

**Beaver Creek Metropolitan District
Eagle County, Colorado
December 31, 2004**

**Beaver Creek Metropolitan District
Financial Statements
December 31, 2004**

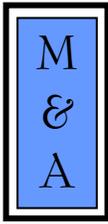
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**Beaver Creek Metropolitan District
Financial Statements
December 31, 2004**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

SUITE 222/AVON CENTER
100 WEST BEAVER CREEK BLVD.
P.O. Box 5850 AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
TELEPHONE: (970) 845-8800
FACSIMILE: (970) 845-0851
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Beaver Creek Metropolitan District
Eagle County, Colorado**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each fund of the Beaver Creek Metropolitan District (the "District"), as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beaver Creek Metropolitan District as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis in Section B is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary schedule of revenues and expenditures in Section E is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as supplemental information in Section F is presented for purposes of additional analysis and is not a required part of the financial statements of the Beaver Creek Metropolitan District. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMahan and Associates, L.L.C.
February 11, 2005

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D. Jerry McMahan, C.P.A.
Paul J. Backes, C.P.A.

Daniel R. Cudahy, C.P.A.
Michael N. Jenkins, C.A., C.P.A.

Members: American Institute of Certified Public Accountants/Colorado Society of Certified Public Accountants
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Beaver Creek Metropolitan District

Management's Discussion and Analysis December 31, 2004

As management of the Beaver 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, 2004.

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 Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets 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.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, public safety, streets, and transportation. The business-type activity of the District is water services.

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. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

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.

Overview of the Financial Statements (continued)

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 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.

Proprietary Funds. The District maintains two proprietary funds; the Water Fund and the Internal Service Fund. The District uses the Water Fund to account for its water system and the Internal Service Fund to account for the joint purchasing of parts, supplies and materials by the District and other entities providing services to the Beaver Creek community.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full 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 through D18 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.

Beaver Creek Metropolitan District's Net Assets

| | Governmental | | Business-type | | Total | |
|---|----------------------|-------------------|----------------|----------------|-------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Assets: | | | | | | |
| Current and other assets | \$ 15,426,218 | 17,272,132 | 354,420 | 344,415 | 15,780,638 | 17,616,547 |
| Capital assets | 20,928,012 | 21,275,121 | 238,500 | 238,500 | 21,166,512 | 21,513,621 |
| Total Assets | 36,354,230 | 38,547,253 | 592,920 | 582,915 | 36,947,150 | 39,130,168 |
| Liabilities: | | | | | | |
| Long-term liabilities outstanding | 14,084,709 | 16,791,303 | - | - | 14,084,709 | 16,791,303 |
| Other liabilities | 9,522,771 | 9,264,523 | - | - | 9,522,771 | 9,264,523 |
| Total Liabilities | 23,607,480 | 26,055,826 | - | - | 23,607,480 | 26,055,826 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 9,825,792 | 9,159,727 | 238,500 | 238,500 | 10,064,292 | 9,398,227 |
| Restricted for emergencies | 185,159 | 198,806 | - | - | 185,159 | 198,806 |
| Restricted for debt service | 96,350 | 116,219 | - | - | 96,350 | 116,219 |
| Unrestricted | 2,639,449 | 3,016,675 | 354,420 | 344,415 | 2,993,869 | 3,361,090 |
| Total Net Assets | \$ 12,746,750 | 12,491,427 | 592,920 | 582,915 | 13,339,670 | 13,074,342 |

Overview of the Financial Statements (continued)

Beaver Creek Metropolitan District's Change in Net Assets

| | Governmental | | Business-type | | Total | |
|---------------------------------------|----------------------|-------------------|----------------|-----------------|-------------------|-------------------|
| | Activities | | Activities | | | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 78,778 | 112,386 | 108,268 | 111,402 | 187,046 | 223,788 |
| Operating grants and contributions | 641,536 | 1,119,200 | - | - | 641,536 | 1,119,200 |
| Capital grants and contributions | - | - | 156,618 | 87,281 | 156,618 | 87,281 |
| General revenues: | | | | | | |
| Property taxes | 8,661,413 | 8,911,352 | - | - | 8,661,413 | 8,911,352 |
| Other taxes | 540,871 | 518,328 | - | - | 540,871 | 518,328 |
| Unrestricted grants and contributions | 249,691 | 204,850 | - | - | 249,691 | 204,850 |
| Interest and other revenue | 149,119 | 279,748 | 45,119 | 44,294 | 194,238 | 324,042 |
| Total Revenues | 10,321,408 | 11,145,864 | 310,005 | 242,977 | 10,631,413 | 11,388,841 |
| Expenses: | | | | | | |
| General government | 804,816 | 2,178,800 | - | - | 804,816 | 2,178,800 |
| Public safety | 1,336,819 | 1,314,069 | - | - | 1,336,819 | 1,314,069 |
| Public works | 1,868,654 | 952,398 | - | - | 1,868,654 | 952,398 |
| Transportation | 3,633,415 | 3,685,798 | - | - | 3,633,415 | 3,685,798 |
| Interest on long-term debt | 643,755 | 964,848 | - | - | 643,755 | 964,848 |
| Impairment of capital assets | 1,778,886 | - | - | - | 1,778,886 | - |
| Loss on sale of assets | 299,740 | - | - | - | 299,740 | - |
| Total Expenses | 10,366,085 | 9,095,913 | - | - | 10,366,085 | 9,095,913 |
| Change in Net Assets | | | | | | |
| Before Transfers | (44,677) | 2,049,951 | 310,005 | 242,977 | 265,328 | 2,292,928 |
| Transfers | 300,000 | 320,000 | (300,000) | (320,000) | - | - |
| Change in Net Assets | 255,323 | 2,369,951 | 10,005 | (77,023) | 265,328 | 2,292,928 |
| Net Assets - Beginning | 12,491,427 | 10,121,476 | 582,915 | 659,938 | 13,074,342 | 10,781,414 |
| Net Assets - Ending | \$ 12,746,750 | 12,491,427 | 592,920 | 582,915 | 13,339,670 | 13,074,342 |

The District's overall financial position, as measured by net assets, increased from \$13,074,342 at the end of 2003 to \$13,339,670 at the end of 2004. This increase was created by the business-type activities whereas the governmental activities experienced a small decrease in net assets before transfers. The decrease in net assets in the governmental funds was the result of the impairment of capital assets. If the District had not experienced this impairment loss, which is expected to be a one-time occurrence, it would have had an increase in net assets which is basically the result of the collection of property taxes that are being used to pay-off the District's outstanding bond debt principal.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Financial Analysis of the District's Funds (continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,767,810, a decrease of \$2,058,271 from the prior year ending fund balances. This decrease is primarily the result of expenditures for capital projects which result in a decrease in the fund balance. Of the District's ending fund balance, \$185,159 is **reserved**, meaning it is not available for new spending because it has already been committed for emergencies under Taxpayers' Bill Of Rights (TABOR). Also, \$3,606,028 is restricted bond proceeds to be used only for the purposes for which the bonds were issued, which is for road and street related public works projects and \$96,350 is reserved for debt service payments. The remainder of the combined fund balance is an **unreserved fund balance**, which is available for spending at the District's discretion.

