

**BEEBE DRAW FARMS AUTHORITY**  
**Weld County, Colorado**  
—  
**FINANCIAL STATEMENTS**  
**December 31, 2017**

**L. PAUL GOECKE P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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# L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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, 2017, 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.

## 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.*

L. Paul Goedecke, P.C.  
September 18, 2018

**Beebe Draw Farms Authority**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2017

	<u>General</u>	<u>Capital Infrastructure</u>	<u>Amenities</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 595,466	\$ -	\$ -	\$ 595,466	\$ -	\$ 595,466
Cash and investments - restricted	11,200	6,232,861	700,043	6,944,104	-	6,944,104
Due from District No. 1	57,566	94,200	23,550	175,316	-	175,316
Due from District No. 2	-	32,561	8,140	40,701	-	40,701
Prepaid expenses	15,257	-	-	15,257	-	15,257
Capital assets net	-	-	-	-	8,799,066	8,799,066
<b>Total Assets</b>	<u>679,489</u>	<u>6,359,622</u>	<u>731,733</u>	<u>7,770,844</u>	<u>8,799,066</u>	<u>16,569,910</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 41,985	\$ 23,553	\$ -	\$ 65,538	\$ -	\$ 65,538
Due to District No. 2	20,921	-	-	20,921	-	20,921
<b>Total Liabilities</b>	<u>62,906</u>	<u>23,553</u>	<u>-</u>	<u>86,459</u>	<u>-</u>	<u>86,459</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	15,257	-	-	15,257	(15,257)	-
Restricted:						
Emergencies	11,200	-	-	11,200	(11,200)	-
Capital infrastructure	-	6,336,069	-	6,336,069	(6,336,069)	-
Amenities	-	-	731,733	731,733	(731,733)	-
Assigned:						
Repair and replacement reserve	164,421	-	-	164,421	(164,421)	-
Discretionary Fund	102,166	-	-	102,166	(102,166)	-
O&M Reserve Fund	350,000	-	-	350,000	(350,000)	-
Unassigned	(26,461)	-	-	(26,461)	26,461	-
<b>Total Fund Balances</b>	<u>616,583</u>	<u>6,336,069</u>	<u>731,733</u>	<u>7,684,385</u>	<u>(7,684,385)</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 679,489</u>	<u>\$ 6,359,622</u>	<u>\$ 731,733</u>	<u>\$ 7,770,844</u>		
Net Position:						
Net investment in capital assets					8,799,066	8,799,066
Restricted for:						
Emergencies					11,200	11,200
Capital infrastructure					6,336,069	6,336,069
Amenities					731,733	731,733
Unrestricted					<u>(115,168)</u>	<u>(115,168)</u>
<b>Total Net Position</b>					<u>\$ 15,762,900</u>	<u>\$ 15,762,900</u>

The notes to the financial statements are an integral part of these statements.

## Beebe Draw Farms Authority

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

	<u>General</u>	<u>Capital Infrastructure</u>	<u>Amenities</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
<b>General and Administration</b>						
Accounting and audit	\$ 26,788	\$ -	\$ -	\$ 26,788	\$ -	\$ 26,788
Depreciation	-	-	-	-	257,901	257,901
Directors fees	1,800	-	-	1,800	-	1,800
Payroll Taxes	4,874	-	-	4,874	-	4,874
Miscellaneous	8,971	-	-	8,971	-	8,971
Insurance and Bonds	15,860	-	-	15,860	-	15,860
Legal	60,636	-	-	60,636	-	60,636
Admin Staff Wages	13,532	-	-	13,532	-	13,532
Facilities Management	23,294	-	-	23,294	-	23,294
Project Management	901	-	-	901	-	901
Property management	37,745	-	-	37,745	-	37,745
Engineering	1,759	-	-	1,759	-	1,759
Physical Facilities	30,504	-	-	30,504	-	30,504
Aquatic facilities	44,562	-	-	44,562	-	44,562
Parks and open Space	29,233	-	-	29,233	-	29,233
Roads Trails and Ditches	302	-	-	302	-	302
Other	10,272	-	-	10,272	-	10,272
Capital replacement and reserve	13,764	-	-	13,764	-	13,764
Infrastructure	-	4,320	-	4,320	-	4,320
Engineering and Planning	-	103,089	-	103,089	-	103,089
	<u>324,797</u>	<u>107,409</u>	<u>-</u>	<u>432,206</u>	<u>257,901</u>	<u>690,107</u>
<b>GENERAL REVENUES</b>						
Transfer from District No. 1	54,144	94,200	23,550	171,894	-	171,894
Transfer from District No. 2	296,447	32,561	8,140	337,148	-	337,148
Developer rent	1,536	-	-	1,536	-	1,536
Pool fees	6,860	-	-	6,860	-	6,860
Rv Parking fees	5,290	-	-	5,290	-	5,290
Interest income	560	8,011	909	9,480	-	9,480
Oil and gas revenue	1,000	-	-	1,000	-	1,000
Water Tap fees	-	156,000	-	156,000	-	156,000
Other income	5,192	-	-	5,192	-	5,192
	<u>371,029</u>	<u>290,772</u>	<u>32,599</u>	<u>694,400</u>	<u>-</u>	<u>694,400</u>
<b>NET CHANGES IN FUND BALANCES</b>	46,232	183,363	32,599	262,194	(262,194)	
<b>CHANGE IN NET POSITION</b>					4,293	4,293
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	<u>570,351</u>	<u>6,152,706</u>	<u>699,134</u>	<u>7,422,191</u>	<u>8,336,416</u>	<u>15,758,607</u>
END OF YEAR	<u>\$ 616,583</u>	<u>\$ 6,336,069</u>	<u>\$ 731,733</u>	<u>\$ 7,684,385</u>	<u>\$ 8,078,515</u>	<u>\$ 15,762,900</u>

