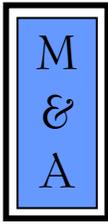


**Beaver Creek Metropolitan District
Eagle County, Colorado
December 31, 2009**

**Beaver Creek Metropolitan District
Financial Statements
December 31, 2009**

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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 and each fund of the Beaver Creek Metropolitan District (the "District"), as of and for the year ended December 31, 2009, 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 auditing standards generally accepted in the United States. 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 each major fund, and the aggregate remaining fund information of the Beaver Creek Metropolitan District as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

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.
June 10, 2010**

Member: American Institute of Certified Public Accountants

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Beaver Creek Metropolitan District

Management's Discussion and Analysis December 31, 2009

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, 2009.

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).

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. The District's governmental fund financial statements are located on pages C3 and C4.

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 (located on page C5) to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

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 an Internal Service Fund as a proprietary fund. The Internal Service Fund accounts for the joint purchasing of parts, supplies and materials by the District and other entities providing services to the Beaver Creek community. Prior to 2009, the District used a Water Fund to account for water system charges and tap fees. The District determined that the Water Fund was no longer necessary since the District has completed substantial buildout, and therefore as of December 31, 2008 the remaining assets of the Water Fund were transferred to the General Fund.

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 D17 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.

	Governmental		Business-type		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 13,128,359	\$ 14,226,101	-	-	13,128,359	14,226,101
Capital assets	25,326,910	24,669,103	-	-	25,326,910	24,669,103
Total Assets	38,455,269	38,895,204	-	-	38,455,269	38,895,204
Liabilities:						
Long-term liabilities outstanding	6,781,999	7,090,217	-	-	6,781,999	7,090,217
Other liabilities	9,749,352	10,931,302	-	-	9,749,352	10,931,302
Total Liabilities	16,531,351	18,021,519	-	-	16,531,351	18,021,519
Net Assets:						
Invested in capital assets, net of related debt	16,978,833	15,610,260	-	-	16,978,833	15,610,260
Restricted for emergencies	254,435	253,580	-	-	254,435	253,580
Restricted for debt service	9,919	14,063	-	-	9,919	14,063
Unrestricted	4,680,731	4,995,782	-	-	4,680,731	4,995,782
Total Net Assets	\$ 21,923,918	20,873,685	-	-	21,923,918	20,873,685

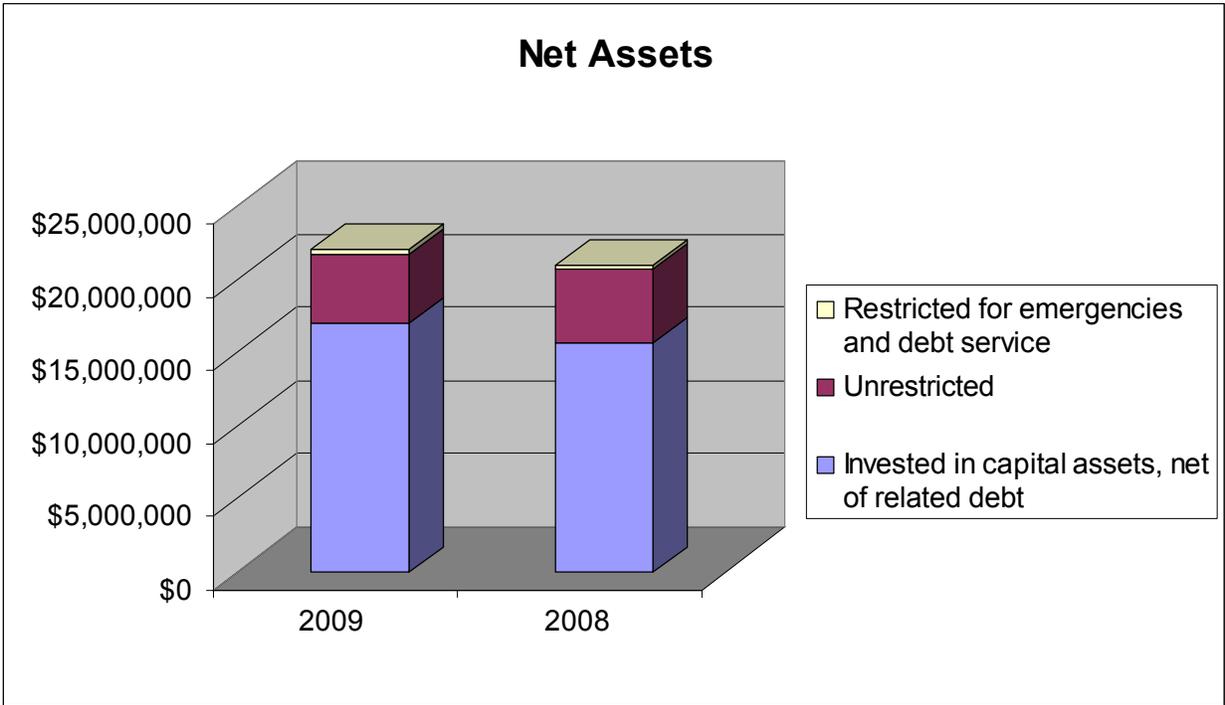
Overview of the Financial Statements (continued)

