

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT**  
**Douglas County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position.....	1
Statement of Activities.....	2
Fund Financial Statements:	
Balance Sheet - Governmental Fund .....	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities .....	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	6
Notes to Financial Statements .....	7
<b>OTHER INFORMATION</b> .....	<b>17</b>
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.....	18



---

## Dazzio & Associates, PC

---

Certified Public Accountants

### **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
High Prairie Farms Metropolitan District  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the High Prairie Farms Metropolitan District as of and for the year December 31, 2016, 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.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112  
303-905-0809 • [info@dazziocpa.com](mailto:info@dazziocpa.com)

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

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 the major fund of the High Prairie Farms Metropolitan District, as of December 31, 2016, and the respective changes in financial position and the budgetary comparison for the General 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 High Prairie Farms Metropolitan District's basic financial statements. The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected (the Other Information) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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.

*Duggio & Associates, P.C.*

February 10, 2017

## **BASIC FINANCIAL STATEMENTS**

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 780,258
Cash and investments - Restricted	17,800
Receivable - County Treasurer	4,161
Property taxes receivable	535,888
Prepaid expenses	9,115
Capital assets, not being depreciated	2,162,073
Capital assets, net of accumulated depreciation	1,194,449
Total assets	<u>4,703,744</u>
<b>LIABILITIES</b>	
Accounts payable	<u>18,198</u>
Total liabilities	<u>18,198</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>535,888</u>
Total deferred inflows of resources	<u>535,888</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,356,522
Restricted for:	
Emergency reserves	17,800
Unrestricted	775,336
Total net position	<u><u>\$ 4,149,658</u></u>

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

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>#</u>	<u>Capital Grants and Contributions</u>
Primary government:					
Governmental activities:					
General government	\$ 615,463	\$ -	\$ 12,493	\$ -	\$ (602,970)
	<u>\$ 615,463</u>	<u>\$ -</u>	<u>\$ 12,493</u>	<u>\$ -</u>	<u>(602,970)</u>
General revenues:					
Property taxes					534,203
Specific ownership taxes					49,197
Net investment income					6,426
Other income					239
IREA refunds					390
Total general revenues					<u>590,455</u>
Change in net position					(12,515)
Net position - Beginning					<u>4,162,173</u>
Net position - Ending					<u>\$ 4,149,658</u>

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

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2016**

	<b>Governmental Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 780,258
Cash and investments - Restricted	17,800
Receivable - County Treasurer	4,161
Property taxes receivable	535,888
Prepaid expenses	9,115
Total assets	\$ 1,347,222
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 18,198
Total liabilities	18,198
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	535,888
Total deferred inflows of resources	535,888
 <b>FUND BALANCES</b>	
Nonspendable:	
Prepaid expenses	9,115
Restricted:	
Emergency reserves	17,800
Assigned:	
Working capital	150,000
Future capital replacement	63,275
Rockwall	20,000
Subsequent years expenditures	474,720
Unassigned:	
General government	58,226
Total fund balances	793,136
 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 fund	3,356,522
Net position of governmental activities	\$ 4,149,658

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



**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUND  
Year Ended December 31, 2016**

	<b>Governmental Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 534,203
Specific ownership taxes	49,197
Conservation trust funds	12,493
Net investment income	6,426
IREA refunds	390
Other income	239
Total revenues	602,948
<b>EXPENDITURES</b>	
Accounting	54,802
Audit	4,000
County Treasurer's fees	8,023
Directors' fees	5,300
Publications and dues	708
District management	9,447
Insurance	9,494
Legal	41,320
Records retention	2,597
Miscellaneous	2,496
Website development	952
Election costs	20
Maintenance - Chemicals and fertilizer	1,068
Maintenance - Contract	135,132
Maintenance - Equipment repairs and parts	6,034
Maintenance - Fuel and oil	2,039
Maintenance - Other	16,076
Maintenance - Tree spraying	38,123
Maintenance - Sprinkler	2,419
Maintenance - Weed spraying	7,540
Maintenance - Wild fire land mitigation	36,361
Christmas lights	6,445
Security and traffic safety	5,179
Sign maintenance and additions	300
Storage facility lease	500
Utilities	5,530
Water	25,501
General engineering	2,276
Storm drainage (Includes engineering)	11,189
Timbers Creek	61,085
Capital outlay - Signage, traffic and speed mitigation	2,675
Capital outlay - Fountain pond	286,242
Capital outlay - Mailboxes and landscape	11,575
Capital outlay - Entryway landscape	8,790
Total expenditures	811,238
<b>NET CHANGE IN FUND BALANCES</b>	<b>(208,290)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,001,426</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 793,136</b>

