WHEATLANDS METROPOLITAN DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wheatlands Metropolitan District
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Wheatlands Metropolitan District as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Wheatlands Metropolitan District, as of December 31, 2013, and the respective changes in financial position and the budgetary comparisons for the General Fund, the Special Revenue – Aurora Regional Improvements (ARI) Fund and the Special Revenue – Park Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wheatlands Metropolitan District basic financial statements. The supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Dazzio & Plutt, LLC

September 3, 2014

BASIC FINANCIAL STATEMENTS

WHEATLANDS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2013

	Governmental Activities
ASSETS	
Cash and investments	$ 80,090
Cash and investments - Restricted	4,623,710
Accounts receivable	94,030
Receivable from County Treasurer	5,894
Prepaid expenditures	1,709
Property taxes receivable	1,306,051
Capital assets, not being depreciated	1,021,086
Capital assets, net	3,021,993
Total assets	10,154,563
LIABILITIES	
Accounts payable	39,329
Accrued bond and loan interest payable	108,925
Noncurrent liabilities:	
Due within one year	282,011
Due in more than one year	65,501,983
Total liabilities	65,932,248
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,306,051
Total deferred inflows of resources	1,306,051
NET POSITION	
Net investment in capital assets	2,907,555
Restricted for:	
Emergency reserve	34,400
Debt service	3,074,024
ARI projects	28,807
Park Fund	219,213
Unrestricted	(63,347,735)
Total net position	$ (57,083,736)

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 1,046,080	$ 755,696	$ -	$ -	$ (290,384)
Interest on long-term debt and related costs	3,526,864	-	-	-	(3,526,864)
	$ 4,572,944	$ 755,696	$ -	$ -	(3,817,248)
General revenues:					
Property taxes					1,095,365
Specific ownership taxes					75,315
Net investment income					8,883
Other income					600
Total general revenues					1,180,163
Change in net position					(2,637,085)
Net position - Beginning, as restated					(54,446,651)
Net position - Ending					$ (57,083,736)

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	General	Special Revenue - ARI Fund	Special Revenue - Park Fund	Debt Service	Total Governmental Funds
ASSETS					
Cash and investments	$ 80,090	$ -	$ -	$ -	$ 80,090
Cash and investments - Restricted	16,800	28,807	278,456	4,299,647	4,623,710
Accounts receivable	16,847	-	77,183	-	94,030
Receivable from County Treasurer	2,016	-	-	3,878	5,894
Prepaid expenditures	194	-	1,515	-	1,709
Property taxes receivable	429,622	17,185	-	859,244	1,306,051
Total assets	$ 545,569	$ 45,992	$ 357,154	$ 5,162,769	$ 6,111,484
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 11,395	$ -	$ 22,934	$ 5,000	$ 39,329
Total liabilities	11,395	-	22,934	5,000	39,329
DEFERRED INFLOWS OF RESOURCES					
Property tax revenue	429,622	17,185	-	859,244	1,306,051
Total deferred inflows of resources	429,622	17,185	-	859,244	1,306,051
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	194	-	1,515	-	1,709
Restricted for:					
Emergency reserves	16,800	-	17,600	-	34,400
Debt service	-	-	115,000	4,298,525	4,413,525
ARI projects	-	28,807	-	-	28,807
Park Funds	-	-	200,105	-	200,105
Assigned to:					
Operations	44,452	-	-	-	44,452
Unassigned	43,106	-	-	-	43,106
Total fund balances	104,552	28,807	334,220	4,298,525	4,766,104
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 545,569	$ 45,992	$ 357,154	$ 5,162,769	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					
Capital assets, not being depreciated					1,021,086
Capital assets, net					3,021,993
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.					
Bonds and loans payable					(25,388,524)
Accrued bond and loan interest					(108,925)
Developer advances payable					(26,270,025)
Accrued interest on Developer advances					(14,125,445)
Net position of governmental activities					$ (57,083,736)

