

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2012

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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, as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 High Prairie Farms Metropolitan District as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise High Prairie Farms Metropolitan District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The continuing disclosure annual financial information, as listed in the table of contents, have 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.

Simmons & Wheeler P.C.

Centennial, CO
March 18, 2013

BASIC FINANCIAL STATEMENTS

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 949,479
Cash and investments - Restricted	15,900
Receivable - County Treasurer	2,602
Receivable - Other	12,092
Accrued interest receivable	214
Property taxes receivable	463,820
Prepaid expenses	7,501
Capital assets, not being depreciated	1,832,822
Capital assets, net of accumulated depreciation	1,126,094
Total assets	<u>4,410,524</u>
 LIABILITIES	
Accounts payable	23,314
Total liabilities	<u>23,314</u>
 DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	463,820
Total deferred inflows of resources	<u>463,820</u>
 NET POSITION	
Net investment in capital assets	2,958,916
Restricted for:	
Emergency reserves	15,900
Unrestricted	948,574
Total net position	<u>\$ 3,923,390</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, 2012**

<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>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 520,031	\$ -	\$ 10,830	\$ -	\$ (509,201)
	<u>\$ 520,031</u>	<u>\$ -</u>	<u>\$ 10,830</u>	<u>\$ -</u>	<u>\$ (509,201)</u>
General revenues:					
Property taxes					461,956
Specific ownership taxes					35,524
Net investment income					3,984
Other income					25,604
Gain on disposition of equipment					6,800
Total general revenues					<u>533,868</u>
Change in net position					24,667
Net position - Beginning					3,898,723
Net position - Ending					<u>\$ 3,923,390</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, 2012**

	<u>Governmental Fund</u>
ASSETS	
Cash and investments	\$ 949,479
Cash and investments - Restricted	15,900
Receivable - County Treasurer	2,602
Receivable - Other	12,092
Accrued interest receivable	214
Property taxes receivable	463,820
Prepaid expenses	7,501
Total assets	<u>\$ 1,451,608</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 23,314
Total liabilities	<u>23,314</u>
 DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>463,820</u>
Total deferred inflows of resources	<u>463,820</u>
 FUND BALANCES	
Nonspendable:	
Prepaid expenses	7,501
Restricted:	
Emergency reserves	15,900
Assigned:	
Working capital	150,000
Future capital replacement	385,000
Capital outlay - Entryway pond	100,000
Unassigned:	
General government	<u>306,073</u>
Total fund balances	<u>964,474</u>
 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	2,958,916
Net position of governmental activities	<u>\$ 3,923,390</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, 2012**

	Governmental Fund
REVENUES	
Property taxes	\$ 461,956
Specific ownership taxes	35,524
Conservation trust funds	10,830
Net investment income	3,984
Other income	25,604
Total revenues	537,898
EXPENDITURES	
Accounting	49,392
Audit	4,000
Christmas lights	6,053
County Treasurer's fees	6,944
Directors' fees	2,400
Insurance	7,321
Legal	31,532
Maintenance - Chemicals and fertilizer	3,641
Maintenance - Contract	112,524
Maintenance - Equipment repairs and parts	6,651
Maintenance - Fuel and oil	3,967
Maintenance - Other	28,026
Maintenance - Tree spraying	30,078
Maintenance - Sprinkler	4,016
Maintenance - Weed spraying	2,248
Maintenance - Wild fire land mitigation	52,055
Miscellaneous	704
Publications and dues	611
Repairs and maintenance	12,592
Security	5,266
Sign maintenance	82
Storage facility lease	500
Utilities	7,643
Water	24,819
Website development	15,707
Capital outlay - Equipment purchases	11,967
Capital outlay - Traffic signage	2,697
Total expenditures	433,436
NET CHANGE IN FUND BALANCES	104,462
FUND BALANCES - BEGINNING OF YEAR	860,012
FUND BALANCES - END OF YEAR	\$ 964,474

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, 2012**

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

Net change in fund balance - Total governmental fund	\$ 104,462
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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	14,664
Depreciation	(101,259)
Gain on disposition of equipment	<u>6,800</u>

Changes in net position of governmental activities	<u><u>\$ 24,667</u></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, 2012**