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

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

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

Net change in fund balance - Total governmental fund	\$ (208,290)
--	--------------

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 the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	309,282
Depreciation	<u>(113,507)</u>

Changes in net position of governmental activities	<u><u>\$ (12,515)</u></u>
--	---------------------------

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

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	Budget Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 534,736	\$ 534,736	\$ 534,203	\$ (533)
Specific ownership taxes	48,126	48,126	49,197	1,071
Colorado state lottery funds	10,000	10,000	12,493	2,493
Net investment income	2,000	2,000	6,426	4,426
IREA refunds	-	-	390	390
Other income	1,000	1,000	239	(761)
Total revenues	<u>595,862</u>	<u>595,862</u>	<u>602,948</u>	<u>7,086</u>
<b>EXPENDITURES</b>				
Accounting	59,000	59,000	54,802	4,198
Audit	4,300	4,300	4,000	300
Contingency	9,386	386	-	386
County Treasurer's fees	8,021	8,021	8,023	(2)
Directors' fees	8,000	8,000	5,300	2,700
Publications and dues	800	800	708	92
District management	-	-	9,447	(9,447)
Insurance	9,525	9,525	9,494	31
Legal	55,000	55,000	41,320	13,680
Records retention	5,000	5,000	2,597	2,403
Miscellaneous	2,936	2,936	2,496	440
Website development	3,500	3,500	952	2,548
Election costs	20,000	1,000	20	980
Maintenance - Chemicals and fertilizer	5,000	5,000	1,068	3,932
Maintenance - Contract	135,132	135,132	135,132	-
Maintenance - Equipment repairs and parts	10,000	10,000	6,034	3,966
Maintenance - Fuel and oil	5,500	5,500	2,039	3,461
Maintenance - Other	30,000	30,000	16,076	13,924
Maintenance - Tree spraying	75,000	75,000	38,123	36,877
Maintenance - Sprinkler	8,000	8,000	2,419	5,581
Maintenance - Weed spraying	15,000	15,000	7,540	7,460
Maintenance - Wild fire land mitigation	40,000	40,000	36,361	3,639
Christmas lights	8,000	8,000	6,445	1,555
Security and traffic safety	10,000	10,000	5,179	4,821
Sign maintenance and additions	5,000	5,000	300	4,700
Storage facility lease	500	500	500	-
Utilities	8,000	8,000	5,530	2,470
Water	28,000	28,000	25,501	2,499
General engineering	10,000	10,000	2,276	7,724
Maintenance - Parkway mulching	20,000	20,000	-	20,000
Maintenance - Trails and walking paths	10,000	10,000	-	10,000
Storm drainage (Includes engineering)	30,000	30,000	11,189	18,811
Timbers Creek	-	54,000	61,085	(7,085)
Capital outlay - Building	2,500	2,500	-	2,500
Capital outlay - Equipment purchases	40,000	40,000	-	40,000
Capital outlay - Fence replacement	3,000	3,000	-	3,000
Capital outlay - Erosion control	-	64,000	-	64,000
Capital outlay - Open space and pocket park	15,000	15,000	-	15,000
Capital outlay - Signage, traffic and speed mitigation	2,000	2,000	2,675	(675)
Capital outlay - Trails and sidewalks - existing	40,000	10,000	-	10,000
Capital outlay - Fountain pond	250,000	300,000	286,242	13,758
Capital outlay - Mailboxes and landscape	15,000	15,000	11,575	3,425
Capital outlay - Sprinkler replacement and upgrades	8,000	8,000	-	8,000
Capital outlay - Beautification	15,000	15,000	-	15,000
Capital outlay - Entryway landscape	-	-	8,790	(8,790)
Capital outlay - Playground equipment	10,000	10,000	-	10,000
Capital outlay - Landscaping improvements	15,000	-	-	-
Capital outlay - Detention ponds & storm drainage	75,000	-	-	-
Capital outlay - Contingency	20,000	-	-	-
Total expenditures	<u>1,149,100</u>	<u>1,149,100</u>	<u>811,238</u>	<u>337,862</u>
<b>NET CHANGE IN FUND BALANCES</b>	(553,238)	(553,238)	(208,290)	344,948
<b>FUND BALANCES - BEGINNING OF YEAR</b>	983,689	983,689	1,001,426	17,737
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 430,451</u>	<u>\$ 430,451</u>	<u>\$ 793,136</u>	<u>\$ 362,685</u>