Proprietary Funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined unrestricted net assets for the proprietary funds totaled \$344,415 at the end of 2003 as compared to \$300,075 at the end of 2004. The decrease in the unrestricted net assets in the proprietary funds during 2004 is primarily the result of transferring more funds out of the proprietary fund into the General Fund than were generated as a surplus in the proprietary fund. These unrestricted assets are available for spending at the District's discretion.

Budget Variances. The District amended its 2004 budget, primarily to budget (in the Capital Projects Fund) for the purchase of land for use as the site for a maintenance and administrative facility for the District. The General Fund's actual revenues were approximately 98% of budgeted revenues and expenses were approximately 95% of budgeted expenses. The District's other funds generally showed favorable variances compared to budget. Details of actual revenues and expenditures compared to budget for each fund are shown on pages E1 and F1 through F3 of this report.

Capital Assets. Capital asset increases during 2004 consisted of the District's investment of \$3,483,151 in capital asset additions. This investment includes purchase of the land for a maintenance and operations facility, overlays of certain roads in the District and purchases of new vehicles, the majority of which are used for the transportation system. Capital asset decreases during 2004 included recognition of an impairment loss (described more fully on Page D9) on the transit center located in the Market Square building and in connection with the termination of the District's office space lease in the Villa Montane building, the tenant improvements reverted to the landlord and have been removed from the District's books. Overall, governmental activities capital assets, after depreciation, decreased from \$21,275,123 to \$20,928,012 during 2004. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement on page D9 of this report.

Long-term Debt. The District reduced its outstanding long-term debt balance from \$16,586,022 to \$13,879,428 at the end of 2004. The District paid off \$3,996,509 in long-term debt during 2004 but it also borrowed an additional \$1,147,965 through lease-purchases for the replacement of transportation vehicles and interest accreted in the amount of \$141,950 on the District's 2001 Capital Appreciation Bonds. Additional information can be found in the Notes to the Financial Statement on pages D10 through D12 of this report.

Other conditions expected to have a significant effect on financial position or results of operations. The District purchased land in 2004 and anticipates construction of new maintenance and administrative facilities on this land in 2005. The District expects to use a portion of its existing fund balance in the Capital Projects Fund to pay for these improvements.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Beaver Creek Metropolitan District, c/o Robertson & Marchetti, P.C., 28 Second Street, Suite 213, Edwards, CO 81632, telephone (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Beaver Creek Metropolitan District
Statement of Net Assets
December 31, 2004

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-------------------|
| Assets: | | | |
| Cash and investments | 6,066,248 | 200,993 | 6,267,241 |
| Receivables, net: | | | |
| Property tax | 8,712,514 | - | 8,712,514 |
| Beaver Creek Resort Company | 282,923 | - | 282,923 |
| Trade | 31,271 | 153,427 | 184,698 |
| County Treasurer | 44,461 | - | 44,461 |
| Restricted cash | 15,043 | - | 15,043 |
| Bond issuance costs, net | 221,869 | - | 221,869 |
| Call and redemption premium, net | 51,889 | - | 51,889 |
| Capital assets, net | <u>20,928,012</u> | <u>238,500</u> | <u>21,166,512</u> |
| Total Assets | <u>36,354,230</u> | <u>592,920</u> | <u>36,947,150</u> |
| Liabilities: | | | |
| Accounts payable | 631,962 | - | 631,962 |
| Construction retainage payable | 40,174 | - | 40,174 |
| Accrued interest payable | 31,448 | - | 31,448 |
| Deferred revenue | 8,712,514 | - | 8,712,514 |
| Bond premium, net | 106,673 | - | 106,673 |
| Due within one year: | | | |
| Leases payable | 49,725 | - | 49,725 |
| Bonds payable | 3,865,000 | - | 3,865,000 |
| Due within more than one year: | | | |
| Leases payable | 1,332,712 | - | 1,332,712 |
| Bonds payable | <u>8,837,272</u> | <u>-</u> | <u>8,837,272</u> |
| Total Liabilities | <u>23,607,480</u> | <u>-</u> | <u>23,607,480</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 9,825,792 | 238,500 | 10,064,292 |
| Restricted for emergencies | 185,159 | - | 185,159 |
| Restricted for debt service | 96,350 | - | 96,350 |
| Unrestricted | <u>2,639,449</u> | <u>354,420</u> | <u>2,993,869</u> |
| Total Net Assets | <u>12,746,750</u> | <u>592,920</u> | <u>13,339,670</u> |

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

**Beaver Creek Metropolitan District
Statement of Activities
For the Year Ended December 31, 2004**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|------------------|-------------------------|--|--|--|-----------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | 804,816 | 19,355 | 27,396 | - | (758,065) | | (758,065) |
| Public safety | 1,336,819 | - | - | - | (1,336,819) | | (1,336,819) |
| Public works | 1,868,654 | - | - | - | (1,868,654) | | (1,868,654) |
| Transportation | 3,633,415 | 59,423 | 614,140 | - | (2,959,852) | | (2,959,852) |
| Interest on long-term debt | 643,755 | - | - | - | (643,755) | | (643,755) |
| Total governmental activities | 8,287,459 | 78,778 | 641,536 | - | (7,567,145) | | (7,567,145) |
| Business-type activities: | | | | | | | |
| Water | - | 108,268 | - | 156,618 | | 264,886 | 264,886 |
| Total business-type activities | - | 108,268 | - | 156,618 | | 264,886 | 264,886 |
| Total primary government | 8,287,459 | 187,046 | 641,536 | 156,618 | (7,567,145) | 264,886 | (7,302,259) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property tax, levied for debt service | | | | | 3,959,910 | - | 3,959,910 |
| Property tax, levied for transportation services | | | | | 2,560,768 | - | 2,560,768 |
| Property tax, levied for general purposes | | | | | 2,140,735 | - | 2,140,735 |
| Specific ownership tax | | | | | 540,871 | - | 540,871 |
| Grants and contributions not restricted to specific programs | | | | | 249,691 | - | 249,691 |
| Investment earnings | | | | | 143,600 | 4,947 | 148,547 |
| Access fees | | | | | - | 40,172 | 40,172 |
| Miscellaneous income | | | | | 5,519 | - | 5,519 |
| Transfers | | | | | 300,000 | (300,000) | - |
| Special items: | | | | | | | |
| Gain/(loss) on sale of assets | | | | | (299,740) | - | (299,740) |
| Impairment of capital assets | | | | | (1,778,886) | - | (1,778,886) |
| Total general revenues, special items, and transfers | | | | | 7,822,468 | (254,881) | 7,567,587 |
| Change in net assets | | | | | 255,323 | 10,005 | 265,328 |
| Net Assets - Beginning | | | | | 12,491,427 | 582,915 | 13,074,342 |
| Net Assets - Ending | | | | | 12,746,750 | 592,920 | 13,339,670 |