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2013

	General	Special Revenue - ARI Fund	Special Revenue - Park Fund	Debt Service	Total Governmental Funds
REVENUES					
Property taxes	$ 360,317	$ 14,413	$ -	$ 720,635	$ 1,095,365
Specific ownership taxes	25,762	-	-	49,553	75,315
Operations and working capital fees	144,360	-	536,059	-	680,419
Late charges and collection fees	3,557	-	7,115	-	10,672
Warning letter fees	1,165	-	-	-	1,165
Working capital fees	8,500	-	17,000	-	25,500
Attorney transfer fee income	30	-	-	-	30
Clubhouse rental fees	-	-	9,074	-	9,074
Legal - Collections	7,617	-	15,234	-	22,851
Design Review	5,985	-	-	-	5,985
Net investment income	502	66	67	8,248	8,883
Other income	600	-	-	-	600
Total revenues	558,395	14,479	584,549	778,436	1,935,859
EXPENDITURES					
Accounting	87,642	-	-	-	87,642
Audit	4,700	-	-	-	4,700
County Treasurer's fee	5,405	-	-	10,810	16,215
County Treasurer's fee - Aurora Regional Tax	-	216	-	-	216
Directors' fees	5,300	-	-	-	5,300
Engineering	1,845	-	-	-	1,845
Equipment	1,890	-	-	-	1,890
Insurance and bonds	1,262	-	-	-	1,262
Legal services	77,457	-	-	-	77,457
Miscellaneous	9,076	-	-	-	9,076
Website	1,950	-	-	-	1,950
Property/Improvement Acquisition	-	-	1,021,086	-	1,021,086
Operations and maintenance - General	49,759	-	80,260	-	130,019
Landscape maintenance	-	-	198,143	-	198,143
Clubhouse maintenance	-	-	35,440	-	35,440
Pool maintenance	-	-	66,236	-	66,236
Utilities	76,980	-	180,368	-	257,348
Debt service					
Principal - Series 2005	-	-	-	181,000	181,000
Interest - Series 2005	-	-	-	741,273	741,273
Interest - Series 2008	-	-	-	1,010,213	1,010,213
Paying agent/trustee fees	-	-	2,000	5,000	7,000
Loan interest	-	-	7,993	-	7,993
Loan principal	-	-	14,476	-	14,476
Loan issuance costs	-	-	82,000	-	82,000
Landscape - Cobblestone/river rock	-	22,720	-	-	22,720
Total expenditures	323,266	22,936	1,688,002	1,948,296	3,982,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	235,129	(8,457)	(1,103,453)	(1,169,860)	(2,046,641)
OTHER FINANCING SOURCES (USES)					
Loan Issuance	-	-	1,150,000	-	1,150,000
Transfers in	-	-	350,000	-	350,000
Transfers (out)	(350,000)	-	-	-	(350,000)
Total other financing sources (uses)	(350,000)	-	1,500,000	-	1,150,000
NET CHANGE IN FUND BALANCES	(114,871)	(8,457)	396,547	(1,169,860)	(896,641)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	219,423	37,264	(62,327)	5,468,385	5,662,745
FUND BALANCES - END OF YEAR	$ 104,552	$ 28,807	$ 334,220	$ 4,298,525	$ 4,766,104

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - Total governmental funds	$ (896,641)
Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of any depreciable asset over the estimated useful life of the asset.	
Capital outlay	1,051,281
Depreciation expense	(169,626)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt is as follows:	
Loan issuance	(1,150,000)
Principal paid on long-term debt	195,476
Change in accrued interest on Developer advances	(1,664,706)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest on bonds - Change in liability	(2,869)
Change in net position of governmental activities	$ (2,637,085)

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 360,462	$ 360,462	$ 360,317	$ (145)
Specific ownership taxes	22,490	22,490	25,762	3,272
Attorney transfer fee income	-	-	30	30
Net investment income	1,000	1,000	502	(498)
Other income	-	25,000	600	(24,400)
Operations fees	599,040	142,560	144,360	1,800
Clubhouse rental fees	7,500	-	-	-
Warning letter fees	-	-	1,165	1,165
Working capital fees	-	1,500	8,500	7,000
Late charges and collection fees	13,000	2,400	3,557	1,157
Legal - Collections	15,000	4,000	7,617	3,617
Design Review	7,500	7,500	5,985	(1,515)
Total revenues	1,025,992	566,912	558,395	(8,517)
EXPENDITURES				
Accounting	50,000	85,000	87,642	(2,642)
Audit	4,700	4,700	4,700	-
County Treasurer's fee	5,407	5,407	5,405	2
Directors' fees	8,000	5,500	5,300	200
Engineering	-	2,000	1,845	155
Equipment	-	1,700	1,890	(190)
Insurance and bonds	4,500	4,500	1,262	3,238
Legal services	45,000	90,000	77,457	12,543
Miscellaneous	1,500	9,000	9,076	(76)
Website	1,800	1,800	1,950	(150)
Contingency	4,220	3,393	-	3,393
Property/Improvement Acquisition	100,000	-	-	-
Operations and maintenance - General	116,500	61,100	49,759	11,341
Landscape maintenance	196,020	-	-	-
Clubhouse & Park maintenance	50,200	-	-	-
Pool maintenance	87,500	-	-	-
Utilities	317,500	131,881	76,980	54,901
Total expenditures	992,847	405,981	323,266	82,715
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	33,145	160,931	235,129	74,198
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	(387,000)	(350,000)	37,000
Transfers from other funds	-	37,000	-	(37,000)
Total other financing sources (uses)	-	(350,000)	(350,000)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	33,145	(189,069)	(114,871)	74,198
FUND BALANCES - BEGINNING OF YEAR	68,793	219,423	219,423	-
FUND BALANCES - END OF YEAR	$ 101,938	$ 30,354	$ 104,552	$ 74,198

