BEEBE DRAW FARMS AUTHORITY
Weld County, Colorado

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FINANCIAL STATEMENTS
December 31, 2014

DRAFT 06/01/15

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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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

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.

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, 2014, 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.

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Other Matters

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.

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.
Date

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BEEBE DRAW FARMS AUTHORITY

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Governmental Funds Balance Sheet/Statement of Net Position
December 31, 2014

	General Fund	Capital Project Infrastructure Fund	Capital Project Amenities Fund
ASSETS:			
Cash and investments	$ 520,978	$ –	$ –
Cash and investments - restricted	–	4,399,097	1,313,818
Due from District No. 1	–	51,352	12,838
Due from District No. 2	–	132,600	33,150
Capital assets, net	–	–	–
Total assets	$ 520,978	$ 4,583,049	$ 1,359,806
LIABILITIES:			
Accounts/retainage payable	$ 27,829	$ 31,248	$ –
Total liabilities	27,829	31,248	–
FUND BALANCES/NET POSITION:			
Fund Balances			
Nonspendable:			
Prepaids	–	–	–
Restricted:			
Emergencies	13,500	–	–
Capital infrastructure	–	4,551,801	–
Amenities	–	–	1,359,806
Assigned:			
Repair and Replacement Reserve	169,702	–	–
Discretionary Fund	63,447	–	–
O & M Reserve Fund	246,500	–	–
Total fund balances	493,149	4,551,801	1,359,806
Total liabilities and fund balance	$ 520,978	$ 4,583,049	$ 1,359,806
Net Position:			
Invested in capital assets			
Restricted for:			
Emergencies			
Capital infrastructure			
Amenities			
Unrestricted			
Total net position			

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Total	Adjustments Note 9	Statement of Net Position
$ 520,978	$ –	$ 520,978
5,712,915	–	5,712,915
64,190	–	64,190
165,750	–	165,750
–	7,917,536	7,917,536
$ 6,463,833	7,917,536	14,381,369
$ 59,077	–	59,077
59,077	–	59,077
–		–
13,500	(13,500)	–
4,551,801	(4,551,801)	–
1,359,806	(1,359,806)	–
169,702	(169,702)	–
63,447	(63,447)	–
246,500	(246,500)	–
6,404,756	(6,404,756)	–
$ 6,463,833		
	7,917,536	7,917,536
	13,500	13,500
	4,551,801	4,551,801
	1,359,806	1,359,806
	479,649	479,649
	$ 14,322,292	$ 14,322,292

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

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BEEBE DRAW FARMS AUTHORITY

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STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	Government Fund Types		
	General Fund	Capital Project Infrastructure Fund	Capital Project Amenities Fund
EXPENDITURES/EXPENSES			
Accounting and audit	$ 29,735	$ –	$ –
Depreciation	–	–	–
Directors fees	3,900	–	–
Payroll taxes	4,785	–	–
Miscellaneous	6,791	–	–
Insurance and bonds	13,193	–	–
Community Center land	–	–	60,558
Community Center legal	–	–	17,353
Legal	44,576	–	–
Legal – Oil and Gas	4,382	–	–
District management	31,335	–	–
Project management	10,164	–	–
Property management	42,368	–	–
Seasonal help	9,162	–	–
Maintenance facility	–	–	10,894
Physical facilities	31,380	–	–
Aquatic facilities	39,157	–	–
Amenities	313	–	–
Parks and open space	57,802	–	–
Roads, trails and ditches	3,648	–	–
Other	20,131	–	–
Capital replacement and reserve	80,197	–	–
Discretionary funds	1,117	–	–
Infrastructure	–	1,197,692	–
Engineering and planning	–	98,292	–
Street signage	115	3,738	–
Total expenditures/expenses	434,251	1,299,722	88,805
REVENUES			
Transfer from District No. 1	87,719	173,594	43,399
Transfer from District No. 2	349,012	959,548	239,887
Developer rent	1,421	–	–
Pool fees	3,859	–	–
RV Parking fees	1,988	–	–
Interest income	792	6,932	1,861
Oil and gas revenue	1,905	–	–
Water tap fees	–	10,000	–
Other income	2,663	–	–
Total revenues	449,359	1,150,074	285,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,108	(149,648)	196,342
OTHER FINANCING SOURCES (USES)			
Transfers in	96,694	(53,355)	(43,339)
Transfers in (out)	(96,423)	77,138	19,285
Total other financing sources (uses)	271	23,783	(24,054)
NET CHANGES IN FUND BALANCES	15,379	(125,865)	172,288
CHANGE IN NET POSITION			
BEGINNING OF YEAR	477,770	4,677,666	1,187,518
END OF YEAR	$ 493,149	$ 4,551,801	$ 1,359,806

