

HAMILTON CREEK METROPOLITAN DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2002

HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups.....	2
Combined Statement of Revenue, Expenditures and Changes in Fund Balance - All Governmental Fund Types	3
Combined Statement of Revenue, Expenditures and Changes in Fund Balance Budget and Actual.....	4
Notes to Financial Statements	5-12

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hamilton Creek Metropolitan District
Silverthorne, Colorado

We have audited the accompanying financial statements of the Hamilton Creek Metropolitan District, Silverthorne, Colorado, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the management of Hamilton Creek Metropolitan District, Silverthorne, Colorado. Our responsibility is to express an opinion on these general purpose 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hamilton Creek Metropolitan District, Silverthorne, Colorado, as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hiratsuka & Schmitt, LLP

Denver, Colorado
August 1, 2003

HAMILTON CREEK METROPOLITAN DISTRICT
Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2002
(With comparative totals for December 31, 2001)

	Governmental Fund Types		Account Groups		Totals (memorandum only)	
	General	Debt Service	General Fixed Assets	General Long-term Debt	2002	2001
ASSETS AND OTHER DEBITS:						
Assets:						
Cash and cash equivalents	\$ 2,269	\$ --	\$ --	\$ --	\$ 2,269	\$ 3,575
Investments	--	2,043,444	--	--	2,043,444	1,891,735
Accounts receivable:						
Customer	322	--	--	--	322	19,077
Taxes - current	--	1,314	--	--	1,314	1,560
Taxes - assessed	--	275,798	--	--	275,798	269,953
Due from other fund	199,428	--	--	--	199,428	25,085
Improvements	--	--	1,515,641	--	1,515,641	1,515,641
Other debits:						
Amount available in debt service fund	--	--	--	1,845,330	1,845,330	1,868,210
Amount to be provided for the retirement of long-term debt	--	--	--	6,141,698	6,141,698	6,316,175
Total assets and other debits	\$ 202,019	\$ 2,320,556	\$ 1,515,641	\$ 7,987,028	\$ 12,025,244	\$ 11,911,011
LIABILITIES, EQUITY AND OTHER CREDITS:						
Liabilities:						
Checks written in excess of cash on deposit	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 25,763
Accounts payable	192,619	--	--	--	192,619	6,574
Construction deposits	6,000	--	--	--	6,000	12,000
Deferred tax revenues	--	275,798	--	--	275,798	269,953
Due to other fund	--	199,428	--	--	199,428	25,085
General obligation bonds payable	--	--	--	2,109,000	2,109,000	2,110,000
Matured interest payable	--	--	--	2,732,076	2,732,076	3,679,466
Interest on matured interest payable	--	--	--	3,145,952	3,145,952	2,394,919
Total liabilities	198,619	475,226	--	7,987,028	8,660,873	8,523,760
FUND EQUITY AND OTHER CREDITS:						
Investment in general fixed assets	--	--	1,515,641	--	1,515,641	1,515,641
Fund balance:						
Reserved for:						
Debt service	--	1,790,318	--	--	1,790,318	1,813,198
Capital improvements	--	55,012	--	--	55,012	55,012
Amendment 1	3,400	--	--	--	3,400	3,400
Total equity and other credits	3,400	1,845,330	1,515,641	--	3,364,371	3,387,251
Total liabilities, equity and other credits	\$ 202,019	\$ 2,320,556	\$ 1,515,641	\$ 7,987,028	\$ 12,025,244	\$ 11,911,011

The accompanying notes are an integral part of this financial statement.

HAMILTON CREEK METROPOLITAN DISTRICT
Combined Statement of Revenue, Expenditures and Changes in Fund Balance
All Governmental Fund Types
For the Fiscal Year Ended December 31, 2002
(With comparative totals for the fiscal year ended December 31, 2001)

