

**BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**  
**Weld County, Colorado**

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**FINANCIAL STATEMENTS**  
**December 31, 2009**

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## Independent Auditor's Report

Board of Directors  
Beebe Draw Farms Metropolitan District No. 2

We have audited the accompanying financial statements of the governmental activities and each major fund of Beebe Draw Farms Metropolitan District No. 2 as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District. 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 District, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinions.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 Metropolitan District No. 2 as of December 31, 2009, 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.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
June 7, 2010

**BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**  
**December 31, 2009**

	<u>General Fund</u>	<u>Adjustments Note 11</u>	<u>Statement of Net Assets</u>
<b>ASSETS:</b>			
Cash and investments	\$ 1,069,523	\$ —	\$ 1,069,523
Restricted investments	280,000	—	280,000
Prepaid expenses	1,500	—	1,500
Due from District No. 1	5,409	—	5,409
Capital assets, net	<u>—</u>	<u>7,199,681</u>	<u>7,199,681</u>
<b>Total assets</b>	<u>\$ 1,356,432</u>	<u>7,199,681</u>	<u>8,556,113</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 34,356	—	34,356
Payroll taxes payable	<u>3,244</u>	<u>—</u>	<u>3,244</u>
<b>Total liabilities</b>	<u>37,600</u>	<u>—</u>	<u>37,600</u>
<b>FUND BALANCE/NET ASSETS:</b>			
Reserved for:			
Emergency	5,000	(5,000)	—
Replacement	75,000	(75,000)	—
Debt Service	200,000	(200,000)	—
Unreserved	<u>1,038,832</u>	<u>(1,038,832)</u>	<u>—</u>
<b>Total fund balances</b>	<u>1,318,832</u>	<u>(1,318,832)</u>	<u>—</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,356,432</u>		
Invested in capital assets		7,199,681	7,199,681
Restricted for:			
Emergency/debt service/ replacement reserve		280,000	280,000
Unrestricted		<u>1,038,832</u>	<u>1,038,832</u>
Total net assets		<u>\$ 8,518,513</u>	<u>\$ 8,518,513</u>

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

**BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2009**

	<u>Governmental Fund Type</u>		
	<u>General Fund</u>	<u>Adjustments Note 11</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Accounting and audit	\$ 9,962	\$ —	\$ 9,962
Depreciation	—	200,064	200,064
Directors fees	2,025	—	2,025
Maintenance			
Physical facilities	19,158	—	19,158
Aquatic	23,701	—	23,701
Parks and open space	30,890	—	30,890
Riding/walking trails/other	63,872	—	63,872
Insurance	7,497	—	7,497
Legal	409,954	—	409,954
Miscellaneous	1,375	—	1,375
Professional fees	13,290	—	13,290
Capital outlay	6,960	(6,960)	—
Recreation improvements	111,576	(111,576)	—
Signage	8,392	(8,392)	—
Utilities	19,325	—	19,325
<b>Total expenditures/expenses</b>	<u>727,977</u>	<u>73,136</u>	<u>801,113</u>
<b>REVENUES</b>			
Program revenues — Lease revenue	6,000	—	6,000
— User, pool and parking fees	1,140	—	1,140
General revenues — Investment income	5,028	—	5,028
— Miscellaneous income	5,848	—	5,848
— Transfer from District No. 1	878,111	—	878,111
<b>Total revenues</b>	<u>896,127</u>	<u>—</u>	<u>896,127</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	168,150	(73,136)	95,014
<b>FUND BALANCE/NET ASSETS:</b>			
<b>BEGINNING OF YEAR</b>	<u>1,150,682</u>	<u>7,272,817</u>	<u>8,423,499</u>
<b>END OF YEAR</b>	<u>\$ 1,318,832</u>	<u>\$ 7,199,681</u>	<u>\$ 8,518,513</u>

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

**BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2****GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES – BUDGET AND ACTUAL  
Year Ended December 31, 2009**

