

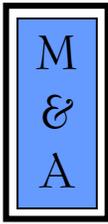
**Berry Creek Metropolitan District
Edwards, Colorado**

**Financial Statements
December 31, 2012**

**Berry Creek Metropolitan District
Financial Report
December 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Berry Creek Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Berry Creek Metropolitan District (the "District"), as of and for the year ended December 31, 2012, 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 each major fund of the Berry Creek Metropolitan District as of December 31, 2012, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparisons found in Section F and the statistical tables listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons found in Section F are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 statements 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. The statistical schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**McMahan and Associates, L.L.C.
June 25, 2013**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Berry Creek Metropolitan District

Management's Discussion and Analysis December 31, 2012

As management of the Berry Creek Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all the District's assets, deferred inflows, liabilities, and deferred outflows with the difference between the amounts reported as net position. 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 Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave.)

The governmental activities of the District include general government, maintenance of parks and certain roadway maintenance. There are no business-type activities within the District.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has two governmental funds, the General Fund and the Debt Service Fund.

The fund financial statements can be found on pages C3 and C4 of this report.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

Overview of the Financial Statements (continued)

decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for each fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages D1 – D16 of this report.

Government-wide Financial Analysis.

The following tables show condensed financial information derived from the government-wide financial statements comparing the current year to the prior year.

Berry Creek Metropolitan District's Net Position

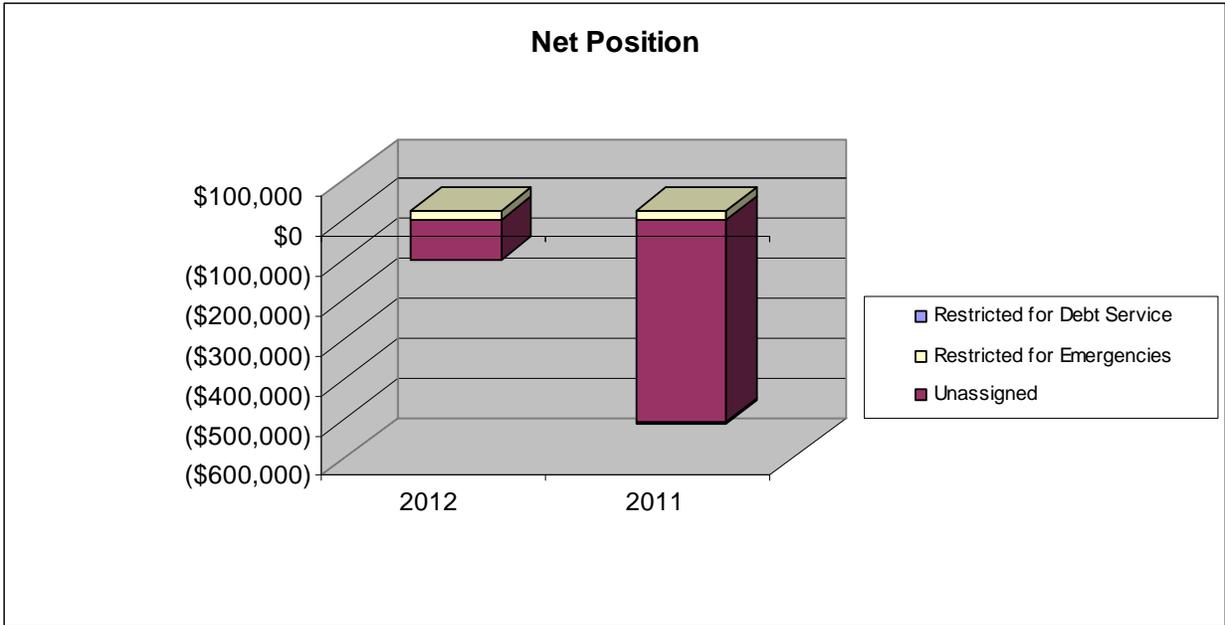
	Governmental Activities	
	2012	2011 (Restated)
Assets and Deferred Outflows:		
Current assets	\$ 3,073,226	\$ 2,965,220
Capital and other non-current assets	2,647,324	2,724,352
Total Assets and Deferred Outflows	5,720,550	5,689,572
Liabilities and Deferred Inflows:		
Long-term liabilities and deferred inflows:		
Due within one year	375,000	360,000
Due in more than one year	4,255,000	4,615,000
Other liabilities & deferred inflows	1,172,282	1,203,379
Total Liabilities & Deferred Inflows	5,802,282	6,178,379
Net Position:		
Restricted for emergencies	22,253	22,691
Restricted for debt service	(3,708)	(3,768)
Unrestricted	(100,277)	(507,730)
Total Net Position	\$ (81,732)	\$ (488,807)

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	Governmental Activities	
	2012	2011 (Restated)
Revenues:		
Program revenues:		
Charges for services	\$ 29,280	\$ 23,890
Operating grants and contributions	74,588	77,313
Capital grants and contributions	17,157	-
General revenues:		
Property taxes	1,171,441	1,116,518
Other taxes	44,283	36,290
Loss On Disposal of assets	-	-
Interest and other revenue	49,498	8,478
Total Revenues	1,386,247	1,262,489
Expenses:		
General government	265,948	231,293
Public works	-	158,689
Culture and recreation	516,419	452,505
Interest on long-term debt	196,805	210,175
Total Expenses	979,172	1,052,662
Change in Net Position Before Transfers	407,075	209,827
Transfers	-	-
Change in Net Position	407,075	209,827
Net Position - Beginning	(488,807)	(698,634)
Net Position - Ending	\$ (81,731)	\$ (488,807)

The District's overall financial position, as measured by net position, increased from \$(488,807) (restated) at the end of 2011 to \$(81,731) at the end of 2012. The District started the year with the negative net position as primarily the result of the completion of the Winslow Road Underpass project undertaken by the District in 2009 which was conveyed to the Colorado Department of Transportation. The following graph shows the District's total net position by category (net position restricted for debt service and emergencies and unrestricted net position) for 2012 compared to 2011. The District also implemented GASB No. 65 (See Note V.G.) and as a result capitalized bond issuance costs were removed from the statement of Net Position, adding to the decrease in net position.