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
SPECIAL REVENUE - ARI FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2013

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 14,419	$ 14,413	$ (6)
Net investment income	100	66	(34)
Total revenues	14,519	14,479	(40)
EXPENDITURES			
County Treasurer's fee - Aurora Regional Tax	216	216	-
Landscape - Cobblestone/river rock	51,587	22,720	28,867
Total expenditures	51,803	22,936	28,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,284)	(8,457)	28,827
FUND BALANCES - BEGINNING OF YEAR	37,284	37,264	(20)
FUND BALANCES - END OF YEAR	$ -	$ 28,807	$ 28,807

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
SPECIAL REVENUE - PARK FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Operations fees	$ -	$ 522,720	$ 536,059	$ 13,339
Late charges and collection fees	-	10,000	7,115	(2,885)
Working capital fees	-	3,000	17,000	14,000
Net investment income	-	-	67	67
Clubhouse rental fees	-	7,500	9,074	1,574
Legal - Collections	-	16,000	15,234	(766)
Total revenues	-	559,220	584,549	25,329
EXPENDITURES				
Property/Improvement Acquisition	-	970,000	1,021,086	(51,086)
Operations and maintenance - General	-	81,780	80,260	1,520
Landscape maintenance	-	226,020	198,143	27,877
Clubhouse & Park maintenance	-	50,200	35,440	14,760
Pool maintenance	-	87,500	66,236	21,264
Utilities	-	258,500	180,368	78,132
Debt Service				
Loan interest	-	8,034	7,993	41
Loan principal	-	14,466	14,476	(10)
Loan issuance costs	-	103,500	82,000	21,500
Paying agent / trustee fees	-	-	2,000	(2,000)
Total expenditures	-	1,800,000	1,688,002	111,998
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,240,780)	(1,103,453)	137,327
OTHER FINANCING SOURCES (USES)				
Loan issuance	-	1,150,000	1,150,000	-
Transfers from other fund	-	350,000	350,000	-
Total other financing sources (uses)	-	1,500,000	1,500,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	259,220	396,547	137,327
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	-	-	(62,327)	(62,327)
FUND BALANCES - END OF YEAR	$ -	$ 259,220	$ 334,220	$ 75,000

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 - DEFINITION OF REPORTING ENTITY

Wheatlands Metropolitan District, formerly Wheatlands Metropolitan District No. 2 (District or the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by order and decree of the District Court in and for Arapahoe County on December 4, 2001, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 2, Colorado Revised Statutes). The District changed its name from Wheatlands Metropolitan District No. 2 to Wheatlands Metropolitan District pursuant to a court order dated September 6, 2012. The District operates under a Service Plan approved by the City of Aurora (City) as amended and restated on August 6, 2004 (Service Plan). The District's service area boundaries are located entirely in the City, in Arapahoe County, Colorado (County). The District is one of two related districts: Wheatlands Metropolitan District No. 1 (District No. 1) and Wheatlands Metropolitan District (the Districts). Pursuant to the Service Plan, the District is referred to as the Taxing District and District No. 1 is the Operating District. The Operating District is responsible for management of the construction of all facilities and improvements and for operation and maintenance of all improvements not conveyed to the City. The Taxing District provides the funding for infrastructure improvements and the tax base needed to support ongoing operations. During 2011, District No. 1 turned over operations and maintenance functions to the District and went inactive, consequently the District now acts as both the “operating” and “financing” District.

The District was established principally for the financing of public improvements, including streets and roadways, safety protection system, water improvements, sanitary sewer and storm drainage, and park and recreation improvements and facilities.

