

**Beaver Creek Metropolitan District  
Eagle County, Colorado  
December 31, 2003**

**Beaver Creek Metropolitan District  
Financial Statements  
December 31, 2003**

**Table of Contents**

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1
Management's Discussion and Analysis	2 - 5
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet - Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Revenues and Expenditures - Budget and Actual - General Fund	11
Statement of Revenues and Expenditures - Budget and Actual - Debt Service Fund	12
Statement of Revenues and Expenditures - Budget and Actual - Capital Projects Fund	13
Statement of Revenues and Expenditures - Budget and Actual - Special Revenue Fund - Transportation Fund	14
Statement of Net Assets - Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual - With Reconciliation to GAAP Basis - Proprietary Funds - Water Fund	18
Notes to the Financial Statements	19 - 37
Supplementary Information:	
Schedule of Bonds Payable to Maturity	38
History of Assessed Valuation, Mill Levy, and Property Taxes Collected	39



# 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](http://WWW.MCMAHANCPA.COM)  
TELEPHONE: (970) 845-8800  
FACSIMILE: (970) 845-0851  
E-MAIL: [McMAHAN@McMAHANCPA.COM](mailto: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, 2003, 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each fund of the Beaver Creek Metropolitan District as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis on pages 2 through 5 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 inquiries 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver Creek Metropolitan District's basic financial statements. The accompanying financial information listed as Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the District. The information in these schedules has been subjected to the auditing procedures applied in the audit of the government-wide and fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*McMahan and Associates, LLC.*

**McMahan and Associates, L.L.C.  
April 12, 2004**

*Performing services for local governments throughout Colorado*

*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  
National and Colorado Government Finance Officers Association/Colorado Municipal League

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Beaver Creek Metropolitan District

## Management's Discussion and Analysis December 31, 2003

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, 2003.

### 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 6 and 7 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 15 - 18 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 19 - 37 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.

	2003			2002		
	<u>Type of Activity</u>			<u>Type of Activity</u>		
	<u>Government</u>	<u>Business</u>	<u>Total</u>	<u>Government</u>	<u>Business</u>	<u>Total</u>
Current and other assets	\$ 17,272,132	344,415	17,616,547	18,634,324	421,438	19,055,762
Capital assets	21,275,121	238,500	21,513,621	21,977,354	238,500	22,215,854
<b>Total Assets</b>	<b>38,547,253</b>	<b>582,915</b>	<b>39,130,168</b>	<b>40,611,678</b>	<b>659,938</b>	<b>41,271,616</b>
Long-term liabilities outstanding	16,791,303	-	16,791,303	20,994,349	-	20,994,349
Other liabilities	9,264,523	-	9,264,523	9,495,853	-	9,495,853
<b>Total Liabilities</b>	<b>26,055,826</b>	<b>-</b>	<b>26,055,826</b>	<b>30,490,202</b>	<b>-</b>	<b>30,490,202</b>
Net assets:						
Invested in capital assets, net of related debt	9,159,727	238,500	9,398,227	7,619,508	238,500	7,858,008
Restricted for emergencies	198,806	-	198,806	211,121	-	211,121
Restricted for debt service	116,219	-	116,219	193,980	-	193,980
Unrestricted	3,016,675	344,415	3,361,090	2,096,867	421,438	2,518,305
<b>Total Net Assets</b>	<b>\$ 12,491,427</b>	<b>582,915</b>	<b>13,074,342</b>	<b>10,121,476</b>	<b>659,938</b>	<b>10,781,414</b>

\*(Note: Jan 1, 2002 net governmental assets were restated in 2003)

## Overview of the Financial Statements (continued)

	2003			2002		
	Type of Activity		Total	Type of Activity		Total
	Government	Business		Government	Business	
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 112,386	111,402	223,788	82,561	120,340	202,901
Operating grants and contributions	1,119,200	-	1,119,200	1,339,720	-	1,339,720
Capital grants and contributions	-	87,281	87,281	-	60,863	60,863
General revenues:						
Property Taxes	8,911,352	-	8,911,352	8,904,342	-	8,904,342
Other taxes	518,328	-	518,328	576,008	-	576,008
Unrestricted grants and contributions	204,850	-	204,850	242,065	-	242,065
Interest and other revenue	279,748	44,294	324,042	441,364	122,667	564,031
<b>Total Revenues</b>	<b>11,145,864</b>	<b>242,977</b>	<b>11,388,841</b>	<b>11,586,060</b>	<b>303,870</b>	<b>11,889,930</b>
<b>EXPENSES:</b>						
General Government	2,178,800	-	2,178,800	2,045,835	-	2,045,835
Public Safety	1,314,069	-	1,314,069	1,250,784	-	1,250,784
Public Works	952,398	-	952,398	922,807	-	922,807
Transportation	3,685,798	-	3,685,798	3,962,560	-	3,962,560
Interest on Long Term Debt	964,848	-	964,848	1,267,288	-	1,267,288
<b>Total Expenses</b>	<b>9,095,913</b>	<b>-</b>	<b>9,095,913</b>	<b>9,449,274</b>	<b>-</b>	<b>9,449,274</b>
<b>Change in net assets before transfers</b>	<b>2,049,951</b>	<b>242,977</b>	<b>2,292,928</b>	<b>2,136,786</b>	<b>303,870</b>	<b>2,440,656</b>
Transfers	320,000	(320,000)	-	350,000	(350,000)	-
<b>Change in net assets</b>	<b>2,369,951</b>	<b>(77,023)</b>	<b>2,292,928</b>	<b>2,486,786</b>	<b>(46,130)</b>	<b>2,440,656</b>
<b>Net Assets January 1*</b>	<b>10,121,476</b>	<b>659,938</b>	<b>10,781,414</b>	<b>7,634,690</b>	<b>706,068</b>	<b>8,340,758</b>
<b>Net Assets December 31</b>	<b>\$ 12,491,427</b>	<b>582,915</b>	<b>13,074,342</b>	<b>10,121,476</b>	<b>659,938</b>	<b>10,781,414</b>

\*(Note: Jan 1, 2002 net governmental assets were restated in 2003)

The District's overall financial position, as measured by net assets, increased from \$10,781,414 at the end of 2002 to \$13,074,342 at the end of 2003. Both the governmental and business-type activities contributed to this increase. The increase in net assets is primarily the result of the collection of property taxes levied for debt service purposes that created a surplus that was used for the payment of bond principal.

