

ASPEN HIGHLANDS COMMERCIAL
METROPOLITAN DISTRICT

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

July 8, 2021

The Board of Directors
Aspen Highlands Commercial Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of Aspen Highlands Commercial Metropolitan District as of and for the year ended December 31, 2020, 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 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Aspen Highlands Commercial Metropolitan District, as of December 31, 2020, and the respective changes in financial position thereof 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.



Board of Directors
Aspen Highlands Commercial Metropolitan District
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Aspen Highlands Commercial Metropolitan District's basic financial statements. The property tax statistical schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The property tax statistical schedule 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 it.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

ASPEN HIGHLANDS COMMERCIAL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

The establishment of Aspen Highlands Commercial Metropolitan District (the "District") was approved by voters on November 10, 1998 and formally organized by judicial decree on November 23, 1998 for the purpose of providing certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within the corporate boundary of the City of Aspen, Colorado, and serves an 83-acre residential and commercial community at the base of the Aspen Highlands ski area.

The Aspen Highlands Commercial Metropolitan District and the Aspen Highlands Residential Metropolitan District, by intergovernmental agreement, and for reasons of cost effectiveness, operate as a combined Metropolitan District with the Commercial District providing and coordinating all operations, maintenance, and administration for both Districts. The Residential District provides the primary funding for these services in the form of "intergovernmental service fees," pursuant to the Regional Facilities Construction Agreement.

As the managers of Aspen Highlands Commercial Metropolitan District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This *discussion and analysis* are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *other information* that further explains and supports the information in the financial statements and enhances the reader's understanding of the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Current-year to prior-year comparisons are presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflows of resources, with the difference reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7 thru 8.

ASPEN HIGHLANDS COMMERCIAL METROPOLITAN DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund that is reported as a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending.

Governmental Fund financial statements are prepared on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the District’s general government operations and the basic services it provides.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page 12 of this report.

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District’s net position for the fiscal year 2020 compared to 2019.

| <i>(In Thousands)</i> | 2020 | 2019 |
|---|----------|----------|
| <u>ASSETS:</u> | | |
| Cash and Other Assets | \$ 4,188 | \$ 4,548 |
| Capital Assets, Net | 5,169 | 4,857 |
| Total Assets | 9,357 | 9,405 |
| <u>LIABILITIES & DEFERRED INFLOWS:</u> | | |
| Current and other liabilities | 209 | 169 |
| Deferred Inflows | 247 | 234 |
| Total Liabilities & Deferred Inflows | 456 | 402 |
| <u>NET POSITION:</u> | | |
| Net Investment, Capital Assets | 5,169 | 4,857 |
| Restricted for emergencies | 42 | 40 |
| Unrestricted | 3,690 | 4,106 |
| Total Net Position | \$ 8,901 | \$ 9,003 |

ASPEN HIGHLANDS COMMERCIAL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

The District's Net Position decreased from 2019 to 2020 by \$101,802 or 1.1%, which is primarily due to the decrease of \$360,896 in Cash and Other Current Assets, offset by \$312,164 increase in net capital assets. Total current liabilities increased by \$40,169, and total deferred inflows increased by \$12,902. Net Investment in Capital Assets increased by \$312,164 due to the net of annual depreciation, disposals and current year additions, where current year additions were more than current year disposals and depreciation.

Statement of Activities

The Statement of Activities reflects general property taxes and service revenues and the cost of providing services to the District. The following summary reflects the overall change in net position for the fiscal year 2020 compared to 2019:

| <i>(In Thousands)</i> | 2020 | 2019 |
|---------------------------------------|--------|----------|
| <u>REVENUES:</u> | | |
| Property Taxes | \$ 235 | \$ 230 |
| Specific Ownership Taxes | 7 | 8 |
| Interest earnings | 30 | 102 |
| Intergovernmental service fees | 1,041 | 992 |
| Other fees & charges | 58 | 10 |
| Total Revenues | 1,371 | 1,342 |
| <u>EXPENSES:</u> | | |
| General Government | 144 | 131 |
| Public Works | 511 | 907 |
| (Snowmelt, Road, & Irrigation Maint.) | | |
| Transportation | 370 | 451 |
| Culture and recreation | 82 | 77 |
| Total Expenses | 1,107 | 1,566 |
| Change in Net Position | \$ 264 | \$ (224) |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

For 2020 revenues and expenditures in the Governmental Fund, please see page 10, and also refer to the table shown above, which is substantially the same as the fund level activity except for the treatment of capital asset additions, depreciation expense, and loss on disposal for a comparison to the prior year. Property tax revenues increased due to