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

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

High Prairie Farms Metropolitan District (District), a quasi-municipal corporation, was organized on May 5, 1986, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide public services, including streets, safety protection, transportation and park and recreational 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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

**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. 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 sum of assets and deferred outflows and the sum of liabilities and deferred inflows 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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**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. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets.

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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the liability is incurred.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

**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.

The District modified certain budget line items during the year, but did not amend the total appropriations.

**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 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.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

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

**Capital Assets**

Capital assets, which include equipment and infrastructure assets (e.g. parks, trails and similar items), are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500. 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.

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 fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Building	30 years
Parks and playground equipment	5-30 years
Lighting and signage	15 years
Equipment	5-10 years
Mailboxes	10-20 years
Entryway / Monumentation	10 years

**Fund Equity**

***Net Position***

For government -wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance***

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.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

- *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.
- *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 practice to use the most restrictive classification first.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 780,258
Cash and investments - Restricted	<u>17,800</u>
Total cash and investments	<u>\$ 798,058</u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	\$ 17,066
Investments	<u>780,992</u>
Total cash and investments	<u>\$ 798,058</u>

**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.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

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

At December 31, 2016, the District's cash deposits had a bank balance of \$36,779 and a carrying balance of \$17,066.

**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 for investments that are in the possession of another party.

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
- . Certain international agency securities
- . 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 and reverse agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include CSAFE which record its investments at amortized cost.

COLOTRUST is an external investment pool that records its investments at fair value. The investment in COLORTRUST is categorized as a Level 2 investment.

As of December 31, 2016, the District had the following investments:



**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (Colostrust)	Weighted average under 60 days	\$ 244,810
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>536,182</u>
		<u>\$ 780,992</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST is an external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Level 2 investment. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers two portfolios: COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, certain obligations of agencies of the U.S. government, and written purchase agreements collateralized by U.S. Treasury securities or certain obligations of U.S. government agencies. COLOTRUST PLUS+ may also invest in highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for COLOTRUST portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for the COLOTRUST'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 COLOTRUST. COLOTRUST is rated AAAM by Standard & Poor's.

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), 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 CSAFE. CSAFE 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.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in the District's capital assets for the year ended December 31, 2016, follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,162,073	\$ -	\$ -	\$ 2,162,073
Total capital assets, not being depreciated	<u>2,162,073</u>	<u>-</u>	<u>-</u>	<u>2,162,073</u>
Capital assets, being depreciated:				
Building	363,721	-	-	363,721
Lighting and signage	339,489	2,675	-	342,164
Parks and recreation	1,519,541	286,242	-	1,805,783
Equipment	260,429	-	-	260,429
Mailboxes	31,045	11,575	-	42,620
Entryway/Monumentation	-	8,790	-	8,790
Total capital assets, being depreciated	<u>2,514,225</u>	<u>309,282</u>	<u>-</u>	<u>2,823,507</u>
Less accumulated depreciation for:				
Building	78,806	12,124	-	90,930
Lighting and signage	163,593	17,527	-	181,120
Parks and recreation	1,078,020	55,235	-	1,133,255
Equipment	194,537	25,420	-	219,957
Mailboxes	595	2,908	-	3,503
Entryway/Monumentation	-	293	-	293
Total accumulated depreciation	<u>1,515,551</u>	<u>113,507</u>	<u>-</u>	<u>1,629,058</u>
Total capital assets, being depreciated, net	<u>998,674</u>	<u>195,775</u>	<u>-</u>	<u>1,194,449</u>
Capital assets, net	<u>\$ 3,160,747</u>	<u>\$ 195,775</u>	<u>\$ -</u>	<u>\$ 3,356,522</u>