The District paid off \$3,390,565 in bonds in 2003 and is scheduled to repay the majority of its bonds by 2005. The District also used property taxes and contributions from other entities to reduce the outstanding balance of its capital leases by approximately \$1 million in 2003. These increases in net assets were offset in part by approximately \$1.9 million of depreciation of the District's fixed assets. The District's business-type activities contributed to the increase in the District's net assets by \$242,977. This increase is primarily the result of surpluses generated by the District's water enterprise.

### 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)

### Government Funds (continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,826,082, a decrease of \$1,194,051 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, \$198,806, 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, \$4,294,750 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 \$116,219 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 \$421,438 at the end of 2002. The decrease in the unrestricted net assets in the proprietary funds during 2003 is primarily the result of transferring funds out of the proprietary fund into the General Fund. These unrestricted assets are available for spending at the District's discretion.

**Budget Variances.** The District was not required to amend its budget for 2003 and actual results were similar to budgeted results. Details can be seen on pages 11 to 14 of this report for governmental funds and page 18 for the Water fund.

**Capital Assets.** The District invested approximately \$1,380,029 in capital asset additions during 2003, some of which was invested in vehicles for the transportation system. The District also disposed of certain capital assets and with the depreciation of the capital assets, the net capital assets decreased from \$21,977,354 to \$21,275,123. 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 27 of this report.

**Long-term Debt.** The District reduced its outstanding long-term debt balance to \$16,586,022 at the end of 2003. In March 2003 the District refunded its Series 1989 Capital Appreciation bonds and Series 1995 General Obligation Refunding bonds by issuing \$3,785,000 of Series 2003 refunding bonds at a net present value savings to the District of approximately \$115,000. In November 2003 the District refunded the remaining Series 1995 General Obligation Refunding bonds by issuing Series 2003 General Obligation Refunding Bonds totaling \$2,130,000 at a net present value savings to the District of approximately \$54,000. Additional information can be found in the Notes to the Financial Statement on pages 28 to 31 of this report.

**Other conditions expected to have a significant effect on financial position or results of operations.** The District is anticipating building a new maintenance and administrative facilities in 2004. The District is anticipating using a portion of its existing fund balance in the Capital Projects fund to pay for these improvements. The District does not expect any other significant changes to its financial position or the results of operations in 2004.

### 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, PC, 28 Second Street, Suite 213, Edwards, CO 81632, phone (970) 926-6060.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Beaver Creek Metropolitan District**  
**Statement of Net Assets**  
**December 31, 2003**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	7,481,501	143,887	7,625,388
Receivables, net:			
Property tax	8,713,778	-	8,713,778
Beaver Creek Resort Company	558,704	-	558,704
Accounts	99,901	200,528	300,429
County Treasurer	32,720	-	32,720
Prepaid expense	4,369	-	4,369
Bond issuance costs, net	286,237	-	286,237
Call and redemption premium, net	94,922	-	94,922
Capital assets, net	21,275,121	238,500	21,513,621
<b>Total Assets</b>	<u>38,547,253</u>	<u>582,915</u>	<u>39,130,168</u>
<b>Liabilities:</b>			
Accounts payable	351,113	-	351,113
Accrued interest payable	42,160	-	42,160
Deferred revenue	8,713,778	-	8,713,778
Bond premium, net	157,472	-	157,472
Due within one year:			
Leases payable	276,509	-	276,509
Bonds payable	3,720,000	-	3,720,000
Due within more than one year:			
Leases payable	234,472	-	234,472
Bonds payable	12,560,322	-	12,560,322
<b>Total Liabilities</b>	<u>26,055,826</u>	<u>-</u>	<u>26,055,826</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	9,159,727	238,500	9,398,227
Restricted for emergencies	198,806	-	198,806
Restricted for debt service	116,219	-	116,219
Unrestricted	3,016,675	344,415	3,361,090
<b>Total Net Assets</b>	<u>12,491,427</u>	<u>582,915</u>	<u>13,074,342</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, 2003**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	2,178,800	55,502	1,039	(2,122,259)		(2,122,259)
Public safety	1,314,069	-	-	(1,314,069)		(1,314,069)
Public works	952,398	-	-	(952,398)		(952,398)
Transportation	3,685,798	56,884	1,118,161	(2,510,753)		(2,510,753)
Interest on long-term debt	964,848	-	-	(964,848)		(964,848)
<b>Total governmental activities</b>	<b>9,095,913</b>	<b>112,386</b>	<b>1,119,200</b>	<b>(7,864,327)</b>		<b>(7,864,327)</b>
<b>Business-type activities:</b>						
Water	-	111,402	-		198,683	198,683
<b>Total business-type activities</b>	<b>-</b>	<b>111,402</b>	<b>-</b>		<b>198,683</b>	<b>198,683</b>
<b>Total primary government</b>	<b>9,095,913</b>	<b>223,788</b>	<b>1,119,200</b>	<b>(7,864,327)</b>	<b>198,683</b>	<b>(7,665,644)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property tax, levied for general purposes				8,911,352	-	8,911,352
Specific ownership tax				518,328	-	518,328
Grants and contributions not restricted to specific programs				204,850	-	204,850
Investment earnings				191,617	5,242	196,859
Miscellaneous income				88,131	39,052	127,183
Transfers				320,000	(320,000)	-
<b>Total general revenues, special items, and transfers</b>				<b>10,234,278</b>	<b>(275,706)</b>	<b>9,958,572</b>
<b>Change in net assets</b>				<b>2,369,951</b>	<b>(77,023)</b>	<b>2,292,928</b>
<b>Net Assets - Beginning (restated)</b>				<b>10,121,476</b>	<b>659,938</b>	<b>10,781,414</b>
<b>Net Assets - Ending</b>				<b>12,491,427</b>	<b>582,915</b>	<b>13,074,342</b>