	<b>Original/ Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Lease revenue	\$ 6,000	\$ 6,000	\$ –
User fees	400	–	(400)
Pool fees	7,000	1,140	(5,860)
Miscellaneous	–	5,848	5,848
Interest income	30,000	5,028	(24,972)
Transfer from District No. 1	886,388	878,111	(8,277)
<b>Total revenues</b>	<u>929,788</u>	<u>896,127</u>	<u>(33,661)</u>
<b>EXPENDITURES</b>			
Accounting and audit	10,500	9,962	538
Association fees	1,800	–	1,800
Directors fees	1,125	2,025	(900)
Insurance	8,000	7,497	503
Legal	40,000	409,954	(369,954)
Maintenance	100,000	137,621	(37,621)
Miscellaneous	21,600	1,375	20,225
Professional fees/manager	40,000	13,290	26,710
Utilities	9,000	19,325	(10,325)
Capital	925,000	119,968	805,032
Infrastructure	350,000	6,960	343,040
Contingency/emergency reserves	5,000	–	5,000
<b>Total expenditures</b>	<u>1,512,025</u>	<u>727,977</u>	<u>784,048</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(582,237)	168,150	750,387
<b>FUND BALANCE – BEGINNING OF YEAR</b>	996,579	1,150,682	154,103
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 414,342</u>	<u>\$ 1,318,832</u>	<u>\$ 904,490</u>

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

## **BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

#### **NOTE 1 – DEFINITION OF REPORTING ENTITY**

##### **Definition of Reporting Entity**

Beebe Draw Farms Metropolitan District No. 2 (The District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act and a consolidated service plan approved by Weld County in May, 1999. The District's service area is located in Weld County, Colorado. The District was established to manage the financing, construction, operation and maintenance of the facilities located within the District and Beebe Draw Farms Metropolitan District No. 1 (District No. 1).

The District is intended to serve as the "service district" and is responsible for day-to-day operations and administrative management for both districts.

The District 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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 1.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Basis of Presentation**

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

##### **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.

## **BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 District 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 fund:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in other funds.

#### **Budgets**

In accordance with the State Budget Law, the District'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 District'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.

#### **Cash**

The District 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.

#### **Property and Equipment**

Property and equipment are stated at cost except for those assets contributed which are stated at estimated fair market value at the date of contribution or at the Developer's cost. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Depreciation has been provided over the estimated useful lives of 30-40 years using the straight line method.



## **BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Fund Equity**

##### **Fund Balance**

The fund balances have been reserved for that portion of the fund balance that is legally segregated or is not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

##### **Reserved Fund Balance**

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$80,000 of the General Fund balance has been reserved in compliance with this requirement. Pursuant to the Agreement described in Note 9, the District set aside \$200,000 for a bond reserve, if necessary.

#### **NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2009 are classified in the accompanying financial statement as follows:

##### Statement of net assets:

Cash and investments - unrestricted	\$ 1,069,523
- restricted	280,000
	<u>\$ 1,349,523</u>

Cash and investments as of December 31, 2009 consist of the following:

Deposits with financial institutions	\$ 67,930
Investments	1,281,593
	<u>\$ 1,349,523</u>

##### **Cash 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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

## **BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

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

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.

At December 31, 2009, the District's cash deposits had a bank balance of \$68,343 and a carrying balance of \$67,930.

#### **Custodial Credit Risks – Deposits**

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2009, none of the District's bank balance of \$67,930 was exposed to custodial credit risk.

#### **Investments**

##### **Credit Risk**

The District has not adopted a formal investment policy, however, the District follows 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 District 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.

The local government investment pools include the Colorado Local Government Liquid Assets Trust (ColoTrust) rated AAAm by Standard & Poor's.

## **BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS December 31, 2009**

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

##### **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, 2009 the District had the following investments:

<b><u>Investment</u></b>	<b><u>Maturity</u></b>	<b><u>Fair Value</u></b>
Colorado Liquid Asset Trust	Less than one year	\$ 1,281,593

##### **COLOTRUST**

As of December 31, 2009 the District had invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2009, the District has \$1,281,593 invested in COLOTRUST PRIME.

##### **Concentration of Credit Risk**

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer, however, the District invests primarily in local government investment pools and/or U.S. securities, which are not subject to concentration of credit risk.

**BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 4 – PROPERTY**

The following is an analysis of changes in property for the year ended December 31, 2009:

<b>By Classification</b>	<b>Balance at January 1, 2009</b>	<b>Additions</b>	<b>Reclass/ Retirements</b>	<b>Balance at December 31, 2009</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	615,260	—	—	615,260
Recreation facilities/equipment	2,472,006	126,928	—	2,598,934
Irrigation and landscape	70,196	—	—	70,196
	<u>8,889,895</u>	<u>126,928</u>	<u>—</u>	<u>9,016,823</u>
Less accumulated depreciation	1,617,078	200,064	—	1,817,142
	<u>\$ 7,272,817</u>	<u>\$ (73,136)</u>	<u>\$ —</u>	<u>\$ 7,199,681</u>

Depreciation expense for the year 2009 is \$200,064.

Water system capacity is provided for 179 lots of which 57 have been connected as of December 31, 2009.

