BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1
Weld County, Colorado

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FINANCIAL STATEMENTS
December 31, 2012

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Independent Auditor's Report

Board of Directors
Beebe Draw Farms Metropolitan District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Beebe Draw Farms Metropolitan District No. 1 as of and for the year ended December 31, 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Management Discussion and Analysis

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

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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 Metropolitan District No. 1 as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District'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 METROPOLITAN DISTRICT NO. 1

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

	General Fund	Debt Service Fund	Conservation Trust
ASSETS:			
Cash and investments	$ 33,064	$ –	$ –
Cash and investments - restricted	–	88,125	4,317
Receivable – County Treasurer	2,812	2,440	–
Property taxes receivable	435,952	233,832	–
Total assets	$ 471,828	$ 324,397	$ 4,317
LIABILITIES:			
Accounts payable	$ 6,862	$ 36,827	$ –
Due to Authority	29,014	–	–
Accrued interest on bonds	–	–	–
Long-term liabilities:			
Due within one year	–	–	–
Due in more than one year	–	–	–
Total liabilities	35,876	36,827	–
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	435,952	233,832	–
Total deferred inflows of resources	435,952	233,832	–
FUND BALANCE/NET POSITION:			
Restricted			
Emergencies	8,200	–	–
Debt service	–	53,738	–
Conservation Trust	–	–	4,317
Unassigned	(8,200)	–	–
Total fund balances	–	53,738	4,317
Total liabilities, deferred inflows of resources and fund balance	$ 471,828	$ 324,397	$ 4,317

Restricted for:
- Emergencies
- Debt service
- Conservation Trust projects

Unrestricted
- Total net position

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Total	Adjustments Note 9	Statement of Net Position
$ 33,064	$ –	$ 33,064
92,442	–	92,442
5,252	–	5,252
669,784	–	669,784
$ 800,542	–	800,542
$ 43,689	–	43,689
29,014	–	29,014
–	1,616	1,616
–	185,000	185,000
–	905,000	905,000
72,703	1,091,616	1,164,319
669,784	–	669,784
669,784	–	669,784
8,200	(8,200)	–
53,738	(53,738)	–
4,317	(4,317)	–
(8,200)	8,200	–
58,055	(58,055)	–
$ 800,542		
	8,200	8,200
	52,122	52,122
	4,317	4,317
	(1,098,200)	(1,098,200)
	$ (1,033,561)	$ (1,033,561)

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

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BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

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STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Government Fund Types		
	General Fund	Debt Service Fund	Conservation Trust
EXPENDITURES/EXPENSES			
Audit and accounting	$ 10,196	$ –	$ –
Election expense	8,295	–	–
Insurance	3,684	–	–
Legal	2,830	–	–
Management fees	7,090	–	–
Miscellaneous expenses	1,964	–	–
Director's fees	1,500	–	–
Treasurer's fees	3,538	3,373	–
Transfer to Authority – infrastructure	136,065	–	–
Transfer to Authority – amenities	34,016	–	–
Transfer to Authority – general funds	63,122	–	–
Debt Service			
Bond interest	–	91,026	–
Bond principal	–	1,125,000	–
Total expenditures/expenses	272,300	1,219,399	–
REVENUES			
Program revenues – Lottery funds	–	–	280
General revenues – Property tax	235,862	224,790	–
– Specific ownership taxes	36,380	–	–
– Interest income	58	1,654	1
Total revenues	272,300	226,444	281
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	–	(992,955)	281
OTHER FINANCING SOURCES (USES)			
Loan proceeds	–	1,090,000	–
Bond issuance costs	–	(77,326)	–
Total other financing sources (uses)	–	1,012,674	–
NET CHANGES IN FUND BALANCES/NET POSITION	–	19,719	281
CHANGE IN NET POSITION	–	–	–
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	–	34,019	4,036
END OF YEAR	$ –	$ 53,738	$ 4,317

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Total	Adjustments Note 9	Statement of Activities
$ 10,196	$ –	$ 10,196
8,295	–	8,295
3,684	–	3,684
2,830	–	2,830
7,090	–	7,090
1,964	–	1,964
1,500	–	1,500
6,911	–	6,911
136,065	–	136,065
34,016	–	34,016
63,122	–	63,122
91,026	(17,434)	73,592
1,125,000	(1,125,000)	–
1,491,699	(1,142,434)	349,265
280	–	280
460,652	–	460,652
36,380	–	36,380
1,713	–	1,713
499,025	–	499,025
(992,674)	1,142,434	149,760
1,090,000	(1,090,000)	–
(77,326)	–	(77,326)
1,012,674	(1,090,000)	(77,326)
20,000	(20,000)	–
–	72,434	72,434
38,055	(1,144,050)	(1,105,995)
$ 58,055	$ (1,091,616)	$ (1,033,561)