Beaver Creek Metropolitan District's Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 290,196	\$ 140,734	-	115,810	290,196	256,544
Operating grants and contributions	2,254,464	2,337,798	-	-	2,254,464	2,337,798
Capital grants and contributions	37,806	-	-	28,424	37,806	28,424
General revenues:						
Property taxes	8,072,677	8,010,716	-	-	8,072,677	8,010,716
Other taxes	332,993	399,097	-	-	332,993	399,097
Unrestricted grants and contributions	-	-	-	-	-	-
Interest and other revenue	71,808	145,307	-	67,855	71,808	213,162
Gain on sale of assets	54,981	(66,786)	-	-	54,981	(66,786)
Total Revenues	11,114,925	10,966,866	-	212,089	11,114,925	11,178,955
Expenses:						
General government	836,951	695,498	-	-	836,951	695,498
Public safety	1,337,946	1,357,583	-	-	1,337,946	1,357,583
Public works	2,423,281	2,346,274	-	-	2,423,281	2,346,274
Transportation	4,905,523	5,014,595	-	-	4,905,523	5,014,595
Interest on long-term debt	310,991	455,166	-	-	310,991	455,166
Culture and Recreation	250,000	250,000	-	-	250,000	250,000
Total Expenses	10,064,692	10,119,116	-	-	10,064,692	10,119,116
Change in Net Assets						
Before Transfers	1,050,233	847,750	-	212,089	1,050,233	1,059,839
Transfers	-	755,177	-	(755,177)	-	-
Change in Net Assets	1,050,233	1,602,927	-	(543,088)	1,050,233	1,059,839
Net Assets - Beginning	20,873,685	19,270,758	-	543,088	20,873,685	19,813,846
Net Assets - Ending	\$ 21,923,918	20,873,685	-	-	21,923,918	20,873,685

The District's overall financial position, as measured by net assets, increased from \$20,873,685 at the end of 2008 to \$21,923,918 at the end of 2009. The increase in net assets is primarily the result of the collection of property taxes which have been used to pay down the District's debt principal. The District's unrestricted net assets decreased from \$4,995,782 at the end of 2008 to \$4,680,731 at the end of 2009. The decrease is primarily due to additional investments in the District's equipment, buildings, and infrastructure. The graph on the following page shows the District's total net assets by category (invested in capital assets, net of related debt, unrestricted net assets and net assets restricted for emergencies and debt service) for 2009 compared to 2008.

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Financial Analysis of the District’s Funds

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

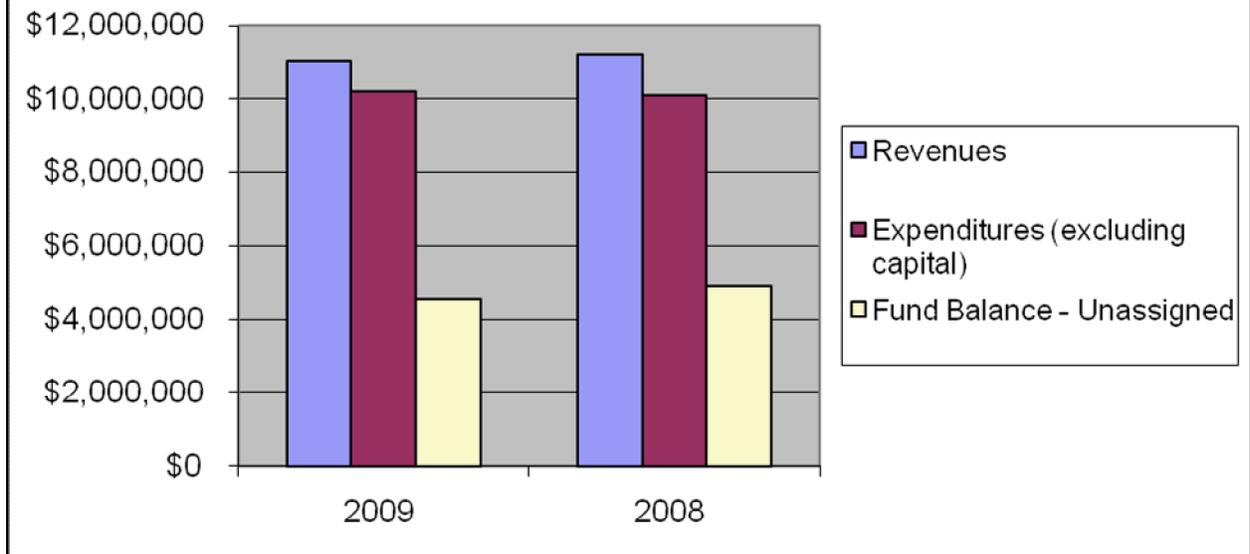
Governmental Funds. The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful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

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$5,003,659 an decrease of \$352,275 from the prior year ending fund balances. Of the District’s ending fund balance, \$43,824 is **nonspendable** since it represents funds already expended for next years operations, \$254,435 is **restricted**, meaning it is not available for spending because it has been committed for emergencies under Taxpayers’ Bill Of Rights (TABOR), \$151,098 is **assigned** for intended use for future debt service and transportation costs, and the remaining \$4,554,302 is **unassigned**, which is available for spending at the District’s discretion.

The District’s unassigned fund balance at the end of 2009 was \$4,554,302 compared to \$4,901,284 at the end of 2008. The graph on the following page shows the usassigned fund balance for 2009 and 2008 relative to revenues and expenditures (excluding capital expenditures). This graph shows that at the end of 2009 the District was holding approximately 45% of one year’s expenditures in unassigned fund balances.

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Unassigned Fund Balance Compared to Revenues and Expenditures



Proprietary Funds. The District's proprietary fund provides information on the Internal Service Fund which is used to track the joint purchasing of parts, supplies and materials by the District and other entities providing services to the Beaver Creek community. This information is combined with the governmental activities in the government-wide financial statements.

Budget Variances. The District amended its 2009 budget, primarily to budget for expenses related to the issuance of refunding bonds to pay down the Series 1998 General Obligation Bonds and for additional expenditures associated with transportation services. The General Fund's expenses were approximately 93% of the amended 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 through E2 and F1 through F3 of this report.