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Financial Analysis of the District’s Funds

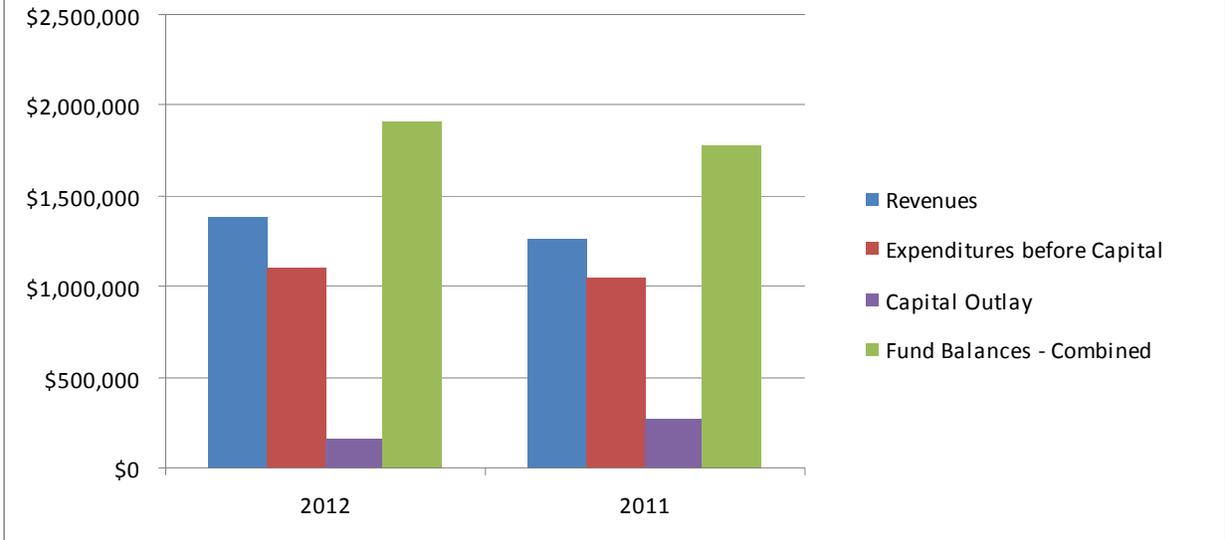
As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District’s funds follows.

Governmental Funds. The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,913,986, an increase of \$135,428 from the prior year. This increase is the result of additional revenue not budgeted and a reduction in expenditures on capital expenditures. Of the District’s governmental-type fund balances, \$13,366 is non-spendable since it represents funds already expended for next year’s operations, \$22,253 is restricted, meaning it is not available for new spending because it has already been committed for emergencies under the Taxpayers’ Bill Of Rights (TABOR). The District has committed \$505,144 for future operations, \$50,000 for replacements, and \$1,323,223 for future capital projects. The District’s combined fund balance at the end of 2012 was \$1,913,986 compared to \$1,778,558 at the end of 2011. The following graph shows the combined fund balances for 2012 and 2011 relative to revenues and expenditures.

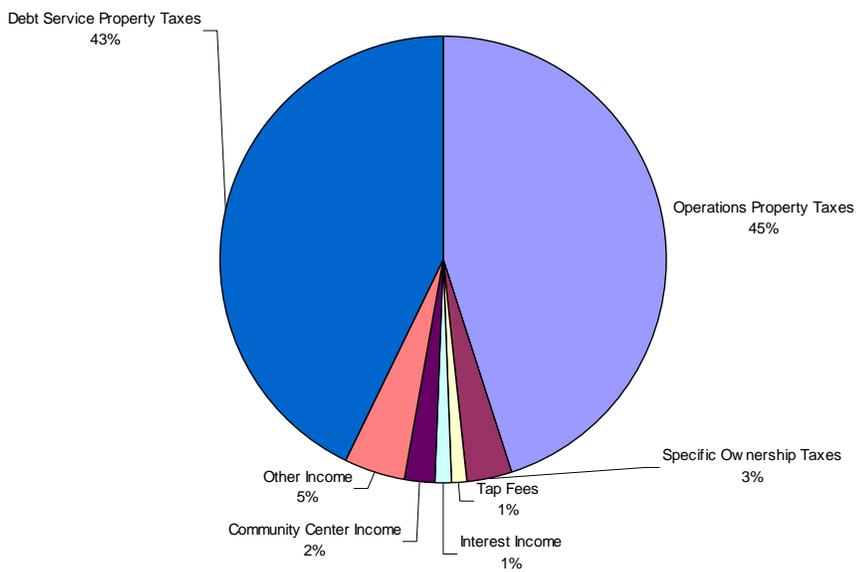
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Combined Fund Balances Compared to Revenues and Expenditures