	General	Debt Service	Totals (Memorandum only)	
			2002	2001
Revenue:				
Property taxes	\$ --	\$ 269,740	\$ 269,740	\$ 216,517
Specific ownership taxes	--	17,563	17,563	19,654
Interest	1,160	--	1,160	1,539
Unrealized gain on investments	--	152,607	152,607	152,902
User fees	42,316	--	42,316	40,919
Development fees	--	--	--	10,000
Water tap fees	--	9,000	9,000	8,800
Miscellaneous	--	--	--	100
Total revenue	43,476	448,910	492,386	450,431
Expenditures:				
Current:				
Administration	26,400	43,460	69,860	47,750
Legal and audit fees	3,242	118,864	122,106	57,825
Director's expense	1,425	--	1,425	1,200
Road maintenance	23,222	--	23,222	69,913
Water system maintenance	216,617	--	216,617	133,243
Forest maintenance	20,081	--	20,081	7,083
Utility operations	1,603	--	1,603	1,601
Septic maintenance	13,914	--	13,914	13,660
Miscellaneous	5,149	26,766	31,915	6,555
Debt service:				
Principal payments	--	--	-	1,000
County Treasurer fees	--	13,523	13,523	10,842
Total expenditures	311,653	202,613	514,266	350,672
Excess of revenue over (under) expenditures	(268,177)	246,297	(21,880)	99,759
Other financing sources (uses):				
Transfer in (out)	268,177	(268,177)	--	--
Excess of revenue over (under) expenditures and other financing sources (uses)	--	(21,880)	(21,880)	99,759
Fund balance - beginning of year	3,400	1,867,210	1,870,610	1,771,851
Fund balance - end of year	\$ 3,400	\$ 1,845,330	\$ 1,848,730	\$ 1,871,610

The accompanying notes are an integral part of this financial statement.

HAMILTON CREEK METROPOLITAN DISTRICT
Combined Statement of Revenues, Expenditures and
and Changes in Fund Balance - Budget and Actual
All Governmental Fund Types
For the Fiscal Year Ended December 31, 2002

	General Fund			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:						
Property taxes	\$ --	\$ --	\$ --	\$ 269,953	\$ 269,740	\$ (213)
Specific ownership taxes	--	--	--	17,900	17,563	(337)
Interest	1,181	1,160	(21)	--	--	--
Unrealized gain on investments	--	--	--	--	152,607	152,607
User fees	42,316	42,316	--	--	--	--
Water tap fees	--	--	--	9,000	9,000	--
Water project loan/grant	--	--	--	150,000	--	(150,000)
Total revenue	43,497	43,476	(21)	446,853	448,910	2,057
Expenditures:						
Current:						
Administration	26,400	26,400	--	43,460	43,460	--
Legal and audit fees	3,542	3,242	300	97,068	118,864	(21,796)
Director's expense	1,425	1,425	--	--	--	--
Road maintenance	29,865	23,222	6,643	--	--	--
Water system maintenance	200,738	216,617	(15,879)	--	--	--
Forest maintenance	16,843	20,081	(3,238)	--	--	--
Utility operations	1,676	1,603	73	--	--	--
Septic maintenance	13,914	13,914	--	--	--	--
Miscellaneous	5,314	5,149	165	27,336	26,766	570
Debt service:						
Principal payments	--	--	--	1,000	--	1,000
County Treasurer fees	--	--	--	13,523	13,523	--
Total expenditures	299,717	311,653	(11,936)	182,387	202,613	(20,226)
Excess of revenue over (under) expenditures	(256,220)	(268,177)	11,957	264,466	246,297	(18,169)
Other financing sources (uses):						
Transfer in (out)	256,220	268,177	(11,957)	(256,220)	(268,177)	(11,957)
Excess of revenue over (under) expenditures and other financing sources (uses)	\$ --	--	\$ --	\$ 8,246	(21,880)	\$ (30,126)
Fund balance - beginning of year		<u>3,400</u>			<u>1,867,210</u>	
Fund balance - end of year		<u>\$ 3,400</u>			<u>\$ 1,845,330</u>	

The accompanying notes are an integral part of this financial statement.

**HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO
Notes to Financial Statements
December 31, 2002**

1. Summary of significant accounting policies

The accounting policies of the Hamilton Creek Metropolitan District (the District) conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Reporting entity

The Hamilton Creek Metropolitan District, Silverthorne, Colorado, was organized May 1, 1985, and is governed by a five-member elected Board of Directors. As required by GAAP, these financial statements present the activities of the District that is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board (GASB) Statement 14.

The District currently provides water, septic tank pumping, street maintenance, snow removal and forest maintenance (parks) services to the geographical area organized as the Hamilton Creek Metropolitan District. The District provides metered water for a fixed quarterly rate, charging additional fees for excessive usage.