Capital Assets. Capital asset increases during 2009 consisted of the District's investment of \$2,632,293 in capital asset additions. This investment includes purchases of new equipment for operations and vehicles for the transportation system as well as overlays to a portion of the roads within the District. Overall, total capital assets, after depreciation, increased from \$24,669,100 to \$25,326,910 during 2009. 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. In May of 2009, the District issued General Obligation Bonds Refunding in the amount of \$4.265 million to refinance the 1998 General Obligation Bonds. The District reduced its outstanding long-term debt balance from \$9,162,094 to \$8,382,652 at the end of 2009. Not counting the refunding of the 1998 bonds, the District paid off \$2,384,412 in long term debt during 2009 but it also entered into additional lease/purchase agreements for \$1,566,950 in new debt and interest accreted in the amount of \$38,020 on the District's 2001 Capital Appreciation Bonds. Additional information can be found in the Notes to the Financial Statement on page D10 of this report.

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, 2009**

	Governmental Activities
Assets:	
Cash and equivalents	4,211,439
Receivables, net:	
Property tax	7,406,672
Trade	1,407,930
County Treasurer	23,919
Prepaid expenses	43,824
Bond issuance costs, net	34,575
Capital assets, net	25,326,910
Total Assets	38,455,269
Liabilities:	
Accounts payable	683,453
Accrued interest payable	58,574
Deferred revenue	7,406,672
Due within one year:	
Leases payable	1,190,653
Bonds payable	410,000
Due within more than one year:	
Leases payable	3,321,999
Bonds payable	3,460,000
Total Liabilities	16,531,351
Net Assets:	
Invested in capital assets, net of related debt	16,978,833
Restricted for emergencies	254,435
Restricted for debt service	9,919
Unrestricted	4,680,731
Total Net Assets	21,923,918

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

**Beaver Creek Metropolitan District
Statement of Activities
For the Year Ended December 31, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental activities:					
General government	836,951	216,122	-	37,806	(583,023)
Public safety	1,337,946	8,411	-	-	(1,329,535)
Public works	2,423,281	20,238	-	-	(2,403,043)
Transportation	4,905,523	45,425	2,252,896	-	(2,607,202)
Culture and recreation	250,000	-	1,568	-	(248,432)
Interest on long-term debt	310,991	-	-	-	(310,991)
Total governmental activities	<u>10,064,692</u>	<u>290,196</u>	<u>2,254,464</u>	<u>37,806</u>	<u>(7,482,226)</u>
Total primary government	<u>10,064,692</u>	<u>290,196</u>	<u>2,254,464</u>	<u>37,806</u>	<u>(7,482,226)</u>
General revenues:					
Taxes:					
Property tax, levied for debt service					1,583,272
Property tax, levied for transportation services					2,876,676
Property tax, levied for Vilar Center funding					246,995
Property tax, levied for general purposes					3,365,734
Specific ownership tax					332,993
Investment earnings					52,217
Miscellaneous income					19,591
Special items:					
Gain/(loss) on sale of assets					54,981
Total general revenues and special items					<u>8,532,459</u>
Change in net assets					1,050,233
Net Assets - Beginning					<u>20,873,685</u>
Net Assets - Ending					<u>21,923,918</u>

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

FUND FINANCIAL STATEMENTS

**Beaver Creek Metropolitan District
Balance Sheet
Governmental Funds
For the Year Ended December 31, 2009**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transportation Special Revenue</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and equivalents	4,167,282	5,228	-	-	4,172,510
Due from County Treasurer	10,704	4,691	-	8,524	23,919
Accounts receivable	48,479	-	-	1,330,370	1,378,849
Prepaid expenses	43,824	-	-	-	43,824
Due from other funds	1,088,439	-	-	-	1,088,439
Property taxes assessed, but not collectible until subsequent year	3,822,772	531,828	-	3,052,072	7,406,672
Total Assets	<u>9,181,500</u>	<u>541,747</u>	<u>-</u>	<u>4,390,966</u>	<u>14,114,213</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	664,988	-	-	-	664,988
Due to other funds	-	-	-	1,038,894	1,038,894
Property taxes assessed, but not collectible until subsequent year	3,822,772	531,828	-	3,052,072	7,406,672
Total Liabilities	<u>4,487,760</u>	<u>531,828</u>	<u>-</u>	<u>4,090,966</u>	<u>9,110,554</u>
Fund Balances:					
Non-spendable	43,824	-	-	-	43,824
Restricted for emergencies	95,614	-	-	158,821	254,435
Assigned for debt service	-	9,919	-	-	9,919
Assigned for transportation	-	-	-	141,179	141,179
Unassigned	4,554,302	-	-	-	4,554,302
Total Fund Balances	<u>4,693,740</u>	<u>9,919</u>	<u>-</u>	<u>300,000</u>	<u>5,003,659</u>
Total Liabilities and Fund Balances	<u>9,181,500</u>	<u>541,747</u>	<u>-</u>	<u>4,390,966</u>	

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. Details of these amounts are as follows:

Capital asset	42,936,131	
Accumulated depreciation	<u>(17,609,221)</u>	
		25,326,910

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

Bond issue costs, net	34,575	
Accrued interest payable	(58,574)	
Leases payable	(4,512,652)	
Bonds payable	<u>(3,870,000)</u>	
		<u>(8,406,651)</u>