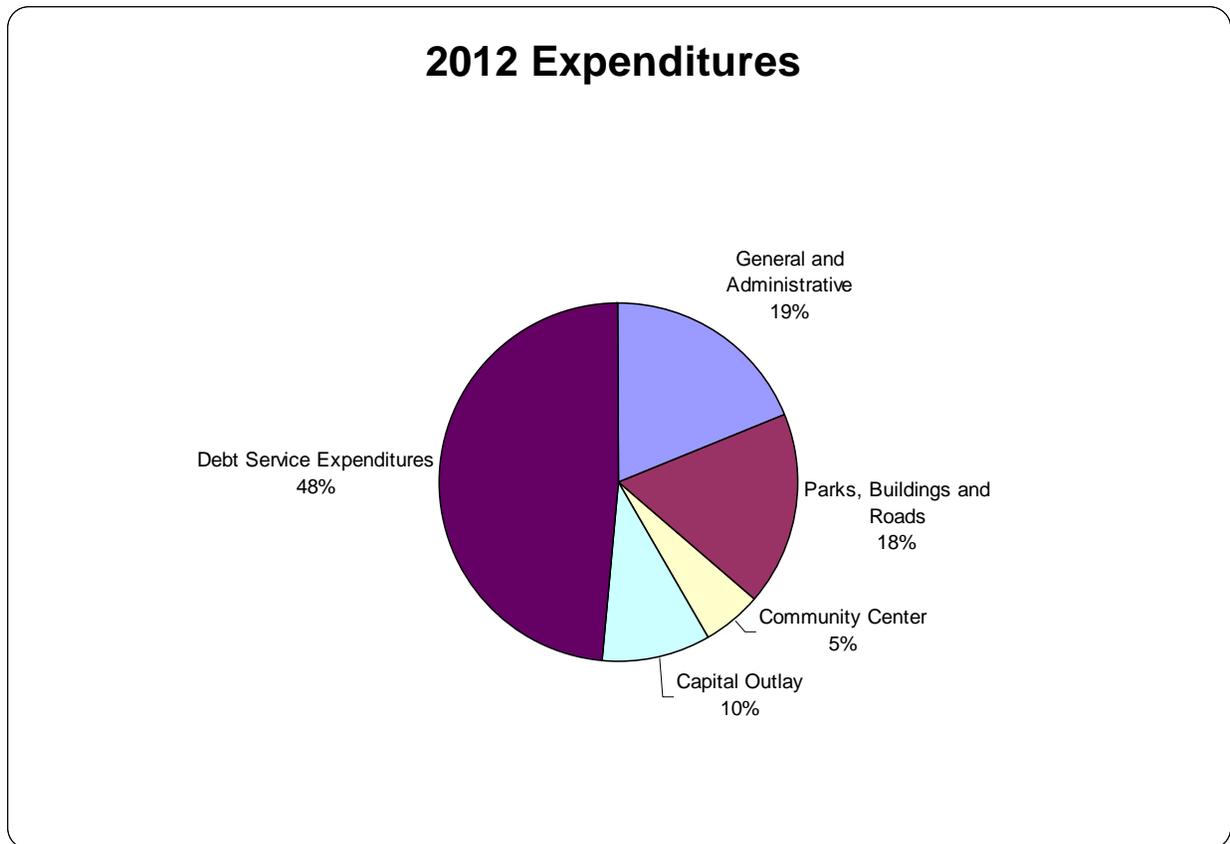


Approximately 88% of the District's revenues are generated from property taxes. The following graph shows the relative size of the District's revenue sources. For more information, please refer to the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, which is located on page C4 of the report.

2012 Revenues



The following graph illustrates the relative sizes of the District's expenditures for 2012. Debt service expenditures are the largest category and accounted for 48% of total 2012 expenditures. For more information, please refer to the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, which is located on page C4 of the report.



Budget Variances. A budget comparison for the General Fund is presented on page E1 and a budget comparison for the Debt Service Fund is presented on page F1.

Capital Assets. The District invested \$98,365 in capital asset additions during 2012. The primary capital expenditures were for trees and landscaping improvements. Depreciation expense of \$175,393 was recognized in 2012. Additional information can be found in the Notes to the Financial Statements on page D10 of this report.

Long-term Debt. The District reduced the outstanding long-term debt by paying \$345,000 in principal, leaving the outstanding debt balance at \$4,630,000. Additional information can be found in the Notes to the Financial Statements on pages D10 through D11 of this report.

Contacting the District's Financial Management

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Berry Creek Metropolitan District, c/o Robertson & Marchetti, P.C., 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Berry Creek Metropolitan District
Statement of Net Position
December 31, 2012**

	<u>Governmental Activities</u>
Assets:	
Cash and equivalents	828,426
Investments	1,081,833
Property tax receivable	1,142,754
Accounts receivable	8,484
Due from County Treasurer	3,520
Prepaid expenses	8,209
Capital assets, net	<u>2,647,324</u>
Total Assets	<u>5,720,550</u>
Liabilities:	
Accounts payable	16,011
Accrued interest payable	13,042
Deposits held	475
Bonds payable:	
Due within one year	375,000
Due in more than one year	<u>4,255,000</u>
Total Liabilities	<u>4,659,528</u>
Deferred Inflow of Resources:	
Unavailable property tax revenue	<u>1,142,754</u>
Total Deferred Inflow of Resources	<u>1,142,754</u>
Net Position:	
Restricted for emergencies	22,253
Restricted for debt service	(3,708)
Unrestricted	<u>(100,277)</u>
Total Net Position	<u><u>(81,732)</u></u>

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

**Berry Creek Metropolitan District
Statement of Activities
For the Year Ended December 31, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental Activities:					
General government	265,948	-	-	17,157	(248,791)
Culture and recreation	516,419	29,280	74,588	-	(412,551)
Interest on long-term debt	196,805	-	-	-	(196,805)
Total Governmental Activities	<u>979,172</u>	<u>29,280</u>	<u>74,588</u>	<u>17,157</u>	<u>(858,147)</u>

General revenues:

Taxes:	
Property tax, levied for general purposes	600,728
Property tax, levied for debt service	570,713
Specific ownership tax	44,283
Investment earnings	13,446
Miscellaneous income	36,052
Total General Revenues	<u>1,265,222</u>
Change in Net Position	407,075
Net Position - Beginning (Restated)	<u>(488,807)</u>
Net Position - Ending	<u>(81,732)</u>

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

FUND FINANCIAL STATEMENTS

**Berry Creek Metropolitan District
Balance Sheets
Governmental Funds
December 31, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash	828,426	-	828,426
Investments	1,081,833	-	1,081,833
Due from other fund	5,423	-	5,423
Due from county treasurer	1,805	1,715	3,520
Property tax receivable	601,102	541,652	1,142,754
Accounts receivable	3,327	-	3,327
Prepaid expenses	13,366	-	13,366
Total Assets	2,535,282	543,367	3,078,649
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	16,011	-	16,011
Due to other fund	-	5,423	5,423
Deposits held	475	-	475
Total Liabilities	16,486	5,423	21,909
Deferred Inflow of Resources			
Unavailable property tax revenue	601,102	541,652	1,142,754
Total Deferred Inflow of Resources	601,102	541,652	1,142,754
Fund Balance:			
Non-spendable	13,366	-	13,366
Restricted for emergencies	22,253	-	22,253
Committed:			
Operating	505,144	-	505,144
Replacement	50,000	-	50,000
Capital Projects	1,326,931	(3,708)	1,323,223
Total Fund Balance (Deficit)	1,917,694	(3,708)	1,913,986
Total Liabilities, Deferred Inflow of Resources and Fund Balances	2,535,282	543,367	

**Amounts reported in the Statement of Net
Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Details of this difference are as follows:

Capital assets	5,216,942	
Accumulated depreciation	(2,569,618)	
		2,647,324

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Details of these amounts are as follows:

Accrued interest payable	(13,042)	
Bonds payable	(4,630,000)	
		(4,643,042)