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Total	Adjustments Note 9	Statement of Activities
$ 29,735	$ –	$ 29,735
–	206,122	206,122
3,900	–	3,900
4,785	–	4,785
6,791	–	6,791
13,193	–	13,193
60,558	(60,558)	–
17,353	(17,353)	–
44,576	–	44,576
4,382	–	4,382
31,335	–	31,335
10,164	–	10,164
42,368	–	42,368
9,162	–	9,162
10,894	(10,894)	–
31,380	–	31,380
39,157	–	39,157
313	–	313
57,802	–	57,802
3,648	–	3,648
20,131	–	20,131
80,197	–	80,197
1,117	–	1,117
1,197,692	(1,197,692)	–
98,292	(98,292)	–
3,853	–	3,853
1,822,778	(1,178,667)	644,111
304,712	–	304,712
1,548,447	–	1,548,447
1,421	–	1,421
3,859	–	3,859
1,988	–	1,988
9,585	–	9,585
1,905	–	1,905
10,000	–	10,000
2,663	–	2,663
1,884,580	–	1,884,580
61,802	1,178,667	1,240,469
–	–	–
–	–	–
–	–	–
61,802	(61,802)	–
	1,240,469	1,240,469
6,342,954	6,738,869	13,081,823
$ 6,404,756	$ 7,917,536	$ 14,322,292

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

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BEEBE DRAW FARMS AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2014

	Original/Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfer from District No. 1	$ 101,058	$ 87,719	$ (13,339)
Transfer from District No. 2	402,366	349,012	(53,354)
Developer rent	1,400	1,421	21
Pool fees	4,600	3,859	(741)
RV parking fees	800	1,988	1,188
Interest income	500	792	292
Oil and gas revenue	–	1,905	1,905
Other income	–	2,663	2,663
Total revenues	510,724	449,359	(61,365)
EXPENDITURES			
Accounting and audit	33,500	29,735	3,765
Directors fees	4,800	3,900	900
Payroll taxes	3,811	4,785	(974)
Miscellaneous	11,500	6,791	4,709
Insurance and bonds	13,200	13,193	7
Legal	33,600	44,576	(10,976)
Legal – Oil and gas	8,400	4,382	4,018
District management	45,000	31,335	13,665
Project management	20,000	10,164	9,836
Property management	45,020	42,368	2,652
Seasonal help	7,200	9,162	(1,962)
Engineering	7,000	–	7,000
Physical facilities	44,000	31,380	12,620
Aquatic facilities	53,580	39,157	14,423
Amenities	11,500	313	11,187
Parks and open space	84,000	57,802	26,198
Roads, trails and ditches	148,650	3,648	145,002
Other	10,500	20,131	(9,631)
Capital replacement and reserve	25,000	80,197	(55,197)
Emergency reserve	12,932	–	12,932
Discretionary funds	64,565	1,117	63,448
Street signage	200	115	85
Total expenditures	687,958	434,251	253,707
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(177,234)	15,108	192,342
OTHER FINANCING SOURCES (USES)			
Transfers in	–	96,694	96,694
Transfers in/(out)	30,000	(96,423)	(126,423)
Total other financing sources (uses)	30,000	271	(29,729)
NET CHANGE IN FUND BALANCE	(147,234)	15,379	162,613
FUND BALANCE – BEGINNING OF YEAR	474,103	477,770	3,667
FUND BALANCE – END OF YEAR	$ 326,869	$ 493,149	$ 166,280

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

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BEEBE DRAW FARMS AUTHORITY

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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), collectively "the Districts". 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.

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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.

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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.

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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. $13,500 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, 2014 are classified in the accompanying financial statement as follows:

Statement of net assets:	
Cash and investments	$ 520,978
Restricted investments	5,712,915
	$ 6,233,893

Cash and investments as of December 31, 2014 consist of the following:

Deposits with financial institutions	$ 6,233,893

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, 2014, none of the Authority's bank balance of $6,233,893 was exposed to custodial credit risk.

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NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The Authority has adopted a policy to invest in accordance with state statues 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, 2014 the Authority had no investments.

