

**BEEBE DRAW FARMS AUTHORITY**  
**Weld County, Colorado**

—  
**FINANCIAL STATEMENTS**  
**December 31, 2012**

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### **Independent Auditor's Report**

Board of Directors  
Beebe Draw Farms Authority

#### **Report on the Financial Statements**

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 year ended December 31, 2012, 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Management Discussion and Analysis**

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.

## **Opinion**

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, 2012, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Supplemental Information**

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.  
June 12, 2013

# BEEBE DRAW FARMS AUTHORITY

## Governmental Funds Balance Sheet/Statement of Net Position December 31, 2012

	General Fund	Capital Project Infrastructure Fund	Capital Project Amenities Fund
<b>ASSETS:</b>			
Cash and investments	\$ 429,700	\$ —	\$ —
Cash and investments - restricted	—	2,814,540	756,430
Due from District No. 1	—	23,211	5,803
Due from District No. 2	—	88,697	22,174
Capital assets, net	—	—	—
<b>Total assets</b>	<b>\$ 429,700</b>	<b>\$ 2,926,448</b>	<b>\$ 784,407</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 39,140	\$ 9,372	\$ 2,343
<b>Total liabilities</b>	<b>39,140</b>	<b>9,372</b>	<b>2,343</b>
<b>FUND BALANCE/NET POSITION:</b>			
Fund Balances			
Restricted:			
Emergencies	15,000	—	—
Capital infrastructure	—	2,917,076	—
Amenities	—	—	782,064
Assigned	375,560	—	—
<b>Total fund balances</b>	<b>390,560</b>	<b>2,917,076</b>	<b>782,064</b>
<b>Total liabilities and fund balance</b>	<b>\$ 429,700</b>	<b>\$ 2,926,448</b>	<b>\$ 784,407</b>
<b>Net Position:</b>			
Invested in capital assets			
Restricted for:			
Emergencies			
Capital infrastructure			
Amenities			
Unrestricted			
<b>Total net position</b>			

<u>Total</u>	<u>Adjustments Note 9</u>	<u>Statement of Net Position</u>
\$ 429,700	\$ —	\$ 429,700
3,570,970	—	3,570,970
29,014	—	29,014
110,871	—	110,871
—	6,872,778	6,872,778
<u>\$ 4,140,555</u>	<u>6,872,778</u>	<u>11,013,333</u>
\$ 50,855	—	50,855
<u>50,855</u>	<u>—</u>	<u>50,855</u>
		—
15,000	(15,000)	—
2,917,076	(2,917,076)	—
782,064	(782,064)	—
375,560	(375,560)	—
<u>4,089,700</u>	<u>(4,089,700)</u>	<u>—</u>
<u>\$ 4,140,555</u>		
	6,872,778	6,872,778
	15,000	15,000
	2,917,076	2,917,076
	782,064	782,064
	375,560	375,560
	<u>\$ 10,962,478</u>	<u>\$ 10,962,478</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, 2012**