ASPEN HIGHLANDS COMMERCIAL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

the a higher assessed valuation while decreasing the mill levy from 34.193 to 33.309 in 2020. Property Tax revenues increased \$4,654 or 2.0% over 2019. Intergovernmental service fee revenue in 2020 increased \$49,591 or 5.0% from 2019. Overall total revenues for 2020 increased \$97,535 or 7.8% compared to 2019, mostly due to the increase in intergovernmental service fees and Corona Virus Relief Grant Funds. All surplus funds for the Residential and Commercial Districts are considered available for use by the Commercial District for operations, according to the Regional Facilities Construction Agreement (intergovernmental service agreement) between the Districts. Decreased costs in general expenditures, transportation (bus & DAR program), and culture & recreation were offset by increased capital outlay costs which resulted in an overall expenditure decrease of \$215,673 or 12.7% for 2020 compared to 2019.

BUDGET VARIANCES

A summary of budget to actual expenditures for the governmental fund can be found on page 11 of this report. The District's total 2020 revenues in the amount of \$1,371,176 were lower than budget expectations of \$1,385,980 by \$14,804 or 1.0%. The primary reason for this variance is the decrease in interest income revenue totaling \$61,026 resulting from continued falling of ColoTrust interest rates and Corona Virus Relief Fund Grant of \$44,075. As stated above, all surplus funds for the Residential and Commercial Districts are considered available for use by the Commercial District for operations. Total expenditures were less than the final budgeted expenditures by \$161. Budget overages occurred in the expense categories of general and public works (due to increased level of service required for Snowmelt system operations, Roads, and Landscaping maintenance) along with capital outlay. Budget savings were realized in the expense categories of transportation due to the busses being shut down for part of the year during the pandemic.

CAPITAL ASSETS

The District's net capital assets increased by \$312,164 as a net result of current-year additions being more than depreciation. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements, Note C, on page 18.

REQUEST FOR INFORMATION

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the:

Aspen Highlands Commercial Metropolitan District Manager
c/o The Romero Group, LLC
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Aspen Highlands Commercial Metropolitan District

STATEMENT OF NET POSITION

December 31, 2020

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and investments | \$ 3,907,329 |
| Receivables | |
| Accounts receivable | 20,313 |
| Property taxes | 246,513 |
| Prepaid expenses and deposits | 13,013 |
| Capital assets, net of accumulated depreciation | 5,169,420 |
| Total Assets | 9,356,588 |
| LIABILITIES | |
| Accounts payable | 208,738 |
| Total Liabilities | 208,738 |
| DEFERRED INFLOWS | |
| Property taxes | 246,513 |
| Total Deferred Inflows | 246,513 |
| Total Liabilities and Deferred Inflows | 455,251 |
| NET POSITION | |
| Net investment in capital assets | 5,169,420 |
| Restricted for emergencies | 42,154 |
| Unrestricted | 3,689,763 |
| Total Net Position | \$ 8,901,337 |

The accompanying notes are an integral part of this statement.

Aspen Highlands Commercial Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

| Function/Programs | Expenses | Program Revenues | | | Total Governmental Activities |
|-------------------------------|---------------------|----------------------|------------------------------------|---------------------------------|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contribution | |
| Governmental activities: | | | | | |
| General government | \$ 143,743 | \$ 85,697 | \$ 44,705 | \$ - | \$ (13,341) |
| Public works | 876,183 | 693,260 | 11,504 | - | (171,419) |
| Transportation | 370,559 | 216,177 | - | - | (154,382) |
| Culture and recreation | 82,493 | 48,125 | - | - | (34,368) |
| Total governmental activities | <u>\$ 1,472,978</u> | <u>\$ 1,043,259</u> | <u>\$ 56,209</u> | <u>\$ -</u> | <u>(373,510)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 241,434 |
| Interest earnings | | | | | 30,274 |
| Total general revenues | | | | | <u>271,708</u> |
| Change in net position | | | | | (101,802) |
| Net position - beginning | | | | | <u>9,003,139</u> |
| Net position - ending | | | | | <u>\$ 8,901,337</u> |

The accompanying notes are an integral part of this statement.