Net Position of Governmental Activities **(81,732)**

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

Berry Creek Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Debt Service	Total Governmental Funds
Revenues:			
Taxes	623,437	592,287	1,215,724
Lottery proceeds	8,486	-	8,486
Net investment earnings	11,267	2,179	13,446
Community center	29,280	-	29,280
Tap fees	17,157	-	17,157
Contributions from SPOA	66,102	-	66,102
Other	36,052	-	36,052
Total Revenues	791,781	594,466	1,386,247
Expenditures:			
Current operating:			
General government	223,621	17,402	241,023
Parks and recreation	219,142	-	219,142
Community center	61,393	-	61,393
Capital outlay	158,856	-	158,856
Cost of issuance	-	24,925	24,925
Debt service	-	560,480	560,480
Total Expenditures	663,012	602,807	1,265,819
Excess (Deficiency) of Revenues Over Expenditures	128,769	(8,341)	120,428
Other Financial Sources (Uses):			
Bond proceeds	-	15,000	15,000
Transfers in (out)	6,599	(6,599)	-
Total Other Financing Sources (Uses)	6,599	8,401	15,000
Net Change in Fund Balances	135,368	60	135,428
Fund Balances - Beginning	1,782,326	(3,768)	1,778,558
Fund Balance - Ending	1,917,694	(3,708)	1,913,986
Amounts reported in the Statement of Activities are different because:			
Net Change in Fund Balances			135,428
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, certain costs related to the issuance of long-term debt are deferred and recognized over the life of the related debt. The details of these differences are as follows:			
Proceeds from bond issuance		(1,155,000)	
Repayment of principal on bonds		1,500,000	
Adjustments to current year interest		3,675	
			348,675
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities these costs are allocated over the useful lives of the assets as depreciation expense. This is the amount by which depreciation exceeded capital outlay and any gain or loss on disposal of capital assets, if applicable, during the year. Details of these differences are as follows:			
Capital additions		98,365	
Depreciation expense		(175,393)	
			(77,028)
Change in Net Position of Governmental Activities			407,075

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

NOTES TO THE FINANCIAL STATEMENTS

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012

I. Summary of Significant Accounting Policies

Berry Creek Metropolitan District (the "District") is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Eagle County, Colorado. The District was formed to provide recreational facilities, fire protection services, water services, cable TV services, and to construct and finance roadways and storm drainage facilities. The District had one employee, a District Manager, and most operations and administrative functions are contracted.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. 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.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

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 government-wide Statement of Net Position, the governmental activities columns 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 two parts – restricted net position and unrestricted net position.

The government-wide focus 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.

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

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 the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds

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. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements and the fiduciary fund 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 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.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

I. Summary of Significant Accounting Policies (continued)

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. Pooled Cash

Each fund's portion of cash is pooled and invested in total to maximize earnings to investments. Invested earnings are allocated based upon each fund's portion of the cash and investments.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. At December 31, 2012 all accounts were considered collectible.

4. Payables and Accrued Liabilities

Payables and accrued liabilities are defined as obligations arising out of the current period that are anticipated to be liquidated with currently available financial resources.

5. 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 inflow of resources.

6. Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure assets, 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 in excess of two 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 assets.

Infrastructure, buildings, and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure, buildings, and improvements	15 - 40
Equipment	5 - 15

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Prepaid Expenses

Prepaid expenses are amounts paid in the current year for expenses related to next year.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District does not have any items that qualify for reporting in this category at December 31, 2012.

In addition to liabilities, the statement of net 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 District has only one type of item which qualifies for reporting in this category. Accordingly, the item, unavailable revenue from property taxes, is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

9. 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.

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Fund Balance (continued)

The District uses restricted amounts 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 has adopted a policy to ensure adequate amounts are maintained for operating, replacement, capital projects and TABOR reserves. The District has set the following ranges:

Committed for:

Operations (percentage of annual revenue)	75% to 125%
Capital improvements (percentage of scheduled):	
Within one year	100% to 150%
Between one and two years	75% to 100%
Between two and four years	25% to 50%
Beyond four years	10% to 20%
Unscheduled (percentage of anticipated)	50% to 75%
TABOR (percentage of annual revenue)	3%

10. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

11. Interfund receivables and Payables

Balances at year-end between funds are reported as "due to / from other funds" in the fund financial statements.

II. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental funds Balance Sheet includes a reconciliation between *fund balance – governmental funds* and *net position of governmental activities* as reported in the government-wide Statement of Net Position.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net change in fund balances of governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

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 budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary funds is adopted on a Non-GAAP budgetary basis and is reconciled to GAAP basis if necessary.

As required by Colorado statutes, the District followed the following time table in approving and enacting a budget for the ensuing year:

1. For the 2012 budget year, prior to August 25, 2011, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2011 the County Assessor sent the final recertified assessed valuation to the District
2. On or before October 15, 2011, the District's accountant 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. A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
4. For the 2012 budget, prior to December 15, 2011, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
5. For the 2012 budget, the final budget and appropriating resolution was adopted prior to December 31, 2011.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2011 were collected in 2012 and taxes certified in 2012 will be collected in 2013. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes which 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.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR 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 increase, 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 restricted a portion of its December 31, 2012 year-end fund balance in the governmental funds for emergencies as required under TABOR in the amount \$22,253, the approximate required reserve at December 31, 2012

On November 6, 2007, the District's voters authorized the issuance of \$3,600,000 of general obligation bonds for street and related improvements, including the Winslow Road underpass.

On May 5, 1998, the District's voters authorized the District to collect, retain, and spend all revenue collected from any source, without regard to fiscal year spending limits otherwise imposed by TABOR.

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 how to calculate fiscal year spending limits and qualification as an enterprise will require judicial interpretation.

C. Deficit Net Position

The District has deficit net position for its governmental activities.

IV. Detailed Notes on All Funds

A. Deposits

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.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

IV. Detailed Notes on All Funds (continued)

A. Deposits (continued)

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2012, the District's cash deposits had a carrying balance as follows:

	<u>Standard & Poor's rating</u>	<u>Carrying amounts</u>	<u>Maturities</u>	
			<u>Less than one year</u>	<u>More than one year</u>
Deposits:				
Petty cash	Not Rated	\$ 1,000	-	-
Checking	Not Rated	6,475	-	-
Certificates of deposit	Not Rated	483,230	483,230	-
		<u>\$ 490,705</u>	<u>483,230</u>	<u>-</u>

B. Investments

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 owned the following investments as of December 31, 2012. The local government investment pool is covered under PDPA. The US Agency investments are not covered under PDPA.

