

BEEBE DRAW FARMS AUTHORITY
Weld County, Colorado

FINANCIAL STATEMENTS
December 31, 2011

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Independent Auditor's Report

Board of Directors
Beebe Draw Farms Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of Beebe Draw Farms Authority as of and for the period of inception, April 12, 2011 to December 31, 2011, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the Authority, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinions.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Beebe Draw Farms Authority as of December 31, 2011, and the respective changes in financial position and the respective budgetary comparison for the general fund for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
July 10, 2012

BEEBE DRAW FARMS AUTHORITY

Governmental Funds Balance Sheet/Statement of Net Assets December 31, 2011

	General Fund	Capital Project Infrastructure Fund	Capital Project Amenities Fund
ASSETS:			
Cash and investments	\$ 287,915	\$ —	\$ —
Restricted investments	—	1,660,027	425,561
Accounts receivable:			
Due from District No. 1	29,690	3,395	13,579
Due from District No. 2	32,220	25,596	20,713
Due from other funds	2,500	—	—
Prepaid expenses	9,504	—	—
Capital assets, net	—	—	—
Total assets	<u>\$ 361,829</u>	<u>\$ 1,689,018</u>	<u>\$ 459,853</u>
LIABILITIES:			
Accounts payable	\$ 16,829	\$ —	\$ —
Due to General Fund	—	2,000	500
Total liabilities	<u>16,829</u>	<u>2,000</u>	<u>500</u>
FUND BALANCE/NET ASSETS:			
Nonspendable			
Prepays	9,504	—	—
Restricted			
Emergencies	15,000	—	—
Capital infrastructure	—	1,687,018	—
Amenities	—	—	459,353
Committed	125,000	—	—
Assigned	195,496	—	—
Total fund balances	<u>345,000</u>	<u>1,687,018</u>	<u>459,353</u>
Total liabilities and fund balance	<u>\$ 361,829</u>	<u>\$ 1,689,018</u>	<u>\$ 459,853</u>
Invested in capital assets			
Restricted for:			
Emergencies			
Capital infrastructure			
Amenities			
Unrestricted			
Total net assets			

<u>Total</u>	<u>Adjustments Note 9</u>	<u>Statement of Net Assets</u>
\$ 287,915	\$ —	\$ 287,915
2,085,588	—	2,085,588
46,664	—	46,664
78,529	—	78,529
2,500	—	2,500
9,504	—	9,504
—	6,999,953	6,999,953
<u>\$ 2,510,700</u>	<u>6,999,953</u>	<u>9,510,653</u>
\$ 16,829	—	16,829
2,500	—	2,500
<u>19,329</u>	<u>—</u>	<u>19,329</u>
9,504	(9,504)	—
15,000	(15,000)	—
1,687,018	(1,687,018)	—
459,353	(459,353)	—
125,000	(125,000)	—
195,496	(195,496)	—
<u>2,491,371</u>	<u>(2,491,371)</u>	<u>—</u>
<u>\$ 2,510,700</u>		
	6,999,953	6,999,953
	15,000	15,000
	1,687,018	1,687,018
	459,353	459,353
	330,000	330,000
	<u>\$ 9,491,324</u>	<u>\$ 9,491,324</u>

NOTE: The accompanying notes are an integral part of the financial statements.