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

**FUND FINANCIAL STATEMENTS**

**Beaver Creek Metropolitan District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2003**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and investments	1,344,725	101,723	6,008,023	-	7,454,471
Due from County Treasurer	8,308	14,496	-	9,916	32,720
Accounts receivable	80,464	-	-	558,704	639,168
Interfund receivable	324,863	-	-	(268,619)	56,244
Prepaid expense	4,369	-	-	-	4,369
Property taxes assessed, but not collectible until subsequent year	2,153,688	3,983,820	-	2,576,270	8,713,778
<b>Total Assets</b>	<u>3,916,417</u>	<u>4,100,039</u>	<u>6,008,023</u>	<u>2,876,271</u>	<u>16,900,750</u>
<b>Liabilities and Fund Equity:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	248,529	-	112,361	-	360,890
Property taxes assessed, but not collectible until subsequent year	2,153,688	3,983,820	-	2,576,270	8,713,778
<b>Total Liabilities</b>	<u>2,402,217</u>	<u>3,983,820</u>	<u>112,361</u>	<u>2,576,270</u>	<u>9,074,668</u>
<b>Fund Balances:</b>					
Reserved for emergency	72,524	-	3,925	122,357	198,806
Reserved for capital projects	-	-	4,294,750	-	4,294,750
Reserved for debt service	-	116,219	-	-	116,219
Unreserved	1,441,676	-	1,596,987	177,644	3,216,307
<b>Total Fund Balances</b>	<u>1,514,200</u>	<u>116,219</u>	<u>5,895,662</u>	<u>300,001</u>	<u>7,826,082</u>
<b>Total Liabilities and Fund Balances</b>	<u>3,916,417</u>	<u>4,100,039</u>	<u>6,008,023</u>	<u>2,876,271</u>	
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					21,275,121
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds					381,159
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds					(16,990,935)
<b>Net assets of governmental activities</b>					<u>12,491,427</u>

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, 2003**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	2,394,346	4,177,687	-	2,857,650	9,429,683
Interest	21,257	54,271	103,781	12,308	191,617
Other	1,847	204,850	27,052	1,208,620	1,442,369
<b>Total Revenues</b>	<u>2,417,450</u>	<u>4,436,808</u>	<u>130,833</u>	<u>4,078,578</u>	<u>11,063,669</u>
<b>Expenditures:</b>					
General	1,348,178	118,731	598,271	81,216	2,146,396
Public safety	1,167,544	-	-	-	1,167,544
Debt service	-	4,232,657	-	-	4,232,657
Transportation	-	-	-	3,912,682	3,912,682
Capital outlay	-	-	1,124,057	255,972	1,380,029
Bond issuance costs	-	138,851	-	-	138,851
<b>Total Expenditures</b>	<u>2,515,722</u>	<u>4,490,239</u>	<u>1,722,328</u>	<u>4,249,870</u>	<u>12,978,159</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>(98,272)</u>	<u>(53,431)</u>	<u>(1,591,495)</u>	<u>(171,292)</u>	<u>(1,914,490)</u>
<b>Other Financing Sources (Uses):</b>					
Lease proceeds	-	-	-	259,463	259,463
Bond proceeds	-	5,915,000	-	-	5,915,000
Premium on bond issuance	-	157,472	-	-	157,472
Payment to bond refunding agent	-	(5,931,496)	-	-	(5,931,496)
Operating transfers in (out)	573,477	(165,306)	-	(88,171)	320,000
<b>Total Other Financing Sources (Uses)</b>	<u>573,477</u>	<u>(24,330)</u>	<u>-</u>	<u>171,292</u>	<u>720,439</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<u>475,205</u>	<u>(77,761)</u>	<u>(1,591,495)</u>	<u>-</u>	<u>(1,194,051)</u>
<b>Fund Balances - January 1</b>	<u>1,038,995</u>	<u>193,980</u>	<u>7,487,157</u>	<u>300,001</u>	<u>9,020,133</u>
<b>Fund Balances - December 31</b>	<u>1,514,200</u>	<u>116,219</u>	<u>5,895,662</u>	<u>300,001</u>	<u>7,826,082</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, 2003**

**Net Change in Fund Balances of  
Governmental Funds**

(1,194,051)

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.

(586,997)

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.

4,380,494

The net effect if various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.

(115,235)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the funds.