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

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BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

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GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 235,846	$ 235,846	$ 235,862	$ 16
Specific ownership taxes	27,477	41,079	36,380	(4,699)
Interest income	25	75	58	(17)
Total revenues	263,348	277,000	272,300	(4,700)
EXPENDITURES				
General government				
Accounting and audit	8,500	8,500	10,196	(1,696)
Election expense	9,000	9,000	8,295	705
Insurance	1,000	1,000	3,684	(2,684)
Legal	2,500	2,500	2,830	(330)
Management fees	2,500	2,500	7,090	(4,590)
Miscellaneous expense	1,577	1,577	1,964	(387)
Director's fees	1,000	1,000	1,500	(500)
Treasurer's fees	3,538	3,538	3,538	–
Transfer to Authority – Infrastructure	–	–	136,065	(136,065)
Transfer to Authority – Amenities	–	–	34,016	(34,016)
Transfer to Authority – General Fund	225,833	239,075	63,122	175,953
Emergency reserve	7,900	8,310	–	8,310
Total expenditures	263,348	277,000	272,300	4,700
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSITURES	–	–	–	–
FUND BALANCE – BEGINNING OF YEAR	–	–	–	–
FUND BALANCE – END OF YEAR	$ –	$ –	$ –	$ –

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

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

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NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 – DEFINITION OF REPORTING ENTITY

Definition of Reporting Entity

Beebe Draw Farms Metropolitan District No. 1 (The District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Weld County, Colorado. The District was established to provide water, parks and recreational facilities, street and drainage improvements, safety protection and related services.

During 1999, the District's service plan was amended. A new district, Beebe Draw Farms Metropolitan District No. 2 (District No. 2) was created (see Note 9) and the District's name was changed from Beebe Draw Farms Metropolitan District to Beebe Draw Farms Metropolitan District No. 1.

The District has no employees and all operation and administrative functions are contracted.

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. 2.

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.

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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 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 funds:

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Fund Balances

Beginning with fiscal year 2011 the District 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.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District'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 District's policy to use the most restrictive classification first.

New Accounting Pronouncements

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

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

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

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

During the year the District amended its General Fund budget from $263,348 to $277,000 and the Debt Service Fund from $214,681 to $1,314,685.

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. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to assess the property tax obligation of the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or at the taxpayers election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

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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. $8,200 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, 2012 are classified in the accompanying financial statement as follows:

Statement of net assets:	
Cash and investments	$ 33,064
Restricted investments	92,442
	$ 125,506

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

Deposits with financial institutions	$ 47,252
Investments	78,254
	$ 125,506

NOTE 3 - CASH AND INVESTMENTS

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 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.

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NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2012, none of the District's bank balance of $47,252 was exposed to custodial credit risk.

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.

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.

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NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2012 the District had the following investments:

Investment	Maturity	Fair Value
Colorado Liquid Asset Trust	Less than one year	$ 78,254

COLOTRUST

As of December 31, 2012 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, 2012, the District has $78,254 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.

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BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2012:

	Balance at January 1, 2012	Additions	Reductions	Balance at December 31, 2012
1998 General Obligation Bonds	$ 1,125,000	$ –	$ 1,125,000	$ –
2012 Tax Free Loan	$ –	$ 1,090,000	$ –	1,090,000
Due in one year				185,000
Due after one year				$ 905,000

The detail of the District's long-term obligations is as follows:

$2,000,000 General Obligation Bonds, Series 1998, dated October 1, 1998. On October 21, 1998, the District issued $2,000,000 in General Obligation Bonds for streets, water and park and recreation improvements. The bonds are term bonds in the amount of $635,000 due October 1, 2009, $665,000 due October 1, 2014 and $700,000 due October 1, 2018. The bonds were currently subject to mandatory sinking fund redemption. Bonds maturing on and after October 1, 2009 were callable at the option of the District beginning October 1, 2008 and thereafter without call premium. Interest was payable semiannually at 6%, 6.4% and 7%, respectively. The bonds were paid in their entirety from the proceeds of the 2012 Tax Free Loan.

