

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2010

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the High Prairie Farms Metropolitan District, Douglas County, Colorado, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the High Prairie Farms Metropolitan District as of December 31, 2010, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The High Prairie Farms Metropolitan District has elected to not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise High Prairie Farms Metropolitan District's basic financial statements. The accompanying supplemental information on page 19 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The information on page 19 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Simmons & Wheeler P.C.

March 30, 2011

BASIC FINANCIAL STATEMENTS

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
December 31, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 645,524
Cash and investments - Restricted	18,000
Receivable - County Treasurer	2,840
Receivable - Other	20
Accrued interest receivable	839
Property taxes receivable	545,000
Prepaid expenses	6,266
Capital assets, not being depreciated	1,832,822
Capital assets, net of accumulated depreciation	<u>1,256,142</u>
Total assets	<u><u>4,307,453</u></u>
LIABILITIES	
Accounts payable	6,438
Deferred property taxes	<u>545,000</u>
Total liabilities	<u><u>551,438</u></u>
NET ASSETS	
Invested in capital assets	3,088,964
Restricted for:	
Emergency reserves	18,000
Unrestricted	<u>649,051</u>
Total net assets	<u><u>\$ 3,756,015</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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 452,576	\$ -	\$ 8,338	\$ 6,845	\$ (437,393)
	<u>\$ 452,576</u>	<u>\$ -</u>	<u>\$ 8,338</u>	<u>\$ 6,845</u>	<u>(437,393)</u>
General revenues:					
Property taxes					547,503
Specific ownership taxes					37,484
Net investment income					12,405
Other income					449
Total general revenues					<u>597,841</u>
Change in net assets					160,448
Net assets - Beginning					<u>3,595,567</u>
Net assets - Ending					<u>\$ 3,756,015</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, 2010**

	<u>Governmental Fund</u>
ASSETS	
Cash and investments	\$ 645,524
Cash and investments - Restricted	18,000
Receivable - County Treasurer	2,840
Receivable - Other	20
Accrued interest receivable	839
Property taxes receivable	545,000
Prepaid expenses	6,266
TOTAL ASSETS	<u>\$ 1,218,489</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 6,438
Deferred property taxes	545,000
Total liabilities	<u>551,438</u>
FUND BALANCES	
Reserved	
Emergency reserves	18,000
Prepaid expenses	6,266
Unreserved, reported in	
General Fund	584,435
Designated for subsequent year's expenditures	<u>58,350</u>
Total fund balances	<u>667,051</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	<u>3,088,964</u>
Net assets of governmental activities	<u>\$ 3,756,015</u>

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, 2010

	Governmental Fund
REVENUES	
Property taxes	\$ 547,503
Specific ownership taxes	37,484
Colorado state lottery funds	8,338
Net investment income	12,405
Contributions	6,845
Sale of equipment	1,500
Other income	449
Total revenues	<u>614,524</u>
EXPENDITURES	
Accounting	59,030
Audit	4,100
Christmas lights	5,454
County Treasurer's fees	8,234
Directors' fees	2,600
Erosion repair	30,012
Insurance	6,488
Legal	19,192
Maintenance - Chemicals and fertilizer	3,337
Maintenance - Contract	103,260
Maintenance - Equipment repairs and parts	3,391
Maintenance - Fuel and oil	3,624
Maintenance - Other	16,616
Maintenance - Tree spraying	2,617
Maintenance - Sprinkler	2,538
Maintenance - Weed spraying	7,107
Maintenance - Wild fire land mitigation	47,180
Miscellaneous	960
Publications and dues	613
Security	5,422
Storage facility lease	500
Utilities	5,848
Water	20,066
Equipment	9,454
Signage	209,377
Open space and pocket park	59,985
Trails and sidewalks	8,502
Beautification project	140,690
Total expenditures	<u>786,197</u>
NET CHANGE IN FUND BALANCES	(171,673)
FUND BALANCES - BEGINNING OF YEAR	<u>838,724</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 667,051</u></u>

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 GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2010**

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

Net change in fund balance - Total governmental fund	\$ (171,673)
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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	425,308
Depreciation	(80,539)
Proceeds from sale of assets	(1,500)

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.

Conveyed to other governmental entities	(8,502)
Net loss on sale of assets	(2,646)

Changes in net assets of governmental activities	<u>\$ 160,448</u>
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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, 2010

	Original and Final Budget	Actual	Variance- Positive (Negative)
REVENUES			
Property taxes	\$ 548,700	\$ 547,503	\$ (1,197)
Specific ownership taxes	38,410	37,484	(926)
Colorado state lottery funds	8,600	8,338	(262)
Net investment income	3,112	12,405	9,293
Contributions	-	6,845	6,845
Sale of equipment	-	1,500	1,500
IREA refunds	600	-	(600)
Other income	200	449	249
Total revenues	599,622	614,524	14,902
EXPENDITURES			
Accounting	43,000	59,030	(16,030)
Audit	4,300	4,100	200
Christmas lights	6,000	5,454	546
Contingency	12,220	-	12,220
County Treasurer's fees	8,230	8,234	(4)
Directors' fees	6,000	2,600	3,400
Erosion repair	20,000	30,012	(10,012)
Insurance	11,000	6,488	4,512
Legal	26,000	19,192	6,808
Maintenance - Chemicals and fertilizer	12,000	3,337	8,663
Maintenance - Contract	102,000	103,260	(1,260)
Maintenance - Equipment repairs and parts	10,000	3,391	6,609
Maintenance - Fuel and oil	6,000	3,624	2,376
Maintenance - Other	35,000	16,616	18,384
Maintenance - Tree spraying	40,000	2,617	37,383
Maintenance - Sprinkler	10,000	2,538	7,462
Maintenance - Weed spraying	10,000	7,107	2,893
Maintenance - Wild fire land mitigation	-	47,180	(47,180)
Miscellaneous	6,000	960	5,040
Publications and dues	800	613	187
Security	8,000	5,422	2,578
Storage facility lease	500	500	-
Utilities	6,000	5,848	152
Water	22,000	20,066	1,934
Equipment	30,000	9,454	20,546
Fence replacement	5,000	-	5,000
Signage	174,000	209,377	(35,377)
Detention pond	20,000	-	20,000
Open space and pocket park	10,000	59,985	(49,985)
Trails and sidewalks	20,000	8,502	11,498
Beautification project	128,950	140,690	(11,740)
Total expenditures	793,000	786,197	6,803
NET CHANGE IN FUND BALANCES	(193,378)	(171,673)	21,705
FUND BALANCES - BEGINNING OF YEAR	740,975	838,724	97,749
FUND BALANCES - END OF YEAR	\$ 547,597	\$ 667,051	\$ 119,454