District Plan of Reorganization

On May 31, 1989, the District filed for Reorganization under Chapter 9 of the Bankruptcy Laws in the United States Bankruptcy Court for the District of Colorado. On February 1, 1990 the Court accepted the Plan of Reorganization (the Plan). The District is currently operating under the terms of the Plan, see the footnotes for additional information related to the reorganization.

Measurement focus, basis of accounting and basis of presentation

The accounts of the District are organized and operated on the basis of fund types and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District has the following fund types and account groups:

Governmental funds - are used to account for general governmental activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Property taxes and user fees are susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

1. **Summary of significant accounting policies (continued)**

Measurement focus, basis of accounting and basis of presentation (continued)

Governmental funds include the following fund types:

General Fund - accounts for all financial resources of the general government, except those required to be accounted for in another fund. The fund currently reports amounts expended for maintaining the District water system, as the current levels of activity do not warrant the use of a separate proprietary fund to report utility activities.

Debt Service Fund - debt service funds are generally used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs. However, the Plan, mandates that this fund account for all District property taxes, specific ownership taxes and water tap fees. In addition the Plan mandates:

- A yearly transfer to the General fund in an amount sufficient to cover operating expenditures in excess of revenue.
- Payment of principal due on bonded debt.
- Payment to the Capital Improvement Reserve. The required payments were made in prior years equal to a predetermined schedule as required by the Plan. Unexpended reserve amounts are reported on the balance sheet of the Debt Service fund as a "reservation for capital improvements."

Account groups - the general fixed assets account group is used to account for the fixed assets acquired by the District. The general long-term debt account group is used to account for general long-term debt of the District.

Assets, liabilities and equity

Deposits and Investments

The District considers cash and cash equivalents to include demand deposits.

Fair value of financial instruments

The District's financial instruments include cash and cash equivalents, investments, accounts receivable, and accounts payable. Do to the short maturity of these instruments, the District estimates that the fair value of all financial instruments at December 31, 2002 does not differ materially from the aggregate carrying values recorded in the accompanying balance sheet.

Estimates

The preparation of financial statements in conformity with GAAP requires District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. Summary of significant accounting policies (continued)

Assets, liabilities and equity (continued)

Property taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15 if paid in installments, or April 30 if paid with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed fully collectible.

Fixed assets

All purchased fixed assets of the road, water and television systems equipment are recorded at historical cost.

Construction deposits

The District collects deposits from developers that will be refunded net of any District expenditures to repair developer damage to the infrastructure.

Comparative data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations.

2. Stewardship, compliance and accountability

Budgetary information

In compliance with Colorado Revised Statutes, the District conforms to the following procedures, in establishing the budgetary data reflected in the financial statements:

Prior to October 15 of each year the District manager (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget for the funds includes proposed expenditures and the means of financing them.

Public hearings are held at the regular Board of Directors' meetings to obtain taxpayer input. Prior to December 15 the budget is legally enacted through passage of a budget resolution. The Board of Directors must approve revisions that change total expenditures of the fund.

State statutes require a balanced budget. Appropriations lapse at year-end.

2. Stewardship, compliance and accountability (continued)

Budgetary information (continued)

General fund expenditures exceeded budget due to unexpected increases in the cost of maintaining the water system to meet state mandates to reduce fluoride in the system, see also Note 3 – Water system. Debt Service fund expenditures exceeded budget due to unexpected additional legal costs incurred in the appeal process relative to current litigation, see also Note 4 – Litigation.

Capital Improvement Reserve

As previously discussed, the District Plan of Reorganization requires the District to establish a Capital Improvement Reserve prior to making payments on interest related to bonded debt. The District was required to establish a reserve in the amount of \$260,000 that could only be used for capital improvements. The District reserved the entire amount in prior years. As of December 31, 2002 the remaining unexpended balance in the reserve was \$55,012. No amounts were expended from the reserve during 2002, 2000, 1999 or 1998.

3. Detailed notes concerning the funds

Cash and investments

Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

Deposits are categorized to give an indication of risk assumed by the government at the end of the year. Category 1 includes deposits that are insured. Category 2 includes collateralized deposits held by the pledging institution's department or agent in the District's name. Category 3 includes uncollateralized, uninsured deposits.