$1,090,000 Tax Free Loan, dated December 20, 2012. In 2012 the District issued a Tax Free Loan in the amount of $1,090,000, the proceeds of which were used to refund in its entirety the remaining balance of its 1998 General Obligation Bonds in the amount of $990,000. The Loan accrues interest at 2.28% per year and matures on October 1, 2018. The District realized a net present value savings on the refunding in the amount of $65,650. The following is the debt service schedule to maturity:

Year	Principal	Interest	Total
2013	$ 185,000	$ 19,398	$ 204,398
2014	185,000	20,634	205,634
2015	190,000	16,416	206,416
2016	195,000	12,084	207,084
2017	195,000	7,638	202,638
2018	140,000	3,192	143,192
	$ 1,090,000	$ 79,362	$ 1,169,362

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NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

On November 2, 2010 the voters of the District revoked all of its previous debt authorization and authorized the following:

	Debt Authorization	Maximum Interest Rate	Maximum Annual Property Tax Increase
Street improvements	$ 1,500,000	15%	$ 320,000
Park and recreation improvements	1,500,000	15%	$ 320,000
Water improvements	1,500,000	15%	$ 320,000
Total	$ 4,500,000		

NOTE 5 – 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. All Directors are residents of the District.

NOTE 6 – 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.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The 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.

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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 District has reserved $9,000 in compliance with the emergency reserve.

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.

On November 3, 1998, the voters of the District approved the retention of all property taxes collected from a levy of 40 mills and all other District revenue in 1998 and annually thereafter without limitation under TABOR or other laws.

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NOTE 8 – INTERGOVERNMENTAL AGREEMENTS

Beebe Draw Farms Establishing Agreement

Effective April 12, 2011 the District entered into an Establishment Agreement with the Beebe Draw Farms Metropolitan District No. 2 and the Beebe Draw Farms Authority. The District, 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 District for debt service and operations and maintenance exceed its' respective mill levy caps. Other than the existing 2012 Tax Free Loan and the Capital Pledge Agreement (see Note 10), the District will not issue any additional debt.

As a part of the Establishing Agreement, 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.

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:

Long term debt	$ 1,090,000
Accrued interest payable	$ 1,616

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

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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:

Loan proceeds	$ (1,090,000)
Bond principal	$ (1,125,000)
Interest expense	$ (17,434)

Governmental funds report principal payments as expenditures. However in the Statement of Activities, the payment of principal is reflected as a reduction in long-term liabilities. Interest is expensed when paid in the government funds but net accrued interest (difference between the beginning and ending accrual) is reflected in the Statement of Activities.

NOTE 10 – CAPITAL PLEDGE AGREEMENT

The District has 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 a Capital Pledge Agreement between Beebe Draw Farms Metropolitan District No. 1 and the Beebe Draw Farms Authority with a principal amount of $1,500,000, plus interest at a rate of 15%. The mill levy for payment of this obligation is capped at 40 mills, 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. The total debt repayment will be the lesser of the $1,500,000, plus 15% interest accrued per annum or the total revenue that flows from the imposition of the 40 mills, minus the 1998 Bond Mill Levy and the Operating and Maintenance Mill Levy, over the 2012-2018 term of the mill levy imposition.

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SUPPLEMENTAL INFORMATION

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BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

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CONSERVATION TRUST
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original/ Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest income	$ 5	$ 1	$ (4)
Lottery funds	500	280	(220)
Total revenues	505	281	(224)
NET CHANGE IN FUND BALANCE	505	281	(224)
FUND BALANCE – BEGINNING OF YEAR	4,036	4,036	–
FUND BALANCE – END OF YEAR	$ 4,541	$ 4,317	$ (224)

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

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

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DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 222,096	$ 222,313	$ 224,790	$ 2,477
Interest income	50	1,700	1,654	(46)
Total revenues	222,146	224,013	226,444	2,431
EXPENDITURES				
Bond interest	76,200	76,200	91,026	(14,826)
Bond principal	135,000	1,139,638	1,125,000	14,638
Treasurer's fees	3,331	3,335	3,373	(38)
Paying agent fees	150	150	–	150
Total expenditures	214,681	1,219,323	1,219,399	(76)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,465	(995,310)	(992,955)	2,355
OTHER FINANCING SOURCES (USES)				
Loan proceeds	–	1,100,000	1,090,000	(10,000)
Bond issuance costs	–	(95,362)	(77,326)	18,036
Total other financing sources (uses)	–	1,004,638	1,012,674	8,036
NET CHANGE IN FUND BALANCE	7,465	9,328	19,719	10,391
FUND BALANCE – BEGINNING OF YEAR	35,507	34,018	34,019	1
FUND BALANCE – END OF YEAR	$ 42,972	$ 43,346	$ 53,738	$ 10,392

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