The notes to the financial statements are an integral part of these statements.

## Beebe Draw Farms Authority

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2017

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Transfer from District No. 1	\$ 81,998	\$ 54,144	\$ (27,854)
Transfer from District No. 2	368,106	296,447	(71,659)
Developer rent	1,536	1,536	-
Pool fees	4,600	6,860	2,260
Rv Parking fees	4,250	5,290	1,040
Interest income	500	560	60
Oil and gas revenue	-	1,000	1,000
Other income	7,020	5,192	(1,828)
	468,010	371,029	(96,981)
<b>EXPENDITURES</b>			
Administration			
Accounting and audit	31,400	26,788	4,612
Directors fees	2,400	1,800	600
Payroll Taxes	5,210	4,874	336
Miscellaneous	5,000	8,971	(3,971)
Insurance and Bonds	15,100	15,860	(760)
Legal	22,000	60,636	(38,636)
Legal Oil and Gas	2,000	-	2,000
Admin staff Wages	14,040	13,532	508
Facilities Management	22,000	23,294	(1,294)
Project Management	4,500	901	3,599
Property managemnt	45,000	37,745	7,255
Seasonal Help	4,000	-	4,000
Engineeering	-	1,759	(1,759)
Physical Facilities	35,400	30,504	4,896
Aquatic facilities	37,500	44,562	(7,062)
Parks and open Space	59,225	29,233	29,992
Roads Trails and Ditches	12,500	302	12,198
Other	18,000	10,272	7,728
Capital replacement and reserve	25,000	13,764	11,236
Discretionary funds	102,166	-	102,166
Emergency Reserve	14,040	-	14,040
	476,481	324,797	151,684
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(8,471)	46,232	54,703
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	528,892	570,351	41,459
END OF YEAR	\$ 520,421	\$ 616,583	\$ 96,162

The notes to the financial statements are an integral part of these statements.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

The government reports the following major governmental funds:

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

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

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

**Budgets**

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

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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. \$11,200 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, 2017 are classified in the accompanying financial statement as follows:

Statement of net assets:	
Cash and investments	\$ 595,466
Restricted investments	<u>6,944,104</u>
	<u>\$ 7,539,570</u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 7,539,570
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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, 2017, none of the Authority's bank balance of \$7,539,570 was exposed to custodial credit risk.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Credit Risk**

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

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

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

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

**Interest Rate Risk**

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

As of December 31, 2017 the Authority had no investments.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – PROPERTY**

The following is an analysis of changes in property for the year ended December 31, 2017:

By Classification	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Land	1,639,760		-	1,639,760
Roads	4,418,415	-		4,418,415
Water distribution Facilities	1,292,161			1,292,161
Offsite water facilities	300,000			300,000
Water Capacity	815,660			815,660
Maintenance Facility Building	1,021,530	-		1,021,530
Recreation facilities/ equipment	2,671,102	-		2,671,102
Irrigation and landscape	143,085	-	-	143,085
Total capital assets being depreciated	12,301,713	-	-	12,301,713
Less accumulated depreciation	(3,244,746)	(257,901)	-	(3,502,647)
Net capital assets being depreciated	9,056,967	(257,901)	-	8,799,066
Government type assets, net	<u>\$ 9,056,967</u>	<u>\$ (257,901)</u>	<u>\$ -</u>	<u>\$ 8,799,066</u>

Depreciation expense for the year 2017 is \$257,901.

Water system capacity is provided for 102 water taps of which 102 have been connected as of December 31, 2017, leaving 102 available to connect for future lots.

As of December 31, 2017, the Authority had a total of 102 prepaid Colorado Big-Thompson (CBT) water shares that can be utilized for 115 taps that can be purchased from Central Weld County Water District (CWCWD) by end users. As water taps are purchased by lot owners from CWCWD, CWCWD remits to the Authority an amount specified by the Authority. During 2017 the amount the Authority charged for tap hook-ups was \$11,000 in the beginning and was increased to \$12,000 during 2017.