	<u>Rating</u>	<u>Carrying Balance</u>	<u>Fair Value</u>
Local government investment pool	AAAm	\$ 815,528	815,528
US Agencies	AA+	\$ 598,603	598,603
		<u>\$ 1,414,131</u>	<u>1,414,131</u>

The District had invested \$815,528 in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"). COLOTRUST is investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1. 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.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

IV. Detailed Notes on All Funds (continued)

B. Investments (continued)

COLOTRUST directly holds all repurchase agreements. The custodian's internal records identify the investments owned by COLOTRUST. The District does not categorize its participation in COLOTRUST because the investment is not evidenced by securities specifically identifiable to the District.

COLOTRUST is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. The pool has a Standard & Poor's investment rating of AAAm and is covered under the Colorado PDPA.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The district coordinates its investments maturities to closely match cash flow needs and invests primarily in securities with a maximum investment term less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. 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.

Credit quality distribution for investments, with credit exposure as a percentage of total investments are as follows at year end:

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Certificates of deposit	N/A	25%
Colostrust	AAAm	43%
US Agencies	AA+	32%

C. Summary of Cash Deposits and Investments

Cash deposits and investments are reflected on the December 31, 2012 Statement of Net Position as follows:

Cash and cash equivalents	\$ 828,426
Investments	1,081,833
	<u>\$ 1,910,259</u>

Reconciliation to Statement of Net Position:

Deposits	\$ 490,705
Local government investment pool	815,528
Investments	598,603
Total	<u>\$ 1,904,836</u>

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Water rights [1]	\$ 33,214	-	-	33,214
Land	325,929	-	-	325,929
Total capital assets not being depreciated	<u>359,143</u>	<u>-</u>	<u>-</u>	<u>359,143</u>
Capital assets being depreciated:				
Improvements	3,412,954	98,365	-	3,511,319
Buildings	817,019	-	-	817,019
Equipment	529,461	-	-	529,461
Total capital assets being depreciated	<u>4,759,434</u>	<u>98,365</u>	<u>-</u>	<u>4,857,799</u>
Less accumulated depreciation for:				
Improvements	(1,535,821)	(134,999)	-	(1,670,820)
Buildings	(407,409)	(27,234)	-	(434,643)
Equipment	(450,995)	(13,160)	-	(464,155)
Total accumulated depreciation	<u>(2,394,225)</u>	<u>(175,393)</u>	<u>-</u>	<u>(2,569,618)</u>
Total capital assets being depreciated, net	<u>2,365,209</u>	<u>(77,028)</u>	<u>-</u>	<u>2,288,181</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,724,352</u>	<u>(77,028)</u>	<u>-</u>	<u>2,647,324</u>

[1] *Water rights are reported at historical cost. Current fair value is significantly higher.*

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Culture and recreation \$ 175,393

E. Long-term Debt

1. General Obligation Refunding Bonds, Series 2002

The District issued \$2,925,000 of general obligation refunding bonds dated September 1, 2002 and bearing interest rates ranging from 2.5% to 4.15%, payable on June 1 and December 1. Principal on the bonds is payable on December 1 and matures in various increments through 2011. Bonds maturing on or after December 1, 2013 are subject to redemption prior to their respective maturity dates at the option of the District at anytime on or after December 1, 2012 at par plus accrued interest thereon, without redemption premium. Proceeds from the Series 2012 issuance were used to defease all outstanding bonds as of December 1, 2012.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

2. General Obligation Bonds, Series 2008

The District issued \$3,500,000 of general obligation bonds dated March 31, 2008 and bearing an interest rate of 4.06%, payable on June 1 and December 1. Principal on the bonds is payable on December 1 and matures in various increments through 2027. Bonds maturing on or after December 1, 2013 are subject to redemption prior to their respective maturity dates at the option of the District at anytime on or after December 1, 2018 at par plus accrued interest thereon, without redemption premium.

3. General Obligor Refunding Note, Series 2012

The District issued a general obligation refunding note dated December 1, 2012 in the principal amount of \$1,155,000 and bearing an interest rate of 1.32%, payable on June 1 and December 1. Principal on the bonds is payable on December 1 and matures in various increments through 2015. The bonds are not subject to optional redemption prior to maturity. The proceeds from the bonds were utilized to refund all outstanding Series 2002 refunding bonds. The District realized a present value savings on the refunding of \$37,126.

4. Annual Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	375,000	156,416	531,416
2014	390,000	151,244	541,244
2015	405,000	145,959	550,959
2016	225,000	140,476	365,476
2017	235,000	131,341	366,341
2018 to 2022	1,330,000	505,470	1,835,470
2023 to 2027	1,670,000	209,090	1,879,090
Total	<u>\$ 4,630,000</u>	<u>1,439,996</u>	<u>6,069,996</u>

Additionally, in 1987, the District authorized a general obligation pledge to the extent of their service agreement with Upper Eagle Regional Water Authority (see Note V.).

5. Changes in Long-term Debt

	<u>Beginning Balance</u>	<u>Debt Issued</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
2002 GO Refunding Bonds	1,495,000	-	(1,495,000)	-	-
2008 GO Bonds	3,480,000	-	(5,000)	3,475,000	5,000
2012 GO Refunding Bonds	-	1,155,000	-	1,155,000	370,000
	<u>4,975,000</u>	<u>1,155,000</u>	<u>(1,500,000)</u>	<u>4,630,000</u>	<u>375,000</u>

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

6. Authorized and Unissued Debt

The District has no debt authorized by the electorate which has not been issued as of December 31, 2012.

F. Deficit Fund Balance

The District has a deficit fund balance in the Debt Service Fund.

V. Other Information

A. Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. The District's settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public official's coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2011 (the latest audited information available) is as follows:

Assets	<u>\$ 32,049,483</u>
Liabilities	\$ 14,644,379
Capital and surplus	17,405,104
Total	<u>\$ 32,049,483</u>
Revenue	\$ 10,915,289
Underwriting expenses	<u>11,355,571</u>
Underwriting gain	(440,282)
Other income	303,746
Net Income	<u>\$ (136,536)</u>

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

V. Other Information (continued)

B. Upper Eagle Regional Water Authority

The District is a participant in the Upper Eagle Regional Water Authority (the "Authority"). The Authority was formed pursuant to an establishing contract on September 18, 1984, by the following quasi-municipal corporations ("Districts and Town") located in Eagle County, Colorado:

Arrowhead Metropolitan District
Town of Avon
Beaver Creek Metropolitan District
Berry Creek Metropolitan District
Eagle-Vail Metropolitan District
Edwards Metropolitan District

The Authority was formed to make the best practicable use of the Districts' and Town's joint resources to supply water to the Districts and the Town and to further develop water resources and facilities in a portion of Eagle County, Colorado.