	Original and Final Budget	Actual	Variance- Positive (Negative)
REVENUES			
Property taxes	\$ 462,349	\$ 461,956	\$ (393)
Specific ownership taxes	30,070	35,524	5,454
Colorado state lottery funds	8,500	10,830	2,330
Net investment income	2,000	3,984	1,984
Other income	500	25,604	25,104
Total revenues	503,419	537,898	34,479
EXPENDITURES			
Accounting	48,000	49,392	(1,392)
Audit	4,300	4,000	300
Christmas lights	6,000	6,053	(53)
Contingency	3,965	-	3,965
County Treasurer's fees	6,935	6,944	(9)
Directors' fees	6,000	2,400	3,600
Insurance	9,000	7,321	1,679
Legal	28,000	31,532	(3,532)
Maintenance - Chemicals and fertilizer	5,000	3,641	1,359
Maintenance - Contract	118,000	112,524	5,476
Maintenance - Equipment repairs and parts	7,500	6,651	849
Maintenance - Fuel and oil	4,000	3,967	33
Maintenance - Other	35,000	28,026	6,974
Maintenance - Tree spraying	20,000	30,078	(10,078)
Maintenance - Sprinkler	5,000	4,016	984
Maintenance - Weed spraying	8,000	2,248	5,752
Maintenance - Wild fire land mitigation	50,000	52,055	(2,055)
Miscellaneous	2,000	704	1,296
Publications and dues	800	611	189
Repairs and maintenance	-	12,592	(12,592)
Security	5,000	5,266	(266)
Sign maintenance	10,000	82	9,918
Storage facility lease	500	500	-
Utilities	7,000	7,643	(643)
Water	24,000	24,819	(819)
Website development	8,000	15,707	(7,707)
Capital outlay - Building	5,000	-	5,000
Capital outlay - Erosion repair	15,000	-	15,000
Capital outlay - Equipment purchases	35,000	11,967	23,033
Capital outlay - Fence replacement	3,000	-	3,000
Capital outlay - Detention pond	20,000	-	20,000
Capital outlay - Open space and pocket park	20,000	-	20,000
Capital outlay - Traffic signage	3,000	2,697	303
Capital outlay - Trails and sidewalks	20,000	-	20,000
Total expenditures	543,000	433,436	109,564
NET CHANGE IN FUND BALANCES	(39,581)	104,462	144,043
FUND BALANCES - BEGINNING OF YEAR	826,620	860,012	33,392
FUND BALANCES - END OF YEAR	\$ 787,039	\$ 964,474	\$ 177,435

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, 2012

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 assets and deferred outflows of resources minus liabilities and deferred inflows of resources of the District is reported as net position.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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.

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.

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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 a deferred inflow of resources in the year they are levied and measurable. The deferred inflow of resources 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.

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:

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Building	30 years
Parks and playground equipment	5-20 years
Lighting and signage	15 years
Equipment	5 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.
- *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.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

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

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 *“Elements of Financial Statements”* (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the District’s financial statements has been to replace the term “net assets” with “net position”.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. The impact on the District’s financial statements has been to record property taxes to be collected in 2013 as a deferred inflow of resources.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 949,479
Cash and investments - Restricted	<u>15,900</u>
Total cash and investments	<u>\$ 965,379</u>

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

Deposits with financial institutions	\$ 217,994
Investments	<u>747,385</u>
Total cash and investments	<u>\$ 965,379</u>

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2012, the District's cash deposits had a bank and a carrying balance of \$217,994.

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.

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.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2012, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 428,568
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	318,817
		<u>\$ 747,385</u>

HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (Colostrust), 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. Colostrust 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, 2012**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in the District's capital assets for the year ended December 31, 2012, follows:

	<u>Balance at December 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2012</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,832,822	\$ -	\$ -	\$ 1,832,822
Total capital assets, not being depreciated	<u>1,832,822</u>	<u>-</u>	<u>-</u>	<u>1,832,822</u>
Capital assets, being depreciated:				
Building	363,721	-	-	363,721
Lighting and signage	319,910	2,697	-	322,607
Parks and recreation	1,463,645	-	-	1,463,645
Equipment	198,904	18,767	18,988	198,683
Total capital assets, being depreciated	<u>2,346,180</u>	<u>21,464</u>	<u>18,988</u>	<u>2,348,656</u>
Less accumulated depreciation for:				
Building	30,310	12,124	-	42,434
Lighting and signage	97,598	16,088	-	113,686
Parks and recreation	873,152	50,209	-	923,361
Equipment	139,231	22,838	18,988	143,081
Total accumulated depreciation	<u>1,140,291</u>	<u>101,259</u>	<u>18,988</u>	<u>1,222,562</u>
Total capital assets, being depreciated, net	<u>1,205,889</u>	<u>(79,795)</u>	<u>-</u>	<u>1,126,094</u>
Capital assets, net	<u>\$ 3,038,711</u>	<u>\$ (79,795)</u>	<u>\$ -</u>	<u>\$ 2,958,916</u>

Depreciation expense was charged to the general government of the District for the year ended December 31, 2012, in the amount of \$101,259.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 5 - LONG-TERM OBLIGATIONS

Authorized Debt

At December 31, 2012, 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 2012. A lease payment of \$500 was made by the District in 2012. 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, 2012, the District had net investment in capital assets in the amount of \$2,958,916.

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, 2012 amounting to \$15,900.

The District's unrestricted net position as of December 31, 2012 totaled \$948,574.

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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, 2011	\$ -
Entitlement	10,830
Net investment income	5
Capital outlay - Open space - Wildfire land mitigation	<u>(10,835)</u>
Balance, December 31, 2012	<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, 2012**

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.

SUPPLEMENTARY INFORMATION

**HIGH PRAIRIE FARMS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2012**

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	
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%
2011	\$ 46,162,620	12.000	\$ 553,951	\$ 553,535	99.92%
2012	\$ 38,529,060	12.000	\$ 462,349	\$ 461,956	99.91%
Estimated for the year ending December 31, 2013	\$ 38,651,700	12.000	\$ 463,820		