,022
Net Position - January 1	1,056,576	977,554
Net Position - December 31	\$ 1,181,198	\$ 1,056,576

Taxes were the most significant sources of revenues, accounting for 79% of total revenues. Depreciation of \$63,899 accounted for approximately of total District expenses in 2016.

Budget Variances in the General Fund

The District expenditures generally showed favorable variances compared to budget except for two unfavorable variances for forensic accounting expense and road system improvements. 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 increased \$73,256 in 2016 due primarily to current year additions to the road system and water system. 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 D10.

Long-term Debts

During 2016, the District paid \$103,725 in principal on its homeowners' loans, reducing the balance due on the promissory notes from \$328,640 to \$224,915 .

Additional information on long term debt can be found on page D10-11.

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, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and Investments	170,186	-	170,186
Property Tax Receivable	332,844	-	332,844
Receivables, Other	35,660	-	35,660
Capital Assets, Net of Accumulated Depreciation	-	1,247,749	1,247,749
Total Assets	<u>538,690</u>	<u>1,247,749</u>	<u>1,786,439</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	37,920	-	37,920
Construction Deposits	5,000	-	5,000
Interest Payable	-	6,184	6,184
Notes Payable, Current	-	109,435	109,435
Total Current Liabilities	<u>42,920</u>	<u>115,619</u>	<u>158,539</u>
Noncurrent Liabilities:			
Notes Payable, Noncurrent	-	115,480	115,480
Total Liabilities	<u>42,920</u>	<u>231,099</u>	<u>274,019</u>
Deferred Inflow of Resources:			
Unavailable Tax Revenues	331,222	-	331,222
Fund Balance/Net Assets:			
Fund Balance:			
Restricted for Emergencies	13,892	(13,892)	-
Unassigned	150,656	(150,656)	-
Total Fund Balance	<u>164,548</u>	<u>(164,548)</u>	-
Total Liabilities and Fund Balance	<u>538,690</u>	<u>(48,929)</u>	-
Net Position:			
Restricted for Emergencies		13,892	13,892
Net invested in Capital Assets		1,022,834	1,022,834
Unrestricted		144,472	144,472
Total Net Position		<u>1,181,198</u>	<u>1,181,198</u>

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, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Taxes	350,862	-	350,862
User Fees	66,990	-	66,990
Interest Income	749	-	749
Settlement Income	23,500	-	23,500
Total Revenues	<u>442,101</u>	<u>-</u>	<u>442,101</u>
Expenditures/Expenses:			
Administration	202,156	(106,580)	95,576
Operations	158,004	63,899	221,903
Capital Outlay	33,430	(33,430)	-
Total Expenditures/Expenses	<u>393,590</u>	<u>(76,111)</u>	<u>317,479</u>
Excess (Deficiency) of Revenues Over Expenditures	48,511	(48,511)	
Change in Net Position		124,622	124,622
Fund Balance/Net Position:			
Beginning	<u>116,037</u>	940,539	<u>1,056,576</u>
Ending	<u>164,548</u>		<u>1,181,198</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, 2016

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, 2016**

I. Summary of Significant Accounting Policies (continued)

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 Investments

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.

**Hamilton Creek Metropolitan District
Notes to the Financial Statements
December 31, 2016**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

1. Cash and Investments (continued)

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments 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

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.

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:

Asset	Years
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.

**Hamilton Creek Metropolitan District
Notes to the Financial Statements
December 31, 2016**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

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.

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, 2016**

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, net	\$ 1,247,749
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Interest Payable	6,184
Notes Payable, Current	109,435
Notes Payable, Noncurrent	115,480

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	\$ (106,580)
Operations	63,899
Capital outlay	(33,430)

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 \$63,899 is depreciation expense. The adjustment of \$33,430 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 \$106,580 is a change in accrued interest of \$2,855 and a principal payment of \$103,725.

**Hamilton Creek Metropolitan District
Notes to the Financial Statements
December 31, 2016**

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 2016 budget, prior to August 25, 2015, 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, 2015 only once by a single notification to the District.
- (2) On or before October 15, 2015, 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 2016 budget, prior to December 15, 2015 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 2015 were collected in 2016 and taxes certified in 2016 will be collected in 2017. 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.

**Hamilton Creek Metropolitan District
Notes to the Financial Statements
December 31, 2016**

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, 2016, 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, 2016.

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 mils 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, 2016**

IV. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$170,186 at year end.

There were no investments requiring disclosure of fair value hierarchy.

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2016, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District has invested primarily in COLOTRUST. Funds in COLOTRUST can be withdrawn without notice or penalty.

Credit Risk. The District's investment policy limits investments to those authorized by State statutes as listed in note I.D.1. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. At December 31, 2016, the District held no investments.