Net Assets of Governmental Activities

21,923,918

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, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transportation Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	3,761,752	1,648,581	-	2,995,337	8,405,670
Interest	50,191	1,653	-	373	52,217
BCRC contractual reimbursement	-	-	-	2,252,896	2,252,896
Fees	218,946	-	-	-	218,946
Other	28,649	-	1,568	45,425	75,642
Total Revenues	<u>4,059,538</u>	<u>1,650,234</u>	<u>1,568</u>	<u>5,294,031</u>	<u>11,005,371</u>
Expenditures:					
General government	548,981	51,432	-	87,316	687,729
Public safety	1,285,417	-	-	-	1,285,417
Public works	1,102,728	-	-	-	1,102,728
Transportation	-	-	-	4,116,926	4,116,926
Culture and recreation	250,000	-	-	-	250,000
Debt service	-	1,556,549	78,551	1,056,218	2,691,318
Debt issue costs	-	38,897	-	26,950	65,847
Capital outlay	-	-	1,202,368	1,564,124	2,766,492
Total Expenditures	<u>3,187,126</u>	<u>1,646,878</u>	<u>1,280,919</u>	<u>6,851,534</u>	<u>12,966,457</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>872,412</u>	<u>3,356</u>	<u>(1,279,351)</u>	<u>(1,557,503)</u>	<u>(1,961,086)</u>
Other Financing Sources (Uses):					
Lease proceeds	-	-	-	1,566,950	1,566,950
Bond proceeds	-	4,265,000	-	-	4,265,000
Refunding	-	(4,265,000)	-	-	(4,265,000)
Insurance recoveries	19,591	-	-	-	19,591
Sale of capital assets	-	-	-	22,270	22,270
Operating transfers in (out)	(1,240,134)	(7,500)	1,279,351	(31,717)	-
Total Other Financing Sources (Uses)	<u>(1,220,543)</u>	<u>(7,500)</u>	<u>1,279,351</u>	<u>1,557,503</u>	<u>1,608,811</u>
Net Change in Fund Balance	<u>(348,131)</u>	<u>(4,144)</u>	<u>-</u>	<u>-</u>	<u>(352,275)</u>
Fund Balances - Beginning	<u>5,041,871</u>	<u>14,063</u>	<u>-</u>	<u>300,000</u>	<u>5,355,934</u>
Fund Balances - Ending	<u>4,693,740</u>	<u>9,919</u>	<u>-</u>	<u>300,000</u>	<u>5,003,659</u>

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

Beaver Creek Metropolitan District
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2009

Net Change in Fund Balances of Governmental Funds (352,275)

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 net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Capital additions	2,632,296	
Depreciation expense	<u>(1,974,489)</u>	657,807

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.

Proceeds from capital lease	(1,566,950)	
Repayment of principal on capital lease	984,412	
Proceeds from bond issuance	(4,265,000)	
Debt issue costs capitalized	38,897	
Repayment of principal on bonds	5,665,000	
Amortization of debt related deferrals, net	(107,573)	
Adjustments to current year interest	<u>(4,085)</u>	744,701

Change in Net Assets of Governmental Activities 1,050,233

**Beaver Creek Metropolitan District
Statement of Net Assets
Proprietary Funds
For the Year Ended December 31, 2009**

	<u>Internal Service Fund</u>
Assets:	
Current assets:	
Cash and equivalents	38,929
Accounts receivable, net	29,082
Total current assets	<u>68,011</u>
Total Assets	<u>68,011</u>
Liabilities:	
Current liabilities:	
Accounts payable	18,466
Interfund payable	49,545
Total current liabilities	<u>68,011</u>
Total Liabilities	<u>68,011</u>
Total Net Assets	<u><u>-</u></u>

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

Beaver Creek Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Internal Service Fund
Operating Revenues:	
Charges for services	155,823
Total Operating Revenues	155,823
Operating Expenses:	
Materials and supplies	128,684
Outside services	27,139
Total Operating Expenses	155,823
Operating Income	-
Change in Net Assets	-
Total Net Assets - Beginning	-
Total Net Assets - Ending	-

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

**Beaver Creek Metropolitan District
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009**

	Internal Service Fund
Cash Flows From Operating Activities:	
Cash received from customers and others	171,849
Cash paid for goods and services	(173,068)
Net Cash Provided (Used) by Operating Activities	(1,219)
Net Increase (Decrease) in Cash	(1,219)
Cash and Cash Equivalents - Beginning of Year	40,148
Cash and Cash Equivalents - End of Year	38,929
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating income	-
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	12,193
Change in interfund receivable and payable	3,833
Increase (decrease) in accounts payable	(17,245)
Total Adjustments	(1,219)
Net Cash Provided (Used) by Operating Activities	(1,219)

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, 2009**

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, recreation, 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 three parts - invested in capital assets, net of related debt; restricted net assets; 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, 2009
(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 obligation 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 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.

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.

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

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. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

3. 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.

4. Prepaid Expenses

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

5. Interfund Receivables and Payables

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

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. 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	5 - 40
Equipment and vehicles	4 - 10

7. Reserved Fund Balance

The governmental funds, excluding debt service, had a combined reserved fund balance of \$254,435 for emergencies as required under TABOR (see Note III. B.).

The Debt Service Fund balance of \$9,919 is reserved for debt service.

II. 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").

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 2009 budget year, prior to August 25, 2008, 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, 2008 the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2008, 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 2009 budget, prior to December 15, 2008, 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 2009 budget, the final budget and appropriating resolution was adopted prior to December 31, 2008.

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (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 2008 were collected in 2009 and taxes certified in 2009 will be collected in 2010 and 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.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2009, year-end fund balance in the governmental funds for emergencies as required under TABOR in the amount of \$254,435.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)**

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

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.

C. Authorized But Unissued Debt

At December 31, 2009, the District had \$1,465,000 of general obligation debt authorized by the Districts electorate in 1996 which has never been issued. However, the District's Board of Directors considers this authorization to have been replaced by the District's 1998 election to issue \$7.4 million of general obligation bonds in 1998 using the 1998 voter authorization and the District's Board considers the 1996 voter authorization to be no longer valid.

III. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

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

At December 31, 2009, the District's cash deposits had a carrying balance and a bank balance as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Deposits	\$ 2,838,092	2,889,524

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)**

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

2. Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- A. Obligations of the United States and certain U.S. government agency securities
- B. Certain international agency securities
- C. General obligation and revenue bonds of U.S. local government entities
- D. Banker's acceptances of certain banks
- E. Commercial paper
- F. Written repurchase agreements collateralized by certain authorized securities
- G. Certain money market mutual funds
- H. Guaranteed investment contract
- I. Local government investment pools

The District owned the following investments as of December 31, 2009:

	Standard & Poor's Investment Rating	Carrying Balance	Fair Value
Local government investment pool	AAAm	\$ 1,373,347	1,373,347

The District had invested \$1,373,347 in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

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

The District places no limit on the amount the District may invest in any one issuer. More than 5% of the District's investments are in local government investment pools. These investments are 100% of the District's total investments.

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

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

3. Summary of Cash and Investments

A summary of the District's cash and investment book balances at December 31, 2009 is shown below.

Cash and equivalents	<u>\$ 4,211,439</u>
	<u>\$ 4,211,439</u>
Deposits	\$ 2,838,092
Local government investment pool	<u>1,373,347</u>
Total cash and cash equivalents	<u>\$ 4,211,439</u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2009 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
Water rights	238,500	-	-	238,500
Total capital assets not being depreciated	<u>1,751,416</u>	<u>-</u>	<u>-</u>	<u>1,751,416</u>
Capital assets being depreciated:				
Infrastructure	26,722,648	601,655	-	27,324,303
Buildings	3,455,439	-	-	3,455,439
Vehicles and equipment	9,496,869	2,030,638	(1,122,534)	10,404,973
Total capital assets being depreciated	<u>39,674,956</u>	<u>2,632,293</u>	<u>(1,122,534)</u>	<u>41,184,715</u>
Less accumulated depreciation for:				
Infrastructure	(10,881,327)	(845,810)	-	(11,727,137)
Buildings	(612,618)	(118,063)	-	(730,681)
Vehicles and equipment	(5,263,327)	(1,010,610)	1,122,534	(5,151,403)
Total accumulated depreciation	<u>(16,757,272)</u>	<u>(1,974,483)</u>	<u>1,122,534</u>	<u>(17,609,221)</u>
Total capital assets being depreciated, net	<u>22,917,684</u>	<u>657,810</u>	<u>-</u>	<u>23,575,494</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,669,100</u>	<u>657,810</u>	<u>-</u>	<u>25,326,910</u>

Depreciation expense was charged to the following functions/programs as follows:

Governmental activities:	
General government	6,667
Public safety	31,589
Public works	1,174,580
Transportation	<u>761,647</u>
Total Depreciation Expense	<u>\$ 1,974,483</u>

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)**

III. Detailed Notes on All Funds (continued)

C. Interfund Receivables, Payables, and Transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Transportation	\$ 1,038,894	
General	Internal Service	49,545	

<u>Transferred to:</u>	<u>Transferred from:</u>	<u>Amount</u>	<u>Purpose</u>
General	Debt Service	7,500	Transfer S.O. tax and interest
Capital Projects	General	1,279,351	Capital additions
General	Transportation	31,717	Transfer S.O. tax and interest

D. Capital Leases

The District has entered into capital leases for the acquisition of vehicles with a net book value of \$4,373,221. All capital leases of the District are paid from the Transportation (special revenue) Fund and the Capital Projects Fund. Future minimum lease payments under the leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	1,190,653	167,934	1,358,587
2011	1,157,733	119,174	1,276,907
2012	1,000,783	84,447	1,085,230
2013	482,709	45,088	527,797
2014	330,477	26,676	357,153
2015 to 2016	350,297	16,824	367,121
Total	<u>\$ 4,512,652</u>	<u>460,143</u>	<u>4,972,795</u>

E. Long-term Debt

1. 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. On May 1, 2009 these bonds were paid off using net proceeds from the series 2009 G.O. Refunding Bonds. The principal was payable on December 1 and matured in various increments through 2017. The bonds were insured by the Municipal Bond Investors Assurance Corporation.

2. 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 final payment of appreciated principal of \$1,005,000 was made on December 1, 2009. The bonds were insured by Financial Security Assurance Inc.

3. General Obligation Refunding Bonds, Series 2009

On May 1, 2009, the District issued \$4,265,000 of general obligation bonds to finance the full refunding of the District's General Obligation Bonds Series 1998 at lower interest rates. The interest rates range from 1.75% to 4.00% payable on June 1 and December 1. The principal is payable on December 1 and matures in various increments through 2017.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)**

III. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

4. 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>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	410,000	117,625	527,625
2011	430,000	109,425	539,425
2012	450,000	99,750	549,750
2013	470,000	88,500	558,500
2014	490,000	75,575	565,575
2015 to 2017	1,620,000	126,325	1,746,325
Total	\$ 3,870,000	617,200	4,487,200

5. 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	\$ 4,265,000	-	(4,265,000)	-	-
G.O. Capital Appreciation Bonds Payable	966,980	38,020	(1,005,000)	-	-
G.O. Refunding Bonds Payable	-	4,265,000	(395,000)	3,870,000	410,000
Capital Leases	3,930,114	1,566,950	(984,412)	4,512,652	1,190,653
Total	<u>\$ 9,162,094</u>	<u>5,869,970</u>	<u>(6,649,412)</u>	<u>8,382,652</u>	<u>1,600,653</u>

IV. 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. In May 2004, the District obtained voter approval to enter into a multiple fiscal year obligation for fire protection services. 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 (BCRC) for the provision of these personnel.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)**

IV. Other Information (continued)

A. Intergovernmental Agreements (continued)

1. Fire Protection Agreement (continued)

Costs incurred by the District in 2009 for fire protection services were:

Contract fees paid to ERFPD	\$ 935,134
Public safety contract with BCRC	305,316
Equipment and operating expense	11,717
Total	<u><u>\$ 1,252,167</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, 2009, 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.