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

FUND FINANCIAL STATEMENTS

**Beaver Creek Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2004**

| | General | Debt Service | Capital Projects | Special Revenue | Total Governmental Funds |
|--|------------------|-------------------------|-----------------------------|----------------------------|---|
| Assets: | | | | | |
| Equity in pooled cash and equivalents | 2,281,053 | 76,023 | 3,621,530 | 54,127 | 6,032,733 |
| Cash on hand | 100 | - | - | - | 100 |
| Restricted cash | - | - | - | 15,043 | 15,043 |
| Due from County Treasurer | 10,989 | 20,327 | - | 13,145 | 44,461 |
| Accounts receivable | 10,828 | - | 27,583 | 256,923 | 295,334 |
| Interfund receivable | 57,187 | - | - | - | 57,187 |
| Property taxes assessed, but not collectible until subsequent year | 2,152,521 | 3,985,030 | - | 2,574,963 | 8,712,514 |
| Total Assets | 4,512,678 | 4,081,380 | 3,649,113 | 2,914,201 | 15,157,372 |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 610,874 | - | - | 26,000 | 636,874 |
| Construction retainage payable | - | - | 40,174 | - | 40,174 |
| Property taxes assessed, but not collectible until subsequent year | 2,152,521 | 3,985,030 | - | 2,574,963 | 8,712,514 |
| Total Liabilities | 2,763,395 | 3,985,030 | 40,174 | 2,600,963 | 9,389,562 |
| Fund Balances: | | | | | |
| Reserved for emergency | 80,011 | - | 2,911 | 102,237 | 185,159 |
| Reserved for capital projects | - | - | 2,982,489 | - | 2,982,489 |
| Reserved for debt service | - | 96,350 | - | - | 96,350 |
| Unreserved | 1,669,272 | - | 623,539 | 211,001 | 2,503,812 |
| Total Fund Balances | 1,749,283 | 96,350 | 3,608,939 | 313,238 | 5,767,810 |
| Total Liabilities and Fund Balances | 4,512,678 | 4,081,380 | 3,649,113 | 2,914,201 | |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | | 20,928,012 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | | | | 273,758 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | | | | (14,222,830) |
| Net Assets of Governmental Activities | | | | | 12,746,750 |

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

Beaver Creek Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|---|------------------|-------------------------|-----------------------------|----------------------------|---|
| Revenues: | | | | | |
| Taxes | 2,274,416 | 4,207,189 | - | 2,720,679 | 9,202,284 |
| Interest | 24,140 | 36,158 | 69,643 | 13,659 | 143,600 |
| BCRC contractual reimbursement | - | - | - | 614,140 | 614,140 |
| Other | 5,519 | 249,691 | 27,396 | 59,423 | 342,029 |
| Total Revenues | <u>2,304,075</u> | <u>4,493,038</u> | <u>97,039</u> | <u>3,407,901</u> | <u>10,302,053</u> |
| Expenditures: | | | | | |
| General and administration | 413,259 | 3,550 | - | - | 416,809 |
| Public safety | 1,201,282 | - | - | - | 1,201,282 |
| Maintenance operations | 988,080 | - | - | - | 988,080 |
| Treasurer's fees | 64,419 | 119,161 | - | 77,058 | 260,638 |
| Debt service | - | 4,225,920 | - | 290,872 | 4,516,792 |
| Transportation | - | - | - | 2,943,458 | 2,943,458 |
| Capital outlay | - | - | 2,383,762 | 1,117,763 | 3,501,525 |
| Debt issue costs | - | - | - | 16,965 | 16,965 |
| Total Expenditures | <u>2,667,040</u> | <u>4,348,631</u> | <u>2,383,762</u> | <u>4,446,116</u> | <u>13,845,549</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(362,965)</u> | <u>144,407</u> | <u>(2,286,723)</u> | <u>(1,038,215)</u> | <u>(3,543,496)</u> |
| Other Financing Sources (Uses): | | | | | |
| Lease proceeds | - | - | - | 1,147,965 | 1,147,965 |
| Sale of capital assets | 37,260 | - | - | - | 37,260 |
| Operating transfers in (out) | 560,788 | (164,276) | - | (96,512) | 300,000 |
| Total Other Financing Sources (Uses) | <u>598,048</u> | <u>(164,276)</u> | <u>-</u> | <u>1,051,453</u> | <u>1,485,225</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources (Uses) | <u>235,083</u> | <u>(19,869)</u> | <u>(2,286,723)</u> | <u>13,238</u> | <u>(2,058,271)</u> |
| Fund Balances - Beginning | <u>1,514,200</u> | <u>116,219</u> | <u>5,895,662</u> | <u>300,000</u> | <u>7,826,081</u> |
| Fund Balances - Ending | <u>1,749,283</u> | <u>96,350</u> | <u>3,608,939</u> | <u>313,238</u> | <u>5,767,810</u> |

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

**Beaver Creek Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2004**

| | |
|--|-------------|
| Net Change in Fund Balances of Governmental Funds | (2,058,271) |
|--|-------------|

Amounts reported for governmental activities in the
Statement of Activities are different because:

| | |
|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay during the year. | 1,768,775 |
|--|-----------|

| | |
|---|-----------|
| The issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 2,660,705 |
|---|-----------|

| | |
|---|-------------|
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and asset impairment) is to decrease net assets. | (2,115,886) |
|---|-------------|

| | |
|--|---------|
| Change in Net Assets of Governmental Activities | 255,323 |
|--|---------|

**Beaver Creek Metropolitan District
Statement of Net Assets
Proprietary Funds
December 31, 2004**

| | Water Fund | Internal Service Fund |
|--|-----------------------|--------------------------------------|
| Assets: | | |
| Current assets: | | |
| Equity in pooled cash and equivalents | 200,993 | - |
| Cash and equivalents | - | 33,415 |
| Accounts receivable, net | 44,737 | 36,861 |
| Current portion of tap fees receivable | 54,345 | - |
| Total current assets | 300,075 | 70,276 |
| Non-current assets: | | |
| Non-current portion of tap fees receivable | 54,345 | - |
| Water rights | 238,500 | - |
| Total non-current assets | 292,845 | - |
| Total Assets | 592,920 | 70,276 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | - | 13,089 |
| Interfund payable | - | 57,187 |
| Total current liabilities | - | 70,276 |
| Total Liabilities | - | 70,276 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 292,845 | - |
| Unrestricted | 300,075 | - |
| Total Net Assets | 592,920 | - |

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

**Beaver Creek Metropolitan District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2004**

| | Water Fund | Internal Service Fund |
|-------------------------------------|-----------------------|--------------------------------------|
| Operating Revenues: | | |
| Charges for services | 108,268 | 83,310 |
| Total Operating Revenues | 108,268 | 83,310 |
| Operating Expenses: | | |
| Materials and supplies | - | 59,615 |
| Outside services | - | 23,695 |
| Total Operating Expenses | - | 83,310 |
| Operating Income | 108,268 | - |
| Non-Operating Revenue: | | |
| Interest income | 4,947 | - |
| Tap Fees | 156,618 | - |
| Access fee | 40,172 | - |
| Total Non-Operating Revenue | 201,737 | - |
| Income Before Transfers | 310,005 | - |
| Transfers Out | (300,000) | - |
| Change in Net Assets | 10,005 | - |
| Total Net Assets - Beginning | 582,915 | - |
| Total Net Assets - Ending | 592,920 | - |