**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 2017, the Developer leased the clubhouse, aka Community Information and Sales Center from the Authority for \$1,518. On November 9, 2011, the Authority entered into a five year ground lease with the Developer for the equestrian

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – RELATED PARTIES (CONTINUED)**

facility commencing January 1, 2011 and ending on December 31, 2016 in the amount of \$2,500 per year. The lease in 2017 was \$2,750.

**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, 2017. 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.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017**

**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 entered into an Initial District No. 1 Capital Pledge Agreement with the Authority and with the support of District No. 2 (the “**Initial District No. 1 Capital Pledge Agreement**”), and District No. 2 entered into an Initial District No. 2 Capital Pledge Agreement with the Authority (the “**Initial District No. 2 Capital Pledge Agreement**” and collectively with the Initial District No. 1 Capital Pledge Agreement, the “**Original Capital Pledge Agreements**”).

The Original Capital Pledge Agreements are debt instruments 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 fifteen percent (15%). The mill levy for payment of this obligation is capped at forty (40) mills for District No. 1 and fifty (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 (“**District No. 1 Payment Obligation**”) and the lesser of the \$26,125,508 for District No. 2 (“**District No. 2 Payment Obligation**”), plus 15% interest accrued per annum or the total revenue that flows from the imposition of the forty (40) or fifty (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 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.

As contemplated in the AEA, on August 4, 2016, Beebe Draw Farms Metropolitan District No. 2 and the Authority entered into that certain District No. 2 Capital Pledge Agreement (First Exclusion) (“**First Exclusion Capital Pledge Agreement**”) for the purpose of refunding in full District No. 2’s Payment Obligation under the District No. 2 Initial Capital Pledge Agreement and continuing to provide for the funding of Actual Capital Costs (as defined in the First Exclusion Capital Pledge Agreement) through the imposition by Beebe Draw Farms Metropolitan District No. 2 of an ad valorem property tax mill levy of fifty (50) mills, minus the 1998 Bond Mill Levy and the Operating and Maintenance Mill Levy, over the term of the mill levy imposition.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

The principal portion of the Payment Obligation represented by the First Exclusion Capital Pledge Agreement bears an interest rate that is lower than the rate of interest borne by the Principal Portion of the Payment Obligation represented by the District No. 2 Initial Capital Pledge Agreement, and as a result, no additional electoral authorization was required with respect to the First Exclusion Capital Pledge Agreement.

**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.

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.

In November 2016, the Board of Directors determined to eliminate the developer fee at this time provided that any previous payments received be retained by the District, and assigned to the Authority.

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	\$ 8,799,066
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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.

**BEEBE DRAW FARMS AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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	\$ 257,901
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Governmental funds report infrastructure capitalized as expenditures. However in the Statement of Activities, these expenditures have been capitalized. Government funds do not reflect depreciation.

**SUPPLEMENTAL INFORMATION**

**Beebe Draw Farms Authority**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
CAPITAL INFRASTRUCTURE FUND  
For the Year Ended December 31, 2017

	Original & Final	Actual	Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>REVENUES</b>			
Transfer from District No. 1	\$ -	\$94,200	\$94,200
Transfer from District No. 2	929	32,561	31,632
Water Tap fees	270,000	156,000	(114,000)
Interest income	<u>5,000</u>	<u>8,011</u>	<u>3,011</u>
Total Revenues	<u>275,929</u>	<u>290,772</u>	<u>14,843</u>
<b>EXPENDITURES</b>			
Engineering and Planning	200,000	103,089	96,911
Infrastructure	1,600,000	4,320	1,595,680
Comtingency	<u>3,975,732</u>	<u>-</u>	<u>3,975,732</u>
Total Expenditures	<u>5,775,732</u>	<u>107,409</u>	<u>5,668,323</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(5,499,803)	183,363	5,683,166
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>5,499,803</u>	<u>6,152,706</u>	<u>652,903</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 6,336,069</u>	<u>\$ 6,336,069</u>

The notes to the financial statements are an integral part of these statements.

**Beebe Draw Farms Authority**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
Amenities

For the Year Ended December 31, 2017

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Transfer from District No. 1	\$ -	23,550	\$ 23,550
Transfer from District No. 2	233	8,140	7,907
Interest income	<u>1,000</u>	<u>909</u>	<u>(91)</u>
Total Revenues	<u>1,233</u>	<u>32,599</u>	<u>31,366</u>
<b>EXPENDITURES</b>			
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,233	32,599	31,366
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(28,767)	32,599	61,366
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>678,323</u>	<u>699,134</u>	<u>20,811</u>
END OF YEAR	<u>\$ 649,556</u>	<u>\$ 731,733</u>	<u>\$ 82,177</u>

The notes to the financial statements are an integral part of these statements.