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, 2010

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 assets 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 assets reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the government'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.

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.

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

Capital Assets

Capital assets, which include equipments 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.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	5-20 years
Lighting and signage	15 years
Equipment	5 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally segregated or are not subject to future appropriations. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

Reserved Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A portion of the General Fund balance has been reserved in compliance with this requirement.

The reserved fund balance for prepaid expenses represents payments to vendors that are applicable to a future accounting period and are therefore nonspendable resources and unavailable for appropriation.

Designated Fund Balance

The amount classified as "designated for subsequent year's expenditures" at December 31, 2010 represents the amount appropriated for use in the budget for the year ending December 31, 2011.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 645,524
Cash and investments - Restricted	<u>18,000</u>
Total cash and investments	<u>\$ 663,524</u>

Cash and investments as of December 31, 2010 consist of the following:

Deposits with financial institutions	\$ 467,520
Investments	<u>196,004</u>
Total cash and investments	<u>\$ 663,524</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.

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, 2010, the District's cash deposits had a bank balance of \$479,512 and a carrying balance of \$467,520.

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 to investment custodial credit risk for investments that are in the possession of another party.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colorado revised statutes limit investment maturities to five years or less or three years or less depending upon the type of investment, 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
- . 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

As of December 31, 2010, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 143,278
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	52,726
		<u>\$ 196,004</u>

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. 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 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.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in property and equipment for the year ended December 31, 2010, follows:

	Balance at December 31, 2009	Increases	Decreases	Balance at December 31, 2010
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,831,977	\$ 845	\$ -	\$ 1,832,822
Construction in progress - Signage	3,228	-	3,228	-
Total capital assets, not being depreciated	<u>1,835,205</u>	<u>845</u>	<u>3,228</u>	<u>1,832,822</u>
Capital assets, being depreciated:				
Building	363,721	-	-	363,721
Lighting and signage	91,462	215,495	-	306,957
Parks and recreation	1,259,466	194,240	-	1,453,706
Equipment	183,318	9,454	11,980	180,792
Total capital assets, being depreciated	<u>1,897,967</u>	<u>419,189</u>	<u>11,980</u>	<u>2,305,176</u>
Less accumulated depreciation for:				
Building	6,062	12,124	-	18,186
Lighting and signage	80,699	1,119	-	81,818
Parks and recreation	784,563	38,544	-	823,107
Equipment	105,005	28,752	7,834	125,923
Total accumulated depreciation	<u>976,329</u>	<u>80,539</u>	<u>7,834</u>	<u>1,049,034</u>
Total capital assets, being depreciated, net	<u>921,638</u>	<u>338,650</u>	<u>4,146</u>	<u>1,256,142</u>
Capital assets, net	<u>\$ 2,756,843</u>	<u>\$ 339,495</u>	<u>\$ 7,374</u>	<u>\$ 3,088,964</u>

Depreciation expense was charged to the general government of the District for the year ended December 31, 2010, in the amount of \$80,539.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 - LONG-TERM OBLIGATIONS

Authorized Debt

At December 31, 2010, 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 2010. A lease payment of \$500 was made by the District in 2010. 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 ASSETS

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

Invested 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, 2010, the District had invested in capital assets in the amount of \$3,088,964.

Restricted assets include net 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 assets as of December 31, 2010 amounting to \$18,000.

The District's unrestricted net assets as of December 31, 2010 totaled \$649,051.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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, 2009	\$ -
Entitlement	8,338
Net investment income	8
Capital outlay expenditures - Open space and park improvements	<u>(8,346)</u>
Balance, December 31, 2010	<u>\$ -</u>

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.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

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 and spend all revenue other than ad valorem property taxes.

On November 5, 1996, voters approved the District to collect and retain all ad valorem property taxes and interest income earned thereon, beginning with collections in 1998, from a total mill levy not to exceed 12.000 mills, without regard to any spending, revenue raising or other limitations.

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.

SUPPLEMENTAL INFORMATION

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2010**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2006	\$ 33,448,270	12.000	\$ 401,379	\$ 395,023	98.42%
2007	\$ 36,454,906	12.000	\$ 437,459	\$ 442,591	101.17%
2008	\$ 41,941,450	12.000	\$ 503,297	\$ 494,653	98.28%
2009	\$ 42,883,930	12.000	\$ 514,607	\$ 513,751	99.83%
2010	\$ 45,732,610	12.000	\$ 548,791	\$ 547,503	99.77%
Estimated for the year ending December 31, 2011	\$ 46,162,620	12.000	\$ 553,951		