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.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)**

IV. Other Information (continued)

A. Intergovernmental Agreements (continued)

2. Upper Eagle Regional Water Authority (continued)

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.

A summary of audited financial information for the Authority as of and for the year ended December 31, 2007 (the latest audited information available) is as follows:

Upper Eagle Regional Water Authority	
Assets:	
Current	\$ 8,405,056
Other	3,554,629
Property and equipment	87,060,771
Total Assets	<u><u>\$ 99,020,456</u></u>
Liabilities and Net Assets:	
Current	\$ 1,935,973
Long-term debt	17,185,716
Net assets	79,898,767
Total Liabilities and Net Assets	<u><u>\$ 99,020,456</u></u>
Operations:	
Operating revenue	\$ 7,527,812
Operating expense	9,825,051
Operating income	<u>(2,297,239)</u>
Other income	305,141
Other expense	<u>(1,047,206)</u>
Net (loss)	<u>(3,039,304)</u>
Capital contributions	1,528,318
Net Assets - Beginning	81,409,753
Net Assets - Ending	<u><u>\$ 79,898,767</u></u>

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)**

IV. Other Information (continued)

A. Intergovernmental Agreements (continued)

3. Town of Avon Service Agreement

The District entered into a service agreement effective October 1, 2008 with the Town of Avon ("Avon") for routine maintenance and preventive maintenance of the District's vehicles and equipment and repair and replacement work as requested by the District. Under this agreement the District pays Avon the shop rate of \$105 per hour for services performed and cost plus 10% for materials and sublet work. The agreement had a term of one year. A new agreement was entered into effective October 1, 2009 for a one year term with the shop rate of \$105 per hour effective January 1, 2010. For the year ended December 31, 2009, the District paid \$131,838 to Avon in accordance with the Agreement.

4. Transportation Services Agreement

The District entered into a transportation services agreement November 1, 2006 with the Town of Avon for provision of transportation services related to operation of the free parking lot service as well as various special event services utilizing vehicles owned by the District. Under the agreement, the District compensated Avon monthly in accordance with an annual expense budget prepared by Avon and approved by the District. The original term of the agreement was one year followed by optional renewals for subsequent one year terms. On May 1, 2008 the agreement was terminated with Town of Avon, and a new agreement was established with the Vail Corp. d/b/a Vail Associates, Inc ("Vail Associates").

Under the agreement, Vail Associates provides for transportation services related to operation of the free parking lot service as well as various special event services utilizing vehicles owned by the District. Under the agreement, the District compensates Vail Associates monthly in accordance with an annual expense budget prepared by Vail Associates and approved by the District. The agreement was renewed on November 1, 2009 and is set to expire on October 31, 2010, and automatically renews for three separate one year renewal periods unless either party terminates ninety days prior to expiration.

B. Vilar Center Funding

In November 2005, the District's electorate approved a ballot issue imposing an ad valorem property tax mill levy of .85 mills, not to exceed \$250,000 annually, for the purpose of funding capital improvements at the Vilar Center. Subsequent to the voters approval of the ballot issue, the District entered into a memorandum of understanding with the Vilar Center Arts Foundation ("VCAF"), operator of the Vilar Center, under which the District agreed to transfer \$250,000 to VCAF, on or before August 1 of each year up to an aggregate of \$1,250,000, upon annual approval by the Board of Directors of the District. The memorandum of understanding restricts the use of these funds and any accumulated interest to expenditures for capital improvements, requires the funds to be placed by VCAF into a restricted bank account, and requires VCAF to provide an annual accounting of all funds transferred by the District under the agreement no later than the District's regular June board of directors meeting. In November 2009, the District's electorate approved extending the authorization for an additional 5-year term through 2015.

C. 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, 2009, amounted to \$114,413, \$486,001 and \$3,378,032, respectively. The District received \$27,727 from VAI during the year for usage of the District's Dial-A-Ride vehicles. The District owed VAI \$418,950 at December 31, 2009. Vail Associates, Inc. was the original developer of commercial and residential real property within the District.

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)

IV. Other Information (continued)

C. Related Party Transactions (continued)

Certain members of the Board of Directors for the District are also members of Boards of Directors for other entities with which the District has material financial transactions and or agreements.

D. Cable Television System Operating Agreement

The District entered into an Access/Operational Agreement with Comcast VI, LLC ("Comcast") pursuant to which Comcast agreed to operate the cable television system within the District and to pay the District an ongoing access fee of four percent (4%) of the provider's gross revenues from operation of the system. The 4% fee amounted to \$64,388 for the year ended December 31, 2009.

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.

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 10.86 for taxes payable in 2000 and 2001, 9.325 mills for taxes payable in 2002 through 2005, 8.981 mills for taxes payable in 2006 and 2007, and 7.449 mills for taxes payable in 2008 and 2009. 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.

The Agreement provides that BCRC may terminate the Agreement upon written notice. Upon termination, the agreement requires the District to return the transportation system to BCRC.

**Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(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; injuries to employees; and general liability.

Colorado Special Districts Property and Liability Pool

The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). Additionally, the District is afforded certain protection under the Colorado Governmental Immunity Act which limits the District's liability in certain situations to \$150,000 per person and \$600,000 per occurrence. The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2008 (the latest audited information available) is as follows:

Assets	<u>\$ 27,093,162</u>
Liabilities	\$ 10,778,248
Capital and surplus	16,314,914
Total	<u>\$ 27,093,162</u>
Revenue	\$ 9,960,770
Underwriting expenses	<u>8,175,165</u>
Underwriting gain	1,785,605
Other income	800,122
Net Income	<u>\$ 2,585,727</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 have disclosed that there are no material outstanding claims against the District at December 31, 2009.