At December 31, 2016, the District had no unrealize gains or losses. The District had the following cash and investments with the following maturities:

<u>Type</u>	<u>Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Savings		\$ 11,216	11,216	
Checking		61,153	61,153	
Colostrust	AAAm	97,817	97,817	
		<u>\$ 170,186</u>	<u>170,186</u>	<u>-</u>

Financial Statement Captions:

Cash and investments	170,186
	<u>\$ 170,186</u>

**Hamilton Creek Metropolitan District
Notes to the Financial Statements
December 31, 2016**

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District had invested \$97,817 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Water System	\$ 1,229,393	16,730	-	1,246,122
Road System	984,401	16,700	-	1,001,102
Total capital assets being depreciated	<u>2,213,794</u>	<u>33,430</u>	<u>-</u>	<u>2,247,224</u>
Less accumulated depreciate for:				
Water System	(447,286)	(25,573)	-	(472,859)
Road System	(488,290)	(38,326)	-	(526,616)
Total accumulated depreciation	<u>(935,576)</u>	<u>(63,899)</u>	<u>-</u>	<u>(999,475)</u>
Total capital assets, being depreciated, net	<u>1,278,218</u>	<u>(30,469)</u>	<u>-</u>	<u>1,247,749</u>
Total capital assets, net	<u>\$ 1,278,218</u>	<u>(30,469)</u>	<u>-</u>	<u>1,247,749</u>

Depreciation expense of \$63,899 was charged to operations.

C. Long-term Debts

In July 2012, the District issued Promissory Notes to homeowners 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 to homeowners 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.

One promissory note for \$25,000 was issued in July 2012 to a current member of the Board of Directors. During 2016, principal of \$4,261 and interest of \$743 was paid to the Board member. As of December 31, 2016 and 2015, the District had a principal balance outstanding with the Board member in the amount of \$9,242 and \$13,503, respectively

**Hamilton Creek Metropolitan District
Notes to the Financial Statements
December 31, 2016**

IV. Detailed Notes on All Funds (continued)

C. Long-term Debts (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	109,435	12,368	121,803
2018	115,480	6,351	121,831
	<u>224,915</u>	<u>18,719</u>	<u>243,634</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>
\$ 328,640	-	(103,725)	224,915	109,435

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. Litigation and Claims

On November 23, 2016, the District filed a complaint in the District Court for Summit County, Colorado against their former District Manager and the former individual auditors and former auditing firm for funds misappropriated from the District during the period of time from 1999 through 2014.

On January 31, 2017, the Court entered default judgment against the former District Manager in favor of the District in the amount of \$5,269,071. In June and July 2017, legal counsel for the District served writs of garnishment attempting to collect funds on the judgment against the former District Manager. As of the date of the financial statements, it is uncertain how much, if any, the District will ultimately collect from the former District Manager.

On February 13, 2017, the District was paid a settlement from the former individual auditors and the former auditing firm in the amount of \$23,500. The firm and individual auditors have been released from all further liability.

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, 2016
With Comparative Amounts for the Year Ended December 31, 2015

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Property Tax	333,450	333,451	1	305,387
Specific Ownership Tax	15,000	17,411	2,411	16,332
Tap Fees	-	-	-	10,000
User Fees	65,000	66,990	1,990	64,560
Interest Income	400	749	349	447
Settlement Income	-	23,500	23,500	-
Total Revenues	<u>413,850</u>	<u>442,101</u>	<u>28,251</u>	<u>396,726</u>
Expenditures:				
Administration:				
Administration	33,600	31,251	2,349	18,591
Audit Fees	10,000	5,800	4,200	6,500
Director's Expense	2,000	2,000	-	1,700
Legal	10,000	8,774	1,226	2,462
Insurance	4,200	4,927	(727)	3,988
Office Supplies and Postage	1,000	-	1,000	-
Membership Dues	1,000	341	659	1,343
Treasurer's Fees	16,673	16,677	(4)	15,285
Miscellaneous	640	433	207	931
Interest	18,086	18,078	8	23,485
Homeowners Loans - Principal	103,731	103,725	6	98,318
Forensic Accounting Fees	-	10,150	(10,150)	-
Total Administration	<u>200,930</u>	<u>202,156</u>	<u>(1,226)</u>	<u>172,603</u>
Operations:				
Road Maintenance	50,000	25,229	24,771	1,830
Water System Maintenance	66,000	64,876	1,124	67,332
Forest Maintenance	500	142	358	351
Snow Removal	35,000	43,668	(8,668)	27,555
Utilities	10,500	10,139	361	10,235
Septic Maintenance	15,000	13,950	1,050	10,575
Bad Debt	-	-	-	68,018
Total Operations	<u>177,000</u>	<u>158,004</u>	<u>18,996</u>	<u>185,896</u>
Capital Outlay:				
Water System Improvements	15,000	16,730	(1,730)	9,755
Road System Improvements	-	16,700	(16,700)	13,035
Total Capital Outlay	<u>15,000</u>	<u>33,430</u>	<u>(18,430)</u>	<u>22,790</u>
Total Expenditures	<u>392,930</u>	<u>393,590</u>	<u>(660)</u>	<u>381,289</u>
Excess (Deficiency) of Revenues Over Expenditures	20,920	48,511	27,591	15,437
Fund Balance - Beginning	-	116,037	116,037	100,600
Fund Balance - Ending	<u>20,920</u>	<u>164,548</u>	<u>143,628</u>	<u>116,037</u>

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