The District follows the Governmental Accounting Standards Board (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 has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflows of resources and liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

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 both 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and operation fees. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

> The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Special Revenue - ARI Fund is used to account for revenues received from the 1.000 Aurora Regional Improvements (ARI) mill levy which is required to be used for payment of the planning, designing, permitting, construction, acquisition and financing of the regional improvements described in the ARI Master Plan.
>
> The Special Revenue - Park Fund is used to account for park fee revenues and the costs associated with the general operations and maintenance of the District's park and recreation facilities, along with payments made for principal and interest on the Tax-Exempt Revenue Note, Series 2013, issued for the purpose of acquiring land related to the park and recreation facilities.
>
> The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted first, then unrestricted resources as they are needed.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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 ended December 31, 2013, supplementary appropriations approved by the District modified the appropriation from $992,847 to $792,981 in the General Fund and from $0 to $1,800,000 in the Special Revenue - Park Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments 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 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 and investments.

Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District’s 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 put the tax lien on 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 if in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Operations and Working Capital Fees

The District charges a monthly operating fee of $20 to all homeowners for covenant review, enforcement and trash service. The District also charges a monthly park fee of $45 to all property owners in the District, for the operation and maintenance of the park and recreation functions of the District.

In addition to the monthly operations fees, the District imposes a working capital fee on all transfers of residential units by an end user. The amount of the working capital fee is $150 when the consideration exceeds $500. For consideration of less than $500, no working capital fee shall be payable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include the park and recreation facilities, are reported in the government-wide financial statements. Capital assts are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation expenses have been computed using the straight-line method over the following estimated economic useful lives:

Parks and recreation	25 years

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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 criteria described above.

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 80,090
Cash and investments - Restricted	4,623,710
Total cash and investments	$ 4,703,800

Cash and investments as of December 31, 2013 consist of the following:

Cash	$ 154,716
Investments	4,549,084
Total cash and investments	$ 4,703,800

Deposits with Financial Institutions

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.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2013, the District's cash deposits had a bank balance of $163,859 and a carrying balance of $154,716.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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 reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

. Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Certain certificates of participation
. Certain securities lending agreements
. Bankers' acceptances of certain banks
. Commercial paper
. Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2013, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	$ 4,549,084

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAm by Standard & Poor's.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2013 follows:

	Balance at December 31, 2012	Additions	Transfers and Retirements	Balance at December 31, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Property	$ -	$ 1,021,086	$ -	$ 1,021,086
Total capital assets, not being depreciated	-	1,021,086	-	1,021,086
Capital assets, being depreciated:				
Parks and recreation	3,327,566	30,195	-	3,357,761
Less accumulated depreciation for:				
Parks and recreation	(166,142)	(169,626)	-	(335,768)
Total capital assets, being depreciated, net	3,161,424	(139,431)	-	3,021,993
Governmental activities capital assets, net	$ 3,161,424	$ 881,655	$ -	$ 4,043,079

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2013:

	Balance at December 31, 2012	Additions	Payments	Balance at December 31, 2013	Due Within One Year
Governmental Activities:					
G.O. limited tax convertible to unlimited tax bonds Series 2005	$ 12,189,000	$ -	$ 181,000	$ 12,008,000	$ 190,000
Subordinate G.O. limited tax convertible to unlimited tax bonds Series 2008	12,245,000	-	-	12,245,000	-
Tax-Exempt Revenue Note Series 2013	-	1,150,000	14,476	1,135,524	92,011
Developer advance - Operating	1,439,657	-	-	1,439,657	-
Developer advance - Debt service	4,007,000	-	-	4,007,000	-
Developer advance - Capital	20,823,368	-	-	20,823,368	-
Accrued interest on Developer advances	12,460,739	1,664,706	-	14,125,445	-
	$ 63,164,764	$ 2,814,706	$ 195,476	$ 65,783,994	$ 282,011

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds

$21,650,000 General Obligation Bonds Limited Tax Convertible to Unlimited Tax, Series 2005, dated September 28, 2005

On September 28, 2005, the District issued $21,650,000 in Limited Tax Convertible to Unlimited Tax General Obligation Bonds. The bonds are term bonds maturing on December 1, 2025 and December 1, 2035 and are subject to mandatory sinking fund redemption beginning on December 1, 2011 through December 1, 2035 in varying amounts as outlined in the Indenture of Trust. The bonds have an interest rate of 6.000% and 6.125%, respectively, paid semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2015 and on any date thereafter with no redemption premium. The bonds are payable from pledged revenue including the District's covenant to levy the required mill levy on all taxable property within the District, facilities fees, specific ownership taxes, and other legally available revenues deposited into the Bond account. Prior to the time when the debt to assessed ratio is 50% or less, the required mill levy cannot exceed 50 mills and as long as the Surplus Fund is less than the Maximum Surplus Amount of $2,000,000, the required mill levy cannot be less than 41.5 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2013, the adjusted maximum mill levy is 50 mills.