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

**Beaver Creek Metropolitan District
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2004**

| | Water Fund | Internal Service Fund |
|--|-----------------------|--------------------------------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers and others | 108,240 | 91,646 |
| Cash paid for goods and services | - | (86,230) |
| Net Cash Provided by Operating Activities | 108,240 | 5,416 |
| Cash Flows From Non-Capital Financing Activities: | | |
| Cash received from tap fees | 204,218 | - |
| Cash received from access fees | 39,701 | - |
| Net operating transfers (out) | (300,000) | - |
| Net Cash (Used) by Non-Capital Financing Activities | (56,081) | - |
| Cash Flows From Investing Activities | | |
| Interest received | 4,947 | - |
| Net Cash Provided by Investing Activities | 4,947 | - |
| Net Increase in Cash | 57,106 | 5,416 |
| Cash and Cash Equivalents - Beginning of Year | 143,887 | 27,030 |
| Cash and Cash Equivalents - End of Year | 200,993 | 32,446 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | 108,268 | - |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| (Increase) decrease in accounts receivable | (28) | 8,362 |
| Change in interfund receivable and payable | - | (26) |
| Increase (decrease) in accounts payable | - | (2,920) |
| Total Adjustments | (28) | 5,416 |
| Net Cash Provided by Operating Activities | 108,240 | 5,416 |

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

NOTES TO THE FINANCIAL STATEMENTS

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004**

I. Summary of Significant Accounting Policies

Beaver Creek Metropolitan District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide services for fire protection, water distribution, cable television, transportation, and to construct and maintain roadway and drainage systems within its boundaries which are located in Eagle County, Colorado.

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. 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 Assets, 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 assets are reported in two parts - invested in capital assets, net of related debt; and unrestricted net assets. The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(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 not required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of financial resources to be used for the payment of general long-term debt principal, interest, and other related costs.

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities.

The Special Revenue Fund is used to account for the operation and maintenance of the transportation system.

The District reports the following proprietary funds:

The Water Fund is used to account for the operations of the water system.

The Internal Service Fund is used to account for goods and services provided to the District and other entities serving Beaver Creek on a cost-reimbursement basis.

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

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

1. Long-term Economic Focus and Accrual Basis

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

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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.

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers for goods and services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. Restricted Cash and Investments

Certain cash and investment balances represent proceeds from the issuance of bonds for the purpose of funding construction of a maintenance facility. In May 2004, the District's voters approved the utilization of these funds for other capital projects of the District.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Property Taxes

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

5. Prepaid Expenses

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

6. Interfund Receivables and Payables

Balances at year-end between funds are reported as "due to / from other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the government-wide financial statements.

7. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, 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:

| <u>Assets</u> | <u>Years</u> |
|---|--------------|
| Infrastructure, buildings, and improvements | 30 - 40 |
| Equipment and vehicles | 5 - 10 |

8. Reserved Fund Balance

The governmental funds, excluding debt service, had a reserved fund balance of \$185,159 for emergency as required under TABOR (see Note III. B.).

The Debt Service Fund balance of \$96,350 is reserved for debt service.

The Capital Projects Fund has a reserved fund balance of \$2,982,489 for capital projects.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

II. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund Balance Sheet includes reconciliation between *fund balance – governmental funds* and *net assets of governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$14,222,830 difference are bonds payable of \$12,702,272, leases payable of \$1,382,437, deferred bond premium of \$106,673 and accrued interest payable of \$31,448.

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 reconciliation between *net change in fund balances of governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$1,768,775 difference are capital outlay of \$3,427,237 less depreciation expense of \$1,658,462.

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,660,705 difference are as follows:

| | |
|--|---------------------|
| Proceeds from capital lease | \$ (1,147,965) |
| Repayment of principal on capital leases | 276,509 |
| Repayment of principal on bonds | 3,720,000 |
| Accretion on capital appreciation bonds | (141,950) |
| Amortization of bond issue costs | (64,367) |
| Amortization of bond issue premium | 50,799 |
| Amortization of call and redemption premiums | (43,033) |
| Adjustment to prior year accrued interest | 10,712 |
| Total | \$ 2,660,705 |

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets... is to decrease net assets”. The details of this difference of \$2,115,886 are loss on disposal of capital assets of \$337,000 and impairment of certain capital assets of \$1,778,886.

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

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 years:

- (1) For the 2004 budget year, prior to August 25, 2003, 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, 2003 the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2003, 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 not later than 45 days prior to the close of the fiscal year.
- (4) For the 2004 budget, prior to December 15, 2003, 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 2004 budget, the final budget and appropriating resolution was adopted prior to December 31, 2003.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2003 were collected in 2004 and taxes certified in 2004 will be collected in 2005. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes 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.

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

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(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 know 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 reserved a portion of its December 31, 2004, year-end fund balance in the governmental funds for emergencies as required under TABOR in the amount of \$185,159.

Effective January 1, 1996 and thereafter, the voters authorized the District to collect, retain and spend all revenues and other funds collected from any source; provided that the District's General Operating Property Tax Levy shall not be increased without voter approval; and the revenues be spent for all District services and general operations as a voter-approved revenue change and an exception to the limits which could otherwise apply.

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

IV. Detailed Notes on All Funds

A. Deposits and Investments

1. 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 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 at least equal to the aggregate uninsured deposits.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

1. Deposits (continued)

There are three categories of deposit credit risk as follows:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department.)

At December 31, 2004, the District's cash deposits were entirely insured or collateralized with securities held by the entity's agent as described above and had bank balances of \$448,896. FDIC (category 1 above), insured \$215,043 of the balance and the remaining \$233,853 is classified as category 3 above. The differences between book balances and the bank balances are the outstanding checks and deposits at December 31, 2004 of \$135,944.

2. Pools

The District has invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"). The trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of the trust 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 to the trust in connection with the direct investment and withdrawal functions. Substantially all securities owned by the trust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the trust.

The District does not categorize its participation in the trusts as indicated by GASB Statement # 3 since collateral is pooled as described above.

At December 31, 2004, the District had \$5,969,232 invested in COLOTRUST.