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BEEBE DRAW FARMS AUTHORITY

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – PROPERTY

The following is an analysis of changes in property for the year ended December 31, 2014:

By Classification	Balance at January 1, 2014	Additions	Deletions	Balance at December 31, 2014
CIP new maintenance building	$ 4,181	$ 10,894	$ –	$ 15,075
CIP roads	68,032	1,295,984	–	1,364,016
CIP Community Center	–	17,353	–	17,353
Land	1,482,975	60,558	–	1,543,533
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	143,085	–	–	143,085
Total capital assets being depreciated	9,362,325	1,384,789	–	10,747,114
Less accumulated depreciation	(2,623,456)	(206,122)	–	(2,829,578)
Net capital assets being depreciated	6,738,869	1,178,667	–	7,917,536
Government type assets, net	$ 6,738,869	$ 1,178,667	$ –	$ 7,917,536

Depreciation expense for the year 2014 is $206,122.

Water system capacity is provided for 67 lots of which 65 have been connected as of December 31, 2014.

As of December 31, 2014, the Authority had a total of 147 prepaid Colorado Big-Thompson (CB-T) water shares (one CB-T water share = 1 Tap) and a total of 67 taps that are paid for with three of those that are on stand-by and 65 that are connected.

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 2014, the Developer leased the clubhouse, aka Community Information and Sales Center from the Authority for $1,421. On November 9, 2011 the Authority entered into a five year ground lease with the Developer for the equestrian facility commencing January 1, 2011 and ending on December 31, 2015 in the amount of $2,500 per year.

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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, 2014. 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's 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.

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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.

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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.

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 pursuant to which the Developer shall pay certain fees to District No. 2 (as assignee of District No. 1) 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.

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NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

On December 5, 2000, this agreement was amended (collectively with the December 8, 1998 Agreement, the "Developer and Water Tap Fee Agreement") pursuant to which the Developer agreed to prepay up to $627,500 in fees at the rate of $16,000 per lot, to District No. 2 (as assignee of District No. 1) 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, 2014, the Developer prepaid $587,000 in advance development fees; applied $243,000 to specific lots, leaving a balance of $344,000 in prepaid developer fees.

Pursuant to the Authority Establishment Agreement, all fees collected pursuant to this agreement for tax year 2011 and each year thereafter, shall be collected by District No. 2, 100% of which shall be transferred into the Authority's Infrastructure Account. Pursuant to the Authority Establishment Agreement, fees collected from this agreement are not subject to the 80/20 split further described in the Authority Establishment Agreement.

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	$ 7,917,537
Fund balances	$(6,404,756)

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.

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NOTE 9 – 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	$ 206,122
Infrastructure capitalized	$ 1,384,789

Governmental funds report infrastructure capitalized as expenditures. However in the Statement of Activities, these expenditures have been capitalized. Government funds do not reflect depreciation.

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SUPPLEMENTAL INFORMATION

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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, 2014

	Original/ Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfer from District No. 1	$ 146,771	$ 173,594	$ 26,823
Transfer from District No. 2	894,399	959,548	65,149
Water tap fees	30,000	10,000	(20,000)
Interest income	4,000	6,932	2,932
Total revenues	1,075,170	1,150,074	74,904
EXPENDITURES			
Engineering and planning	100,000	98,292	1,708
Infrastructure	1,080,000	1,197,692	(117,692)
Street signage	6,000	3,738	2,262
Contingency	4,410,713	–	4,410,713
Total expenditures	5,596,713	1,299,722	4,296,991
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,521,543)	(149,648)	4,371,895
OTHER FINANCING SOURCES (USES)			
Transfers in	–	(53,355)	(53,355)
Transfers in (out)	–	77,138	77,138
Total other financing sources (uses)	–	23,783	23,783
NET CHANGE IN FUND BALANCE	(4,521,543)	(125,865)	4,395,678
FUND BALANCE – BEGINNING OF YEAR	4,521,543	4,677,666	156,123
FUND BALANCE – END OF YEAR	$ –	$ 4,551,801	$ 4,551,801

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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, 2014

	Original/ Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfer from District No. 1	$ 36,693	$ 43,399	$ 6,706
Transfer from District No. 2	223,600	239,887	16,287
Interest income	1,200	1,861	661
Total revenues	261,493	285,147	23,654
EXPENDITURES			
Engineering/architecture	20,000	2,772	17,228
Planned amenities	1,238,756	77,911	1,160,845
Legal	15,000	8,122	6,878
Total expenditures	1,273,756	88,805	1,184,951
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,012,263)	196,342	1,208,605
OTHER FINANCING SOURCES (USES)			
Transfers in	–	(43,339)	(43,339)
Transfers in/(out)	(30,000)	19,285	49,285
Total other financing sources (uses)	(30,000)	(24,054)	5,946
NET CHANGE IN FUND BALANCE	(1,042,263)	172,288	1,214,551
FUND BALANCE – BEGINNING OF YEAR	1,042,264	1,187,518	145,254
FUND BALANCE – END OF YEAR	$ 1	$ 1,359,806	$ 1,359,805

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