Aspen Highlands Commercial Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

| | General | Total Governmental Funds |
|---|---|--------------------------------|
| ASSETS | | |
| Cash and investments | \$ 3,907,329 | \$ 3,907,329 |
| Receivables | | |
| Accounts receivable | 20,313 | 20,313 |
| Property taxes | 246,513 | 246,513 |
| Prepaid expenses and deposits | 13,013 | 13,013 |
| Total Assets | <u>\$ 4,187,168</u> | <u>\$ 4,187,168</u> |
| LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY | | |
| Liabilities | | |
| Accounts payable | \$ 208,738 | \$ 208,738 |
| Total Liabilities | <u>208,738</u> | <u>208,738</u> |
| Deferred inflows | | |
| Property taxes | 246,513 | 246,513 |
| Total Deferred Inflows | <u>246,513</u> | <u>246,513</u> |
| Fund equity | | |
| Nonspendable | 13,013 | 13,013 |
| Restricted for emergencies | 42,154 | 42,154 |
| Assigned - reserve fund | 3,384,063 | 3,384,063 |
| Unassigned | 292,687 | 292,687 |
| Total Fund Equity | <u>3,731,917</u> | <u>3,731,917</u> |
| Total Liabilities, Deferred Inflows, and Fund Equity | <u>\$ 4,187,168</u> | <u>\$ 4,187,168</u> |
| | Fund equity (as reported above) | \$ 3,731,917 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds | | <u>5,169,420</u> |
| | Net position of governmental activities | <u>\$ 8,901,337</u> |

The accompanying notes are an integral part of this statement.

Aspen Highlands Commercial Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2020

| | General | Total Governmental Funds |
|---|--------------|--------------------------------|
| Revenues | | |
| Property taxes | \$ 234,584 | \$ 234,584 |
| Specific ownership taxes | 6,850 | 6,850 |
| Intergovernmental service fees | 1,041,419 | 1,041,419 |
| Intergovernmental grants | 44,075 | 44,075 |
| Interest earnings | 30,274 | 30,274 |
| Other fees and charges | 13,974 | 13,974 |
| Total revenues | 1,371,176 | 1,371,176 |
| Expenditures | | |
| Current | | |
| General government | 143,743 | 143,743 |
| Public works | 510,579 | 510,579 |
| Transportation | 370,559 | 370,559 |
| Culture and recreation | 82,493 | 82,493 |
| Capital outlay | 677,768 | 677,768 |
| Total expenditures | 1,785,142 | 1,785,142 |
| Excess of Revenues Over (Under) Expenditures | (413,966) | (413,966) |
| Fund Balance - beginning | 4,145,883 | 4,145,883 |
| Fund Balance - ending | \$ 3,731,917 | \$ 3,731,917 |
| Net Change in Fund Balance (above) | | \$ (413,966) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which depreciation was less than capital outlay in the current period. (\$677,768-\$365,604) | | 312,164 |
| Change in net position of governmental activities | | \$ (101,802) |

The accompanying notes are an integral part of this statement.

Aspen Highlands Commercial Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2020

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---------------------|--|
| Revenues | | | |
| Property taxes | \$ 233,611 | \$ 234,584 | \$ 973 |
| Specific ownership taxes | 7,008 | 6,850 | (158) |
| Intergovernmental service fees | 1,041,420 | 1,041,419 | (1) |
| Intergovernmental grants | - | 44,075 | 44,075 |
| Interest earnings | 91,300 | 30,274 | (61,026) |
| Other fees and charges | 12,641 | 13,974 | 1,333 |
| Total revenues | <u>1,385,980</u> | <u>1,371,176</u> | <u>(14,804)</u> |
| Expenditures | | | |
| General government | | | |
| Management fees | 61,260 | 61,260 | - |
| Professional fees | 29,500 | 35,128 | (5,628) |
| Treasurer's fees | 11,438 | 11,703 | (265) |
| Insurance | 15,690 | 14,981 | 709 |
| Office | 16,715 | 19,661 | (2,946) |
| Miscellaneous | 2,020 | 1,010 | 1,010 |
| Public works | | | |
| Snowmelt system operations | 145,255 | 190,990 | (45,735) |
| Road and general maintenance | 104,684 | 140,622 | (35,938) |
| Irrigation, drainage, landscape maintenance | 136,750 | 168,591 | (31,841) |
| Small equipment and tools | 7,590 | 10,376 | (2,786) |
| Transportation | | | |
| Intravillage operations | 89,734 | 108,230 | (18,496) |
| Transit operations | 357,265 | 262,329 | 94,936 |
| Culture and recreation | | | |
| Village parks and trails maintenance | 78,083 | 82,493 | (4,410) |
| Capital outlay | 612,140 | 677,768 | (65,628) |
| Contingency | 277,796 | - | 277,796 |
| Total expenditures | <u>1,945,920</u> | <u>1,785,142</u> | <u>160,778</u> |
| Excess of Revenues Over (Under) Expenditures | (559,940) | (413,966) | 145,974 |
| Fund balance, beginning | <u>3,917,098</u> | <u>4,145,883</u> | <u>228,785</u> |
| Fund balance, ending | <u>\$ 3,357,158</u> | <u>\$ 3,731,917</u> | <u>\$ 374,759</u> |