$12,245,000 Subordinate General Obligation Bonds, Limited Tax Convertible to Unlimited Tax, Series 2008, dated September 10, 2008

The District issued the 2008 Bonds on September 10, 2008, in the initial principal amount of $12,245,000, at a coupon rate of 8.25%. The proceeds from the sale of the Bonds were used for the purposes of (i) paying a portion of the costs of capital infrastructure improvements or reimbursing the Developer for the advancement of those costs; (ii) providing a Reserve Fund; (iii) establishing a capital interest fund, and (iv) paying costs of issuance of the 2008 Bonds.

The 2008 Bonds were issued as fixed rate, current interest bonds. Interest is payable annually on December 15, commencing on December 15, 2008. Annual principal payments are due on December 15 of each year, with a final maturity on December 15, 2035.

The Bonds are secured by and payable solely from Pledged Revenue, which includes: (i) property taxes derived from the Required Mill Levy net of the cost of collection, (ii) Facilities Fees, (iii) Specific Ownership Taxes attributable to the Required Mill Levy, and (iv) any other legally available moneys of the District credited to the Bond Fund. The 2008 Bonds have a lien on the Pledged Revenue subordinate to the lien thereon of the 2005 Bonds. Under certain circumstances, moneys on deposit in the Surplus Fund, if any, will be used to pay the 2005 Bonds and moneys on deposit in the Subordinate Surplus Fund, if any, will be used to pay the 2008 Bonds.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Prior to the earlier of the date the Senior Debt to Assessed Ratio is equal to 50% or less, Pledged Revenue that is *not* needed to pay debt service on the 2005 Bonds or replenish the Senior Bonds Surplus Fund in any year will be deposited to and held in the Subordinate Bonds Surplus Fund, up to the Maximum Surplus Amount of $2,500,000. When the Subordinate Bond Debt to Assessed Ratio as defined for the 2008 Bonds is equal to or less than 50%, the Surplus Fund will be terminated and any moneys therein applied to any legal purpose of the District. Once the Senior Bonds Surplus Fund reaches the Maximum Surplus Amount and/or after the Surplus Fund has been terminated, excess Pledged Revenue will be used to pay principal and interest on the 2008 Bonds.

The 2008 Bonds are further secured by the Reserve Fund which was funded upon issuance of the 2008 Bonds in the amount of the Required Reserve equal to $1,224,500 and the Guarantee Surplus Fund which was funded during 2011 and has a remaining balance as of December 31, 2013 of $1,761,883.

$1,150,000 Tax-Exempt Revenue Note, Series 2013, dated September 27, 2013.

On September 27, 2013, the District entered into a Loan Agreement with US Bank for $1,150,000 in the form of a Tax-exempt Revenue Note, Series 2013, maturing September 1, 2023, at an interest rate of 3.86%, with interest and principal paid monthly, on the 1^{st} of each month, commencing on November 1, 2013. The loan was issued for the purpose of acquiring land related to park and recreation facilities.

The loan is payable from pledged revenue consisting of 1) all revenue derived by the District from the imposition of the Park and Recreation Fee, 2) any amounts held in the funds and accounts established under the Custodial Agreement and pledged to secure the Note; 3) and any other legally available moneys which the District determines, in it’s sole discretion, to credit as Pledged Revenue under the Authorizing Resolution.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations relating to the general obligation bonds will mature as follows:

	Principal	Interest	Total
2014	$ 282,011	$ 1,783,424	$ 2,065,435
2015	391,677	1,768,358	2,160,035
2016	497,386	1,745,201	2,242,587
2017	525,449	1,713,546	2,238,995
2018	599,571	1,680,615	2,280,187
2019-2023	3,955,430	7,747,385	11,702,815
2024-2028	5,297,000	6,255,638	11,552,638
2029-2033	8,128,000	3,987,814	12,115,814
2034-2035	5,712,000	703,628	6,415,628
	$ 25,388,524	$ 27,385,608	$ 52,774,133