	Government Fund Types		
	General Fund	Capital Project Infrastructure Fund	Capital Project Amenities Fund
<b>EXPENDITURES/EXPENSES</b>			
Accounting and audit	\$ 32,531	\$ -	\$ -
Depreciation	-	-	-
Directors fees	4,400	-	-
Payroll taxes	4,658	-	-
Miscellaneous	14,521	-	-
Insurance and bonds	12,246	-	-
Legal	33,540	-	-
Legal - Oil and Gas	6,343	-	-
District management	43,473	-	-
Project management	10,027	-	-
Property management	43,347	-	-
Engineering	830	-	-
Physical facilities	33,087	-	-
Aquatic facilities	68,273	-	-
Amenities	543	-	-
Parks and open space	56,292	-	-
Roads, trails and ditches	17,689	-	-
Repairs and maintenance	16,830	-	-
Capital replacement and reserve	8,814	-	-
Discretionary funds	9,150	-	-
Engineering and planning	-	9,801	-
Monumentation	-	58,311	-
Street signage	-	-	14,578
Planned amenities	-	-	4,310
<b>Total expenditures/expenses</b>	<b>416,594</b>	<b>68,112</b>	<b>18,888</b>
<b>REVENUES</b>			
Transfer from District No. 1	63,122	136,065	34,016
Transfer from District No. 2	354,893	1,159,044	289,761
Developer rent	1,356	-	-
Pool fees	4,620	-	-
RV Parking fees	820	-	-
Interest income	1,164	5,446	1,460
Oil and gas revenue	10,941	-	-
Other income	2,398	-	-
Reservoir lease revenue	36,817	-	-
<b>Total revenues</b>	<b>476,131</b>	<b>1,300,555</b>	<b>325,237</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>59,537</b>	<b>1,232,443</b>	<b>306,349</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in/(out)	(13,977)	11,182	2,795
<b>Total other financing sources (uses)</b>	<b>(13,977)</b>	<b>11,182</b>	<b>2,795</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>45,560</b>	<b>1,243,625</b>	<b>309,144</b>
<b>CHANGE IN NET POSITION</b>			
<b>BEGINNING OF YEAR</b>	<b>345,000</b>	<b>1,673,451</b>	<b>472,920</b>
<b>END OF YEAR</b>	<b>\$ 390,560</b>	<b>\$ 2,917,076</b>	<b>\$ 782,064</b>

Total	Adjustments Note 9	Statement of Activities
\$ 32,531	\$ —	\$ 32,531
—	200,064	200,064
4,400	—	4,400
4,658	—	4,658
14,521	—	14,521
12,246	—	12,246
33,540	—	33,540
6,343	—	6,343
43,473	—	43,473
10,027	—	10,027
43,347	—	43,347
830	—	830
33,087	—	33,087
68,273	—	68,273
543	—	543
56,292	—	56,292
17,689	—	17,689
16,830	—	16,830
8,814	—	8,814
9,150	—	9,150
9,801	—	9,801
58,311	(58,311)	—
14,578	(14,578)	—
4,310	—	4,310
503,594	(127,175)	630,769
233,203	—	233,203
1,803,698	—	1,803,698
1,356	—	1,356
4,620	—	4,620
820	—	820
8,070	—	8,070
10,941	—	10,941
2,398	—	2,398
36,817	—	36,817
2,101,923	—	2,101,923
1,598,329	(127,175)	1,471,154
—	—	—
—	—	—
1,598,329	(1,598,329)	—
	1,471,154	1,471,154
2,491,371	6,999,953	9,491,324
\$ 4,089,700	\$ 6,872,778	\$ 10,962,478