(200,541)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

86,281

**Change in Net Assets of Governmental Activities**

2,369,951

**Beaver Creek Metropolitan District**  
**General Fund**  
**Statement of Revenues and Expenditures**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2003**  
**(With Comparative Actual Amounts for 2002)**

	2003			2002
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Property taxes	2,266,894	2,262,734	(4,160)	2,260,928
Specific ownership taxes	136,014	131,612	(4,402)	146,251
Interest	21,888	21,257	(631)	27,186
Other	7,800	1,847	(5,953)	23,767
<b>Total Revenues</b>	<u>2,432,596</u>	<u>2,417,450</u>	<u>(15,146)</u>	<u>2,458,132</u>
<b>Expenditures:</b>				
Treasurer's fees	68,007	68,049	(42)	67,976
Fire and public safety operations	1,192,486	1,167,544	24,942	1,160,496
District management and operations	450,426	418,017	32,409	660,832
Property maintenance and administration	1,166,683	862,112	304,571	971,032
<b>Total Expenditures</b>	<u>2,877,602</u>	<u>2,515,722</u>	<u>361,880</u>	<u>2,860,336</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>(445,006)</u>	<u>(98,272)</u>	<u>346,734</u>	<u>(402,204)</u>
<b>Other Financing Sources:</b>				
Transfer from Water Fund	320,000	320,000	-	350,000
Transfer from Debt Service Fund	180,744	165,306	(15,438)	189,291
Transfer from Transportation Fund	108,209	88,171	(20,038)	107,288
Contingency	(100,000)	-	100,000	-
<b>Total Other Financing Sources</b>	<u>508,953</u>	<u>573,477</u>	<u>64,524</u>	<u>646,579</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures</b>	<u>63,947</u>	<u>475,205</u>	<u>411,258</u>	<u>244,375</u>

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



**Beaver Creek Metropolitan District  
Debt Service Fund  
Statement of Revenues and Expenditures  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2003  
(With Comparative Actual Amounts for 2002)**

	2003			2002
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Property taxes	3,954,784	3,948,050	(6,734)	3,944,999
Specific ownership taxes	237,287	229,637	(7,650)	255,207
Interest	79,100	54,271	(24,829)	73,092
Bachelor Gulch Exclusion Agreement	204,850	204,850	-	242,065
<b>Total Revenues</b>	<u>4,476,021</u>	<u>4,436,808</u>	<u>(39,213)</u>	<u>4,515,363</u>
<b>Expenditures:</b>				
Debt service				
Bond principal	3,609,881	3,555,000	54,881	3,360,000
Bond interest	645,557	673,669	(28,112)	865,363
Paying Agent and Letter of Credit fees	7,000	3,988	3,012	5,175
Treasurer's fees	118,644	118,731	(87)	118,608
Bond issuance costs	93,943	138,851	(44,908)	-
<b>Total Expenditures</b>	<u>4,475,025</u>	<u>4,490,239</u>	<u>(15,214)</u>	<u>4,349,146</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>996</u>	<u>(53,431)</u>	<u>(54,427)</u>	<u>166,217</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers (to)				
General Fund	(180,744)	(165,306)	15,438	(189,291)
Proceeds of refunding bonds	5,340,000	5,915,000	575,000	-
Premium on bond issuance	-	157,472	157,472	-
Payment to bond refunding agent	(5,246,057)	(5,931,496)	(685,439)	-
Contingency	(10,000)	-	10,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>(96,801)</u>	<u>(24,330)</u>	<u>72,471</u>	<u>(189,291)</u>
<b>(Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<u>(95,805)</u>	<u>(77,761)</u>	<u>18,044</u>	<u>(23,074)</u>

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

**Beaver Creek Metropolitan District**  
**Capital Projects Fund**  
**Statement of Revenues and Expenditures**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2003**  
**(With Comparative Actual Amounts for 2002)**

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>				
Interest	184,871	103,781	(81,090)	251,267
Lottery proceeds	1,000	1,039	39	879
Other income	-	26,013	26,013	336
<b>Total Revenues</b>	<u>185,871</u>	<u>130,833</u>	<u>(55,038)</u>	<u>252,482</u>
<b>Expenditures:</b>				
Road construction and safety improvements	1,000,000	368,622	631,378	267,493
Bike path overlay	300,000	103,891	196,109	44,012
Engineering	30,000	19,406	10,594	15,727
Landscaping	100,000	87,300	12,700	99,821
Escalator safety and maintenance	-	-	-	15,000
Maintenance facility	3,385,000	114,549	3,270,451	-
Covered Bridge/Dial-A-Ride bus turnaround	60,000	85,491	(25,491)	3,469
Security/Fire capital expenditures	478,000	463,667	14,333	-
Other repairs and maintenance	25,000	16,634	8,366	9,870
Equipment	128,000	79,049	48,951	322,190
Vilar Center endowment	250,000	250,000	-	-
Arbitrage costs	220,000	133,719	86,281	(2,250)
<b>Total Expenditures</b>	<u>5,976,000</u>	<u>1,722,328</u>	<u>4,253,672</u>	<u>775,332</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>(5,790,129)</u>	<u>(1,591,495)</u>	<u>4,198,634</u>	<u>(522,850)</u>
<b>Other Financing Sources:</b>				
Lease purchase proceeds	390,000	-	(390,000)	-
<b>Total Other Financing Sources</b>	<u>390,000</u>	<u>-</u>	<u>(390,000)</u>	<u>-</u>
<b>(Deficiency) of Revenues and Other Financing Sources Over Expenditures</b>	<u>(5,400,129)</u>	<u>(1,591,495)</u>	<u>3,808,634</u>	<u>(522,850)</u>

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

**Beaver Creek Metropolitan District  
Special Revenue Fund  
Transportation Fund  
Statement of Revenues and Expenditures  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2003  
(With Comparative Actual Amounts for 2002)**