Authorized Debt

On November 6, 2001 and November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $132,500,000 and $732,750,000, respectively, at an interest rate not to exceed 18% per annum. At December 31, 2013, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 6, 2001	Amount Authorized on November 2, 2004	Authorization Used Series 2005 Bonds	Authorization Used Series 2008 Bonds	Authorization Used Series 2013 Note	Authorized but Unissued
Streets	$ 23,000,000	$ 55,000,000	$ 19,877,670	$ 6,980,190	$ -	$ 51,142,140
Traffic and safety	500,000	55,000,000	-	-	-	55,500,000
Water	5,000,000	55,000,000	-	2,572,847	-	57,427,153
Sanitation	8,000,000	55,000,000	-	454,641	-	62,545,359
Park and recreation	7,000,000	55,000,000	1,772,330	2,237,322	1,150,000	56,840,348
Fire protection	-	55,000,000	-	-	-	55,000,000
Transportation	-	55,000,000	-	-	-	55,000,000
Mosquito control	-	55,000,000	-	-	-	55,000,000
TV relay	-	55,000,000	-	-	-	55,000,000
Operations and maintenance	1,000,000	2,000,000	-	-	-	3,000,000
Refundings	43,500,000	110,000,000	-	-	-	153,500,000
Various agreements	44,500,000	125,750,000	-	-	-	170,250,000
	$ 132,500,000	$ 732,750,000	$ 21,650,000	$ 12,245,000	$ 1,150,000	$ 830,205,000

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Pursuant to the Service Plan, the Districts are permitted to issue bond indebtedness of up to $55,000,000. Refer to previous subsection “$21,650,000 General Obligation Bonds Limited Convertible to Unlimited Tax Series 2005, dated September 28, 2005” for a discussion of mill levy limitations.

Developer Advances

The District has entered into a Reimbursement Agreement with the Developer as follows:

Reimbursement Agreement

District No. 1 entered into a reimbursement agreement with Wheatlands Residential Developers, Inc. Wheatlands Commercial Developers, Inc. and Wheatlands Development, LLC (the Developer). The agreement, which is tied back to the District through the Master IGA, stipulates that the District shall reimburse the Developer for any advances made to the District, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. During 2011, the Developer advanced $4,000,000 to the District’s debt service guaranty fund associated with the 2008 Bonds. An interest rate of 8.25% per annum applies to the $4,000,000 debt service guaranty advance. The balance due the Developer at December 31, 2013 is $40,395,470, which includes $14,125,445 of accrued interest payable.

NOTE 6 - AGREEMENTS

Debt Service Guaranty Agreement - 2008 Bonds

Wheatlands Residential Developers, Inc. entered into an agreement with the District on September 5, 2008 to fund debt service shortfalls of the 2008 Subordinate Bonds. Under the agreement, upon notice of insufficiency, the Developer will pay the amount of the shortfall directly to the Trustee. The obligation of the Developer to make the guarantee payments terminates upon whichever occurs first of (a) the District’s 2008 Bond Debt to Assessed Ratio is less than or equal to 60%, at least $1,500,000 is in the Subordinate Surplus Fund and no draws have been made against the Subordinate Reserve Fund; (b) the District’s 2008 Bond Debt to Assessed Ratio is less than or equal to 50%; or (c) no Bonds remain outstanding. As of December 31, 2013, the Debt to Assessed Ratio is approximately 198%. The amount on deposit in the Subordinate Surplus Fund is $0 as of December 31, 2013.

During 2011, pursuant to the Guaranty Agreement, the Developer provided for replacement collateral, in the form of a $4,000,000 cash deposit, for the encumbered property which was previously held as collateral for the 2008 Subordinate Bonds.

NOTE 6 - AGREEMENTS (CONTINUED)

Aurora Regional Improvement Authority No. 5 Establishment Agreement

In 2012, the District entered into the Aurora Regional Improvement Authority No. 5 Establishment Agreement (IGA) between the District and other, unrelated metropolitan districts, to form the Aurora Regional Improvement Authority (the Authority). Pursuant to the Service Plan, the District is required to impose the Aurora Regional Improvement (ARI) Mill Levy upon the District's residents. This mill levy is 1.000 mill for the first twenty years of the District, which for this purpose begins the first year that the District certifies a debt service mill levy. The levy increases to 5.000 mills for year twenty-one through forty or the date of repayment of the debt incurred for public improvement other than regional improvements, whichever occurs first.

For the ten years subsequent to the period where the 5.000 mills is imposed, the ARI mill levy is the average of the debt service mill levy for the previous 10 years. As of December 31, 2013, the District has collected $75,721 under the ARI mill levy. The funds and interest earned are being held in a CSAFE account until such time as the Authority requests the funds. During 2013, the District, in accordance with the Authority Agreement, utilized $22,720 of the ARI funds for improvements benefiting the region.