The accompanying notes are an integral part of this statement.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Aspen Highlands Commercial Metropolitan District (the District) was approved by voters on November 10, 1998 and formally organized by judicial decree on November 23, 1998, pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five member Board of Directors, which is elected by the registered voters within the District. The purpose of the District is to provide drainage, street, park and recreation, transportation facilities, programs and services for the Aspen Highlands Village community.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

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

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

3. Government-wide and Fund Financial Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, the District has only governmental activities.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported as net investment in capital assets, restricted for emergencies, and unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, deferred inflow of resources, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has one General Fund, which is a governmental fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows is reported as fund balance.

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days of year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

6. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Inter-Governmental Service Fees

Quasi-external transactions are accounted for as revenues, expenditures or expenses. In 1999, the District entered into an agreement with the Aspen Highlands Residential Metropolitan District (the Residential District) adopting a policy whereby the Commercial District pays for all operational expenses associated with both Districts and charges the Residential District a service fee for administering the operations of the Residential District. The service fee is an expenditure for the Residential District and a revenue for the District.

To the extent that service fees between the District and the Residential District had not been paid or received as of year-end, balances of intergovernmental amounts receivable or payable are recorded.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District’s Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with generally accepted accounting principles (“GAAP”).

As required by Colorado statutes, the District followed the timetable below in approving and enacting a budget for the ensuing years:

- (1) For the 2020 budget year, prior to August 23, 2019, the County Assessor sent the District the assessed valuation of all taxable property within the District’s boundaries.
- (2) On or before October 15, 2019, the District’s accountant submitted to the District’s Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District’s operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2020 budget, prior to December 15, 2019, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2020 budget, the final budget and appropriating resolution was adopted prior to December 31, 2019.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

9. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed for amounts of \$5,000 or greater.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

| | <u>Estimated Lives</u> |
|-------------------------|------------------------|
| Roads | 25 to 40 years |
| Irrigation system | 25 years |
| Furniture and equipment | 5 to 25 years |
| Land improvements | 30 years |

10. Property Taxes

Property taxes for 2020, collectible in 2021, were certified by the Pitkin County Commissioners before December 31, 2020. Property taxes attached as an enforceable lien on January 1 and are due in total April 30 or in equal installments February 28 and June 15, at the option of the taxpayer. Property taxes for 2020, collectible in 2021, are shown as property taxes receivable and deferred inflow in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

11. Accounts Receivable

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE B – CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2020, the District had cash deposits of \$117,274, of which 100% was covered by federal depository insurance.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

As of December 31, 2020, the District had \$3,805,990 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 operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. Colotrust operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

The balance of \$3,805,990 as of December 31, 2020, is divided among the following Colotrust accounts:

1. General Fund – \$421,928 – This Colotrust account is used to hold operating funds of the district for ongoing annual operations.
2. Reserve Fund – \$3,384,063 – This Colotrust account is used to hold Major Maintenance Reserve Funds tied to the District's most recent reserve study related to specific replacements and repairs that are planned. This account is also used to hold the funds associated with the GE Johnson construction litigation settlement from 2011. These funds are specifically assigned to cover the capital repairs associated with the following project scopes:

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE B – CASH AND INVESTMENTS – CONTINUED

- a. Boomerang road, snowmelt and road capital repairs including the eventual replacement of the stamped concrete walks adjacent to the bus and Highlands Center
- b. Thunderbowl road, snowmelt and road capital repairs
- c. Prospector road, snowmelt and road capital repairs
- d. Elevated Prospector road, snowmelt and road capital repairs

The District’s approach to repairs with the settlement money has been to extend the life of the roads as far out as possible before replacement. The District is taking on the highest need areas first and phasing to minimize impacts to residents and businesses.

The balance in the Reserve Fund Colotrust account is shown as assigned fund equity on the Balance Sheet – Governmental Funds financial statement on page 9.