At December 31, 2002, District deposits, all category 1, had a carrying balance of \$2,269 and a bank balance \$2,244.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include:

Local government investment pools
Obligations of the United States Government

**HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO
Notes to Financial Statements
December 31, 2002**

3. Detailed notes concerning the funds (continued)

Cash and investments (continued)

Investments (continued)

The District invests in one Local Government Investment Pool, the Colorado Government Liquid Assets Trust (COLOTRUST *Prime*). Investments in the pool are not categorized because the investments are not evidenced by securities that exist in physical or book entry form. As of December 31, 2002 district investments in COLOTRUST, carrying and fair value, were \$5,115.

As of December 31, 2002, the District held in its name stripped United States Treasury Securities due November 15, 2004, with an original cost of \$263,865. The securities had a carrying and fair value of \$2,038,329 as of December 31, 2002. These securities are restricted for the payment of the principal on the general obligation debt that is due on the same maturity date of these securities.

Receivables

It is the policy of the District to record the property tax receivable in the year in which the taxes are levied and to recognize the property tax revenues in the year in which the lien attaches to the property. Property taxes are reported in the Debt Service fund as a receivable and as deferred revenue for \$275,798.

Fixed assets

The following is a summary of the District's general fixed assets at December 31, 2002:

Road system	\$	971,366
Water system		544,275
Total	\$	1,515,641

During the year there were no additions or deletions to the general fixed asset account group.

Water System

In 1996 and subsequent years, as a result of testing required by the State of Colorado, it was determined that the District's water well exceeded the Maximum Contaminant Level (MCL) for fluoride. The State issued an enforcement order requiring the District to immediately take action to correct the problem. As a result the District contracted with an independent engineering firm to determine the most cost-effective method of eliminating the fluoride problem. As of December 31, 2001, District engineers have developed a plan to use surface water from Hamilton Creek as a source of potable water.

3. Detailed notes concerning the funds (continued)

Water System (continued)

A plan to use surface water from Hamilton Creek was filed with the State of Colorado in October 2002. The District began construction of control wires and electric service upgrades in October 2002. Construction on the infiltration gallery in Hamilton Creek and the pipe lines connecting it to a new treatment building were started in December 2002.

The District completed construction of the infiltration gallery, treatment building and pipelines in February 2003. The State of Colorado approved the October 2002 plan in February 2003. The treatment building plumbing and control equipment was completed in May 2003. Limited use of the new surface water began in May 2003. The District has used the new water source exclusively since August 22, 2003. The new source has no detectable fluoride and meets all other State water quality standards.

General long-term debt

On July 15, 1985 the District issued General Obligation bonds in the principal amount of \$2,125,000 with an effective interest rate of 11.25%. Interest is payable on June 1 and December 1 of each year, and the principal matures on December 1 of each year through 2004. The bonds are subject to certain provisions regarding early redemption on each of the interest payment dates.

As result of the District Plan of Reorganization, the original bonds were replaced with "New Bonds" which retained the same terms, conditions and guarantees as the original bonds except that the premium on early retirement was removed. The District Plan of Reorganization imposed certain other limitations and requirements on the District including:

- A requirement that the District reserve fund balance in an amount equal to the fair market value of the Stripped U.S. Treasury Securities which are due to mature on November 15, 2004 in the principal amount of \$2,100,000. The maturity value of these securities is expected to be sufficient to pay the outstanding principal.
- A requirement that the District accrue interest on unpaid matured interest coupons at the rate of 11.25% per annum, which is to be paid ratably with the matured interest as funds become available.
- A requirement that after 1995 the bond mil levy is limited to 40 mils.

**HAMILTON CREEK METROPOLITAN DISTRICT
SILVERTHORNE, COLORADO
Notes to Financial Statements
December 31, 2002**

3. Detailed notes concerning the funds (continued)

General long-term debt (continued)

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

	Interest New Bonds	Matured Coupons	Total	Principal
1989	\$ 488,758	\$ 88,523	\$ 577,281	\$ -
1990	238,725	331,146	569,871	-
1991	238,613	304,143	542,756	-
1992	238,500	277,164	515,664	-
1993	238,387	250,221	488,608	-
1994	238,275	223,294	461,569	-
1995	238,163	196,393	434,556	-
1996	238,050	169,523	407,573	-
1997	237,937	142,674	380,611	-
1998	237,825	115,849	353,674	-
1999	237,713	89,051	326,764	-
2001	237,600	62,284	299,884	-
2001	237,487	35,539	273,026	-
2002	237,375	8,816	246,192	-
2003	236,757	-	236,757	1,000
2004	236,757	-	236,757	2,108,000
	\$ 4,056,922	\$ 2,732,076	\$ 6,351,542	\$ 2,109,000

Interest payable on the "new bonds" for 2002 includes unpaid interest on the original bonds of \$437,456.