Ground Lease Agreement

On September 27, 2013, the District entered into a Ground Lease Agreement with the YMCA of Metropolitan Denver, ("YMCA"). The initial term of this lease shall be for a period of fifty years, which shall begin on January 31, 2014 and continue thereafter through January 31, 2064. The YMCA shall pay to the District nominal rent at the rate of $1.00 per year. In addition the YMCA will reimburse the District 50%, not to exceed $25,000, of the soft costs incurred by the District in undertaking the due diligence necessary to purchase the property. The District has granted permission to the YMCA to occupy the leased property for the purposes of constructing and operating a fitness and recreational center that may also include other uses, facilities and purposes customary for a YMCA facility or recreation and community center. All District residents and property owners shall be entitled to a reduced rate membership to the facility, to be negotiated between the District and the YMCA, but in no event to exceed $30.00 per month per residential unit or vacant lot. The membership fee may be increased on January 1 of each year by an amount equal to any percentage increase in the general membership rate charged by the YMCA applicable to the facility.

Agreement for Payment in Lieu of Taxes

On September 27, 2013, the District entered into an Agreement for Payment in Lieu of Taxes with the YMCA as required under the Ground Lease Agreement, to comply with the Series 2005 Bond Indenture of Trust. Beginning on January 1, 2016, and running for so long as (i) the YMCA is exempt from the payment of property taxes and the District is required under any debt instrument to use its good faith efforts to impose and enforce a payment in lieu of taxes charge

NOTE 6 - AGREEMENTS (CONTINUED)

on any real or personal property within the District that is categorized by the County Assessor as exempt from property taxation, and (ii) the Ground Lease Agreement is still in force and effect and has not otherwise been terminated, the YMCA shall, not later than April 30 of each year, pay to the District an amount equal to the Annual Payment in Lieu of Taxes, ("PILOT") payment as set forth in the Agreement. The 2016 obligation will be $49,328.

NOTE 7 - NET POSITION

The District has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2013, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net investment in capital assets:	
Capital assets, not being depreciated	$ 1,021,086
Capital assets, net	3,021,993
Current portion of outstanding long-term obligations	(92,011)
Noncurrent portion of outstanding long-term obligations	(1,043,513)
Net investment in capital assets	$ 2,907,555

Restricted net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2013 as follows:

	Governmental Activities
Restricted net position:	
Emergency reserves	$ 34,400
Debt service	3,074,024
ARI projects	28,807
Park Fund	219,213
Total restricted net position	$ 3,356,444

NOTE 7 - NET POSITION (CONTINUED)

The District's unrestricted net position as of December 31, 2013 totaled $(63,347,735). This deficit amount was a result of the District being responsible for the repayment of bonds and loans issued for public improvements which were constructed and primarily conveyed to other governmental entities, and which costs were removed from the District's financial records.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, 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, 2013. 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, public officials liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters 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.

On November 2, 2004, the voters approved the District to increase taxes $2,000,000 annually for the purpose of paying the District's operations, maintenance and other expenses without regard

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law. Additionally, the voters authorized the District to collect, retain and expend each year all revenues it receives from all sources as voter-approved revenue changes and without regard to any spending, revenue raising or other limitation.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to correct the revenue recorded during the prior years related to the operating fees recorded for the District. A retroactive adjustment of $62,327 was applied to the December 31, 2012 fund balance in the Special Revenue - Park Fund. This resulted in a decrease of accounts receivable.

SUPPLEMENTARY INFORMATION

WHEATLANDS METROPOLITAN DISTRICT
OPERATIONS ACTIVITIES OF THE GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Operations fees	$ -	$ 142,560	$ 144,360	$ 1,800
Late charges and collection fees	-	2,400	3,557	1,157
Warning letter fees	-	-	1,165	1,165
Working capital fees	-	1,500	8,500	7,000
Net investment income	-	-	7	7
Legal - Collections	-	4,000	7,617	3,617
Design Review	-	7,500	5,985	(1,515)
Total revenues	-	157,960	171,191	13,231
EXPENDITURES				
Accounting - O&M	-	3,600	4,653	(1,053)
Billing - O&M	-	5,000	6,407	(1,407)
Facilities management - O&M	-	26,000	20,697	5,303
Legal - O&M	-	15,000	10,135	4,865
Legal - collections - O&M	-	4,000	2,622	1,378
Design review - O&M	-	7,500	5,245	2,255
Trash removal	-	131,881	76,980	54,901
Total expenditures	-	192,981	126,739	66,242
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(35,021)	44,452	79,473
OTHER FINANCING SOURCES (USES)				
Transfers from other fund	-	37,000	-	(37,000)
Total other financing sources (uses)	-	37,000	-	(37,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	1,979	44,452	42,473
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ 1,979	$ 44,452	$ 42,473

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2013

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 720,925	$ 720,635	$ (290)
Specific ownership taxes	43,260	49,553	6,293
Net investment income	10,000	8,248	(1,752)
Total revenues	774,185	778,436	4,251
EXPENDITURES			
County Treasurer's fee	10,814	10,810	4
Debt service			
Principal - Series 2005	181,000	181,000	-
Interest - Series 2005	741,273	741,273	-
Interest - Series 2008	1,010,213	1,010,213	-
Paying agent/trustee fees	5,000	5,000	-
Total expenditures	1,948,300	1,948,296	4
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,174,115)	(1,169,860)	4,255
FUND BALANCES - BEGINNING OF YEAR	5,469,309	5,468,385	(924)
FUND BALANCES - END OF YEAR	$ 4,295,194	$ 4,298,525	$ 3,331

These financial statements should be read only in connection with the accompanying notes to financial statements.