3. Summary of Cash and Investments

A summary of the District's cash and investment book balances at December 31, 2004 is shown below.

| | |
|-----------------------------------|-----------------------------------|
| Deposits | \$ 312,852 |
| Cash on hand | 100 |
| Pools | 5,969,232 |
| Total cash and equivalents | <u><u>\$ 6,282,184</u></u> |

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ - | 1,512,916 | - | 1,512,916 |
| Construction in progress | - | 58,638 | - | 58,638 |
| Total capital assets not being depreciated | <u>-</u> | <u>1,571,554</u> | <u>-</u> | <u>1,571,554</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 25,717,898 | 657,670 | (2,156,225) | 24,219,343 |
| Buildings | 1,509,519 | - | (657,979) | 851,540 |
| Vehicles and equipment | 6,632,360 | 1,253,927 | (434,241) | 7,452,046 |
| Total capital assets being depreciated | <u>33,859,777</u> | <u>1,911,597</u> | <u>(3,248,445)</u> | <u>32,522,929</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (7,183,396) | (700,546) | 377,339 | (7,506,603) |
| Buildings | (539,182) | (59,587) | 326,163 | (272,606) |
| Vehicles and equipment | (4,862,076) | (898,329) | 373,143 | (5,387,262) |
| Total accumulated depreciation | <u>(12,584,654)</u> | <u>(1,658,462)</u> | <u>1,076,645</u> | <u>(13,166,471)</u> |
| Governmental activities capital assets, net | <u>\$ 21,275,123</u> | <u>1,824,689</u> | <u>(2,171,800)</u> | <u>20,928,012</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Water rights | \$ 238,500 | - | - | 238,500 |
| Total capital assets not being depreciated | <u>238,500</u> | <u>-</u> | <u>-</u> | <u>238,500</u> |
| Business-type activities capital assets, net | <u>\$ 238,500</u> | <u>-</u> | <u>-</u> | <u>238,500</u> |

Impairment of Asset

The District paid approximately \$2.2 million in 1996 and 1997 for the construction of a transit center located on Avondale Lane in Beaver Creek Village. After the Transit Center was constructed, it did not function as originally anticipated. The District subsequently constructed the Covered Bridge bus drop-off and pick-up station, rerouted all major buses to the Covered Bridge station and stopped using the Market Square terminal for the large buses. The District has recorded an impairment loss in accordance with Governmental Accounting Standards Board Statement 42 in the amount of \$1,778,886 to recognize the impairment of the transit center.

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

| | |
|-----------------------------------|----------------------------|
| General government | \$ 43,647 |
| Public safety | 135,537 |
| Public works | 806,286 |
| Transportation | <u>672,992</u> |
| Total Depreciation Expense | <u><u>\$ 1,658,462</u></u> |

C. Interfund Receivables, Payables, and Transfers

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | |
|------------------------|--------------------------|---------------|-------------------------|
| General | Internal Service | \$ 56,218 | |
| <u>Transferred to:</u> | <u>Transferred from:</u> | <u>Amount</u> | <u>Purpose</u> |
| General | Water | \$ 300,000 | Fund general operations |
| General | Debt Service | 164,276 | Fund general operations |
| General | Transportation | 96,512 | Fund general operations |

D. Leases

1. Operating Lease

The District entered into a commercial lease for 1,296 rentable square feet of office space. The initial term of the lease is January 1, 2001 through December 31, 2002, renewable for four separate and successive one year option periods. The minimum rent under the new lease was \$34,396, payable monthly. In addition to the base rate, taxes and operating costs were also due monthly. By mutual agreement between the owner of the unit and the District, the lease was terminated as of October 31, 2004 and the District has no continuing obligation under the lease.

2. Capital Leases

The District has entered into capital leases for the acquisition of vehicles, road equipment, tenant improvements and fire equipment with a net book value of \$1,382,437. All capital leases of the District are paid from the Transportation (special revenue) Fund. Future minimum lease payments under the leases are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|----------------------------|-----------------------|-------------------------|
| 2005 | \$ 332,148 | 49,725 | 381,873 |
| 2006 | 281,857 | 38,122 | 319,979 |
| 2007 | 200,400 | 28,732 | 229,132 |
| 2008 | 207,841 | 21,291 | 229,132 |
| 2009 | 215,559 | 13,573 | 229,132 |
| 2010 - 2011 | 144,632 | 8,405 | 153,037 |
| Total | <u><u>\$ 1,382,437</u></u> | <u><u>159,848</u></u> | <u><u>1,542,285</u></u> |

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

E. Long-term Debt

1. General Obligation Bonds, Series 1995

The District issued \$3,500,000 of general obligation bonds dated December 1, 1995, with interest rates ranging from 3.8% to 4.75%, payable June 1 and December 1. The principal was payable on December 1 and matured in various increments through 2004. Final principal payments were made on December 1, 2004.

2. General Obligation Bonds, Series 1998

The District issued \$7,400,000 of general obligation bonds dated August 1, 1998, with interest rates ranging from 4.1% to 4.9%, payable on June 1 and December 1. The principal is payable on December 1 and matures in various increments through 2017. The bonds are insured by the Municipal Bond Investors Assurance Corporation. The principal and the interest on the bonds are payable on December 1 from 1998 to 2017. Bonds maturing December 1, 1999 through and including December 1, 2008 are not subject to optional redemption prior to their maturity date. Bonds maturing on and after December 1, 2009 are subject to redemption prior to their respective maturity dates at the option of the District in whole or in part.

In connection with Internal Revenue Service arbitrage regulations, the District has accrued a \$14,719 contingent arbitrage rebate liability related to this issue. This accrual is an estimate which is subject to change.

3. General Obligation Capital Appreciation Bonds, Series 2001

The District issued \$2,998,820 (original principal) of capital appreciation bonds dated March 21, 2001 at interest rates in the range of 4.03% to 4.35%. The bonds are insured by Financial Security Assurance Inc. Appreciated principal of \$1,010,000 is due annually December 1, 2006, 2007 and 2008, and \$1,005,000 due December 1, 2009.

The bonds are recorded in the financial statements at their appreciated amount. The total principal and interest to maturity has also been included in the schedule of debt service to maturity.

4. General Obligation Refunding Bonds, Series 2003

The District issued \$3,785,000 of general obligation bonds dated March 1, 2003, with an interest rate of 2.5%, payable June 1 and December 1. The principal is payable on December 1 and matures in various increments through 2005. The principal and the interest on the bonds are payable on December 1 from 2003 to 2005. The bonds are not subject to redemption prior to maturity.

5. General Obligation Refunding Bonds, Series 2003B

The District issued \$2,130,000 of general obligation bonds dated November 15, 2003, with interest rates ranging from 3.5% to 4.0%, payable June 1 and December 1. The principal is payable on December 1 and matures in various increments through 2005. The principal and the interest on the bonds are payable on December 1 from 2004 to 2005. The bonds are not subject to redemption prior to maturity.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

IV. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

6. Annual Debt Service Requirements

General obligation debt of the District is liquidated in the Debt Service Fund. Annual debt service requirements to maturity for general obligation bonds are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|----------------------|------------------|-------------------|
| 2005 | \$ 3,865,000 | 377,370 | 4,242,370 |
| 2006 | 1,150,970 | 452,390 | 1,603,360 |
| 2007 | 1,128,408 | 475,117 | 1,603,525 |
| 2008 | 1,106,977 | 495,888 | 1,602,865 |
| 2009 | 1,087,465 | 513,900 | 1,601,365 |
| 2010 - 2013 | 2,250,000 | 720,050 | 2,970,050 |
| 2014 - 2017 | 1,620,000 | 160,695 | 1,780,695 |
| Total | <u>\$ 12,208,820</u> | <u>3,195,410</u> | <u>15,404,230</u> |

A reconciliation of principal payments due to the bonds payable caption in the Statement of Net Assets is as follows:

| | |
|---|----------------------|
| Principal payments due | \$ 12,208,820 |
| Capitalized interest on 2001 Capital Appreciation Bonds | 493,452 |
| Bonds payable, Statement of Net Assets | <u>\$ 12,702,272</u> |