Beaver Creek Metropolitan District
Notes to the Financial Statements
December 31, 2009
(Continued)

IV. Other Information (continued)

I. Deferred Compensation Plans

The District adopted an employees' deferred compensation plan (the "401a Plan") created in accordance with Internal Revenue Service Code Section 401(a). The 401a Plan is a defined contribution plan with no liability to the District for further pension benefits in excess of contributions made by the District

The Plan is available to the General Manager. The District has elected to contribute 10% of earnings. The employer's contributions fully vest at the date of the contribution. The investments acquired for the employee are self directed by the employee under various investment options offered by the 401a Plan. The total salaries paid by the District and covered under the 401a Plan in 2009 were \$135,486. The District's contributions to the Plan for 2009 were \$13,549.

The District has also adopted another employees' deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Service Code Section 457(b). Under the plan only the employee contributes a voluntary amount to the plan based on the IRS 457 pension plan limits. The total salaries paid by the District and covered under the plan in 2009 were \$135,486.

J. Subsequent events

Management has evaluated subsequent events through March 15, 2010, the date these financial statements were available to be issued and there are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

Beaver Creek Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009			Final Budget Variance Positive (Negative)	2008
	Original Budget	Final Amended Budget	Actual		Actual
Revenues:					
Taxes:					
Property taxes	3,667,039	3,667,039	3,612,729	(54,310)	3,570,018
Specific ownership taxes	183,352	183,352	149,023	(34,329)	177,860
Interest	94,776	94,776	50,191	(44,585)	100,849
Access fee	46,350	46,350	64,388	18,038	-
Water user fee	114,000	114,000	116,752	2,752	-
Water tap fee	20,000	20,000	37,806	17,806	-
Other	19,800	19,800	28,649	8,849	24,366
Total Revenues	4,145,317	4,145,317	4,059,538	(85,779)	3,873,093
Expenditures:					
General government	638,395	638,395	548,981	89,414	502,460
Public safety	1,286,214	1,286,214	1,285,417	797	1,255,712
Public works	1,260,763	1,260,763	1,102,728	158,035	1,017,971
Culture and recreation	250,000	250,000	250,000	-	250,000
Total Expenditures	3,435,372	3,435,372	3,187,126	248,246	3,026,143
(Deficiency) of Revenues Over Expenditures	709,945	709,945	872,412	162,467	846,950
Other Financing Sources (Uses):					
Transfer from (to) other fund	(2,168,418)	(1,307,510)	(1,240,134)	67,376	(71,429)
Insurance recoveries	-	-	19,591	19,591	-
Total Other Financing Sources (Uses)	(2,168,418)	(1,307,510)	(1,220,543)	86,967	(71,429)
Net Change in Fund Balance	(1,458,473)	(597,565)	(348,131)	249,434	775,521
Fund Balances - Beginning	4,738,829	5,041,871	5,041,871	-	4,266,350
Fund Balances - Ending	3,280,356	4,444,306	4,693,740	249,434	5,041,871

Beaver Creek Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Transportation Special Revenue Fund
For the Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	<u>2009</u>			<u>2008</u>	
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:					
Taxes:					
Property tax	2,919,911	2,919,911	2,876,676	(43,235)	2,839,622
Specific ownership tax	145,996	145,996	118,661	(27,335)	141,471
BCRC contractual reimbursement	2,113,857	2,448,557	2,252,896	(195,661)	2,336,132
Interest	43,799	43,799	373	(43,426)	24,764
Other:					
Dial-A-Ride usage fees	40,000	40,000	27,727	(12,273)	62,828
Advertising fees	20,000	20,000	17,698	(2,302)	21,720
Total Revenues	<u>5,283,563</u>	<u>5,618,263</u>	<u>5,294,031</u>	<u>(324,232)</u>	<u>5,426,537</u>
Expenditures:					
Transportation expenses:					
Dial-A-Ride transit system	2,579,700	2,579,700	2,425,172	154,528	2,376,874
Parking lot transit system	1,268,950	1,602,150	1,525,705	76,445	1,821,027
Other transportation expenses	265,186	266,686	253,365	13,321	261,980
Debt Service:					
Lease principal	926,395	926,395	919,519	6,876	735,899
Lease interest	141,135	141,135	136,699	4,436	135,379
Debt issue costs	24,525	24,525	26,950	(2,425)	14,055
Capital outlay	1,635,000	1,635,000	1,564,124	70,876	1,656,002
Total Expenditures	<u>6,840,891</u>	<u>7,175,591</u>	<u>6,851,534</u>	<u>324,057</u>	<u>7,001,216</u>
(Deficiency) of Revenues Over Expenditures	<u>(1,557,328)</u>	<u>(1,557,328)</u>	<u>(1,557,503)</u>	<u>(175)</u>	<u>(1,574,679)</u>
Other Financing Sources (Uses):					
Lease proceeds	1,659,525	1,659,525	1,566,950	(92,575)	951,055
Sale of assets	-	-	22,270	22,270	-
Transfer (to) General Fund	(102,197)	(102,197)	(31,717)	70,480	(80,906)
Total Other Financing Sources (Uses)	<u>1,557,328</u>	<u>1,557,328</u>	<u>1,557,503</u>	<u>175</u>	<u>870,149</u>
Net Change in Fund Balance	-	-	-	-	(704,530)
Fund Balances - Beginning	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>1,004,530</u>
Fund Balances - Ending	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>