OTHER INFORMATION

WHEATLANDS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2013

Bonds and Interest Maturing in the Year Ending December 31, Year	$21,650,000 General Obligation Bonds Limited Tax Convertible to Unlimited Tax, Series 2005 Dated September 28, 2005, Interest at 6% and 6.125% Interest Payable June 1 and December 1 Principal Due December 1	
	Principal	Interest
2014	$ 190,000	$ 730,413
2015	221,000	719,013
2016	233,000	705,753
2017	267,000	691,773
2018	282,000	675,753
2019	319,000	658,833
2020	339,000	639,693
2021	376,000	619,353
2022	399,000	596,793
2023	445,000	572,853
2024	471,000	546,153
2025	520,000	517,893
2026	552,000	486,693
2027	606,000	452,883
2028	643,000	415,765
2029	704,000	376,381
2030	747,000	333,261
2031	813,000	287,508
2032	865,000	237,711
2033	939,000	184,730
2034	997,000	127,216
2035	1,080,000	66,150
	$ 12,008,000	$ 10,642,574

These financial statements should be read only in connection with the accompanying notes to financial statements.

$12,245,000 Subordinate General Obligation Limited Tax Convertible to Unlimited Tax Bonds, Series 2008 Dated September 10, 2008 Interest Rate 8.25% Interest Payable December 15 Principal Due December 15		$1,150,000 Tax-Exempt Revenue Note Series 2013 Dated September 27, 2013 Interest Rate 3.86% Interest and Principal Payable Monthly		
Principal	**Interest**	**Principal**	**Interest**	**Total**
$ -	$ 1,010,213	$ 92,011	$ 42,798	$ 2,065,435
75,000	1,010,213	95,677	39,132	2,160,035
165,000	1,004,025	99,386	35,423	2,242,587
155,000	990,413	103,449	31,360	2,238,995
210,000	977,625	107,571	27,237	2,280,187
210,000	960,300	111,857	22,951	2,282,942
270,000	942,975	116,259	18,550	2,326,477
275,000	920,700	120,947	13,862	2,325,862
340,000	898,013	125,766	9,043	2,368,615
345,000	869,962	162,601	3,504	2,398,920
415,000	841,500	-	-	2,273,653
430,000	807,263	-	-	2,275,156
510,000	771,788	-	-	2,320,481
530,000	729,713	-	-	2,318,596
620,000	685,987	-	-	2,364,752
650,000	634,837	-	-	2,365,218
750,000	581,212	-	-	2,411,473
795,000	519,337	-	-	2,414,845
905,000	453,750	-	-	2,461,461
960,000	379,087	-	-	2,462,817
1,085,000	299,887	-	-	2,509,103
2,550,000	210,375	-	-	3,906,525
$ 12,245,000	$ 16,499,175	$ 1,135,524	$ 243,859	$ 52,774,133

These financial statements should be read only in connection with the accompanying notes to financial statements.

WHEATLANDS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2013

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied General	Mills Levied Debt Service	Mills Levied ARI (1)	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
2009	$ 11,220,640	5.000	50.000	1.000	$ 628,356	$ 593,191	94.40%
2010	$ 10,079,400	15.000	50.000	1.000	$ 665,240	$ 700,524	105.30%
2011	$ 11,268,920	25.000	50.000	1.000	$ 856,438	$ 839,580	98.03%
2012	$ 12,239,060	25.000	50.000	1.000	$ 930,169	$ 922,376	99.16%
2013	$ 14,418,500	25.000	50.000	1.000	$ 1,095,806	$1,095,365	99.96%
Estimated for the year ending December 31, 2014	$ 17,184,890	25.000	50.000	1.000	$ 1,306,051		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.

(1) Mill levy established through an intergovernmental agreement with the City of Aurora. The mill levy is to be conveyed to the ARI Authority for use in planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing of the public improvements which benefits the service users and taxpayers of the Districts.

These financial statements should be read only in connection with the accompanying notes to financial statements.