During 1989, the District made an interest payment for \$10,000. The payment was applied to the unpaid interest that was originally due December 1, 1989 leaving an unpaid balance of \$51,302.

The original authorized bonded debt limit of \$3,000,000 was raised in subsequent elections to \$6,000,000.

Changes in General Long-term Debt:

Balance, December 31, 2001	\$ 2,110,000
Payments	<u>(1,000)</u>
Balance, December 31, 2002	<u>\$ 2,109,000</u>

4. Other information

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

TABOR Amendment

In November 1992, Colorado voters approved Amendment 1 to the State Constitution, which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The Amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "enterprise." The District does not qualify as an "enterprise" as property taxes are more than 10% of total revenue. The property tax levy recorded in the Debt Service fund relates to pre-TABOR debt that was incurred to retire the general obligation bonds.

The Amendment defined the District's year-end, December 31, 1992, as the initial base year for purposes of defining compliance with the Amendment. The Amendment defines inflation and local growth. Future years' revenue, relative to prior years' revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the limit to the voters, unless the voters approve retention of the excess revenue.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's revenue. Conditions under which these reserves may be spent are severity limited. Under the terms of the Plan the District has not funded the "Reserve" except as the amount currently recorded in the fund equity of the General fund.

The District believes that it complies with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

Litigation

In 1996 the District proposed a settlement with the bondholders to refund the principal due on the bonds. The settlement offer was accepted by approximately 90% of the bondholders. Full acceptance (100%) was required. The District filed for a new bankruptcy to have the court approve the offer as some bondholders could not be located and over two thirds favored the offer, two thirds being the approval rate required by the bankruptcy guideline. A group of bondholders objected to the District's plan to file for bankruptcy claiming that the District was not currently bankrupt. The Bankruptcy Court agreed and the District was not allowed to file. The Appellate Court held that as long as the District conformed to the "cash flow plan" the District could never be bankrupt and in addition potentially would never be required to pay the bondholders.

4. Other information (continued)

Litigation (continued)

In 1998 the District filed for a declaratory judgment asking the court to rule if a corrective plan to remediate the fluoride problem in the water system was part of the maintenance "cash flow" language of the Plan. Certain bondholders asserted that any expenditures incurred to remediate the fluoride problem should be classified as capital improvements. The bondholders asserted that capital improvements were limited to the original \$260,000 as directed by the Bankruptcy Court, Section 1.5 of the Plan. The District asserted that the expenditures should be recorded as costs of operation and maintenance and were not subject to the \$260,000 limitation. The Court issued a ruling on June 22, 2000 in favor of the District.

On October 25, 2000, the District Court denied the bondholders request for a stay as to the June 22, 2000 court ruling. The Colorado Court of Appeals issued a ruling August 9, 2001 that returned to the Trial Court for additional consideration the question of whether the District's water supply was contaminated with fluoride at the time of the Bankruptcy Plan approval in February 1990. The Appellant Court also ordered that additional testimony be considered to determine the intent of the parties during the Bankruptcy proceedings as to whether interest would continue to accrue on unpaid interest after the payment of the principal on the bonds.

A three-day trial on the questions returned by the Court of Appeals to the District Court was held January 7-9th, 2003. No decision has been returned by the Court.

As part of the original 1998 filing, the District had entered into an Order of Consent with the State of Colorado in December 2001 to correct the fluoride problem with the water within two years. The District completed construction of the repairs in March 2003. Partial use of the repaired system began in May 2003 with full utilization of a new water source in August 2003. In May 2003 the State of Colorado filed a motion with the District Court to have a \$10,000 fine imposed on the District for not meeting the deadline of the Order. In a hearing held on September 19, 2003 the District Court ruled that the State of Colorado did not follow statutory procedures in the filing of the motion and the request of the State was denied.