The Authority may not be terminated so long as bonds, notes or other obligations are outstanding, unless provision for full payment of such obligations has been made. At December 31, 2012, the Authority had debt with maturities through the year 2040.

In the event of the dissolution of the Authority, all of the assets of the Authority shall immediately vest in the participating Districts and Town, subject to any outstanding liens, mortgages or other pledges of such assets.

Except for the water systems conveyed to the Authority on January 1, 1998 pursuant to the Amended and Restated Master Service Agreement (see below), interest in the assets of the Authority conveyed to each District and Town shall be that proportion which the average annual amount of treated water sold within each District and Town bears to the average annual total amount of all treated water sold by the Authority. For water systems conveyed on January 1, 1998, each of the Districts and Town will vest in their individual water systems upon dissolution of the Authority.

The District has a service contract with the Authority. Under the terms of the agreement, the Authority provides and bills residents of the District with water at a rate which is expected to cover its costs in providing water services and other functions. Such costs specifically include debt service requirements, depreciation and replacements, and operations and maintenance, including maintenance of the District's water distribution system. As part of the agreement, the District has leased all of its water rights, associated easements and improvements to the Authority at no cost. In consideration, the Authority has agreed to maintain the associated improvements and to administer and protect the District's plan for augmentation and water decrees at no cost to the District.

The participating Districts and Town have given the Authority a general obligation pledge to their service contract obligations. Essentially, the Districts and Town will levy taxes sufficient to meet said service contract obligations if other revenue sources are not available.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

V. Other Information (continued)

B. Upper Eagle Regional Water Authority (continued)

Effective January 1, 1998, the Districts and Town entered into an Amended and Restated Master Service Contract with the Upper Eagle Regional Water Authority whereby the Districts and Town conveyed their individual water systems to the Authority. The Authority will continue to provide water service, maintain the water systems and bill residents of the Districts and Town. The Districts and Town will continue to set and receive tap fees for connection to their former individual water systems, which will be collected by the Authority and remitted to the Districts and Town.

Extensions of lines, construction of system additions, existing and future debt will continue to be the responsibility of the Districts and Town. A District or Town may withdraw from the Authority as provided in the contract and immediately vest in their individual water system and rights. The responsibilities of the Authority to the withdrawing Districts' or Town's customers would be immediately assumed by the withdrawing District or Town.

The term of the contract is the later of twenty-one years from the effective date, or until all obligations of the Authority have been paid, or until termination of the Authority.

A summary of audited financial information for the Authority as of and for the year ended December 31, 2011 (the latest audited information available) is as follows:

Upper Eagle Regional Water Authority

Assets:	
Current	\$ 13,105,911
Other	5,422,935
Property and equipment	83,036,782
Total Assets	<u>\$ 101,565,628</u>
Liabilities and Net Assets:	
Current	\$ 2,675,668
Long-term debt	28,214,610
Net assets	70,675,350
Total Liabilities and Net Assets	<u>\$ 101,565,628</u>
Operations:	
Operating revenue	\$ 8,120,458
Operating expense	11,271,366
Operating income	<u>(3,150,908)</u>
Other income	422,355
Other expense	<u>(1,845,686)</u>
Net (loss)	(4,574,239)
Capital contributions	493,211
Net Assets - Beginning	74,756,378
Net Assets - Ending	<u>\$ 70,675,350</u>

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

V. Other Information (continued)

C. Water Rights and Use Agreement with SPI Golf, Inc.

On April 18, 2003, the District entered into an agreement with SPI Golf, Inc. ("Sonnenalp") to exchange water rights and improve the alignment of water use with the needs of the District and Sonnenalp.

Specifically, the District conveyed to Sonnenalp its water rights in the June Creek Reservoir. Sonnenalp conveyed to the District its water rights in the Charolais Reservoir, including the right to use the Howard-Winslow Ditch to fill and maintain this reservoir within the rates of flow owned by the District. The District and Sonnenalp further agreed to allocate the ownership of an augmentation credit of 485 acre feet so that the District now owns 221.5 acre feet and Sonnenalp owns 263.5 acre feet.

The agreement also expanded the number of parks to be irrigated by Sonnenalp through its golf course irrigation system at no charge to the District that were previously irrigated by the District's potable water system. The District was and is responsible for any costs or expenses associated with construction, operation, and maintenance of any infrastructure necessary to convey water from the golf course system to the parks. The agreement does not convey any rights or interests in Sonnenalp's irrigation system but merely creates a delivery obligation.

The District agreed to provide water for Sonnenalp's clubhouse (including restaurant, in-house uses, pools, and landscape irrigation) not to exceed 0.75 acre feet of consumptive use in any calendar year.

Due to the differences in the capacity of June Creek Reservoir (16.8 acre feet) and Charolais Reservoir (5 acre feet), Sonnenalp paid the District \$150,000 at the execution of the agreement, which was agreed upon as the value of the difference.

Sonnenalp agreed that the right of use of June Creek Reservoir shall not be transferred separately from the golf course without the consent of the District and the Upper Eagle Regional Water Authority, which may be held at their sole discretion. Moreover, Sonnenalp agreed that the rights conveyed to its predecessor in interest under the May 1, 1987 deed from the June Creek Ranch Company shall be tied to and used only in connection with the operation of the golf course, clubhouse, and associated facilities, or otherwise within the boundaries of the District.

D. Eagle County Encroachment Easements

The District has entered into an encroachment easement agreement dated July 7, 2008 ("Encroachment Agreement A") with Eagle County ("County") in order to construct certain improvements to land owned by the County including but not limited to pedestrian and bike usage and landscaping improvements. The District will be responsible for future maintenance and upkeep of the improvements constructed.