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

| | Balance 12/31/19 | Additions | Dispositions | Balance 12/31/20 |
|---------------------------------------|---------------------|-------------------|----------------|---------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Construction in progress | \$ – | \$ – | \$ – | \$ – |
| Capital assets being depreciated | | | | |
| Roads | 7,688,355 | 585,100 | – | 8,273,455 |
| Irrigation system | 1,170,921 | – | – | 1,170,921 |
| Furniture and equipment | 449,719 | 90,430 | (15,409) | 524,740 |
| Land improvements | 796,973 | 2,238 | – | 799,211 |
| Less: accumulated depreciation | <u>(5,248,712)</u> | <u>(365,604)</u> | <u>15,409</u> | <u>(5,598,907)</u> |
| Capital assets being depreciated, net | <u>4,857,256</u> | <u>312,164</u> | <u>–</u> | <u>5,169,420</u> |
| Capital assets, net | <u>\$ 4,857,256</u> | <u>\$ 312,164</u> | <u>\$ –</u> | <u>\$ 5,169,420</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Public works | \$ 365,604 |
| Total depreciation expense – governmental activities | <u>\$ 365,604</u> |

NOTE D – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that there are no material outstanding claims against the District at December 31, 2020.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE E – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2019 (latest information available) is as follows:

| | |
|----------------------------------|-----------------------|
| Assets | <u>\$ 55,602,023</u> |
| Liabilities | \$ 33,163,342 |
| Capital and surplus | <u>22,438,681</u> |
| Total | <u>\$ 55,602,023</u> |
| Revenues | \$ 22,436,944 |
| Investment income and other | <u>1,173,628</u> |
| Total revenue | <u>23,610,572</u> |
| Expenses | <u>25,355,739</u> |
| Excess of revenues over expenses | <u>\$ (1,745,167)</u> |

NOTE F – RELATED PARTY TRANSACTIONS

Certain District board members are also members of the Aspen Highlands Village Association (the Association) board. During the year ended December 31, 2020, the District paid the Association a total of \$3,290 for office rent. As of December 31, 2020, \$0 was due from the District to the Association.

The District and FiveTrees Metropolitan District entered into an intergovernmental agreement for cost sharing of the Maroon Creek Road bus service. During the year ended December 31, 2020 the Five Trees Metropolitan District paid 5%, \$6,906 of the total bus costs billed to the District and the District paid the other 95%, \$161,311.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – RELATED PARTY TRANSACTIONS – CONTINUED

Certain District board members are also members of the Aspen Highlands Village Parking and Loading Dock Facility Association Board. The District's year ended December 31, 2020 includes payments to Aspen Highlands Village Parking and Loading Dock Association for Aspen Highlands Commercial Metropolitan District's share of trash removal costs in the amount of \$14,678, with an outstanding payable of \$3,986 due to the Association as of December 31, 2020. As of December 31, 2020 there were \$0 in outstanding receivables from Aspen Highlands Village Parking and Loading Dock Facility Association.

NOTE G – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2020, a reserve of \$42,154 was required.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1999 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In 1998 the District's electorate voted to allow the District to collect, retain and expend revenues notwithstanding any of TABOR's restrictions.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Aspen Highlands Commercial Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H – FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. When both restricted and unrestricted funds are available for expenditure, restricted funds are used first.

OTHER INFORMATION

Aspen Highlands Commercial Metropolitan District

SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2020

| Calendar Year Ended December 31 | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Total Property Taxes | | Percent Collected to Levied |
|---------------------------------------|---|-----------------|----------------------|------------|-----------------------------------|
| | | | Levied | Collected | |
| 2007 | \$ 4,858,310 | 36.565 | \$ 177,644 | \$ 177,644 | 100.0% |
| 2008 | 5,098,340 | 33.000 | 168,245 | 168,222 | 99.9% |
| 2009 | 4,980,330 | 33.782 | 168,246 | 167,984 | 99.8% |
| 2010 | 6,223,830 | 30.850 | 192,005 | 191,532 | 99.8% |
| 2011 | 5,591,150 | 31.398 | 175,551 | 175,218 | 99.8% |
| 2012 | 5,111,670 | 32.871 | 168,026 | 167,938 | 99.9% |
| 2013 | 5,099,060 | 34.320 | 175,000 | 174,924 | 99.9% |
| 2014 | 4,920,670 | 35.564 | 174,999 | 175,074 | 100.0% |
| 2015 | 4,976,060 | 35.564 | 176,969 | 176,969 | 100.0% |
| 2016 | 6,108,860 | 35.564 | 217,255 | 217,255 | 100.0% |
| 2017 | 6,119,240 | 35.564 | 217,625 | 217,526 | 99.9% |
| 2018 | 6,767,440 | 33.000 | 223,326 | 222,865 | 99.8% |
| 2019 | 6,727,270 | 34.193 | 230,026 | 229,931 | 98.4% |
| 2020 | 7,013,450 | 33.309 | 233,611 | 234,584 | 100.4% |
| 2021 | 6,949,100 | 35.474 | 246,513 | | |

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.