BEEBE DRAW FARMS AUTHORITY

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011**

	Government Fund Types		
	General Fund	Capital Project Infrastructure Fund	Capital Project Amenities Fund
EXPENDITURES/EXPENSES			
Accounting and audit	\$ 17,043	\$ —	\$ —
Depreciation	—	—	—
Directors fees	2,800	—	—
Payroll taxes	2,339	—	—
Miscellaneous	5,730	—	—
Repairs and maintenance	1,777	—	—
Public relations	1,742	—	—
Vehicle and equipment	2,702	—	—
Insurance and bonds	3,219	—	—
Legal	16,025	—	—
Management	26,596	—	—
Facilities management	25,200	—	—
Directors fees and expenses	138	—	—
Community Center/Gatehouse	4,383	—	—
Equestrian facility	192	—	—
Ground lease	2,500	—	—
Nature preserve	255	—	—
Sport court	26	—	—
Utilities	13,133	—	—
Community pool	7,229	—	—
Lake Christina fish stocking	9,000	—	—
Reservoir/Marina	245	—	—
Landscape maintenance	12,217	—	—
Mosquito control	6,990	—	—
Engineering and street signage	—	7,029	324
Equestrian Center	—	—	13,020
Community Center expansion	—	—	2,070
Parking lot lighting	—	—	11,170
Total expenditures/expenses	161,481	7,029	26,584
REVENUES			
Pool fees	200	—	—
Transfer in O&M reserve	200,000	—	—
Transfer in Discretionary	20,000	—	—
Transfer in Capital Replacement Fund	125,000	—	—
Transfer from District No. 1	29,690	154,636	38,659
Transfer from District No. 2	84,996	1,539,858	47,273
Transfer from District No. 2 Amenities	—	—	400,000
Miscellaneous	43,709	—	—
Interest income	386	1,553	505
Total revenues	503,981	1,696,047	486,437
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	342,500	1,689,018	459,853
OTHER FINANCING SOURCES (USES)			
Transfer from other governments	—	—	—
Transfer from other funds	2,500	(2,000)	(500)
Total other financing sources (uses)	2,500	(2,000)	(500)
NET CHANGES IN FUND BALANCE/NET ASSETS	345,000	1,687,018	459,353
FUND BALANCE/NET ASSETS:			
BEGINNING OF YEAR	—	—	—
END OF YEAR	\$ 345,000	\$ 1,687,018	\$ 459,353

Total		Adjustments Note 9	Statement of Activities
\$	17,043	\$	\$ 17,043
	–	100,032	100,032
	2,800	–	2,800
	2,339	–	2,339
	5,730	–	5,730
	1,777	–	1,777
	1,742	–	1,742
	2,702	–	2,702
	3,219	–	3,219
	16,025	–	16,025
	26,596	–	26,596
	25,200	–	25,200
	138	–	138
	4,383	–	4,383
	192	–	192
	2,500	–	2,500
	255	–	255
	26	–	26
	13,133	–	13,133
	7,229	–	7,229
	9,000	–	9,000
	245	–	245
	12,217	–	12,217
	6,990	–	6,990
	7,353	–	7,353
	13,020	–	13,020
	2,070	–	2,070
	11,170	–	11,170
	195,094	100,032	295,126
	200	–	200
	200,000	–	200,000
	20,000	–	20,000
	125,000	–	125,000
	222,985	–	222,985
	1,672,127	–	1,672,127
	400,000	–	400,000
	43,709	–	43,709
	2,444	–	2,444
	2,686,465	–	2,686,465
	2,491,371	(100,032)	2,391,339
	–	7,099,985	7,099,985
	–	–	–
	–	7,099,985	7,099,985
	2,491,371	6,999,953	9,491,324
	–	–	–
\$	2,491,371	\$ 6,999,953	\$ 9,491,324

NOTE: The accompanying notes are an integral part of the financial statements.