SUPPLEMENTARY INFORMATION

Beaver Creek Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Debt Service Fund
For the Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009			Final Budget Variance Positive (Negative)	2008
	Original Budget	Final Amended Budget	Actual		Actual
Revenues:					
Taxes:					
Property taxes	1,607,147	1,607,147	1,583,272	(23,875)	1,601,076
Specific ownership taxes	80,357	80,357	65,309	(15,048)	79,766
Interest	32,143	32,143	1,653	(30,490)	19,694
Total Revenues	1,719,647	1,719,647	1,650,234	(69,413)	1,700,536
Expenditures:					
General government	50,214	51,714	51,432	282	51,137
Debt service:					
Bond principal	1,005,000	1,400,000	1,400,000	-	1,385,000
Bond interest	201,365	156,549	156,549	-	217,865
Debt issue costs	50,000	39,000	38,897	103	-
Total Expenditures	1,306,579	1,647,263	1,646,878	385	1,654,002
Excess of Revenues Over Expenditures	413,068	72,384	3,356	(69,028)	46,534
Other Financing Sources (Uses):					
Bond proceeds	4,000,000	4,265,000	4,265,000	-	-
Refundings	(4,345,000)	(4,265,000)	(4,265,000)	-	-
Operating transfers (to) General Fund	(62,286)	(60,786)	(7,500)	53,286	(51,349)
Total Other Financing Sources (Uses)	(407,286)	(60,786)	(7,500)	53,286	(51,349)
Net Change in Fund Balance	5,782	11,598	(4,144)	(15,742)	(4,815)
Fund Balances - Beginning	18,200	14,063	14,063	-	18,878
Fund Balances - Ending	23,982	25,661	9,919	(15,742)	14,063

Beaver Creek Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Capital Projects Fund
For the Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	<u>2009</u>			Final Budget Variance Positive (Negative)	<u>2008</u>
	Original Budget	Final Amended Budget	Actual		Actual
Revenues:					
Other income	26,650	1,650	1,568	(82)	1,666
Total Revenues	<u>26,650</u>	<u>1,650</u>	<u>1,568</u>	<u>(82)</u>	<u>1,666</u>
Expenditures:					
Debt service:					
Principal on capital leases	133,551	64,893	64,893	-	62,283
Interest on capital leases	30,000	13,658	13,658	-	16,267
Capital outlay	2,559,000	1,393,592	1,202,368	191,224	643,477
Total Expenditures	<u>2,722,551</u>	<u>1,472,143</u>	<u>1,280,919</u>	<u>191,224</u>	<u>722,027</u>
Other Financing Sources (Uses):					
Lease proceeds	363,000	-	-	-	-
Operating transfers from (to) General Fund	2,332,901	1,470,493	1,279,351	(191,142)	720,361
Total Other Financing Sources (Uses)	<u>2,695,901</u>	<u>1,470,493</u>	<u>1,279,351</u>	<u>(191,142)</u>	<u>720,361</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balances - Beginning	-	-	-	-	-
Fund Balances - Ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Beaver Creek Metropolitan District
Schedule of Revenues, Expenditures and Changes in Net Assets
Budget (Non-GAAP Basis) and Actual with Reconciliation
Water Fund
For the Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009			Final Budget Variance Positive (Negative)	2008
	Original Budget	Final Amended Budget	Actual		Actual
Operating Revenues:					
Water usage fees	-	-	-	-	115,810
Total Operating Revenues	-	-	-	-	115,810
Operating Income	-	-	-	-	115,810
Non-operating Revenues (Expenses):					
Tap fees	-	-	-	-	28,424
Access fee	-	-	-	-	60,227
Interest	-	-	-	-	7,628
Total Non-operating Revenues (Expenses)	-	-	-	-	96,279
Income Before Transfers	-	-	-	-	212,089
Operating transfers to General Fund	-	-	-	-	(516,677)
Net Change in Net Assets - Non-GAAP Basis	-	-	-	-	(304,588)
Reconciliation to GAAP Basis:					
Transfer capital assets			-		(238,500)
Net Change in Net Assets - GAAP Basis			-		(543,088)

**Beaver Creek Metropolitan District
Schedule of Bonds Payable to Maturity
December 31, 2009**

\$4,265,000
General Obligation
Refunding Bond Series 2009
Dated May 1, 2009
Interest rate 1.75% - 4%

Bonds and Interest Maturing in the Bond Year Ending December 1	Interest Due June 1 and December 1	Principal Due December 1	Total
2010	117,625	410,000	527,625
2011	109,425	430,000	539,425
2012	99,750	450,000	549,750
2013	88,500	470,000	558,500
2014	75,575	490,000	565,575
2015	60,875	515,000	575,875
2016	42,850	540,000	582,850
2017	22,600	565,000	587,600
Totals	<u>617,200</u>	<u>3,870,000</u>	<u>4,487,200</u>

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

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds Mills Levied	Property Taxes Total All Funds		Percent Collected to Levied
			Levied	Collected	
1996	136,068,570	31.75	4,320,177	4,283,947	99.2%
1997	145,170,200	31.75	4,609,154	4,581,469	99.4%
1998	185,922,530	28.17	5,238,181	5,220,945	99.7%
1999	192,314,090	42.29	8,132,578	8,117,101	99.8%
2000	237,755,780	35.59	8,441,043	8,296,558	98.3%
2001	235,075,950	35.48	8,320,062	8,298,168	99.7%
2002	291,270,140	30.74	8,963,433	8,897,213	99.3%
2003	290,069,660	30.74	8,926,869	8,907,319	99.8%
2004	272,102,490	31.99	8,704,559	8,652,194	99.4%
2005	273,829,810	31.78	8,703,407	8,657,974	99.5%
2006	301,834,130	25.32	7,641,535	7,583,549	99.2%
2007	298,437,930	25.80	7,699,699	7,699,311	100.0%
2008	388,324,030	21.01	8,160,241	8,010,716	98.2%
2009	385,115,200	21.28	8,194,096	8,072,677	98.5%
2010	404,426,770	18.31	7,406,672		

NOTE:

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