Depreciation expense was charged to the general government of the District for the year ended December 31, 2016, in the amount of \$113,507.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS**

**Authorized Debt**

At December 31, 2016, the District had no authorized, unissued debt.

**NOTE 6 - INTERGOVERNMENTAL AGREEMENT**

The District entered into an agreement in 2000 with Denver Southeast Suburban Water and Sanitation District (DSSWS) for the construction of a pumping station and storage facility (joint use facility). Pursuant to the agreement, the DSSWS would design and construct the joint use facility and lease the storage facility to the District. The lease also contains provisions and a formula for shared maintenance of the facility. No maintenance costs were incurred during 2016. A lease payment of \$500.00 was made by the District in 2016. The future annual lease payments are \$500 per year through 2098 and may be adjusted for inflation as defined in the agreement.

**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, if any. As of December 31, 2016, the District had net investment in capital assets in the amount of \$3,356,522.

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, amounting to \$17,800.

The District's unrestricted net position as of December 31, 2016, totaled \$775,336.

**NOTE 8 - CONSERVATION TRUST FUND**

The Conservation Trust Fund represents the net unspent proceeds received from the State Lottery for the Conservation Trust Fund. Changes in the Conservation Trust Fund are as follows:

Balance, December 31, 2016	\$	-
Entitlement		12,493
Net investment income		18
Capital outlay - Open space - Wildfire land mitigation		<u>(12,511)</u>
Balance, December 31, 2016	\$	<u>-</u>

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 9 - 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). 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 10 - 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 May 7, 1996, voters approved a revenue change commencing in 1996 and each year thereafter, allowing the District to collect, retain and spend state and local government grants, developer contributions, HB 1006 Revenue, rates, fees, tolls and charges, and any other revenues not derived from ad valorem taxes. In 1996 and each year thereafter; and shall such revenues and any investment income thereon be approved as voter-approved revenue change, without limiting any such year the collection of any other revenues.

On November 5, 1996, voters approved the District to increase taxes by \$20,000 annually, to be produced by a total mill levy not to exceed 12.000 mills certified in 1996 and collected in 1997, and by whatever additional amounts, if any, are raised and collected each year thereafter from a total mill levy not to exceed 12.00 mills, for the maintenance of District landscaping and all other lawful District expenses, and shall such revenues and any investment income be collected and spent as a voter approved revenue change without regard to any spending, revenue raising of

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

other limitation of Article X, Section 20 of the Colorado Constitution; and shall the revenue from such taxes and investment income thereon also be approved for 1997 and each year thereafter as an increased levy under Section 29-1-302, C.R.S.

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.

This information is an integral part of the accompanying financial statements.

## **OTHER INFORMATION**

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2011	\$ 46,162,620	12.000	\$ 553,951	\$ 553,535	99.92%
2012	\$ 38,529,060	12.000	\$ 462,349	\$ 461,956	99.91%
2013	\$ 38,651,700	12.000	\$ 463,820	\$ 464,021	100.03%
2014	\$ 39,633,798	12.000	\$ 475,606	\$ 475,534	99.97%
2015	\$ 39,913,040	12.000	\$ 478,956	\$ 478,958	100.00%
2016	\$ 44,561,300	12.000	\$ 534,736	\$ 534,203	99.90%
Estimated for the year ending December 31, 2017	\$ 44,657,320	12.000	\$ 535,888		