7. Changes in Long-term Debt

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| G.O. Bonds Payable | \$ 12,930,000 | - | (3,720,000) | 9,210,000 | 3,865,000 |
| G.O. Capital Appreciation Bonds Payable | 3,350,322 | 141,950 | - | 3,492,272 | - |
| Capital Leases | 510,981 | 1,147,965 | (276,509) | 1,382,437 | 332,148 |
| Total | <u>\$ 16,791,303</u> | <u>1,289,915</u> | <u>(3,996,509)</u> | <u>14,084,709</u> | <u>4,197,148</u> |

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

V. Other Information

A. Intergovernmental Agreements

1. Fire Protection Agreement

The District has an agreement with Eagle River Fire Protection District (“ERFPD”) to provide fire protection within the District’s boundaries. The initial term of the agreement was two years and was renewed for various terms through December 31, 2004. On January 1, 2005 the agreement was renewed for a ten year period. Under the agreement, the District is to pay fixed annual fees to ERFPD for services specified in the agreement. The District is also responsible for repairs and maintenance to the fire station facility. Additionally, the agreement requires the District to provide twenty-four hour coverage by two public safety officers. The District has contracted with Beaver Creek Resort Company for the provision of these personnel. During the year ended December 31, 2004, ERFPD was responsible for partially reimbursing the District a fixed amount for the Districts provision of public safety officers. Under the new agreement, the annual fee paid to ERFPD has been reduced to take into account this annual reimbursement.

| | |
|--|----------------------------|
| Contract fees paid to ERFPD | \$ 1,024,669 |
| Public safety contract with BCRC | 295,488 |
| Public safety reimbursement from ERFPD | (135,000) |
| Equipment and operating expense | 4,125 |
| Total | <u><u>\$ 1,189,282</u></u> |

2. 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 the Town of Avon (“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 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, 2004, the Authority had debt with maturities through the year 2028.

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’s, subject to any outstanding liens, mortgages or other pledges of such assets.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

V. Other Information (continued)

A. Intergovernmental Agreements (continued)

2. Upper Eagle Regional Water Authority (continued)

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 of the districts 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.

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 district 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, all obligations of the Authority have been paid, or until termination of the Authority.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

V. Other Information (continued)

A. Intergovernmental Agreements (continued)

2. Upper Eagle Regional Water Authority (continued)

A summary of audited financial information for the Authority as of and for the year ended December 31, 2003 (the latest audited information available) is as follows:

Upper Eagle Regional Water Authority

Assets:

| | |
|------------------------|-----------------------------|
| Current | \$ 4,378,429 |
| Other | 1,024,243 |
| Property and equipment | 55,505,035 |
| Total Assets | <u>\$ 60,907,707</u> |

Liabilities and Net Assets:

| | |
|---|-----------------------------|
| Current | \$ 1,625,536 |
| Long-term debt | 23,518,536 |
| Net assets | 35,763,635 |
| Total Liabilities and Net Assets | <u>\$ 60,907,707</u> |

Operations:

| | |
|-------------------------------|-----------------------------|
| Operating revenue | \$ 6,369,073 |
| Operating expense | 5,860,637 |
| Operating income | 508,436 |
| Other income | 92,578 |
| Other expense | <u>(1,440,215)</u> |
| Net (loss) | (839,201) |
| Capital contributions | 2,704,849 |
| Net Assets - Beginning | <u>33,897,987</u> |
| Net Assets - Ending | <u>\$ 35,763,635</u> |

3. Bachelor Gulch Exclusion Agreement

The District entered into an agreement on January 1, 1994, to exclude a parcel of land from its assessed valuation. The exclusion was requested by Vail Associates, Inc., the owner/developer of the property. The excluded property has been included in the Bachelor Gulch Metropolitan District formed to provide metropolitan district services to the excluded area. The District may provide services to the excluded area through intergovernmental agreements.

The District received compensation of \$249,691 from the Bachelor Gulch Metropolitan District, which is the amount the District would have collected for debt service property taxes for the excluded properties pro rata share of the District's outstanding debt at the time the property was excluded.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

V. Other Information (continued)

A. Intergovernmental Agreements (continued)

4. Town of Avon Service Agreement

The District entered into a service agreement ("Agreement") November 19, 2003 with the Town of Avon ("TOA") for routine maintenance and preventive maintenance of the District's vehicles and equipment and repair and replacement work as requested by the District. The District will pay TOA the shop rate of \$80 per hour for services performed and cost plus 10% for materials and sublet work. The original agreement had a term of one year and during 2004 was extended through December 31, 2005. For the year ended December 31, 2004, the District paid \$115,830 to TOA in accordance with the Agreement.

B. Related Party Transactions

The District has entered into various agreements with Vail Associates, Inc. ("VAI") and Vail Resort Development Company ("VRDC") to provide grounds maintenance, resort operations and transportation services. Payments made for each of these services for the year ended December 31, 2004, amounted to \$58,518, \$334,614 and \$1,837,451, respectively. The District received \$43,084 from VAI during the year for usage of the District's Dial-A-Ride vehicles. The District owed VAI and VRDC \$10,764 and \$87,190, respectively, at December 31, 2004.

Vail Associates, Inc. was the original developer of commercial and residential real property within the District.

C. Market Square of Beaver Creek Association

On November 24, 1997, the District, Arts Center Lodge, LLC, Vail Associates, Inc., Beaver Creek Resort Company, and Beaver Creek Arts Foundation entered into a Master Facilities and Maintenance Agreement to share the costs of the maintenance and operation of Market Square of Beaver Creek Association ("Association") common elements. Under the agreement, the District owns a unit consisting of air space and transportation access ("District Unit") in Market Square. The District disputes, in various respects, the obligations under this agreement and is currently in communication with the Association to amend or terminate any obligation.

D. TCI Access/Operational Agreement

On February 7, 1996, the District sold its cable television system to Cablevision VI, Inc. dba TCI Cablevision of the Rockies, Inc. ("TCI") for \$1.9 million. Concurrent with the sale of the cable system, the District entered into an Access/Operational Agreement with TCI to operate the system in the District, to upgrade the system to a 78 channel system in the future and to pay the District an ongoing fee of four percent (4%) of TCI's gross revenues from operation of the system. The 4% fee amounted to \$40,172 for the year ended December 31, 2004.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

V. Other Information (continued)

E. Employee Housing Agreement

The District contributed \$200,000 during 1997 to BC Housing, LLC (the "Company") for a 49% ownership interest in the Company. The Company was established to provide affordable housing for employees of various entities operating in and around Beaver Creek. The Company issued bonds to finance the construction of affordable housing, known as "RiverEdge". The bonds are expected to be repaid through the rental income of the Company. The Company is not expected to generate any material income or loss and the District is under no obligation to make further contributions to the Company. Under the agreement, the District acquired the right to designate 5% of the RiverEdge apartment units to be used solely by the District's employees during October through April and by employees of both the District and independent contractors to the District during May through September.

The District approved a petition from The Vail Corporation to exclude the RiverEdge property from its assessed valuation. The RiverEdge property is excluded from assessed value with the exception of bond indebtedness from the 1989, 1993, and 1995 bond issues. The District has a separate levy on the RiverEdge property, which amounted to \$9,219 in taxes received in 2004.