	2003			
	Budget	Actual	Variance Positive (Negative)	2002 Actual
<b>Revenues:</b>				
Property taxes	2,705,189	2,700,571	(4,618)	2,698,415
Specific ownership taxes	162,311	157,079	(5,232)	174,550
Interest	27,053	12,308	(14,745)	25,737
Beaver Creek Resort				
Company funding	1,228,125	1,118,161	(109,964)	1,338,841
Other income	58,500	90,459	31,959	89,561
<b>Total Revenues</b>	<b>4,181,178</b>	<b>4,078,578</b>	<b>(102,600)</b>	<b>4,327,104</b>
<b>Expenditures:</b>				
Dial-A-Ride transit system	2,346,791	2,282,891	63,900	2,462,362
Dial-A-Ride capital outlay	1,181,000	255,972	925,028	170,949
Parking lot transit system	1,449,704	1,471,890	(22,186)	1,528,330
Other transportation costs	195,318	157,901	37,417	147,995
Treasurer's fees	81,156	81,216	(60)	81,129
<b>Total Expenditures</b>	<b>5,253,969</b>	<b>4,249,870</b>	<b>1,004,099</b>	<b>4,390,765</b>
<b>(Deficiency) of Revenues Over Expenditures</b>	<b>(1,072,791)</b>	<b>(171,292)</b>	<b>901,499</b>	<b>(63,661)</b>
<b>Other Financing Sources (Uses):</b>				
Lease proceeds	1,181,000	259,463	(921,537)	170,949
BCRC funding of maintenance				
facility construction	3,300,000	-	(3,300,000)	-
Maintenance facility construction	(3,300,000)	-	3,300,000	-
Transfer (to) General Fund	(108,209)	(88,171)	20,038	(107,288)
<b>Total Other Financing Sources (Uses)</b>	<b>1,072,791</b>	<b>171,292</b>	<b>(901,499)</b>	<b>63,661</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Beaver Creek Metropolitan District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2003**

	<b>Water Fund</b>	<b>Internal Service Fund</b>
<b>Assets:</b>		
Current assets:		
Cash	143,887	27,030
Receivables, net of allowance for uncollectibles	200,528	45,223
Total current assets	<u>344,415</u>	<u>72,253</u>
Non-current assets:		
Water rights	238,500	-
Total non-current assets	<u>238,500</u>	<u>-</u>
<b>Total Assets</b>	<u>582,915</u>	<u>72,253</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	-	16,009
Interfund payable	-	56,244
Total current liabilities	<u>-</u>	<u>72,253</u>
<b>Total Liabilities</b>	<u>-</u>	<u>72,253</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	238,500	-
Unrestricted	<u>344,415</u>	<u>-</u>
<b>Total Net Assets</b>	<u>582,915</u>	<u>-</u>

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, 2003**

	<b>Water Fund</b>	<b>Internal Service Fund</b>
<b>Operating Revenues:</b>		
Charges for services	111,402	136,204
Access fee	39,052	-
<b>Total Operating Revenues</b>	<u>150,454</u>	<u>136,204</u>
<b>Operating Expenses:</b>		
Materials and supplies	-	131,880
Contracted services	-	4,324
<b>Total Operating Expenses</b>	<u>-</u>	<u>136,204</u>
<b>Operating Income</b>	<u>150,454</u>	<u>-</u>
<b>Non-Operating Revenue (Expenses):</b>		
Interest income	5,242	-
Tap Fees	87,281	-
Transfers (out)	(320,000)	-
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(227,477)</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>(77,023)</u>	<u>-</u>
<b>Total Net Assets - Beginning</b>	<u>659,938</u>	<u>-</u>
<b>Total Net Assets - Ending</b>	<u><u>582,915</u></u>	<u><u>-</u></u>

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, 2003**

	<u>Water Fund</u>	<u>Internal Service Fund</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	150,282	144,932
Cash paid for goods and services	-	(132,749)
<b>Net Cash Provided by Operating Activities</b>	<u>150,282</u>	<u>12,183</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Tap fees	123,081	-
Net operating transfers in (out)	(320,000)	-
<b>Net Cash (Used) by Non-Capital Financing Activities</b>	<u>(196,919)</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>		
Interest received	5,242	-
<b>Net Cash Provided by Investing Activities</b>	<u>5,242</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash</b>	(41,395)	12,183
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>185,282</u>	<u>14,847</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>143,887</u></u>	<u><u>27,030</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	150,454	-
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
(Increase) decrease in accounts receivable	(172)	2,659
Change in interfund receivable and payable	-	6,069
Increase (decrease) in accounts payable	-	3,455
<b>Total Adjustments</b>	<u>(172)</u>	<u>12,183</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>150,282</u></u>	<u><u>12,183</u></u>

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

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

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>Revenues:</b>			
Water usage fees	102,000	111,402	9,402
Access fee	28,000	39,052	11,052
Conduit lease	78,042	-	(78,042)
Tap fees	50,000	87,281	37,281
RiverEdge deferred tap fees	54,345	54,345	-
Interest	5,161	5,242	81
<b>Total Revenues</b>	<u>317,548</u>	<u>297,322</u>	<u>(20,226)</u>
<b>Expenditures:</b>			
Contingency	50,000	-	50,000
<b>Total Expenditures</b>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>Other Financing (Uses):</b>			
Operating transfers to other funds	(320,000)	(320,000)	-
<b>Total Other Financing (Uses)</b>	<u>(320,000)</u>	<u>(320,000)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Financing (Uses)</b>	<u>(52,452)</u>	<u>(22,678)</u>	<u>29,774</u>
<b>Reconciliation to GAAP Basis:</b>			
RiverEdge deferred tap fees		(54,345)	
<b>Net (Loss) - GAAP Basis</b>		<u>(77,023)</u>	

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, 2003**

**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 reporting entity consists of the primary government and component units. Component units are legally separate entities that are included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The District has no component units, and it is not a component unit of any other entity.