**BEEBE DRAW FARMS AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2011**

	Original/Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Pool fees	\$ 5,000	\$ 200	\$ (4,800)
Transfer in O&M reserve	200,000	200,000	-
Transfer in Discretionary	20,000	20,000	-
Transfer in Capital Replacement Fund	125,000	125,000	-
Transfer from District No. 1	-	29,690	29,690
Transfer from District No. 2	283,023	84,996	(198,027)
Transfer from other funds	-	2,500	2,500
Transfer from Conservation Trust	4,374	-	(4,374)
Miscellaneous	-	43,709	43,709
Interest income	1,500	386	(1,114)
Total revenues	<u>638,897</u>	<u>506,481</u>	<u>(132,416)</u>
EXPENDITURES			
General government			
Accounting and audit	25,000	17,043	7,957
Directors fees	3,200	2,800	400
Payroll taxes	2,173	2,339	(166)
Miscellaneous	-	5,730	(5,730)
Repairs and maintenance	-	1,777	(1,777)
Public relations	-	1,742	(1,742)
Vehicle and equipment	-	2,702	(2,702)
Insurance and bonds	8,000	3,219	4,781
Legal	50,000	16,025	33,975
Management	50,000	26,596	23,404
Facilities management	25,200	25,200	-
Directors fees and expenses	-	138	(138)
Community Center/Gatehouse	3,280	4,383	(1,103)
Equestrian facility	3,425	192	3,233
Ground lease	2,500	2,500	-
Nature preserve	1,100	255	845
RV Storage	1,000	-	1,000
Sport Court	1,000	26	974
Utilities	15,529	13,133	2,396
Community Pool	5,912	7,229	(1,317)
Floating docks	500	-	500
Lake Christina fish stocking	10,059	9,000	1,059
Marina	2,000	-	2,000
Reservoir/Marina	-	245	(245)
Play equipment	1,000	-	1,000
Cross country riding course	3,750	-	3,750
Landscape maintenance	17,313	12,217	5,096
Mosquito control	11,000	6,990	4,010
Various other	27,415	-	27,415
Capital replacement and reserve	25,000	-	25,000
Discretionary fund	20,000	-	20,000
Emergency reserve	19,167	-	19,167
Total expenditures	<u>334,523</u>	<u>161,481</u>	<u>173,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	304,374	345,000	40,626
FUND BALANCE – BEGINNING OF YEAR	-	-	-
FUND BALANCE – END OF YEAR	<u>\$ 304,374</u>	<u>\$ 345,000</u>	<u>\$ 40,626</u>

NOTE: The accompanying notes are an integral part of the financial statements.

BEEBE DRAW FARMS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 – DEFINITION OF REPORTING ENTITY

Definition of Reporting Entity

Beebe Draw Farms Authority (The Authority), was established pursuant to C.R.S. 29-1-203. The service area of the Authority consists of the boundaries of Beebe Draw Farms Metropolitan Districts No. 1 (District No. 1) and No. 2 (District No. 2). The purpose of the Authority is to effect the development and operations and maintenance of the public improvements for the benefit of the Districts, the residents and property owners within the Districts. The Authority is governed by a Board of Directors consisting of four members of which two members are appointed by District No. 1 and District No. 2. Each director shall serve a term of two years.

The Authority follows the Governmental Accounting Standards Boards (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Authority are described as follows:

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

BEEBE DRAW FARMS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The government reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Authority. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Project Infrastructure Fund – The Capital Project Infrastructure Fund is used to account for the costs incurred by the Authority for planning, designing, constructing, financing and acquiring public improvements on the undeveloped projects.

Capital Project Amenities Fund – The Capital Project Amenities Fund is used to account for the costs incurred by the Authority for planning, designing, constructing, financing and acquiring public improvements or enhancement to developed projects.

Budgets

In accordance with the State Budget Law, the Authority's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The Authority's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

BEEBE DRAW FARMS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Authority follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Fund Balances

Beginning with fiscal year 2011 the Authority implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the Authority's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the Authority's policy to use the most restrictive classification first.

BEEBE DRAW FARMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS **December 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserved Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$15,000 of the General Fund balance has been reserved in compliance with this requirement.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2011 are classified in the accompanying financial statement as follows:

Statement of net assets:	
Cash and investments	\$ 287,915
Restricted investments	2,085,588
	<u>\$ 2,373,503</u>

Cash and investments as of December 31, 2011 consist of the following:

Deposits with financial institutions	<u>\$ 2,373,503</u>
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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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

Cash Deposits

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2011, none of the Authority's bank balance of \$2,373,503 was exposed to custodial credit risk.

BEEBE DRAW FARMS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 - CASH AND INVESTMENTS

Credit Risk

The Authority has adopted a policy to invest in accordance with state statutes regarding investments.

Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- * Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- * Local government investment pools

The Authority generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service or sinking fund requirements.

As of December 31, 2011 the Authority had no investments.

BEEBE DRAW FARMS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 – PROPERTY

The following is an analysis of changes in property for the year ended December 31, 2011:

By Classification	Balance at January 1, 2011	Additions	Transfers	Balance at December 31, 2011
Land	\$ —	\$ —	\$ 1,482,975	\$ 1,482,975
Roads	—	—	2,657,297	2,657,297
Water distribution facilities	—	—	1,292,161	1,292,161
Offsite water facilities	—	—	300,000	300,000
Water capacity	—	—	815,660	815,660
Recreation facilities/equipment	—	—	2,598,934	2,598,934
Irrigation and landscape	—	—	70,196	70,196
	—	—	9,217,223	9,217,223
Less accumulated depreciation	—	(100,032)	(2,117,238)	(2,217,270)
	<u>\$ —</u>	<u>\$ (100,032)</u>	<u>\$ 7,099,985</u>	<u>\$ 6,999,953</u>

Depreciation expense for the year 2011 is \$100,032.