On August 7, 1997, the District entered into a tap purchase agreement with the Company. Through the agreement, the Company purchased water taps for 104 units for a total of \$543,450. The Company is to make annual payments of \$54,345 over 10 years commencing September 1, 1997 with the final payment on September 1, 2006. As of December 31, 2004, \$108,690 remained outstanding under this agreement.

F. Transportation System Service Agreement

The District obtained the approval of its voters in 1998 to amend its service plan and to increase its operating mill levy by 12.2 mills (referred to hereinafter as the "transportation system property tax") to be used to provide transportation services to the constituents of the District. Simultaneously, Beaver Creek Resort Company ("BCRC") agreed to reduce its "common assessments" by 12.2 mills to offset the District's mill levy increase. The tax generated by the 12.2 mill levy is subject to limits under Colorado law and the levy was reduced to 9.325 mills for 2002 property taxes to be collected in 2003. This mill levy is subject to possible future reductions as may be required by Colorado law.

Pursuant to this approval, the District and BCRC entered into an agreement effective January 1, 1999 to transfer the transportation function from BCRC to the District. Under this agreement, the District agreed to accept ownership of the transportation system, to assume the leases of the buses and transportation vehicles, and assume responsibility to operate and maintain the transportation system. BCRC agreed to fund the total costs of the transportation system in excess of the revenues produced by the transportation system property tax.

BCRC also assigned to the District:

- its rights and obligations under certain agreements with the Town of Avon
- a transportation system service agreement with the Vail Corporation d/b/a Vail Associates, Inc. for the operation of the "Dial-A-Ride" transit system,
- miscellaneous other contracts and easements.

The Agreement provides that BCRC may terminate the Agreement upon written notice and require that the District return the transportation system to BCRC.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

V. Other Information (continued)

G. 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 general liability.

Colorado Special Districts Property and Liability Pool

The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the governmental immunity statute, then the coverage is \$150,000 per person and \$600,000 per occurrence. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2003 (the latest audited information available) is as follows:

| | |
|-----------------------|---------------------|
| Assets | <u>\$ 8,505,173</u> |
| Liabilities | \$ 4,270,246 |
| Capital and surplus | <u>4,234,927</u> |
| Total | <u>\$ 8,505,173</u> |
| Revenue | \$ 5,005,714 |
| Underwriting expenses | <u>4,251,606</u> |
| Underwriting gain | 754,108 |
| Other income | <u>88,476</u> |
| Net Income | <u>\$ 842,584</u> |

H. Commitments and Contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives has disclosed that there are no material outstanding claims against the District at December 31, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

**Beaver Creek Metropolitan District
General Fund
Schedules of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)**

| | 2004 | | | Final Budget Variance Positive (Negative) | 2003 |
|--|----------------------------|-------------------------|------------------|--|------------------|
| | Original Budget | Final Budget | Actual | | Actual |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | 2,153,688 | 2,153,688 | 2,140,735 | (12,953) | 2,262,734 |
| Specific ownership taxes | 129,221 | 129,221 | 133,681 | 4,460 | 131,612 |
| Interest | 17,734 | 17,734 | 24,140 | 6,406 | 21,257 |
| Other | 8,034 | 42,500 | 5,519 | (36,981) | 1,847 |
| Total Revenues | <u>2,308,677</u> | <u>2,343,143</u> | <u>2,304,075</u> | <u>(39,068)</u> | <u>2,417,450</u> |
| Expenditures: | | | | | |
| General and administration | 458,623 | 456,669 | 413,259 | 43,410 | 418,017 |
| Public safety | 1,211,789 | 1,211,789 | 1,201,282 | 10,507 | 1,167,544 |
| Maintenance operations | 1,112,179 | 1,082,189 | 988,080 | 94,109 | 862,112 |
| Treasurer's fees | 64,611 | 68,007 | 64,419 | 3,588 | 68,049 |
| Total Expenditures | <u>2,847,202</u> | <u>2,818,654</u> | <u>2,667,040</u> | <u>151,614</u> | <u>2,515,722</u> |
| (Deficiency) of Revenues Over Expenditures | <u>(538,525)</u> | <u>(475,511)</u> | <u>(362,965)</u> | <u>112,546</u> | <u>(98,272)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfer from Water Fund | 300,000 | 300,000 | 300,000 | - | 320,000 |
| Transfer from Debt Service Fund | 162,273 | 162,273 | 164,276 | 2,003 | 165,306 |
| Transfer from Transportation Fund | 81,788 | 81,788 | 96,512 | 14,724 | 88,171 |
| Sale of capital assets | - | - | 37,260 | 37,260 | - |
| Contingency | (125,000) | (125,000) | - | 125,000 | - |
| Total Other Financing Sources (Uses) | <u>419,061</u> | <u>419,061</u> | <u>598,048</u> | <u>178,987</u> | <u>573,477</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures | <u>(119,464)</u> | <u>(56,450)</u> | <u>235,083</u> | <u>291,533</u> | <u>475,205</u> |

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

SUPPLEMENTARY INFORMATION

**Beaver Creek Metropolitan District
Debt Service Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)**

| | <u>2004</u> | | | Final Budget Variance Positive (Negative) | <u>2003</u> |
|---|----------------------------|-------------------------|------------------|--|------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | 3,983,846 | 3,983,846 | 3,959,910 | (23,936) | 3,948,050 |
| Specific ownership taxes | 239,031 | 239,031 | 247,279 | 8,248 | 229,637 |
| Interest | 59,758 | 59,758 | 36,158 | (23,600) | 54,271 |
| Bachelor Gulch Exclusion Agreement | 246,557 | 250,000 | 249,691 | (309) | 204,850 |
| Total Revenues | <u>4,529,192</u> | <u>4,532,635</u> | <u>4,493,038</u> | <u>(39,597)</u> | <u>4,436,808</u> |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| Bond principal | 3,720,000 | 3,720,000 | 3,720,000 | - | 3,555,000 |
| Bond interest | 530,590 | 507,775 | 505,920 | 1,855 | 673,669 |
| Paying agent and Letter of Credit fees | 7,000 | 7,000 | 3,550 | 3,450 | 3,988 |
| Treasurer's fees | 119,515 | 119,515 | 119,161 | 354 | 118,731 |
| Bond issuance costs | - | - | - | - | 138,851 |
| Total Expenditures | <u>4,377,105</u> | <u>4,354,290</u> | <u>4,348,631</u> | <u>5,659</u> | <u>4,490,239</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>152,087</u> | <u>178,345</u> | <u>144,407</u> | <u>(33,938)</u> | <u>(53,431)</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers (to) General Fund | (162,273) | (162,273) | (164,276) | (2,003) | (165,306) |
| Proceeds of refunding bonds | - | - | - | - | 5,915,000 |
| Premium on bond issuance | - | - | - | - | 157,472 |
| Payment to bond refunding agent | - | - | - | - | (5,931,496) |
| Contingency | (10,000) | (10,000) | - | 10,000 | - |
| Total Other Financing Sources (Uses) | <u>(172,273)</u> | <u>(172,273)</u> | <u>(164,276)</u> | <u>7,997</u> | <u>(24,330)</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses) | <u>(20,186)</u> | <u>6,072</u> | <u>(19,869)</u> | <u>(25,941)</u> | <u>(77,761)</u> |