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

**1. Government-wide Financial Statements**

In the 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.

**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.

**Beaver Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2003  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements (continued)**

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.

**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, 2003**  
**(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. 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 2003, 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.

**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.

**Beaver Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2003  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**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 \$198,806 for emergency as required under TABOR (see Note III. B.).

The Debt Service Fund balance of \$116,219 is reserved for debt service.

The Capital Projects Fund has a reserved fund balance of \$4,294,750 for capital projects.

**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 \$16,990,935 difference are bonds payable of \$16,280,322, leases payable of \$510,981, deferred bond premium of \$157,472 and accrued interest payable of \$42,160.

**Beaver Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2003  
(Continued)**

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

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes 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 \$586,997 difference are capital outlay of \$1,380,029 less depreciation expense of \$1,967,026.

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 \$4,380,494 difference are as follows:

Proceeds from capital lease	\$ (259,463)
Repayment of principal on capital leases	1,057,225
Proceeds from bond issuance	(5,915,000)
Premium to be amortized over life of bonds	(157,472)
Repayment of principal on bonds	9,236,458
Call premium and issue costs	233,773
Payment of arbitrage liability	133,719
Adjustment to prior year accrued interest	51,254
<b>Total</b>	<u><u>\$ 4,380,494</u></u>

Another element of that reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference of \$200,541 are amortization of bond issuance costs \$64,367 and accretion (accumulated interest expense) on capital appreciation bonds of \$136,174.

**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.

**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

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 2003 budget year, prior to August 25, 2002, 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, 2002 the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2002, 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 2003 budget, prior to December 15, 2002, 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 2003 budget, the final budget and appropriating resolution was adopted prior to December 31, 2002.
- (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 2002 were collected in 2003 and taxes certified in 2003 will be collected in 2004. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) 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 15<sup>th</sup>.

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 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.

**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

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, 2003, year-end fund balance in the governmental funds for emergencies as required under TABOR in the amount of \$198,806.

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.

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 or agent but not in the entity's name.)

**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

**1. Deposits (continued)**

At December 31, 2003, 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 \$5,691,199. FDIC (category 1 above), insured \$100,000 of the balance and the remaining \$5,591,199 is classified as category 3 above. The differences between book balances and the bank balances are the outstanding checks and deposits at December 31, 2003 of \$325,086.

**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, 2003, the District had \$200,623 invested in COLOTRUST.

**3. Investments**

The District's investment options are limited by state statute to certificates of deposit and certain obligations of the U.S. Treasury and other U.S. government obligations. The District's investments are categorized in the following categories to give an indication of the level of risk assumed by the District:

- (1) Insured or securities held by the entity or its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent in the entity's name;
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

	<u>Category 1</u>	<u>Category 3</u>	<u>Total</u>
Certificates of Deposit	\$ 100,000	1,958,653	2,058,653
<b>Total</b>	<u>\$ 100,000</u>	<u>1,958,653</u>	<u>2,058,653</u>



**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

**3. Investments (continued)**

The investments are stated at market value at December 31, 2003. The District recognizes that investment risks can result from credit risk, market risk, and legal risk. The District seeks to minimize these risks by investing in securities that are backed by the U.S. government with short-term maturities and are not highly sensitive to market changes.

**4. Summary of Cash and Investments**

A summary of the District's cash and investment book balances at December 31, 2003 is shown below.

Deposits	\$ 5,366,113
Pools	200,623
Investments	2,058,653
<b>Total cash and investments</b>	<b><u>\$ 7,625,389</u></b>

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Infrastructure	\$ 25,149,486	568,412	-	25,717,898
Buildings	1,509,519	-	-	1,509,519
Vehicles and equipment	6,294,149	811,617	(473,406)	6,632,360
Total capital assets being depreciated	<u>32,953,154</u>	<u>1,380,029</u>	<u>(473,406)</u>	<u>33,859,777</u>
Less accumulated depreciation for:				
Infrastructure	(6,413,628)	(769,768)	-	(7,183,396)
Buildings	(448,228)	(90,954)	-	(539,182)
Vehicles and equipment	(4,113,944)	(1,106,304)	358,172	(4,862,076)
Total accumulated depreciation	<u>(10,975,800)</u>	<u>(1,967,026)</u>	<u>358,172</u>	<u>(12,584,654)</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 21,977,354</u></b>	<b><u>(586,997)</u></b>	<b><u>(115,234)</u></b>	<b><u>21,275,123</u></b>
<b>Business-type activities:</b>				
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>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 238,500</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>238,500</u></b>

**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**B. Capital Assets (continued)**

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities:</b>	
General government	\$ 68,279
Public safety	105,040
Public works	952,398
Transportation	841,309
	<hr/>
<b>Total Depreciation Expense</b>	<b>\$ 1,967,026</b>
	<hr/>

**C. Interfund Receivables, Payables, and Transfers**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service	\$ 56,244
<u>Transferred to:</u>	<u>Transferred from:</u>	<u>Amount</u>
General	Water	\$ 320,000
General	Debt Service	165,306
General	Transportation	88,171

**D. Leases**

**1. Operating Lease**

The District entered into a commercial lease with Villa Montane Commercial, L.L.C. for 1,296 rentable square feet of office space. The initial term of the lease is January 1, 2001 through December 31, 2002. The lease may be renewed for four separate and successive one year option periods. This lease replaced a previous lease and released space under the previous lease with the condition that 1) the District was liable for the payment of rent through June 30, 2001, which was the end of the District's occupancy of the released space, and 2) certain tenant improvements were made. The minimum rent under the new lease is \$26.54 per rentable square foot of space for a total annual base rent payment of \$34,396, payable monthly. In addition to the base rate, taxes and operating costs are also due monthly. Total rent including taxes and operating costs paid in the fiscal year ended December 31, 2003 was \$52,881. During the year ended December 31, 2003, Villa Montane Commercial, L.L.C. sold the space to VMCJ, L.L.C.