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, 2012**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Transfer from District No. 1	\$ 63,122	\$ 63,122	\$ 63,122	\$ –
Transfer from District No. 2	350,087	350,087	354,893	4,806
Developer rent	1,341	1,341	1,356	15
Pool fees	3,000	3,000	4,620	1,620
RV parking fees	300	300	820	520
Interest income	250	250	1,164	914
Oil and gas revenue	11,126	11,126	10,941	(185)
Other income	50	50	2,398	2,348
Reservoir lease revenue	–	–	36,817	36,817
<b>Total revenues</b>	<b>429,276</b>	<b>429,276</b>	<b>476,131</b>	<b>46,855</b>
<b>EXPENDITURES</b>				
Accounting and audit	33,500	33,500	32,531	969
Directors fees	4,800	4,800	4,400	400
Payroll taxes	3,657	3,657	4,658	(1,001)
Miscellaneous	5,000	5,600	14,521	(8,921)
Insurance and bonds	9,000	9,000	12,246	(3,246)
Legal	46,500	46,500	33,540	12,960
Legal – Oil and gas	5,000	5,000	6,343	(1,343)
District management	40,000	40,000	43,473	(3,473)
Facilities management	12,000	12,000	–	12,000
Project management	1,500	1,500	10,027	(8,527)
Property management	43,000	43,000	43,347	(347)
Engineering	–	–	830	(830)
Physical facilities	34,800	34,800	33,087	1,713
Aquatic facilities	34,360	34,360	68,273	(33,913)
Amenities	–	–	543	(543)
Parks and open space	55,000	55,000	56,292	(1,292)
Roads, trails and ditches	14,250	14,250	17,689	(3,439)
Repairs and maintenance	7,500	7,500	16,830	(9,330)
Emergency reserve	15,142	15,142	–	15,142
Capital replacement and reserve	25,000	25,000	8,814	16,186
Discretionary funds	40,000	40,000	9,150	30,850
<b>Total expenditures</b>	<b>430,009</b>	<b>430,609</b>	<b>416,594</b>	<b>14,015</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(733)</b>	<b>(1,333)</b>	<b>59,537</b>	<b>60,870</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in/(out)	–	–	(13,977)	(13,977)
<b>Total other financing sources (uses)</b>	<b>–</b>	<b>–</b>	<b>(13,977)</b>	<b>(13,977)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(733)</b>	<b>(1,333)</b>	<b>45,560</b>	<b>46,893</b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b>384,798</b>	<b>384,798</b>	<b>345,000</b>	<b>(39,798)</b>
<b>FUND BALANCE – END OF YEAR</b>	<b>\$ 384,065</b>	<b>\$ 383,465</b>	<b>\$ 390,560</b>	<b>\$ 7,095</b>

*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, 2012**

**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, 2012**

**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.

The District amended its General Fund budget from \$430,009 to \$430,609.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**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, 2012**

**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.

**New Accounting Pronouncements**

Effective January 1, 2012, the Authority implemented the provisions of GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63) and early implemented the provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65).

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 *Elements of Financial Statements* (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the Authority's financial statements has been to replace the term "net assets" with "net position". Additionally, the Authority's receivable for 2012 property taxes that will be collected during 2013 is considered to be a deferred inflow of resources. This is reflected on the Governmental Fund Balance Sheet/Statement of Net Position.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. The adoption of this standard had no impact on the Authority's financial statement.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2012 are classified in the accompanying financial statement as follows:

Statement of net assets:	
Cash and investments	\$ 429,700
Restricted investments	3,570,970
	<hr/>
	\$ 4,000,670

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

Cash and investments as of December 31, 2012 consist of the following:

Deposits with financial institutions	\$ 4,000,670
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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, 2012, none of the Authority's bank balance of \$4,000,670 was exposed to custodial credit risk.

**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



**BEEBE DRAW FARMS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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, 2012 the Authority had no investments.

**NOTE 4 - PROPERTY**

The following is an analysis of changes in property for the year ended December 31, 2012:

<b>By Classification</b>	<b>Balance at January 1, 2012</b>	<b>Additions</b>	<b>Transfers</b>	<b>Balance at December 31, 2012</b>
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	72,889	—	143,085
Total capital assets being depreciated	9,217,223	72,889	—	9,290,112
Less accumulated depreciation	(2,217,270)	(200,064)	—	(2,417,334)
Net capital assets being depreciated	6,999,953	(127,175)	—	6,872,778
Government type assets, net	\$ 6,999,953	\$ (127,175)	\$ —	\$ 6,872,778

Depreciation expense for the year 2012 is \$200,064.

Water system capacity is provided for 204 lots of which 60 have been connected as of December 31, 2012.

**BEEBE DRAW FARMS AUTHORITY**  

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**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 2012, the Developer leased the clubhouse, aka Community Information and Sales Center from the Authority for \$1,356. On November 9, 2011 the Authority entered into a five year ground lease with R.E.I. LLC for the equestrian facility commencing January 1, 2011 and ending on December 31, 2015 in the amount of \$2,500 per year.