**NOTE 5 – INTERGOVERNMENTAL AGREEMENTS**

**Amended and Restated Intergovernmental Agreement with Beebe Draw Farms Metropolitan District No. 1**

On November 3, 2008 the District entered into an Amended and Restated Intergovernmental Agreement (IGA) with District No. 1 in order to better describe and confirm the relationship and understanding between the Districts. The responsibility of District No. 1 is as follows:

District No. 1 will be required to levy property taxes of 40 mills on all property within the District. All property tax revenue received by the District shall first be applied to the payment of the 1998 Bonds, both principal and interest as set out in the Bond documents and all remaining tax revenues will then be transferred to District No. 2 upon receipt. District No. 1 shall be prohibited from retaining, expending, pledging or otherwise encumbering any portion of the pledged revenues. District No. 1 shall adopt, impose and remit to District No. 2 such rates, fees, tolls and charges as established by District No. 2. Upon receipt of notice and the dissolution of District No. 2, District No. 2 shall transfer and District No. 1 shall accept responsibility for the operations and maintenance of all public improvements located within the service area that have not been transferred to the County or other public agency.

## **BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

#### **NOTE 5 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

##### **Central Weld County Water District and R.E.I. Limited Liability Company**

On June 27, 1995, District No. 1 entered into a contract with the Central Weld County Water District (Water District) and the R.E.I. Limited Liability Company (Developer) (see Note 6). The Developer is planning an eight hundred unit residential development within the District No. 1 and District No. 2 boundaries. District No. 1 or the Developer agreed to construct or reimburse the Water District for construction costs of water facilities directly related to the development. The Water District will assume all operation, maintenance, repair and replacement of all water facilities upon acceptance and completion.

In June 1997, District No. 1 paid the Water District a nonrefundable contribution for the construction of offsite transmission and water storage facilities in the amount of \$300,000. As water rights are obtained, they are given to the Water District in return for the right to agreed upon levels of water capacity.

Under the IGA with District No. 1, the District was assigned ownership of all fixed assets and the responsibility for administration of agreements.

#### **NOTE 6 – LONG-TERM DEBT AUTHORIZATION**

The District has authorized debt of \$8,529,000 for water, \$10,572,000 for streets and \$1,489,000 for parks for a total debt authorization of \$20,590,000. The District has no plans to issue any debt in the 2010 fiscal year.

#### **NOTE 7 – RELATED PARTIES**

The primary developer of real property in the District is R.E.I. Limited Liability Company (Developer), successor in interest to Beebe Draw Farms, Ltd. Certain members of the Board of Directors are associated with the Developer. During 2009, the Developer leased the clubhouse, aka Community Information and Sale Center from the District for \$6,000. The District 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 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 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.

#### **NOTE 8 – RISK MANAGEMENT**

The District 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.

## **BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS December 31, 2009**

#### **NOTE 8 – RISK MANAGEMENT (CONTINUED)**

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2009. 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 District 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 9 – 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 District has reserved \$125,134 to comply with this requirement.

The District 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 METROPOLITAN DISTRICT NO. 2**

### **NOTES TO FINANCIAL STATEMENTS December 31, 2009**

#### **NOTE 10 – DEVELOPER FEE AND WATER TAP FEE AGREEMENT**

On December 8, 1998, District No. 1 entered into a Developer Fee and Water Tap Fee Agreement with the Developer (see Note 7) pursuant to which the Developer agreed to pay certain fees to the District on or before the date of transfer or sale of a lot. Such fees constitute a statutory lien on each lot, subject to release upon payment of the fees.

On December 5, 2000, this agreement was amended and the Developer agreed to prepay up to \$627,500 in fees at the rate of \$16,000 per lot, by December 31, 2001 or, if later, within 10 days of a written demand by the District to the Developer for such funds as needed to make all required construction payments for improvements to Milton Lake. As of December 31, 2009, the Developer prepaid \$587,000 in advance developer fees; applied \$227,000 to specific lots, leaving a balance of \$360,000 in prepaid developer fees.

Pursuant to the Intergovernmental Agreement with District No. 2, all fees collected subsequent to December 31, 2001 will be collected and used by District No. 2.

#### **NOTE 11 – 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:

Capital Assets	\$ 7,199,681
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Capital assets used in government activities are not financial resources and therefore are not reported in the funds.

**BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

**NOTE 11 – RECONCILIATION OF *GOVERNMENT-WIDE* AND FUND  
FINANCIAL STATEMENTS (CONTINUED)**

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

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Depreciation expense	\$ 200,064
Capital outlay	
Infrastructure	\$ (126,928)

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.