**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 \$2,345,002. Future minimum lease payments under the leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 276,509	14,362	290,871
2005	145,840	6,901	152,741
2006	88,632	2,216	90,848
<b>Total</b>	<b>\$ 510,981</b>	<b>23,479</b>	<b>534,460</b>

**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt**

**1. General Obligation Refunding Bonds, Series 1993**

The District issued \$5,950,000 of general obligation refunding bonds dated February 1, 1993, with interest rates ranging from 2.7% to 5.25%, payable on June 1 and December 1. The principal on the bonds is payable on December 1 and matures in various increments through 2003. The bonds are insured by Municipal Bond Investors Assurance Corporation. Final principal and interest payment of \$725,000 and \$38,062, respectively, was made on December 1, 2003.

**2. General Obligation Refunding Bonds, Series 1995**

The District issued \$9,265,000 of general obligation bonds dated December 1, 1995. The purpose of the bonds was to partially refund the General Obligation Series 1989 Current Interest Bonds. The taxable General Obligation Refunding Bonds Series 1995 were converted to tax exempt bonds on June 1, 1997. The taxable bonds were issued with an interest rate of 6.1%; since conversion to nontaxable bonds, the interest rates range from 4.35% to 5.30%. The interest on the bonds is payable on June 1 and December 1. The principal is payable on December 1 and matures in various increments through 2005. The bonds are insured by Municipal Bond Investors Assurance Corporation. During the year ended December 31, 2003, the remaining outstanding balance was refunded by the issuances of Series 2003 and 2003B refunding bonds.

**3. 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 is payable on December 1 and matures in various increments through 2004. The bonds are insured by Municipal Bond Investors Assurance Corporation. The principal and the interest on the bonds are payable on December 1 from 1996 to 2004. The bonds are not subject to redemption prior to maturity.

**4. Capital Appreciation Bonds, Series 1989**

The District issued \$701,957 (original principal) of capital appreciation bonds dated September 15, 1989 at an interest rate of 7.30%. The bonds are insured by Municipal Bond Investors Assurance Corporation. The bonds accrue interest through December 1, 2004, when the total principal and interest amount of \$2,085,000 is due. During the year ended December 31, 2003, the appreciated balance was paid by the issuances of Series 2003 and 2003B refunding bonds.

**Beaver Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2003  
(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**5. 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.

The Internal Revenue Code requires municipal bond issuers that do not meet certain exceptions to pay an arbitrage rebate on the difference between interest earned on bond proceeds and interest paid on the related debt. In connection with this requirement on the 1998 bond issue, the District has accrued a \$14,719 contingent arbitrage rebate liability. This accrual is an estimate which is subject to change.

**6. 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.

**7. 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.

**8. 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, 2003**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**9. Annual Debt Service Requirements**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 3,720,000	505,920	4,225,920
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
2009-2013	2,847,465	1,131,810	3,979,275
2014-2017	2,110,000	262,835	2,372,835
<b>Total</b>	<u>\$ 15,928,820</u>	<u>3,701,330</u>	<u>19,630,150</u>

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

Principal payments due	\$ 15,928,820
Capitalized interest on 2001 Capital Appreciation Bonds	351,502
<b>Bonds payable, Statement of Net Assets</b>	<u>\$ 16,280,322</u>

**10. 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	\$ 14,445,000	5,915,000	(7,635,281)	12,724,719	3,720,000
G.O Capital					
Appreciation Bonds	5,020,606	202,114	(1,872,398)	3,350,322	-
Capital leases	1,469,044	259,463	(1,217,526)	510,981	276,509
Arbitrage liability	220,000	-	(220,000)	-	-
<b>Total</b>	<u>\$ 21,154,650</u>	<u>6,376,577</u>	<u>(10,945,205)</u>	<u>16,586,022</u>	<u>3,996,509</u>

**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**V. Other Information**

**A. Intergovernmental Agreements**

**1. Fire Protection Agreement**

The District has an agreement with Eagle River Fire Protection District to provide fire protection within the District's boundaries. The fire protection costs to the District were as follows:

Eagle River Fire	\$ 889,669
Beaver Creek Resort contract	265,536
Equipment and operating expense	339
<b>Total</b>	<b><u>\$ 1,155,544</u></b>

**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, 2003, the Authority had debt with maturities through the year 2015.

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.