The District has entered into an encroachment easement agreement dated August 18, 2009 and updated October 26, 2010 ("Encroachment Agreement B") with Eagle County ("County") in order to proceed with the multi-year Landscape Master Plan for the Singletree Community. The landscape project will be implemented on land owned by the County. The Easement also requires the District to bear all cost of future maintenance and upkeep of the improvements constructed.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

V. Other Information (continued)

E. Edwards Community Authority Intergovernmental Agreement

On December 31, 2008, the District entered into an agreement with Edwards Metropolitan District ("Edwards"), Lake Creek Metropolitan District ("Lake Creek"), Cordillera Metropolitan District ("Cordillera"), and Arrowhead Metropolitan District ("Arrowhead") (collectively with the District, the "Participants") to create the Edwards Community Authority ("ECA") to consolidate expenses related to the construction and maintenance of certain street, road, park and recreation, and other improvements that will benefit the Participants' respective constituents.

The governing board of ECA shall consist of one representative from each Participant. The representatives shall vote on ECA business as follows: Edwards shall have 4 votes; the District shall have 2.66 votes; Cordillera and Arrowhead shall have 1 vote each; and Lake Creek shall have 0.34 of a vote. Presence of a majority of votes shall constitute a quorum for conducting business, except that the following actions require 85% approval: increasing or decreasing the number of Board Members; undertaking any project not contained in the approved annual budget and having a cost in excess of \$20,000; other actions set forth in the Agreement that require unanimous approval of the Board.

ECA shall determine the projects to be undertaken in the following year and included in ECA's annual budget, the costs of such projects, and the allocation of the costs to each Participant. The Participants shall account for their respective shares in the following year's projects in their annual budgets.

Each Participant shall be assessed a service fee for the Participant's share of administrative costs and expenses based on their relative voting rights as follows: Edwards 44.4444%; the District 29.5556%; Cordillera and Arrowhead 11.1111% each; and Lake Creek 3.7778%.

F. Winslow Road Underpass Enhancements Intergovernmental Agreement

On July 7, 2008, the District entered into an intergovernmental agreement with Eagle County (the "County") to facilitate the construction of enhancements to the Winslow Road underpass of I-70, including the widening of the underpass, construction of sidewalks, pedestrian railings, a bike lane, curbs and gutters, a landscaping irrigation system, and lighting and retaining walls, all financed by the District's Series 2008 Bonds. Under the agreement, all current and future costs and expenses of the underpass, including maintenance of the enhancements over their useful life, are solely the responsibility of the District.

Since the underpass affects a Colorado Department of Transportation ("CDOT") right of way, and thereby requires approval by CDOT, and CDOT requires either a county or municipality to oversee such a project, this intergovernmental agreement and an agreement between the County and CDOT (the "CDOT Contract") satisfied CDOT's approval and oversight requirements.

Pursuant to the CDOT Contract, CDOT oversaw the project for a cost of \$12,000, which was paid by the District to the County at the start of the project and remitted by the County to CDOT within the time frame required by the CDOT Contract.

**Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)**

V. Other Information (continued)

G. Roundabout Landscape Improvements Agreement

On March 17, 2011 the District entered into agreement with Edwards Metropolitan District (“EMD”) and Edwards Community Authority (“ECA”) to jointly design, bid and construct landscape improvements to four roundabouts, medians and streetscapes north and south to the I-70 Interchange in Edwards, Colorado which has been designated into four bid areas (collectively the “Project”). The Project has assigned Bid Area One to ECA; Bid Area Two to the District and Bid Areas Three and Four to EMD. Each of the entities will be responsible for the costs of the Bid Area(s) as assigned for the improvements. The District was designated as the project manager for the day-to-day management of the process. ECA accepts responsibility for maintenance, including irrigation of Bid Areas One, Three and Four. As the District wishes to maintain Bid Area Two at a higher standard it accepts responsibility to do so. The maintenance costs of Bid Area Two shall be paid by the District, but the District shall be given credit on its contribution to ECA in an amount equal to the average amount spent by ECA for landscape maintenance and irrigation per square foot on Bid Areas One, Three and Four multiplied by the number of landscaped square feet being maintained in Bid Area Two. The term of this agreement is through the end of 2011, automatically renewing for additional one year terms in perpetuity, unless any entity fails to make an annual appropriation of funds to meet its obligations. The agreement may also be terminated by any of the entities with thirty days written notice.

H. Sidewalk Easement and Maintenance

On August 30, 2011 the District entered into an agreement with Eagle County (the “County”) in which the District will provide all future maintenance services associated with the portion of the sidewalk improvement which is located on the District’s property upon their completion. Maintenance responsibilities include all maintenance necessary to maintain the sidewalk, excluding curb, gutter and storm drainage which are the responsibility of the County.

On September 6, 2011 the District entered into an agreement with County to grant the County perpetual, non-exclusive easement for the County’s purpose of installation, construction and maintenance of sidewalk improvements on the District’s property for a public bicycle and pedestrian connection in the Edwards Area.

I. Defined Contribution Plan

Effective January 1, 2008, the full time employee of the District participates in the Berry Creek Metropolitan District Money Purchase Plan administered by the ICMA Retirement Corporation. The District contribution is 6.20% of earnings and the employee contribution is 6.20% of earnings. The District’s contributions for each employee are fully vested upon contribution. Contributions to the Plan for the year ended December 31, 2012 totaled \$9,196, which consisted of \$4,598 contributed by the employee and \$4,598 contributed by the District. Contributions to the Plan for the year ended December 31, 2011 totaled \$8,940, which consisted of \$4,470 contributed by the employee and \$4,470 contributed by the District.

Berry Creek Metropolitan District
Notes to the Financial Statements
December 31, 2012
(Continued)

V. Other Information (continued)

**J. Implementation of Government Accounting Standards Board Statement No. 65,
Items Previously Reported as Assets and Liabilities**

The District implemented Government Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, which requires debt issuance costs, previously reported as an asset and amortized, to be recognized as an outflow at the time such costs are incurred. As such, the financial statements report a restatement of the beginning net position in the amount of \$67,798, which was the unamortized debt issuance cost at December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

**Berry Creek Metropolitan District
Governmental Funds - General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For the Year Ended December 31, 2011)**