Water system capacity is provided for 204 lots of which 57 have been connected as of December 31, 2011.

NOTE 5 – RELATED PARTIES

The primary developer of real property within the service area of the Authority is R.E.I. Limited Liability Company (Developer), successor in interest to Beebe Draw Farms, Ltd. Certain members of the Board are associated with the Developer. During 2011, the Developer leased the clubhouse, aka Community Information and Sales Center from the District for \$1,308. District No. 2 entered into a two year land lease with R.E.I. LLC for the equestrian facility beginning in 2006 in the amount of \$1,000 per year. Subsequent to the initial ground lease/arena area, a lease was executed between REI and District No. 2, effective June 1, 2008 for a two and one half year period at a rental rate of \$2,500 per year, subject to annual appropriation of the District Board. Subsequent to year end, the District No. 2 lease to the Developer of the Community Information and Sales Center was renewed for a one year term subject to annual renewal at a rate of \$1,000 per year. These leases have been assigned to Beebe Draw Farms Authority.

BEEBE DRAW FARMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2011

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The Authority is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2011. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the votes approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Authority management believes, after consultation with legal counsel, that it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

BEEBE DRAW FARMS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS

Beebe Draw Farms Authority Establishment Agreement

Effective April 12, 2011 that certain Authority Establishment Agreement (AEA) was entered into by and between Beebe Draw Farms Metropolitan District No. 1 and the Beebe Draw Farms Metropolitan District No. 2, whereby the Authority was created. The Districts, through the Authority, will provide for financing the operations and maintenance of the existing public improvements as well as providing for financing, constructing and operating and maintaining additional public improvements. In no case shall the mill levy imposed by the Districts for debt service and operations and maintenance exceed their respective mill levy caps.

As a part of the AEA, District No. 1 has agreed to impose the District Required Mill Levy until 2018 and to transfer such revenues to the Authority for deposit into either the infrastructure account or the amenity account. For tax collection year 2011 and thereafter the District shall transfer all revenues from the operations and maintenance mill levy less the Districts direct operations and maintenance costs to the Authority.

Commencing in tax collection year 2011 and each year thereafter, District No. 2 shall transfer revenues from the Required O&M Mill Levy into the Authority O&M Account, less the Direct District No. 2 Administrative Costs. For tax collection year 2011 and each year thereafter, District No. 2 shall transfer 100% of all revenues from the Development Fees (if any) into the Infrastructure Account and 80% of all revenues from the District No. 2 Required Mill Levy and Specific Ownership Tax Revenues into the Authority Infrastructure Account. Also for tax collection year 2011 and each year thereafter, District No. 2 shall transfer 20% of all revenues from the District No. 2 Required Mill Levy and Specific Ownership Tax Revenues into the Authority Amenity Account. Upon consent of both District No. 1 and District No. 2, the 80%/20% split described above may be adjusted upward or downward in any given year.

District No. 2 shall be authorized to provide for the financing, design, acquisition, construction and operations and maintenance of additional public improvements the estimated costs which approximate \$26,125,208 and as adjusted for inflation approximate \$36,000,000 which would be financed through bond issued by the District in an amount not to exceed \$36,000,000.