**Beaver Creek Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2003**  
**(Continued)**

**V. Other Information (continued)**

**A. Intergovernmental Agreements (continued)**

**2. Upper Eagle Regional Water Authority (continued)**

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, 2003**  
**(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	<u>55,505,035</u>
<b>Total Assets</b>	<u><u>\$ 60,907,707</u></u>

**Liabilities and Net Assets:**

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

**Operations:**

Operating revenue	\$ 6,369,073
Operating expense	<u>5,860,637</u>
<b>Operating income</b>	508,436
Other income	92,578
Other expense	<u>(1,440,215)</u>
<b>Net (loss)</b>	(839,201)
Capital contributions	2,704,849
<b>Net Assets - Beginning</b>	<u>33,897,987</u>
<b>Net Assets - Ending</b>	<u><u>\$ 35,763,635</u></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 \$204,850 from the Bachelor Gulch Metropolitan District, which is the amount the District would have collected for debt service property taxes for the excluded property's 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, 2003**  
**(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 Agreement is effective as of November 25, 2003 and will terminate on November 30, 2004. For the year ended December 31, 2003, the District paid \$10,305 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, 2003, amounted to \$90,908, \$445,889 and \$1,735,418, respectively. The District received \$32,557 from VAI during the year for usage of the District's Dial-A-Ride vehicles. The District owed VAI and VRDC \$10,064 and \$237,006, respectively, at December 31, 2003.

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 \$39,052 for the year ended December 31, 2003.

On March 31, 2004 Comcast of Colorado VI, LLC ("Comcast"), successor in interest to Cablevision VI, Inc., notified the District that it was exercising its right to terminate the Access/Operational Agreement. The District disputes Comcast's right to unilaterally terminate the agreement under the circumstances and has notified Comcast of its position. At this time, the possible termination of this agreement is an unresolved issue.

**Beaver Creek Metropolitan District  
Notes to the Financial Statements  
December 31, 2003  
(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 \$9,838 in taxes received in 2003.

**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 an Agreement with the Town of Avon for the operations of the "Parking Lot Transit System",
- 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, 2003**  
**(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 a \$600,000 aggregate claim. 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, 2002 (the latest audited information available) is as follows:

<b>Assets</b>	<u><u>\$ 6,644,712</u></u>
Liabilities	\$ 3,248,831
Capital and surplus	<u>3,395,881</u>
<b>Total</b>	<u><u>\$ 6,644,712</u></u>
Revenue	\$ 3,839,175
Underwriting expenses	<u>3,441,055</u>
Underwriting gain	398,120
Other income	<u>116,766</u>
<b>Net income</b>	<u><u>\$ 514,886</u></u>

**H. Management Contract**

The District has entered into a management contract with Robertson and Marchetti, P.C., CPAs which commences January 1 of each year for one year renewable periods. The management function includes planning, directing and implementing the District's policies and procedures. During the year ended December 31, 2003, the District paid \$86,025 for services provided.

**I. 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, 2003.

**SUPPLEMENTARY INFORMATION**

**Beaver Creek Metropolitan District**  
**Schedule of Bonds Payable to Maturity**  
**December 31, 2003**

Bonds and Interest Maturing in the Calendar Year Ending December 1	\$3,785,000 General Obligation Refunding Series 2003 Dated March 1, 2003 Interest Rate 2.5%		\$2,130,000 General Obligation Refunding Series 2003B Dated November 15, 2003 Interest Rate 3.5% - 4.0%		\$2,998,820 General Obligation Capital Appreciation Bonds Series 2001 Dated March 21, 2001 Interest Rate 4.03% - 4.35%		\$3,500,000 General Obligation Series 1995 Dated December 31, 1995 Interest rate 3.8% - 4.75%		\$7,400,000 General Obligation Series 1998 Dated August 1, 1998 Interest rate 4.1% - 4.8%		Totals		
	Interest Due June 1 and December 1	Principal Due December 1	Interest Due June 1 and December 1	Principal Due December 1	Interest Due June 1 and December 1	Principal Due December 1	Interest Due June 1 and December 1	Principal Due December 1	Interest Due June 1 and December 1	Principal Due December 1	Interest	Principal	Grand Total
2004	94,625	2,035,000	87,185	345,000	-	-	48,450	1,020,000	275,660	320,000	505,920	3,720,000	4,225,920
2005	43,750	1,750,000	71,400	1,785,000	-	-	-	-	262,220	330,000	377,370	3,865,000	4,242,370
2006	-	-	-	-	204,030	805,970	-	-	248,360	345,000	452,390	1,150,970	1,603,360
2007	-	-	-	-	241,592	768,408	-	-	233,525	360,000	475,117	1,128,408	1,603,525
2008	-	-	-	-	278,023	731,977	-	-	217,865	375,000	495,888	1,106,977	1,602,865
2009	-	-	-	-	312,535	692,465	-	-	201,365	395,000	513,900	1,087,465	1,601,365
2010	-	-	-	-	-	-	-	-	183,590	410,000	183,590	410,000	593,590
2011	-	-	-	-	-	-	-	-	164,935	430,000	164,935	430,000	594,935
2012	-	-	-	-	-	-	-	-	145,155	450,000	145,155	450,000	595,155
2013	-	-	-	-	-	-	-	-	124,230	470,000	124,230	470,000	594,230
2014	-	-	-	-	-	-	-	-	102,140	490,000	102,140	490,000	592,140
2015	-	-	-	-	-	-	-	-	78,865	515,000	78,865	515,000	593,865
2016	-	-	-	-	-	-	-	-	54,145	540,000	54,145	540,000	594,145
2017	-	-	-	-	-	-	-	-	27,685	565,000	27,685	565,000	592,685
Totals	138,375	3,785,000	158,585	2,130,000	1,036,180	2,998,820	48,450	1,020,000	2,319,740	5,995,000	3,701,330	15,928,820	19,630,150
											Capitalized Interest on 2001 Capital Appreciation Bonds		351,502
											Bonds Payable - Statement of Net Assets (page 7)		16,280,322

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

**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	
1995	126,962,400	31.75	4,031,056	3,851,592	96.1%
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%
Estimated for Year Ended December 31, 2004	272,102,490	31.99	8,704,559		

**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.