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

**Beaver Creek Metropolitan District
Capital Projects Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)**

| | 2004 | | | Final Budget Variance Positive (Negative) | 2003 |
|---|--------------------|-----------------|-------------|--|-------------|
| | Original Budget | Final Budget | Actual | | Actual |
| Revenues: | | | | | |
| Interest | 87,059 | 87,059 | 69,643 | (17,416) | 103,781 |
| Other income: | | | | | |
| Lottery proceeds | 1,000 | 1,000 | 1,380 | 380 | 1,039 |
| Miscellaneous | 26,000 | 26,000 | 26,016 | 16 | 26,013 |
| Total Revenues | 114,059 | 114,059 | 97,039 | (17,020) | 130,833 |
| Expenditures: | | | | | |
| Road construction and safety improvements | 520,000 | 1,050,000 | 543,121 | 506,879 | 368,622 |
| Bike path overlay | - | - | - | - | 103,891 |
| Engineering | 30,000 | 30,000 | 7,014 | 22,986 | 19,406 |
| Landscaping | 100,000 | 115,000 | 114,549 | 451 | 87,300 |
| Communication conduit analysis | 10,000 | 10,000 | - | 10,000 | - |
| Administration building | 250,000 | - | - | - | - |
| Maintenance facility | - | 1,750,000 | 1,635,054 | 114,946 | 114,549 |
| Covered Bridge/Dial-A-Ride bus turnaround | - | - | - | - | 85,491 |
| Security/Fire capital expenditures | 44,000 | 58,000 | 63,081 | (5,081) | 463,667 |
| Other repairs and maintenance | - | - | - | - | 16,634 |
| Equipment | 52,000 | 52,000 | 20,943 | 31,057 | 79,049 |
| Vilar Center endowment | - | - | - | - | 250,000 |
| Arbitrage costs | 15,250 | - | - | - | 133,719 |
| Miscellaneous | 25,000 | 25,000 | - | 25,000 | - |
| Contingency | 250,000 | 250,000 | - | 250,000 | 133,719 |
| Total Expenditures | 1,296,250 | 3,340,000 | 2,383,762 | 956,238 | 1,856,047 |
| (Deficiency) of Revenues Over Expenditures | (1,182,191) | (3,225,941) | (2,286,723) | 939,218 | (1,725,214) |

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

**Beaver Creek Metropolitan District
Special Revenue Fund
Transportation Fund
Schedule of Revenues and Expenditures
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)**

| | <u>2004</u> | | | Final Budget Variance Positive (Negative) | <u>2003</u> |
|---|----------------------------|-------------------------|--------------------|--|------------------|
| | Original Budget | Final Budget | Actual | | Actual |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property tax | 2,576,270 | 2,576,270 | 2,560,768 | (15,502) | 2,700,571 |
| Specific ownership tax | 154,576 | 154,576 | 159,911 | 5,335 | 157,079 |
| Interest | 4,500 | 4,500 | 13,659 | 9,159 | 12,308 |
| BCRC contractual reimbursement | 623,229 | 703,654 | 614,140 | (89,514) | 1,118,161 |
| Other income: | | | | | |
| Dial-A-Ride usage fees | 45,000 | 30,000 | 43,084 | 13,084 | 32,557 |
| Advertising and miscellaneous | 15,000 | 15,000 | 16,339 | 1,339 | 57,902 |
| Total Revenues | <u>3,418,575</u> | <u>3,484,000</u> | <u>3,407,901</u> | <u>(76,099)</u> | <u>4,078,578</u> |
| Expenditures: | | | | | |
| Transportation expenses: | | | | | |
| Dial-A-Ride transit system | 2,024,215 | 1,912,200 | 1,865,424 | 46,776 | 1,740,633 |
| Parking lot transit system | 1,059,685 | 1,009,685 | 931,997 | 77,688 | 936,301 |
| Other | 81,788 | 112,015 | 146,037 | (34,022) | 157,901 |
| Treasurer's fees | 77,288 | 77,288 | 77,058 | 230 | 81,216 |
| Capital lease: | | | | | |
| Principal | 276,600 | 276,600 | 276,509 | 91 | 1,057,225 |
| Interest | 14,424 | 14,424 | 14,363 | 61 | 20,622 |
| Lease origination fees | - | - | 16,965 | (16,965) | - |
| Capital outlay | 510,000 | 1,130,000 | 1,117,763 | 12,237 | 255,972 |
| Total Expenditures | <u>4,044,000</u> | <u>4,532,212</u> | <u>4,446,116</u> | <u>86,096</u> | <u>4,249,870</u> |
| (Deficiency) of Revenues Over Expenditures | <u>(625,425)</u> | <u>(1,048,212)</u> | <u>(1,038,215)</u> | <u>9,997</u> | <u>(171,292)</u> |
| Other Financing Sources (Uses): | | | | | |
| Lease proceeds | 510,000 | 1,130,000 | 1,147,965 | 17,965 | 259,463 |
| Transfer (to) General Fund | - | (81,788) | (96,512) | (14,724) | (88,171) |
| Total Other Financing Sources (Uses) | <u>510,000</u> | <u>1,048,212</u> | <u>1,051,453</u> | <u>3,241</u> | <u>171,292</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses) | <u>(115,425)</u> | <u>-</u> | <u>13,238</u> | <u>13,238</u> | <u>-</u> |

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

**Beaver Creek Metropolitan District
Proprietary Fund - Water Fund
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual
With a Reconciliation to GAAP Basis
For the Year Ended December 31, 2004
(With Comparative Actual Amounts For 2003)**

| | 2004 | | Variance Positive (Negative) | 2003 |
|--|--|----------------|---|-----------------|
| | Original and Final Budget | Actual | | Actual |
| Operating Revenues: | | | | |
| Water usage fees | 97,000 | 108,268 | 11,268 | 111,402 |
| Total Operating Revenues | 97,000 | 108,268 | 11,268 | 111,402 |
| Operating Income | 97,000 | 108,268 | 11,268 | 111,402 |
| Non-operating Revenues (Expenses): | | | | |
| Tap fees | 75,000 | 156,618 | 81,618 | 87,281 |
| RiverEdge deferred tap fees | 54,345 | 54,345 | - | 54,345 |
| Access fee | 34,000 | 40,172 | 6,172 | 39,052 |
| Interest | 1,850 | 4,947 | 3,097 | 5,242 |
| Total Non-operating Revenues (Expenses) | 165,195 | 256,082 | 90,887 | 185,920 |
| Income Before Transfers | 262,195 | 364,350 | 102,155 | 297,322 |
| Operating transfers to General Fund | (300,000) | (300,000) | - | (320,000) |
| Change in Net Assets | (37,805) | 64,350 | 102,155 | (22,678) |
| Reconciliation to GAAP Basis: | | | | |
| RiverEdge deferred tap fees | | (54,345) | | |
| Net Income - GAAP Basis | | 10,005 | | |

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