**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, 2012. 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.



**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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.

**NOTE 8 – INTERGOVERNMENTAL AGREEMENTS**

**Beebe Draw Farms Authority Establishment Agreement (AEA)**

Effective April 12, 2011 that certain Authority Establishment Agreement (AEA), as amended December 11, 2012, 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 \$26,125,508 and as adjusted for inflation approximate \$36,000,000 which would be financed through Bonds 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, 2012**

**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, 2011, 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 ( the Original Capital Pledge Agreement), 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.

On December 20, 2012, with the support of Beebe Draw Farms Metropolitan District No. 2, Beebe Draw Farms Metropolitan District No. 1 and the Beebe Draw Farms Authority entered into that certain First Amendment to District No. 1 Capital Pledge Agreement (“First Amended Capital Pledge Agreement”), wherein Beebe Draw Farms Authority consented to the issuance of Beebe Draw Farms Metropolitan District No. 1’s 2012 Bonds and waived any limitations set forth in the Original Capital Pledge Agreement to the extent necessary for Beebe Draw Farms Metropolitan District No. 1 to issue its 2012 Bonds.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**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 Position**

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

Capital assets	\$ 6,872,778
Fund balances	\$(4,089,700)

Capital assets are recorded as an expenditure when incurred in the governmental fund statements but as a capital asset in the Statement of Net Position. Fund balances have been reclassified in the Statement of Net Position.

**NOTE 10 – TRANSFER**

The Authority transferred \$11,182 to the Infrastructure Fund and \$2,795 to the Amenities Fund from the General Fund.

## **SUPPLEMENTAL INFORMATION**

**BEEBE DRAW FARMS AUTHORITY**  
**CAPITAL PROJECT INFRASTRUCTURE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL**  
**Year Ended December 31, 2012**

	<b>Original/ Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Transfer from District No. 1	\$ 130,169	\$ 136,065	\$ 5,896
Transfer from District No. 2	1,068,930	1,159,044	90,114
Interest income	1,000	5,446	4,446
<b>Total revenues</b>	<u>1,200,099</u>	<u>1,300,555</u>	<u>100,456</u>
<b>EXPENDITURES</b>			
Engineering and planning	150,000	9,801	140,199
Monumentation	40,000	58,311	(18,311)
Infrastructure	150,000	—	150,000
Street signage	5,000	—	5,000
Contingency	2,425,581	—	2,425,581
<b>Total expenditures</b>	<u>2,770,581</u>	<u>68,112</u>	<u>2,702,469</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,570,482)</u>	<u>1,232,443</u>	<u>2,802,925</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in/(out)	—	11,182	11,182
<b>Total other financing sources (uses)</b>	<u>—</u>	<u>11,182</u>	<u>11,182</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,570,482)</u>	<u>1,243,625</u>	<u>2,814,107</u>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>1,570,482</u>	<u>1,673,451</u>	<u>102,969</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ —</u>	<u>\$ 2,917,076</u>	<u>\$ 2,917,076</u>

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

**BEEBE DRAW FARMS AUTHORITY**  
**CAPITAL PROJECT AMENITIES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL**  
**Year Ended December 31, 2012**

	<b>Original/ Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Transfer from District No. 1	\$ 32,542	\$ 34,016	\$ 1,474
Transfer from District No. 2	267,232	289,761	22,529
Interest income	1,000	1,460	460
<b>Total revenues</b>	<b>300,774</b>	<b>325,237</b>	<b>24,463</b>
<b>EXPENDITURES</b>			
Street signage	10,000	14,578	(4,578)
Planned amenities	714,324	4,310	710,014
<b>Total expenditures</b>	<b>724,324</b>	<b>18,888</b>	<b>705,436</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(423,550)</b>	<b>306,349</b>	<b>729,899</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in/(out)	–	2,795	2,795
<b>Total other financing sources (uses)</b>	<b>–</b>	<b>2,795</b>	<b>2,795</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(423,550)</b>	<b>309,144</b>	<b>732,694</b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b>423,550</b>	<b>472,920</b>	<b>49,370</b>
<b>FUND BALANCE – END OF YEAR</b>	<b>\$ –</b>	<b>\$ 782,064</b>	<b>\$ 782,064</b>

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