	<u>2012</u>		<u>Variance Positive (Negative)</u>	<u>2011</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property tax	602,179	600,728	(1,451)	578,128
Specific ownership tax	24,087	22,709	(1,378)	18,791
Lottery proceeds	6,840	8,486	1,646	6,468
Net investment earnings	6,938	11,267	4,329	5,139
Community center	20,500	29,280	8,780	23,890
Contributions from SPOA	19,828	66,102	46,274	70,845
Tap fees	-	17,157	17,157	-
Other	1,000	36,052	35,052	1,996
Total Revenues	<u>681,372</u>	<u>791,781</u>	<u>110,409</u>	<u>705,257</u>
Expenditures:				
General government:				
Accounting, audit and administration	155,549	160,817	(5,268)	156,755
Insurance	7,704	8,597	(893)	7,480
Legal	7,500	310	7,190	3,362
Treasurer's fees	18,065	18,054	11	17,814
Contributions	6,000	6,000	-	6,000
Miscellaneous	33,000	29,843	3,157	19,211
Parks and recreation	210,884	219,142	(8,258)	213,606
Community center	72,328	61,393	10,935	61,528
Capital outlay	175,000	158,856	16,144	270,615
Total Expenditures	<u>686,030</u>	<u>663,012</u>	<u>23,018</u>	<u>756,371</u>
(Deficiency) of Revenues Over Expenditures	<u>(4,658)</u>	<u>128,769</u>	<u>133,427</u>	<u>(51,114)</u>
Other Financial Sources:				
Transfer In	14,303	6,599	(7,704)	-
Total Other Financing Sources	<u>14,303</u>	<u>6,599</u>	<u>(7,704)</u>	<u>-</u>
Net Change in Fund Balances	9,645	135,368	125,723	(51,114)
Fund Balances - Beginning	<u>1,734,490</u>	<u>1,782,326</u>	<u>47,836</u>	<u>1,833,440</u>
Fund Balances - Ending	<u><u>1,744,135</u></u>	<u><u>1,917,694</u></u>	<u><u>173,559</u></u>	<u><u>1,782,326</u></u>

SUPPLEMENTARY INFORMATION

Berry Creek Metropolitan District
Governmental Funds - Debt Service Fund
Schedules of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For the Year Ended December 31, 2011)

	<u>2012</u>		<u>Variance Positive (Negative)</u>	<u>2011</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property tax	572,117	570,713	(1,404)	538,390
Specific ownership tax	22,885	21,574	(1,311)	17,499
Net investment earnings	8,582	2,179	(6,403)	1,343
Total Revenues	<u>603,584</u>	<u>594,466</u>	<u>(9,118)</u>	<u>557,232</u>
Expenditures:				
Debt service:				
Bond principal	360,000	360,000	-	340,000
Bond interest	200,606	200,480	126	211,098
Treasurer fees	17,164	17,152	12	16,589
Paying agent fees	250	250	-	250
Contingency	1,000	-	1,000	-
Bond issuance costs	30,000	24,925	5,075	-
Total Expenditures	<u>609,020</u>	<u>602,807</u>	<u>6,213</u>	<u>567,937</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,436)</u>	<u>(8,341)</u>	<u>(2,905)</u>	<u>(10,705)</u>
Other Financial (Uses):				
Bond proceeds	30,000	15,000	(15,000)	-
Transfers in (out)	(14,303)	(6,599)	7,704	-
Total Other Financial (Uses)	<u>15,697</u>	<u>8,401</u>	<u>(7,296)</u>	<u>-</u>
Net Change in Fund Balances	10,261	60	(10,201)	(10,705)
Fund Balances - Beginning	<u>(3,421)</u>	<u>(3,768)</u>	<u>(347)</u>	<u>6,937</u>
Fund Balance (Deficit) - Ending	<u>6,840</u>	<u>(3,708)</u>	<u>(10,548)</u>	<u>(3,768)</u>

**Berry Creek Metropolitan District
Schedule of Bonds Payable to Maturity
December 31, 2012**

Bonds and Interest Maturing in the Calendar Year Ending December 31	\$3,500,000 General Obligation Series 2008 Dated March 31, 2008 Interest Rate 4.06%		\$1,155,000 General Obligor Refunding Series 2012 Dated November 29, 2012 Interest Rate 1.32%		Totals		
	Interest Due June 1 and December 1	Principal Due December 1	Interest Due June 1 and December 1	Principal Due December 1	Interest	Principal	Grand Total
2013	141,085	5,000	15,331	370,000	156,416	375,000	531,416
2014	140,882	5,000	10,362	385,000	151,244	390,000	541,244
2015	140,679	5,000	5,280	400,000	145,959	405,000	550,959
2016	140,476	225,000	-	-	140,476	225,000	365,476
2017	131,341	235,000	-	-	131,341	235,000	366,341
2018	121,800	245,000	-	-	121,800	245,000	366,800
2019	111,853	255,000	-	-	111,853	255,000	366,853
2020	101,500	265,000	-	-	101,500	265,000	366,500
2021	90,741	275,000	-	-	90,741	275,000	365,741
2022	79,576	290,000	-	-	79,576	290,000	369,576
2023	67,802	305,000	-	-	67,802	305,000	372,802
2024	55,419	320,000	-	-	55,419	320,000	375,419
2025	42,427	335,000	-	-	42,427	335,000	377,427
2026	28,826	350,000	-	-	28,826	350,000	378,826
2027	14,616	360,000	-	-	14,616	360,000	374,616
Totals	<u>1,409,023</u>	<u>3,475,000</u>	<u>30,973</u>	<u>1,155,000</u>	<u>1,439,996</u>	<u>4,630,000</u>	<u>6,069,996</u>

**Berry Creek Metropolitan District
History of Assessed Valuation, Mill Levy and Property Taxes Collected**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds Mills Levied	Property Taxes Total All Funds		Percent Collected to Levied
			Levied	Collected	
1998	34,722,300	26	900,071	893,214	99.2%
1999	35,309,010	26	903,840	898,545	99.4%
2000	43,227,520	24	1,020,083	1,008,006	98.8%
2001	44,218,480	21	932,921	922,040	98.8%
2002	54,440,920	19	1,039,713	1,037,961	99.8%
2003	55,397,800	17	914,064	912,934	99.9%
2004	49,518,510	17	817,055	816,107	99.9%
2005	49,884,610	16	820,053	820,053	100.0%
2006	55,494,030	16	873,809	873,339	99.9%
2007	56,000,030	16	881,776	881,333	99.9%
2008	78,761,590	14	1,141,728	1,139,089	99.8%
2009	79,165,380	14	1,147,581	1,146,805	99.9%
2010	87,349,900	13	1,151,010	1,145,905	99.6%
2011	86,734,410	13	1,142,899	1,116,518	97.7%
2012	68,851,920	17	1,174,269	1,171,440	99.8%
2013	68,728,790	17	1,142,754		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.