BEEBE DRAW FARMS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Capital Pledge Agreement

District No. 1 and District No. 2 have an Amended and Restated Consolidated Service Plan for Beebe Draw Farms Metropolitan District No. 1 and Beebe Draw Farms Metropolitan District No. 2 approved by the Weld County Board of County Commissioners on March 16, 2011 (“Amended and Restated Service Plan”). Pursuant to the Amended and Restated Service Plan, and subject to the conditions of the Amended and Restated Service Plan, on June 14, 2010, District No. 1 and District No. 2 entered into an Initial District No. 1 and District No. 2 Capital Pledge Agreement between Beebe Draw Farms Metropolitan District No. 1 and District No. 2 and the Beebe Draw Farms Authority, which is a debt instrument with a principal amount of \$1,500,000 on behalf of District No. 1 and \$26,125,508 on behalf of District No. 2 plus an interest rate of 15%. The mill levy for payment of this obligation is capped at 40 mills for District No. 1 and 50 mills for District No. 2, minus the 1998 Bond Mill Levy for each year and less the Operating and Maintenance Mill Levy for each year, to be imposed for collection beginning in 2012 and ending in tax collection year 2018 for District No. 1 and tax collection year 2051 for District No. 2. The total debt repayment will be the lesser of the \$1,500,000 for District No. 1 and the lesser of the \$26,125,508 for District No. 2, plus 15% interest accrued per annum or the total revenue that flows from the imposition of the 40 or 50 mills, minus the 1998 Bond Mill Levy and the Operating and Maintenance Mill Levy, over the term of the mill levy imposition.

**NOTE 9 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND
FINANCIAL STATEMENTS**

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

The governmental fund Balance Sheet and the government-wide Statement of Net Assets includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Fund balances	\$ (2,491,371)
Capital Assets	\$ 6,999,953

Capital assets are recorded as a transfer from other governments in the governmental fund statements but as a capital asset in the Statement of Net Assets. Fund balances have been reclassified in the Statement of Net Assets.

NOTE 10 – TRANSFER

The District transferred \$2,000 from the Infrastructure Fund and \$500 from the Amenities Fund to the General Fund in 2011.

SUPPLEMENTAL INFORMATION

BEEBE DRAW FARMS AUTHORITY

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CAPITAL PROJECT INFRASTRUCTURE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES – BUDGET AND ACTUAL

Year Ended December 31, 2011

	<u>Original/ Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Transfer from District No. 1	\$ 173,903	\$ 154,636	\$ (19,267)
Transfer from District No. 2	1,248,146	1,539,858	291,712
Interest income	2,000	1,553	(447)
Total revenues	<u>1,424,049</u>	<u>1,696,047</u>	<u>271,998</u>
EXPENDITURES			
Infrastructure	150,000	—	150,000
Engineering and planning	150,000	5,733	144,267
Street signage	5,000	1,296	3,704
Transfer to General Fund	—	2,000	(2,000)
Contingency	1,119,049	—	1,119,049
Total expenditures	<u>1,424,049</u>	<u>9,029</u>	<u>1,415,020</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>—</u>	<u>1,687,018</u>	<u>1,687,018</u>
FUND BALANCE – BEGINNING OF YEAR	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCE – END OF YEAR	<u>\$ —</u>	<u>\$ 1,687,018</u>	<u>\$ 1,687,018</u>

NOTE: The accompanying notes are an integral part of the financial statements.

BEEBE DRAW FARMS AUTHORITY

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CAPITAL PROJECT AMENITIES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES – BUDGET AND ACTUAL

Year Ended December 31, 2011

	Original/ Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfer from District No. 1	\$ 43,476	\$ 38,659	\$ (4,817)
Transfer from District No. 2	312,036	47,273	(264,763)
Transfer from District No. 2 Amenities	400,000	400,000	–
Interest income	1,000	505	(495)
Total revenues	<u>756,512</u>	<u>486,437</u>	<u>(270,075)</u>
EXPENDITURES			
Parking lot lighting	–	11,170	(11,170)
Community Center expansion	–	2,070	(2,070)
Equestrian Center	13,020	13,020	–
Street signage	6,000	324	5,676
Transfer to General Fund	–	500	(500)
Contingency	400,000	–	400,000
Total expenditures	<u>419,020</u>	<u>27,084</u>	<u>391,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>337,492</u>	<u>459,353</u>	<u>121,861</u>
FUND BALANCE – BEGINNING OF YEAR	<u>–</u>	<u>–</u>	<u>–</u>
FUND BALANCE – END OF YEAR	<u>\$ 337,492</u>	<u>\$ 459,353</u>	<u>\$ 121,861</u>

NOTE: The accompanying notes are an integral part of the financial statements.